

Financial Crimes and Government Efforts in Curbing Financial Crimes in Nigeria

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ABSTRACT

This paper examined the meaning, component, topology of financial crimes, the activities and extent of financial crimes, victims of financial crimes, facilitating factors of financial crimes, and government efforts in curbing financial crimes. The financial crimes identified were corruption such as kickbacks, bribery, extortion and embezzlement, fraud, such as Ponzi-scheme, pyramid schemes, fraudster online, phishing, card fraud skimming, counterfeit cards, advanced fee scams, fund transfer and fake prizes, money laundry, tax evasion and sale of fictitious financial instruments. Government efforts in curbing financial crimes include the promulgation of various laws aimed at providing the legal framework to combat these crimes, the treasury single Account policy and the establishment of the independent corrupt practices and other Related Offences Commission (ICPC) and the Economic and the Financial Crimes Commission (EFCC). The government should put in place a machinery to implement the various laws aiming at financial crimes in Nigeria to avoid an economic downturn.

Keywords: *Financial crimes, Fraud, Embezzlement, TSA, Corruption.*

INTRODUCTION

There is no internationally accepted definition of financial crime (IMF, 2001; Ryder, 2011). Financial crime is a crime against property involving the unlawful conversion of property of another for one's personal use and benefit. According to the International Monetary Fund (2001), Financial Crime refers to "any non-

violence crime that generally results in financial loss”. The United Kingdom Financial Services and Market Act (FSMA) (2000) states that financial crimes include fraud, dishonesty, misconduct in or misuse of information relating to a financial market, or handling of crime proceeds. Some researchers and government institutions do not clearly distinguish between financial crime, financial abuse, and white-collar crime and use them interchangeably without any differences.

IMF (2001) suggests that financial abuse is encouraged by the poor regulatory or supervisory frameworks and weak tax systems as a subset of financial abuse; a financial crime requires a financial loss. Pickett K. and Pickett J. (2002) define financial crime as “the use of deception for illegal gain, normally involving breach of trust, and some concealment of the true nature of the activities”; using the terms financial crime, white-collar crime, and fraud interchangeably.

On the other hand, Interpol states that financial crime is also often referred to as white-collar crime by Sutherland (1939) as committed by a person of respectability and high social status in the occupation. By this definition, white-collar crime is equivalent to occupational crime. Financial crime encompassed white-collar crime in that the former is perpetrated by individuals or groups regardless of occupations. Examples of white-collar crime are money laundering, insider dealing, fraud, and market manipulation. While no one definition is generally accepted, financial crime is a non-violent offence committed by or against an individual or corporation which results in a financial loss. It is a planned illegal or unethical act of deception during legitimate occupational activity by persons of high or respectable social status for personal or organizational gain that violates accepted accounting practices/fiduciary responsibility or public trust. The hallmarks of financial crimes are conspiracy, deception, and concealment. These make financial crimes sophisticated (hard to detect) and complex (hard to prosecute and convict). The goal of financial criminals is usually to achieve personal financial gain (Okawuru, 2004).

The objectives of the paper are to:

- State the meaning, component and typology of financial crimes

- Enumerate the activities and extent of financial crimes
- Identify the victims of financial crimes
- Identify the facilitating factors of financial crimes
- State government efforts in curbing financial crimes in Nigeria.

Components of Financial Crimes

FBI (2005) sees financial crime as deceit, concealment, or violation of trust without dependency on physical force or violence. Pickett K. and Pickett J. (2002) enumerate several components of financial crime as: (1) deceitful, (2) intentional, (3) resulting in financial losses, (4) possible concealment, (5) breach of trust, and (6) the possible appearance of outward respectability. Based on the definitions and components above, some elements in conceptualizing financial crime are deceitful, intentional concealment, and financial loss. Among the elements, a financial loss is considered the core element; it might be confusing with other types of crime that take advantage of a financial system or network. For example, when criminals and terrorists rely on the financial system and the information, it can be said to have abused financial systems (financial abuse) but not a financial crime as long as it does not generate pecuniary losses.

Typology of Financial Crimes

Gottschalk (2010) classified a wide range of financial crimes into four main categories (that is, corruption, fraud, thief, and manipulation). Four types of financial crimes were reviewed exhaustively for justification.

<Classification of Financial Crime by Gottschalk (2010)>

Corruption	Kickbacks, bribery, extortion, embezzlement
Fraud	Identity , mortgage, occupational
Theft	Cash, intellectual, fraud
Manipulation	Laundrying, cybercrime, bid rigging, insider trading

IMF (2001) interpreted financial crime and financial abuse in a relatively narrow sense to distinguish the two terms. Financial abuse is a broad concept. As a

subset, financial sector crime involves a financial institution or financial market, while other financial crime includes a range of unlawful activities which entail financial loss. And the rest is conceptualized as other financial abuse.

