STRENGTHENING CORPORATE TRANSPARENCY AND BENEFICIAL OWNERSHIP DISCLOSURE IN NIGERIA

Adeshola Komolafe
Oak Centre

This report was produced as part of the U.S. State Department's Foreign Press Center Co-Op Program.

Acknowlegement

Published in Nigeria in 2017 by:
Oak Centre
No 3, Atbara Street, Wuse II, Abuja
Website: www.oakcentreonline.org
Email: info@oakcentreonline.org

Title: Strengthening Corporate Transparency and Beneficial Ownership Disclosure in Nigeria
Author: Adeshola Komolafe
Copy Editor: Danladi Ndayebo
Design: Media Insight

October 2017

About Oak Centre:
Oak Centre is a forward thinking think tank focused on research, innovation, and policy development. By working with experts, policymakers, and grassroots organisations, it produces data driven insights, shapes digital strategies, and fosters impactful solutions. Its goal is to transform knowledge into action, promoting sustainable growth and resilience.

Policy issue

Policy issue

The unchecked proliferation of anonymous shell companies poses a significant threat to global financial systems, enabling illicit financial flows, corruption, tax evasion, and organised crime.

Such entities allow individuals to move vast sums of money anonymously, concealing wealth, financing illegal activities, and evading accountability. Recognising the dangers, the international community has increasingly advocated for beneficial ownership disclosure as a critical tool to combat these challenges.

For instance, the United States' Corporate Transparency Act (CTA) mandates that companies disclose their true owners to law enforcement, thereby increasing transparency and accountability. This policy brief explores the relevance of such a framework for Nigeria.

By examining the impact of anonymous corporate structures, it highlights the potential benefits of enhanced transparency measures and provides targeted recommendations for combating financial crime, reducing corruption, and strengthening Nigeria's overall corporate governance framework.

Background and context

Background and context

Nigeria's economic landscape is highly vulnerable to illicit financial flows (IFFs), a challenge that undermines public revenue, fuels corruption, and destabilises the nation's financial integrity. A significant contributor to these flows is the persistent use of shell companies—entities designed to shield the identities of their true owners. Such arrangements have been implicated in high-profile cases of asset concealment, tax evasion, and even the funding of terrorism. Global leaks such as the Panama Papers and Paradise Papers revealed the extent to which Nigerian officials and business interests have relied on offshore entities to hide assets, divert public funds, and avoid taxation.

This systemic issue comes at a steep cost. The Tax Justice Network estimates that Nigeria loses billions of dollars annually due to weak regulatory frameworks and a lack of financial transparency. This loss not only deprives the country of important development funds but also perpetuates cycles of poverty and inequality by allowing public officials and private actors to siphon off resources that could otherwise be used for infrastructure, healthcare, and education.

In response, Nigeria introduced the Companies and Allied Matters Act (CAMA) in 2020, which included provisions requiring the disclosure of beneficial ownership. This step marked a significant policy shift toward greater corporate transparency. However, while CAMA represents progress on paper, its practical implementation remains fraught with challenges. Gaps in enforcement, limited regulatory capacity, and a lack of digital infrastructure have made it difficult to achieve the intended level of oversight. As a result, anonymous corporate structures continue to operate with impunity, undermining the credibility of Nigeria's anti-corruption initiatives and compromising the effectiveness of its financial oversight mechanisms.

Addressing these issues requires a comprehensive approach that not only strengthens regulatory enforcement but also aligns Nigeria's policies with international best practices. By building on frameworks like the United States' Corporate Transparency Act and tailoring them to local contexts, Nigeria can create a more transparent, accountable, and robust corporate governance environment.

Key issues

Key issues

The challenges surrounding anonymous companies in Nigeria span several important areas. First, corruption and public sector fraud remain significant concerns.
Politically exposed persons (PEPs) often use anonymous corporate structures to embezzle public funds and obscure illicit wealth, thereby eroding public trust and undermining governance. This practice not only diverts resources from essential public services but also weakens institutions tasked with maintaining accountability.

Another pressing issue is tax evasion. Both multinational corporations and local businesses frequently rely on shell companies to shift profits offshore, reducing their tax liabilities and depriving the government of substantial revenue.

This loss of fiscal resources hampers the government's ability to fund public goods and services, deepening economic inequality and limiting national development.

Money laundering is another problem. Criminal networks exploit the opacity of anonymous entities to integrate illicit proceeds into the legitimate economy. By disguising the origin of funds, these networks not only perpetuate illegal activities but also distort economic markets and financial systems.

Terrorist financing further highlights the dangers posed by anonymous corporate structures. Extremist groups leverage these entities to transfer funds undetected, facilitating operations that threaten national and regional security. The lack of transparency in ownership allows such groups to remain hidden while continuing to plan and execute attacks.

Lastly, weak regulatory oversight compounds these issues. The absence of robust enforcement mechanisms and the presence of financial regulation loopholes create an environment where corporate anonymity thrives. This regulatory gap not only encourages illicit financial flows but also undermines efforts to build a transparent and accountable economic framework. Strengthening regulatory frameworks is essential to address these intertwined challenges effectively.

Lessons from the U.S. CTA.

Lessons from the U.S. Corporate Transparency Act (CTA)

The U.S. Corporate Transparency Act (CTA) represents a significant milestone in the fight against financial secrecy and illicit financial flows. By mandating the disclosure of beneficial ownership information, the CTA aims to ensure that individuals behind corporate entities cannot remain anonymous, thereby reducing opportunities for corruption, tax evasion, and money laundering. The Act requires that businesses provide details of their true owners to the Financial Crimes Enforcement Network (FinCEN), which maintains a centralised, confidential register accessible to law enforcement and financial institutions.

