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Nigeria Turning the Corner?

FATF Exit and S&P Positive Outlook

Signals of stability: Why it matter for investors,
businesses and institutional risk in Nigeria



1. Introduction

In October 2025, after more than two years under scrutiny, Nigeria was formally removed from the Financial Action Task Force (FATF) “grey list”, a designation for jurisdictions with strategic deficiencies in their anti-money-laundering (AML) and counter-financing-of-terrorism (CFT) frameworks. Almost concurrently, in November 2025, S&P Global Ratings revised Nigeria’s sovereign credit outlook from *Stable* to *Positive*. To many, these are mere surface headline with little impacts, while for others, this signals stability. For investors, senior executives, compliance teams, and financial transaction lawyers, the key question remains: **Is this really a turning point, or just a token signal?**

In this insight, we explore exactly what FATF delisting means for cross-border banking risk, compliance costs, and capital flows; we unpack how S&P’s Positive Outlook maps to Nigeria’s fiscal, external, monetary, and growth trajectory; and we detail the investment implications - for foreign investors, corporate Nigeria, and high-level financial institutions. We closed with calibrated risk scenarios, actionables, and strategic recommendations.

2. What is the FATF: Why That Much Influence?

The **Financial Action Task Force (FATF)** is an **intergovernmental policy-making body**, and is widely regarded as one of the major global standard-setter in combating money laundering, terrorist financing, and proliferation financing. It is an intergovernmental body that produces recommendations and monitors compliance by nations. When the FATF places a jurisdiction on its “*grey list*” (officially “jurisdictions under increased monitoring”), it does not impose direct sanctions, but the reputational, transactional, and financial costs can be quite considerable.

For international banks and institutional players, grey-list status signals elevated risk: enhanced due diligence, more onerous compliance requirements, and an increased likelihood of de-risking. FATF’s power lies in its influence over the behavior of global financial institutions. A grey-list designation elevates perceived risk, and when correspondent banks or trade financiers act on that, the costs for the listed country can skyrocket. It signals to global banks and investors: *this country has gaps, and your risk is not small*. Being grey-listed means more expensive due diligence, potential de-risking, and reputational cost. Exiting the list does not mean total exoneration, but it does reduce one major line item in the risk budget.

2.1 Understanding FATF Delisting

The Financial Action Task Force¹ maintains a list of jurisdictions under increased monitoring, commonly referred to as the grey list, for countries whose anti-money laundering and counter-terrorist financing regimes are deemed strategically deficient². Being on this list signals elevated compliance risk to global financial institutions, which often respond with

¹ FATF

² <https://www.thisdaylive.com/2025/10/25/finally-nigeria-exits-fatf-global-financial-crime-watchlist/>

stricter due diligence, de-risking measures, and heightened scrutiny of financial transactions originating from such jurisdictions. For corporates, this can translate into higher costs, more cumbersome access to trade finance, and reputational challenges.

Nigeria's placement on the grey list in February 2023 reflected FATF's assessment of significant gaps in regulatory oversight, beneficial ownership transparency, and interagency coordination³. The Nigerian government responded with a comprehensive action plan that involved the Nigerian Financial Intelligence Unit (NFIU), the Economic and Financial Crimes Commission (EFCC), the Central Bank of Nigeria (CBN), and other key agencies to address these weaknesses.

Over two years, reforms included the enactment of the Money Laundering (Prevention and Prohibition) Act, 2022, and the Terrorism (Prevention and Prohibition) Act, 2022, alongside the operationalization of the Beneficial Ownership Register and strengthened supervision of Designated Non-Financial Businesses and Professions (DNFBPs)⁴.

From a banking perspective, delisting reduces some compliance burdens and reputational risk, facilitating the restoration of correspondent banking relationships and smoother trade finance operations. However, it does not eliminate risk entirely. Enhanced due diligence remains necessary for high-risk transactions, and global banks will continue to monitor compliance and operational transparency closely⁵.

For institutional investors, delisting improves confidence in the Nigerian regulatory framework, potentially lowering the cost of capital and easing access to international financing.

