

FINTECH PRACTICE GROUP

CBN Puts Terrorism Financing Front and Centre: What Banks Need to Prove Now

The Central Bank of Nigeria just made its priorities crystal clear for every bank and financial institution under its watch. In a new statement this week, the CBN announced it's moving terrorism financing risk up to a top supervisory priority. If banks see this as just another bit of regulatory jargon, they're not paying attention as the CBN is marking a real shift in focus, not just talking for form's sake.

What Did the CBN Say?

The Central Bank is zeroing in on four areas: how banks manage terrorism financing risk, how they monitor transactions for terrorist ties, how they handle targeted financial sanctions, and how they report suspicious transactions linked to terrorism financing. So, this isn't just a reminder for banks to follow the usual anti-money laundering rules. Supervision will include on-site checks and off-site monitoring, so if a bank seems more vulnerable to terrorism financing, it's going to face closer scrutiny than a lower-risk institution. The statement even mentions ongoing engagement, which tells you this is just the first step in a sustained push.

Why Now?

Earlier this year, the CBN sent out a circular telling banks to immediately freeze the accounts and assets of anyone sanctioned for terrorism or terrorism financing. That happened right after new sanctions from both Nigeria's own committee and the U.S. Treasury's Office of Foreign Assets Control. Between that freeze order and the latest CBN warning, the pattern is clear: Nigerian and international authorities have been busy, and now the CBN is following through with daily oversight. This fits a wider trend where financial regulators everywhere are turning up the heat on illicit financial flows. In Nigeria, there's added pressure, given past concerns about how well sanctions compliance is handled at senior levels.

What Does "Risk Management" Actually Look Like?

For a financial institution, "terrorism financing risk management" isn't just ticking a box but a whole system. Customer due diligence can't just focus on money laundering in general; it has to target terrorism financing risks specifically. Ongoing monitoring has to pick up terrorism financing patterns, not just whatever the transaction monitoring system generally flags. Governance structures need to push real findings to decision-makers who can actually do something and not let them languish in a compliance backlog. Banks that just lumped terrorism financing controls together with regular AML programs now need a rethink. With the CBN calling out terrorism financing risk management as its own priority, a generic AML approach just isn't going to cut it for what regulators will test now.

Targeted Sanctions: What the CBN Expects

The CBN is serious about banks actually implementing sanctions, not just screening new customers once at onboarding. They want institutions to keep checking their client list to catch anyone who gets designated after signing up. Banks need to show they can freeze assets right away when names pop onto a list.

What Banks Should Do Next

The best first step is an honest self-assessment: do your systems really cover the four areas the CBN spelled out – risk management, transaction monitoring, sanctions implementation and suspicious transaction reporting? If you haven't tested whether your setup would catch a genuine terrorism financing pattern, this is the time to do it, before the CBN examiners show up to do it instead.

Board and Senior Management: Under the Spotlight

Banks sometimes miss that this isn't just about the compliance team. The CBN's risk-based approach means examiners will expect the board and senior management to understand and manage terrorism financing risks themselves. It can't just be something pushed down to compliance with little executive oversight. Boards should be ready to answer, during any CBN review, how often terrorism financing risk gets discussed at the board or committee level, whether the institution's risk appetite deals with this specific risk, and whether compliance findings get escalated quickly to people who can act.

Group Coordination

For banking groups with multiple entities, this is the time to make sure terrorism financing risk is handled cohesively across the group.

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