<Classification of financial crime by IMF (2001)>

Financial sector crime	Money laundering fraud tax evasion circumvention of exchange restriction/other
Other financial crime	Sale of fictitious financial instruments or insurance policies Embezzlement tax evasion stock manipulation/other
Other financial abuse	Tax avoidance connected party lending stock manipulation/other

Offences That Constitute Financial Crimes

Specifically, the following are some financial crimes typically committed against banks and financial institutions:

Kiting: This type of cheque fraud uses a combination of the time between a check deposit and its presentment to the paying bank and the willingness of the receiving bank to advance funds against the uncollected balance. In many kiting schemes, several accounts at different banks are manipulated to appear that the behaviours of the accounts are predictable and low risk, thereby enticing the bank into advancing withdrawals against the uncollected fund. Since many honest business accounts operate on overdrawn account balances, it is often difficult to detect the kiting scheme. Left to run undetected, kiting can result in losses to the bank.

Forgery: In a business, forgery typically is when an employee issues a cheque without proper authorization. Criminals will also steal a cheque, endorse it and



present it for payment at the bank, probably using unauthorized personal identification. If this sails through and the criminal escapes, the bank incurs losses.

Counterfeiting: Counterfeiting a cheque can either mean wholly fabricating a cheque or simply duplicating a cheque using advanced technology.

Stolen Cheques – One way to attack another person’s current account is to steal the person’s cheque. Sometimes, a few stolen cheques are used as the bases for counterfeiting. Without appropriate detection methods, stolen cheques often go undiscovered until the account holders detect the activity in an end-of-month statement.

Paper hanging: This problem primarily is when people purposely-writing cheques on closed accounts (theirs or others), as well as re-ordering cheques on closed accounts (theirs or others).

Money Laundering: Money made through illegal activities is placed into the banking system and integrated into the economy, making it legitimate. Criminals have developed an array of schemes to convert ill-gotten wealth from “dirty” to “clean” funds; the banks are always conduit. The risk to a bank is the potential violation of Money Laundering Prohibition requirements.

Embezzlement: Anyone with access to financial accounts in a bank has the potential to embezzle money in the bank accounts within the bank customers. The methods used for embezzlement are very diverse and may include forgery. Stolen cheques, counterfeiting, misuse of debit, credit, Automated Teller Machine cards, wire transfers, and many other illegitimate schemes may be for embezzlement.

Other forms of financial crimes are identity theft, mail fraud, bankruptcy fraud, wire fraud, advance fee schemes, computer fraud, health care and insurance fraud, pension, and trust fund fraud, embezzlement, securities and investment

fraud (including commodities), cellular phone fraud, antitrust fraud, telemarketing fraud and many others (Okauru, 2004).

Types of Financial Fraud

Ponzi schemes: Investment schemes that promise to pay a relatively higher rate of returns for a fixed-term investment are fraudulent investment plans. Instead, every new investment is used to pay off earlier investors.

Pyramid schemes: Schemes that promise consumers or investors large profits are based primarily on recruiting others to join their program, not on profits from any real investment or sale of goods to the public. Some schemes may purport to sell a product, but they often use the product to hide their pyramid structure.



Identity fraud (fraudster online): Someone impersonates you and uses your personal information to steal money. Identity frauds are common on the Internet. Fraudsters give instructions to banks for fraudulent money transfers.

Phishing: Internet Banking clients receive fraudulent e-mails that trickily ask them to give account login, password, and personal details to a website that looks like their legitimate bank. These details are to exploit and steal money from your account.

Card Fraud

- i. Starts with the theft of your bank cards.
- ii. Stolen or lost bank cards remain usable.
- iii. Thief makes unauthorized purchases with the card until you notify your bank.

Skimming: This involves stealing information off a credit card during a legitimate transaction. Fraudsters wipe the card through an electronic device known as a “wedge” or “skimming device” that records all information on the magnetic strip. Fraudsters use the stolen information for online purchases or to reproduce the card.

Counterfeit cards: The fraudsters steal cards’ information to make fake cards or sell the card information. The victim rarely knows as he still possesses the original card.

Advance fee scams: The scams are through letters, e-mails, or phone calls offering you a large sum of money if you can help someone transfer millions of rupees or other currency out of his country. To initiate the transaction, you are to send detail of your bank account and administration fee.

Fund Transfer scams: You are asked through an advert or e-mail to receive a payment into your bank account and send it abroad in return for a commission. In so doing, you may become a party to an offence.