³ <https://www.thisdaylive.com/2025/10/25/finally-nigeria-exits-fatf-global-financial-crime-watchlist/>

⁴ <https://nairametrics.com/2025/10/24/fatf-removes-nigeria-from-grey-list-boosting-investor-confidence/>

⁵ <https://www.thisdaylive.com/2025/10/25/finally-nigeria-exits-fatf-global-financial-crime-watchlist/>

3. S&P Positive Outlook:

Standard & Poor's (S&P) Global Ratings Standard & Poor's (S&P) Global Ratings is one of the world's leading credit rating agencies. Its sovereign ratings shape how global banks, asset managers, and institutional investors assess a country's credit risk. A sovereign rating is a snapshot of a country's current credit strength, while the rating outlook as Positive, Stable, Negative, Developing or N.M. (Not Meaningful), is S&P's forward-looking view of where that rating is likely to move over the next 6 to 24 months.

S&P assigns two broad types of ratings: issuer credit ratings and issue-specific credit ratings. Issuer ratings reflect the overall creditworthiness of the sovereign, whereas issue ratings apply to specific bonds or obligations. Both types can be long-term or short-term. Nigeria's recent "Positive" outlook applies to its sovereign issuer credit rating.

On **14 November 2025**, S&P upgraded Nigeria's outlook from *Stable* to *Positive*, while affirming its sovereign credit ratings at 'B-/B' B' long- and short-term for foreign and local currency debt.⁶ It also affirmed 'ngBBB+/ngA-2' long- and short-term Nigeria national scale ratings on the sovereign⁷.

An outlook is not the same as a rating upgrade, but a **Positive** outlook means *S&P thinks there's a realistic chance of an upgrade*.⁸ And for investors, that potential matters: it may make Nigerian bonds more attractive, potentially lower funding costs, and offer a window to play upside, albeit with risk.

⁶ <https://nairametrics.com/2025/11/15/sp-upgrades-nigerias-outlook-from-stable-to-positive-amid-economic-reforms/>

⁷ <https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3479166>

⁸ <https://www.maalot.co.il/Publications/RS20181031120427.PDF>

3.1 Why Was Nigeria Rated *B-/B* in the First Place?

On March 26, 2020, S&P Global Ratings lowered its long-term foreign and local currency ratings on Nigeria to 'B-' from 'B' on the weakening external position tied to lower oil prices⁹. On Nov. 14, 2025, S&P Global Ratings revised its outlook on Nigeria to positive from stable. At the same time, we

affirmed our 'B-/B' long- and short-term foreign and local currency sovereign credit ratings on Nigeria. We also affirmed our 'ngBBB+/ngA-2' long- and short-term Nigeria national scale ratings on the sovereign. The outlook is positive.

S&P's rating reflects serious vulnerabilities. Nigeria's economy is weighed down by low GDP per capita, massive fiscal burdens, high debt servicing, and weak statistical infrastructure¹⁰. In previous ratings, S&P has noted that without sustained reform, debt risk becomes a major constraint.

S&P assigns ratings across **different dimensions** depending on *what* is being rated (a country, a company, a bank, a financial instrument, a project, etc.) , which are usually in long and short term ratings. We have the issuer credit rating¹¹, issue credit rating¹², National & Regional Scale Credit Ratings¹³, Rating Outlooks & CreditWatch¹⁴, etc

⁹ https://www.zenithbank.com/media/2bfda2to/ratingsdirect_variousratingactionsonnigerianbanks-mar-31-2020.pdf

¹⁰ <https://nairametrics.com/2025/11/15/sp-upgrades-nigerias-outlook-from-stable-to-positive-amid-economic-reforms/>

¹¹ <https://www.maalot.co.il/Publications/GMT20160823145849.pdf> These express S&P's view of the overall creditworthiness of an *issuer* (e.g., a government, corporation, or financial institution). They cover both **long-term** and **short-term** issuer ratings. Long-term issuer ratings reflect the likelihood of default over a multi-year horizon. Short-term issuer ratings focus on liquidity and the ability to meet obligations in the near term.

¹² These are ratings for **specific obligations**, like a bond or loan — not the issuer as a whole. It can be **long-term issue ratings** (for securities maturing in more than about a year) or **short-term issue ratings** (for short-tenor obligations).

¹³ <https://www.spglobal.com/ratings/en/products/nat-l-regional-scale-credit-ratings> They are an opinion of an obligor's creditworthiness (Issuer, Corporate, or Counterparty Credit Rating) or overall capacity to meet specific financial obligations (Issue Credit Rating), relative to other issuers and issues in a given country. Given the focus on credit quality within a single country, national scale credit ratings are not comparable between countries.

