



DUALE, OVIA &
ALEX-ADEDIPE

REFLECTIONS ON THE REMOVAL OF NIGERIA FROM THE FINANCIAL ACTION TASK FORCE (FATF) “GREY LIST”: A BOOST FOR INVESTOR CONFIDENCE





INTRODUCTION:

The Financial Action Task Force (“FATF”) is the global authority that combats illicit financial activities. It is an inter-governmental policy-making body that sets international standards to prevent money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction.¹ Nigeria’s recent removal from the Financial Action Task Force (FATF) “grey list” (Jurisdictions under Increased Monitoring) since its inclusion in February 2023 is a defining moment for the nation’s financial system and global credibility. After a period of heightened international scrutiny, this delisting is a formal acknowledgement of Nigeria’s substantial progress in strengthening its Anti-Money Laundering (“AML”) and Countering the Financing of Terrorism (“CFT”) frameworks. This success is not merely a technical achievement but a robust, institutional commitment to global financial transparency.

WHAT IS THE FINANCIAL ACTION TASK FORCE (FATF) AND IT’S CORE VALUES:

The FATF was established in 1989 by the G7 nations in Paris to address the growing concern over the misuse of financial systems for criminal activities. The G7 nations, or group of seven, is an informal forum that brings together the leaders of seven of the World’s most advanced industrialized economies, a political and economic forum for high-level discussion and coordination, it comprises of Canada, France, Germany, Italy, Japan, United Kingdom (UK), and the United States (US)². It comprises 40 member jurisdictions (including major economies) and several regional bodies, with over 200 countries committed to implementing its standards. Being the global standard-setter for Anti-Money Laundering and Countering the Financing of Terrorism, the core mission of the FATF is to protect the international financial system from misuse by criminals and terrorists, thereby strengthening financial sector integrity and contributing to global safety and security. The FATF does not just issue standards; it holds countries accountable for compliance, including monitoring and assessment. It also identifies high-risk jurisdictions, such as countries with significant strategic AML/CFT deficiencies that have failed to engage or make sufficient progress. In essence, the FATF is the global policeman for financial integrity, ensuring that illicit funds from crime, corruption, and terrorism cannot easily move through the world’s legitimate financial system.

¹ Financial Action Task Force (n.d) Who we are <https://www.fatf-gafi.org/en/the-fatf/who-we-are.html>

² Financial Action Task Force (2019) Financial Action Task Force 30 Years <https://www.fatf-gafi.org/en/publications/Fatfgeneral/Fatf-30.html>



WHY WAS NIGERIA ON THE FATF GREY LIST:

Nigeria and South Africa were added to the FATF's list of countries under special scrutiny in February 2023, while Mozambique has been there since 2022, Burkina Faso was added in 2021. The grey list, officially known as "Jurisdictions under Increased Monitoring", identifies countries that have strategic deficiencies in their Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) frameworks/regimes³. Nigeria was placed on the grey list due to identified strategic deficiencies in its AML/CFT regime, meaning its systems were not effective enough to combat financial crimes.⁴ This, of course, brings into question the roles and commitment of financial agencies and institutions in the country, like the Economic and Financial Crimes Commission ("EFCC"), the Nigerian Financial Intelligence Unit ("NFIU"), the Independent Corrupt Practices and other Related Offences Commission in Nigeria ("ICPC"), the Central Bank of Nigeria ("CBN"), Corporate Affairs Commission ("CAC") to mention a few. The key areas of concern included:

1. Weak Enforcement; Inadequate demonstration of a sustained increase in investigations and prosecutions of Money Laundering and Terrorist Financing cases.
2. Beneficial Ownership Transparency: There is a lack of adequate measures to ensure transparency and access to information on the true owners of companies.
3. Inter-Agency Coordination: Enhanced collaboration between law enforcement agencies and other regulatory bodies is needed.
4. Supervisory Deficiencies: There are insufficient supervisory measures for both financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs).⁵

REFORMS THAT LED TO NIGERIA'S REMOVAL FROM THE GREY LIST:

Nigeria was delisted by the FATF at its Plenary in October 2025. Nigeria's removal resulted from completing a comprehensive 19-point Action Plan developed with the FATF. The successful implementation addressed the strategic deficiencies by primarily strengthening the country's AML/CFT framework. The key reforms included:

1. Legislative and Institutional Reforms: Implementing new Acts and improving the legal and regulatory framework.

³ Financial Action Task Force (24 October 2025) Jurisdictions No Longer Subject to Increased Monitoring by the FATF <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-october-2025.html>