Fake prizes: A perpetrator of the fake Award claims that you have won a non-existent prize. You are to send a cheque or bank card details, an account number for the payment of the taxes, and shipping and handling charges to send you the non-existent prize.

Inheritance scams: You receive mail from an ‘estate locator’ or ‘research specialist’ purporting an unclaimed inheritance or refund. You are lured into sending a fee to receive information about how to obtain the purported asset.

International lottery fraud: To show fate, the perpetrator may send you a cheque, instruct you to deposit it in your account, and send the money back to the lottery committee. The perpetrator will create a “sense of urgency,” compelling you to send the money before the cheque, which is counterfeit, is returned.

Wills and Legacies: A letter or email is sent to you claiming that someone has died and had mentioned your name in the deceased Will. Usually, the scammer will claim to be the deceased legal advisor and may claim an advance fee.

Corruption, especially in the public sector, includes money laundering and advance fee fraud. It has dominated discussions in Nigeria in the last few decades because of the serious negative image created and the harm caused to the economy. The government has made several initiatives to prevent crimes and bring the perpetration to the barest minimum. Anti-Corruption and Transparency Units have been established in various government ministries and agencies to monitor and report corrupt tendencies to appropriate law enforcement agencies. Indeed, this workshop is part of the effort to sensitize the staff of the financial institutions in Nigeria on the need to avoid involvement in any corrupt and criminal activity.

The Activities and Extent of Financial Crimes

Financial crimes include money laundering, tax evasion, embezzlement, check or credit card fraud, and security fraud. Other financial crimes are insurance fraud, health care fraud, pension fraud, stock manipulation, tax avoidance, bribery, corruption, insider trading, and terrorist financing. FBI (2005) focuses its investigations on corporate fraud, health care fraud, mortgage fraud, identity theft, insurance fraud, and money laundering. FBI (2005) points out that financial crime is generally national, transnational, or networked such as on the internet; transnational crime and cybercrime are closely connected to financial crime, causing a detrimental impact on financial institutions or individuals. Why is financial crime more likely to be hinged on electronic networks? First, proceeds from financial crime need to be stored in a safe place that local law enforcement

agencies cannot trace. If it means that sending the crime proceeds overseas where cross-border cooperation does not work well, it reduces the chances of being caught.

Second, wiring the crime proceeds does not require going through customs inspections, thus limiting the reach of law enforcement agencies. Local agencies cannot spot and freeze the proceeds before transferring beyond the international border, as online money transaction finishes within seconds. These natures correspond to the characteristics of an information society (informational, global, and networked) mentioned by Castells (2000).

The financial information on the illicit money remittance to a third person beyond the border (global) via computer networks is delivered. This explanation substantiates the argument that financial crime reflects the current societal change into an information society.

It seems impossible to calculate the extent of financial crime (Ryder, 2001). A study from the United Nations Office on Drugs and Crimes (UNODC, 2011) estimated that in 2009 all criminal proceeds were likely to amount to 3.6%, equivalent to about \$2.1 trillion of global GDP. Besides, the research pointed out that the volume of international money-laundering was about 2.7% of global GDP or \$1.6 trillion. This money-laundering figure falls within the often called 'consensus range' suggested by the international monetary fund in 1998, from 2 to 5 percent of the world's GDP. This estimate translated from \$590 billion to \$1.5 trillion using actual numbers for 1998, while FATF (1989-2019) estimated about \$500 billion. The lower figure roughly equates to the value of the total output of an economy the size of Spain.

In terms of corruption, which is the "abuse of entrusted power for private gain" (Transparency International Nd), the World Bank states that approximately \$1 trillion is paid in bribes globally. IMF research has revealed that investment in corrupt countries is about 5% lower compared to relatively corruption-free countries (OECD, 2013). It is noticed that a country's capital productivity is adversely related to corruption (Lambsdorff, 2003). The argument that it is

directly associated with economic growth in a country gives more weight to the significance of tackling corruptive activities.

The UNODC (2011) estimated that in 2010, the economy generated about \$300 billion or 2 percent in illicit proceeds to the United States. Among all the financial crimes in the United States, drug sales and frauds accounted for the most proceeds. The UK HM Treasury (2007) estimated that more than £20 billion of social and economic damage was brought into the United Kingdom and more than half of the damage is from illicit drug use. KPMG's (2012) survey with 281 respondents reported that the total value of fraud for public and private sector organizations in Australia and New Zealand was \$372.7million, with an average loss per organization of \$3.08 million. According to the Australian Institute of Criminology (2011), the Australian society lost \$6.05 billion to fraud in 2011. These figures show that money laundering, drug sales, and fraud are major illegal activities on the national and international scales.