¹⁴ <https://www.maalot.co.il/Publications/GMT20160823145849.pdf> This is not exactly “types of ratings,” but critical in S&P's framework. **Outlook:** Forward-looking view (e.g., *Positive*, *Stable*, *Negative*) on where an issuer's or issue's rating may go. **CreditWatch:** A more immediate signal that a rating may change soon (up or down), often used when there is a specific event or risk under evaluation

3.2 Understanding 'B-/B' and 'ngBBB+/ngA-2'

a. What is B-/B

B- is the long-term rating and **B** is the short-term rating. In S&P's language, long-term ratings show an issuer's ability to meet obligations over the longer horizon (years), while short-term ratings focus on the ability to meet near-term obligations (months to a year). A "B-" long-term rating is below investment grade (speculative): it means Nigeria can currently meet its debts, but is vulnerable to adverse economic or financial shocks.

b. What "ngBBB+ / ngA-2" means (national scale).

The "ng" prefix denotes **S&P's Nigeria national-scale** ratings; these measure creditworthiness **relative to other borrowers inside Nigeria**, not versus the world. So **ngBBB+** (long-term national) and **ngA-2** (short-term national) say Nigeria ranks relatively well *within the Nigerian market* — stronger on the national ladder even while its global rating is lower. National-scale ratings use the same symbols but are only meaningful inside the country (they are not comparable across countries).

c. How to read these together

Put simply: the **global rating (B- / B)** tells international investors how risky Nigerian sovereign debt looks compared with other countries; the **national rating (ngBBB+ / ngA-2)** tells local investors how the sovereign ranks inside Nigeria. The global rating is what affects Nigeria's access to foreign capital and borrowing costs abroad; the national rating helps local banks, issuers and regulators compare credit risk domestically. For S&P's own statement affirming Nigeria's B-/B rating and the recent outlook move, see their country release. Under¹⁵ long term issuer and issue

¹⁵ <https://www.maalot.co.il/Publications/RS20181031120427.PDF>

rating, we have AAA¹⁶, AA¹⁷, A¹⁸, BBB¹⁹, BB²⁰, B²¹, B²², CCC²³, CC²⁴, C²⁵, R²⁶, SD²⁷, and D²⁸. Ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories.

Under a “B” rating (especially “B-”), a sovereign is *vulnerable to adverse economic and financial conditions*, though not necessarily unable to meet obligations in the short run. Investors in sovereign B-rated debt are playing for yield, but they must price in the possibility of default or restructuring under stress. This likely dictates why our recent Eurobond percentage was priced that high, in the north of 9 percent.

¹⁶ An obligation rated 'AAA' has the highest rating assigned by S&P Global Ratings. The obligor's capacity to meet its financial commitments on the obligation is extremely strong.

¹⁷ An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitments on the obligation is very strong.

¹⁸ An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitments on the obligation is still strong.

¹⁹ An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.

²⁰ An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitments on the obligation.

²¹ An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments on the obligation.

²² An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitments on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments on the obligation.

²³ An obligation rated 'CCC' is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitments on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitments on the obligation.

²⁴ An obligation rated 'CC' is currently highly vulnerable to nonpayment. The 'CC' rating is used when a default has not yet occurred but S&P Global Ratings expects default to be a virtual certainty, regardless of the anticipated time to default.

²⁵ An obligation rated 'C' is currently highly vulnerable to nonpayment, and the obligation is expected to have lower relative seniority or lower ultimate recovery compared with obligations that are rated higher.

²⁶ An obligor rated 'R' is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.

²⁷ An 'SD' rating is assigned when S&P Global Ratings believes that the obligor has selectively defaulted on a specific issue or class of obligations but it will continue to meet its payment obligations on other issues or classes of obligations in a timely manner.

²⁸ g is assigned when S&P Global Ratings believes that the default will be a general default and that the obligor will fail to pay all or substantially all of its obligations as they come due.