⁴ Dayo, O et al (Feb 2023) The What and Why of Nigeria's Grey Listing by the Financial Action Task Force and its Implications on Businesses Operating in Nigeria <https://www.templars-law.com/knowledge-centre/the-what-and-why-of-nigerias-grey-listing-by-the-financial-action-task-force-and-its-implications-on-businesses-operating-in-nigeria/>

⁵ Azinge-Egbiri, N., Malala, J., Egeruoh-Adindu, I., Eboh, N. J., Ikobi-Anayali, A., and Adebusi, A. E. (2024). A Multi-Stakeholder Approach to Nigeria's FATF Delisting: Workshop Report. Available at: <https://gsdec.network/amulti-stakeholder-approach-to-nigerias-fatf-delisting-workshop-report/>.

2. Enhanced Enforcement: Demonstrating a sustained increase in the investigation, prosecution, and conviction of Money Laundering and Terrorist Financing cases.
3. Inter-Agency Collaboration: Strengthening coordination between the NFIU, the CBN, and Law Enforcement Agencies (“LEAs”).
4. Improved Supervision: Heightening supervisory measures over financial institutions and DNFBPs.
5. Corporate Transparency: Operationalising the Beneficial Ownership Register to ensure greater corporate transparency and accountability.

The delisting is a major boost for Nigeria’s financial system and its reputation on the global stage, with direct and indirect positive implications for the fight against money laundering and the economy at large. The other implications include:

1. *Reduced International Scrutiny and Lower Costs*

Lower Due Diligence: International banks and financial institutions will likely reduce enhanced due diligence requirements for transactions involving Nigerian counterparties. This lowers compliance costs and friction for Nigerian businesses.

Smoother Cross-Border Transactions: Payments, trade finance operations, and cross-border money transfers (like remittances) are expected to become faster and more affordable, as they are no longer subject to the “grey list stigma” and associated de-risking by foreign banks. Local banks will have easier access to global banking networks, making it simpler to clear international payments.

2. *Boosted Investor Confidence and Capital Flows*

Investor Signal: The removal signals to global investors and multilateral partners (like the IMF) that Nigeria’s financial systems are becoming stronger, more transparent, and trustworthy.

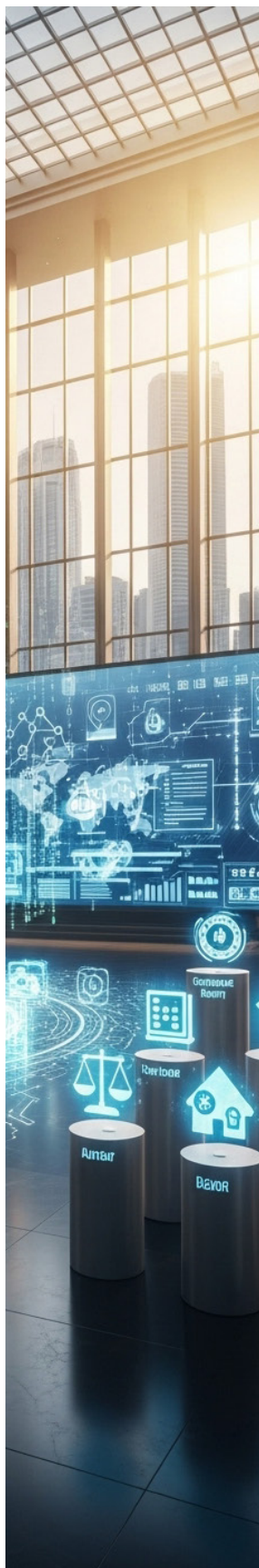
Increased Foreign Investment: This vote of confidence can potentially lead to an increase in Foreign Direct Investment (“FDI”) and capital inflows, which had historically been reduced by an estimated 7.6% of GDP due to the grey listing⁶.

3. *Sustained AML/CFT Momentum*

Institutional Integrity: The reforms implemented, such as the operational Beneficial Ownership Register and stronger enforcement powers for regulatory agencies, are now institutionalized.

High Bar for Compliance: The financial sector, including banks and fintechs, must maintain these world-class AML/CFT standards to ensure Nigeria does not face the risk of being re-listed, driving a culture of continuous compliance and financial integrity.