Victims of Financial Crimes

Victims range from individuals to institutions, and corporations, thus affecting all levels of society (Gottschalk, 2010). At a micro level, individual citizens and corporations suffer the effects of serious financial crimes. Some market frauds have taken in thousands of people, with many losing their savings and security, affecting their emotional well-being, physical health, and relationships (Australian Crime Commission 2014). At a macro-economic level, financial crime hurts the entire economic and social system through the considerable loss of money.

Classification of victims

	Individual	Organizational
Internal	1	3
External	2	4

Source: Nestor (2004)

1. Individual internal victims: Individuals in the organization are the victims

2. Individual external victims: Individuals outside the organization are the victims
3. Organizational internal victims: Organizations as such are the victims
4. Organizational external victims: Outside organizations are the victims

Each type of victim has its interests in different forms of financial crime. Firstly, individual citizens using services from financial institutions usually fall for fraud and identity theft either by insiders or outsiders. The Ponzi scheme by Bernard Madoff in 2008 is an example of fraud by an insider. It is an occupational financial crime.

Fraud by insiders is not expected to happen because of increasing internal control, but once it occurs, the amount of damage is massive. On the contrary, many criminal activities outside financial institutions target individuals and corporations. Phishing has become the most prevalent style of fraud against individuals. With computers and networks, criminals can target thousands of potential victims through automated calls, e-mails, or text messages. As a cyber-financial crime, phishing affects each individual with a relatively small amount of damage, large in aggregate. Secondly, financial institutions become victims of financial crime. Insiders are more inclined to commit crimes such as corruption, embezzlement, cash and inventory theft, and intellectual property theft. Outsiders might be responsible for identity fraud, insurance fraud, consumer fraud, etc. Thirdly, financial crime destabilizes national economies (FATF1989-2019). Ryder (2011) claims that financial crime can erode the integrity of financial institutions, and the effects of financial crime can ultimately threaten national security. A national financial scandal sometimes gives rise to a ripple effect throughout the global economy.

Lastly, the international financial system and institutions are victims on the global level. Western countries have placed a high priority on tackling money laundering and terrorism financing.

Responding to calls from the international community, international organizations such as IMF and FATF have extended their reach to anti-money laundering (AML) and combating the financing of terrorism (CFT). The aim is to secure the integrity of the international financing system. International Sport Institutions (FIFA and IAAF) have had internal financial problems, such as corruption. The scandals surrounding FIFA and IAAF were, respectively, over the selection of hosting cities for the World cup and covering up positive doping tests. Non-profit institutions are supposed to maintain a high level of integrity but have difficulty preventing kickbacks and bribes. However, it is not easy to pinpoint victims on a global scale for two reasons. First, victims such as the financial system are intangible. Second, the actual amount of criminal damage is intricate to figure out.

The Facilitating Factors and Priorities of Public Institutions

IMF (2001) argues that globalization and financial market integration drives financial abuse. It indicates that the scale and severity of financial crime are proportional to the extent of global connectedness. Australian Crime Commission (2014) states that market diversification, globalization, and technology are the factors that drive this type of crime. There is a notion of global financial crime enabled by tax haven networks. The financial secrecy of some jurisdictions, such as Switzerland and the Cayman Islands, provides a favourable environment for fraud, market manipulation, and money laundering (Ruggiero, 2015). Some others approached financial crime from a criminological perspective. Michel (2008) asserts that crime is by opportunity and opportunistic malefactors such as a weakness in a procedure.

Fraud is a crime that involves the use of deceit to obtain an advantage. It is not a new phenomenon. However, the most disturbing aspect of fraud is the alarming proportion, its sophistication and intensity worldwide, and the fact that it does not respect the niceties of international borders.

Advance Fee Fraud (AFF) is a class of fraud usually perpetrated by deliberate distortion and misrepresentation of facts of a matter to derive financial benefits

from unsuspecting, greedy, corrupt, and gullible individuals. AFF is non-violent. However, events may turn violent when the victim attempts to track the perpetrator, who may also devise means of avoiding prosecution.

AFF proposals have some common elements. The first element is that the proposals are usually unsolicited. The victims may not even be aware of the possibility of the deal. The fraudster will do everything to convince the victim of the benefit and feasibility of the transaction. Second, the fraudster will usually stress the urgency and need for confidentiality of the deal. Third, the victim will need to make an advance payment. Finally, the fraudster must have a good knowledge of the victim, whereas the victim does not usually know the fraudster well.

Usually, the perpetrators of AFF claim to be responsible and highly placed individuals in a position of authority or capable of influencing decisions at a high level. It is usually not correct. They are somehow literate and semi-literate, jobless with good knowledge of the internet for communication. Quite often, they have collaborators from outside their own country.

