

BLACK LIST
 GREY LIST
 WHITE LIST

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TEMPLARS ThoughtLab

Nigeria’s FATF Grey Listing: 2025 Deadline and Business Impact

Introduction

Nigeria was placed on the Grey List by the Financial Action Task Force (FATF)¹ alongside 21 other countries including South Africa, Burkina Faso, Cameroon, etc., in 2023. Since being put on the Grey List, Nigeria has been placed under increased monitoring by the FATF, and this has had consequential effect on transactions involving the country, as well its international outlook for business. Typically, to be removed from the Grey List, the concerned countries must address the shortfalls identified in FATF’s recommendations by strengthening their Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT)/Countering Proliferation Financing (CPF) regimes. The CBN governor, has stated that the apex bank is working towards getting Nigeria out of the Grey List in order to foster the \$1 billion monthly diaspora remittances, which the CBN is targeting.² Compliance with the FATF recommendations could therefore have far reaching implications on businesses, the financial sector in Nigeria, and the economy as a whole.

This article seeks to appraise the steps taken by Nigeria since its placement on the Grey List, and proffers recommendations toward exiting the Grey List by the May 2025 deadline.

Impact on Businesses and Foreign Investments

The FATF keeps two lists on which it identifies countries with weak measures to combat money laundering, terrorist financing, and financing of nuclear proliferation – the Black List and the Grey List. FATF consequently calls on these countries to set in place the necessary reforms to address AML/CFT deficiencies. The countries placed on the Black List (otherwise known as High-Risk

¹ <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/>

² <https://www.arise.tv/cbn-aims-for-1-billion-monthly-remittances-after-addressing-diaspora-concerns/>

Jurisdictions subject to a Call for Action) are those identified by the FATF as high-risk jurisdictions with serious strategic deficiencies to countering AML/CFT/CPF. The FATF requires countries on the Black List to urgently improve their legal and regulatory frameworks to combat money laundering and terrorist financing based on the FATF's recommendations. They are also mandated to track and report on their implementation of action plans to address AML/CFT deficiencies, to apply enhanced customer due diligence and adequately criminalize terrorist financing. Overall, they are required to demonstrate immediate and substantial compliance with FATF requirements. Countries on the Black List face severe economic sanctions such as limitations on trade and investment opportunities, declining international trade and foreign exchange inflows, as well as limitations on their ability to access global finance. In the most serious cases, the FATF calls on its member countries to apply countermeasures to protect the international financial system from the ongoing money laundering risks emanating from such black listed country.

Countries placed on the Grey List (Jurisdictions under Increased Monitoring), like Nigeria, are countries with identified strategic deficiencies which are under increased monitoring by the FATF and are actively working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing within the agreed timeframes.

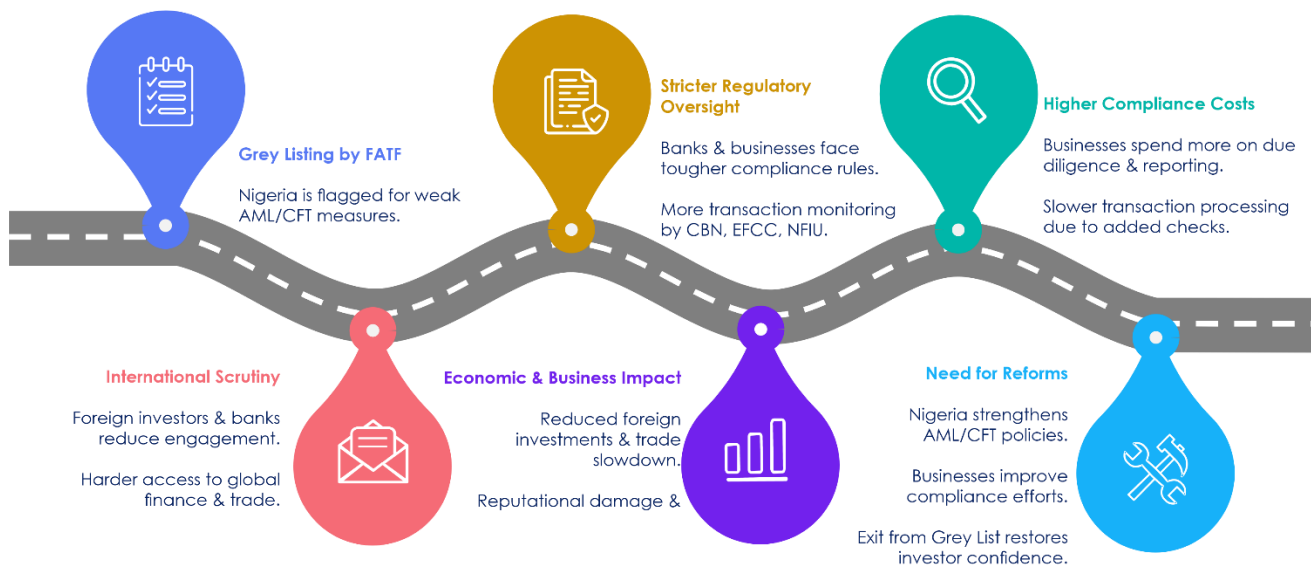
Asides from the economic and reputational consequences of being placed on the Grey List, the FATF grey listing adds another layer of risk and complexity to doing business in Nigeria which is perceived already as a high-risk country for corruption and other financial crime risks. This has the implication of placing businesses in Nigeria or in connections to Nigeria under a higher regulatory scrutiny, as regulators may expect them to implement more stringent AML/CFT compliance measures to mitigate the risks associated with grey listing.

