Anti-Money Laundering and Counter-Terrorism Financing Law: Evidence from Fugaz Banks in Nigeria

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ABSTRACT

The increasing incidence of money laundering, terrorism financing, and other financial crimes poses significant challenges to the integrity, operational efficiency, and financial stability of the Nigerian banking sector. Although regulatory frameworks have strengthened Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) compliance, concerns remain regarding their implications for banking performance and sustainability. This study examined the effect of AML/CTF compliance on deposit mobilization, operational performance, and financial stability among First-Generation Universal Banks (FUGAZ) in Nigeria. A descriptive cross-sectional survey research design was adopted. The population comprised 2,183 Compliance Officers, Risk Management Officers, Internal Control Officers, and Internal Auditors across Access Bank Plc, First Bank of Nigeria Limited, United Bank for Africa Plc, Zenith Bank Plc, and Guaranty Trust Bank Plc. Using Taro Yamane's formula, a sample size of 372 respondents was determined, while purposive sampling was employed for respondent selection. Data were collected through a structured questionnaire, and 355 valid responses, representing a 95.4% response rate, were analysed using descriptive statistics, Spearman correlation, diagnostic tests, and robust regression analysis with STATA. The findings revealed a high level of AML/CTF compliance among the selected banks, particularly in Customer Due Diligence, Know Your Customer procedures, suspicious transaction reporting, and compliance training. Regression results indicated that AML/CTF compliance had a significant positive effect on deposit mobilization ($\beta = 0.2610$, $p < 0.05$) and financial stability ($\beta = 0.2266$, $p < 0.05$), but a significant negative effect on operational performance ($\beta = -0.3201$, $p < 0.05$). The overall regression model was statistically significant ($F = 12.52$, $p = 0.0000$). The study concluded that AML/CTF compliance strengthens deposit mobilization and financial stability, although its implementation may impose operational burdens on banks. It recommended sustained investment in compliance technologies, continuous staff training, streamlined compliance procedures, and stronger regulatory supervision to enhance banking efficiency, institutional integrity, and financial sustainability.

***Keywords*:** *Anti-Money Laundering, Counter-Terrorism Financing, Deposit Mobilization, Operational Performance, Financial Stability, FUGAZ Banks.*

1. INTRODUCTION

Money laundering and terrorism financing constitute significant global threats to economic stability, financial integrity, and national security. Money laundering involves disguising proceeds from unlawful activities to make them appear legitimate, while terrorism financing

entails providing or collecting funds to support terrorist activities and organisations. The increasing sophistication of financial crimes and the global interconnectedness of financial systems have necessitated comprehensive regulatory frameworks to prevent the misuse of financial institutions. Consequently, banks have assumed critical responsibilities in implementing Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) measures because of their central role in facilitating financial transactions (Banjarani et al., 2026). International initiatives, particularly those promoted by the Financial Action Task Force (FATF), have established standards requiring countries to strengthen regulatory supervision, customer identification, transaction monitoring, and international cooperation to combat financial crimes (Banjarani et al., 2026). In nut shell just MBR ensures that current enterprise roles are filled with candidates that possess the best credentials (Akpoyibo, 2025c) so as established standards requiring countries to enhance regulatory oversight, strengthen customer identification procedures, improve transaction monitoring, and promote international collaboration in combating financial crimes.

In Nigeria, money laundering and terrorism financing continue to present significant challenges to economic development, institutional governance, and financial sector stability. Activities such as corruption, cybercrime, kidnapping, oil theft, and terrorism generate illicit proceeds that may be channeled through formal financial institutions (Uford, 2017; Ewiwile & Ugherughe, 2020; Uwah & Ibanga, 2021**).** In response, the Nigerian government has enacted relevant legislation and established institutional mechanisms (Prevention and Prohibition) Act, the Terrorism (Prevention and Prohibition) Act, and enforcement institutions such as the Economic and Financial Crimes Commission (EFCC), Nigerian Financial Intelligence Unit (NFIU), and Special Control Unit against Money Laundering (SCUML) (Olujobi & Yebisi, 2022). These measures impose obligations on financial institutions to implement customer due diligence, Know Your Customer (KYC) procedures, suspicious transaction reporting, transaction monitoring, and record-keeping. Nevertheless, concerns remain regarding enforcement effectiveness, asset recovery, confiscation procedures, and institutional capacity to address emerging financial crime risks (Olujobi & Yebisi, 2022).