Sometimes, AFF proposals are sent to victims to either participate in a government contract or be involved in a transfer of money or the lifting of crude oil. It is usually with the promise of financial benefit to the victim who has to pay some money before the deal continues. Such advance payments by the victims are either required to pay taxes, bribe officials, or used as a fee for money transfers, etc. As soon as the advance payment, the fraudster disappears. Sometimes, the contact address could be fake making the victim suffer a financial loss.

Often, the victims could not report the matter to the law enforcement agency because the transaction itself is illegal. The victim bears the loss but the fear of being regarded as an accomplice in the criminal activity. Some factors ascribed to the incidence of fraud include systemic failure (societal and institutional inadequacies), personal traits, distortion in macroeconomic policy, technological

advancement that facilitates communication through the internet, and contagious influences.

How Advance Fee Fraudsters Operate

The Advance Fee Fraud (AFF) fraudsters operating methods are similar. AFF is usually executed through a posted letter, fax message, telephone call, e-mail, and face-to-face contact. The AFF fraudsters obtained information such as the name, address, and financial situation through a careless display of complimentary cards, business directory, trade journals, etc. The fraudster could use the information about the victim to conduct a further search on the person to ensure successful attacks. They can either forge or obtain the letterhead paper of the institution they want to use as a cover to convey tempting proposals with financial benefits to the potential victim through inside collaborators. Such a proposal will usually request details of the victim's bank account details and his signed letterhead stationery for lodgement of the money.

While requesting the victim to maintain the confidentiality of the transaction, the fraudster will do everything to convince the victim that there is no reason to fear and that the deal will benefit them. Indeed, the emphasis is usually on the proceeds to the victim at virtually little or no cost. As soon as the criminal knows he has secured the victim's trust, he will identify a little obstacle before the transfer could be affected. It is usually money stamp duties, taxes, or bribing an official. He will submit all proofs necessary to convince the victim, including a copy of the debit note from the tax authority. All forged documents are obtained illegally from the relevant tax office.

When the victim pays, it becomes difficult to resist other requests from the scammer. It signals the entry of the victim into the trap of AFF. The tendency for the victim to invest more is to recover the money and possibly a share of the procedure in contention. The gambling mentality makes the victim continuously meet the demands until the facts become known to the victim.

Another dimension is the syndicated nature of the crime with representative agents in several countries, which sometimes makes the investigation and prosecution of fraudsters difficult and expensive.

AFF used to be a simple exercise in mental and verbal ability that could involve the dangerous element of violence and threat of violence. Many cases of victims' attempts to pursue their losses have ended in psychological and physical abuse or sometimes death. Some victims of AFF have not just lost long-term savings but are heavily indebted to meet the demand of the fraud perpetrators.

Another characteristic of the AFF perpetrators is their capacity to forge documents or collaborate with insiders of organizations they intend to use. Hence, you sometimes have letterhead papers and forged signatures of highly placed government officials among their working tools in criminal activities.

Different Forms of Advance Fee Fraud

Countries have had several versions of this crime perpetrated by their nationals and foreign collaborators. What determines the type that is prevalent in any country depends on the level of efficiency in government procurement, the structure of the economy and macroeconomic stability, ease of foreign exchange, level of corruption, etc. the most notable versions of Advance Fee Fraud relate to:

- a. Transfer of funds from over-invoiced contracts:** Proposals are made to a potential fraud victim to part with some money to facilitate the transfer of an excess payment on a deal already executed by a contractor who is not aware of the extortion. The fraudster pretends to be a Minister, a Permanent Secretary, or a Director who awarded the purported contract for ₦65 million, an instance that the actual project cost was ₦50 million. The balance of ₦15 million is what the fraudster wants his potential victim (usually a foreigner) to receive on his behalf and share with the fraudster proportionately, which is sufficiently attractive to the victim. In the second stage, after the victim has consented and forwarded account details, the fraudster asked the victim to make some advance payments to enable him to meet some transfer charges

and bribe some officials. Such payment eventually becomes substantial and represents the loss to the victim as the transfer itself will not take effect.

- b. Benefactor of a Will:** The targets of this type of fraud are usually churches and non-governmental organizations purported as the beneficiaries of a person's Will in another country. The organization is written and informed of what has been assigned in the Will, which is ready for collection. However, before the purported transfer of fund or property to the beneficiary, certain conditions must be fulfilled, including some charges. To accept the deal is to become a victim.
- c. Lifting of Crude Oil at a Relatively Low Price:** The fraudster claims to be in a position to grant the license to lift crude oil at a price far below the market price. However, a down payment to settle the incidental expenses before oil lifting and Minister or other top government officials has to be secured.
- d. Contract Fraud:** The victim is assured of payment on delivery of goods without proper documentation or with fake documentation and address. Once the victim delivers, payment not follows.

