
NIGERIA DELISTED FROM THE FINANCIAL ACTION TASK FORCE (FATF) GREY LIST: SUSTAINING COMPLIANCE AND STRENGTHENING FINANCIAL INTEGRITY

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1. Introduction

At the Financial Action Task Force (FATF) Plenary meeting held from October 22 to 24, 2025, Nigeria and several other African countries, including Burkina Faso, Mozambique, and South Africa, were removed from the FATF Grey List.¹ This milestone underscores Nigeria's substantial progress in strengthening its frameworks for anti-money laundering (AML), countering the financing of terrorism (CFT), and counter proliferation financing (CPF). To fully appreciate the significance of this achievement, it is important to understand the role of the FATF, the purpose of its listing system, and Nigeria's journey in enhancing its financial integrity mechanisms. This article examines these aspects, tracing Nigeria's efforts and reforms in the fight against money laundering, terrorism financing and proliferation financing.

2. The Role of FATF

The FATF is an intergovernmental organisation founded in 1989 by the G7 to set global standards and develop policies to combat money laundering and terrorist financing globally.² The objectives of the FATF are to establish standards and promote the effective implementation of legal, regulatory, and operational measures for combating money laundering and terrorist financing. Its work strengthens the integrity of the international financial system by promoting effective legal, regulatory, and operational measures across countries.³

To achieve this objective, the FATF has maintained two key public lists since 2000: the FATF Black List (the Call to Action) for jurisdictions requiring urgent action, and the FATF Grey List (the other monitored jurisdiction) for jurisdictions under increased monitoring.⁴ A country may be placed under the Grey list if the FATF's International Co-operation Review Group (ICRG) identifies strategic deficiencies in its anti-money laundering and counter-terrorist financing (AML/CFT) framework that present a risk to the international financial system.

Countries on the grey list would enter a one-year observation period to work with the FATF or the FSRB to address the identified deficiencies. The FATF evaluates countries based on their technical compliance with anti-money laundering and

1 Financial Action Task Force (FATF), *Outcomes FATF Plenary, 22–24 October 2025* (FATF, Paris, 24 October 2025) <https://www.fatf-gafi.org/en/publications/Fatfgeneral/outcomes-FATF-plenary-october-2025.html> accessed November 10, 2025.

2 Chohan, U. *The FATF in the Global Financial Architecture: Challenges and Implications* (CASS Working Papers on Economics & National Affairs, EC001UC, 14 March 2019) <https://ssrn.com/abstract=3362167> accessed November 10, 2025.

3 Financial Action Task Force (FATF), *Mandate of the FATF* (FATF-GAFI, 12 April 2019) <https://www.fatf-gafi.org/en/the-fatf/mandate-of-the-fatf.html> accessed November 10, 2025.

4 Ilda C., 'Chapter 2 Description of the Financial Action Task Force' in *The Legal Status of the Financial Action Task Force in the International Legal System* (Brill | Nijhoff, Leiden 2024) https://doi.org/10.1163/9789004715134_003 accessed November 10, 2025.

counter-terrorist financing (AML/CFT) standards, counter-proliferation financing, and financing of terrorism, as well as the effectiveness of their measures in the real world.⁵ Where the measures adopted fall short, the FATF works with such a country to design a tailored action plan to achieve legal, regulatory, and operational reforms. The reviews of such progress are conducted by four regional joint groups that cover Africa/Middle East, the Americas, Asia/Pacific, and Europe/Eurasia, allowing these jurisdictions to engage directly with FATF experts before plenary meetings.⁶

The FATF publicly updates the status of countries three times a year, highlighting progress and remaining deficiencies. Jurisdictions under increased monitoring, that is, those on the Grey list, are actively working to address strategic weaknesses in their AML/CFT regimes within agreed-upon timelines. On the other hand, countries on the Black list have severe deficiencies, prompting the FATF to urge all members to implement enhanced due diligence, or in severe cases, countermeasures to protect the global financial system.⁷