Another implication of Nigeria's designation on the Grey List is higher compliance costs and increased due diligence requirements for businesses. This has the effect of making transactions with Nigerian counterparties more difficult and subject to additional surveillance. Such increased scrutiny and review could impact international trade resulting in reduction in foreign investments, and reputational damage, due to the increased perception of risk in investing in Grey-Listed countries.

Expected response from regulated businesses offshore and international institutions since Nigeria was placed on the Grey List would be (i) to review of any contracts with Nigerian third parties with a view to ensuring that they include appropriate AML/CFT clauses, such as warranties and representations regarding compliance with AML/CFT; (ii) identification of their existing customers with ties to Nigeria, including the source of funds and/or wealth of the identified customers, as well as that of their associated parties, with detailed attention to incoming and outgoing funds; (iii) enhanced customer due diligence measures and ongoing monitoring of transactions involving Nigerian customers; (iv) higher level of due diligence on Nigerian businesses by global financing institutions.

The foregoing makes it imperative for Nigeria to expeditiously exit the Grey List. Given its economic impact, exit from grey listing will be a major boost for financial and economic development in Nigeria.

Impact of FATF Grey Listing on Nigeria



Will Nigeria Exit the Grey List Soon?

We have expressed the view elsewhere that for Nigeria to be delisted from the Grey List, it needs to address the 9-point FATF action plan³ listed below:

- (i) complete its residual ML/TF risk assessment and update its national AML/CFT/CPF strategy to ensure alignment with other national strategies relevant to high-risk predicate offences;
- (ii) enhance formal and informal international cooperation in line with ML/TF risks;
- (iii) improve AML/CFT/CPF risk-based supervision of financial institutions ("FIs") and DNFBPs and enhance implementation of preventive measures for high-risk sectors;
- (iv) ensure that competent authorities have timely access to accurate and up-to-date beneficial ownership information on legal persons and applying sanctions for breaches of beneficial ownership obligations;
- (v) demonstrate an increase in the dissemination of financial intelligence by the NFIU and its use by other law enforcement agencies;
- (vi) demonstrate a sustained increase in money laundering investigations and prosecutions in line with money laundering risks;
- (vii) proactively detect violations of currency declaration obligations and apply appropriate sanctions and maintain comprehensive data on frozen, seized, confiscated, and disposed assets;
- (viii) demonstrate sustained increase in investigations and prosecutions of different types of terrorism financing activities and enhance interagency cooperation on terrorism financing investigations; and
- (ix) conduct risk-based and targeted outreach to non-profit organizations at risk of terrorism financing abuse and implementing risk-based monitoring.