Another variant is to convince a supplier of the need to pay a local registration fee to introduce his goods to the local market. Forged documents to make it look real from local regulations dictated to a fraud victim. The victim is short changed once payment is made to the fraudster. Another variant is for the fraudster to pay for one or two previous orders only for a larger order is delivered and the payment not made.

- e. Real Estate Purchases:** In a case like this, partial, advance, or full payment is made for the rental or purchase of properties. The fraudster may not have a lien over the property. The scammer disappears after receiving the money.

- f. Currency Conversion:** The victim is promised a more attractive rate of returns on the exchange that prevails officially to convert the dollar to local currency or vice versa. Once the remittance is in advance, the transaction becomes hooked with the victim losing his deposit.
- g. Clearing House/Venture Capital Organization:** The fraudsters set up a clearinghouse that issues payment instructions allegedly from the central bank to victims. The victims tend to attach credibility to the deal after seeing it is from the central bank. Such a clearinghouse will not be in the victim's country. That makes it difficult for the victim to investigate its legality and existence. The clearinghouse will either launder the proceeds of AFF or funnel it to the criminals who deposit it in an account in countries with strict banking laws that limit police access. Such funds used to import cars with the form 'M' is not valid for foreign exchange or drawn in cash to build houses in the country.

The Victims of Advance Fee Frauds

Experiences from the cases of AFF show that victims are characteristically corrupt and gullible, individuals who want to be rich quick and with the tendency to be fraudulent. The victims are usually of age 45 years and above in the middle of the upper class in the economy. They are perceived as financially strong and have a flair for quick money. Most of the time, the fraudsters have information about the victims and must have undertaken some investigation about them. Details of the victims' lifestyles, telephone numbers, and business interests are usually available to them. Honest citizens also bear the cost of this crime. It comes in the form of man-hour lost by witnesses during an investigation and trial appearances.

Similarly, consumers sometimes pay higher prices in crime-affected businesses since such extra costs involved in such AFF deals are often passed on to the products. In the same way, tax evasion by fraudsters results in a higher tax burden for honest citizens as government activities have to be financed with tax revenue.

The cost of Advance Fee Fraud to an economy is enormous. This cost manifests in the following forms:

1. It discourages investments, particularly foreign investment, and inhibits economic growth.
2. It brings a loss of confidence in the economy of the countries of the perpetrators.
3. It reduces the citizens' perception of the capacity of its government to protect them from fraudsters.
4. It leads to the high cost of crime prevention and detection where it is prevalent.
5. It distorts the flow of trade as the confidence level falls.
6. It undermines the stability of banks and other financial institutions.
7. It increases inflationary pressures.
8. It makes a country a candidate for listing as a non-cooperating country and territory by the Financial Action Task Force on Money Laundering and Financing of Terrorism.

Some Necessary Precautions and Warning Signs of Advance Fee Fraud in Nigeria

The starting point is for all countries to ensure good governance, accountability, and transparency in their activities. A country where all of these are absent is usually a fertile ground for fraudsters to exploit. Given the methods generally adopted by the perpetrators of Advance Fee Fraud, the following warnings, precautions, and signs should be observed.

1. A safe care should be taken in entertaining proposals of individuals and companies that were not previously known.
2. The establishment of business dealings should be based on diligent search. Attempts should be made to know the customers well. Ensure that a company introducing a business deal is registered in the country of residence. If it constitutes a basis for seeking redress in a court of law as an unregistered company is not a legal entity.

3. It is necessary to examine the self-role in any activity. The legality of the deal should be of interest to the potential victim. Any transaction that is not legal cannot constitute a basis for seeking redress.
4. There is a need to be suspicious when the first contact with the business partners is on a phone call or through a letter.
5. Investigate the caller, the business he is involved in and his lifestyle, and
6. There is a need to report suspicious cases to the law enforcement authorities. The EFCC is primarily responsible for investigating and prosecuting all financial crimes, including AFF.

