



Anti-money laundering and counter-terrorist financing measures

Sierra Leone

Mutual Evaluation Report

December 2020





The Inter-Governmental Action Group against Money Laundering (GIABA) is a specialized institution of ECOWAS and a FATF Style Regional Body that promotes policies to protect member States financial system against money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter terrorist financing (CTF) standard.

For more information about GIABA, please visit the website: www.giaba.org

This document and/or any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city, or area.

This assessment was adopted by GIABA at its November 2020 Plenary meeting.

Citing reference:

GIABA (2020), Anti-money laundering and counter-terrorist financing measures – Sierra Leone, Second Round Mutual Evaluation Report, GIABA, Dakar

© 2020 GIABA. All rights reserved.

No reproduction or translation of this publication may be made without prior written permission. Application for permission to disseminate, reproduce or translate all or part of this publication should be made to GIABA, Complexe Sicap Point E Av Chiekh A. Diop, X Canal IV 1er Etage Immeuble A, BP 32400, Ponty Dakar (Senegal). E-mail: secretariat@giaba.org

Table of Contents

Executive Summary	4
Key Findngs	4
Risks and General Situation	7
Overall Level of Technical Compliance and Effectiveness	8
Priority Actions.....	15
Effectiveness & Technical Compliance Ratings	18
MUTUAL EVALUATION REPORT	20
Preface	20
Chapter 1. ML/TF RISKS AND CONTEXT	22
ML/TF Risks and Scoping of Higher Risk Issues	23
Materiality.....	27
Structural Elements.....	29
Background and Other Contextual Factors.....	30
Chapter 2. NATIONAL AML/CFT POLICIES AND COORDINATION.....	42
Key Findings and Recommended Actions	42
Immediate Outcome 1 (Risk, Policy and Coordination)	44
Chapter 3. LEGAL SYSTEM AND OPERATIONAL ISSUES.....	56
Key Findings and Recommended Actions	56
Immediate Outcome 6 (Financial Intelligence ML/TF).....	61
Immediate Outcome 7 (ML investigation and prosecution).....	74
Immediate Outcome 8 (Confiscation).....	80
Chapter 4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION.....	87
Key Findings and Recommended Actions	87
Immediate Outcome 9 (TF investigation and prosecution)	90
Immediate Outcome 10 (TF preventive measures and financial sanctions)	94
Immediate Outcome 11 (PF financial sanctions)	98
Chapter 5. PREVENTIVE MEASURES	100
Key Findings and Recommended Actions	100
Immediate Outcome 4 (Preventive Measures).....	103

Chapter 6. SUPERVISION	123
Key Findings and Recommended Actions	123
Immediate Outcome 3 (Supervision)	125
Chapter 7. LEGAL PERSONS AND ARRANGEMENTS	140
Key Findings and Recommended Actions	140
Immediate Outcome 5 (Legal Persons and Arrangements)	142
Chapter 8. INTERNATIONAL COOPERATION	150
Key Findings and Recommended Actions	150
Immediate Outcome 2 (International Cooperation)	151
ANNEXE TECHNICAL COMPLIANCE	160
Recommendation 1 – Assessing risks and applying a risk-based approach	160
Recommendation 2 - National Cooperation and Coordination	163
Recommendation 3 - Money laundering offence	164
Recommendation 4 - Confiscation and provisional measures.....	166
Recommendation 5 - Terrorist financing offence	168
Recommendation 6 - Targeted financial sanctions related to terrorism and terrorist financing.....	170
Recommendation 7 – Targeted financial sanctions related to proliferation.....	174
Recommendation 8 – Non-profit organisations	174
Recommendation 9 – Financial institution secrecy laws	176
Recommendation 10 – Customer due diligence.....	177
Recommendation 11 – Record-keeping.....	181
Recommendation 12 – Politically exposed persons	182
Recommendation 13 – Correspondent banking	183
Recommendation 14 – Money or value transfer services	184
Recommendation 15 – New technologies	185
Recommendation 16 – Wire transfers.....	186
Recommendation 17 – Reliance on third parties	188
Recommendation 18 – Internal controls and foreign branches and subsidiaries	189
Recommendation 19 – Higher-risk countries	190
Recommendation 20 – Reporting of suspicious transaction	191
Recommendation 21 – Tipping-off and confidentiality	191
Recommendation 22 – DNFBPs: Customer due diligence	192
Recommendation 23 – DNFBPs: Other measures	194

Recommendation 24 – Transparency and beneficial ownership of legal persons	194
Recommendation 25 – Transparency and beneficial ownership of legal arrangements	199
Recommendation 26 - Regulation and Supervision of Financial Institutions	201
Recommendation 27 - Powers of Supervisors	203
Recommendation 28- Regulations and Supervision of DNFBPs	205
Recommendation 29 - Financial Intelligence Units	207
Recommendation 30 – Responsibilities of law enforcement and investigative authorities	209
Recommendation 31 – Powers of law enforcement and investigative authorities	211
Recommendation 32 – Cash Couriers	213
Recommendation 33 – Statistics.....	215
Recommendation 34 - Guidance and feedback.....	216
Recommendation 35 - Sanctions	217
Recommendation 36 – International instruments.....	218
Recommendation 37 - Mutual legal assistance	219
Recommendation 38 – Mutual legal assistance: freezing and confiscation.....	220
Recommendation 39 – Extradition	222
Recommendation 40 – Other forms of international cooperation	222
Summary of Technical Compliance – Key Deficiencies	228
Glossary of Acronyms.....	232

Executive Summary

1. This report summarizes the anti-money laundering and countering the financing of terrorism (AML/CFT) measures in place in Sierra Leone as at the date of the on-site visit (15 to 26 July, 2019). It analyses the level of compliance with the Financial Action Task Force (FATF) 40 Recommendations and the level of effectiveness of Sierra Leone's AML/CFT regime and provides recommendations on how the regime could be strengthened.

Key Findings

- a) Sierra Leone concluded its first money laundering and terrorist financing (ML/TF) National Risk Assessment (NRA) in 2017. The NRA reflects the main ML/TF risks the country is facing. However, the NRA did not assess legal persons and arrangements while there are certain areas including TF, and some DNFBPs (especially the real estate agents, certain registered diamond dealers (at the diamond mining areas), legal professions and accountants) that would benefit from a more detailed analysis. Sierra Leone has adopted a two-year NRA Action Plan (NRAAP) which prioritizes the key risks identified in the NRA. There are also individual competent authorities' strategies or policies that address some of the main ML/TF risks in the country. Nonetheless, the country can benefit from a more robust national AML/CFT policy that comprehensively addresses the ML/TF risks in the country.
- b) Sierra Leone has moderate understanding of its ML/TF risks, although the level of understanding varies across stakeholders. The LEAs and FIU demonstrated a good understanding of the country's ML/TF risks and have started implementing some mitigating measures towards addressing the identified risks. Amongst the supervisors, the BSL demonstrated a good understanding of risk and has started aligning its supervisory activities to the risks identified in the NRA. Understanding of risk by SLICOM and DNFBPs supervisors is very low, and their objectives and activities are yet to be aligned with the identified risks. Financial institutions, especially commercial banks have good understanding of the ML/TF risks facing them while the DNFBPs have a very low understanding of the ML/TF risks they face.
- c) There are vulnerabilities that adversely impact on the effective implementation of the AML/CFT regime in Sierra Leone. These include large informal and cash-based economy, under-resourced authorities, porous land borders, weak cash control measures at the borders, poor implementation of AML/CFT requirements by DNFBPs, absence of AML/CFT supervision, especially in the

NBFIs (exception of BDCs) and DNFBPs, and lack of effective, proportionate and dissuasive sanctions against reporting entities that violate AML/CFT requirements.

- d) Sierra Leone has strong national AML/CFT coordination mechanisms that involves all relevant competent authorities. Sierra Leone's domestic coordination is driven by the IMC and supported by the Technical Committee, which together comprise the country's main AML/CFT policy development tool. At the operational level, coordination mechanisms exist under various platforms. MOUs have also been executed amongst some competent authorities for the purpose of strengthening operational cooperation and coordination in the implementation of AML/CFT policies and activities.
- e) LEAs have access but make limited use of financial intelligence to support their investigative activities. The quality of FIU's financial intelligence and analysis reports is considered good but there is a low level of usage of FIU's disclosures to supplement investigations by LEAs (other than TOCU and Police). In addition, FIU's products have been used to a negligible extent to initiate investigations.
- f) The legal framework for preventive measures is generally sound, although improvements are required in some areas. Implementation of preventive measures across sectors is mixed and is strongest in the banking sector and very low in the DNFBPs. The weak implementation of AML/CFT preventive measures by DNFBPs adversely affects the overall effectiveness of preventive measures in Sierra Leone.
- g) Risk-based supervision is broadly applied by BSL to banks. The implementation of some tools, including AML/CFT risk assessment and AML/CFT Institutional Profile Questionnaires rolled out recently by BSL will provide a more robust basis for its application of AML/CFT RBS. Some AML/CFT onsite examinations have been undertaken by BSL and the FIU of the banking sector, and BDCs by the FIU. Overall, some improvements are required in the supervisory regime of BSL and FIU, including the scope and depth of analysis on AML/CFT issues covered during onsite examinations of banks and OFIs. Although a wide range of sanctions (especially administrative) and remedial actions are available to supervisors, they have been rarely applied. The limited sanctions imposed by the BSL and one remedial action taken by the FIU for AML/CFT breaches by banks appear not to be proportionate and dissuasive in the context of the stage of AML/CFT development in Sierra Leone. SLICOM and DNFBP supervisors are yet to implement RBS and have not commenced AML/CFT supervision for their sectors. Generally, supervisors are significantly under-resourced given the breadth and depth of their AML/CFT responsibilities and associated workload.
- h) Though Sierra Leone has a legal framework to implement TFS against terrorist financing, major improvement is required in terms of implementation. In addition, unlike the largest commercial banks, NBFIs and DNFBPs are yet to effectively implement their TFS obligations in relation to TF.
- i) Sierra Leone has not conducted a comprehensive assessment of the NPO sector but has commenced the process of identifying the subset of NPOs being

potentially at risk of misuse for TF. There is no sustained awareness-raising campaign in the sector and no targeted risk-based supervision and monitoring of the NPOs by the designated competent authority.

- j) Sierra Leone does not have legal and institutional framework for the implementation of TFS related to proliferation of weapons of mass destruction (WMD).
- k) Sierra Leone has a comprehensive legal framework and robust institutional structure to investigate and prosecute ML. However, in practice, the criminal investigative and prosecutorial agencies do not prioritize ML investigations. Investigations and prosecutions of proceed generating offences focus more on the underlying predicate offences, resulting in very few ML prosecutions. Furthermore, the criminal investigative and prosecutorial agencies have a low level of expertise in financial investigations and lack the resources to deal with ML cases.
- l) Sierra Leone has a legal framework on provisional measures and confiscation that allows LEAs to deprive criminals of proceeds and instrumentalities of crime. However, confiscations are limited and there is weak framework for managing confiscated assets. In general, confiscation of criminal proceeds, instrumentalities and property of equivalent value are not being pursued by the authorities as a policy objective.
- m) Sierra Leone has developed a Counter Terrorism Strategy. However, the CFT component of the strategy will benefit from significant enhancement. The country has not yet achieved any prosecutions or convictions specifically for TF, and there is no stated operational procedure or systematic approach to identify and investigate financing aspects of terrorism-related offences. There are cooperation and coordination platforms that enable key stakeholders in the security services, as well as FIU and reporting entities to share information on terrorism and its financing, but there are no evidence that they are effectively or proactively used. Sierra Leone is largely able to demonstrate the application of alternative measures to disrupt potential FT activities.
- n) Basic information on legal persons established in Sierra Leone is maintained at the CAC, and is publicly available. However, the lack of verification mechanisms for basic information limits the accuracy of the information held. Sierra Leone has established a sanctions regime that will improve measures to enhance transparency of legal persons, including timely update of basic information. However, these sanctions have not been systematically enforced. Beneficial ownership information on legal persons and legal arrangements are available in FIs, particularly commercial banks, and LEAs have requested such information to support their operations. SLEITI has developed a BO Disclosure Road Map and CAC has a Corporate Governance Code that serve as stop-gaps towards the implementation of BO requirements in the country.
- o) Sierra Leone adopts a collaborative approach with regard to international cooperation. It provides quality information and constructive assistance, including mutual legal assistance, extradition and other forms of cooperation, as and when required. While Sierra Leone's responses to foreign counterparts' requests appear satisfactory, authorities make little use of international

cooperation mechanisms which is inconsistent with the transnational nature of the most important proceed generating crimes. The effectiveness of the international cooperation is hampered by the lack of specific guidelines; a case management system /lack of a structured system for the management and monitoring of international cooperation requests, as well as the absence of dedicated staff.

Risks and General Situation

2. Sierra Leone completed its first NRA in 2017. The NRA provides context on the features of the inherent ML and TF risk situation in the country. The main proceeds-generating predicate crimes in Sierra Leone are corruption, drug trafficking, smuggling, fraud, counterfeiting of products and intellectual property offences. More specifically, public sector corruption is generating the highest amount of criminal proceeds. Key vulnerabilities, including large informal and cash-based economy, under-resourced authorities, porous land borders, weak cash control measures at the borders, poor implementation of AML/CFT requirements by DNFBPs, weak or absence of AML/CFT supervision, especially in the NBFIs and DNFBPs, and the non-application of proportionate and dissuasive sanctions increase ML/TF risks in the country and contribute to impeding efforts to prevent, investigate and prosecute ML/TF in Sierra Leone.
3. The NRA identified the DNFBPs, particularly dealers in precious minerals and stones (especially dealers in diamonds), dealers in cars (used or second hand), real estate agents, lawyers and accountants; and the foreign exchange bureaus as some of the key sectors exposed to significant ML risk in Sierra Leone. The ML/TF risk of the banking sector was assessed as medium in the NRA.
4. Within the financial sector, banks account for over 94% of the total assets. The banking sector has significant presence of foreign-owned banks which promotes significant integration with the global financial system. Banks offer a variety of products/services and undertake the largest share of transactions or high volume of transactions /activity than other FIs, and thus considered very material and at-risk for the transfer of illicit proceeds in and out of Sierra Leone. Amongst the DNFBPs, DPMS are important in the context of Sierra Leone as they are very significant to the economy of the country and also identified in the NRA as having high ML vulnerability.
5. The incidence of terrorism and terrorist financing in Sierra Leone is low, and TF is considered to pose a low risk in the NRA. Sierra Leone has not experienced incidents of terrorism nor cases of funds generated in Sierra Leone nor outside Sierra Leone for terrorist operations in Sierra Leone nor elsewhere. However, the presence of large Middle Eastern communities in Sierra Leone; the designation¹ of certain Sierra Leonean citizens and entities with Lebanese origin due to links with terrorist organizations such as Hezbollah, and the fact that a number of charities based in Sierra Leone also operate in regions of the world where the risk of monies being appropriated for TF are high, make the country vulnerable and exposed to the risk of TF. Sierra Leone remains vigilant as the authorities are aware of existing vulnerabilities.

¹ Designation was by the US government (OFAC list)

Overall Level of Technical Compliance and Effectiveness

6. Since the last evaluation in 2007, Sierra Leone has taken steps informed by the findings of the 2007 Mutual Evaluation Report (MER) and the ever-evolving AML/CFT landscape to improve its AML/CFT framework. Notably, Sierra Leone re-enacted the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Act in 2012 and amended it in 2019. Similarly, the country re-enacted the Banking Act in 2019. These have considerably enhanced the country's legal framework and provided basic elements for an effective AML/CFT regime. Some regulations, including the Directives and Guidelines for FIs on the Prevention of ML/TF and Terrorism Prevention Regulations were issued which reinforced the legislative framework to achieve significant compliance with the FATF Recommendations. Important improvements in the country's institutional framework include the establishment of the FIU as an independent administrative Unit and the creation of an Anti-Corruption Division of the court which handles corruption and financial and economic crime cases. However, some deficiencies remain in Sierra Leone's technical compliance framework, for example with respect to the TFS relating to proliferation financing.
7. Sierra Leone has implemented an AML/CFT system that is moderately effective in one area. Moderate level of effectiveness has been achieved in the area of understanding the ML/TF risks and the national co-ordination. However, fundamental improvements are required in the areas of confiscation, TF Investigation and Prosecution, investigation and prosecution for ML, particularly with regard to conducting parallel investigations. Significant improvements are also needed to strengthen supervision and monitoring of non-bank financial institutions, DNFBPs as well as implementation of preventive measures by these entities, and in preventing misuse of the NPO sector. Generally, Sierra Leone needs to enhance its collection and maintenance of comprehensive ML/TF-related statistics in order to better document the actions taken and the results achieved to demonstrate and assess whether the policies are successful and when improvements are needed.

Assessment of risk, coordination and policy setting (Chapter 2; IO.1, R.1, 2, 33 & 34)

8. Sierra Leone completed its NRA in 2017. This has improved the level of understanding of ML/TF risks across the board (albeit at different levels). The FIU has had a pivotal role in the NRA process and has good understanding of risk in the country. The LEAs (TOCU/CISU/SLP/ACC/NRA) have a moderate understanding of ML risk and good understanding of TF risk that the country is exposed. Amongst the supervisors, BSL demonstrated a more advanced understanding of risks than SLICOM and other DNFBPs supervisors. Nonetheless, despite the NRA exercise being limited to Freetown, the information/inputs provided into the NRA process by the public and private sector institutions were consolidated, including from offices/branches located outside Freetown which provides a basis for broader understanding of risk across the country. Furthermore, some of the sectors that were not comprehensively assessed in the NRA, especially casinos and accountants are not material in the context of Sierra. Similarly, the participation of some key players within the DPMS sector in the NRA process contributed to some understanding of the risks in the sector, and the country. .
9. Sierra Leone adopted a two-year Action Plan based on the findings of the NRA. The Plan prioritizes and covers the key areas of deficiencies identified in the NRA. Implementation of the Plan was on-going as at the time of onsite with some results achieved. However, inadequate resources amongst key competent authorities is

affecting effective implementation. In addition to the Action Plan, some competent authorities, such as ACC and TOCU are implementing institutional-specific strategies addressing some of the main risks identified in the NRA. Generally, the objectives of some competent authorities are consistent with identified ML/TF risks. However, objectives and activities of SLICOM and DNFBP supervisors are yet to be aligned with the identified risks. Sierra Leone had not developed a comprehensive national AML/CFT policy/strategy as at the time of onsite.

10. There are coordination bodies present within Sierra Leone. The IMC and Technical Committee are the overarching domestic coordination and cooperation bodies which support the AML/CFT regime, and play significant roles in effective cooperation and coordination at the national policy making levels. The capacity of the jurisdiction to review, or amend pieces of legislation, as well as organize and conduct NRA are demonstration that a coordination body is in place and functional. At the operational levels, LEAs, FIU and supervisors cooperate under various platforms. However, there is no coordination mechanism relating to proliferation financing.
11. Some private sector stakeholders are aware of the results of the NRA. However, the understanding and response appears most developed amongst banks, and less developed amongst other FIs. Some of the insurance companies and securities market operators have a different view on their ML/TF risks from the NRA findings. Some of the DNFBPs met during the onsite were not aware of the NRA and its findings while a few other professionals such as the lawyers had difficulties in accepting the findings of the NRA relating to the vulnerabilities in their profession. Majority of the private sector entities met during the onsite visit have not yet integrated the NRA findings in their internal risk identification, assessment, and mitigation measures.

Financial intelligence, ML investigations, prosecutions and confiscation (Chapter 3; IO.6, 7, 8; R.1, 3, 4, 29–32)

Use of Financial Intelligence (Immediate Outcome 6)

12. The Sierra Leone FIU is an administrative Unit with other responsibilities, including AML/CFT supervision. The FIU has autonomy and operational independence to perform its functions. The Unit conducts analysis of transactions and other information it receives from reporting entities, and produces financial intelligence and other information which is disseminated to relevant competent authorities. A significant number of the STRs or reports being analyzed by the Unit are from the banking sector, with negligible number filed by BDCs and a lawyer. The lack of reporting (of STRs) by the rest of FIs and DNFBPs obfuscate significant ML/TF related transactions that could provide potential leads to LEAs on ML/TF related offences. This is a concern as some of the reporting entities in this category are considered as posing higher ML risks (e.g. foreign exchange bureaus, real estate agents, and dealers in precious metals and stones). Overall, this limits the availability and scope of useful information at the disposal of the FIU to support in-depth intelligence analysis, and may impede FIUs ability to produce different types of financial intelligence consistent with the risk profile of the country. Notwithstanding, the FIU has access to a wide variety of information which enables it to produce good financial intelligence and information that have been used by competent authorities.
13. The FIU has disseminated some financial intelligence and other information (upon request and spontaneously) to support the operational needs of LEAs. However, these are largely utilized by LEAs to support investigation of predicate offences and to a

limited extend for ML investigations. Generally, other than TOCU and CID of the Police, other LEAs rarely seek financial intelligence from the FIU in support of their financial investigations. Strategic analysis by the FIU could be better to enable relevant stakeholders to be apprised of trends, typologies and general risks that inform them of the risk their operations face by virtue of operating in Sierra Leone.

14. There are ongoing efforts to procure a more sophisticated software to improve FIU's analytical capability, in order to better support operational needs of LEAs. Overall, there is need for the government to provide more resources to the FIU to enable it to strengthen its capacity to effectively support financial crimes investigations by LEAs.

ML Investigation and Prosecution (IO7)

15. Sierra Leone has not demonstrated that investigative agencies actively conduct parallel financial investigation to identify and investigate potential ML cases. Financial intelligence is primarily used by LEAs to support investigations of predicate offences and trace assets and to a lesser extent to support ML investigations. In all, criminal investigation and prosecution agencies do not typically prioritize ML investigations or conduct parallel investigations. Also, there is no evidence that investigations focus on the various types of money laundering activities, especially stand-alone and third-party money laundering or laundering of proceeds from foreign predicates.
16. LEAs have a low level of financial investigative skills and lack resources to effectively investigate and prosecute laundering cases. The limited (two) ML convictions is not consistent with the risk profile of the country, especially given the high level of threats associated with the various predicate offences in Sierra Leone that potentially generate significant proceeds of crime. Although the country has established Anti-Corruption Division of the court to facilitate the prosecution of corruption and financial and economic crime cases, including ML cases, strengthening the capacity of LEAs, especially TOCU and ACC to conduct financial investigation with the aim to pursue ML is crucial.

Confiscation (Immediate Outcome 8)

17. Sierra Leone has a good legal framework on provisional measures and confiscation which allows competent authorities to identify, trace and confiscate assets linked to ML/TF and associate predicate offenses. The authorities do not prioritize or pursue confiscation of criminal proceeds, instrumentalities and property of equivalent value as a policy objective. Confiscations in relation to most offences that generate a significant amount of proceeds between January 2015 and June 2019 is limited and there is weak framework for managing confiscated assets. The inability of LEAs to confiscate proceeds of crime is indicative of the absence of parallel financial investigations which would have allowed them to follow the money and deprive criminals of their illicit proceeds. In addition, most often the subject investigated and prosecuted pay fines upon conviction and hence no recourse to confiscation of assets. LEAs do not have specific guidelines, SOPs or manuals on freezing and confiscation of assets which would have provided guide and facilitated seizure and confiscations.
18. Confiscation of falsely and non-declared cross border currencies and bearer negotiable instruments is limited. Authorities generally impose a fine for non-compliance with the obligation to declare. Sierra Leone recently amended its legislation to provide for forfeiture of undeclared currency or negotiable bearer instruments in excess of the threshold.

19. Sierra Leone has no cases involving confiscation of proceeds from foreign predicate offences, foreign instrumentalities of crime or where proceeds were located abroad. Consequently, Sierra Leone has not shared any assets with other jurisdictions. Similarly, no domestic asset sharing has taken place in relation to confiscated assets. Sierra Leone has a limited capacity to recover assets in a range of ML/TF and predicate cases consistent with its risk profile. Overall, confiscation is at best in its formative stage in Sierra Leone.

Terrorist and proliferation financing (Chapter 4; IO.9, 10, 11; R. 1, 4, 5–8, 30, 31 & 39.)

TF Investigation and Prosecution (Immediate Outcome 9)

20. There are institutional structures to investigate, prosecute and convict TF and related behaviours in Sierra Leone. The authorities involved in the prevention and investigation of TF and terrorist-related crimes have a broad understanding of TF risks in the country. However, there has been no TF case prosecuted in Sierra Leone as at the time of onsite. Although two TF related STRs were received by the FIU, analysis by the Unit indicated they were unrelated to TF and therefore further investigation was not necessary. This is nonetheless broadly in line with the overall TF risk (assessed as low) in Sierra Leone. There has been a limited terrorism related investigations. Nonetheless, no financial investigations were carried out alongside these investigations. Thus, there is the need for TF investigation to be systematically integrated into investigation related to terrorist activity. Overall, there are evidences of collaboration, including information exchange between domestic stakeholders and foreign counterparts when dealing with suspected cases of terrorism and terrorists financing. While there appear to be mechanisms in place for the identification, investigation and prosecution of TF, the skills required to deal with such cases need to be developed further. In the absence of a TF case, the effectiveness, proportionality and dissuasiveness of the sanctions which could be implemented by the authorities to deter TF activities could therefore not be determined.