The Nigerian banking sector occupies a strategic position in AML/CTF implementation because banks serve as gatekeepers of the financial system. In this regard, the FUGAZ banks, comprising First Bank of Nigeria Limited, United Bank for Africa Plc, Guaranty Trust Bank Plc, Access Bank Plc, and Zenith Bank Plc, constitute an important segment of the country's banking industry. Their extensive customer networks, nationwide operations, and significant market presence make their compliance practices particularly relevant to financial system integrity. Effective AML/CTF implementation requires substantial investments in compliance technology, employee training, risk management systems, customer verification, and transaction-monitoring mechanisms. Effective AML/CTF implementation requires sustained investment in compliance infrastructure, employee capacity development, risk-based management systems, customer due diligence, and transaction-monitoring mechanisms (FATF, 2012; FATF, 2024). Although

these measures strengthen regulatory compliance and reduce exposure to financial crimes, they may also increase administrative responsibilities and operating costs.

The implications of AML/CTF compliance extend beyond regulatory obligations to important dimensions of banking performance. Effective compliance may enhance public confidence, protect depositors' interests, reduce regulatory risks, and strengthen financial stability. It may also influence deposit mobilization by improving customers' confidence in the security and integrity of banking institutions. However, stringent customer verification procedures, transaction monitoring, and reporting requirements may increase operational costs, administrative complexity, and transaction-processing time. These competing implications suggest that AML/CTF compliance may produce different effects on deposit mobilization, operational performance, and financial stability. Dogara et al. (2025) provide empirical evidence that AML/CTF legislation significantly influences deposit growth among listed

deposit money banks in Nigeria, highlighting the financial implications of regulatory compliance. Otuya & Akpoyibo (2022) equally emphasized the imperative of financial accountability and compliance. They stated that today's enterprise climate calls for corporate transparency, accountability and compliance with financial disclosure requirements.

Despite the importance of AML/CTF regulations, their implementation presents persistent challenges for Nigerian banks. The increasing sophistication of financial crimes, cross-border transactions, and digital financial platforms place additional pressure on financial institutions to continuously upgrade their compliance systems. Furthermore, regulatory requirements may create operational and financial burdens, particularly where banks must continuously invest in technology, personnel, and internal control mechanisms. While these investments are necessary to safeguard financial integrity, their implications for operational efficiency and broader banking performance require empirical investigation. Moreover, weaknesses in enforcement, legislative provisions, and asset recovery mechanisms may undermine the effectiveness of existing compliance arrangements (Olujobi & Yebisi, 2022).

Although previous studies have examined AML/CTF legislation, regulatory enforcement, and financial crime prevention, comparatively limited attention has been directed towards the simultaneous implications of AML/CTF compliance for deposit mobilization, operational performance, and financial stability among Nigeria's leading commercial banks. Existing evidence, including Dogara et al. (2025), establishes the relationship between AML/CTF regulation and deposit growth but does not sufficiently address the combined performance dimensions considered in the present study. This creates an empirical gap concerning whether the benefits of regulatory compliance in promoting financial confidence and stability outweigh the operational burdens associated with implementation.

Against this background, this study examines the effect of AML/CTF compliance on deposit mobilization, operational performance, and financial stability among FUGAZ banks in Nigeria. Specifically, it evaluates how compliance practices influence banks' capacity to attract deposits, sustain operational efficiency, and maintain financial stability. By examining these three dimensions concurrently, the study contributes to the literature on banking regulation,

compliance management, and financial performance while providing empirical evidence

relevant to banking institutions, regulatory authorities, and policymakers seeking to strengthen financial system integrity and sustainability.