3. Nigeria's Previous Designation by the FATF

In 2001, Nigeria was designated as a non-cooperative country by the FATF due to significant deficiencies in its AML/CFT framework, corruption, and inadequate legislation. The Nigerian government subsequently enhanced its cooperation with the FATF and demonstrated a greater willingness to address the highlighted deficiencies. Some of the reforms include the enactment of the *Money Laundering (Amendment) Act 2002*,⁸ which came into effect on December 14, 2002. This Act expanded the scope of Nigeria's 1995 Money Laundering Law by extending its purview to include any type of illegal activity, not just drug-related offences. The Act also extended Anti-Money Laundering rules to other financial businesses, such as insurance companies, investment firms, and microfinance institutions, and introduced stricter monitoring requirements for large transactions. In the same period, the Nigerian government also enacted the *Economic and Financial Crimes Commission (EFCC) (Establishment) Act*.⁹ The EFCC was established in April 2003 to investigate cases of money laundering. Additionally, the *Banking and Other Financial Institutions (BOFI) Amendment Act* was enacted to improve licensing requirements for financial institutions.¹⁰

5 Blazejewski, K. 'The FATF and its Institutional Partners: Improving the Effectiveness and Accountability of Transgovernmental Networks' (2008) 22 *Temple International & Comparative Law Journal* 1.

6 Financial Action Task Force ('High-risk and other monitored jurisdictions') <https://www.fatf-gafi.org/en/topics/high-risk-and-other-monitored-jurisdictions.html> accessed November 13, 2025.

7 Financial Action Task Force (FATF), *Jurisdictions under Increased Monitoring – October 24 2025* (Press statement, October 24 2025) <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-october-2025.html> accessed November 13, 2025.

8 Money Laundering Act (Amendment) Act 2002.

9 Economic and Financial Crimes Commission (EFCC) (Establishment) Act 2004.

10 Banking and Other Financial Institutions (BOFI) Amendment Act, 2020.

In 2004, Nigeria enacted the Money Laundering (Prohibition) Act and the EFCC (Establishment) Act, which replaced the repealed laws. These statutes established a comprehensive framework for suspicious transaction reporting and customer identification, extended AML obligations to a broader range of financial and non-financial institutions and established the Nigerian Intelligence Unit (NFIU) within the EFCC, which became operational in January 2005. By June 2006, the Nigerian government had made significant strides in implementing the AML regime, including conducting compliance inspections for banks and other financial institutions. During the period under review, the NFIU expanded its staff and handled a substantial number of cases, while the EFCC also secured notable convictions in money laundering cases.¹¹

It was on this basis that the FATF, in June 2006, removed Nigeria from the Non-Cooperative Countries and Territories (NCCT) list, but continued to monitor the country's progress. Nigeria maintained this momentum and reported roughly 150 new Suspicious Transaction Reports (STRs) between June 2006 and May 2007. Fast-track courts were introduced to expedite the hearing of these cases. In June 2007, Nigeria's NFIU joined the Egmont Group, and ongoing AML/CFT oversight continues regionally through the GIAB. The Nigerian government continued to bolster its AML, CFT, and anti-proliferation legal framework. The Money Laundering (Prevention and Prohibition) Act has been subsequently amended in 2011 and most recently in 2022, along with other complementary laws, such as the Terrorism (Prevention and Prohibition) Act 2022 and the Proceeds of Crime (Recovery and Management) Act 2022, which address emerging risks and loopholes.¹²

4. Nigeria on the Grey List

On 24 February 2023, the FATF placed Nigeria on its Grey list, meaning that Nigeria was under increased scrutiny by the FATF for the serious deficiencies in its AML regime and its counter-laundering efforts. However, such a designation also signified that the country is taking active steps in conjunction with the FATF to address strategic deficiencies in its system to counter money laundering, terrorist financing, and proliferation financing, and has committed to swiftly resolving the identified strategic deficiencies within agreed-upon timelines.