Preventing terrorists from raising, moving and using funds (IO 10)

21. Sierra Leone has framework for the implementation of TFS relating to TF. CISU is the competent authority responsible for implementation of TFS, however it does not have a comprehensive understanding of its role under the Regulations related to TFS. Reporting entities receive the sanctions lists through the formal government channels. In addition, some commercial banks have installed sanction screening software and subscribed to software that allows them to access and screen customers and transactions against the different sanctions lists. The overall level of awareness of obligations and implementation of TFS related to TF by commercial banks is considered satisfactory but lacking or very low in the case of NBFIs and DNFBS. Supervisory authorities do not monitor implementation of TFS by reporting entities. Sierra Leone has frozen assets pursuant to a third-party request made on the basis of the OFAC list.
22. Sierra Leone had commenced gathering information to identify the NPO that are at risk of TF, however this was still at preliminary stages and no NPOs had yet been identified as being at risk of TF or vulnerable to possible TF abuse. Sierra Leone has not carried out targeted monitoring or supervision of entities within the NPO sector. Although, some limited awareness had been undertaken in the NPO sector, Sierra Leone needs to conduct sustained outreach and provide some guidance to promote understanding of their vulnerability to TF, and prevent their possible misuse for TF purposes.

Proliferation financing (IO 11)

23. There is no legal and institutional framework or mechanism to implement TFS related to PF. There are no guidance documents to facilitate competent authorities and reporting entities' understanding of the obligation to implement TFS in relation to the financing of proliferation. Except for the commercial banks belonging to international groups that demonstrated a fair understanding of their obligations regarding PF TFS, other FIs and DNFBPs had little or no understanding of their obligations relating to PF. Authorities have not provided any specific training/awareness to reporting entities on PF obligations and there are no mechanisms in place for reporting entities to apply measures relating to identified assets and funds held by designated persons or entities. In addition, there is no monitoring of reporting entities on PF obligations. Furthermore, there is no national coordination mechanism to combat the financing of proliferation of weapons of mass destruction.

Preventive measures (Chapter 5; IO.4; R.9–23)

24. The AML/CFT Act is the primary statute setting out AML/CFT obligations for FIs and DNFBPs in Sierra Leone. The preventative measures contained in the AML/CFT legal framework apply equally to both FIs and DNFBPs. The Act requires FIs and DNFBPs to manage and implement mitigating controls on a risk sensitive basis. Commercial banks have conducted internal ML/TF risk assessments as the basis to implement the measures on a risk-sensitive basis. Thus, commercial banks have a good understanding of ML/TF risks and AML/CFT obligations and apply mitigating measures in a manner that is mostly commensurate to the assessed level of risk. The banking sector has a constructive relationship with the FIU and BSL through the Compliance Officers Association of Banks. Other FIs are yet to conduct internal risk assessment, have limited understanding of ML/TF risk and their AML/CFT obligations while measures adopted to mitigate risks are inadequate. The level of understanding of DNFBPs of ML/TF risks and their AML/CFT obligations (with exception of the accountants/auditors belonging to international groups) is very low and in some cases lacking. DNFBPs generally do not apply adequate mitigating measures. This is a major concern more specifically as some DNFBPs (e.g real estate, DPMS, and dealers in cars) are regarded as high risk in the NRA.
25. CDD and record-keeping requirements are complied with by most reporting entities, although stronger in the FIs (especially the commercial banks). Commercial banks in particular are rigorous in their efforts to monitor customers and to determine the beneficial owner of funds. NBFIs and DNFBPs also apply some elements of CDD; however, their efforts are not fully consistent with AML/CFT requirements or the ML/TF risks the face. Generally, NBFIs and DNFBPs show weaknesses in establishing the beneficial owner. Other than larger banks or those belonging to international groups, implementation of TFS is not effective as it relates to other FIs and DNFBPs. These categories of reporting entities demonstrated little or no awareness of TFS regimes and of their obligations in this regard.
26. Commercial banks have good understanding of reporting requirements. They have systems in place for monitoring and detecting suspicious activities and have filed a number of STRs to the FIU. However, given the significance of the banking sector and the risks it faces, the overall number of STRs filed by the sector is low. NBFIs and DNFBPs demonstrated a low level of understanding and implementation of reporting

obligations, especially as regard STRs. The number of STRs filed by NBFIs and DNFBPs is insignificant to non-existent which is a serious concern.

Supervision (Chapter 6; IO.3; R.26–28, 34, 35)

27. Licensing, registration and other controls to prevent criminals and their associates from participating in the ownership, control or management of financial institutions are generally adequate. However, some weaknesses were noted. In particular, due diligence is not conducted on an ongoing basis on existing directors, persons with beneficial interest at or above the threshold of 5%, management and other senior officials, or their associates, but is applied where there are changes in respect of such persons. In general, the membership procedures for ICASL and GLC are good to prevent criminals or their associates from being professionally accredited or holding a management function in any of legal and accounting professions. Other prudential regulatory authorities for DNFBPs do not have adequate procedures to restrict market entry for AML/CFT purposes and prevent criminals and their associates from holding a significant or controlling interest, or holding a management function in such DNFBPs. As a result, there are unregistered natural persons participating in activities in some of the sectors, including the precious stones and metals and real estate sectors.
28. BSL demonstrated a good understanding of ML/TF risks in the banking sector, and is implementing a risk-based approach to AML/CFT supervision of banks. BSL has a methodology for assessing ML/TF risks in the banks which allows it to conduct risk-based supervision. It recently rolled out some tools, including AML/CFT Risk Assessment and AML/CFT Institutional Profile Questionnaires which will provide a more robust basis for AML/CFT RBS, especially in the banking sector. BSL's understanding of ML/TF risks in the securities sector and the other FIs is still evolving. SLICOM and DNFBP supervisors possess poor knowledge and understanding of the ML/TF risks facing reporting entities in their various sectors. They lack the necessary supervisory tools/methodologies that can provide them with comprehensive information on the nature of ML/TF risks in their sectors, and consequently, are yet to adopt a risk-based approach to AML/CFT compliance supervision.
29. BSL and FIU have undertaken some on-site AML/CFT inspections of the banking sector, and BDCs (FIU only). However, some improvements are required in this regard, including in the areas of the scope of preventive measures cover and depth of analysis in the examination reports. No AML/CFT inspections have been carried out in the NBFIs (except BDCs) and DNFBPs regardless of the risk profile noted in the NRA. Generally, supervisors lack adequate resources (human, financial and technical) to effectively undertake their supervisory roles.
30. The legal and regulatory frameworks governing AML/CFT supervision are acceptable and provide a wide range of administrative, civil and criminal sanctions for non-compliance with AML/CFT requirements. Whilst major AML/CFT contraventions worthy of issuing a sanction have been identified, only limited fines were imposed by the BSL and one remedial action taken by the FIU for AML/CFT breaches by banks in the review period. The fines and remedial action are not proportionate and dissuasive in the context of the stage of AML/CFT development in Sierra Leone. The DNFBP supervisors have not issued any sanction for AML/CFT non-compliance.
31. BSL, SLICOM and the FIU jointly issued AML/CFT guidance to FIs and have undertaken independently or jointly, some outreach and training/awareness-raising in order to improve the level of compliance of FIs. Outreach and sensitization of the

ML/TF risks and AML/CFT obligations in relation to DNFBPs is limited and still evolving. Overall, the impact of the actions of supervisors on the FIs and DNFBPs ranges from negligible (with regard to DNFBPs) to good (with regard to FIs, especially commercial banks).

Transparency and beneficial ownership (Chapter 7; IO.5; R.24, 25)

32. The registration process for legal persons in Sierra Leone requires companies to provide basic information, thus, basic information on legal entities is available and accessible at the CAC. However, the mechanisms in place need to be enhanced to ensure that records are adequate, accurate and current.
33. Beneficial ownership information on legal persons and arrangements that are created in Sierra Leone are largely available in FIs, especially commercial banks which generally obtain BO information as part of CDD requirements and LEAs have requested such information for the purpose of conducting investigations. The current mechanism for BO disclosure by legal persons is not mandatory and disclosure is on a “comply and explain” basis. Thus, BO information on legal entities (domestic or foreign) is not available at the CAC. The implementation of the BO Disclosure Road Map and Corporate Governance Code will enhance the process for obtaining BO information in Sierra Leone.
34. Sierra Leone has not conducted an assessment of the ML/TF risks associated with different types of legal entities (legal persons and arrangements) created in the country. The NRA did not cover ML/TF risks associated with the various types of legal entities and thus, understanding of ML/TF risks posed by legal entities is low. Although Sierra Leone has taken some measures to prevent the misuse of legal entities, some weaknesses exist in relation to the effective implementation of these measures. For instance, the CAC does not specifically verify documents, accuracy of the information it receives or the authenticity of the documents submitted to it. The CAC also rarely monitor non-compliance issues in respect of certain requirements of the Companies Act. For example

The Companies Act provides sanctions against legal persons who fail to comply with information requirements, however these sanctions have not been systematically enforced. Sierra Leone did not provide specific instances where sanctions were applied for failure to provide timely updates to information maintained in the CAC database, or beneficial owners by FIs or failure of companies to comply with the relevant obligations of the companies Act.

International cooperation (Chapter 8; IO.2; R.36–40)

35. Sierra Leone has legal and institutional framework in place to facilitate mutual legal assistance, extradition matters and other forms of cooperation. Sierra Leone has ratified the relevant international instruments relating to AML/CFT, which it has domesticated to support provision of international cooperation. There are also a number of bilateral and multilateral agreements which have been useful in facilitating exchange of information with foreign counterparts. The Ministry of Foreign Affairs and International Cooperation is the central authority for MLA and extradition. However, MLA and extradition are given effect to, by the Ministry of Justice. Sierra Leone is to some extent using other forms of international cooperation through the various domestic agencies, including the Police, TOCU, and the FIU which are able to exchange information with their foreign counterparts.

36. Sierra Leone has demonstrated the ability to provide assistance through the provision of mutual legal assistance and other forms of international cooperation based on multilateral and bilateral treaties and arrangements, memoranda of understanding, administrative arrangements and membership of law enforcement and sector and regulatory groupings. Feedback on international cooperation provided by other countries were few with no adverse comments on the timeliness and quality of information provided. However, Sierra Leone does not appear to engage proactively in international cooperation with counterparts, and the limited requests made by Sierra Leone is not consistent with the country's risk profile, given that a significant number of offences handled by the Sierra Leonean authorities are transnational in nature. In general, the effectiveness of international cooperation is constrained by the lack of a case management system to enable monitoring and accounting for MLA and extradition requests received and sought, and the absence of dedicated staff with expertise to handle MLA and extradition at the Law Office of the Attorney General.

Priority Actions

- a) Conduct a new NRA whose scope should be enlarged to ensure comprehensive identification and understanding of the full range of ML/TF risks within the country. Future ML/TF risk assessment should include: (i) analysis and assessment of the risk posed by legal persons and arrangements; (ii) a comprehensive assessment of NPO sector; (iii) a more in-depth TF risk assessment; (iv) a more thorough analysis and assessment of parts of the DNFBPs, especially real estate agents, and diamond dealers (at the diamond mining areas); and (v) an analysis of the international components of risks faced by the country. In addition, enhance dissemination of the findings of the NRA to relevant stakeholders, and take measures to ensure that reporting entities draw from the relevant outcomes of NRA to support or supplement their own risk assessments.
- b) Continue to implement and monitor the implementation of the current NRA Action Plan while taking steps to develop a more comprehensive national AML/CFT Policy based on risks identified in the NRA, and implement a risk-based approach to allocating resources. The national Policy should be developed in consultation with all key stakeholders, and clearly set out actions related to prevention, supervision and repression, in the short, medium and long term, and establish mechanisms to track the success of these actions.
- c) The FIU should be adequately resourced (technical, human, and material resources) to enhance its analytical capacity and operational efficiencies to better support financial investigations by LEAs
- d) Adequately prioritize investigation and prosecution of all types of ML offences and focus on parallel financial investigation when dealing with proceeds generating crimes. Sierra Leone should pay particular attention to identifying, investigating and prosecuting the different types of ML cases consistent with the ML threats facing the country, put in place measures, including training of LEAs, to enhance financial investigations, and ensure that financial investigations are systematically undertaken when dealing with proceeds

generating crimes. In addition, the FIU should improve its engagement and sensitization of LEAs to enhance the uptake and utilization of its intelligence for investigations.

- e) Sierra Leone should enhance the capacities of investigation and prosecution authorities, in particular by training and allocating sufficient human and material resources to these authorities to identify TF activity and conduct TF investigations, including conducting parallel financial investigation. In addition, the country should strengthen the mechanism for implementing targeted financial sanctions pursuant to the UNSCRs by enhancing the capacity of CISU, and conducting awareness raising for all relevant stakeholders
- f) Ensure confiscations of criminal proceeds, instrumentalities and property of corresponding value are done as a matter of policy. In particular, Sierra Leone should pursue assets tracing, restraints and confiscation actions on high risk predicate crimes, foreign predicate crimes, and proceeds moved to other jurisdictions. In this regard, Sierra Leone should develop and implement a nationally coordinated confiscation policy/strategy, and establish an asset management office or strengthen existing mechanisms for managing confiscated assets.
- g) Sierra Leone should develop a more comprehensive national statistics regarding ML/TF related issues, including prosecutions, convictions, MLA and international cooperation, ensuring sufficient detail to enable Sierra Leone to evaluate their results, identify the difficulties and, if needed, make necessary improvements.
- h) Enhance implementation of measures targeting the informal sector (controls on cash flows; reduction of the use of cash; promotion of financial inclusion) and that promote a wider use of the financial system. These actions should amongst other things, include: an incentive component to lead the actors operating in the informal sector to enter the formal regulated sector, and a repressive component to fight against the operators who would continue to practice in the informal sector.
- i) Ensure that DNFBPs, particularly higher-risk sectors, including DPMS, understand their ML/TF risks and apply AML/CFT measures on a risk-sensitive basis. In this regard, Sierra Leone should: (i) implement training and awareness-raising programmes directed at higher-risk DNFBPs; (ii) collaborate with higher-risk DNFBPs to create SRBs for their sectors; (iii) partner with SRBs to develop appropriate sector specific AML/CFT guidelines, (iv) increase the level of engagements and information sharing between competent authorities, especially DNFBP supervisors and SRBs for a better understanding of the ML/TF risks in the DNFBPs, and (v) provide other necessary technical support to the SRBs to enable them assess ML/TF risks, supervise and monitor the adoption and implementation of AML/CFT measures in their sectors in order to facilitate compliance by DNFBPs. Similarly, Sierra Leone should strengthen the understanding of ML/TF risks and AML/CFT obligations among NBFIs, particularly higher-risk sectors. Authorities should take necessary steps to improve suspicious transaction reporting by reporting institutions (consistent with the risk profile of the entities).

- j) Commence and ensure effective implementation of risk-based AML/CFT supervision/monitoring for NBFIs and DNFBPs. BSL and FIU should improve AML/CFT RBS for the banking sector, including deepening the scope of their AML/CFT inspections. SLICOM and DNFBP supervisors should: (i) adopt and implement robust risk assessment methodology; and (ii) ensure that the frequency and intensity of their AML/CFT supervision are guided by risk considerations. Supervisors should consider separating prudential and AML/CFT inspections to address the current deficiencies in the AML/CFT component of onsite examinations. In addition, Sierra Leone should review the AML/CFT Act to remove the legal constraint in the application of administrative sanctions, while supervisors should apply appropriate sanctions for violation of AML/CFT requirements. Sierra Leone should adequately resource supervisory authorities to enable them effectively meet their obligations.
- k) Establish a legal, regulatory, and institutional framework to monitor, supervise, and effectively implement targeted financial sanctions related to proliferation financing and ensure that reporting entities are complying with the obligations relating to implementation of targeted financial sanctions related to proliferation.
- l) Take steps, including: (i) establishing adequate legal framework that will enable the relevant authorities/ the company itself to obtain and maintain information on BO for legal persons and arrangements; and (ii) the effective implementation of the BO Road Map and Corporate Governance Code, to ensure that adequate, accurate and current BO information of legal persons and legal arrangements is available and accessible to competent authorities in a timely manner. In addition, Sierra Leone should enhance implementation of measures, including oversight measures and enforcement action, to ensure that basic information available at the CAC is adequate, accurate, current and accessible in a timely manner.
- m) Use the mutual legal assistance mechanism more rigorously when conducting investigations on ML/TF or proceeds generating domestic predicates that are transnational in nature. Sierra Leone should establish a case management system in the Attorney General Office for effective management of requests and ensure that staff are adequate trained in this regard..

Effectiveness & Technical Compliance Ratings

Table 1. Effectiveness Ratings

IO.1 - Risk, policy and coordination	IO.2 – International cooperation	IO.3 - Supervision	IO.4 – Preventive Measures	IO.5 – Legal persons and arrangements	IO.6 – Financial Intelligence
ME	LE	LE	LE	LE	LE
IO.7 – ML Investigation & Prosecution	IO.8 - Confiscation	IO.9 – TF Investigation & Prosecution	IO.10 – TF Preventive Measures & Financial Sanctions	IO.11 – PF Financial Sanctions	
LE	LE	LE	LE	LE	

Note: Effectiveness ratings can be either a High- HE, Substantial- SE, Moderate- ME, or Low – LE, level of effectiveness.

Table 2. Technical Compliance Ratings

R.1 – Assessing Risk & Applying Risk-Based Approach	R.2 – National Cooperation and Coordination	R.3 – Money Laundering Offence	R.4 – Confiscation and provisional measures	R.5 – Terrorist Financing Offence	R.6 – Targeted Financial Sanctions & Terrorist Financing
LC	LC	LC	LC	LC	PC
R.7 – Targeted Financial Sanctions – Proliferation	R.8 – Non-Profit Organizations	R.9 – Financial Institutions Secrecy Law	R.10 – Customer Due Diligence	R.11 – Record Keeping	R.12 – Politically Exposed Persons
NC	NC	C	PC	C	LC
R.13 – Correspondent Banking	R.14 – Money or Value Transfer Services	R.15 – New Technologies	R.16 – Wire Transfers	R.17 – Reliance on Third Parties	R.18 – Internal Controls and Foreign Branches and Subsidiaries
LC	PC	PC	PC	PC	PC
R.19 – Higher-Risk Countries	R.20 – Reporting Suspicious Transactions	R.21 – Tipping-off and Confidentiality	R.22 – DNFBPs: Customer Due Diligence	R.23 – DNFBPs: Other Measures	R.24 – Transparency and Beneficial Ownership of Legal Persons
PC	C	C	PC	PC	PC
R.25 – Transparency and Beneficial Ownership of Legal Arrangements	R.26 – Regulation and Supervision of Financial Institutions	R.27 – Powers of Supervision	R.28 – Regulation and Supervision of DNFBPs	R.29 – Financial Intelligence Units	R.30 – Responsibilities of Law Enforcement and Investigative Authorities
PC	LC	LC	PC	LC	LC
R.31 – Powers of Law Enforcement and Investigative Authorities	R.32 – Cash Couriers	R.33 – Statistics	R.34 – Guidance and Feedback	R.35 – Sanctions	R.36 – International Instruments
LC	PC	LC	PC	LC	LC
R.37 – Mutual Legal Assistance	R.38 – Mutual Legal Assistance: Freezing and Confiscation	R.39 – Extradition	R.40 – Other Forms of International Cooperation		
PC	PC	PC	LC		

Note: Technical compliance ratings can be either a C – compliant, LC – largely compliant, PC – partially compliant or NC – non compliant.

MUTUAL EVALUATION REPORT

Preface

This report summarises the AML/CFT measures in place in Sierra Leone as at the date of the on-site visit. It analyses Sierra Leone's level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CFT system, and recommends how the system could be strengthened.

This evaluation was based on the 2012 FATF Recommendations, and was prepared using the 2013 Methodology. The evaluation was based on information provided by the country, and information obtained by the evaluation team during its on-site visit to the country from July 15 - 26, 2019.

The evaluation was conducted by an assessment team consisting of:

- Mr. Joseph Kofi Amoa-Awuah, Bank of Ghana (Financial Sector Expert - Supervision)
- Mr. Fonsia Mohammed Donzo, Central Bank of Liberia (Financial Sector Expert – Preventive Measures)
- Mr. Daniel Isei, Economic and Financial Crimes Commission, Nigeria (Law Enforcement Expert)
- Ms. Jacqueline Avotri, Economic and Organized Crimes Office, Ghana (Legal Expert)
- Ms. Hadiza Gamawa, Economic and Financial Crimes Commission, Nigeria (FIU and Risk Assessment Expert)

With the support from the GIABA Secretariat of Ms Olayinka Akinyede, Senior Legal Officer, and Mr. Giwa Sechap, Financial Sector Officer. The report was reviewed by Paul Mendy, Central Bank of The Gambia / West African Institute for Financial and Economic Management (WAIFEM); Mr. Jean Anade, Financial Intelligence Unit, Togo; Mr. Phineas Rameshovo Moloto, Financial Intelligence Centre, South Africa and the FATF Secretariat.

Sierra Leone previously underwent a GIABA Mutual Evaluation in 2007, conducted according to the 2004 FATF Methodology. The 2007 evaluation has been published and is available at <http://www.giaba.org>.

That Mutual Evaluation concluded that Sierra Leone was rated compliant on 2 Recommendations, largely compliant on 1 Recommendations, partially compliant on 9 Recommendations, and non-compliant on 36 Recommendations. One Recommendation was rated NA. Sierra Leone was placed on the Expedited Regular follow-up process (annual reporting) immediately after the adoption of the MER in November 2007. However, as a result of failure to address some of identified strategic deficiencies in its

AML/CFT regime, the GIABA Plenary intermittently placed Sierra Leone on Enhanced Follow Up process (May 2010-November 2010; November 2011- November 2013).

Through concerted efforts and high-level commitment, Sierra Leone was able to address the deficiencies and in November 2015, the GIABA Plenary returned Sierra Leone to expedited follow up process. In line with GIABA Mutual Evaluation Process and Procedures (ME P&P), Sierra Leone exited the follow-up process in May 2018 to enable the country prepare for its second mutual evaluation.

Chapter 1. ML/TF RISKS AND CONTEXT

37. The Republic of Sierra Leone is located in West Africa. It is bordered by Guinea to the North-East, Liberia to the South-East, and the Atlantic Ocean to the South-West. The capital of Sierra Leone is Freetown. Sierra Leone is a low-income post conflict State². Since emerging from civil war in 2002, tremendous efforts and resources were put into rebuilding the country, reintegrating its people, and to establish functional institutions, good governance and consolidate peace and security. The country is often cited as a success story in peace building³. It was ranked 35th in the Global Peace Index⁴. However, Sierra Leone is still striving to recover from the adverse effects of the Ebola crisis which affected livelihoods and the country's socioeconomic balance⁵.
38. Sierra Leone occupies a total surface area of 71,740 km² and has a total population of 7,075,641⁶. The country is made up of five administrative regions: the Northern Province, North West Province, Eastern Province, Southern Province and the Western Area. The provinces are divided into districts, and the districts are further divided into chiefdoms.
39. Sierra Leone is a constitutional democracy. It has a clear separation of powers, defined by the 1991 Constitution. The President is the head of State, the head of government and the Commander-in-Chief of the Sierra Leone Armed Forces. Power is vested in the people, who are represented by the elected parliament. The Parliament is unicameral comprising 146 members, of which 132 are directly elected members and 14 are indirectly elected paramount chiefs. The Parliament is led by a Speaker. The judicial power is vested in the judiciary, headed by the Chief Justice and comprising the Sierra Leone Supreme Court; the High Court of Justice; the Court of Appeal; the magistrate courts; and traditional courts in rural villages. The Judiciary has jurisdiction in all civil and criminal matters throughout the country.
40. The laws of Sierra Leone, as defined in Section 170 of the 1991 Constitution, comprises the Constitution, laws enacted by the Parliament, statutory instruments, and the common law.
41. Sierra Leone is a member of a number of international and regional organizations, including the United Nations, Organization of Islamic Cooperation (OIC), African Union, African Development Bank (ADB), and Economic Community of West African States (ECOWAS). As part of ECOWAS, Sierra Leone is a member of the Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA), and is subject to adopt and implement the FATF standards and other relevant

² The country experienced civil war between 1991 and 2002

³ <http://www.sl.undp.org/content/sierraleone/en/home/countryinfo/>

⁴ Institute of Economics and Peace's (IEP) 12th Global Peace Index (GPI) 2018, which ranked 163 independent states and territories according to their level of peacefulness.

⁵ <http://www.ascoma.com/en/our-affiliates-ascoma/affiliate-presentation-118/ascoma-sierra-leone-35.html?cHash=b354faef1a080ad26e6e71aa8f998069>. The Ebola crisis was between 2014 and 2015.

⁶ Sierra Leone 2015 Population and Housing Census report, https://www.statistics.sl/images/StatisticsSL/Documents/final-results_-2015_population_and_housing_census.pdf

international instruments, including ECOWAS decisions, aimed at combating money laundering (ML), terrorist financing (TF) and financing of proliferation of weapons of mass destruction.

