

Policy Brief



Neapolis University Pafos, Cyprus

AI-2-TRACE-CRIME

Jean Monnet Center of Excellence



Co-funded by
the European Union

Jurisdictions under Increased Monitoring by the FATF:

Navigating the Grey List

NUP Jean Monnet / UNESCO Policy Briefs

28/2025



Co-funded by
the European Union



**Neapolis
University
Pafos**

UNESCO Chair in Human
Development, Security & the
Fight against Transnational
Crime and Illicit Trafficking in
Cultural Property



unesco

Chair

The NUP Jean Monnet / UNESCO working papers and policy briefs can be found at:

<https://www.nup.ac.cy>

Publications in the Series should be cited as:

AUTHOR, TITLE, NUP UNESCO/JEAN MONNET WORKING PAPER or POLICY BRIEF NO. x/YEAR [URL]

Copy Editor: G. Pavlidis

© AI-2-TRACE CRIME

Neapolis University Pafos, School of Law

Pafos, 8042, Cyprus

All rights reserved. No part of this paper may be reproduced in any form without the permission of the author.

Frontpage picture: Free image by Gerd Altmann from Pixabay

The support of the European Commission and of UNESCO for the production of this publication does not constitute an endorsement of the contents which reflects the views only of the authors; the European Commission and UNESCO cannot be held responsible for any use which may be made of the information contained therein.

Jurisdictions Under Increased Monitoring by the FATF: Navigating the Grey List

Executive Summary:

The Financial Action Task Force (FATF) lists jurisdictions as “under increased monitoring,” commonly known as the grey list. These jurisdictions have committed to resolving strategic deficiencies in their anti-money laundering (AML), countering the financing of terrorism (CFT), and counter-proliferation financing (CPF) regimes within set timelines. While not subject to the same level of countermeasures as blacklisted countries, these jurisdictions are required to work closely with FATF and its regional partners to implement corrective measures. This policy brief explores the state of grey-listed countries as of early 2025, recent developments such as new additions and removals, the practical consequences for affected jurisdictions, and broader implications for global financial governance. It also proposes strategies to support effective and balanced AML/CFT reform without inducing over-compliance or financial exclusion.

Keywords

FATF, jurisdiction under increased monitoring, AML/CFT, money laundering risks

The FATF Grey List: Meaning and Impact

Grey listing by the FATF signifies that a country has acknowledged the existence of strategic weaknesses in its AML/CFT regime and has agreed to an action plan to address them within a specified timeframe. Although these jurisdictions are not subject to punitive measures, the label implies heightened scrutiny from global financial institutions and investors. This typically translates into more rigorous due diligence requirements, increased compliance costs, and, in some cases, reduced access to international finance.

The list is updated periodically and reflects the FATF's assessment of progress based on onsite reviews, engagement with national authorities, and data on effectiveness. Each grey-listed jurisdiction must demonstrate not just legal or regulatory change, but tangible implementation and enforcement outcomes.

Current Status in Early 2025

In its February 2025 update, the FATF listed the following jurisdictions as under increased monitoring. Among them are countries from all global regions, including Albania, Barbados, Burkina Faso, Cameroon, the Democratic Republic of the Congo, Haiti, Jamaica, Kenya, Mali, Mozambique, Namibia, Nigeria, Senegal, South Africa, South Sudan, Syria, Tanzania, Türkiye, and Uganda.

Two countries—Lao People's Democratic Republic and Nepal—were added to the grey list during this update cycle. Both nations committed at the ministerial level to implement reforms relating to risk-based supervision, transparency of beneficial ownership, and improved suspicious transaction reporting frameworks. Their inclusion reflects both increased FATF engagement in the Asia-Pacific region and concerns about the speed and effectiveness of previous reform efforts.

At the same time, the Philippines was removed from the list after successfully completing its FATF action plan. The FATF noted that the country had strengthened the operational capacity of its Financial Intelligence Unit, improved the regulation of virtual asset service providers, and achieved meaningful enforcement results in money laundering cases.

Regional Trends and Underlying Challenges

The grey list continues to highlight regional disparities in AML/CFT capacity and the need for sustained technical assistance and political reform. In Sub-Saharan Africa, a significant cluster of countries remains under increased monitoring. Many of these countries face chronic resource constraints, weak enforcement institutions, and the destabilizing effects of armed conflict or political instability. Even where legal reforms are passed, their operationalization often remains slow or uneven.

In Asia, the inclusion of Nepal and Lao PDR underlines persistent issues related to the informal economy and the difficulty of regulating non-bank financial intermediaries. These countries, like others in the region, struggle with ensuring transparency of beneficial ownership, especially in sectors such as construction, trade, and tourism that rely heavily on cash transactions.

In the Caribbean and Latin America, some countries continue to face scrutiny for gaps in enforcement, judicial inefficiencies, and inadequate regulatory oversight over designated non-financial businesses and professions (DNFBPs). Limited human and financial resources have made it difficult for these jurisdictions to demonstrate sustained compliance.

In Europe and the Middle East, concerns remain about the lack of effective oversight of non-profit organizations, insufficient prosecutions for terrorism financing, and the under-regulation of crypto asset providers.

| | | | | |
|----------------|----------|----------------------------------|---------------|-------------|
| Algeria, | Angola | Bulgaria | Burkina Faso | Cameroon |
| Côte d'Ivoire, | Croatia | Democratic Republic of the Congo | Haiti | Kenya |
| Lao PDR | Lebanon | Mali | Monaco | Mozambique |
| Namibia | Nepal | Nigeria | South Africa, | South Sudan |
| Syria | Tanzania | Venezuela | Vietnam | Yemen |

Common Deficiencies Among Grey-Listed Jurisdictions

Despite regional differences, there are common thematic deficiencies across grey-listed jurisdictions. One of the most prevalent is the lack of transparency concerning beneficial ownership. Many countries either do not have centralized registries of beneficial ownership or fail to verify and update the information systematically. This allows the continued misuse of legal persons and arrangements for hiding illicit wealth.