³ See Dayo Okusami, Dr. Jude Odinkonigbo, Lawal Kazeem and Elizabeth Toweh "Templars ThoughtLab- The What and Why of Nigeria's Grey Listing by the Financial Action Task Force and its Implications on Business Operating in Nigeria" <https://www.templars-law.com/app/uploads/2023/05/THE-WHAT-AND-WHY-OF-NIGERIAS-GREY-LISTING.pdf>

In our view this is feasible and obtainable. As expected, the Nigerian government have taken steps with the goal of exiting the Grey List before May 2025 deadline⁴. FATF's recent publication on the progress of compliance by Nigeria with its recommendations raises optimism that Nigeria can exit the Grey List in the near future.⁵

Grey-listed countries are expected to work hand-in-hand with FATF to achieve delisting. In line with this, Nigeria has since been taking steps aimed at exiting the Grey List by May 2025. Some of the steps taken by Nigeria in more recent times since its designation on the FATF's Grey List include:

- (i) **The Central Bank of Nigeria (CBN) Customer Due Diligence Regulation 2023 (CDD Regulation):** In addition to the existing AML/CFT compliance requirements by financial institutions, this regulation provides robust and enhanced customer due diligence requirements to be adhered to by FIs in relation to identifying and verifying customers, conducting ongoing monitoring, reporting suspicious transactions, managing politically exposed persons (PEPs), and disclosing beneficial ownership. The CDD Regulation is a step up to the previously issued three-tiered Know-Your-Customer Regulation issued by the CBN in 2013⁶. The CDD Regulation further addresses FATF's recommendations for Nigeria to improve AML/CFT/P risk-based supervision of FIs and ensure that competent authorities have timely access to accurate and up-to-date beneficial ownership information on legal persons.
- (ii) **EFCC and NFIU Strategy Plan:** In March 2024, the Economic and Financial Crimes Commission (EFCC) and Nigeria Financial Intelligence Unit (NFIU), mapped out fresh strategies geared towards Nigeria's exit from the FATF's Grey List. As stated by the NFIU, this was in a bid to foster a stronger partnership with the FATF to ensure that Nigeria exits from the Grey List of the FATF soon.⁷ Although, the details of the strategy are yet to be disclosed to the public, it is commendable that same is specifically targeted towards Nigeria exiting the Grey List.
- (iii) **EFCC (Special Control Unit Against Money Laundering Supervision of Non-Profit Organizations at Risk of Terrorism Financing Abuse) Regulations 2023:** This Regulation, among others, provides guidance to non-profit organizations (NPOs) that are at the risk of terrorist financing abuse. The issuance of this Regulation is timely and helps to address the growing use of NPOs as funnels to finance terrorism. Some of its key provisions include its stipulations that NPOs that are at the risk of terrorism finance must conduct and develop management strategies for their operations; and to grant the EFCC's Special Control Unit against Money Laundering and other relevant authorities full access to information on its administration and management, including financial and programmes information during the course of an inspection or investigation activity⁸.

This addresses FATF's recommendation for risk-based and targeted approach to regulating NPOs at risk of terrorism financing abuse and implementing risk-based **monitoring for these** NPOs. Nigeria has been declared to be fully compliant with the FATF recommendation on NPOs.⁹

⁴ <https://www.efcc.gov.ng/efcc/news-and-information/news-release/9919-fatf-grey-list-efcc-nfiu-step-up-exit-plan>.

⁵ <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-october-2024.html>

⁶ Dr Jude Odinkonigbo, Victoria Aluko and Obeh Iyoha, "Templars ThoughtLab- CBN Customer Due Diligence Regulations, 2023- Key Highlights and Implications for Businesses and Financial Institutions" <https://www.templars-law.com/app/uploads/2023/07/CBN-Customer-Due-Diligence-Regulations-2023-%E2%80%93-Key-Highlights-and-Implications-for-Businesses-and-Financial-Institutions.pdf>

⁷ FATF Grey List: EFCC, NFIU Step up Exit Plan <https://www.efcc.gov.ng/efcc/news-and-information/news-release/9919-fatf-grey-list-efcc-nfiu-step-up-exit-plan>

⁸ Part III of the **EFCC (Special Control Unit Against Money Laundering Supervision of Non-Profit Organizations at Risk of Terrorism Financing Abuse) Regulations May 2023**.