ML/TF Risks and Scoping of Higher Risk Issues

Overview of ML/TF Risks

42. The most significant ML/TF risks in Sierra Leone are derived from corruption, drug trafficking, smuggling, fraud, counterfeiting of products and intellectual property offences. The NRA also highlights that neighbouring countries, such as Guinea, pose some external threats to Sierra Leone as drugs (cannabis - cultivated in Sierra Leone) is trafficked through porous borders, and proceeds laundered back to Sierra Leone in the form of goods (mainly via motor bikes).
43. Corruption is a major predicate offence, which contributes significantly to the prevailing ML risk exposure in Sierra Leone⁷. Public sector corruption in particular, is recognized as an ongoing issue, and has been identified as a high ML threat in the NRA. In 2017, a national audit report on public institutions found cases of misappropriation of public funds by some ministries⁸; similar findings were noted in 2018 by the Governance Transition Team (GTT)⁹. Overall, the most frequent type of corruption in Sierra Leone is the receipt of bribes by a natural person who is a public official. In terms of “grand or mega corruption, stakeholders perceived the scale of corruption to be highest in political corruption, development projects, procurement (including the public-sector corporations) and the bank loans write-off” (National Anti-Corruption Strategy (NACS), 2019-2023 of Sierra Leone (p16)).
44. Sectors assessed as having very high ML risk include the DNFBP sector, particularly dealers in cars (used or second hand), dealers in diamonds (dealers in precious minerals and stones), lawyers and accountants; insurance sector; and the foreign exchange bureaus and remittance providers. The banking sector and mobile money service providers were assessed as medium risk, while institutions such as community banks, microfinance institutions and consumer finance and leasing institutions were assessed to have medium-low vulnerability to ML and TF. The predominance of cash / cash transactions in the economy, large informal sector, illicit trade in precious minerals, and significant capacity and resource constraints of competent authorities increase the country’s vulnerabilities to ML/TF. Similarly, porous land borders, weak cash controls at the borders, poor application of preventive measures, especially by DNFbps, and the lack of supervision of DNFbps for AML/CFT also contribute to ML/TF vulnerabilities.

⁷ Sierra Leone was ranked 129 (out of 180) by Transparency International’s Corruption Perception Index of 2018

⁸ <https://www.thesierraleonetelegraph.com/sierra-leone-commission-of-inquiry-to-start-sitting-next-tuesday/>

⁹ Report of Committee established by the current government to look into the management and governance of the country by the previous administration-<https://www.thesierraleonetelegraph.com/sierra-leone-corruption-inquiry-begins-next-month/>.

45. TF risk was assessed to be low. Although Sierra Leone has not experienced any case of terrorist attack or TF, some TF vulnerabilities exist. The presence of large Middle Eastern communities in Sierra Leone¹⁰; the designation of certain Sierra Leonean citizens and entities with Lebanese origin due to links with terrorist organizations such as Hezbollah, and the fact that a number of charities based in Sierra Leone also operate in regions of the world where the risk of monies being appropriated for TF are high, make the country vulnerable and exposed to the risk of TF. The authorities have continued to monitor any potential activities that may support terrorism or that may be linked to terrorism and its financing.

Country's Risk Assessment & Scoping of Higher Risk Issues

46. In 2017, Sierra Leone concluded its first national ML/TF risk assessment (NRA). The NRA was coordinated by the Inter-Ministerial Committee while the FIU served as the secretariat. The NRA was carried out by expert Working Groups. The Working Groups were made of representatives of relevant competent authorities, including law enforcement agencies (LEAs), intelligence services, and supervisory authorities, and some reporting institutions (FIs and DNFbps). Sierra Leone used the World Bank methodology and the FATF Guidance on Assessing the Risk of Money Laundering and Terrorist Financing as the basis for its assessments.

47. The NRA consists of an assessment of the national ML/TF threats and vulnerabilities and maps the inherent potential risk scenarios using ratings (i.e. very high, high, medium, and low) of individual threat and vulnerability profiles. However, the NRA exercise was largely limited to Freetown, the analysis on TF was limited, while certain relevant sub-sectors within the private sector, especially real estate agents, some registered diamond dealers (at the diamond mining areas), and casinos were not sufficiently assessed. These were attributed to the outbreak of Ebola Virus disease between 2014 and 2015 which restricted movement of the experts and the active participation of some of the reporting entities¹¹. In addition, some aspects of the assessment, including TF were generally not comprehensive. Nevertheless, the information/inputs provided into the NRA process by the public and private sector institutions were consolidated, including from offices/branches located outside Freetown which provides a basis for broader understanding of risk across the country. In addition, some of the sectors that were not comprehensively assessed, especially casinos and accountants are not material in the context of Sierra, while the participation of some key players within the DPMS sector in the NRA process contributed to some understanding of the risks in the sector, and the country. Sierra Leone should expand the depth of future risk assessments of sectors identified as high risk but were not sufficiently assessed in the 2017 NRA, including real estate agents, casinos and other reporting institutions recently designated as DNFbps in the amended AML/CFT Act, particularly Clearing and Forwarding Agencies, Shipping Companies and Agencies, and NPOs.

48. A two-year National Action/Implementation Plan (2018-2020) was developed based on the outcome of the NRA to address key risks/deficiencies identified in the report.

¹⁰ The NRA notes that some of these people are suspected to have direct or indirect links with Al-Qaeda and Hezbollah

¹¹ NRA

Implementation of the Plan has commenced. IO.1 discusses the country's risk assessment and the implementation status of the Action Plan in more details.

Scoping of Higher Risk Issues

49. The assessors reviewed 2017 ML /TF NRA, as well as information from reliable third party sources (such as reports from other international organizations) in order to identify issues for enhanced focus in the course of this assessment. The issues identified were the following:

- **Cash-based Economy:** Sierra Leone has a predominantly cash-based economy. Transactions in several sectors, including real estate, casinos, precious stones and metals, automobiles (cars), securities market, etc are characterized by large cash transactions. This can allow proceeds of crime to be easily integrated into the economy (NRA p66) and can also exacerbate the shadow/informal economy. The assessors paid particular attention to (a) the success of the measures taken, including financial inclusion to minimize the use of cash and reduce the size of the informal economy; (b) whether the FIU is making effective use of currency transaction reports to identify ML and associated predicate offences; (c) the effectiveness of controls at the borders, and domestic cooperation between the customs and other relevant authorities, with regard to physical transportation of cash/bearer negotiable instruments and smuggling of precious minerals such as diamond; and (d) measures implemented by the financial sector, particularly banks and MVTs, to identify the source of funds in relation to cash transactions.
- **Use of Financial Intelligence, and Investigation, Prosecution and Confiscation of Money Laundering:** Corruption, drug trafficking, fraud, smuggling, counterfeiting of products and intellectual property offences are identified in the NRA as ML predicate offences that pose significant threat in Sierra Leone. The Assessment team focused on the extent to which Sierra Leone is investigating (including parallel investigation) and prosecuting the laundering of proceeds from these offences; and how effectively it is pursuing related confiscation. Attention was also paid to the extent to which competent authorities access and use financial intelligence in ML investigations, effectiveness of sanctions in ML cases as well as the extent to which authorities are adequately resourced to identify and prosecute ML.
- **Supervision:** The NRA noted limited supervision of reporting entities for AML/CFT purposes. Other than the banking sector, AML/CFT supervision has not been undertaken in other FIs and DNFBP sector. The assessment team focused attention on how supervisors identify, assess and understand ML/TF risks in the commercial banks, insurance companies, foreign exchange bureaus and remittance providers, as well as the DNFBP sector, especially real estate agents, dealers in diamonds (dealers in precious minerals), lawyers and accountants, and also the extent to which these reporting entities are subjected to a risk-based AML/CFT supervision. Also, the assessment team reviewed the nature and extent of the supervisory actions, including the extent to which remedial actions and sanctions available are applied by supervisory authorities and its impact on compliance by reporting entities.
- **DNFBPs:** The sector presents higher ML vulnerabilities due to the weak implementation of AML/CFT measures (NRA report). Assessors paid specific

attention to the under listed subsectors. Assessors also considered whether criminals/terrorist financiers have misused these sectors.

- a) **Dealers of Precious Metals and Stones, especially dealers in Diamond:** Diamond is the major mineral in Sierra Leone. The NRA identified the trade in diamonds as highly vulnerable to ML. The assessment team sought to understand the size of the sector, the extent to which the authorities and dealers understand the risk the sector faces, as well as their AML/CFT obligations; and the type of ML/TF related cases to the sector.
 - b) **Real estate sector:** Special attention was paid to how well the sector understands its ML/TF risks, the effectiveness of the measures to manage and mitigate identified risks. In addition, the assessment team sought to understand the monetary value of transactions as it relates to: (a) cash-transactions, and (b) financial entity-supported transactions; and measures taken in recent years to channel real estate transactions through the formal sector.
 - c) **Legal professions and accountants** – Assessors focused on the extent to which these entities understand their ML/TF risk and the effectiveness of the AML/CFT measures implemented by them, including measures to identify clients and their sources of funding, especially when they are involved in activities such as buying and selling of real estate.
- **Corruption:** The NRA identified corruption in the public sector as the major profit generating crime in Sierra Leone. Assessors sought to understand the extent to which the national anti-corruption strategy (2014 - 2018) was effectively implemented. Interviews with reporting entities were also focused on understanding of risks and application of mitigating measures related to politically exposed persons (PEPs).
 - **Terrorist financing** – TF risk was rated low in the NRA. In view of the vulnerabilities identified in the NRA, including the presence of large Middle Eastern communities¹² in the country, the designation¹³ of certain Sierra Leonean citizens and entities with Lebanese origins as a result of having links with terrorist organizations such as Hezbollah, the sheer size of the informal sector and unregulated money remittance services, and prevalence of illicit trade in precious minerals, the assessors sought to understand how the authorities are managing the TF risks associated with the vulnerabilities as well as the country's wider CFT strategy for managing TF risks, including cooperation between the relevant authorities and their abilities to effectively prevent the misuse of NPOs.

¹² The NRA notes that some of these people are suspected to have direct or indirect links with Al-Qaeda and Hezbollah. In general, there are TF concerns in Iraq where the Islamic State of Iraq and Syria (ISIS) operate and Lebanon where Hezbollah operate, while FATF remains concerned about the TF risk emanating from Iran (FATF public statement, February 2019). Thus, concerns exist on TF risk emanating from some of these countries (especially Syria, Lebanon, and Iran), to Sierra Leone.

¹³ By US Government under OFAC

- **Transparency of Beneficial ownership:** Assessors reviewed the effectiveness of the beneficial ownership (BO) registration system in the country to determine the extent to which it captures full, accurate and current BO information. In addition, the assessors focused on the extent to which relevant authorities can obtain accurate and up-to-date information on BO in a timely manner to support their operations, and sought to understand the extent to which BO Disclosure Road Map adopted recently by Sierra Leone has been effectively implemented.

Materiality

50. Sierra Leone's economy is heavily dependent on mineral resources / mining exports. The mineral sector accounted for 91.1% of total exports in 2016¹⁴. Although, the percentage contribution of the mining sector to Gross Domestic Product (GDP) has been on the decline since 2014, the sector remains very significant in the country's economy. From 27.3% in 2014, the percentage contribution of the mining sector to GDP declined to 5% in both 2017 and 2018¹⁵. Similarly, the contribution of mining revenue to the total National Revenue Authority's revenue declined from Le386 billion (approx. US\$39.8 million) in 2014 to Le239 billion (approx. US\$24.6 million) in 2017 and rose significantly to Le 445 billion (US\$45.9 million) in 2018¹⁶. The mining industry is dominated by large-scale producers of iron ore, diamonds, rutile, and bauxite as well as small-scale and artisanal mining of gold and diamonds. The sector is characterized by illegal mining activities¹⁷, cash transactions, and smuggling, especially of diamond which make it vulnerable to ML¹⁸. Given the size, centrality and impact of the sector on the economy of the country, the sector is of significant importance in the AML / CFT context of Sierra Leone.
51. Like other West African countries, Sierra Leone's economy is cash-based with large informal sector. Based on available data, between 2013 and 2014 the informal economy contributed 37.52% and 37.35% respectively to aggregate GDP¹⁹ of the country. It also accounts for about 68% of the labour market, employing about 2.2 million people in 2015²⁰. This implies that substantial part of economic activities lies outside of governmental regulation. Although, transactions in this sector are not necessarily criminal in nature; nevertheless, the informal sector facilitates the development of illegal or criminal operations for lack of transparency and monitoring. The preponderant use of cash in transactions limits the transparency of economic actors

¹⁴ Sierra Leone Extractive Industries Transparency Initiative - <https://eiti.org/sierra-leone>

¹⁵ NMA / Statistics Sierra Leone, 2019

¹⁶ NMA

¹⁷ Mining Journal, September 2018 supplement. www.mining-journal.com

¹⁸ NRA

¹⁹ A Report of the Informal Economy in Sierra Leone by Osman Awoto Soltani-Koroma <https://ecastats.uneca.org/acsweb/Portals/0/Economic%20Statistics/AGNA%20Addis/2ESNA%202014/59.pdf>

²⁰ Sierra Leone 2015 Population and Housing Census – Thematic Report on Economic Characteristics, https://www.statistics.sl/images/StatisticsSL/Documents/Census/2015/sl_2015_phc_thematic_report_on_economic_characteristics.pdf

and transactions, as well as accentuates the difficulties in traceability of transactions. Although, national authorities have taken some measures to reduce the level of cash transactions and the size of the informal economy, including the implementation of daily cash withdrawal limit (Le50 million – approx. US\$5,000), modernization of the payments system, formalization of some of the activities in the informal sector, especially the unregulated trade in foreign currencies (dollar boys) and the registration of real estate agents to formalize their activities, the informality index is still high and the use of cash in transactions is still prevalent and identified in the NRA as a risk factor for ML. Overall, these factors still constitute significant vulnerabilities which may pose some problems for the authorities in the effective implementation of the AML/CFT regime in the country.

52. The financial sector in Sierra Leone is one of the shallowest in the region²¹. Financial services provided in the country include savings, loans, insurance, local money transfers and international remittances. These services are offered by banks, insurance companies, mobile phone companies, etc.
53. Commercial banks dominate financial sector activity in Sierra Leone²². The total asset base represents Le 8.55 trillion (US\$1.018 billion) at end of 2018 (see Table 1.1) – which is 94.7% of the total asset base [Le 9.02 trillion (US\$1.074 billion)] of the entire financial sector. The banking sector handles large volume of activity or the largest number of transactions that occur in the financial system, is interconnected with the international financial system and is therefore considered of greater importance in the AML/CFT context of Sierra Leone.
54. As at end of 2018, insurance companies, securities sector operators, and other financial institutions collectively, account for less than Le 1 trillion (US\$0.056 billion) of the total financial sector assets. Overall, given the size of these subsectors and the low level of operations they handle, their impact on the AML/CFT preventive system is of moderate significance.
55. There are diverse DNFBPs operating in Sierra Leone. The most significant to the economy of the country are the dealers in precious metals and stones (DPMS). Sierra Leone is one of the diamond producing countries in the world²³ with more than 20,000sq.km of diamond fields in the eastern, southern and northern regions of the country²⁴. In 2017 diamond export dipped in volume and value, with the country reporting export worth about US\$123 million and Gold export worth US\$5.2 million²⁵. In 2018 and 2019, the total value of exports of diamonds improved significantly to US\$157 million and US\$168 million respectively²⁶. There are concerns about exploitation by unlicensed artisanal miners and diamond smuggling, especially by

²¹ The World Bank - Sierra Leone Expanding Financial Inclusion (P166601) , 2018
<http://documents.worldbank.org/curated/en/219761541351080983/text/Concept-Project-Information-Document-Integrated-Safeguards-Data-Sheet-Sierra-Leone-Financial-Inclusion-Project-P166601.txt>

²² Bank of Sierra Leone Financial Stability Report, February 2019.

²³ <https://www.theparklr.com/learn/top-diamond-producing-countries>

²⁴ Mining Journal, September 2018 supplement. www.mining-journal.com

²⁵ Mining Journal, September 2018 supplement. www.mining-journal.com

²⁶ Sierra Leone, additional information, February 2020

Lebanese traders and other foreign nationals in Sierra Leone²⁷. Whilst the majority of the smuggling activity may not be linked to the laundering of criminal proceeds, the potential for association with money laundering or the funding of terrorism remains²⁸. A recent typologies report by GIABA²⁹ highlighted some case studies, including Case 25 (Laundering proceeds derived from tax fraud through front companies and comingling with funds in the mining sector) which noted the abuse of a company (Octea) involved in diamond business in Sierra Leone. In addition, the report noted that al Qaeda and Hezbollah, have used rough diamonds in West Africa to finance their activities. The widespread corruption in the sector, illegal trading of precious metals and stones, and the fact that a number of the dealings are cash-based, and trade in precious minerals is still largely informal (undertaken outside the regulated financial institutions) constitute ML/TF risk³⁰.

56. In general, the vulnerabilities identified in the NRA in relation to the DNFBPs, including limited awareness of ML/TF risks and the poor implementation of AML/CFT preventive measures, as well as the large informal economy imply that the impact of DNFBPs on the AML/CFT system is significant. Additionally, given that corruption is widespread in the country as noted in the NRA, sub-sectors such as dealers in precious metals and stones, real estate agents, lawyers, etc are important actors in the ML/TF prevention system and are of great importance in the Sierra Leone AML/CFT context.

Structural Elements

57. The key structural elements necessary for an effective AML/CFT system are generally present in Sierra Leone. There is political commitment to address AML/CFT issues and the necessary laws and institutions are generally in place. AML/CFT policy coordination is by the Inter-Ministerial Committee. Since the end of the civil war in 2002, Sierra Leone has remained politically stable, relatively peaceful, while significant efforts are being made to establish functional institutions, promote good governance, and consolidate peace and security.

²⁷ GIABA Research Report on *The Vulnerabilities of DNFBPs to ML & TF and the Adequacy of Control Measures in West Africa*, 2015 and GIABA Typologies Study on *ML/TF Linked to the Extractive Industry / Mining Sector in West Africa*, 2019. These reports note that Lebanese traders and other foreign nationals in Sierra Leone, have for decades been smuggling diamonds out of the country as a way of repatriating profits, or of obtaining the hard currency needed to buy imports for other commercial activities.

²⁸ Sierra Leone 2007 MER

²⁹ *ML/TF Linked to the Extractive Industry / Mining Sector in West Africa*, 2019. This report referenced Analysts and counter-terrorism experts who point to the fact that al Qaeda and Hezbollah, have used rough diamonds in West Africa to finance their activities. It further referenced a US Office of Foreign Assets and Control (OFAC) report that linked certain West African residents with Middle East descents living in the Gambia, Ghana and Sierra Leone provide support to terrorist organizations such as al-Qaeda and Hezbollah -

³⁰ NRA

Background and Other Contextual Factors

58. Corruption is considered widespread³¹, endemic and prevalent³² in Sierra Leone. In 2010, the Anti-Corruption Commission's National Public Perception Survey on Corruption identified corruption as a serious problem in the country³³. In 2018, the Ibrahim Index of African Governance Index Report ranked the country 25th out of 54 countries³⁴ in the same year. National authorities are prioritizing the fight against corruption. The Anti-Corruption Commission (ACC) is being strengthened to coordinate the fight against corruption. A new National Anti-Corruption Strategy Implementation Action Plan (2019-2023) has been developed, while initiatives such as the Pay No Bribe (PNB) campaign reporting platform are being implemented by the ACC. The current government has also constituted Commissions of Inquiry (People's Commissions of Inquiry) in January 2019 to look into cases of alleged corruption, abuse of office and misdemeanors by the previous administration³⁵.
59. The level of financial inclusion is considered low, with only 12.4% of the population having accounts at financial institutions and 11 % having mobile money accounts³⁶. The authorities are promoting financial inclusion by extending financial services through Microfinance Institutions (MFIs), community banks, and the development of mobile money services. The usage of mobile money is gradually increasing in money transfers and popularity while other electronic payments and ATM usage are limited in urban areas and non-existent in rural settings³⁷. The Bank of Sierra Leone has drawn up a National Strategy for Financial Inclusion (2017-2020) which aims to address the inherent barriers of access to financial services and gradually enhance the financial literacy level of Sierra Leonean population. Some banks are also offering financial inclusion products to encourage the use of the formal financial system. These products include *Freedom Savings Accounts* and *Miyone tellers, and Miyone Kiosh*. Regarding the impact of financial inclusion, the World Bank in 2018 noted that, there has been little improvement in the level of financial inclusion since 2011³⁸. The NRA also notes that significant proportion of the population in Sierra Leone is unbanked.

³¹ NRA

³² National Anticorruption Strategy 2014-2018

³³ NRA

³⁴ <https://www.tralac.org/documents/resources/africa/2363-2018-ibrahim-index-of-african-governance-index-report/file.html>

³⁵ <https://www.thesierraleonetelegraph.com/judges-of-sierra-leones-commissions-of-inquiry-into-corruption-take-oath-of-office/>

³⁶ The World Bank Sierra Leone Financial Inclusion Project (P166601), November 2018, <http://documents.worldbank.org/curated/en/311571542650741656/text/Project-Information-Documents-Integrated-Safeguards-Data-Sheet-Sierra-Leone-Financial-Inclusion-Project-P166601.txt>

³⁷ 2018 Investment Climate Report 2018, Bureau of Economic and Business Affairs, US Department of State, <https://www.state.gov/e/eb/rls/othr/ics/2018/af/281460.htm>

³⁸ The World Bank - Sierra Leone Expanding Financial Inclusion (P166601), 2018 <http://documents.worldbank.org/curated/en/219761541351080983/text/Concept-Project-Information-Documents-Integrated-Safeguards-Data-Sheet-Sierra-Leone-Financial-Inclusion-Project-P166601.txt>

AML/CFT strategy

60. In 2010, Sierra Leone adopted a five-year National AML/CFT Strategy spanning 2010-2015³⁹. Sierra Leone did not update this AML/CFT Strategy since its expired in 2015. In 2017, following the adoption of its NRA, the country developed a two-year (2018-2020) National Action/Implementation Plan which prioritizes some activities for urgent attention.
61. The National Action Plan serves as the roadmap for various competent authorities to take required measures in addressing the gaps identified in the NRA report. The Plan highlights the key gaps identified in the NRA, the proposed measures/actions to be taken, expected outcomes, timelines for the implementation of each activity, resource requirements, as well as duly assigned responsibilities among stakeholder institutions. There is an Implementation Committee with oversight by the Inter-Ministerial Committee (IMC). The Implementation Committee is responsible for monitoring the implementation of the National Action Plan, including reviewing progress reports submitted by relevant agencies, and preparing report on status of implementation to the IMC. The Secretariat of the Implementation Committee is provided by the FIU.
62. Sierra Leone does not have a comprehensive strategy to effectively implement its AML/CFT regime. Sierra Leone has no strategy for combating the financing of proliferation of weapons of mass destruction (WMD).

Legal & institutional framework

63. The legal framework for AML/CFT in Sierra Leone is set out in the AML/CFT Act, regulations and related documents adopted by the Parliament and competent authorities in line with the Constitution of the country. The framework covers national coordination, preventive measures and supervision; provisional measures to prevent the dissipation of suspected proceeds and instrumentalities of crime, as well as terrorist funds and other resources; confiscation of proceeds and instrumentalities of crime; targeted financial sanctions (TFS) relating to TF; and international cooperation, including MLA and extradition.
64. Sierra Leone's main institutional frameworks for AML/CFT include the following:
- **Ministry of Justice (MOJ)** is in charge of the legislation on criminal law, as well as on company law and law on associations and foundations. It also coordinates criminal prosecutions, including those related to ML/TF and plays some roles in international cooperation, including giving effects to *MLA* and extradition requests.
 - **Ministry of Finance (MOF)** provides general support and ensures adequate funding for effective implementation of AML/CFT measures. The Minister is the chair of the Inter-Ministerial Committee which is the highest oversight body on AML/CFT in the country.
 - **Ministry of Foreign Affairs (MOFA)** is responsible for the communicating designations made by the United Nations Security Council related to terrorism and proliferation, including notification of changes, to relevant competent

³⁹ 3rd Follow up Report of Sierra Leone, May 2010

authorities. It also serves as the point of contact between Sierra Leone and the relevant UN Committees.

- **Financial Intelligence Unit (FIU)** is responsible for receiving and analysing STRs and other information, and disseminating the resultant financial intelligence to relevant competent authorities. The FIU is also GIABA's focal point on AML/CFT matters in Sierra Leone.
- **National Revenue Authority (NRA)** is responsible for the implementation of revenue and customs legislation within Sierra Leone. It is also tasked with the collection of non-tax revenues. The Revenue Investigation and Intelligence Unit of the NRA handles all investigations which fall within the NRA's mandate.
- **National Drug Law Enforcement Agency (NDLEA)** is mandated to coordinate all issues relating to drug control, eradicate drug abuse and the primary causes of drug abuse, illicit drug supply and drug-related crime. Its mandate extends to investigating narcotic offences and related ML.
- **Anti-Corruption Commission (ACC)** is responsible for investigating allegations of corruption and to take steps to eradicate or suppress corrupt practices including examining of the practices and procedures of Government Ministries and other public bodies to identify vulnerabilities for corruption and to perform public education. It also has power under Section 71 of AML/CFT Act to investigate and prosecute ML cases.
- **Sierra Leone Police (SLP)** is primarily responsible for law enforcement and crime investigation throughout Sierra Leone. Its mandates include to prevent crime, protect life and property, detect and prosecute offenders, maintain public order, ensure safety and security, enhance access to justice and to ensure police primacy for internal security and safety. The investigative functions of the SLP, including investigation of financial crimes are conducted by the Criminal Investigation Department (CID).
- **Central Intelligence and Security Unit (CISU)** functions include the collection and assessment of any intelligence that may constitute a threat to the security of Sierra Leone and protecting the country from threats, including terrorism, money laundering and other serious crimes. It also coordinates the implementation of the Terrorism Prevention (Freezing of International Terrorists Funds and Other Related Measures) Regulations, 2013.
- **Transnational Organized Crime Unit (TOCU)** is an inter-agency Unit with mandate to fight illicit trafficking of drugs and organized crime, including ML. It also supports international and cross-border cooperation efforts to counter illicit trafficking and other forms of organized crime.
- **Courts** are responsible for resolving conflicts, prosecuting crimes, suppressing violations of democratic legality and ensuring the protection of the rights of citizens. The High Court of Sierra Leone has original jurisdiction for adjudication of cases relating to ML/TF.
- **National Minerals Agency (NMA)** is responsible for the regulation and supervision of the mining industry. Amongst other tasks, it issues artisanal miner, dealer and exporter licenses. In respect of applications for exporter

licenses, basic background checks are conducted including determining the financial status of the applicant. Also the Agency is tasked with the prevention of mineral smuggling. One part of this role is conducted by Mines Monitoring Officers who have the authority to search vehicles and persons for illicit minerals. Another component is the reconciliation of the transaction receipts for the minerals, which is used to demonstrate their origin for export purposes.