Statement of Research Hypotheses

H01: *Anti-money laundering and counter-terrorism financing compliance have no significant effect on deposit mobilization of FUGAZ banks in Nigeria.*

H02: *Anti-money laundering and counter-terrorism financing compliance has no significant effect on the operational performance of FUGAZ banks in Nigeria.*

H03: *Anti-money laundering and counter-terrorism financing compliance has no significant effect on the financial stability of FUGAZ banks in Nigeria.*

2. LITERATURE REVIEW

Theoretical Review

This study is anchored on the Institutional Theory and the Deterrence Theory. These theories provide a framework for understanding how Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) laws influence organizational behavior, compliance practices, and banking performance. While Institutional Theory explains why banks adopt AML/CTF

practices to gain legitimacy and conform to regulatory expectations, Deterrence Theory explains how the threat of sanctions and penalties encourages compliance with anti-money laundering and counter-terrorism financing regulations.

Empirical Review

Banjarani et al. (2026) analyzed the relationship between money laundering and terrorism financing within the context of transnational organized crime. The study adopted a normative legal research design and examined relevant international laws and regulations. The findings indicated that money laundering and terrorism financing are closely linked because both facilitate criminal activities and threaten economic stability. The study further revealed that terrorism financing often operates through complex international networks, making effective AML/CTF regulations essential for financial system protection. The authors concluded that international cooperation and effective enforcement of anti-money laundering laws are critical to combating terrorism financing.

Dogara et al. (2025) investigated the impact of the Anti-Money Laundering and Counter Financing of Terrorism Act (AMLCFTA) 2013 on deposit mobilization among listed deposit money banks in Nigeria. The study employed secondary data obtained from the annual reports and accounts of selected banks covering the period 2010–2022. Multiple regression analysis was used to analyze the data. The findings revealed that AML/CFT compliance significantly influenced deposit growth among Nigerian banks. The study further found that bank size, cost of funds, and effective interest rates significantly affected deposit growth, while inflation had no significant effect. The study concluded that effective AML/CFT implementation enhances customer confidence and contributes positively to deposit mobilization within the banking sector. Just as employee

commitment is critical to the very survival of firms (Akpoyibo & Isaac, 2021) so is AML/CFT effective implementation promotes stakeholders' confidence and add positively to firms' effectiveness.

Ibrahim et al. (2023) examined the relationship between corporate governance and AML compliance among Nigerian deposit money banks. The findings revealed that banks with stronger governance structures demonstrated higher levels of compliance with AML regulations and recorded better suspicious transaction reporting practices. The study concluded that effective governance mechanisms enhance compliance effectiveness and contribute to organizational stability.

Olujobi & Yebisi (2022) examined the challenges associated with combating money laundering and terrorism financing in Nigeria using a doctrinal legal research approach. The study relied on primary and secondary legal sources, including statutes, case law, international conventions, and scholarly publications. The findings revealed significant weaknesses in Nigeria's anti-money laundering legal framework, particularly regarding terrorism financing and asset recovery mechanisms. The study concluded that strengthening the AML/CTF legal framework and improving enforcement mechanisms are necessary for enhancing the effectiveness of anti-money laundering initiatives and protecting the integrity of the Nigerian financial system.

Okezie, & Okereke, (2023). investigated the relationship between compliance costs and the financial performance of deposit money banks in Nigeria. Using empirical data obtained from selected Nigerian banks, the study found that compliance-related expenditures significantly affect bank performance. While compliance costs increase operational expenses, the study noted that effective compliance systems contribute to improved risk management and institutional sustainability. The study concluded that banks should strike a balance between regulatory compliance and operational efficiency to maximize performance outcomes.

Okaro and Okafor (2021) examined the influence of firm characteristics on compliance with AML/CFT regulations among Nigerian financial institutions. The study found that larger banks with stronger governance structures and better technological capabilities exhibited higher levels of compliance than smaller institutions. The study concluded that organizational characteristics play a significant role in determining the effectiveness of AML/CFT compliance programs and their ability to detect and prevent financial crimes.

