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FC **Legal Notes**

Nigeria's Exit from the FATF Grey List:
A New Era for Financial Governance and Investor Confidence

Introduction: FATF and the Grey List Framework

The Financial Action Task Force (FATF) is an intergovernmental organization established to develop and promote policies aimed at combating money laundering (ML), terrorist financing (TF), and proliferation-financing (PF). The FATF sets global standards that help ensure transparency and stability of financial systems across member nations. It evaluates jurisdictions through mutual assessments and identifies “strategic deficiencies” in Anti-money Laundering and Countering the Financing of Terrorism (AML/CFT) frameworks across jurisdictions.

The FATF maintains two key lists: the Black list for high-risk jurisdictions and the Grey list for countries “under increased monitoring.” Countries placed on the Grey list are those identified as having strategic deficiencies in their AML/CFT frameworks, and these countries commit to working closely with the FAFT to resolve these weaknesses within an agreed timeframe.
Being placed on the grey list carries tangible economic consequences. It can lead to de-risking by global banks, increased transaction scrutiny, reputational damage, and constrained access to capital. For emerging markets like Nigeria, this translates into higher compliance costs, reduced investor confidence, and potential macroeconomic instability.

Nigeria's initial inclusion on the FATF grey list in 2023 reflected systemic deficiencies in beneficial-ownership transparency, supervision of non-financial businesses and professions, and terrorism-financing enforcement. Yet, in less than three years, Nigeria accomplished what many jurisdictions struggle to achieve: comprehensive reforms leading to removal from the list in October 2025.[1]

This transition from enhanced monitoring to restored credibility illustrates not just policy correction but institutional maturity. It also raises deeper questions: What legal reforms enabled Nigeria's success? What are the implications for governance, compliance culture, and investment? And what must be done to sustain these gains?

1. FATF Plenary Outcomes, October 2025, www.fatf-gafi.org

Understanding FATF Delisting and Its Global Context

i. The FATF Monitoring Process

FATF conducts mutual evaluations assessing countries against its **40-plus Recommendations.** Where deficiencies are identified, a country must adopt a time-bound **action plan**. During this period, the jurisdiction is considered "under increased monitoring." If the FATF is satisfied that deficiencies have been adequately addressed, the country is removed from the grey list.

Delisting therefore represents formal recognition of "substantial completion" of the action plan. However, FATF delisting is not a permanent certification; it signifies ongoing compliance within a dynamic, peer-reviewed framework.

ii. Nigeria's Position in the Global AML/CFT Landscape

By 2023, Nigeria was one of several African jurisdictions on the grey list. The grey listing came at a time when the government was pursuing ambitious economic reforms and seeking foreign investment. The FATF's decision created urgency for legal and institutional overhaul. Only a handful of countries across Africa have managed to achieve delisting within a comparable timeframe. Nigeria's success thus signals growing regional commitment to financial integrity standards and underscores its leadership within the West African AML/CFT framework.

iii. Legal Relevance of FATF Compliance

From a legal standpoint, FATF recommendations themselves are not treaties but are implemented through domestic legislation. Compliance, therefore, manifests through national statutes, regulatory guidelines, and enforcement mechanisms. Nigeria's case demonstrates how legislative reforms and coordinated regulatory enforcement can translate global standards into local legal architecture. The delisting, therefore, represents not only FATF's acknowledgment of Nigeria's efforts but also the country's reaffirmation of its commitment to the rule of law and transparency in financial governance.

