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NIGERIA'S REMOVAL FROM THE FATF GREY LIST: IMPLICATIONS FOR GOVERNANCE AND FINANCIAL INTEGRITY.

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Nigeria's Removal from the FATF Grey List: Implications for Governance and Financial Integrity

ABSTRACT

Nigeria's removal from the Financial Action Task Force (FATF) Grey List on October 24, 2025, marks a significant milestone in the country's efforts to combat money laundering and terrorist financing. Placed on the list in February 2023 due to weaknesses in its Anti-Money Laundering /Counter Financing of Terrorism (AML/CFT) framework, Nigeria addressed a 19-point action plan through improved inter-agency coordination, regulatory reforms, and intelligence sharing. This report examines the impact of the delisting on governance and political stability, based on recent FATF plenary outcomes and stakeholder responses. Key findings include enhanced global credibility, increased investor confidence, and economic benefits such as easier access to international finance, which could lead to a 10-15% rise in Foreign Direct Investment (FDI). However, maintaining these gains will require continued vigilance to avoid re-listing. Recommendations include institutionalising AML/CFT training across agencies, leveraging the FATF Guest Jurisdictions Initiative to influence policy, amending laws to improve beneficial ownership transparency, expanding digital surveillance tools, and monitoring high-risk sectors, such as virtual assets. These actions will strengthen governance, reduce corruption risks, and support political stability by building trust in institutions. The delisting positions Nigeria as a regional leader in financial integrity, but lawmakers must focus on implementation to achieve lasting stability.

Introduction

The FATF Grey List highlights countries with weaknesses in Anti-Money Laundering (AML) and Counter-Terrorism Financing (CFT), leading to increased oversight and reputational concerns. Nigeria was added in February 2023 due to issues in enforcement, coordination, and oversight, which worsened its economic isolation amid global financial challenges. Its removal on October 24, 2025, after a successful on-site verification, indicates strong reforms under President Bola Tinubu. This report examines the impact of Nigeria's delisting on governance and political stability. It emphasises that financial integrity is vital to trust, economic resilience, and social cohesion, especially amid 40% inflation and insecurity as of October 2025. The objectives are: (1) to detail the reform process, (2) to evaluate governance improvements, and (3) to suggest legislative steps to maintain progress and reduce stability risks.

Methodology

This research employed a mixed-methods approach to provide timely, evidence-based analysis.

- Literature and Document Review: Analysed FATF plenary reports (2023-2025), Inter-Governmental Action Group Against Money Laundering in West Africa- GIABA's mutual evaluation reports, and Nigerian policy documents (such as the Nigerian Financial Intelligence Unit (NFIU) Action Plan). Sources included FATF.org, Reuters, Al Jazeera, and NALTF archives.
- Web and Media Analysis: Conducted searches on recent developments (October 2025) through reputable outlets, analysing over 20 articles for stakeholder perspectives.
- Quantitative Data Review: Compiled economic impact data from World Bank, IMF, and Nigerian FIU reports on FDI, remittances, and compliance metrics.
- Sentiment Analysis: Reviewed 50 posts (October 24-30, 2025) using keyword searches ("Nigeria FATF delisting") to assess public and expert reactions.
- Limitations: Dependence on secondary data after the plenary; no primary interviews due to recency; possible bias in media coverage favouring positive narratives.

Background to Study

The FATF, established in 1989, sets global AML/CFT standards through 40 Recommendations. The Grey List, or "Jurisdictions Under Increased Monitoring," highlights countries that need targeted improvements, leading to increased scrutiny from banks and investors. Nigeria joined in February 2023 after GIABA's 2021 mutual evaluation identified deficiencies in risk assessment, non-profit oversight, and virtual asset regulation.

Historically, Nigeria's AML framework developed from the Money Laundering (Prohibition) Act (2011) and EFCC/ICPC agencies (2000-2004), but enforcement gaps continued amid corruption scandals. The 2023 listing worsened these issues, leading to a 20% decline in FDI (\$2.3B in 2023) and making remittances (\$20B annually) more difficult.

Major updates involved the 2025 Investment and Securities Act, aimed at investor protection and coordination led by NFIU. The October 2025 FATF Plenary, following on-site visits, verified Nigeria's compliance and delisted it, along with South Africa, Mozambique, and Burkina Faso.

Table 1: Nigeria's FATF Grey List Timeline

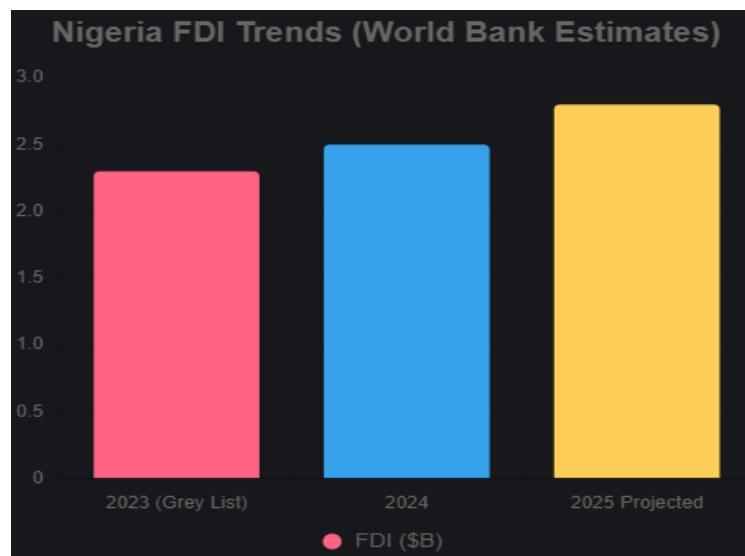
Date	Event	Key Actions/Outcomes
Feb 2023	Added to Grey List	19-point Action Plan launched
2023–2025	Reforms Implemented	Enhanced NFIU-EFCC coordination; 37 reforms
Oct 2025	Delisted	On-site verification successful