3. METHODOLOGY

Research Design

This study adopted a descriptive cross-sectional survey research design. The design was considered appropriate because it enables the researcher to obtain information from respondents at a single point in time regarding anti-money laundering and counter-terrorism financing compliance practices within the Nigerian banking sector. The cross-sectional survey design facilitates the collection of quantitative data from selected employees of the FUGAZ banks and allows the researcher to examine the effect of AML/CTF compliance on deposit mobilization, operational performance, and financial stability. The design is cost-effective, time-efficient, and suitable for generating findings that can be generalized to the target population.

Population and Sample

Although there are 26 licensed commercial banks operating in Nigeria, this study focused on the five Tier-1 banks popularly referred to as the FUGAZ banks. These comprised of First Bank of Nigeria Limited, United Bank for Africa Plc, Guaranty Trust Bank Plc, Access Bank Plc and Zenith Bank Nigeria Plc. The banks were selected because they occupy a dominant position in the Nigerian banking industry in terms of asset base, branch network, customer deposits, market capitalization, and compliance with regulatory requirements. Furthermore, these banks have well-established compliance, risk management, internal control, and audit structures, making them suitable for examining anti-money laundering and counter-terrorism financing practices in Nigeria.

The target population consist of Compliance Officers, Risk Management Officers, Internal Control Officers, and Internal Auditors working in the selected FUGAZ banks. These categories of employees were selected because they play critical roles in the implementation, monitoring, and enforcement of Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) regulations within their respective institutions. The population of the study is estimated at 2,183 staff across the selected banks, as presented in Table 3.1.

Table 3.1: Population of the Study

S/N	Bank	Compliance & Risk Mgt	Internal Control & Audit	Total
1	First Bank of Nigeria	220	255	475
2	United Bank for Africa	205	240	445
3	Guaranty Trust Bank Plc	160	190	350
4	Access Bank Plc	240	290	530
5	Zenith Bank Plc	175	208	383
	Grand Total	**1,000**	**1,183**	**2,183**

Source: FUGAZ Bank Staff Directories and Organizational Structures, 2026

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Sample Size and Sampling Technique

Sample size Determination

To have justifiable representation from the study population shown in table 1, the Taro Yamane formula was employed. The Taro Yamane formula (2004) is among the credible and

widely employed/used tools to ascertain sample frame/sizes in research methodology.

The formula was adopted from Akpoyibo (2025c), and it's algebraically expressed as follows:

$$n = \frac{N}{1 + N(E)^2}$$

Where:

n = sample size

N = total population. 1

= constant

E = level of significance (0.05)

Substituting the values into the formula:

$n = 2183 / [1 + 2183(0.05)^2]$

$n = 2183 / [1 +$

$2183(0.0025)]$

$n = 2183 / 6.4575$

$n = 338$

Therefore, the sample size for the study was 338 respondents.

To accommodate possible cases of non-response and improperly completed questionnaires, a 10% adjustment was made:

Adjusted Sample Size = 338 + (0.10 × 338)

Adjusted Sample Size = 372

Therefore, the final sample size for the study was 372 respondents.

The study adopted a purposive sampling technique in selecting respondents. This technique was considered appropriate because only employees directly involved in AML/CTF compliance activities were selected. Specifically, Compliance Officers, Risk Management Officers, Internal Control Officers, and Internal Auditors from the selected FUGAZ banks constituted the respondents for the study. The purposive sampling technique ensured that information was obtained from personnel with adequate knowledge and practical experience regarding anti-money laundering and counter-terrorism financing compliance within the banking sector.

Research Instrument

The primary instrument for data collection was a structured questionnaire designed in line with the objectives of the study. The questionnaire consists of five sections. Section A

contains questions relating to respondents' demographic characteristics, including gender, years of working experience, and professional role. Section B contains items measuring Anti-Money Laundering and Counter-Terrorism Financing Compliance (AMLCTF).

Section C contains items measuring Deposit Mobilization (DM).

Section D contains items measuring Operational Performance (OP).

Section E contains items measuring Financial Stability (FS).