The high incidence of AFF and its image against Nigeria prompted the government to adopt some measures to combat its activities. These include:

- a. The provision of section 419 of the Nigeria Criminal Code, though admittedly obsolete in terms of its definition, recognized the corporate, economic, and national consequences of the activities of fraudsters.
- b. The Advance Fee Fraud and Other Fraud Related Offences Act 1995 did not only correct the inadequacies of the Criminal Code but also proscribed all forms of conduct used in advance fee fraud and other fraudulent schemes. The Act has an extra-territorial effect in that it prescribes a person or organization within and outside Nigeria. The Act makes it possible for Nigerian and foreign syndicates to be prosecuted in Nigeria for offences committed within and outside the country. Offenders can be tried in absentia and convicted while they suffer the punishment after returning to Nigeria. There is also the severe penalty of up to 10 years imprisonment without an option of a fine for convicts.
- c. Enlightenment programs have to sensitize the public to the risk involved in unsolicited offers and advice on what action to take when such proposals come up.
- d. Deterrent and preventive measures to make AFF less profitable and stop reinvestment of proceeds of Advance Fee Fraud and other related crimes are contained under Section 7 of the Advance Fee Fraud and Other Fraud Related Offences Act, 1995.

- e. Anti-money laundering measures enforced through the banks that any amount above ₦1 million for individuals and ₦5 million for corporate bodies going through banks are reported and properly investigated. Proceeds of AFF and other criminal activities of an amount beyond these thresholds can be tracked and prosecuted easily.

Initiatives and Measures to Fight Corruption and Financial Crimes in Nigeria

During the military rule, Nigeria made an impressive body of laws and took other initiatives in the war against corruption and financial crimes. These were in addition to the Criminal and Penal Codes, under which official corruption and other offences were prosecuted.

The laws and decrees include the following:

- Investigation of Assets (Public Officers and other persons) Decree of 1968.
- The corrupt Practices Decree 1975.
- Public officers (Special Provisions) Decree 1976.
- Recovery of Public Property Decree 1984.
- National Drug Law Enforcement Agency (NDLEA) Act, 1990.

This was the first law made in Nigeria to make money laundering a criminal offence.

- The promulgation of the Mutual Assistance in Criminal Matters within the Commonwealth (Enactment and Enforcement) Act No. 13 of 1988, was designed to bring Nigeria's municipal law in line with the Harare Scheme. The scheme contains provisions on how to deal with the proceeds of crime and the laundering of such money.
- The public Complaints Commission Act Cap 377, Laws of the Federation 1990.
- The Code of Conduct Bureau and Tribunal Act Cap, Laws of the Federation 1990.
- The Criminal Code Act Cap 77, Laws of the Federation 1990.

- The Penal Code, Northern States Federal Provisions Act – Cap 345, Laws of the Federation 1990.
- Banks and other Financial Institutions Act 1990.
- Recovery of Public Property (Special Military Tribunal) Act Cap 389, Laws of the Federation 1990.
- The Failed Banks (Recovery of Debts) and Financial Malpractices Act No. 18 of 1994.
- Failed Banks Act No. 16 of 1996.
- Advance Fee Fraud and other Related Offences Act No. 13 of 1995, intended to deal with the menace of the so-called “Nigeria fraud letters” or “419”.
- The foreign Exchange (Miscellaneous Provisions) Act No. 17 of 1995.
- The money Laundering Act No. 3 of 1995.

These with the existing Criminal and Penal Codes in Nigeria were before the first term of President Obasanjo. With this plethora of anti-corruption legislation, corruption and corrupt practices are increasingly unabated. Perhaps, the international community saw Nigerian laws as grossly inadequate in dealing with these crimes. There were significant gaps in the coverage of the Laws and the adequacy of penal and forfeiture provisions and enforcement procedures. Odozi (2002) concludes that the Laws lacked diligence in implementation, which was attributable to reasons including the following:

- i. Inadequate resources for designing and implementing various anti-crime measures.
- ii. Impediment imposed by the laws on bank secrecy shielded the criminals and allowed them to frustrate prosecution.
- iii. Large and growing unregulated informal sector with varying degrees of opacity and criminality.
- iv. Fragmentation of legal provisions and arbitrage opportunities for criminals.
- v. Poverty in the country provides an excuse, if not justification, for various forms of crimes.
- vi. Cross-border porosity and protection for criminals.

vii. Lack of political will to resolutely implement anti-crime measures.

Consequently, only a few offenders have been prosecuted successfully for corruption as the technicalities of the laws were exploited by defense lawyers to their great advantage. In addition, most of the agencies charged with enforcing the Laws were not faithful in keeping abreast of the dynamics and changes of modern society, especially the intrigues of corrupt people and their accomplices. All of these formed the background to the Obasanjo administration's determination to combat corruption head-on from 29th May 1999 (Owolabi, 2007).

ESTABLISHMENT OF THE ANTI-CORRUPTION AGENCIES

At the inception of the democratic administration, President Olusegun Obasanjo declared: Corruption is the greatest single bane of our society and will be tackled head-on at all levels. Corruption is incipient in human societies and most human activities. The rampant corruption in the public service and the cynical contempt for integrity pervades bureaucracy in Nigeria.