⁶ Impact of Grey Listing on FDI: A working paper published by the International Monetary Fund (IMF) in 2021



THE IMPLICATION OF REMOVAL FROM GREY LIST FOR THE NIGERIAN LEGAL REGIME AND ECONOMY:

The delisting has profound and lasting legal, operational and economic implications, embedding international best practices firmly within the Nigerian legal system and regulatory structure, to wit:

A. *Permanent Legislative and Regulatory Overhaul*

Enacted Laws as the New Standard: The process forced the enactment and full implementation of critical laws, notably the issuing of the Central Bank of Nigeria (“CBN”) AML Guidelines 2025⁷ and an exposure draft on baseline standards for automated AML solutions⁸; the enactment of the Nigerian Insurance Industry Reform Act (NIIRA) 2025, and the Economic and Financial Crimes Commission (Anti-Money Laundering) Regulations, 2024⁹. All brought Nigeria’s AML/CFT regime in line with global standards and provided the necessary legal teeth for regulatory bodies.

Corporate Transparency: The operationalization of the Beneficial Ownership Register mandates that corporate entities must legally disclose their ultimate owners. This closes a significant legal loophole previously exploited for illicit financial flows and places a new, high bar for corporate governance and legal due diligence in Nigeria.

Heightened Designated Non-Financial Businesses and Professions (“DNFBP”) Oversight: The legal system now requires significantly stricter supervision and compliance from Designated Non-Financial Businesses and Professions (like lawyers, accountants, real estate agents, and casinos), ensuring that these “gatekeepers” of the financial system are legally accountable for AML/CFT compliance.

B. *Reinforced Enforcement and Judicial Capacity*

Evidence of Effectiveness: The primary reason for delisting was demonstrating effective AML/CFT outcomes. This means Nigerian law enforcement agencies (EFCC, NFIU, etc.) and the judicial system are now legally and functionally compelled to achieve a sustained increase in convictions for Money Laundering and Terrorist Financing (Financial Action Task Force 2025).

⁷ Central Bank of Nigeria (Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing of Weapons of Mass Destruction in Financial Institutions) Regulations, 2022.

⁸ Central Bank of Nigeria (May 20, 2025) EXPOSURE OF DRAFT BASELINE STANDARDS FOR AUTOMATED ANTI-MONEY LAUNDERING (AML) SOLUTIONS: REQUEST FOR COMMENTS (Letter to All Financial Institutions) <https://www.cbn.gov.ng/Out/2025/CCD/Exposure%20Draft%20on%20Baseline%20Standards%20for%20Automated%20AML%20Solutions.pdf>

⁹ Economic and Financial Crimes Commission (Anti-Money Laundering Combating the Financing of Terrorism and Countering Proliferation Financing of Weapons of Mass Destruction for Designated Non-financial Businesses and Professions, and Other Related Matters) Regulations, 2024

Inter-Agency Mandate: The success was driven by enhanced coordination between the Nigerian Financial Intelligence Unit (NFIU), the Attorney-General's office, and other agencies. This collaborative framework is now the legally established operational model for combating complex financial crimes¹⁰.

C. Economic and Global Legal Standing

Reduced Compliance Friction: The most direct benefit is the reduction of the “jurisdiction-risk” premium applied to Nigerian entities by international banks. This will lead to lower Know Your Customer (“KYC”) and due diligence burdens for Nigerian businesses in cross-border transactions.

Enhanced Global Credibility: Nigeria has been invited to participate in the FATF Guest Jurisdictions Initiative, signifying its new status as a credible partner in the global fight against financial crime. This restores confidence in the integrity of the country's legal and financial governance regimes¹¹.



CONCLUSIONS:

Nigeria's exit from the FATF grey list is a significant achievement that restores investor confidence in its financial integrity and governance. The next step is to transform these remedial devices into strategic business advantages.

It is also instructive to note that taking Nigeria off the Grey List would make it easier for capital to enter Nigeria, including lowering funding costs for companies and households. This is a significant milestone for Nigeria, its legal system, and the economy.

¹⁰ NFIU Press Release (October 2025) Nigeria Exits FATF Grey List — A New Chapter for Financial Integrity and Global Confidence; Proshare <https://www.proshare.co/articles/nigeria-exits-fatf-grey-list-a-new-chapter-for-financial-integrity-and-global-confidence?menu=Regulators&classification=Read&category=Regulators>

¹¹ Dr Kateryna Boguslavska (06. February 2025) FATF grey list: truth and myths; Base Institute on Governance <https://baselgovernance.org/blog/fatf-grey-list-truth-and-myths>

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