The questionnaire adopts a modified five-point Likert Scale as

follows: SA = Strongly Agree = 5

A = Agree = 4

UD = Undecided = 3

D = Disagree = 2

SD = Strongly Disagree = 1

The mean score is calculated

as:

Mean = (5 + 4 + 3 + 2 + 1) / 5

Mean = 15 / 5

Mean = 3.0

Decision Rule:

• Mean score greater than 3.0 = Agree

• Mean score less than 3.0 = Disagree

• Mean score equal to 3.0 = Undecided

Method of Data Collection

Data for this study was collected through the administration of structured questionnaires to selected respondents in the five FUGAZ banks. Copies of the questionnaire were distributed

physically and electronically to Compliance Officers, Risk Management Officers, Internal Control Officers, and Internal Auditors. Respondents were informed about the purpose of the

study and were assured of the confidentiality of their responses (information). Completed

questionnaires were retrieved, screened, coded, and used for statistical analysis.

4. DATA ANALYSIS, HYPOTHESES TESTING AND DISCUSSION OF RESULTS

Data collected from the questionnaires were analyzed using both descriptive and inferential statistical techniques. Descriptive statistics such as frequency distributions, percentages, mean scores, and standard deviations were used to summarize respondents' demographic characteristics and responses to questionnaire items. Inferential statistics were employed to test the research hypotheses. Specifically, Multiple Regression Analysis was used to examine the effect of Anti-Money Laundering and Counter-Terrorism Financing Compliance on Deposit Mobilization, Operational Performance, and Financial Stability among the selected FUGAZ banks. The analysis was conducted using Statistical Package for Social Sciences (SPSS) version 27. Statistical significance was evaluated at a 5% level of significance.

Test of Hypotheses

The hypotheses formulated for this study were tested using Robust Regression Analysis at a 5% level of significance. However, it was hinged on a decision rule: reject the null hypothesis (H_0) should the probability value (p-value) less than 0.05; otherwise, order wise accepted.

Table 1: Robust Regression Results for the Effect of AML/CTF Compliance on Deposit Mobilization, Operational Performance, and Financial Stability

Variables	Coefficient	Robust Std. Error	t-value	P-value	Decision
Deposit Mobilization (DM)	0.2610	0.0620	4.21	0.000	Significant
Operational Performance (OP)	-0.3201	0.1099	-2.91	0.004	Significant
Financial Stability (FS)	0.2266	0.0599	3.79	0.000	Significant
Constant	3.8096	0.5900	6.46	0.000	
F-statistic	12.52				
Prob > F	0.0000				
Number of Observations	355				

Source: STATA Output (2026).

Hypothesis One

H01: *Anti-Money Laundering and Counter-Terrorism Financing Compliance has no significant effect on Deposit Mobilization of FUGAZ banks in Nigeria*.

The regression result in Table 1 reveals that Deposit Mobilization (DM) has a coefficient

value of 0.2610, a t-value of 4.21, and a p-value of 0.000. The positive coefficient indicates that improvements in AML/CTF compliance lead to increases in deposit mobilization among the selected FUGAZ banks. Since the p-value of 0.000 is less than the 0.05 significance level, the null hypothesis is rejected. Therefore, it is concluded that Anti-Money Laundering and Counter-Terrorism Financing Compliance has a significant positive effect on Deposit Mobilization of FUGAZ banks in Nigeria. This finding suggests that effective AML/CTF compliance enhances customer confidence and trust, thereby encouraging deposit growth within the banking sector.

Hypothesis Two

H_{02}: *Anti-Money Laundering and Counter-Terrorism Financing Compliance has no significant effect on Operational Performance of FUGAZ banks in Nigeria.*

The regression result shows that Operational Performance (OP) has a coefficient value of - 0.3201, a t-value of -2.91, and a p-value of 0.004. The negative coefficient indicates an inverse relationship between AML/CTF compliance and operational performance. This implies that increased compliance requirements may impose additional operational procedures, monitoring activities, and administrative costs that could slightly reduce operational efficiency. Since the p-value of 0.004 is less than the 0.05 significance level, the null hypothesis is rejected. Thus, Anti-Money Laundering and Counter-Terrorism Financing Compliance has a significant negative effect on Operational Performance of FUGAZ banks in Nigeria.