- **National Tourist Board (NTB)** is the prudential regulator for casinos, hotels, restaurants, night clubs, tourism handling agency or travel agency. It licenses and regulates the activities of these operators.
- **AML/CFT Regulatory and Supervisory Bodies** are broadly responsible for the regulation and supervision of AML/CFT compliance by reporting institutions. The Bank of Sierra Leone supervises financial institutions and currency exchange and transmission businesses; the Sierra Leone Insurance Commission supervises the insurance industry; the General Legal Council supervises legal practitioners; the Institute of Chartered Accountants of Sierra Leone supervises auditing firms and chartered accountants, while for other reporting entities which do not have a designated supervisory authority, the AML/CFT Act designates the FIU as the temporary supervisor until appropriate supervisory authority is designated by law.

65. The Inter-Ministerial Committee (IMC) is the highest AML/CFT coordination body in Sierra Leone. It is comprised of the Minister of Finance (Chair); The Attorney General; The Minister of Internal Affairs; Governor of the Central Bank; and Director of the FIU, and is supported by the Technical Committee which comprises 19 of Sierra Leone's key AML/CFT institutions⁴⁰ (see IO.1).

Financial sector and DNFBPs

66. This section gives general information on the size and make-up of the financial and DNFBP sectors which are diverse in Sierra Leone. The levels of importance of the sectors, as well as the ML/TF risks inherent in them vary. The assessment team considered the materiality and the risk faced in the different sectors to inform their conclusions throughout this report, weighting positive and negative implementation issues more heavily for important sectors than for less important sectors. Overall, the Assessment team gave the highest importance to commercial banks, and dealers in precious metals and stones (especially dealers in diamonds) based on market share, weak implementation of AML/CFT measures (especially in the DPMS), and insufficient AML/CFT supervision. Foreign exchange bureau, real estate agents, and lawyers are weighted as moderately important based on exposure to ML/TF risks and lack of AML/CFT supervision. Insurance and securities sectors, Other FIs and DNFBPs were considered to be less important.

⁴⁰ The Technic Committee comprises of the Governor (Chairman) and Deputy Governor of the Central Bank, Director of the FIU, and representatives of Finance; Internal Affairs; Foreign Affairs; Mineral Resources; Fisheries and Marine Resources; Solicitor-General; Commissioner-General, National Revenue Authority; Director-General, Central Intelligence and Security Unit; Executive Director, National Drugs Enforcement Agency; Ombudsman; Commissioner, Anti Corruption Commission; Inspector-General of Police; Chairman, Association of Commercial Banks; Commissioner, Sierra Leone Insurance Commission; President, Sierra Leone Chamber of Commerce, Industry and Agriculture; Chief Immigration Officer; and Narcotic Drugs Enforcement Agency

Financial institutions

67. Sierra Leone's financial sector is made up of commercial banks, insurance companies, capital market operators, community banks, financial services associations, foreign exchange bureaus, microfinance institutions, discount houses, a mortgage company, a finance leasing company, remittance service providers and agent offering remittance services, and mobile financial services providers.
68. The banking sector plays a predominant role in Sierra Leonean financial system. Out of the 14 commercial banks operating in the country, four are locally owned and ten are subsidiaries of foreign banks (majority of them from Nigeria). As relates to locally owned banks, the Government is the majority shareholder of two banks, whilst two local commercial banks are wholly private owned. As at end of 2017, the total assets of commercial banks was Le 7.4 trillion (approx. US\$0.88 billion) out of total financial sector assets of Le9.21 trillion (approx. US\$ 1.09 billion)⁴¹, reflecting a marked level of importance of the banking sector in the economy. The asset base of the sector increased to Le 8.55 trillion (approx. US\$1.02 billion) at end of 2018 (see Table 1.1). As at end of December 2018, 65. 12% of the banking system's total assets are held by five large banks⁴² in the industry and 59.98% of the banking system's assets are in the hands of foreign controlled banks (own 50% or more of equity)⁴³. In 2016 and 2017, the percentage contribution of the banking sector to the GDP was 1.42% and 1.46%, respectively⁴⁴. The ML/TF risk of the banking sector was assessed as medium in the NRA because of reasonable AML/CFT control measures in place. However, based on the overall market share, weak supervision of the banking sector for AML/CFT (see NRA report), compliance challenges in some of the banks, and the financial linkages and exposures arising especially from the foreign banks, the banking sector is weighted most heavily or most significant throughout this assessment.
69. There are 55 licensed foreign exchange bureaus with 75 branch networks, dealing in currency exchanges (buying or selling of foreign currency notes). However, given the high informality of the economy, and activities of unlicensed foreign exchange operators, the exact total number of entities/people who engage in this activity across the country could not be determined. In 2014, the total volumes of purchases were US\$91,376,988; GBP 8,799,360; and Euro 72,600; while sales were US\$95,870,880; GBP 8,723,148; and Euro 86,620)⁴⁵. By December 2018, the value of foreign exchange transactions has rising significantly with purchases totalling US\$164,786,378; GBP 26,040,399; and Euro 297,474; while sales totalled US\$164,168,127; GBP 25,990,064; and Euro 283,229⁴⁶. The value of transactions by foreign exchange bureaus has been on the upward trend. The poor understanding of ML/TF risk and implementation of AML/CFT measures as well as weak AML/CFT supervision expose the sector to ML/TF risk. Although there were no detected cases of misuse of foreign

⁴¹ Bank of Sierra Leone Financial Stability Report, February 2019.

⁴² These are Sierra Leone Commercial bank, Rockel Commercial Bank, Standard Chartered bank, Guaranty Trust Bank and Ecobank (SL) Ltd

⁴³ BSL Statistics, February 2020

⁴⁴ Statistics by BSL / Report on the 2016 and 2017 Real Gross Domestic Product, by Statistics Sierra Leone, 2018

⁴⁵ Bank of Sierra Leone- 2014 report on operations of licensed Foreign Exchange Bureaus.

⁴⁶ Statistics provided by BSL, 2019

exchange bureaus for ML or TF, given the cash intensive nature of the business and the activities of unlicensed operators, the sector is weighted as moderately important.

70. There are five remittance service providers⁴⁷ and one agent offering remittance services. One remitter is licensed to undertake only domestic transfers while the remaining four are authorized to engage in cross border (inward and outward) remittance business. However, in practice, Assessors were informed by the four remitters licensed to undertake cross border transfers that they receive inward but do not make outward international remittances. The agent is licensed as an agent of MoneyGram to make international remittances. It works with MoneyGram for all international remittances (with daily limit of US\$ 5,000 per client). Although the agent is largely guided by the procedures of MoneyGram, including not remitting funds to high risk countries, sources of funds are rarely verified. Data on total value of remittances (local, inward or outward) was not provided for the assessors to ascertain the volume of activities in the sector. However, given the current size of the sector, and the limited outward remittance services, the assessors are of the view that the risk in the remittance sector may not be significant. The sector is weighted as less significant.
71. As at December 2018, there were 17 community banks, 59 financial services associations (FSAs), 31 microfinance institutions (MFIs)⁴⁸, and two discount houses⁴⁹. Others are : mortgage company (1), finance leasing company (1), and mobile financial services providers (2)⁵⁰. The community banks, FSAs, and MFIs operate largely in rural communities with wider geographic reach but lower volume of transactions. As at end of 2017, these entities account for only about 1% of total financial sector assets⁵¹ and so far, there were no detected cases of misuse of these entities for ML/TF. Consequently, these entities are weighted as less important.
72. The insurance industry in Sierra Leone is underdeveloped with low insurance penetration⁵². The sector comprises of 11 insurance companies and one Re-insurance Corporation with asset base of Le 331,405 million (US\$39 million) as at end of 2018. The insurance sector is dominated by local companies - eight (8) local companies and three foreign insurance companies. Seven of the insurance companies are composite (underwrite both life and non-life insurance products); three underwrite non-life businesses, and one specializes in underwriting life insurance. The total value of life insurance products between 2015 and July 2019 was Le 22, 147, 778, 641.41 (approx. US\$ 2.47 million)⁵³. The percentage contribution of the sector to GDP was 0.62% both in 2016 and 2017⁵⁴. Although the sector was assessed in the NRA as high risk due to the weak implementation of AML/CFT regime, given the small size of the sector, low

⁴⁷ MoneyGram, Western Union, Ria, Travelex and Express Cash

⁴⁸ Credit only MFIs (27) and Deposit taking MFIs (4)

⁴⁹ Bank of Sierra Leone, July 2018

⁵⁰ Bank of Sierra Leone – Financial Stability Report 2017 published in February 2019 as well as information from the Bank’s website.

⁵¹ World Bank, International Development Association Project Appraisal Document on a Proposed Credit in the Amount of US\$12 Million to the Republic of Sierra Leone for A Financial Inclusion Project, December 17, 2018

⁵² <http://www.actuarialpost.co.uk/article/the-insurance-industry-in-sierra-leone-digs-deep-for-growth-4696.htm> and <http://www.theworldfolio.com/interviews/insurance-gets-boost-in-sierra-leone/4272/>

⁵³ Sierra Leone, additional information, February 2020.

⁵⁴ Report on the 2016 and 2017 Real Gross Domestic Product, by Statistics Sierra Leone, 2018

penetration, low volume of operations in the sector, and coupled with the fact that, so far, no evidence of ML or TF case has been linked to the insurance sector, assessors are of the view that the risk in the sector and the impact of the sector on the AML/CFT preventive system may not be very significant. The insurance sector is weighted as less important.

73. The securities sector in Sierra Leone is in its infancy⁵⁵. It represents the smallest segment in the financial sector⁵⁶. Key participants in the securities sector include: Bank of Sierra Leone as the issuer on behalf of Government, Primary Dealers- intermediaries (commercial Banks, Insurance companies and Discount Houses), the Sierra Leone Stock Exchange and its dealing members (Stock brokers) and investors in the securities.
74. The securities market is divided into two broad categories - the money and capital markets. The money market deals with short-term (1 to 365 days maturity period) securities predominantly Treasury bills and Treasury bonds (365-day). The primary dealers in the money market are commercial banks and the Discount Houses. There is no active trading in shares in the capital market.
75. The NRA noted high ML vulnerabilities for the securities market. As at the time of onsite visit, authorities informed assessors that trading activities in the capital market has been very minimal over the years, while the BSL provides oversight as the stock exchange is not functional. Based on the size of the sector, lack of active trading in the capital market, existence of some control measures by commercial banks, periodic reporting (returns) to the BSL by operators, and the fact that no case of ML has been linked to the sector, the sector is weighted less important.
76. An overview of the financial sector in Sierra Leone is presented in Table 1.1 below.

⁵⁵ NRA

⁵⁶ Base on information by national authorities during meeting with them. However, they did not provide the total asset base of the securities sector.

Table 1.1. Overview of the Financial Sector

Financial Sector Overview as at December 31, 2018

Type of Institution	N° of Entities	N° of Branches	Asset Base (Le'000)	Asset Base (US\$'000)	% of Total Financial Sector Assets
Commercial Banks	14	116	8,549,116,951	1,018,231	94.7
Deposit taking MFIs	4	39	221,098,389	26,334	2.4
Credit only MFIs	27	92	98,263,396	11,704	1.1
Community Banks	17	18	82,368,772	9,810	0.9
Financial Services Associations	59	-	55,850,724	6,652	0.6
Exchange Bureaus	55	75	NA	NA	
Discount Houses,	2	-	17,916,109	2,134	0.2
Mortgage Company	1	NA	NA	NA	
Finance Leasing	1	NA	NA	NA	
Remittance Service Providers and agent	6	NA	NA	NA	
Mobile Financial Services Providers	2	NA	NA	NA	
Insurance Companies	12	43	331,405	39	0.0
Securities / Capital Market Operators (Discount Houses)	2	NA	NA	NA	
TOTALS	180	340	9,024,945,746	1,074,904	100.00

DNFBPs

77. There are diverse operators in the DNFBP sector in Sierra Leone. In addition to the DNFBPs listed in the FATF glossary, car dealers, shipping companies and agencies, NPOs, clearing and forwarding agencies are designated as DNFBPs under the AML/CFT (Amendment) Act, 2019⁵⁷. DNFBPs in Sierra Leone differ in terms of the size of their operations but generally provide critical services in both economic and financial transactions. Although the NRA did not cover all the DNFBPs, entities assessed⁵⁸ were all noted to have high vulnerability to ML due to the general poor understanding of ML/TF risk, weak implementation of AML/CFT measures, high level of cash transactions, and the lack of supervision of the sector for AML/CFT compliance. The real estate sector was not fully assessed in the NRA but the report notes that transactions in the sector are largely cash based exposing it to significant ML risk. A brief highlight of some of the DNFBPs assessed as high or very high risk in the NRA of which assessors paid specific attention to is provided below:

78. **Dealers in precious metals and stones (DPMS)** - There are broadly three key players within the precious minerals sector in Sierra Leone, especially for diamonds and gold. These are: (i) miners engaged in artisanal, small scale or industrial mining, (ii) dealers or agents buying precious minerals only from artisanal or small scale mining lease holder and selling to exporters, and (iii) exporters who buy precious minerals from dealers or dealers' agents and export such minerals. As at the time of onsite, the number

⁵⁷ The amendment was enacted in June 2019

⁵⁸ Dealers in precious stones and metals (rated 0.9); legal professionals (rated 0.7); and accountants/auditors (rated 0.7).

of licensed miners in the country were 1,170 artisanal miners, 3 small scale miners, 14 large scale miners and 72 exploration companies⁵⁹. In relation to the exportation of diamonds and gold, there were 137 licensed operators in the diamond subsector, comprising 16 exporters, 26 exporter agents, 32 dealers and 63 dealer agents, while the gold subsector comprises of 76 licensed operators, made of 25 exporters, 36 dealers, and 15 dealer agents⁶⁰. The DPMS are the most significant DNFBPs in Sierra Leone due to the number of operators in the sector and the sector's significance to the Sierra Leonean economy. In addition, the sector represents an important ML vulnerability, especially in relation to illicit trade and corruption in the context of unlicensed artisanal production. This sector is weighted as heavily important.

79. **Real estate agents** - The number of real estate agents operating in Sierra Leone is not known. However, key players or operators in the sector include lawyers, real estate developers, and real estate agents. The FIU is in the process of registering operators in the sector to determine the number of entities in the sector. Overall, the sector is relatively small but growing. It is gradually emerging as a major attraction of investment in the country with a number of public private partnership projects and investments from the private sector, some of which are foreigners⁶¹. The preponderant use of cash to finance real estate transactions, the unorganized nature of the sector, and the increasing investments in the sector by foreigners make the sector vulnerable to ML risk. The real estate sector is weighted as moderately important.
80. **Casinos** - There are 6 casinos operating in Sierra Leone. They are wholly owned and managed by foreign nationals. Given the small size of the casino market, and the general low volume of transactions and patronage, it is weighted as less important.
81. **Accountants/Auditors** - There are 252 accountants/auditors registered with the Institute of Chartered Accountants of Sierra Leone as at the time of onsite visit. Within the industry, there are three international firms, nine local firms and seven sole proprietors offering accounting/ auditing services and other company support services. Significant services provided by the accounting firms /auditors are auditing services mostly to banks and other large companies. The low level of understanding of ML/TF risk and AML/CFT obligations by accountants/auditors, other than the large international firms, and the lack of AML/CFT oversight for these entities exposed them to ML risk. Given the size of accounting firms, and the fact that no case of misuse has been reported, the accountants /auditors are weighted as less important.
82. **Lawyers** - There are 400 lawyers registered with the General Legal Council as at June 2019. Lawyers in Sierra Leone provide different types of services, including purchasing and selling of real estate (or arranging for the purchase and sell of real estate); managing of client assets, and creation of companies. The cash nature of business in the real estate sector, and other services such as creation of companies, especially in the mining sector, make lawyers /legal professionals exposed to ML risk. Lawyers/ legal professionals are weighted moderately important.
83. As of end June 2019, the number of DNFBPs operating in Sierra Leone is highlighted in the table below.

⁵⁹ National Minerals Agency, 2019

⁶⁰ National Minerals Agency, 2019

⁶¹ GIABA report on the Vulnerabilities of DNFBPs to ML/TF and Adequacy of Control Measures in West Africa, 2015

Table 1.2. Number of entities in the DNFBP Sector

Type of Institution	N° of Entities / Operators
Real estate agents	NA
Dealers in Precious Metals and Stones	1,572 ⁶²
Lawyers	400
Notaries	NA
Accountants and Auditors	252
Casinos (land based)	6
Company Service Providers	NA
Car dealers	NA
Non-Profit organizations	347
Clearing and forwarding agencies	NA
Shipping companies and agencies	NA

Preventive measures

84. The preventive measures applicable to reporting entities are set out in the primary AML/CFT legislation (AML/CFT Act). The legislative framework is complemented by the Directives and Guidelines for FIs on the Prevention of ML/TF issued jointly by the BSL, SLICOM and the FIU (see TC for details). The Directives and Guidelines is an *enforceable means* within the meaning of FATF. The AML/CFT Act places obligations on FIs and DNFBPs to undertake ML/TF risk assessment, conduct customer due diligence / know your customer, and take enhanced measures in higher-risk situations. Although the law does not expressly provide for simplified due diligence and exemption, these could be implied from the requirement for reporting entities to apply RBA in the AML/CFT law and Guidelines to FIs⁶³. The law does not require FIs and DNFBPs to incorporate the result of the NRA into their independent risk assessments. The law is applicable to all the FIs and DNFBPs required by the FATF standards.
85. Since the last mutual evaluation in 2007, the AML/CFT Act was re-enacted in 2012 and subsequently amended in 2019 to improve consistency with international standards. The preventative framework in Sierra Leone is now broadly in line with requirements of the FATF standards. However, some technical deficiencies remain, as outlined in the TC Annex.

Legal persons and arrangements

86. Public or private legal persons can be established pursuant to the Companies Act 2009 in Sierra Leone. The types of legal persons that can be created comprise limited liability companies including companies limited by guarantee, limited partnership with shares, general partnerships, foundations and associations. The Companies Act

⁶² This figure does not cover all entities that fall within DPMS as defined in the FATF Guidance for DPMS - that is, DPMS include those who produce precious metals or precious stones at mining operations, to intermediate buyers and brokers, to precious stone cutters and polishers and precious metal refiners, to jewellery manufacturers who use precious metals and precious stones, to retail sellers to the public, to buyers and sellers in the secondary and scrap markets.

⁶³ S.18 of the AML/CFT Act and Par 7 of the Directives and Guidelines for FIs on the Prevention of ML/TF

establishes the framework that regulates the different types and forms of the legal persons in Sierra Leone as well as their characteristics, the process for their formation, and the information required to establish these types of legal persons.

87. The Corporate Affairs Commission (CAC) incorporates private and public companies while the Office of Administrator and Registrar General (OARG) is responsible for the creation of partnerships and sole proprietorships. Basic information on the creation and the types of legal persons in Sierra Leone is publicly available on the websites of both the CAC and OARG. The breakdown of legal persons registered in Sierra Leone is presented in the table below.

Table 1.3. Types of Legal Persons in Sierra Leone as at July 2019

Type of Legal Persons / Arrangements	Number Registered
Public Limited Companies	9
Private Limited Companies	7,294
Limited by Guarantee	642
General Partnerships	1,148
Limited Partnerships	NA
Foreign Companies	111
Cooperative Societies	133
Foundations	7
Sole proprietorships	9,581
Associations(Community Based Organizations/ Friendly Societies)	146
Public Limited Companies	9

88. With regard to legal arrangements, Sierra Leone indicates that trusts are usually established through private arrangements. There is limited information on legal arrangements in the country.
89. The AML/CFT Act requires reporting entities to obtain beneficial owner information of legal persons and arrangement when establishing a business relationship with them. The level of compliance by reporting entities varies but is generally better in the banking sector. LEAs typically contact the CAC for information relating to legal persons and rarely request for BO information from reporting entities.

Supervisory Arrangements

90. Sierra Leone's AML/CFT supervisory framework is made up of five supervisors (S50 of the AML/CFT Act). The Bank of Sierra Leone is responsible for supervising banks, capital market and other FIs; Sierra Leone Insurance Commission supervises the insurance companies; the General Legal Counsel supervises the legal profession, while accountants/auditors are supervised by the Institute of Chartered Accountants of Sierra Leone. The AML/CFT Act empowers the FIU to be a temporary supervisor for any reporting entity that does not have designated supervisor⁶⁴. The supervisory authorities have statutory powers to conduct inspections, request any relevant information from the institutions that they supervise and apply sanctions for non-compliance with the preventive measures.

⁶⁴ These include real estate agents, Casinos, Car Dealers, Non-profit organisations, shipping agencies, clearing and forwarding agencies, etc

91. The National Minerals Agency regulates and supervises the mining industry, while casinos are licensed and supervised by the National Tourist Board. However, the mandates of these two agencies do not cover AML/CFT supervisory responsibilities as they are not designated as supervisors under the AML/CFT Act.

Table 1.4. AML/CFT Supervisory Arrangements of FIs and DNFBPs

Type of Reporting Entity	Supervisor
Banks and Other FIs	Bank of Sierra Leone
Securities/Capital Market	Bank of Sierra Leone
Insurance Companies	SLICOM
Legal Professionals	General Legal Counsel
Accountants / Auditors	ICASL
Dealers in Precious Minerals and Precious Stones	FIU (AML/CFT) and NMA (Prudential)
Casinos	FIU (AMAL/CFT) and NTB (Prudential)
Other DNFBPs (real estate agents, shipping agencies, etc)	FIU

International Cooperation

92. Sierra Leone has good legal framework for the provision of international cooperation for ML and TF matters. The Ministry of Foreign Affairs is the central authority for MLA and extradition. However, MLA and extradition are given effect to by the Ministry of Justice. Sierra Leone has bilateral/multilateral agreements and international cooperation mechanisms with other countries. In particular, Sierra Leone has extradition treaties with countries such as France, Germany, Italy, Liberia, Spain, Switzerland and the United States of America⁶⁵. The FIU, supervisory authorities, and LEAs also engage in international cooperation with foreign counterparts. Feedbacks on international cooperation were few with no adverse comments.

⁶⁵ Extradition Act, 1974

Chapter 2. NATIONAL AML/CFT POLICIES AND COORDINATION

Key Findings and Recommended Actions

Key Findings

- a) Overall, Sierra Leone has a moderate understanding of its ML/TF risks. This understanding varies across competent authorities. LEAs, FIU and BSL demonstrated a good ML/TF risks understanding and have started implementing some mitigating measures towards addressing identified risks. On the other hand, amongst other supervisors (e.g. SLICOM and DNFBP supervisors) ML/TF risk understanding is less developed, and objectives and activities are yet to be aligned with identified risks. The moderate level of understanding is due to some gaps in the NRA, including insufficient assessment of some areas.
- b) Sierra Leone has developed a two-year (2018-2020) Implementation Plan to address the risks identified in the NRA. Nevertheless, a more comprehensive national AML/CFT policy is required to adequately address all the ML/TF risks in the country.
- c) There are good and established cooperation and coordination mechanisms in place at both the policy and operational levels. The IMC plays a central role in developing policies and coordinating national efforts to implement AML/CFT measures, and drives other pertinent AML/CFT matters, including leading the process for the completion and adoption of the NRA, and coordinating the organization of the mutual evaluation exercise. At operational levels, relevant authorities generally cooperate well under various operational platforms. Operational cooperation is less effective amongst supervisors themselves, as well as between SLICOM, DNFBP supervisors and the FIU. There is no cooperation mechanism in relation to PF.
- d) Sierra Leone has made some efforts to disseminate the NRA report and raise awareness of the NRA's findings amongst some reporting entities. The FIs, particularly commercial banks, demonstrated a good understanding of the ML/TF risks as framed in the NRA and relevant to the type of business activities they are engaged in. However, the level of understanding of ML/TF risk by NBFIs and DNFBPs is generally low. Some of the reporting entities were not aware of the findings of the NRA. Discrepancies were also observed in the perception of ML/TF risk of some reporting entities, especially insurance operators and some DNFBPs and the NRA findings as they did not agree with the levels of risks assigned to their sectors.