¹¹ Financial Action Task Force, *Annual Review of Non-Cooperative Countries and Territories 2006-2007: Eighth NCCT Review* (October 12, 2007) <https://www.fatf-gafi.org/content/dam/fatf-gafi/annual-reports/2006%202007%20NCCT%20ENG.pdf> accessed November 11, 2025.

¹² *Ibid.*

Although there were no financial sanctions from grey listing, it had serious economic implications.¹³ Where a country is placed on the grey list, there might be more difficulty in obtaining funding for potential investments in Nigeria, as these investors would be skeptical that their funds could be diverted to finance terrorism. It also increases the cost of doing business due to reputational damage, enhanced due diligence by banks, delays in cross-border transactions, and potential disruption of capital flows. Empirical studies suggest that it could lead to a decline in average capital inflows of approximately 7-8% of GDP. During this period, Foreign Direct Investment (FDI) inflows into Nigeria fell sharply by 70.06 per cent to \$126.29 million in the first quarter of 2025 from \$421.88 million in the previous quarter.¹⁴ Where a country is consistently greylisted, it may have a long-term damaging impact on its reputation and constrain its access to global financial markets.

Furthermore, it may also impact international aid and financing, particularly for countries that rely on external funding. Development partners may impose more stringent measures for providing loans and assistance. This would influence the extent to which foreign investors and multinational businesses apply enhanced due diligence to deal with Nigerian companies. This would invariably reduce investment inflows and affect access to the global financial system.

Following its announcement of Nigeria's grey listing, the FATF listed a nine-point action plan for Nigeria to implement:¹⁵

- a. Completing its residual ML/TF risk assessment and updating its national AML/CFT strategy to ensure alignment with other national strategies relevant to high-risk predicate offences
- b. Enhancing formal and informal international cooperation in line with ML/TF risks
- c. Improving AML/CFT risk-based supervision of Fis and DNFBPs and enhancing implementation of preventive measures for high-risk sectors
- d. Ensuring that competent authorities have timely access to accurate and up-to-date BO information on legal persons and applying sanctions for breaches of BO obligations
- e. Demonstrating an increase in the dissemination of financial intelligence by the FIU and its use by LEAs
- f. Demonstrating a sustained increase in ML investigations and prosecutions in line with ML risks.

13 Khouny H and Drissi, H 'Addressing the Challenges of Weak AML Measures in Developing Countries: Key Concerns of FATF and Consequences of Greylisting' (2024) 7 (3) *Multidisciplinary Science Journal*.

14 "Nigeria's Exit from the FATF Grey List" (The Punch Newspaper, October 25 2025) <https://punchng.com/nigerias-exit-from-fatfs-grey-list/> accessed November 11, 2025.

15 Financial Action Task Force (FATF), *Jurisdictions under Increased Monitoring - February 24 2023* (February 24 2023) <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-february-2023.html> accessed November 11, 2025.

- g. Proactively detecting violations of currency declaration obligations and applying appropriate sanctions, and maintaining comprehensive data on frozen, seized, confiscated and disposed assets
- h. Demonstrating sustained increase in investigations and prosecutions of different types of TF activities in line with risk and enhancing interagency cooperation on TF investigations.
- i. Conducting risk-based and targeted outreach to NPOs at risk of TF abuse without disrupting or discouraging legitimate NPO activities.

5. Nigeria's Strategic Response to FATF Grey listing

In response to its grey listing by the FATF, the Nigerian government intensified efforts to bolster its AML/CFT framework. To achieve this objective, the Central Bank of Nigeria (CBN) issued a directive requiring all bank customers to link their Bank Verification Numbers (BVN) and National Identity Numbers (NINs) to their accounts by March 1, 2024, or face restrictions on their debit and credit transactions.¹⁶ This was in furtherance of the government's efforts to strengthen its Know Your Customer (KYC) regime, addressing existing loopholes in Tier-1 bank accounts that previously allowed for minimal documentation and facilitated illicit financial activities. The CBN also expanded mandatory BVN or NIN registration to all account holders and issued new regulatory measures to ensure financial system stability and compliance with FATF standards.