Hypothesis Three

H_{03}: *Anti-Money Laundering and Counter-Terrorism Financing Compliance has no significant effect on Financial Stability of FUGAZ banks in Nigeria.*

The result further indicates that Financial Stability (FS) has a coefficient value of 0.2266, a t-value of 3.79, and a p-value of 0.000. The positive coefficient suggests that stronger AML/CTF compliance contributes positively to the financial stability of the selected banks. Effective compliance mechanisms help reduce exposure to money laundering risks, avoid regulatory sanctions, and enhance stakeholder confidence, thereby strengthening the financial position of banks. Since the p-value is less than the 0.05 level of significance, the null hypothesis is rejected. Therefore, it is concluded that Anti-Money Laundering and Counter-Terrorism Financing Compliance has a significant positive effect on Financial Stability of FUGAZ banks in Nigeria.

Overall, the regression model is statistically significant, as evidenced by the F-statistic of 12.52 and Prob > F of 0.0000. This indicates that the explanatory variables jointly provide a significant explanation of variations in AML/CTF compliance and its associated outcomes within the selected FUGAZ banks.

Discussion of Results

The findings of this study reveal that Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) compliance plays a significant role in shaping the performance and stability of FUGAZ banks in Nigeria. The descriptive results indicate high levels of

agreement among respondents regarding the implementation of AML/CTF regulations, effective customer due diligence procedures, prompt reporting of suspicious transactions, and regular compliance training. These findings suggest that the selected FUGAZ banks have established strong compliance frameworks aimed at combating money laundering and terrorism financing. The regression results further reinforce this position, as Deposit Mobilization (DM), Operational Performance (OP), and Financial Stability (FS) were found to have statistically significant relationships with AML/CTF compliance.

The analysis shows that AML/CTF compliance has a positive and significant effect on Deposit Mobilization. This finding implies that effective compliance practices enhance customer confidence and trust in the banking system, thereby encouraging customers to deposit and maintain funds within the banks. The result is consistent with the findings of Dogara et al. (2025), who reported that AML/CTF regulations significantly influence deposit growth among Nigerian deposit money banks. Strong compliance systems reassure customers that their funds are protected from financial crimes and illicit activities, thereby strengthening deposit mobilization efforts.

The study also found a significant relationship between AML/CTF compliance and Operational Performance. The regression result revealed a negative coefficient, indicating that increased compliance requirements may impose additional operational procedures, monitoring activities, and administrative responsibilities on banks. Although these measures are necessary for regulatory compliance, they may slightly reduce operational efficiency by increasing compliance costs and processing time. Nevertheless, the significance of the relationship demonstrates that AML/CTF compliance remains an important determinant of operational outcomes within the selected FUGAZ banks.

Furthermore, the findings indicate that AML/CTF compliance has a positive and significant effect on Financial Stability. This suggests that effective AML/CTF controls reduce exposure to financial crimes, minimize the risk of regulatory sanctions, and enhance stakeholder confidence in the banking system. Through strict compliance measures, banks are better positioned to safeguard their assets, maintain sound financial conditions, and sustain long-term institutional stability. This finding supports the argument of Olujobi and Yebisi (2022), who emphasized that effective anti-money laundering and counter-terrorism financing frameworks are essential for promoting financial system integrity and protecting economic stability.

The descriptive analysis further revealed overwhelming agreement among respondents that AML/CTF compliance contributes to customer confidence, reduces fraudulent and suspicious transactions, supports effective risk management, and enhances investor confidence. The consistently high mean scores across all variables indicate that employees of the selected FUGAZ banks perceive AML/CTF compliance not merely as a regulatory obligation but also as a strategic mechanism for promoting institutional growth and stability.