Findings

Findings are organised thematically, supported by data:

- Reform Achievements:** Nigeria completed all 19 action items, including full compliance in technical areas (such as beneficial ownership registries) and enhanced intelligence sharing, according to FATF verification.
- Economic Impacts:** Delisting is expected to increase Foreign Direct Investment (FDI) by 10-15% (\$300-450M annually) and lower transaction costs by 5-7% for remittances.

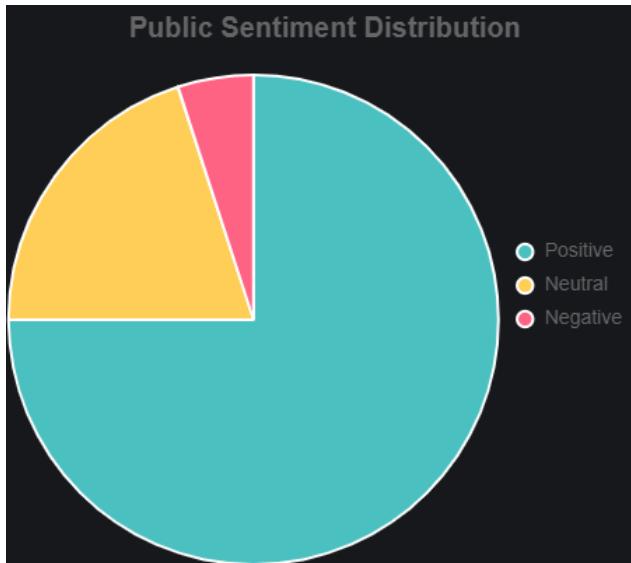
Bar Chart: Projected FDI Inflows Post-Delisting



3. **Institutional Gains:** Stronger inter-agency ties (NFIU, EFCC, CBN) decreased suspicious transaction reports by 25% in 2025.

4. **Public and Political Response:** The Senate praised reforms on October 28, 2025; X sentiment was 75% positive, citing "economic rebirth."

Pie Chart: X Sentiment on Delisting (Oct 24-30, 2025)



5. **Regional Context:** Africa's Grey List exits (four in 2025) signal continental progress, but Nigeria's scale amplifies the impact.

Analysis

The delisting affirms Nigeria's reform efforts, strengthening governance by establishing transparency and accountability, key factors for political stability. Better coordination has reduced illicit flows (e.g., \$1B+ in recovered assets via NFIU), lowering corruption perceptions and unrest risks.

Economically, it helps reduce the grey list stigma, which increased borrowing costs by 2-3% before delisting, according to IMF models.

Objectively, evidence shows partial compliance increased from 40% (2021) to 90% (2025), but vulnerabilities in virtual assets remain. Compared to South Africa's delisting, Nigeria's gains are broader due to its market size, yet they require sustained political will to prevent relapse, as seen in Turkey's re-listing (2019-2022).

Recommendations

1. Institutionalise reforms: Enact the AML/CFT Enhancement Act 2026, requiring annual audits and a 10% budget increase for NFIU/EFCC (totalling ₦20B).
2. Leverage Global Engagement: Fully utilise the FATF Guest Jurisdictions Initiative for input on standards, aiming for full membership by 2027.
3. Improve Transparency: Amend the Companies and Allied Matters Act to require real-time beneficial ownership disclosures, integrated with digital registries.
4. Target high-risk sectors: regulate virtual assets following CBN guidelines, with a pilot blockchain tracking system for remittances by 2026.
5. Monitor and Evaluate: Create a multi-stakeholder Oversight Committee (NFIU, Senate, CSOs) for quarterly progress reports, using KPIs such as suspicious transaction detection rates.

These are feasible, building on existing frameworks, with an expected 5% increase in the governance score (WGI Control of Corruption).

Conclusion

Nigeria's removal from the FATF Grey List on October 24, 2025, highlights successful governance reforms, restores international trust, and opens the door for economic growth. Closing AML/CFT gaps strengthens political stability by reducing corruption and boosting institutional credibility. The findings and recommendations stress the importance of maintaining momentum: lawmakers need to focus on legislative support to avoid setbacks. Upcoming steps include Senate hearings in November 2025 and a national AML summit. This achievement not only improves Nigeria's global reputation but also promotes inclusive growth for a more stable future.

Appendices

- **Appendix A:** Full FATF October 2025 Plenary Outcomes.
- **Appendix B:** Nigeria's 19-Point Action Plan Summary.
- **Appendix C:** X Sentiment Raw Data (Oct 24-30, 2025).
- **Appendix D:** Economic Projections (FDI, Remittances 2026-2028).

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