Similarly, CBN improved its oversight of financial technology (fintech) operators. It temporarily restricted the opening of accounts by major fintechs to curb financial irregularities and enforce stricter KYC measures. The Apex bank further licensed United Payment Services Limited as a Payment Terminal Service Aggregator to enhance transparency in electronic payments and combat financial crimes.¹⁷

At the regulatory level, the NFIU reaffirmed its commitment to working with the SEC, law enforcement agencies, and financial institutions to ensure sustained compliance with FATF standards. Furthermore, towards the next Mutual Evaluation, scheduled for 2027, the NFIU emphasised the need to strengthen monitoring of virtual assets and Virtual Asset Service Providers (VASPs) – a growing area of FATF scrutiny. To this end, Nigerian regulators are aligning local

16 Central Bank of Nigeria, *Circular on Tier 1 Wallets & Accounts, Guidance Note & Profiling of Customers' Accounts & Wallets* (December 1, 2023) <https://www.cbn.gov.ng/Out/2023/PSMD/Circular%20on%20Tier%201%20Wallets%20%26%20Accounts.%20Guidance%20Note%20%26%20Profiling%20of%20Customers%20Accounts%20%26%20Wallets.pdf> accessed November 11, 2025.

17 Central Bank of Nigeria, *Payment Terminal Service Aggregators* (2024) <https://www.cbn.gov.ng/Out/2024/CCD/Payment%20Terminal%20Service%20Aggregators.pdf> accessed November 11, 2025.

frameworks with updated FATF standards, including the 'Travel Rule', which mandates the sharing of information in virtual asset transactions, and the compulsory licensing and registration of VASPs to promote accountability.¹⁸

Also, in furtherance of this objective, the Nigerian government, on January 12, 2023, through a circular referenced FDR/DIR/PUB/CIR/001/064, introduced the 'Guidance on Ultimate Beneficial Ownership of Legal Persons and Legal Arrangements' (the Beneficial Ownership Guidance).¹⁹ This guidance provides practical steps for financial institutions to identify and verify the natural persons who are the ultimate beneficial owners and controllers of corporate entities, in line with existing laws and regulations on money laundering and terrorist financing.

The current administration reaffirmed its commitment to delisting Nigeria from the Grey list as part of its efforts to restore investor confidence and achieve its \$1 trillion economy vision.

6. Nigeria's Removal from the FATF Grey List

The FATF Plenary, held from October 22 to 24, 2025, lauded Nigeria's efforts in addressing the strategic AML/CFT/CPF deficiencies that initially placed it on the Grey List, and for completing the Action Plan within the agreed-upon timeframe. Furthermore, to maintain this momentum of improvements in the AML/CFT/CPF systems, the Nigerian government committed to continuing to work with its FSRB.²⁰

Undoubtedly, delisting Nigeria from the grey list has tremendous benefits for businesses in Nigeria. These include lower compliance costs, improved access to international finance, and seamless cross-border transactions. It would also enhance Nigeria's credit ratings and improve borrowing costs. The Central Bank of Nigeria (CBN) welcomed the FATF's decision to remove Nigeria from the grey list as a validation of the country's reform progress and the strengthening of its financial system's integrity. This development underscores a clear policy vision and the collaborative efforts of key national institutions committed to implementing sustainable, standards-driven reforms. Moving forward, the Nigerian government's focus should be on consolidating these achievements by promoting continued compliance, fostering innovation, and building trust to enhance financial stability and reinforce Nigeria's global credibility.²¹

18 International Monetary Fund, *Selected Issues Paper SIP/2025/96* (2025) <https://www.imf.org/en/-/media/files/publications/selected-issues-papers/2025/english/sipa2025096-source-pdf.pdf> accessed November 11, 2025.

19 Central Bank of Nigeria *Guidance on Ultimate Beneficial Owners of Legal Persons and Legal Arrangements* January 2023.