3.3 Why Did S&P Change Its View Now?

S&P's upgrade to Positive is grounded in a few perceived policy developments²⁹, but it doesn't give Nigeria a total clean bill, actually it only means that S&P could raise Nigeria's ratings over the next 12 months if Nigeria's economic performance continues to exceed forecasts, alongside more entrenched fiscal and external gains:

- i. **Economic reform:** the monetary, economic, and fiscal reforms being implemented by Nigerian authorities will yield positive benefits over the medium term. Since 2023, Nigeria has implemented major reforms, removal of fuel subsidies, liberalization of its FX market, and greater oil sector output.
- ii. **Improved external metrics:** S&P notes that Nigeria's external position (e.g., foreign reserves) is improving, though they remain precarious.
- iii. **Growth projections:** The growth outlook is improving, for both the hydrocarbon and non-hydrocarbon sectors. S&P now projects average GDP growth of **3.7%** from 2025–2028, driven by oil production and a stronger private sector³⁰.
- iv. At the same time, S&P warns of real risks: low GDP per capita, a weak, albeit improving, fiscal revenue base, high debt servicing costs as a percentage of revenues, and challenges in compiling national statistics, but it believes effort are been made to improve it.
- v. It could revise the outlook to stable if risks to Nigeria's reform program implementation rise or if capacity to repay commercial obligations weakens. This could arise, for instance, from higher fiscal deficits or debt-servicing needs, or because domestic financial markets are unwilling to absorb additional local currency debt. Confidence-sensitive capital outflows could also pose downside risks.

²⁹ <https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3479166>

³⁰ <https://www.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3479166>

3.4 What Does “Positive Outlook” Actually Mean in Practice?

A **Positive outlook**, for investors merely signals the chances of improvement; that Nigeria’s macroeconomic trajectory is on a cautiously optimistic path. According to S&P’s own definitions, it means there’s a realistic chance of a rating upgrade if current trends are sustained, but it’s not a guarantee. Critically, for speculative grade credits like Nigeria (B-), this doesn’t always imply a huge move; it signals “maybe we go up in the next 12–24 months if things don’t derail.” Investors may lean in, but they should hedge. The risk of a downgrade remains if reform momentum slips or negative shocks hit.

4. Intersection of FATF Delisting and S&P Upgrade

While FATF delisting and S&P’s Positive outlook are often discussed separately, their interaction in the present circumstance is significant. The delisting enhances institutional credibility, signaling that Nigeria’s regulatory and enforcement agencies are functioning effectively³¹, which underpins S&P’s assessment of sovereign creditworthiness. Reduced compliance friction in cross-border transactions complements the credit narrative by potentially facilitating capital inflows and lowering risk premiums applied by banks and investors

However, these developments do not eliminate structural vulnerabilities. Delisting does not remove the need for enhanced due diligence on high-risk transactions, and Nigeria remains exposed to macroeconomic shocks, fiscal pressures, and oil price volatility

S&P’s Positive outlook remains conditional, reflecting the ongoing need for robust fiscal, monetary, and structural reform implementation

³¹ <https://www.thisdaylive.com/2025/10/25/finally-nigeria-exits-fatf-global-financial-crime-watchlist/>

4.1 Strategic Implications for Stakeholders

1. For institutional investors and sovereign debt funds, the twin developments present opportunities for recalibrating exposure to Nigerian assets. The combination of improved regulatory compliance and a more optimistic credit outlook suggests potential for favorable returns on both sovereign and corporate debt, provided risks are carefully hedged and exposure managed prudently. Investors should consider staged allocations, currency hedging, and contingent risk frameworks to mitigate external and macroeconomic shocks
2. Banks, both domestic and international, can leverage FATF delisting to strengthen correspondent banking relationships and expand trade finance operations. Yet, they must maintain robust compliance governance, continuous monitoring, and risk-based supervision to ensure sustained credibility and minimize exposure to regulatory or reputational lapses
3. Large corporates operating in Nigeria, including exporters, infrastructure developers, and private equity investors, can capitalize on improved market perception by renegotiating trade and financing arrangements. However, corporate governance and compliance frameworks must be reinforced to meet both domestic and international standards, ensuring that beneficial ownership, AML/CFT compliance, and legal documentation are beyond reproach

5. Other Global Rating Agencies

There are a number of other ratings agencies in the global caliber of S&P, prominent among them are Fitch ratings and Moody's ratings.

Nigeria's improved sentiment from S&P is not an isolated event; it sits within a broader, emerging consensus among global rating agencies that Nigeria is beginning to stabilise after several years of macroeconomic stress. However, this does **not** mean Nigeria has been given a clean bill of

health. Instead, the ratings indicate a shift from *acute risk* to a *more balanced risk-reform trajectory*.