⁹ GIABA (Anti-money laundering and counter terrorist financing measures (Nigeria) 2nd Enhanced Follow-up report & Technical Compliance Re-rating November 2023. <https://www.fatf-gafi.org/en/publications/Mutualevaluations/Nigeria-FUR-2024.html>

- (iv) **AML/CFT Compliance Requirements for BDCs:** The CBN in May 2024 issued the updated regulatory and supervisory guidelines for Bureau de Change (“BDC”) operators in Nigeria including provisions requiring BDCs to comply with the provision of the Money Laundering (Prevention and Prohibition) Act, 2022, Terrorism (Prevention and Prohibition) Act, 2022, and other related relevant laws and regulations that include the following elements: implementation of AML/CFT/CPF Policy, customer due diligence, monitoring and filing of suspicious transactions reports with the NFIU and other reporting requirements, record keeping of all transactions, AML/CFT/CPF employee training etc.¹⁰ It requires BDCs to disclose beneficial ownership of the BDC, as well as conduct customer due diligence and make the required AML reports or filings to the NFIU.

This addresses the FATF recommendation for improved AML/CFT/CPF risk-based supervision of other FIs and ensuring that competent authorities have timely access to accurate and up-to-date beneficial ownership information on legal persons.

- (v) **EFCC (AML/CFT/CPF) Regulations for Designated Non-Financial Businesses and Professions and other Related Matters Regulation 2024¹¹:** This requires existing businesses before the commencement of the Regulation, as well as new businesses falling under the category of businesses and professions classified as designated non-financial businesses and professions (DNFBPs)¹² to register with the Special Control Unit Against Money Laundering. They are also required to implement AML/CFT/CPT programmes based on a risk-based approach. These requirements extend to also include DNFBPs operating in the free trade zones in Nigeria and mandates same to conduct customer due diligence and comply with reporting obligations.¹³ EFCC has also called for the increased compliance by DNFBPs with the implementation of the AML/CFT regime in the country.¹⁴

This addresses the FATF recommendations for Nigeria to improve its AML/CFT risk-based supervision on DNFBPs and enhance implementation of preventive measures for high-risk sectors.

- (vi) **Securities and Exchange Commission (SEC)'s Enterprise Risk Management (ERM) Framework:** In June 2024, SEC mandated all capital market operators in Nigeria to implement an ERM framework that conforms to international standards such as the FATF Recommendations, International Organization for Standardization (ISO 31000), Committee of Sponsoring Organizations of the Treadway Commission (COSO) and other internationally recognized risk management standards.¹⁵ According to SEC, this is aimed at strengthening the implementation of Risk-Based Supervision (RBS) including AML/CFT/ CPF measures in the capital market.

¹⁰ Paragraph 16.0 of the AML/CFT Compliance Requirements for BDCs.

¹¹ EFCC (AML/CFT/CPF) Regulations for Designated Non-Financial Businesses and Professions and other Related Matters Regulation, May 2024: <https://scuml.org/wp-content/uploads/2024/11/EFCC-SCUML-Anti-Money-Regulation.pdf>

¹² DNFBPs include dealers in precious stones and metals, dealers in real estate, estate developers, estate agents and brokers, hospitality industry, consultants and consulting companies, construction companies, importers and dealers in cars or any other automobiles, dealers in mechanized farming equipment and machineries, practitioners of mechanized farming, mortgage brokers, pool betting, lottery business including fixed odds, pari-mutuel, sports lottery (betting), and scratch card gaming and other forms of gaming, law firms, notaries and other independent legal practitioners, accountants and accounting firms, trust and company service providers, tax consultants; and estate surveyors and valuers.

¹³ Paragraphs 4, 5, and 9 of the EFCC (AML/CFT/CPF) Regulations for Designated Non-Financial Businesses and Professions and other Related Matters Regulation 2024

¹⁴ <https://www.efcc.gov.ng/efcc/news-and-information/news-release/10410-olukoyede-seeks-more-commitment-to-aml-cft-implementation>

¹⁵ Implementation of Enterprise Risk Management: <https://sec.gov.ng/implementation-of-enterprise-risk-management/>

In recognition of Nigeria's progress in implementing the above steps, in October 2024, FATF in its publication¹⁶ stated that since February 2023 when Nigeria made a high-level political commitment to work with the FATF and the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) to strengthen the effectiveness of its AML/CFT regime, Nigeria has taken steps towards improving its AML/CFT regime, including by enhancing international cooperation efforts, improving cooperation mechanisms amongst Terrorism Financing (TF) investigative bodies and implementing risk-based monitoring of NPOs at risk of TF abuse.