Recommended Actions

Sierra Leone should:

- a) Further enhance ML/TF risk understanding by: (i) expanding the depth of future risk assessments of sectors identified as high risk but were not sufficiently assessed in the 2017 NRA, especially real estate agents, some registered diamond dealers, casinos, legal professions and accountants as well as conduct assessment of risk posed by legal persons and legal arrangements, (ii) deepening the analysis on TF risks assessment, including comprehensively assessing and understanding the vulnerabilities posed by NPOs to TF risk, (iii) ensuring comprehensive statistics (primary data source) are collected country-wide and utilized for future assessment, (iv) ensuring active participation of and inputs from, especially the DNFBPs when updating the NRA, and (v) promoting a shared or common understanding of ML/TF risk at national level through targeted stakeholder engagements centred on the results of the NRA.
- b) Adequately resource (material, technical and human) competent authorities to sustain ongoing implementation of the 2018-2020 National Action/Implementation Plan while taking steps to develop and implement a more comprehensive AML/CFT Policy to adequately mitigate the risks identified in the NRA. In addition, the existing Counter Terrorism Strategy should be enhanced to adequately cover TF.
- c) Encourage and provide technical support to reporting entities, especially NBFIs and DNFBPs to conduct their own internal ML/TF risk assessments at the level of the customers, products/services provided and delivery channels and put in place appropriate mitigating policies and procedures. In addition, conduct, as necessary, targeted awareness-raising on the findings of the NRA, especially for the higher risk elements of the private sector to foster better understanding of the country's ML/TF risks.
- d) Ensure that SLICOM and DNFBP supervisors assess and understand ML/TF risks in the sectors/ institutions under their supervision. In addition, Sierra Leone should strengthen existing Regulators Forum to enhance operational cooperation amongst supervisory authorities, and also improve operational cooperation between SLICOM and DNFBP supervisors with the FIU.
- e) Enhance implementation of measures targeting the informal economy (controls on cash flows; reduction of the use of cash; promotion of financial inclusion) and that promote a wider use of the financial system. These actions should amongst other things, include: an incentive component to lead the actors operating in the informal sector to enter the formal regulated sector, and a repressive component to fight against the operators who would continue to practice in the informal sector.
- f) Establish coordination and cooperation mechanism for the combating of PF.

93. The relevant Immediate Outcome considered and assessed in this chapter is IO.1. The Recommendations relevant for the assessment of effectiveness under this section are R.1, 2, 33 and 34.

Immediate Outcome 1 (Risk, Policy and Coordination)

Country's understanding of its ML/TF risks

94. Sierra Leone has a moderate understanding of the ML/TF risks facing the country. This understanding is derived from the assessment of national ML/TF risks completed in 2017, two risk assessments by the FIU (*Risk Assessments of the Unregulated Street Hawking of Local and Foreign Currencies by Peddlers in 2017*, and *Implications of the High-Level Street Begging in 2018* – See Para 103) activities of some supervisors and reporting entities, and law enforcement operational actions. In addition, the country conducted a survey on the NPO sector (see the redraft Para 103 and Para 219). The National ML/TF Risk Assessment was led by the IMC and the process coordinated by the FIU with the involvement of various AML/CFT stakeholders, including law enforcement agencies (LEAs), intelligence services, supervisory authorities, and some private sector operators (FIs and DNFBPs). The World Bank methodology and the FATF Guidance on Assessing the Risk of ML/TF were adopted as the basis for the assessment.
95. In assessing its ML/TF risks, Sierra Leone used both qualitative and quantitative data, including information from Suspicious Transaction Reports (STRs), data from investigative and prosecutorial authorities, information provided by supervisory authorities and some reporting entities via questionnaire, as well as information obtained from interviews conducted. The data analyses were conducted by Working Groups from key institutions involved in AML/CFT. The Working Groups were formed according to the areas of competence of each of the sectors. The FIU provided dedicated staff that worked with each Working Group, and provided technical support throughout the risk assessment process.
96. The NRA analyzed the ML/TF threats and vulnerabilities in the various sectors and noted overall ML risk as medium and TF risk as low. The NRA identified corruption, drug trafficking, smuggling, fraud, and counterfeit products and intellectual property offences as posing the most significant ML threats. Some of the factors that increase the country's exposure to ML/TF risk identified in the NRA include preponderant use of cash / the cash-based nature of the economy, large informal or shadow economy, weak AML/CFT supervisory regime, porous land borders, significant capacity and resource constraints of competent authorities, and weak application of preventive measures by reporting entities, especially DNFBPs. In addition, specific to TF, some factors identified in the NRA which could expose the country to TF risk include the presence of large community of foreign nationals⁶⁶, the designation⁶⁷ of certain Sierra Leonean citizens and entities with links to terrorist organizations such as Hezbollah; the lack of assessment of NPO sector to ascertain the specific entities at risk; and a number of charities based in Sierra Leone that also operate in regions of the world where the risk of monies being appropriated for TF is high.

⁶⁶ The NRA notes that some of these people are suspected to have direct or indirect links with Al-Qaeda and Hezbollah

⁶⁷ By US Government under OFAC

97. Sectors assessed as most exposed to ML and TF risks are foreign exchange bureaus, remittance providers, insurance sector, and DNFBBs, particularly real estate agents, some registered diamond dealers (DPMS), lawyers and accountants, as well as dealers in used (second hand) vehicles. The banking sector and mobile money service providers were assessed as medium risk given the control measures in place. Community Banks, microfinance institutions and consumer finance and leasing institutions were assessed to have medium-low risks to ML and TF largely due to low volume of transactions in their sectors.
98. In general, understanding of ML/TF risks amongst national authorities and reporting entities varies. The FIU has had a pivotal role in the whole NRA process and is well aware of the findings of the NRA. LEAs (TOCU/CISU/SLP/ACC/NRA) have a moderate understanding of the ML risk that the country is exposed to in their particular fields. Together with many other relevant stakeholders, they were involved in the development of the NRA which contributed to their understanding of the risks in the country. Amongst the supervisors, BSL demonstrated a more advanced understanding of risks than SLICOM and other DNFBBs supervisors. SLICOM and other DNFBBs supervisors demonstrated low understanding of risk at both country and sectoral levels. For instance, they exhibited limited awareness of ML channels for their specific sectors, and little or no understanding of the risks posed by the institutions or sectors under their remit, and how those risks relate to the overall risk context of the country. Although SLICOM participated in the NRA, officials of the Commission interviewed did not agree with the rating of high risk assigned to the insurance sector in the NRA. They believed the rating should be low due to the small size of the sector, low volume of transactions, and low penetration of the sector. The low level of understanding within SLICOM may result from the lack of internal ML/TF risk assessment tools that are necessary to develop a good understanding of ML/TF risks inherent in the insurance sector. Given that the insurance sector is considered less important in Sierra Leone (see Para 74), the low level of understanding within SLICOM is not considered a significant shortcoming in the context of the country and is therefore weighted lightly by the assessment team.
99. Competent authorities generally exhibited a good understanding of the method used for laundering proceeds of crimes in Sierra Leone, including bulk cash movement, wire transfers, and illegal trading in precious metals and stones. These methods are also highlighted in the NRA report. They also have a common understanding of the higher ML risks posed by cash-based economy and ML from proceeds of major predicate offences, including corruption. Sierra Leone is a cash-based economy and has significant informal sector. Authorities are aware of these vulnerabilities and are taking steps to reduce cash transactions and improve access to the formal financial system by introducing cash transactions limit, implementing the National Strategy for Financial Inclusion (2017-2020) to enhance access to financial services, and promoting mobile money services amongst other things. However, given the weaknesses in the currency declaration system at the borders, and currency transaction reporting regime by reporting entities, especially NBFIs and DNFBBs, the cash-based nature of the Sierra Leone's economy may affect the availability of information or data to enable the authorities to comprehensively identify and understand ML/TF risks.
100. LEAs' understanding of ML risk is often secondary to their understanding of the predicate offences. The focus on prosecution of predicate offences has diminished somewhat their understanding of the risks of ML occurring independently from the predicate offence. Similarly, the lack of AML/CFT supervision (other than the banking

sector) limits the information available to competent authorities and thereby impedes their comprehensive understanding of ML/TF risks in those sectors that have not been supervised.

101. TF risk was assessed as low in the NRA – which could be due to Sierra Leone not having experienced any incidence of terrorism/terrorist financing. This could explain why TF risk was generally not comprehensively assessed in the NRA. As such, the NRA did not give consideration to the TF channels and to the external threat posed by neighboring countries. The NRA was also lacking substantive analysis of how identified TF vulnerabilities could be exploited. However, there are some TF vulnerabilities (see paragraph 46), which authorities are aware of. Overall, authorities, especially LEAs (e.g TOCU and CISU) have a good understanding of existing TF risk in the country and are taking measures to address some of them. For example, they are closely monitoring financial transactions of foreign nationals with links to Hezbollah, the introduction of policies targeted at reducing cash transactions and modernization of payment systems (see paragraph 108). Before the NRA, the FIU conducted two risk assessments of the unregulated street hawking of local and foreign currencies by peddlers, and implications of the high level street begging in the capital and urban towns, to determine their potential use to finance terrorism. The results of these assessments also contributed to the understanding of the country's TF risk. The TF threat and vulnerability of the NPO sector had not been comprehensively assessed in the NRA. However, Sierra Leone has conducted a survey of the NPO sector in 2017. The Survey was conducted by MODEP (the regulatory authority for NPOs). The survey found that faith-based organizations involved in charity activities and civil society organizations that receive funds from international sources are potentially vulnerable to TF (Para 219). This finding led to the development and administration of two questionnaires (one for NPOs and the other for NPO Regulator - MODEP) to assess the level of ML/TF risk in the NPO sector and determine the measures that are in place to mitigate those risks. These questionnaires were developed in June 2019 by the Financial Crimes Working Group (FCWG) (see Para 121) and the process was led by the FIU, in collaboration with MODEP. The administration of the questionnaires was done by MODEP (See Para 121). This is assessed as a commencement of effort to gather information to implement RBA to the NPO sector based on the results of the NRA including profiling the NPOs according to the level of risk. Overall, authorities generally have a good understanding of TF risk but this understanding is greater amongst LEAs (especially TOCU, CISU, and SLP).
102. The NRA report did not provide any statistical or measurable estimates on the significance and volume of the proceeds of crime potentially laundered in and through Sierra Leone. This appears to miss one of the main objectives of the NRA as far as reliable estimation of ML threats for the country is concerned. Also, there were important components of the private sector that were not sufficiently assessed, including real estate agents, certain registered diamond dealers (at the diamond mining areas), casinos, legal professions, and accountants. Additionally, the exercise did not benefit from a nation-wide coverage owing to the Ebola Virus outbreak which restricted the movement of experts and data generation largely to Freetown. Nonetheless, despite the NRA exercise being limited to Freetown, the information/inputs provided into the NRA process by the public and private sector institutions were consolidated, including from offices/branches located outside Freetown. Given that Freetown is capital city and the largest and leading commercial centre in Sierra Leone and host to most of government agencies and reporting entities,

with only some operating offices / branches in the other cities, assessors believe the consolidated information/inputs provides a basis for broader understanding of risk across the country. Furthermore, based on the review of the risk situation in Sierra Leone, the assessment team notes that some of the sectors that were not comprehensively assessed in the NRA, especially casinos and accountants are not material in the context of Sierra (Paras 82 and 83) and thus their non-participation in the NRA could have negligible impact on the understanding of overall risk in the country. Similarly, although certain registered diamond dealers at the diamond mining areas were not sufficiently assessed in the NRA, the team noted the participation of other key players within the DPMS sector in the NRA process which contributed to some understanding of the risks in the sector. Notwithstanding that legal persons and arrangements were not assessed in the NRA, national authorities, particularly CAC, OARG, SLEITI and FIU demonstrated some level of understanding of the types of activities these entities are engaged in and the potentials for misuse. Consequently, SLEITI has developed a Beneficial Ownership Disclosure Road Map, while the CAC has adopted a Corporate Governance Code as an initial measure towards the implementation of BO requirements in the country (see Para 109).

National policies to address identified ML/TF risks

103. Following the adoption of the NRA report in 2017, the country has developed a two-year (2018-2020) National Implementation/Action Plan to address the identified risks in the report. The Plan consists of objectives, identified issues, proposed measures/actions, and proposed timelines and responsible institution/agency. Although the Plan prioritizes and covers the key areas of deficiencies identified in the NRA, it did not adequately address the vulnerabilities identified in the NRA in relation to TF. The Plan also does not have cost implications assigned to activities, although there is a strong focus to enhance operational inter-agency cooperation, investigative capabilities and amendments of relevant laws that will facilitate an effective AML/CFT regime.
104. The implementation of the Action Plan has commenced as at the time of onsite visit. Some of the progress recorded include: (i) the amendment of the AML/CFT Act, 2012 to address some deficiencies and strengthen the effectiveness of the AML/CFT regime in the country. The amended Act strengthened the provisions relating to TF (S16 of the AML/CFT Amendment Act, 2019), and the currency declaration regime (S68 of the AML/CFT Amendment Act, 2019) and also designated 4 additional entities⁶⁸ as DNFBPs amongst other things; (ii) the repeal of Banking Act 2011 (and its replacement with the Banking Act, 2019); (iii) commencement of AML/CFT supervision and application of sanctions by BSL; (iv) implementation of financial inclusion strategy to increase access to financial services and reduce cash transactions; (v) development of a draft AML/CFT guideline for the legal professions by the FIU in collaboration with the Bar Association; (vi) enhanced domestic cooperation amongst competent authorities through regular meetings of the most operational committees and information exchange; and (vii) provision of training and capacity enhancement programmes to strengthen the technical capacity of critical stakeholders. In this regard

⁶⁸ Car dealers, NGOs, Shipping companies and Agencies and Clearing and Forwarding Agencies

some stakeholders have been trained locally and internationally. The FIU is complementing by providing training to some stakeholders, including financial crime investigators in the LEAs and the National Revenue Authority. Nonetheless, the country still needs to do more to address outstanding issues in the Plan. In particular, additional human, technical and financial resources should be provided to facilitate implementation of outstanding actions as most of the national authorities interviewed during the on-site visit stated that they lack the required resources to effectively undertake all the activities in the Action Plan.

105. Despite the lack of a formal national AML/CFT strategy, Sierra Leone has a good approach and determination to address the risks which the country is exposed to. This reflects the political commitment to combat ML/TF in the country. Prior to the conduct of the NRA, Sierra Leone has taken some steps to address most of the risks identified in the NRA as operational priorities. For example, the country established dedicated agencies to fight corruption (ACC), drug trafficking (NDLEA), and other forms of transnational organized crimes (TOCU). Some of the LEAs have developed strategies, including NDLEA (National Drug Control Strategy), TOCU (National Strategy to Combat Transnational Organized Crime), and the ACC (Anti-Corruption Strategy) which are guiding their operations with some results recorded. For instance, the implementation of the ACC strategy resulted in initiatives such as the Pay No Bribe (PNB) campaign reporting platform that has brought some success to the anti-corruption fight. The ACC recently adopted a new Anti-Corruption Strategy, 2019-2023, and has begun to align or prioritize its activities towards a more targeted approach to the fight against corruption with some success achieved, including asset recoveries (cash, properties and vehicles) (see IO.8). However, the strategy does not have a significant AML/CFT component as such the National Anti-Corruption strategy does not prioritize AML/CFT measures which could contribute to the low priority given to ML investigations by LEAs, especially the ACC. Sierra Leone should ensure that strategies that might have expired are reviewed for effectiveness of implementation, and the ones in the implementation phase are harmonized and synchronized to address the risks identified in the NRA.
106. In addition, the outcome of the risk assessment conducted by the FIU prior to the NRA (see paragraph 103) resulted in the development of the revised Currency Declaration Form. This is a good example of specific activity which address identified risks and which is also expected to improve the currency declaration regime. Similarly, in response to the challenges of cash transactions and cross border cash transportation, Sierra Leone recently amended the AML/CFT Act to strengthen implementation of the currency declaration regime in addition to the cash transaction limits introduced by the BSL. In a similar vein, the BSL has modernized the existing payment systems to promote sound and efficient payment and settlement system through the introduction of RTGS, Automated Clearing House (ACH), Automated Cheque Processing system (ACP) and Scriptless Securities Settlement System (SSS/CSD). Furthermore, to address the risk associated with cash transactions, and improve access to the formal financial system, the BSL introduced cash transactions limit (Le50,000,000 – approximately US\$5000), and pursued the implementation of the National Strategy for Financial Inclusion (2017-2020), as well as promoting mobile money services amongst other things.
107. In response to the risks posed by legal persons and arrangements, SLEITI has developed a Beneficial Ownership Disclosure Road Map for the mining sector or extractive industry, while the CAC has adopted a Corporate Governance Code as an

initial measure towards the implementation of BO requirements in the country. Compliance with the CAC's Corporate Governance Code is on voluntary basis. Overall, these are positive initiatives which ultimately, are expected to improve transparency of beneficial owners in Sierra Leone, and facilitate availability and timely access to information on beneficial ownership by LEAs and reporting entities in support of their operations (see IO.5).

108. With regard to CFT, Sierra Leone has developed a Counter Terrorism Strategy, but the strategy does not adequately cover TF (see IO.10).
109. Sierra Leone's legislative programme shows activity relating to risks identified in the NRA. For example, Sierra Leone made legislative changes to the AML/CFT Act in June 2019 to designate certain non-financial entities, such as car dealers as reporting entities, and thus bringing them under the AML/CFT regime. Extending the AML/CFT framework to these sectors is necessary to respond to the identified risks in this sector (they were identified in the NRA as high risks).
110. The NRA identified the DNFBPs as high risk due to weak or lack of implementation of AML/CFT measures and supervision or monitoring of the DNFBPs. Some measures have been introduced in the 2018-2020 Implementation Action Plan that address some of these concerns, including outreach and sensitization campaign, and effective regulation of accountable institutions. In addition, the FIU collaborated with the Bar Association to develop a draft AML/CFT guideline for the legal profession and has also commenced registration of real estate agents for AML/CFT purposes, although this is still at a very early stage.

Exemptions, Enhanced And Simplified Measures

111. The AML/CFT Act provides for the application of enhanced due diligence (EDD) measures by reporting entities where higher risks are identified. The Directives and Guidelines for FIs specifies that EDD is required to be undertaken in circumstances including the following: PEPs, private banking, non-resident customers, customers from high risk countries and regions, and legal persons or arrangements such as trusts that are personal asset holders. Reporting institutions are also required to conduct EDD for other categories which the entity may identify as presenting a higher risk. Simplified due diligence (SDD) may be carried out where lower risk of ML/TF is identified based on the risk assessment and management procedures established by reporting entities.
112. In light of the above, some FIs, especially commercial banks have conducted ML/TF risk assessments which are used to inform the application of their AML/CFT measures. On the basis of these assessments, the commercial banks are able to categorize the risk level of their customers, transactions and delivery channels. These risk-ratings are the basis for simplified and enhanced due diligence measures being applied. DNFBPs have not conducted institutional ML/TF risk assessment to inform the proportionality of the mitigating measures. The level of understanding of ML/TF risks and AML/CFT application particularly relating to proportionate CDD measures are not yet developed. As a result, there is less focus on application of the different CDD measures based on ML/TF risk differentiation when entering into business relationships or conducting transactions.

113. There are some types of businesses recently incorporated into the AML/CFT regime that are not strictly speaking DNFBPs as defined in the FATF Recommendations. Other than car dealers, the inclusion of other entities (Non-Profit Organizations, Shipping Companies and Agencies, and Clearing and Forwarding Agencies) appears not to be based on any documented assessment of ML/TF risks⁶⁹. This could lead to dedicating resources where not needed, especially if there is no identified ML/TF risk to justify these inclusions.

Objectives and Activities of Competent Authorities

114. LEAs activities are governed by their specific agency strategies, such as the National Drug Control Strategy (NDLEA); National Strategy to Combat Transnational Organized Crime, and Counter Terrorism Strategy (TOCU), and the Anti-Corruption Strategy (ACC). Although these were adopted prior to the completion of the NRA (except ACC strategy that was reviewed recently - Sierra Leone National Anti-Corruption Strategy (2019-2023)), they cover the key ML threats identified in the NRA report. LEAs priorities are more focused on tackling the predicate offences consistent with the main ML threats identified in the NRA (corruption, drug trafficking, smuggling, fraud, and counterfeit products and intellectual property offences), ML investigations are not consistent with these ML threats (See IO.7) and are not being pursued as top priority. In addition, the judiciary has recognized that ML should be pursued more actively and has established a division of the court to handle economic crimes, including corruption and ML issues (see IO.7). This is a response to address areas of higher risks (especially corruption) identified in the NRA and is a positive initiative by the country to strengthen ML related prosecutions.

115. Sierra Leone has also taken some steps to counter the risk of terrorism and TF. Since the completion of the NRA, the country has strengthened the capacity (material and personnel) of relevant agencies (TOCU and CISU). For instance, TOCU has increased its staff strength by 12 to enhance its operational capacity to deal with terrorism/TF and other transnational organized crimes. This is consistent with one of the priority actions in the NRA Action Plan (under institutional strengthening and capacity building). The country also recently enacted the law criminalizing the financing of FTFs (see IO.9). However, authorities' objectives and activities can be improved by strengthening the National Counter Terrorism Strategy (See RA (a) on IO.9).

116. The consistency between the identified risks and the objectives and activities of supervisory authorities vary. AML/CFT RBA-supervision is evolving amongst supervisory agencies and AML/CFT supervisory focus has so far been on the banking sector. The BSL has developed a risk-based supervisory tool for on-site supervision and has commenced RBS (AML/CFT supervision) in the banking sector. Banks that are deemed to pose a higher risk from information obtained from offsite supervision, including the findings of the NRA are targeted and this has helped in allocation of resources towards areas where the risks are higher. The BSL has also established an AML/CFT Unit which focuses on the banking sector because of its materiality and higher exposure to ML/TF risks. The Unit is dedicated solely to AML/CFT matters in

⁶⁹ The FIU explained that the designation was based on analysis of disclosures from reporting entities, and open source information.

order to ensure quality supervision by experienced and dedicated staff (IO.3). It also recently (after the NRA) developed and deployed some questionnaires (AML/CFT Risk Assessment Questionnaire for FIs, AML/CFT Institutional Profile Questionnaire, and AML/CFT Returns Templates) to further deepen its understanding of risk within the sector under its supervision (see IO.3). Recently, the BSL created a new Unit on AML/CFT under the OFIs Department to coordinate AML/CFT issues for the OFIs (see IO.3) and plans to extend supervision to OFIs, such as foreign exchange bureaus, identified as high risk in the NRA. These are positive steps that have been taken to address identified vulnerabilities in the OFIs and the gaps in the supervision of the OFIs for AML/CFT compliance. SLICOM has two staff dedicated to AML/CFT matters (See IO.3 – Para 356). Although it has not commenced AML/CFT supervision, does not have RBS framework, and its activities are largely not aligned to the risk identified in the NRA, the allocation of staff to AML/CFT function is a positive step, as outreach by this team and the FIU to the insurance sector facilitated the appointment of Compliance Officers by most insurance companies and the establishment of the Compliance Officers Association for the insurance industry (Para 117). The FIU has a dedicated compliance division with five staff and has conducted AML/CFT supervision of some banks and BDCs, however, it appears these are not risk based as the Unit did not provide any ML/TF risk mapping/ risk metrics, or risk profiles of banks that provide the basis for the Unit's onsite examination, although it has developed *Consolidated AML/CFT Bank Examination Manual* and standard operating procedures that guides its examination and compliance surveillance. DNFBPs supervisors are yet to commence AML/CFT supervision, even though DNFBPs are identified as high risk in the NRA. They have not developed risk-based supervisory framework, and their objectives and priorities are not yet aligned to the findings of the NRA. SLICOM and DNFBPs supervisors would generally benefit from having better supervisory tools that would provide them with comprehensive, timely, and consistent data on the nature and quantity of inherent risk at the level of individual institutions in their sectors.

117. The FIU has conducted some training and other outreach initiatives for reporting entities. The efforts have resulted in increased awareness with some reporting institutions filing statutory reports (CTRs, STRs, FTRs) to the Unit. Similarly, outreach by the FIU and SLICOM to the insurance sector resulted in the appointment of Compliance Officers by most insurance companies and the establishment of the Compliance Officers Association for the insurance industry.
118. With regard to the NPOs, the country undertook a survey of the sector and based on the outcome of the survey mandated all faith-based organizations involved in charity work to carry out these activities as separate operations and register that segment of operation as NPO with MODEP (the regulatory authority responsible for registration and supervision of the NPOs), as well as subjected Civil Society Organizations that receive funding from international sources to registration and supervision (Para 219). Steps have also been taken, including the development and administration of two questionnaires (one for NPOs and the other for NPO Regulators - MODEP) towards a comprehensive assessments of the sector to determine NPOs are at risk (Para 121). The questionnaires were developed by the Financial Crimes Working Group and led by the FIU in collaboration with MODEP. NPOs are being registered by MODEP, and some awareness and outreach have been made to the sector but there is no targeted risk based on-site monitoring /inspections is undertaken (although some limited routine random checks were done). Sustained awareness on

potential abuse of the sector for TF and oversight are required to prevent any possible exploitation of NPOs for TF purposes in Sierra Leone.