Nigeria's Journey from Grey List to Compliance

i. Chronology of Key Developments

·**February 2023:** FATF places Nigeria on the grey list, citing deficiencies in beneficial-ownership transparency, terrorism-financing enforcement, and supervision of Designated Non-Financial Businesses and Professions (DNFBPs).[2]
·**2023–2025:** Nigeria undertakes an aggressive reform agenda. Multi-agency collaboration between the CBN, EFCC, NFIU, CAC, and other regulators becomes the driving force of change.[3]
·**August 2025:** FATF conducts an on-site assessment in Nigeria to verify progress on the action plan.[4]
·**October 2025:** FATF announces Nigeria's removal from the grey list after determining that it had successfully addressed all strategic deficiencies.[5]

ii. Core Legal and Institutional Reforms

· **Legislative Framework**

Nigeria's parliament enacted or amended key pieces of legislation between 2022 and 2023, including:

✓ The **Money Laundering (Prevention and Prohibition) Act 2022,**

✓ The **Terrorism (Prevention and Prohibition) Act 2022,** and

✓ The **Proceeds of Crime (Recovery and Management) Act 2022.**

These laws collectively expanded predicate offences, enhanced asset-forfeiture procedures, introduced clear provisions on beneficial ownership, and strengthened inter-agency coordination.[6]

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2. Premium Times Nigeria, Why FATF Placed Nigeria on Grey List and How the Country Won Its Way Back, 24 Oct 2025, www.premiumtimes.com
3. Global Compliance Institute, Nigeria's Path to FATF Compliance – Overcoming Grey-
4. List Challenges, 2025 Webinar, www.gci-ccm.org
5. Premium Times Nigeria, *ibid.*
6. Al Jazeera News, Four African Countries Taken off Global Money-Laundering Grey List, 24 Oct 2025, www.aljazeera.com

· **Beneficial-Ownership Transparency**
The Corporate Affairs Commission (CAC) launched Nigeria's first Beneficial-Ownership Register, a major FATF-compliance milestone. This registry ensures accurate and timely disclosure of individuals who ultimately control or benefit from corporate entities.[7]

· **Enhanced Supervisory Oversight**
The Central Bank of Nigeria (CBN), the Securities and Exchange Commission (SEC), and other regulators expanded risk-based supervision. New guidelines mandated real-time transaction monitoring, periodic compliance audits, and stricter enforcement of sanctions.

· **Inter-Agency Coordination**
The NFIU modernized its intelligence dissemination framework, improving data sharing with enforcement agencies and international partners. This contributed to stronger case-building and asset-tracing capacity.[8]

· **Operational Enforcement.**
Nigeria reported a measurable increase in AML/CFT investigations, prosecutions, and convictions. These are considered critical metrics for FATF effectiveness assessments.

Legal and Compliance Implications of FATF Delisting

i. Regulatory Meaning of Delisting
FATF delisting formally signifies that Nigeria has satisfied its action plan and no longer requires enhanced monitoring. In regulatory terms, this denotes an AML/CFT regime that meets minimum international effectiveness thresholds. However, delisting does not eliminate ongoing obligations. Nigeria remains subject to periodic mutual evaluations to ensure the sustainability of reforms.

ii. Supervision and Enforcement Dynamics
Following delisting, Nigerian regulators have pivoted from reactive reform to proactive governance. The CBN, SEC, and NFIU now emphasize maintaining risk-based supervision and ensuring continuous enforcement. The FATF has stressed that jurisdictions should not view delisting as an endpoint but as a "transition into sustained compliance."[9]

iii. Implications for Financial and Non-Financial Institutions
For Nigerian banks, fintech, law firms, and other DNFBPs, delisting imposes higher, not lower, expectations. Institutions must now demonstrate that compliance culture is embedded, not merely regulatory box-ticking. This includes:

- Maintaining updated KYC and customer due diligence protocols;
- Ensuring beneficial-owner disclosures remain accurate;
- Filing timely suspicious-transaction reports; and
- Adopting regulatory compliance technology (RegTech) to detect unusual patterns.

Sustained compliance remains key to restoring complete confidence in Nigeria's financial system as it is expected that Nigeria's post-delisting performance will continue to be monitored internationally before fully relaxing enhanced due diligence measures.

iv. Continued Monitoring and Legal Strategy
Even after delisting, Nigerian entities must be vigilant. FATF follow-up processes can recommend renewed monitoring if effectiveness wanes. Legal practitioners should therefore counsel clients to institutionalize compliance: adopt risk-based frameworks, document internal controls, and conduct independent AML/CFT audits. Ultimately, Nigeria's removal from the grey list marks a shift from a reactive to a preventive compliance posture transforming AML/CFT from a regulatory burden to an operational ethos.