A second recurring issue is weak or inconsistent application of risk-based supervision. Even where AML laws exist on paper, supervisory authorities often lack the tools, independence, or staff to tailor inspections and oversight to the actual risks present in different sectors of the economy. Regulatory efforts often focus on formal banking institutions, while sectors such as real estate, precious metals dealers, and money service businesses remain under-monitored.

Another significant deficiency relates to the supervision and misuse of non-profit organizations and emerging technologies. Many countries have yet to adopt or enforce FATF's recommendations on mitigating abuse of charities for terrorist financing purposes. The rapid proliferation of virtual assets has created further challenges, as regulators in several jurisdictions lack the authority, training, or legal frameworks to oversee virtual asset service providers effectively.

In the judicial sphere, several countries continue to struggle with low rates of prosecution and conviction for money laundering or terrorist financing offenses. Investigations are often hampered by procedural delays, limited inter-agency cooperation, or a lack of technical expertise among prosecutors and judges. This undermines the overall effectiveness of AML/CFT regimes, even in countries with otherwise robust legal frameworks.

Financial intelligence units (FIUs), which are meant to serve as the analytical backbone of a country's AML/CFT system, are frequently underfunded and lack access to modern technology. This reduces their ability to detect suspicious transaction patterns or to disseminate actionable intelligence to law enforcement in a timely manner.

Consequences of Grey Listing

The effects of grey listing are not confined to regulatory matters. In economic terms, countries that appear on the FATF grey list frequently experience reduced investor confidence. Foreign direct investment can slow or reverse, particularly in sectors with high capital mobility such as real estate, banking, and tourism. Correspondent banking relationships may also be curtailed, as international banks grow wary of the compliance risks associated with grey-listed countries.

Financial institutions in these jurisdictions typically face higher compliance burdens. They may be required to adopt stricter customer due diligence (CDD) practices, enhance internal audits, and develop expensive monitoring systems. In some cases, over-compliance or “defensive compliance” emerges, in which banks opt to terminate accounts or refuse to serve higher-risk clients—such as politically exposed persons, small remittance services, or charities—to avoid regulatory scrutiny.

For low-income populations, these dynamics can lead to exclusion from formal financial systems. Small businesses and non-profit organizations may find it increasingly difficult to access credit, receive donations, or conduct international transactions. There is also the risk that overly punitive or poorly implemented reforms will push financial activity into informal or unregulated channels, thereby compounding the very risks the FATF seeks to mitigate.

The FATF Process and the Road to Delisting

Countries on the grey list are expected to implement their FATF action plans within defined timelines, generally ranging from twelve to twenty-four months. These action plans are tailored to each jurisdiction and typically include legal reforms, institutional restructuring, and improvements in operational effectiveness.

Successful delisting requires not just legislative amendments but proof that these changes are working in practice. This means showing that FIUs are operational and sharing data, that suspicious transaction reports are being acted upon, that beneficial ownership information is verified and used by competent authorities, and that convictions for money laundering and terrorism financing are increasing in both number and quality.

The FATF conducts periodic assessments of progress through mutual evaluations and, ultimately, an on-site visit to verify the completion of the action plan. If the findings are positive, the country can be removed from the grey list, as was the case with the Philippines in February 2025.

Recommendations

For grey-listed countries, the most urgent priority is to maintain sustained high-level political commitment. Too often, reform momentum is lost after initial legislative changes. Governments should ensure coordination between ministries of finance, justice, interior, and regulatory agencies to keep reform efforts on track.

Efforts to improve beneficial ownership transparency must move beyond simply establishing registries. Data accuracy, regular updating, and effective access for law enforcement are essential. Risk-based supervision must be applied in practice, with appropriate training and independence granted to supervisors. Countries should also prioritize the autonomy and modernization of their FIUs and strengthen cooperation with international partners.

For international donors and multilateral institutions, the focus should be on providing technical assistance tailored to specific gaps identified in FATF action plans. Training programs, technology upgrades, and peer learning can accelerate progress and prevent backsliding. Donors should also avoid punitive conditionality that exacerbates economic exclusion.

International financial institutions must be encouraged to apply a risk-based rather than rules-based approach to clients in grey-listed jurisdictions. Blanket de-risking practices are counterproductive and may drive vulnerable populations out of the financial system. Dialogue between regulators and financial institutions is necessary to strike the right balance between prudential safeguards and access to finance.

Conclusion

In early 2025, the FATF's grey list continues to function as a key tool for promoting financial transparency and integrity. While the list identifies jurisdictions with AML/CFT shortcomings, it also reflects the international community's confidence that these countries are capable of reform. The path from grey listing to compliance is demanding but achievable, as evidenced by the recent removal of the Philippines.

By approaching the grey listing process as an opportunity for systemic improvement rather than merely a reputational crisis, jurisdictions can build more robust financial systems that serve both security and development objectives. At the same time, international partners must support these efforts through proportional, informed, and patient engagement, ensuring that the fight against financial crime does not inadvertently undermine inclusion, equity, or institutional trust.

Further Reading

- Jurisdictions under Increased Monitoring - 21 February 2025 ([link](#))