In **May 2025**, Moody's upgraded Nigeria's long-term issuer rating from **Caa1 to B3**, stating that "significant improvements in the country's external and fiscal positions" justified the move³². Moody's noted that reforms such as subsidy removal and FX-market changes have **strengthened reserves and reduced pressure on the financial system**, even though structural risks remain³³. However, Moody's kept the **outlook at 'Stable'**, not "Positive," making it clear that Nigeria's progress is meaningful but not yet strong enough to create momentum for further upgrades.³⁴

Fitch Ratings has taken a similarly positive stance. In **April 2025**, Fitch upgraded Nigeria from **B- to B**, with a **"Stable" outlook**, emphasising that FX liberalisation, tighter monetary policy, the halt of Ways & Means overdraft financing, and fuel-subsidy reforms have enhanced Nigeria's policy credibility.³⁵ Fitch's **October 2025** reaffirmation of **B / Stable** highlighted better FX-market functioning and improving external conditions, but stressed that Nigeria's rating is still burdened by **high inflation**, governance weaknesses, and structural reliance on volatile oil revenues, factors that prevent movement toward the more resilient "B+" or "BB" categories.³⁶

Across S&P, Moody's, and Fitch, a **clear pattern emerges**: all three top rating agencies acknowledge that Nigeria's recent reforms have slightly improved the macroeconomic landscape, reduced external vulnerabilities, and restored some policy credibility. At the same time, each agency preserves a note of caution; pointing to persistent inflation, fiscal rigidity, structural governance issues, and the economy's sensitivity to oil prices.

Taken together, it signals that Nigeria's economy is **no longer viewed through a crisis lens**, and that reforms have materially reduced short-

³² <https://fmino.gov.ng/moodys-upgrades-nigerias-issuer-ratings-to-b3-citing-bold-economic-reforms/>

³³ <https://nairametrics.com/2025/05/31/moodys-upgrades-nigerias-credit-rating-to-b3-citing-strong-economic-improvements/>

³⁴ <https://www.vanguardngr.com/2025/05/moodys-upgrades-nigerias-rating-to-b3-stable/>

³⁵ <https://www.thisdaylive.com/2025/04/12/fitch-upgrades-nigeria-to-b-rating-stable-outlook-on-policy-reforms/>

³⁶ <https://nairametrics.com/2025/10/11/fitch-affirms-nigerias-b-rating-amid-high-inflation/>

term vulnerabilities. But it also signals that Nigeria is **not yet considered stable enough**, diversified enough, or institutionally strong enough to be placed in a category that confers long-term credit robustness.

6. Investors Interpretation

- i. **It's not a clean bill of health.** These are *speculative-grade* ratings: “B” or “B3” is not investment grade. They reflect meaningful credit risk.
- ii. **There's no guarantee of sustained momentum.** Moody's stable outlook, rather than positive, suggests it expects reform benefits to decelerate. A sudden external shock, or a policy reversal, could quickly reverse gains.
- iii. **Borrowing costs could improve**, but not dramatically. Upgraded ratings could reduce Nigeria's risk premium on external issuance, making debt issuance slightly cheaper, but speculative-grade pricing won't collapse to investment-grade pricing overnight.
- iv. **Investor confidence hinges on execution.** It's one thing for rating agencies to acknowledge policy reforms; it's another for these reforms to be sustained, deepened, and insulated from political risk. Investors will ask: will Nigeria stick to fiscal consolidation, or will political pressures push back? Will FX reforms be reversed or strengthened? Are foreign inflows here to stay, or is this a temporary credit boost?

7. Conclusion

Nigeria's exit from the FATF grey list and the Positive outlook from S&P represent a meaningful convergence of regulatory, fiscal, and macroeconomic reform. These developments enhance institutional credibility, improve investor confidence, and signal potential for capital inflows. Yet, they do not eliminate structural vulnerabilities or negate the need for ongoing reform and disciplined risk management. For senior investors, corporate executives, and legal advisors, the optimal approach

is strategic engagement: leveraging opportunities while preparing for contingencies, ensuring that exposure to Nigerian markets is both informed and measured. Only through sustained policy implementation and rigorous compliance can Nigeria translate these milestones into long-term financial stability and sustainable investment attractiveness.

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