National Coordination and Cooperation

119. Sierra Leone has put in place mechanisms to facilitate co-operation both at the policy and operational levels through the establishment of important structures such as the Inter-Ministerial Committee (IMC), Technical Committee, and other operational coordination platforms. The IMC is the highest policy level making committee comprising of the Minister of Finance (Chair); The Attorney General; The Minister responsible for Internal Affairs; Governor of the Central Bank; and Director of the FIU (Secretary). The Technical Committee comprises of about 19 Sierra Leone's key AML/CFT institutions⁷⁰. It is a mechanism through which policy makers and competent authorities in Sierra Leone cooperate, coordinate domestically and develop AML/CFT policies under the coordination of the IMC. The TC recommends to the IMC, policies for the achievement of the objectives for which the IMC is established. Overall, there is good coordination and cooperation amongst competent authorities. For instance, stakeholders coordinated well in producing the NRA and National Action Plan, amendment of the AML/CFT Act, and in ensuring the success of the Mutual Evaluation onsite visit.
120. At the operational level, several coordination mechanisms exist. The AML/CFT Regulators Forum comprises of the FIU, BSL and SLICOM, and other DNFBPs regulators. The Forum meets monthly at inception in 2017 to discuss cross-sectoral and other issues of strategic interest including AML/CFT supervision, ML/TF risks facing the financial sector and the DNFBPs and the collective actions required. The Forum however has not been meeting regularly in recent time. Overall, the level of cooperation and coordination between AML/CFT supervisors requires improvements in order to increase the convergence of supervisory practices, sharing of experiences, good practices and tools to improve the approach to AML/CFT supervision on a risk-basis.
121. LEAs cooperate in intelligence and information sharing, and other activities relating to AML/CFT through platforms such as the National Security Council Co-ordinating Group (NSCCG)⁷¹, Strategic Situation Group (SSG), Joint Intelligence Committee (JIC), Joint Coordination Centre (JCC)⁷², Transnational Organised Crime

⁷⁰ The Technical Committee comprises of the Governor (Chairman) and Deputy Governor of the Central Bank, Director of the FIU, and representatives of Finance; Internal Affairs; Foreign Affairs; Mineral Resources; Fisheries and Marine Resources; Solicitor-General; Commissioner-General, National Revenue Authority; Director-General, Central Intelligence and Security Unit; Executive Director, National Drugs Enforcement Agency; Ombudsman; Commissioner, Anti Corruption Commission; Inspector-General of Police; Chairman, Association of Commercial Banks; Commissioner, Sierra Leone Insurance Commission; President, Sierra Leone Chamber of Commerce, Industry and Agriculture; Chief Immigration Officer; and Narcotic Drugs Enforcement Agency

⁷¹ For instance, they shared security information at JIC meeting of 3rd July, 2019 on Sierra Leonean migrants repatriated from Mali through Guinea and called for monitoring of reintegration of the repatriated persons.- JIC Meeting 3rd July, 2019

⁷² For instance, they shared security information on the infiltration of the Sierra Leone SLP Border checkpoints by the Guinean Armed Forces

Unit (TOCU)⁷³, Seaport Cooperation (SEACOP), Integrated Intelligence Group (IIG), Joint Maritime Committee (JMC), financial crimes working group (FCWG), and the Decentralized Security Committees. They meet regularly to share intelligence related to ongoing investigation and discuss other AML/CFT related issues. There are regular engagements amongst authorities under these platforms and some instances of joint projects, especially under the FCWG, that suggest the effectiveness of the coordination mechanisms. For instance, under the FCWG, the FIU and 14 other agencies jointly developed two questionnaires (one for NPOs and the other for NPO Regulators - MODEP) in June 2019 to assess the level of ML/TF risk in the NPO sector and the measures that are in place to mitigate those risks. The questionnaires for NPOs were administered to 138 NPOs by MODEP. However, analysis of the completed questionnaires was yet to be done as at the time of onsite visit.

122. To promote cooperation and coordination, some authorities have signed MoUs. These include the MoU between the FIU and BSL which aims to address ML/TF risks in the country through the exchange of information and joint AML/CFT inspection. The exchange of information is done either on spontaneous basis or based on request directed by a party requiring the information. TOCU, ONS and other specialized security agencies have also entered into MoU with a view to enhance cooperation and better coordinate efforts in the fight against organized crime.
123. There is a demonstrable level of cooperation between the FIU and the BSL as a result of the MoU between the two institutions. For instance, they collaborated to provide some training and conduct sensitization for FIs (banks) on AML/CFT. In addition, as at the time of onsite visit, they were conducting a joint AML/CFT onsite inspection of a bank (see IO3). The FIU and SLICOM also worked together to promote appointment of compliance officers in some insurance companies and to facilitate the establishment of the Compliance Officers association for the insurance industry. Cooperation between the FIU and DNFBBPs supervisors on AML/CFT matters appears to be at rudimentary stage. It would be good for SLICOM and DNFBBPs supervisors to have better and more engagements with the FIU, especially to get a better understanding of ML/TF risks and develop joint work to improve STR reporting by insurance operators and DNFBBPs.
124. Action against TF risks is led and coordinated by TOCU. There is good collaboration amongst the relevant competent authorities involved in combating TF. For example, the FIU shared intelligence with TOCU and other relevant authorities regarding certain individuals of Sierra Leonean origin designated by the United States under OFAC for being suspected of TF. This led to the freezing of the account (s) of the suspects. The FCWG also serves as another platform for coordination in relation to TF.
125. There is no coordination and cooperation mechanism in relation to combating proliferation financing matters

Private Sector's Awareness of Risks

⁷³ For instance, they shared intelligence with CISU on 4 Pakistanis suspected to be involved in migrant smuggling. The 4 Pakistanis were arrested at the Masoila, Lungi on suspicion of migrant smuggling, case file sent to DPP for advice and CISU contacted for background check on the suspecte – JIC Meeting 3rd July, 2019

126. Some private sector entities participated in the NRA as members of some of the Working Groups while some made inputs through questionnaires in to the NRA process. As a result, some of the reporting entities were aware of the results of the NRA. The authorities informed the Assessment team that the NRA report was disseminated to the private sector entities and competent authorities via electronic mail and hand delivery of hard copies. A validation workshop was held where the findings of the NRA were discussed with the participants, including some private sector operators. In addition, the FIU also informed Assessors that it has undertaken some training for some reporting entities where the findings of the NRA were shared.
127. The private sector demonstrated varying levels of awareness of the ML/TF risks in Sierra Leone. In general, financial institutions, especially commercial banks and Mobile Money Service Providers are well aware of ML/TF risks associated with their operations. Besides the NRA, the understanding of ML/TF risk by the commercial banks is attributed to the fact that they have conducted institutional ML/TF risk assessment, which includes types of customers, transactions and delivery channels. On the other hand, insurance and securities operators, other FIs, as well as DNFBPs exhibited low level of awareness of the findings of the NRA and have not undertaken any internal ML/TF risk assessments. This limitation contributed to the poor understanding of the risk associated with their businesses and inhibits the understanding of risks by their relevant supervisors, including SLICOM, GLC and ICASL.
128. While some smaller bank were not aware of the relevant findings of the NRA, the sector is mostly of the view that the identified ML/TF risks are aligned with their knowledge of domestic risks. However, other financial institutions (e.g. forex bureaus and mobile money service providers) demonstrated limited understanding of the ML/TF risks present in the country. Although they received NRA copies just about the period of the onsite visit, their knowledge of the findings of the NRA remains very limited. Some of the insurance companies, although aware of the NRA findings, did not agree with the high risk level assigned to their sectors in the NRA. They believe that given the size of the sector (i.e. small and contributing less than 1% to the GDP), the low volume and nature of transactions, and the low penetration of the insurance sector, the risk associated with their sectors is low. Similarly, the securities market operators are of the view that given the infancy state of operations in their sector and the fact that they deal largely in Government Treasury Bills, the risk associated with their sector is low.
129. Most of the DNFBPs were not aware of the NRA and its findings. This may partly be attributed to the non-participation of some of them in the NRA process and the fact that the findings of NRA are yet to be shared with some of them. In general, their knowledge and understanding of ML/TF risks was limited, with the exception of large accounting firms belonging to international groups. DNFBPs such as real estate agents, and DPMS, especially some registered diamond dealers (see also Paras 49, 99, 104; and c1.1), were not aware of the NRA, their ML/TF risks and AML/CFT obligations, while a few other professions such as the lawyers had difficulties in accepting the findings of the NRA relating to the vulnerabilities in their profession. This is a major concern given that DNFBPs are vulnerable to ML/TF risks or identified as high risk in the NRA.
130. A number of the private sector entities met during the onsite visit have not yet integrated the NRA findings in their internal risk identification, assessment, and

mitigation measures. Overall, there is need for national authorities to conduct, as necessary, targeted awareness raising on the findings of the NRA, especially for the higher risk elements of the private sector to foster better understanding of the country's ML/TF risks and also provide particularly NBFIs and DNFBPs with the necessary technical support to undertake their internal ML/TF risks assessment.

Overall Conclusions on Immediate Outcome 1

131. Sierra Leone authorities have made significant efforts to understand the country's main ML/TF risks. The authorities understanding is derived from the assessment of national ML/TF risks completed in 2017, two risk assessments by the FIU, activities of some supervisors and reporting entities, and law enforcement operational actions. In addition, the MER of 2007 provided some basis for understanding of the risks in the country. The NRA which was a multi-stakeholder exercise, was comprehensive in certain areas, and lacked in-depth analysis of certain areas, such as TF, real estate agents, casinos and accountants, while legal persons and arrangements were not assessed. Sierra Leone has developed a two-year (2018-2020) National Action Plan to address deficiencies identified in NRA with some progress recorded in the implementation. However, the Plan did not adequately address the vulnerabilities identified in the NRA in relation to TF, while more resources are required to effectively implement the Plan. The objectives and activities of the LEAs have evolved to target the most serious proceeds-generating crimes, however, ML related to these crimes has not been pursued as top priority, while the consistency between the identified risks and the objectives and activities of supervisory authorities vary. Sierra Leone has established mechanisms for cooperation and coordination for policy formulation and operations. There are also various operational coordination platforms. These mechanisms have contributed to a reasonably common understanding at both national and operational levels of the high ML/TF risks in Sierra Leone. While the NRA report was shared with relevant competent authorities, the findings of the report were yet to be disseminated to some private sector actors. Consequently, some deficiencies were identified in the level of some private sector's awareness of the relevant results of the ML/TF risk assessment.

132. **Sierra Leone is rated as having a moderate level of effectiveness for IO.1.**

Chapter 3. LEGAL SYSTEM AND OPERATIONAL ISSUES

Key Findings and Recommended Actions

Key Findings

Use of Financial Intelligence (Immediate Outcome 6)

- a) LEAs have access but make limited use of financial intelligence to support their investigative activities.
- b) The FIU has a reasonably good analysis procedure and produces good financial intelligence which supports the operational needs of LEAs, through reactive and proactive disseminations, and the provision of expert advice on the use of its financial intelligence for ML/TF and predicate crime investigations. The FIU has access to information held by the public and private institutions used in analysis and production of financial intelligence to support operational needs of LEAs. However, the intelligence produced does not largely reflect the major risks or align with the risk profile of the country, and disseminations are only leading to investigations in rare cases. The FIU has conducted two strategic analysis and the results have influenced the adoption of some remedial policy measures. However, the lack of advanced IT tools, limited human resources and limited number of STRs filed to the Unit may limit the effectiveness of the analysis process and robustness of intelligence generated and disseminated to LEAs.
- c) Other than TOCU and SLP/CID, other LEAs rarely make request for information on the FIU.
- d) Generally, the quality of STRs filed to the FIU is considered to be good. However, the number of STRs filed is low. Majority of the STRs are filed by the commercial banks. The types of the most frequently reported suspicious activities relate largely to fraud and very little to the other major ML risks in the country (corruption, drug trafficking, smuggling, counterfeiting of products and intellectual property offences), and thus this does not seem to be in line with the country's ML risk profile. The FIU has developed a secure electronic platform in an effort to facilitate reporting. There is limited or no filing of transactions reports by the DNFBNs and NBFIs which deprives the FIU of potentially valuable information especially as some of the sectors have been identified as posing higher ML risks. Overall, this has a negative impact on the entire AML/CFT chain as they reduce law enforcement opportunities to identify and investigate ML, associated predicate offences, and FT. In addition to STRs, the FIU also receives CTRs, FTRs and CDRs which have helped to enhance its analysis.

- e) The FIU provides feedback to reporting entities on the quality and usefulness of STRs submitted. It also receives feedback from LEAs on the use of its intelligence although this is most often not timely. Generally, the FIU receives timely response on requests made to reporting entities for additional information and where delay is experienced because information requested involves legacy data or complex transactions, reporting entities most times would submit readily available information while preparing the remaining.
- f) The FIU and competent authorities adequately cooperate but exchange information to a limited extent. The cooperation is facilitated through various Committees and MoUs executed by relevant authorities to strengthen operational cooperation and exchange of information. The FIU shares information with relevant competent authorities which has supported their operations. Overall, there are no concerns about the confidential handling of information.

ML Investigation and Prosecution (Immediate Outcome 7)

- a) LEAs do not typically conduct parallel investigations when conducting investigation on predicate offences. The relevant LEAs including the police, TOCU and ACC typically investigate predicate offences without widening the scope of such investigations to include money laundering aspects. This prevalent practice limits the circumstances to identify potential ML cases.
- b) Most of the competent authorities vested with powers to investigate predicate offences that have elements of money laundering have no guidance or parameters on how money laundering cases can be identified and pursued.
- c) There is some unclarity or lack of understanding as to the extent of the powers of the ACC in terms of conducting money laundering investigation and as regards private corruption.
- d) There are some platforms for cooperation and information sharing, however there is little evidence to show that these platforms are being used to share information that can facilitate the investigation and prosecution of ML. Dissemination of intelligence has resulted in a limited number of ML investigations and prosecutions.
- e) The two money laundering (self-laundering) convictions secured by the authorities were prosecuted by the SLP and the FIU with the fiat of the Attorney-General. Prosecutors do not pursue the different types of ML cases. The prosecution authorities nevertheless, stated that the Law Office is currently considering three ML cases for prosecution. These numbers are quite low.
- f) Although some investigators and prosecutors have undergone some degree of training on AML, it appears that within the Law Office of the Attorney General and at the ACC, TOCU and the CID of the SLP there is still limited capacity to handle ML cases and financial forensic experts are not available to support Sierra Leone investigators in the investigation of money laundering cases.
- g) Sierra Leone has established an Anti-Corruption Division of the court which will handle corruption and financial and economic crime cases.

- h) The number of money laundering investigations and prosecutions is not consistent with the country's risk profile given the ML/TF assessment which identified proceeds generating crimes such as corruption, drug trafficking, smuggling, counterfeiting and intellectual property theft as some of the high-risk crimes in Sierra Leone. Even though the law enforcement authorities are aware of the ML threats posed by corruption and other transnational offences, focus has remained on the predicate offences. ML investigations are limited and investigations are rarely pursued beyond those directly implicated in the crime.
- i) The sanctions applied to natural persons are not quite proportionate and effective as it does not take account of the lower range or the less severe ML offence.
- j) Sierra Leone has a system of applying alternative criminal justice measures such as civil proceedings for recoveries which are embarked upon as a matter of course and not just where authorities are unable to successfully bring a money laundering charge. The deployment of this system as a matter of course may inadvertently incentivise crime.
- k) The National Revenue Authority use other measures such as imposition of fines rather than taking steps to ensure that perpetrators of tax crimes are charged for money laundering.

Confiscation (Immediate Outcome 8)

- a) Confiscations are limited in Sierra Leone and confiscation of criminal proceeds, instrumentalities and property of equivalent value are not being pursued by the authorities as a policy objective.
- b) LEAs' limited awareness of the need to follow the money undermines the implementation of measures to trace and confiscate of illicit assets.
- c) LEAs do not have specific guidelines, SOPs or manuals on freezing and confiscation of assets and there is very limited training on financial investigation.
- d) LEAs such as TOCU, the Economic and Financial Crimes Unit of the CID, the National Drugs Law Enforcement Agency have made limited seizures and confiscation. The inability of LEAs to confiscate proceeds of crime is indicative of the absence of parallel financial investigations which would have allowed these LEAs to follow the money and deprive criminals of their illicit proceeds.
- e) Although bribery and corruption were identified as high proceed generating crimes, there are only a few confiscations relating to these crimes.
- f) There is a weak framework for managing confiscated assets and there is generally no framework for managing confiscated fixed assets.
- g) A currency declaration regime operates at the Sierra Leone international airport. This obligation is however, not being consistently enforced. Moreover, over two - thirds of the land borders are unmanned. Authorities stated that in general, a fine is imposed for non-compliance with the obligation to declare. However, even though sanctions are available these are rarely (or not) used due partly to ineffective monitoring of cross-border movement of currency. ML investigations are typically not identified or initiated by the customs authority.

Sierra Leone recently amended its legislation to provide for forfeiture of undeclared currency or negotiable bearer instruments in excess of the threshold.

Recommended Actions

Immediate Outcome 6

- a) The authorities should expedite provision of sufficient resources to the FIU to enable it strengthen its analytical capacity, including procurement of a more sophisticated analytical tools, and skilled personnel to enhance its operational efficiencies (operational and strategic analysis) and better support financial investigations by LEAs.
- b) Authorities should take necessary steps to improve suspicious transaction reporting by reporting institutions (consistent with the risk profile of the entities) in order to increase the availability and scope of useful information at the disposal of the FIU to support analysis. In this regard, the FIU should: (i) increase collaboration with the relevant sector regulators and Self-Regulatory Bodies (SRBs) to enhance outreach and training to reporting entities and provide sector specific guidance especially to the DNFBNs, to facilitate identification and reporting of STRs; and (ii) publish risk indicators to help diversity and increase the number of STRs.
- c) LEAs should significantly increase the use of financial intelligence to identify ML and TF cases in accordance with the country's risk profile. Authorities should take necessary steps, including provision of parallel financial investigations training, to ensure that LEAs are well equipped to appreciate the value and use of the financial intelligence and other information from the FIU to actively pursue ML/TF cases along predicate offences investigations.
- d) LEAs should provide regular and timely feedback to the FIU on the usefulness of the financial intelligence and information disseminated to them to enable the Unit further improve on the quality of its intelligence, better support operational needs of LEAs, and maintain appropriate records on the use of its intelligence.
- e) LEAs (other than TOCU, ACC and SLP/CID) should commence making request for information to the FIU to support their investigative activities, while TOCU, ACC and SLP/CID should enhance request for information made to the FIU. In this regard, the FIU should enhance its engagement and sensitization of LEAs on the use and value of its intelligence.
- f) FIU should consider having an integrated network to enable it to have access to the databases of competent authorities in an automated manner for the purpose of facilitating the analysis of STRs or operational analysis. The current indirect access could slow down the operations of the Unit.
- g) The FIU should strengthen engagement with reporting entities through the Compliance Officers Associations, and increase sensitization (of reporting entities) to ensure timely response to requests for additional information made by the Unit.

Immediate Outcome 7

- a) The authorities should enhance the capacities of LEAs including investigators at the ACC, TOCU and the CID of the SLP and prosecutors at the Law Office of the Attorney General through the provision of specialised training to enable them identify potential ML cases and ensure that they pursue the different types of ML cases consistent with the ML threats facing the country.
- b) The authorities should develop a national policy with more specific actions plans for investigators and prosecutors identifying priorities with respect to ML investigation and prosecution in line with the risk environment and allocate the appropriate human and financial resources to implement the action plans.
- c) The authorities should develop standard operating practice that will provide guidance to stakeholders within criminal justice system on investigation and prosecution of proceeds generating offences and ML.
- d) LEAs should prioritize investigation and prosecution consistent with the high ML threats or risks identified in the NRA. In particular, LEAs should conduct parallel financial investigations, when investigating proceed generating predicate offences and not only focus on investigating the predicate offences. Prosecutors at the Law Office should also increase their focus on ML prosecution particularly when handling predicate offences suspected of generating proceeds of crime and investigators and prosecutors should maintain continuous awareness on the typologies of money laundering in Sierra Leone.
- e) Raise awareness of investigators on the importance and the indispensability of using financial intelligence to support their investigations.
- f) The ACC should take necessary measures towards ensuring that corruption cases (whether private and public) are investigated, including by conducting parallel ML investigation and perpetrators of the offence are prosecuted.
- g) Investigative and prosecutorial authorities should utilise inter-agency platforms to promote the efficient conduct of ML investigations and prosecutions. In particular, the ACC, when handling investigation of predicate offences in which ML has been identified, should either conduct a joint parallel financial investigation with a competent body that has the powers to prosecute ML or refer the case to it.
- h) Sierra Leone should consider setting up an AML desk at the Law Office that will closely collaborate with the lawyers at the FIU so that they can pass on the expertise in the prosecution of ML cases.
- i) Digital and forensic evidence should be acquired and utilized during investigations through the assistance of a financial forensic expert. Sierra Leone should also provide LEAs training on financial forensics to enhance their investigative capacities.
- j) Authorities should also provide additional AML training to further enhance the capacity of the members of the judiciary, including magistrates.
- k) Sierra Leone should ensure that the range of penalties stipulated under the AML/CFT law take account of the lower range or the less severe ML offence and the country should consider issuing sentencing guidelines in this regard.

- l) The National Revenue Authority should pursue ML in cases of tax crimes rather than imposition of fines particularly where assets have been earned through those tax crimes.
- m) The Authorities should ensure that alternative criminal justice measures are not used as an alternative to adequate ML prosecution but should only be used when prosecution is not possible. In this regard, authorities should take all necessary steps to use AML tools to tackle high threats like corruption & bribery

Immediate Outcome 8

- a) Authorities should establish a clear policy or mechanism to prioritize confiscation and integrate confiscation/the recovery of proceeds of crime as a major policy objective within the national AML/CFT strategy.
- b) Conduct sensitization and training on financial investigation and asset tracing for various LEAs including TOCU, SLP and ACC to enable them adequately prioritize financial investigations and facilitate tracing and confiscation of illicit proceeds when handling proceed generating predicates.
- c) Authorities should develop manuals, guidelines or SOP on tracing, identifying, seizure and confiscation of proceeds of crime.
- d) The authorities should implement measures to control cross-border movement of cash and BNI that are above the prescribed threshold at all borders posts and monitor transportation of cash and BNI by post. Custom officers should also take reasonable measures to ascertain that cash and BNIs being transported are not linked with predicate offences, ML or TF.
- e) Authorities should enact or amend existing legislation to clearly designate a body mandated to manage frozen or confiscated assets.
- f) Authorities should amend relevant legislation and incorporate a provision on confiscation of property of equivalent value to cover ML/TF and predicate offences and utilize this tool proactively as a way of effectively taking the profit out of crime.

133. The relevant Immediate Outcomes considered and assessed in this chapter are IO.6-8. The Recommendations relevant for the assessment of effectiveness under this section are R.1, R. 3, R.4 and R.29-32.

Immediate Outcome 6 (Financial Intelligence ML/TF)

Use of financial intelligence and other information

134. LEAs have access to but make limited use of financial intelligence to support their investigative activities. However, financial intelligence is primarily used to support investigations of predicate offences and trace assets and to a lesser extent on supporting ML and TF investigations and developing ML and TF evidence. The FIU has access to a broad range of databases containing financial, administrative and law enforcement information which they regularly use to develop intelligence. These authorities have

applied the broad range of powers they have to access relevant information held both in the public and private sectors.

135. The FIU has access (direct and indirect) to a wide variety of public⁷⁴ and private sector information sources. The FIU has indirect access to administrative, financial and other information held by public authorities, including company registry information, asset declarations, information on cash/currency declarations, tax records, identification records, supervisory information, and vehicle license records. For instance, as indicated in Tables 3.1, the FIU can access information on asset declarations held by the ACC upon request to enrich its financial intelligence but this is rarely done. Similarly, as indicated in Table 3.4, Cash/Currency Reports are filed to the FIU by the Customs authorities which add to the data available for its analysis. In general, where information is required from another government agency, a formal request is made to the agency. The turnaround time for the provision of information requested by the FIU is usually within two to five days, only on few occasions have information requested by the Unit been delayed. In addition, the Unit has direct access to the database of the National Minerals Agency for information on licensed operators as well as commercially available databases (such as World-Check) to access relevant information on, inter alia, PEPs, business associates/relationships and transactions, which may otherwise not be readily available in the public space, to augment its analysis.

136. Overall, the FIU makes use of the various sources of information to enrich analysis of STRs, leading to the production of quality financial intelligence or development of strategic products. It is the view of the assessors that, the manual nature of the current procedure of accessing information could slow down the analysis process to some extent, although the FIU indicated that agencies normally respond to requests quite quickly.