7. Money Laundering (Prevention and Prohibition) Act 2022; Terrorism (Prevention and Prohibition) Act 2022; Proceeds of Crime (Recovery and Management) Act 2022.
8. Business Day Nigeria, Assessing CBN's Role in Nigeria's Exit from FATF Grey List, 2025, www.businessday.ng
9. Business Day Nigeria, FG moves to Exit Global Grey List secures Over 730 Terrorism Convictions, 2025, www.businessday.ng

Economic and Investment Impact of the Delisting

i. A Restored Signal of Market Confidence

The FATF's October 2025 announcement that Nigeria had completed its action plan[10] sent a dominant signal to investors, financial institutions, and international development partners. For nearly three years, Nigeria's grey-list status had elevated transaction costs and compliance-risk perception, particularly in correspondent-banking and trade-finance relationships.

Delisting reverses that narrative. It affirms that Nigeria's financial-governance framework now meets global expectations. The immediate market response was largely positive: the Minister of Finance described the decision as a "turning-point for investor confidence and global integration."[11] Empirical evidence from previous delisting suggests that grey-listing can reduce foreign-capital inflows by as much as 7 percent of GDP; conversely, removal can restore lost flows.[12] Thus, Nigeria's exit holds both symbolic and quantifiable macroeconomic value.

ii. Trade-Finance, Remittances, and Payment-System Effects

Nigeria's economy is deeply connected to international financial flows. During the grey-listing period, Nigerian banks and exporters faced prolonged due diligence checks, delays in letter of credit processing, and correspondent banking lines. FATF delisting is expected to ease these constraints. The Central Bank of Nigeria (CBN) stated that restored global confidence will "enhance cross-border payments, remittances, and trade-finance access."[13] Remittance inflows—over US $20 billion annually—are projected to benefit from reduced transaction friction, as money-transfer operators and foreign banks re-evaluate their risk ratings.

Fintechs operating in the payment and remittance space are also expected to experience renewed partnerships with international payment processors and card networks, creating a more vibrant cross-border ecosystem.

iii. Cost of Capital and Investor Perception

Grey-listing had indirectly raised Nigeria's risk premium in international capital markets. Institutional investors and credit-rating agencies often treat FATF compliance as a proxy for governance quality. With delisting, Nigerian sovereign and corporate borrowers can expect gradual improvement in perceived creditworthiness and potentially lower borrowing costs.

This is particularly relevant as Nigeria pursues infrastructure-financing, green-bond issuance, and public-private partnerships. The delisting strengthens Nigeria's argument that it is a trustworthy counterparty in global capital markets.[14]

iv. Regional Competitive Advantage

Nigeria's success aligns with a broader continental trend: several African jurisdictions, including South Africa, also achieved delisting in 2025.[15] Together, these milestones enhance Africa's standing in global compliance governance. Within West Africa, Nigeria's leadership role in the Inter-Governmental Action Group against Money Laundering (GIABA) positions it as a model for regional peers. By maintaining compliance momentum, Nigeria can differentiate itself as a credible financial hub particularly for fintech innovation and investment. For legal practitioners and corporate advisers, this opens new opportunities in compliance consulting, financial-regulation advisory, and cross-border investment structuring.