For Nigeria, the CTA offers valuable lessons in designing a robust transparency framework. The most direct takeaway is the importance of mandatory beneficial ownership disclosure. By strengthening laws to compel all companies, both domestic and foreign, to reveal their ultimate beneficial owners, Nigeria can improve transparency in corporate operations. Such a requirement reduces the capacity for individuals to hide behind layers of shell entities and enables regulators to trace funds more effectively.

The establishment of a centralised beneficial ownership register is another key lesson. In the U.S., having a single database maintained by a designated authority allows law enforcement agencies and financial institutions to access verified ownership data promptly. Nigeria could benefit from creating a similar centralised registry, ensuring that regulators, anti corruption bodies, and tax authorities have the information needed to pursue cases of financial misconduct.

A further lesson involves the need for stronger enforcement mechanisms. The CTA imposes strict penalties for noncompliance, incentivising companies to meet reporting requirements. Nigeria's regulatory framework could be improved by introducing meaningful penalties for failure to disclose beneficial ownership, including fines or criminal sanctions. Additionally, strengthening oversight through well funded regulatory bodies can ensure that compliance rates remain high.

Interagency cooperation is another area where the U.S. approach provides a valuable model. The CTA's implementation is supported by collaboration between FinCEN, law enforcement agencies, and other government departments. By enhancing cooperation among anti corruption agencies, tax authorities, and financial regulators, Nigeria can improve its ability to detect and deter illicit financial activities. Coordinated efforts also help close gaps that individuals or organisations might exploit when moving funds across borders or through multiple jurisdictions.

Finally, the CTA highlights the potential benefits of public access to ownership information. While certain details remain confidential in the U.S., allowing investigative journalists and civil society organisations access to a portion of the data would increase transparency and facilitate independent scrutiny. Nigeria can consider implementing a tiered access system, ensuring that law enforcement agencies retain primary access while allowing public interest groups to view ownership information that helps hold businesses accountable.

By adopting these lessons, mandatory disclosure, a centralised register, strong enforcement, interagency collaboration, and limited public access, Nigeria can significantly enhance its corporate transparency framework. This, in turn, would reduce opportunities for corruption, improve tax compliance, and foster a more accountable economic environment.

Policy recommend-ations

Policy recommendations

To achieve comprehensive corporate transparency and combat financial crimes, Nigeria should adopt a multi-faceted approach that involves legislative, institutional, and technological reforms. Central to this effort is the full and effective implementation of the Companies and Allied Matters Act (CAMA) 2020, ensuring that the beneficial ownership disclosure requirements are not just theoretical mandates but actionable and enforceable measures. By rigorously enforcing these provisions, Nigeria can significantly reduce the opacity that facilitates corruption, money laundering, and tax evasion.

The scope of disclosure must also be expanded beyond traditional corporate entities. Requiring trusts, partnerships, and other legal arrangements to report their beneficial ownership details would close loopholes that currently allow certain entities to avoid scrutiny. This broader reporting obligation would help create a more complete picture of corporate ownership in Nigeria, making it harder for individuals to hide assets or engage in financial misconduct.

Furthermore, Nigeria should invest in enhancing its digital infrastructure by developing a robust, automated, and publicly accessible beneficial ownership registry. Such a registry would allow regulators, law enforcement agencies, journalists, and civil society organisations to quickly access and verify ownership information. By making this data transparent and easily searchable, Nigeria can promote accountability, deter financial crimes, and foster greater trust in its economic environment.

Interagency coordination is another component. The Economic and Financial Crimes Commission (EFCC), Central Bank of Nigeria (CBN), and Federal Inland Revenue Service (FIRS) must work in concert to share data, identify risks, and pursue enforcement actions. Strengthened collaboration among these agencies would not only enhance their individual capabilities but also enable a more cohesive national response to financial crime. Establishing formal mechanisms for information sharing and joint investigations would further ensure that no agency works in isolation, thus improving overall efficiency and effectiveness.

International engagement is equally important. Aligning Nigeria's regulatory framework with global financial transparency initiatives—such as the Financial Action Task Force (FATF) recommendations and the Extractive Industries Transparency Initiative (EITI)—would demonstrate Nigeria's commitment to international standards. This alignment would not only improve Nigeria's standing in the global financial community but also attract foreign investment and technical assistance. Participating in these initiatives would also provide Nigeria with valuable insights and best practices for further strengthening its corporate transparency framework.

Conclusion

Conclusion

Strengthening corporate transparency is essential for fostering good governance, reducing corruption, and enhancing economic stability in Nigeria.

By fully implementing beneficial ownership disclosure laws, expanding reporting requirements, investing in digital infrastructure, improving interagency collaboration, and aligning with international transparency initiatives, Nigeria can position itself as a leader in financial governance in Africa.

These measures will not only reduce financial crimes but also improve tax collection, boost investor confidence, and ensure a more transparent and resilient economic environment.

Oak Centre is a forward thinking think tank focused on research, innovation, and policy development. By working with experts, policymakers, and grassroots organisations, it produces data driven insights, shapes digital strategies, and fosters impactful solutions. Its goal is to transform knowledge into action, promoting sustainable growth and resilience.