The government has enacted the Corrupt Practices and Other Related Offences Act 2000 under the umbrella of the Independent Corrupt Practices and Other Related Offences Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC) Act 2002, as well as a thoroughly revised and updated Money Laundering Act, 2004. These Acts provide the tools that identify, investigate and convict offenders.

The use of presumptions, the reversal in the burden of proof, the seizing of assets or freezing of accounts, and the establishment of specialized autonomous anti-corruption agencies apart from police are in the Anti-corruption Acts (Ajibola 2006).

The responsibility of the ICPC includes receiving petitions and investigating them, and in appropriate cases, prosecuting the offenders; studying the system and practices of government where they aid corruption and fraud, advising the

government on how to avoid and change procedures and the system; to educate the public and foster their support against corruption.

The EFCC Act was enacted in 2002 and amended as the EFCC (Establishment) Act 2004 created the EFCC with the single purpose of fighting crimes such as Advance Fee Fraud, money laundering, fraud, and bank-related malpractices.

Other agencies in the anti-corruption crusade include the Code of Conduct Bureau, National Agency for Food, Drug Administration and Control (NAFDAC), Standard Organization of Nigeria (SON), the Budget Monitoring and Price Intelligence Unit, otherwise known as Due Process, which enforces strict adherence to probity in the award and execution of government contracts.

The Federal Government has pursued the policy of transparency in revenue allocation and other public remuneration to a considerable degree to end abuse and waste of scarce public resources. It has thus tried to demonstrate good leadership. However, the State government exhibits the same degree of tendency.

Recently, Nigeria subjected herself to a sovereign credit rating. The country was given a B-B rating by Fitch and Standard & Poor's, placing her on a par with Brazil, Serbia, Ukraine, Philippines, and Vietnam. It will enable Nigeria to access international finance on terms equal to countries with an equivalent rating. Apart from the improvement in the international debt payment to the Paris Club, the former Minister for Finance attributed this relatively high and favourable credit rating to the "significant achievements registered in the fight against corruption and the improvement of transparency, notably through the work of the Due Process Office, the monthly publication of funds shared to the three tiers of government, the proactive engagement with the Extractive Industries Transparency Initiative and the first-rate efforts of the EFCC and the ICPC" (Okonjo-Iweala 2006). It is a testimony to the progress made so far (Owolabi, 2007).

Government Efforts in Curbing Financial Crimes in Nigeria

A viable democracy will not grow let alone flourish in an environment where Financial Crimes are endemic. Previous efforts by past administrations to curb financial crimes in Nigeria are either strangled due to inadequate enabling laws and regulations or neglected for apparent lack of commitment on the part of stakeholders to fight the menace. However, the following past government's effort to curb these crimes need to be noted and appreciated. The promulgation of the under-listed laws was aimed at providing a legal framework to combat these crimes.

- a. The National Drug Law Enforcement Agency (NDLEA) Act, 1989.
- b. The Money Laundering Act of 1995 (now repealed by MLPA, 2004).
- c. Advance Fee Fraud (otherwise known as 419) and Related Offences Act of 1995.
- d. Failed Banks (Recovery of Debts) and Financial Malpractices in Banks Act of 1996.
- e. Banks and other Financial Institutions Act of 1991.
- f. Miscellaneous Offences Act, 1985.
- g. Foreign Exchange (Miscellaneous) Offences Act of 1995.

In spite of these enabling laws and the relevant institutions to administer them, fraudulent activities still thrive in the economy unabated. President Olusegun Obasanjo responded positively to the yearnings of Nigerians and the International community by taking the following proactive and responsive approach. They are:

- Establishment of the Anti-Corruption Commission.
- Creation of the Due Process Office in the Presidency.
- Corrupt Practices and Related Offences Act of 2000.
- Establishment of the EFCC in 2002.

CONCLUSION

This paper evaluated the meaning, component, and topology of financial crimes, the activities and extent of financial crimes, victims of financial crimes, facilitating factors of financial crimes, and government efforts in curbing

financial crimes. The financial crimes identified were corruption such as kickbacks, bribery, extortion and embezzlement, fraud, such as Ponzi schemes, pyramid schemes, fraudster online, phishing, card fraud skimming, counterfeit cards, advanced fee scams, fund transfers and fake prizes, money laundry, tax evasion and sale of fictitious financial instrument. Government efforts in curbing financial crimes include the promulgation of various laws aimed at providing a legal framework to combat these crimes, the Treasury Single Account policy, and the establishment of the Independent Corrupt Practices and other Related Offences Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC). Consequently, the government should put in place effective and efficient machinery to implement the various laws at curbing financial crimes in Nigeria.

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