10.FATF, High-Risk and Other Monitored Jurisdictions, 2025, www.fatf-gafi.org.
11. Business Day Nigeria, ibid.
12. FATF Plenary Outcomes, Oct 2025, supra n 1.
13. Vanguard Nigeria, Nigeria's Exit from FATF Grey List Marks Turning Point for Investor Confidence, 25 Oct 2025, www.vanguardngr.com
14. Reuters, South Africa, Nigeria Dropped from FATF Grey List, 24 Oct 2025, www.reuters.com
15. Punch Newspaper, CBN Celebrates Nigeria's Removal from FATF Grey List, Oct 2025, www.punchng.com

Governance, Transparency, and Anti-Corruption Implications

The delisting also comes with identifiable governance, transparency and anti-corruption implications for Nigeria. For instance, it can be said that the beneficial ownership reform and accountability enhanced through the CAC's Central Beneficial-Ownership Register accessible to competent authorities has far-reaching governance implications: it deters the use of shell companies for illicit purposes and enhances public-sector accountability.

The FATF has also credited Nigeria for improved inter-agency coordination between the relevant enforcement institutions. In governance terms, this institutional coherence may reflect a sense of an evolving rule-of-law culture one in which agencies act within legal mandates, yet collaborate toward shared objectives. For compliance lawyers, the new environment presents growing demand for advisory services on multi-agency compliance interactions and enforcement defense.

While FATF delisting is not directly an anti-corruption certification, it reinforces anti-corruption capacity. Strengthened AML/CFT enforcement, improved financial intelligence, and enhanced asset-recovery mechanisms all serve the broader goal of reducing illicit financial flows. For governance stakeholders, the challenge is to institutionalize these reforms beyond FATF's timeline to make them integral to Nigeria's domestic accountability architecture.

Civil-society organizations (CSOs) and advocacy groups have hailed the delisting as evidence that sustained public pressure yields reform dividends. The Africa Network for Environment and Economic Justice, for example, described the decision as “a new chapter for financial integrity.”[16] Public engagement will remain crucial. Transparency reforms thrive only when monitored by independent actors' civil society, media, and professional bodies—ensuring that legal compliance evolves into cultural compliance.

Policy and Legal Priorities for Sustaining Compliance: The Road Ahead

Sustaining compliance requires a strategic focus on several fronts:

i. **Continuous Training:** Regulators, compliance officers, and legal practitioners must undergo periodic capacity-building to stay abreast of evolving FATF standards.

ii. **RegTech and Data-Analytics Investment:** The integration of technology into transaction-monitoring and suspicious-activity detection is essential to maintaining effectiveness.

iii. **Legal Reforms for Emerging Risks:** As virtual assets and digital finance expand, Nigeria must periodically update legislation to align with FATF guidance on Virtual-Asset Service Providers (VASPs).

iv. **Enhanced Inter-Agency Coordination:** The success achieved through collaboration should be institutionalized via memoranda of understanding, shared databases, and joint-task-forces.

v. **Private-Sector Engagement:** Businesses should view compliance as competitive advantage rather than cost burden.

vi. **Transparent Enforcement Metrics:** Regular public reporting on AML/CFT enforcement outcomes will reinforce accountability.

16. Africa Network for Environment and Economic Justice (ANEEJ), Nigeria’s Exit from the FAFT Grey List - A New Chapter for Financial Integrity, 2025 www.punchng.com

Conclusion

Nigeria's removal from the FATF grey list stands as both an institutional and symbolic triumph. It validates years of legislative reform, regulatory innovation, and inter-agency cooperation. Beyond satisfying global technical standards, the achievement restores confidence in Nigeria's financial-governance capacity and may be perceived in some ways as a demonstration Nigeria's commitment to transparency and the rule of law, with a long way still to go.

The delisting carries concrete dividends: lower risk perception, restored banking relationships, enhanced investor confidence, and expanded access to international capital. It also strengthens anti-corruption architecture by promoting beneficial-ownership transparency and institutional accountability.

However, this milestone should not be mistaken for finality. FATF compliance is dynamic; the challenge is sustaining reforms and embedding them into Nigeria's governance DNA. The next chapter will be written not in policy statements but in continued enforcement, technological innovation, and professional ethics.

Nigeria has turned a page. The task now is to ensure that this success story becomes a permanent feature of its legal, financial, and governance identity.