FATF then advised that Nigeria should continue to work on implementing its action plan to address its outstanding strategic deficiencies, including by: (1) improving AML/CFT risk-based supervision of FIs and DNFBPs and enhancing implementation of preventive measures for high-risk sectors; (2) ensuring that competent authorities have timely access to accurate and up-to-date beneficial ownership information on legal persons and applying sanctions for breaches of obligations; (3) demonstrating a sustained increase in Money Laundering (ML) investigations and prosecutions in line with ML risks; (4) proactively detecting violations of currency declaration obligations and applying appropriate sanctions; and (5) demonstrating sustained increase in investigations and prosecutions of different types of TF activities in line with the country's risk profile.¹⁷

In measuring Nigeria's compliance rate, the NFIU stated that Nigeria is included under compliant (C) & Largely Compliant (LC) in 37 out of 40 FATF recommendations.¹⁸ The recognised improvements pertain to five specific recommendations previously classified as partially compliant which includes measures related to DNFBPs, transparency in beneficial ownership of legal persons and arrangements, regulation and supervision of DNFBPs, and the management of cash couriers.

On 21 February 2025, the FATF approved Nigeria's fifth progress report since it was placed on the Grey List. During its Plenary session in Paris, France, the FATF recognized Nigeria's progress in executing the Action Plan developed in collaboration with the organization's International Cooperation Review Group (ICRG). This plan is designed to tackle the shortcomings highlighted in the 2021 Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) Mutual Evaluation Report. The Plenary also acknowledged the commitment of Nigeria for its reforms coordinated by the NFIU to strengthen the nation's AML/CPF/CFT regime.

Some recommendations we propose for implementation towards exiting the Grey List are as follows:

- In line with the FATF recommendations, there is an urgent call for action by the government regulators including the EFCC, SEC, NFIU etc, for increased ML investigations and prosecutions in line with ML risks. Such regulators should step up vigilance of ML/TF/CFT transactions.
- Increased transaction monitoring and compliance with AML/CPF/CFT regulations by corporate entities, FIs, non-FI, and DNFBs such as compliance with reporting obligations to the EFCC, NFIU, SCUML, etc and making the required reporting as at when required under law. These include the currency transaction reports (CTRs) and suspicious transaction reports (STRs). The strict following of reporting obligations by market participants fosters transparency and provides regulators with the required information to scrutinize such transactions for AML/CPT/CFT prospects.

¹⁶Jurisdictions Under Increased Monitoring (25 October 2024) - <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-october-2024.html>

¹⁷<https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-october-2024.html>

¹⁸ <https://guardian.ng/news/nigeria-to-exit-money-laundering-grey-list-says-nfiu/>

- Cooperation of businesses and SMEs in the various spheres of operation to foster a more transparent business environment for the ease of detection of TF/CFT. This will consequently lead to a sustained increase in investigations and prosecutions of such transactions.
- Education and awareness on the consequences of Grey Listing and how the role of individuals at the "grass root" level impact on Grey Listing.
- Increased investigation of the source of funds, increased currency declarations and declaration of suspicious transactions to prevent ML/TF.
- Enforcement of up-to-date beneficial ownership information on legal persons from FIs and other institutions and ensuring compliance. Regulators should also be provided with up to date and accurate information on beneficial ownership of customers, especially in relation to corporate entities.
- DNFBPs to declare and update beneficial ownership in line with extant guidelines and laws on customer due diligence.
- Improved sharing of information between the relevant agencies like the NFIU, EFCC, SCUML, SEC etc.
- Increase financial intelligence dissemination by the NFIU to law enforcement agencies and enforcing compliance to combat AML/CPF/TF.
- Investment in AML technology and training in effective data analysis.
- Enforcement of sanctions to criminalise money laundering and terrorist financing.
- Cooperation between the CBN, as well as other sector specific regulators to help tackle illicit financial flows and promote transparency in the financial system.
- Promptly identifying emerging risks, currency declaration violations and enforcing appropriate sanctions in line with extant laws and guidelines.

Conclusion

With the commendable measures implemented by Nigeria since its designation as a grey-listed country in February 2023, we are optimistic that Nigeria may soon exit the Grey List. However, how soon this will materialise depends on whether the Federal Government intensifies efforts at addressing the FATF's Action Points or relapses. Steps taken by Nigeria towards exiting the Grey List will, no doubt, impact on businesses (operations and investment wise) and it is for this reason that businesses should continue to keep abreast of developments in this area as we hope that Nigeria will achieve delisting from the Grey List by the set deadline.