Table 3.1. Number of Request made by the FIU on Competent Authorities, Jan 2015 – Jun 2019

Institution	Number of Information Requested				
	2015	2016	2017	2018	2019
CAC	0	1	1	5	6
OARG	2	1	0	1	0
BSL	1	0	1	4	0
NMA	0	0	0	1	2
SLIS	1	0	0	3	1
ACC	1	1	0	0	0
NPAA	0	1	0	0	0
MTI	0	1	0	0	0
MOF	0	1	0	0	0
SLANGO	0	1	0	0	0

137. The FIU has powers to obtain additional information from any public authority or reporting entity, when conducting analysis of STRs and has applied these powers effectively, especially on reporting entities (see Table 3.2). The Unit regularly uses

⁷⁴ Law enforcement, financial and administrative and other publicly held information

these powers when undertaking its analytical work on receipt of an STR. The FIU can request information from any reporting institution regardless of whether such institution submitted the original STR or not. Most of the requests were to commercial banks, which hold the majority of financial information in the country. The requests include bank statements, CDD information, origin and destination of funds and the purpose of transactions. The results thereof augmented the analysis and the quality of financial intelligence and other information produced by the FIU to support law enforcement operations. In addition to STRs, the FIU receives Currency Transaction Reports (CTRs) and Foreign Transaction Reports (FTRs), which it has used to support the production of financial intelligence for use by LEAs. Although, the NRA report had noted delay in response to requests made to reporting entities by the FIU, the assessment team was informed during onsite that following regular engagements between the FIU and reporting entities, particularly commercial banks, responses are now received timely (within 24hrs and sometimes within a week), although there are few delays and outstanding requests depending on the nature of information requested (see Table 3.2).

Table 3.2. No of Requests for additional information made to REs by FIU, Jan 2015-Jun 2019

Year	Banks		BDC	
	Request made	Response received	Request Made	Response received
2015	87	64	0	0
2016	111	87	1	1
2017	61	61	1	1
2018	63	63	0	0
2019	1,067	1,037	0	0
Total	1,389	1,312	2	2

138. In addition, the FIU receives, upon request, information from other FIUs through bilateral arrangements (MoUs) which are used to support its analysis (see IO.2 for details).

139. LEAs have access to a broad range of financial intelligence and other information, including tax information, information from reporting entities, currency declarations / information on cross-border transportation of cash, asset declarations, company registry information, tax records, commercial databases, vehicle license records, and information on database of other competent authorities such as NMA, and immigration Service. They make use of the information to support investigations, especially in relation to predicate offences.

140. LEAs, especially CID/SLP and TOCU regularly submit requests for financial intelligence to the FIU (see table 3.7) when information is needed in an investigation. Within the review period (2015-2019), the CID/SLP made 69 requests to the FIU, TOCU made 16, ACC made 2 requests, while other LEAs rarely make request to the Unit (see Table 3.7). Overall, the FIU responded to 74.71% of the requests made on it while 5.75% are active cases, 13.79% of the cases were closed due to lack of sufficient information from the LEAs⁷⁵, and 5.75% is kept in view (KIV). In addition

⁷⁵ The relevant LEAs did not provide additional information on the subjects to enable meaningful analysis by the FIU

to the information the FIU provides to LEAs in response to their requests, the FIU also disseminates intelligence to LEAs, including CISU, TOCU, SLP, Law Officers Department, and the ACC spontaneously when there are grounds to suspect ML or predicate offences (see Table 3.6). The disseminations by the Unit are mostly used by LEAs for the investigation of predicate offences (see Table 3.9) especially drug trafficking, fraud and forgery, human trafficking and migrant smuggling. Statistics provided by the country under Table 3.7 indicate that other than TOCU and SLP/CID, other LEAs rarely make request on the FIU for information.

Table 3.3. Number of Request made by LEAs on the FIU⁷⁶, Jan 2015 – Jun 2019

Year	Number of Information Requested				
	2015	2016	2017	2018	2019
No of Requests made to the FIU by LEAs	18	20	18	15	16
No of Responses provided by the FIU	15	15	15	11	9
No of cases closed	2	5	3	2	0
No of cases KIV	1	0	0	2	2
No of Active cases	0	0	0	0	5

141. The FIU receives feedback on the intelligence given to LEAs. Samples of the feedback shared with assessors, amongst other things, highlight progress in the investigation process, including request for additional information. In general, most of the feedback is used by the Unit to further improve the quality of its intelligence. Feedback from LEAs is most often not timely, and could take weeks and occasionally, months. This could be largely owing to inadequate man-powers and capacity in the LEAs. The FIU has in recent times, commenced follow ups on the LEAs to facilitate their feedback.

142. Most LEAs expressed their satisfaction with the quality of the intelligence received from the FIU and confirmed that the intelligence supports their operational needs while response to requests is timely. The number of requests made on the FIU by some LEAs, especially CID/SLP and TOCU, suggests an appreciation of FIU's intelligence products. For instance, from Jan 2015 to June 2019, the number of investigations supported by the FIU intelligence stood at 110 out of which 22 were proactive intelligence and 88 were responses to requests for information from different LEAs (see Tables 3.6 and 3.7 for details). Also, the FIU proactively dissemination 8, 650 information to support the operation, especially revenue drive of the NRA in 2016 (see Table 3.6 and the footnote). In addition, from January to July 2019, the FIU received a total of 79 requests from the Commission of Inquiry⁷⁷ and responded to 62 (see Table 3.8).

143. LEAs access to information held by the immigration authority is on the basis of the Multi-agency MoU entered into by the competent authorities (FIU, TOCU, SLP, NRA,

⁷⁶ See Table 3.7 for detailed breakdown of the requests made by LEAs on the FIU

⁷⁷ The Commissions of Inquiry was established in January 2019 to investigate alleged acts of corruption and mismanagement of the previous administration

IMM, ACC, CISU, NDLEA, RSLAF) for the purposes of exchange of information for intelligence gathering, investigation and related matters involving ML/TF and any unlawful activity incidental or ancillary thereto. LEAs and the FIU also make request to the CAC for information on company registry and shareholding information while basic information on the creation and the types of legal persons are accessed from the CAC website. For example, in 2019, the CAC received and responded to 143 requests on company information from different competent authorities, including LEAs⁷⁸ and the FIU (see IO.5 for details).

144. LEAs can request and obtain financial information held by the private sector upon establishment of a suspicion and initiation of investigation. These can be achieved either through a letter of request to the FIU or as Request for Information (RFI) directed at the specific reporting entity holding that information such as account or assets owned or controlled, or financial transactions. The ACC can access intelligence and other information directly from a public institution or a reporting entity based on the powers under its establishment Act (Ss 53, 57(2) of the ACC Act). TOCU can access information from the reporting entities through the FIU, other empowered LEAs such as the Police, or vide a court order. It can also make request for information pursuant to the Right to Information (RTI) Act.
145. LEAs, especially TOCU and CISU, access and use intelligence from other sources to initiate or support TF/terrorism related investigation. Though there were two STRs related to TF filed to the FIU, there was no dissemination in relation to TF made by the Unit as the FIU could not establish any underlying crime in the analysis of the two STRs related to TF. Nevertheless, TOCU and CISU collaborated with other law enforcement authorities in Liberia (joint Liberia and Sierra Leone enforcement effort) resulting in the arrest of one alleged foreign associates of ISIS in March 2016 in Sierra Leone. This was based on intelligence from other sources. The suspect was deported back to his home country (Trinidad and Tobago). See case example in Box 4.1 under IO.9 for details.
146. In general, financial intelligence is primarily used to support investigations of predicate offences and trace assets and to a lesser extent on supporting ML and TF investigations and developing ML and TF evidence (see Table 3.9).

STRs received and requested by competent authorities

147. The FIU receives STRs from some reporting entities. In addition to STRs, the FIU also receives reports on currency transaction report (CTRs), and foreign transaction reports (FTRs) from reporting entities and Currency Declaration Reports (CDRs) from the Customs Service. The STRs, CTRs and FTRs are filed to the FIU by commercial banks through a secured web portal hosted on the FIU website while OFIs and DNFBPs file manually (in hard copies and CDs). Of the total STRs received between January 2015 and June 2019, nineteen (19) relate to fraud, and one (1) to corruption, while two (2) relate to TF. STR reporting is not a fair representation of Sierra Leone's key ML risks (corruption, drug trafficking, smuggling, counterfeiting of products and intellectual property offences) as identified in the NRA but appears to be consistent with the TF risk profile of the country (see IO.1 for details). Similarly, 43 of the total STRs were filed on grounds of suspicious large cash transactions. This is consistent with the cash-based nature of the Sierra Leone's economy.

⁷⁸ ASSL, FIU, CID, TOCU, ACC, AG, and BSL

148. The Assessment team was informed that the STRs received are of good quality (particularly those from the big banks) and contain relevant information such as name, DoB, date of transaction, amount, reason for suspicion, account number, address, source and destination of funds, beneficiary of funds, etc which form the basis of the FIU's analysis and intelligence generated to support ML/TF and predicate offence investigations by the LEAs. STRs related to TF are prioritized for analysis while other STRs are assigned to analysts upon receipt and given equal priority, which may not be unrelated to the limited number of STRs received by the FIU. The table below summarises the STRs and other reports received by the FIU during the period under consideration.

Table 3.4. Types and N° of Reports received by FIU, Jan 2015 – Jun 2019

Year	STRs	CTRs	FTRs	CDRs ⁷⁹
2015	16	139,286	12,367	0
2016	13	145,444	20,996	480
2017	27	267,371	79,652	0
2018	8	377,139	83,056	448
2019	10	233,751	31,312	129
TOTAL	74	1,162,991	227,383	1,057

149. A significant number of the STRs were filed by the commercial banks which appears consistent with the materiality of the banking sector in Sierra Leone based on the volumes and values of transactions processed (see Par 307). The number of STRs related to the rest of the FIs and DNFBPs (considered high risk in the NRA) is negligible. For instance, only 2 STRs were filed by bureaux de change while one was filed by a DNFBP (lawyer) during the period under review. The STRs are filed to the FIU within 48 hours of establishing suspicion by the reporting entities. STRs are also escalated from the FIU's own database. The FIU has an STR escalation mechanism in place that enables the escalation of STRs from the CTRs and FTRs in its data base. The escalation mechanism gives consideration to the volume, client profile, reason(s) for transaction, lack of economic justification, business type, and geographical area of transactions. Assessors were informed that CTRs are reviewed on the basis of the parameters and escalated to STRs upon establishment of at least 5 of these parameters. From 2015 to 2019, the FIU escalated 2 STRs from its database. In the view of the Assessors, it appears that on the basis of the size of the economy and the risks identified in specific sectors (e.g foreign exchange bureaux, real estate agents, dealers in precious metals and stones, etc), the STRs received could be higher than in Table 3.4. In general, the main reason for the low number of STRs and non-filing of STRs by some FIs and the DNFBPs could be attributed to inadequate supervision and monitoring of the sectors, as well as lack of sector-specific AML/CFT guidance, especially to the DNFBPs (see IO.3 for details).

150. Statistics in Table 3.4 indicates a significant decline in the number of STRs filed to the FIU in 2018. The FIU informed the Assessment team that the variance between 2017 and 2018 was due to improved awareness and guidance which led to better quality

⁷⁹ The implementation of the CDR started in 2016. In 2017 the implementation suffered setback due to financial and technical constraint and thus no statistics were forwarded to the FIU

STRs being filed. The number of STRs received by the Unit picked up in 2019 (1st half). This was attributed to improvements in the understanding of the reporting obligations by some reporting entities due to sensitization/training, recent engagements between the FIU/BSL and the FIs, especially commercial banks (under the platform of Compliance Officers Association of Banks) on AML/CFT, provision of a revised reporting template and related guidance, onsite examination of commercial banks, and awareness on the Mutual Evaluation onsite visit. The non-filing of STRs by the rest of FIs and DNFBPs obfuscate significant ML/TF related transactions that could provide potential leads to LEAs on ML/TF related offences. This is a concern as some of the reporting entities in this category are considered as posing higher ML risks (e.g. foreign exchange bureaus, real estate agents, dealers in precious metals and stones, etc). It is the view of the Assessors that this limits the availability and scope of useful information at the disposal of the FIU to support in-depth intelligence analysis, and may have some adverse implications on the ability of the Unit to perform its core functions and effectively meet its domestic and international obligations. Notwithstanding, the FIU has powers to request and receive information from these reporting entities in the course of conducting its analysis function independent from filing a suspicious transaction report. As can be seen from Table 3.2 above, the FIU has exercised this power to make request for additional information from banks and one BDC in order to enhance analysis of STRs and other information received, and has received positive responses from these reporting entities. The FIU informed the Assessors that most of the requests are responded to within two to five days, where information requested involves legacy data or complex transactions, the reporting entity would arrange with the FIU to submit readily available information while preparing the remaining. This helps the FIU, in the meantime, to prepare and disseminate preliminary intelligence reports promptly for action by LEAs instead of holding back analysis due to pending responses. However, the FIU has not made use of the power to make requests for additional information from the DNFBPs and other FIs. Thus, concerns noted by Assessors in relation to the impact of non-reporting of STRs above subsist.

151. The FIU provides feedback to reporting entities on the quality and usefulness of the STRs filed to it. The FIU informed the Assessment team that it has a two-way feedback mechanism in place. The first feedback is electronically generated by the system upon receipt of a report from a reporting entity, or physical acknowledgement of receipt when reports are filed, while the second feedback is a manual written communication to the entity at the end of analysis and dissemination by the FIU, communicating the outcome of its analysis, including confirmation of dissemination to a LEA. The FIU also provides general feedback during engagements with FIs, especially banks (under the platform of the Chief Compliance Officers Association of Banks), which has assisted to improve the quality of the reports filed. Some copies of the feedback communications were made available to the assessors. The engagement has helped to address the concerns noted about the slow, and in some instances, the lack of feedback from the FIU to the reporting entities on their statutory filings. Some of the bank officials (compliance officers) spoken to confirmed that the feedbacks provided by the FIU were useful and have assisted in improving the quality of reports they file to the FIU.

Operational needs supported by FIU analysis and dissemination

152. The FIU has a reasonably thorough analysis procedure and produces good financial intelligence which have been used by LEAs to support investigations of largely

predicate offences and trace assets and to a lesser extent on supporting ML and TF investigations. The FIU supports the operational needs of LEAs through proactive and reactive disseminations, all of which are developed through an analysis process. The Unit is also supporting the operational needs of LEAs through the provision of expert advice on the use of its financial intelligence products.

153. The FIU conducts analysis of all STRs received, incoming requests from LEAs and foreign FIUs. Analyses are undertaken within 2-4 weeks of receipt of STRs. The Unit uses MS Excel application to process STRs or perform analysis. Although the FIU is working on procuring a more sophisticated analytical tool/software⁸⁰, the current analytical tool has proved largely efficient in mining relevant information as it supports analysis and dissemination of useful intelligence to LEAs. In addition, the FIU also has IT system (computers and servers) that allows it to manage its data. This IT system also enables the FIU to maintain statistics regarding its work. When analyzing STR or conducting its operational analysis, the analyst will review all data accessible to the FIU. This includes a combination of information held in the database of the FIU (CTRs, FTRs, etc), and accessed from public databases or privately-owned/commercial databases. They may request additional information from reporting entities and other institutions, to enrich the quality of the financial intelligence. As a matter of practice, analysts are required to establish a suspicion of a criminal offence (based on transaction characteristics and patterns) before intelligence is disseminated. Where a predicate offence cannot be identified or the basis of dissemination cannot be established, the file is kept in view (KIV) and monitored (see Table 3.5). The FIU explained that the active STRs are those which some preliminary analyses have been conducted but the Unit is awaiting additional information it has requested either from reporting entities or public authorities to undertake a more thorough analysis. Assessors are concerned with the length of time it has taken for the FIU to receive the information requested, especially for the 7 active STRs since 2017 (see Table 3.5).

Table 3.5. Number of STRs Received, Analyzed, Dissemination, KIV, Closed and Active by the FIU, Jan 2015 – Jun 2019

Year	No of STRs Received	STRs Analyzed	Dissemination	KIV	Closed	Active
2015	16	16	9	1	6	-
2016	13	13	4	1	8	-
2017	27	20	4	7	9	7
2018	8	3	2	-	1	5
2019	10	5	3	2	-	5
TOTAL	74	57	22	11	24	17

154. The result of the FIU analysis is disseminated spontaneously to relevant LEAs, such as TOCU, ACC, CID, BSL, DPP, NRA, and CISU, with the SLP/CID receiving the highest number of disseminations during the review period (see Table 3.6). The FIU also provided spontaneous information (8,650) to the National Revenue Authority in 2016 on trade finance related transactions (see Table 3.6 and the associated footnote for details) to support its activities. Although this efforts is noted, it was not sustained

⁸⁰ The basic requirements of the tool have been developed with the support of the United States Treasury

in the preceding years (2017-2019), and most importantly, it was not targeted at key risk areas identified in the NRA (i.e corruption, drug trafficking, smuggling, fraud, counterfeiting of products and intellectual property offences).

Table 3.6. Proactive Disseminations by the FIU, Jan – Jun 2019

Year	PROACTIVE DISSEMINATION BY AGENCY								Total
	SLP	TOCU	ACC	BSL/NSCCG	DPP	NRA	CISU	OTHERS	
2015	6		1		1	1			9
2016	2	1		1		8,650 ⁸¹			8,654
2017	2	1					1		4
2018		2							2
2019	1	2							3
GRAND TOTAL	11	6	1	1	1	8,651	1		8,672

155. For analysis of requests from LEAs and foreign FIUs, once a request has been assigned to an Analyst as they are received, an initial review is conducted to verify if basic information are provided by the requesting authority on the request to facilitate analysis, otherwise contact is made with the requesting LEA for the relevant information before analysis commences. A check in the FIU database is done, then requests are made to other relevant stakeholders for additional information (where necessary). In general, the timeliness for responding to requests from LEAs and foreign FIUs varies depending on the nature of the request. If data are available in the FIU database and the request requires limited analysis, response can be provided within a period of two days. If more complex analysis is required, including obtaining information from reporting entities, it will take longer time to provide the response. The FIU has provided some responses⁸² to requests made by LEAs, particularly SLP/CID, TOCU and ACC to help them in their investigations and/or prosecutions (see Table 3.7). The outstanding responses in Table 3.7 were due to insufficient information on the requests made by the requesting LEAs. See Table 3.7 for dissemination made by the FIU to LEAs upon requests.

⁸¹ The FIU explained that this is information on trade finance collected by the Unit from the banks to assist NRA improve revenue generation. During AML/CFT onsite inspection, the FIU request for documents relating to trade transactions such as bill of lading, pre-shipment inspection certificates and proof of tax payments that took place at least 3 months prior to the onsite visit. These documents are reviewed by the FIU to ascertain funds outflows by each customer and the findings are forwarded to the NRA with relevant documents for the NRA to determine whether appropriate taxes have been paid by the importers or not. In addition to improving revenue generation, this is also aimed at establishing cases of tax evasion and preventing capital flight from the country. This information was provided during Face to Face meeting.

⁸² The FIU indicated that one of the reactive disseminations to the Sierra Leone Police was on a TF related case. The AT could not ascertain this as details relating to disseminations were not provided

Table 3.7. Reactive Disseminations (Upon Request) by the FIU, Jan 2015 – Jun 2019

Year	SLP		TOCU		BSL		ACC	
	REC.	RES.	REC.	RES.	REC.	RES.	REC	RES
2015	17	14	1	1	0	0	0	0
2016	17	12	3	3	0	0	0	0
2017	12	11	6	4	0	0	0	0
2018	13	8	2	2	1	1	0	0
2019	10	7	4	2	0	0	2	2
TOTAL	69	52	16	12	1	1	2	2

156. In addition to LEAs, the FIU also made 62 disseminations to the Commission of Inquiry upon request (see Table 3.8) to support ongoing investigations by the Commission.

Table 3.8. Disseminations by the FIU to the Commission of Inquiry, Jan to July, 2019

Commission of Inquiry	
N° of Requests Received	N° of Response Made
79 ⁸³	62

157. FIU disclosures/disseminations to relevant LEAs vary across agencies. The decisions for proactive intelligence disseminations are taken on a case-by-case basis depending on the suspected underlying predicate offence. Between 2015 and 2019, a total of 80 intelligence reports (11 spontaneous and 69 reactive) were disseminated to the SLP/CID, while TOCU received 22 intelligence reports (6 spontaneous and 16 reactive) in the same period. The ACC received three (1 spontaneous and 2 reactive) within the same period. In relation to spontaneous disseminations, 11 were related to fraud and one to corruption. Although this is noted, given that corruption was identified as the major predicate offence in Sierra Leone, assessors believe that more proactive disseminations should have been made to the ACC to reflect the major ML risk (i.e. corruption) in the country. There was no proactive dissemination by the FIU in relation to TF.

158. Overall, some of the intelligence disseminated by the FIU were used by LEAs to support investigation of predicate offences and to a limited extent for ML/TF investigations as indicated in Table 3.9 below. Although the FIU indicated that all financial intelligence disseminated to LEAs were investigated and TOCU also confirmed that it utilized all the financial intelligence received from the FIU for investigations, statistics provided by the country under Table 3.9 could not support this claim as there is substantial difference between spontaneous intelligence disseminated by the FIU (Table 3.6) and the number of investigations resulting from FIU intelligence (Table 3.9).

⁸³ Analysis was ongoing on the 17 outstanding requests made by the Commission as at the time of the onsite visit

Table 3.9. Number of Investigations Resulting from FIU Intelligence, Jan 2015 – Jun 2019

Type of Crime	2015	2016	2017	2018	2019
ML	0	0	2	0	0
TF	0	0	0	0	0
Others (predicate offences)	5	1	1	0	0
TOTAL	5	1	3	0	0

159. The number of FIU's proactive disseminations to LEAs which led to investigations appears low relative to the number of intelligence disseminated by the Unit in the review period and the inherent risk in the country. This may imply that the LEAs lack adequate capacities to fully utilize the intelligence received from the FIU for investigations.

160. For information exchanged with foreign FIUs, see IO.2.

161. The FIU has developed two strategic products. These are *the unregulated street hawking of local and foreign currencies by peddlers*, and *The Implications of the high level street begging in the capital and urban towns to determine their potential use for TF*. The findings from the report of the unregulated street hawking led to the revised currency declaration regime which translated to the design of a new Currency Declaration Form, introduction of new threshold (\$10,000 or its equivalent) and contributed to the amendment of the AML/CFT law in relation to currency declarations (forfeiture of undeclared amount above \$10,000 upon conviction). Assessors are of the view that strategic analysis needs to be further developed to identify new and emerging trends and patterns to be used as a basis for operational actions by relevant agencies.

162. The FIU has a total staff strength of 27 with 5 staff dedicated to analysis work. The analysts have participated in some training (see Table 3.10), which largely meets their current needs. The FIU noted the need for additional staff, including analysts, to complement existing staff strength. Assessors are also of the view that the FIU can benefit from more advanced training on analysis.

Table 3.10. Some Trainings related to Analysis attended by FIU Staff, Jan 2015 – Jun 2019

Year	Subject	Organizers	Venue	N° of Staff
2015	Training on Specific Investigative Techniques For Transnational Organized Crime Personal	TOCU	ONS	2
	Evaluation of the implementation of GIABA Strategic plan 2011-2014	GIABA	Senegal	1
	Typology Workshop	GIABA	Senegal	1
2016	Advanced Surveillance Techniques Training	TOCU	UNDP Conf Hall Freetown	2
2017	MENAFATAF-ESAAMLG Typologies Workshop	GIABA	Morocco	1
	Financial Investigative Techniques Course	West African Training Centre	Accra	1
2018	Training on Public Corruption	US Embassy	Botswana	1
	Strategic Analysis Course	GIABA / Egmont	Saly-Senegal	2
	Advanced Interrogation techniques	US Embassy	ACCRA	2
2019	Training workshop on Strategic Surveillance Program	GIABA	Senegal	1
	Complex Financial Investigations Course	UNODC	Freetown	2

163. Overall, Assessors are of the view that the effectiveness of analysis, including the scope and depth of analysis by the FIU may be affected by: (i) negligible or non-filing of STRs filed by reporting entities in some areas of high risks, such as real estate agents, and dealers in precious metals and stones, which limits useful information available to the Unit to support analysis, (ii) the lack of advanced IT tools considering that the standard processing time of STR by the Unit is between 2-4 weeks before dissemination, and (iii) limited human resources or staff dedicated to analysis. In addition, the current indirect access to database of competent authorities (other than NMA) may slow down the operations of the Unit.

Cooperation and exchange of information/financial intelligence

164. The FIU and competent authorities adequately cooperate and exchange intelligence and other information. The FIU provides information to LEAs and other relevant competent authorities to support AML/CFT related activities, including investigation. Assessors based this conclusion on the disseminations made by the FIU, requests for information made by the FIU to, and responses received from, the competent authorities, and requests for information made by some competent authorities to and responses received from the FIU (see relevant Tables above). In addition, MoUs have been signed amongst competent authorities to enhance cooperation and information exchange. For instance, there is a multi-agency MoU entered into by FIU, TOCU, SLP, NRA, IMM, ACC, CISU, NDLEA, and RSLAF for the purposes of strengthening cooperation in exchange of information. TOCU, ONS and other specialized security agencies have also entered into a Multi-Agency MoU with a view to enhance cooperation and better coordinate efforts in the fight against ML/TF. Furthermore, the

FIU is a member of some operational cooperation platforms established to enhance cooperation, facilitate information exchange, and ensure confidentiality of information exchanged. For instance, the FIU is a member of the Financial Crimes Working Group (FCWG) which has Immigration, NRA, CISU, NCB, TOCU, BSL, NDLEA, ONS, ACC, Forces Intelligence and Security Unit, and Law officers Department as members. The FCWG meets every last Thursday of the month. Other operational cooperation platforms, such as Joint Intelligence Committee meet every Friday, and TOCU meets once a month. The various cooperation platforms meet to discuss AML/CFT related issues, including giving each other feedback and share progress of the cases disseminated. Notwithstanding, existing cooperation mechanisms are not effectively utilized for information exchange. Requests made by competent authorities, especially LEAs on the FIU is generally low (87 reactive dissemination in over four years - Table 3.7) compare with 4,362 predicated offences investigated (Table 3.13) during the review period.