20 *Ibid.*

21 Nweze, C. 'FATF Grey List Exit Opens New Life-Line for Businesses, Financial System' *The Nation* (Online, 28 October 2025) <https://thenationonlineng.net/fatf-grey-list-exit-opens-new-life-line-businesses-financial-system/> accessed November 10 2025.

7. Next Steps

The FATF has progressed from a formalistic, rule-based standard to a risk-based, outcome-oriented regulatory model, highlighting an evolution from procedural compliance to demonstrable effectiveness.²² Thus, it is not enough to have laws; there must be equal enforcement reflected in tangible outcomes such as successful and tangible asset recovery in line with FATF Recommendations 4 and 38.²³ As a nation, we must adopt a compliance culture that thrives on ethical leadership, internal transparency, and shared responsibility.

The financial institutions must also embed compliance responsibilities across all business functions, as they are key partners in ensuring the integrity of Nigeria's financial system. This should be supported by leveraging modern technology, such as Artificial Intelligence (AI) and data analytics, to identify suspicious transactions and to forecast potential compliance issues before they occur. There is also a need for strategic documentation of its risk-based decisions to ensure accountability and transparency during regulatory audits. More importantly, there is a need for collaboration among financial institutions, regulators, and law enforcement agencies to improve the overall effectiveness of anti-money laundering and counter-terrorist Financing (CFT) efforts.

Strong corporate governance is crucial to Nigeria's compliance with the FATF recommendations, as it fosters accountability, fairness, and transparency within AML/CFT frameworks, particularly across the financial sector.²⁴ Boards of Directors play a central role in ensuring oversight and adherence to key regulatory requirements, including customer due diligence, ongoing monitoring, reporting suspicious transactions to the NFIU, appointing a designated compliance officer, and conducting effective risk assessments.²⁵ Lessons from international cases such as HSBC,²⁶ Wirecard,²⁷ and Danske Bank²⁸ underscore how weak governance structures can severely undermine anti-money laundering efforts. Accordingly, embedding sound governance principles within AML/CFT measures is essential to safeguarding Nigeria's financial integrity and promoting long-term compliance.

22 Balina, R., Spyra, M., Różyński, F. and Podlińska, O. 'From Checklists to Change: FATF's Risk-Based Approach and Its Impact on Malta's AML Framework' (2025) 28 *European Research Studies Journal* 518, p. 519.

23 FATF Recommendations, Recommendations 4 and 38.

24 Ajogwu, F., 'The Cost/Consequences of Bad Corporate Governance' (May 20, 2019). Available at SSRN: <https://ssrn.com/abstract=3391316> or <http://dx.doi.org/10.2139/ssrn.3391316> accessed November 13, 2025.

25 FATF Recommendations, Recommendation 18.

26 Naheem, M. 'HSBC Swiss Bank Accounts—AML Compliance and Money Laundering Implications' (2015) 23(3) *Journal of Financial Regulation and Compliance* 285 <https://doi.org/10.1108/JFRC-03-2015-0016> accessed November 11, 2025.

27 Annie Hsu, H., Llanos-Popolizio, R. and Vergara-Vega, J. 'Corporate Governance and Financial Fraud of Wirecard' (2021) 6(2) *European Journal of Business and Management Research* 96 <http://dx.doi.org/10.24018/ejbmr.2021.6.2.708> accessed November 11, 2025.

28 McConnell, P. (2020). Danske bank—a smorgasbord of risks. *Journal of Business Accounting and Finance Perspectives*, 2(3), 1-35.

8. Conclusion

There should be concerted and continuous efforts to strengthen Nigeria's financial system resilience. In addition to enacting laws and implementing regulatory reforms, sustained enforcement and inter-agency coordination are crucial. Removal from the FATF grey list should not be regarded as an end in itself, but rather as part of an ongoing commitment to adapt to an evolving financial landscape in ensuring the integrity of the country's financial ecosystem.

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