Overall, the findings confirm that AML/CTF compliance significantly influences key aspects of banking performance within FUGAZ banks. The robust regression model demonstrates that effective compliance frameworks contribute positively to deposit mobilization and financial stability while also exerting a significant influence on operational performance. These findings underscore the importance of strengthening AML/CTF systems as a means of promoting transparency, accountability, financial integrity, and sustainable growth within Nigeria's banking sector.

Summary of Findings

This study examined the effect of Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) compliance on Deposit Mobilization (DM), Operational Performance (OP), and Financial Stability (FS) among FUGAZ banks in Nigeria. The study adopted a descriptive cross-sectional survey design and obtained data from Compliance Officers, Risk Management Officers, Internal Control Officers, and Internal Auditors of the selected banks. Descriptive statistics and robust regression analysis were employed to analyze the data and test the hypotheses.

The descriptive findings revealed a high level of AML/CTF compliance across the selected FUGAZ banks. Respondents agreed that their institutions strictly comply with AML/CTF regulations, effectively implement Customer Due Diligence (CDD) and Know Your Customer (KYC) procedures, promptly report suspicious transactions, and provide adequate compliance training to employees. The regression analysis produced the following findings:

i. Anti-Money Laundering and Counter-Terrorism Financing Compliance has a significant positive effect on Deposit Mobilization among FUGAZ banks in Nigeria.

ii. Anti-Money Laundering and Counter-Terrorism Financing Compliance has a significant effect on Operational Performance among FUGAZ banks in Nigeria.

iii. Anti-Money Laundering and Counter-Terrorism Financing Compliance has a significant positive effect on Financial Stability among FUGAZ banks in Nigeria.

The overall regression model was statistically significant ($F = 12.52$, $p = 0.0000$), indicating that the explanatory variables significantly explain variations associated with AML/CTF compliance and banking performance outcomes within the selected FUGAZ banks.

5. CONCLUDING REMARKS

Conclusion

This study concludes that Anti-Money Laundering and Counter-Terrorism Financing compliance is a critical factor influencing the performance and stability of FUGAZ banks in Nigeria. In an increasingly regulated financial environment, compliance with AML/CTF laws and regulations has become essential for safeguarding the banking sector against money laundering, terrorism financing, fraud, and other financial crimes. It therefore establishes that AML/CTF compliance should not be viewed merely as a regulatory requirement but as a strategic instrument for improving institutional credibility, reducing financial crime risks, enhancing stakeholder confidence, and promoting long-term financial stability within Nigeria's banking sector.

Recommendations

Based on the findings of this study, the following recommendations are made:

i. FUGAZ banks should strengthen AML/CTF compliance frameworks by continuously enhancing Customer Due Diligence (CDD), Know Your Customer (KYC), and suspicious transaction monitoring systems. This will further improve customer confidence and contribute to increased deposit mobilization.

ii. Banks should invest in advanced compliance technologies and staff training programs to improve the effectiveness of AML/CTF implementation while minimizing operational challenges associated with regulatory compliance. This will enhance risk management capabilities and operational efficiency.

iii. Regulatory authorities such as the Central Bank of Nigeria (CBN), Nigerian Financial Intelligence Unit (NFIU), and Economic and Financial Crimes Commission (EFCC) should intensify supervision and enforcement activities to ensure strict adherence to AML/CTF regulations and strengthen the financial stability of the banking sector.

Contributions to Knowledge

This study contributes to knowledge in the following ways:

i. The study provides empirical evidence on the effect of AML/CTF compliance on deposit mobilization, operational performance, and financial stability among FUGAZ banks in Nigeria, thereby enriching the existing literature on anti-money laundering and counter-terrorism financing compliance within the Nigerian banking sector.

ii. The study establishes that AML/CTF compliance extends beyond regulatory obligations and significantly influences organizational outcomes, demonstrating its relevance as a strategic tool for enhancing banking performance and financial system integrity.

iii. The study develops a framework linking AML/CTF compliance with key banking performance indicators, thereby providing useful insights for policymakers, regulators, bank management, and future researchers interested in financial crime prevention and banking sector development.

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