165. Exchange of information with competent authorities is undertaken in a secured way through dedicated personnel on either side (dedicated staff at the FIU and focal person at each competent authority). This procedure helps to safeguard and protect the information accessed, or disseminated for use by competent authorities. As at the time of the on-site visit, there has not been an instance where the confidentiality of the information exchange between the FIU and competent authorities had been compromised.
166. The FIU has implemented IT security policies, and has adequate physical security measures including high perimeter walls with 24-hour armed guards which have protected the information held by it from unauthorised persons.

Overall Conclusion on Immediate Outcome 6

167. Competent authorities have access to a wide variety of public and private sector information sources but make limited use of financial intelligence to support their investigative activities. Generally, the STRs filed to the FIU are of good quality and have enabled the Unit to undertake its analysis. However, the number of STRs filed is low, not reflective of the most important proceed generating crimes, and there is concern with respect to non-reporting of STRs by most NBFIs and DNFBPs (some of which are considered high risk), as this limits the availability and scope of useful information at the disposal of the FIU to support intelligence analysis, as well as, obfuscate significant ML/TF related transactions that could provide potential leads to LEAs on ML/TF related offences. The quality of financial intelligence disseminated to LEAs by the FIU is considered good, but the intelligence does not largely reflect the major risks or align with the risk profile of the country, and disseminations are only leading to investigations in rare cases. Strategic analysis by the FIU is limited and needs to be further developed to identify new and emerging trends and patterns to be used as a basis for operational actions by relevant agencies. Although, the FIU and competent authorities adequately cooperate, the existing cooperation mechanisms are not effectively utilized for information exchange as only limited number of LEAs make requests for information on the FIU. Significant improvement is needed on the side of LEAs to seek information from the FIU and to ensure that the financial intelligence and other information received by them from

the Unit is used to actively pursue ML cases and trace criminal assets for forfeiture to the State

168. **Sierra Leone is rated as having a low level of effectiveness for IO.6.**

Immediate Outcome 7 (ML investigation and prosecution)

ML Identification and Investigation

169. There are a number of investigating authorities charged with the responsibility of investigating predicate offences to money laundering including, the SLP (CID), TOCU, ACC CISU, and the National Revenue Authority, while the investigation of ML activity typically resides with TOCU and the Financial Crime Unit of the CID of the Sierra Leone Police. However, there is no law that expressly prohibits any LEA from looking into any case of money laundering in Sierra Leone. Besides TOCU, no other LEA has established or laid down procedure for the identification of money laundering cases, even though, officers from relevant LEAs and other competent authorities have undergone some training on money laundering investigation and prosecution. Generally, potential ML cases are identified by the FIU through analysis of STRs, the results of which are, where relevant, disseminated to the LEAs for further investigation and possible prosecution. The Police, TOCU, and the Anti-Corruption Agency investigate a wide range of predicate offences, however these cases have not resulted in successful investigation and prosecution of money laundering. Notwithstanding, the Police have investigated and prosecuted two cases on money laundering based on intelligence disseminated by the FIU. However generally, there seems to be no focus on conducting parallel investigations when handling proceeds-generating predicate offences.
170. The statistics provided by TOCU indicated that in 2015, authorities secured fifty-four (54) convictions on predicate offences none of which triggered money laundering cases. TOCU secured: 18 convictions on a range of proceeds generating predicate offences, including drug trafficking in 2016, 15 convictions in 2017, and 30 convictions in 2018. None of these cases triggered a ML investigation. Authorities secured two ML convictions out of 30 convictions secured in 2019. One of the cases is presented in the Box below.

Box 3.1. Case Example of how ML was identified, investigated and prosecuted

Jalloh Case

X was employed by A business entity in March 2013 and was later designated manager and was responsible for supervising Y and Z, being salespersons at the same enterprise. X was responsible for collecting merchandise from the warehouse and allocating them to Y and Z for onward supply to customers. X was required to maintain records of merchandise allocated to Y and Z on a daily basis. Several quantities of merchandise were collected from the warehouse but not recorded by X. Some of the merchandise were sold by the Y and Z without the entry of transaction records of account. X often supplied customers outside the normal business hours without reflecting the transactions in the books of accounts. Y and Z were aware of the scheme and consciously collaborated with the X thereby defrauding the business of proceeds in excess of Le 400,000,000 (\$43,243). Investigation revealed that Y had laundered the proceeds of his crime through the real estate sector. Y also admitted that transactions involving the transfers of several sums via MoneyGram from Sierra Leone to Ivory Coast and Guinea were made from the proceeds of the fraudulent transactions he carried out as manager of the said enterprise. X was charged with four counts of larceny contrary to S17(1)(a) of the larceny act, 1916 and two counts on Money laundering contrary to S15 of the AML/CFT Act, 2012; Y and Z were charged with two counts of larceny and three counts of larceny respectively. X was convicted of money laundering and predicate offences. The other accused persons were convicted and sentenced for predicate offences.

171. It is thus, apparent, that whilst predicate offences remain paramount in the operations of the law enforcement agencies, money laundering is not given priority and authorities do not systematically conduct ML investigations.
172. The investigators in Sierra Leone claim to use financial intelligence, as an input into ML and predicate crime identification to a high extent, however there is no indication that financial intelligence is used in a significant way to identify ML. There are generally no guides or measures to show understanding of how money laundering is identified by investigators. It does appear that either out of lack of capacity or priority, investigators often begin and end investigation with predicate offences only. The country did not provide examples of parallel financial investigation conducted by investigators from any of the law enforcement agencies.
173. The FIU forwarded a considerable number of financial intelligence to the different law enforcement agencies between 2015 and 2019. A total of 86 intelligence reports were disseminated, including 23 spontaneous disseminations. The SLP received 49 intelligence reports within the period, while TOCU received 12, however only two of the intelligence reports received from the FIU translated into successful money laundering investigation and prosecution.
174. A multi-agency MOU was signed by competent authorities in 2015 for collaboration and exchange of information. Nevertheless, it does not appear that these platforms are being used to further ML investigation as most agencies do not yet prioritize money laundering investigation as an integrated part of the criminal investigation of the suspected predicate offence.
175. The tax authority (National Revenue Authority) is primarily interested in ensuring that those in breach of their tax obligation pay the appropriate taxes in addition to administrative fines imposed without pursuing possible money laundering elements in the predicate tax crimes. The tax authority however claims that by virtue of its law, it

is not required of them to pursue money laundering arising out of tax crime. Similarly, the ACC which is the primary agency charged with the responsibility of investigating corrupt activities has not investigated nor prosecuted any person or entity for money laundering notwithstanding that the National AML/CFT Risk Assessment of Sierra Leone which identified corruption to be one of the predominant criminal activities in Sierra Leone. The ACC officials were of the view that the substantive law establishing the Commission does not give them the powers to investigate ML cases. This supposition is contrary to the AML /CFT Act, 2012 which mandates all LEAs to prosecute ML. Even if the position taken by the ACC is the correct one, nothing in the law precludes the ACC from transferring an ML case to the appropriate LEA or conducting joint investigations with other agencies or other institutions that are able to conduct ML investigation.

176. Similarly, the prosecutors generally seem to prioritize and pursue prosecution of predicate offences without necessarily giving special attention to those factors that should trigger a charge for money laundering.

Consistency of ML Investigations and Prosecutions with Threats and Risk Profile, and National AML Policies

177. According to the NRA, the prevalent predicate offences are bribery and corruption, fraud, drug trafficking, tax evasion, human trafficking, smuggling, counterfeit products and intellectual property and environmental crime. Sierra Leone has not effectively demonstrated that ML investigations are consistent with the above ML threats. ML prosecution and investigation have been minimal. Only two ML cases have been prosecuted successfully. The underlying predicate offence in the two cases was fraud. The low number of ML convictions and limited parallel ML investigations precludes a proper analysis of whether money laundering investigations and convictions is consistent with the risk and threat profile of Sierra Leone. Moreover, based on the records of investigation of predicates vis-à-vis money laundering, the extent of money laundering investigation is not consistent to the risk and threat profile of Sierra Leone. It is clear that the low number of ML prosecution is not consistent with the ML threats posed by numerous proceeds generating offences in the country. This may be due in part to the human resources constraints. There are 23 prosecutors in the whole of Sierra, 19 in Freetown and 1 in each of the four provinces. This number has been adjudged by some of the prosecutors at the Law Office to be grossly inadequate to effectively deal with money laundering and associated predicate offences. With regards to the investigating institutions, TOCU has a team of six investigators that look into money laundering related issues and there is no financial forensic expert to support money laundering investigation in ACC, TOCU and the CID.

178. Sierra Leone has not addressed the dearth of knowledge and skill on forensic investigations and the limited specialized law enforcement training. Therefore, ML investigations are not prioritized given that resources have not been allocated in line with these ML risks. Additionally, LEAs have not conducted an analysis of these ML threats with an objective to refocus and prioritize activities to address these ML risk. According to the NRA, cybercrime is now a fast-growing phenomenon in Sierra Leone however, the country is yet to criminalize this illegal practice. While the use of cash is a risk of ML in Sierra Leone, the country has not taken measures to properly identify and investigate the misuse of cash including the role of Customs in identifying and seizing cash related to ML. This is due to the fact that the Customs rarely consider possible ML risk associated with physical cross-border transportation of cash (see

IO.8). In addition, ML risk associated with tax crimes have not been given much weight in spite of the significant amount of illicit proceeds that are generated from these offences. Sierra Leone has nevertheless, outlined some measures the country intends to take in the National Action/Implementation Plan. Sierra Leone has taken certain actions consistent with its main threats and risks including the establishment of a designated Anti-Corruption Division of the Court. Although it appears that this court intends to focus on corruption, authorities maintained that the division will handle corruption and economic and financial crime cases, including ML. The court was yet to commence trial at the time of the on-site visit.

179. Sierra Leone has developed and sustained a strategy to deal with corruption. Three National Anti-Corruption Strategy documents have been developed in Sierra Leone. The first and second, being those of 2008-2013 and 2014-2018, and most recently, the 2019-2023 strategy. Whereas these documents lay out the expected outcome of the implementation of the strategy, the implementation of the Anti-Corruption Implementation Strategies does not appear to have made any significant impact on the level of threat posed by corruption in Sierra Leone. In addition, the 2019-2023 National strategy does not have a significant AML/CFT component as such the National Anti-Corruption strategies do not prioritize AML/CFT measures which could contribute to the low priority given to ML investigations by LEAs. Although the NRA was concluded in 2017 the country is yet to implement AML policies consistent with its risk profile of the country.

Types of ML cases pursued

180. The investigative authorities in Sierra Leone have conducted quite a number of investigations into predicate offences without giving attention to the money laundering component that will achieve a full-scale investigation into proceeds of crimes. As such, in comparison to predicate offences, very few ML investigations have been conducted. The two cases of ML were self-laundering cases. Sierra Leone has not indicated whether money laundering through legal persons or third-party laundering is prevalent. It is unclear whether Sierra Leone can successfully prosecute a standalone ML case.

181. Even though Sierra Leone has stated that there exists a window for a combined team of sectorial investigators to deal with complex money laundering cases, there is no indication that these investigators possess specialized skills or forensic accounting capabilities. The number of trained investigators and prosecutors in relevant LEAs in Sierra Leone is limited. Consequently, it would be a challenge to investigate or try other types of ML cases other than self-laundering cases.

Table 3.11. Statistics on ML Convictions

	2017
ML convictions resulting from FIU Intelligence	2
Total	2

Table 3.12. Statistics on Convictions on Predicate Offences from TOCU

Year	Cases Received	Conviction
2015	89	54
2016	45	21
2017	118	15
2018	64	31

Table 3.13. Statistics on Predicate Offences and ML cases investigated

Year	Investigated	
	ML	Predicated Offences
2014	-	727
2015	1	664
2016	1	936
2017	-	875
2018	-	1,160

182. The available statistics does not provide a breakdown of the different categories of money laundering offences and the different predicate offences. Sierra Leone secured two convictions only in 2017 despite the existence of a comprehensive legal instrument which came to force in 2012 and empowered competent LEAs to investigate and prosecute money-laundering offences. Within the period of 2015-2018 a total number of 121 convictions were recorded, two of which are ML related out of 3,635 predicate offences investigated. This represents less than 5% success rate of investigation that led to convictions on money laundering charges.

Effectiveness, proportionality and dissuasiveness of sanctions

183. Penalties for ML offences are laid down in the AML/CFT Act, 2012. As regards sentencing convictions were obtained in the two money laundering cases prosecuted by the authorities. The AML/CFT law states that the penalty for ML is a term of imprisonment of not less than 7 years. However, in the case of the Inspector General of Police and Amadu Jalloh, a fine was imposed. In the second case, the **State v. Ansuman Juma Kpange and 2 Others**, one of the accused persons was found guilty on two counts of money laundering, contrary to section 15(2)(b) of the AML/CFT Act, 2012. In sentencing the accused person, the court took account of the fact that the accused has already spent 28 months of his youthful years in prison, the judge reverted to the provisions of Section 231 of the Criminal Procedure Act, Act No.32 of 1965 and imposed a monetary fine of **Le12, 715,050.00** (approx. US\$1,300) to be paid into the judicial sub treasury for payment into the consolidated revenue account.

184. The effectiveness, proportionality and dissuasiveness of the sanction regime in Sierra Leone cannot be determined only on the strength of the two money laundering convictions that have been recorded since the AML/CFT Act was passed in 2012.
185. Nevertheless, the analysis of the cases above show in particular that, when the ML offence is co-penalized with the predicate offence, the extent to which this leads to an additional sanction is unclear. While the ML offence may be an aggravating factor in the sentencing, judges determine sentences based on a wide range of elements relevant to each individual case, and do not record what effect the ML activity specifically has on the final penalty. Importantly, the offence of money laundering is punishable by penalty of not less than seven years, however this was not adhered to by the courts. It seems that the range of penalty stipulated under the law may not be proportionate as it does not take account of the lower range or the less severe ML offence. It is plausible that the graveness of the sentence discourages the prosecutor and the courts from pursuing ML cases.

Use of alternative measures

186. The ACC has provisions and practices that allow it to pursue recoveries and issue administrative fines when confronted with instances of unexplained wealth. The ACC embarks on a civil process to recover such unexplained wealth without pursuing a money laundering charge. This situation appears to suggest that prosecution and confiscation may be mutually exclusive in some circumstances. Confiscation of illicit proceeds through recoveries, without prosecution seems to offer criminals the opportunity to buy their way out of crime since these criminals will likely not face any criminal punishment. Civil proceedings for recoveries are embarked upon as a matter of course and not just where authorities are unable to successfully bring a money laundering charge. Thus, care and caution must be invoked at all times to ensure that the deployment of other criminal justice measures other than prosecution does not inadvertently incentivise crime and prevent the detection of a ML scheme. Likewise, the National Revenue Authority uses other measures like imposition of fines rather than taking steps that ensures that perpetrators of tax crimes are charged for money laundering particularly where assets have been earned through those tax crimes.

Overall Conclusion on Immediate Outcome 7

187. Sierra Leone's legal and institutional frameworks cannot be considered to be optimally sound. This is further reinforced by the absence of significant or substantial output for money laundering investigation and prosecution. While there are increased number of investigations of predicate offences the overall number of money laundering prosecution and conviction is low. The low number of money laundering investigations, prosecutions and convictions indicate the absence of a coherent system that embraces elements of anti-money laundering and asset tracing in dealing with predicate offences.
188. There are knowledge gaps within the anti-corruption agency in relation to money laundering investigation and prosecution. There is no instance of third-party money laundering prosecution and conviction. The overall effort to combat money laundering through effective investigation and prosecution is not consistent with the risk profile of the country.
189. **Sierra Leone is rated as having a low level of effectiveness for IO.7.**

Immediate Outcome 8 (Confiscation)

Confiscation of proceeds, instrumentalities, and property of equivalent value as a policy objective

190. Sierra Leone has an adequate legal framework for confiscation of criminal proceeds and instrumentalities used or intended to be used in the commission of any unlawful activity, offence of money laundering or financing of terrorism. The country's legislation also covers provisional freezing. However, the legal framework does not cover confiscation of property of an equivalent value.
191. The LEAs including TOCU, SLP and ACC have the power to freeze and seize assets to prevent their dissipation during investigations. In addition, the FIU typically orders an administrative temporary freezing of funds where there is a suspicion of ML/TF. The Economic and Financial Crimes Unit of the CID at the SLP and other LEAs such as TOCU generally seek assistance from the FIU when dealing with proceeds generating crimes involving financial transactions. The number of days in which a freezing order by the FIU may be granted to prevent the flight of assets was extended from ten to thirty working days in July 2019 (Section 75 of the AML/CFT (Amendment) Act, 2019). This extended period is more realistic because LEAs often require additional time to gather compelling information that will oblige the courts to issue a freezing order. The assessors were informed that specialized financial investigators are not readily available to conduct financial analysis to follow the money trail and facilitate the seizure of assets that are suspected to be proceeds of crime. The LEAs have limited understand and capacity to conduct financial investigations and do not generally focus on taking the profit out of crime. Authorities do not have SOPs or guidelines that facilitate the freezing and confiscation of proceeds of crime. In addition, there are no policy documents or statements that demonstrate that recovering the proceeds of crime is an institutionalized policy objective within the criminal justice system.
192. The ACC is mandated to investigate and prosecute corruption and related offences. The legislation that established the ACC⁸⁴ empowers the Commission to initiate confiscation or forfeiture proceedings against any person found guilty of any offence under the Act. However, the Commission could not provide any statistics relating to confiscations secured by an order of a court. The authorities indicated that most of the cases investigated resulted in administrative recoveries that is lodged into a special recovery account. As indicated in the table below, the total recoveries made between 2015 and March 2019 amounts to Le13,815,444,000 (\$1,553,178.38).

⁸⁴ Section 98 of the Anti-Corruption Act, 2008

Table 3.14. Recoveries made by the Anti-Corruption Commission (Jan. 2015 – Mar. 2019)

Year	Leones	US Dollars
2015	68,917,000	7,747.88
2016	474,069,365	53,296.46
2017	973,988,000	109,498.99
2018	8,852,378,636	995,213.99
2019	3,446,091,000	387,421.06
Total	13,815,444,000	1,553,178.38

193. The amount recovered is not consistent with the high incidence of corruption in the country. The other agencies did not provide statistics on confiscation. The ACC indicated that the recoveries presented in Table 3.14 relate to offences such as misappropriation of public funds or property contrary to Section 36(1) of the ACC Act, 2008 and abuse of office contrary to Section 42(1) of the same Act.
194. The provisions in the AML/CFT law⁸⁵ and the ACC Act, 2008⁸⁶ empower the court to make an order to pay an amount equal or lesser than the value of a property misappropriated but there is nothing in the law on confiscation of property of equivalent value. Thus, if the perpetrator of the crime does not pay the amount equal or lesser than the value of the property misappropriated as ordered by the Judge, the state will be unable to go after his property except a separate proceeding is instituted to enforce the payment of the amount, by which time the property could have dissipated. Even though both laws have provisions, which presume that, any property of the accused shall be deemed to be derived from corruption or deemed to be proceeds of crime unless the contrary is proven, such property may have dissipated before an action to recover payment of an amount equivalent in value is brought. Sierra Leone did not provide any example of a case where the judge ordered the payment of an amount equal to the value of a property.
195. Under Sierra Leone’s law, non-conviction based forfeiture is possible if a public officer is believed to be living beyond his means (unexplained wealth), or where the suspect has absconded or died (Sections 27 and 88 of the ACC Act, 2018 and Section 84 of the AML Act, 2012). These provisions allow the state to recover property without the need for complex investigations into the conduct of a suspect. This approach, if proactively utilized by the authorities, would potentially deprive criminals from benefiting or enjoying proceeds of crime. Sierra Leone has not demonstrated that this tool is frequently employed by authorities. The authorities were about to commence trial on a “test” case at the time of the onsite.
196. The authorities do not appear to have any operational manual for tracing, identifying and freezing assets intended for confiscation and are not supported by financial forensics experts. The Transnational Organized Crime Unit provided their SOP to the assessment team. The SOP covers enforcement and investigations of drugs, transnational organized fraud, money laundering, piracy activities at sea, human trafficking/smuggling, small arms and light weapons smuggling, terrorism and terrorist financing. However, there were no specific guidance on financial investigation and

⁸⁵ Section 82(3) of the AML/CFT Act, 2012

⁸⁶ Section 98(3) of the Anti-Corruption Act, 2008

the SOP does not focus on the follow the money principle. LEAs typically concentrate on the predicate offence and the illegal act and do not focus on depriving criminals of the proceeds of crime. The principle to follow the money is not entrenched in LEAs operations. Sierra Leone could not provide a policy or strategic document at the time of the onsite visit, which demonstrates that confiscation of criminal proceeds, instrumentalities and property of equivalent value is pursued as a policy objective. This is reflected in the minimal number of confiscations.

Confiscation of proceeds from foreign and domestic predicates, and proceeds located abroad

197. Sierra Leone has put in place some measures to prevent the dissipation of assets. For instance, the FIU has the power to freeze assets administratively for 30 days (section 76 (3) of the AML/CFT (Amendment) Act, 2018) to prevent the assets from being put beyond the reach of the authorities. The FIU may also apply to court for a restraining order prohibiting the disposition of money or property relating to an unlawful activity for a period of eighteen months (section 76 (3) of the AML/CFT (Amendment) Act, 2018) and upon expiration of the eighteen months, apply for an extension of the restraining order under section 80 of the AML/CFT (Amendment) Act, 2018. These provisions are recent and were yet to be tested as the time of the onsite visit.
198. Sierra Leone does not have statistics or qualitative information on confiscations of proceeds from foreign predicates and proceeds located abroad. Authorities indicated that there are no statistics on repatriation, sharing and restitution of proceeds of crime located abroad involving domestic predicate offences, probably because the country has not been involved in this type of cooperation. There is limited information on confiscation of proceeds of domestic predicates. Sierra Leone indicated that the limited information on confiscation of proceeds of domestic predicate offences is due to the fact that most, if not all the subject investigated and prosecuted pay fines upon conviction and hence no recourse to confiscation of assets. The law is silent on asset management barring a provision in the AML/CFT Act, 2012 (section 99) which provides that confiscated property is vested in the Government and in section 72 of the ACC Act, 2008 which provides that the Commission shall take all reasonable and necessary steps to protect any property obtained pursuant to a seizure or confiscation order while it is in the custody of the Commission. However, in practice there appears to be some confusion about how confiscated assets are managed. While the authorities indicated that the Under Sherriff is responsible for the management of assets, a meeting with the Under Sherriff revealed that he typically handles assets relating to civil litigation between parties. Other personnel at the court also stated that the court had not been involved in asset management as cases brought to the court by LEAs hardly involve confiscation of assets. Authorities also mentioned that the National Asset and Government Property Commission could be the body mandated to manage government property. This state of affairs suggests that there is no consolidated asset management framework in place to keep records or follow-up on enforcement of confiscation orders and manage confiscated assets.
199. Confiscation of the proceeds of tax evasion and other tax infringements are handled administratively by the National Revenue Authority. The Investigations and Intelligence Unit of the Authority conducts investigations into tax related offences. These investigations do not however, extend to ML. The statistics on recoveries made

between 2016-2019 are indicated in Table 3.15 below. The Authority focuses more on the imposition of penalties and recoveries and seldom prosecute tax crimes.

Table 3.15. Recoveries and penalties imposed by the National Revenue Authority, 2016 – 2019

Year	Offence	Tax Due Leones	Penalty@25%	Total Recovery
2016	WHT Evasion	674,356,008.75	224,785,336.25	899,141,345.00
2016	Tax Evasion	2,164,262,196.75	721,420,732.25	2,885,682,929.00
2016	Tax Evasion	165,015,399.75	55,005,133.25	220,020,533.00
2017	Under Declaration	79,169,595.00	26,389,865.00	105,559,460.00
2017	GST Fraud	30,003,936.00	10,001,312.00	40,005,248.00
2017	Tax Evasion	187,498,020.00	62,499,340.00	249,997,360.00
2018	Tax Evasion	776,766,002.25	258,922,000.75	1,035,688,003.00
2018	Tax Evasion	489,923,437.50	163,307,812.50	653,231,250.00
Apr-2019	Tax Evasion	26,388,346,093.50	8,796,115,364.50	35,184,461,458.00
Mar-2019	Tax Evasion	37,313,085.00	12,437,695.00	49,750,780.00
May-2019	GST Fraud	5,407,446,717.00	1,802,482,239.00	7,209,928,956.00
Total Leones		36,400,100,491.50	12,133,366,830.50	48,533,467,322.00
Total Dollars		3,935,146	1,331,715	5,246,861

Confiscation of falsely or undeclared cross-border transaction of currency/BNI

200. The legal framework to implement cross-border currency and BNI requirements in Sierra Leone is adequate. There are measures to control cross-border undeclared or falsely declared currency or BNIs especially at the airport. Administration of the declaration regime is undertaken by way of intelligence, profiling and body checks and enforcement is achieved through the imposition of fines by the courts. However, Section 68 of the AML/CFT Act, 2012 was recently amended to provide for a more dissuasive sanction which is the forfeiture of the entire undeclared sum upon conviction. Sierra Leone did not demonstrate that it monitors transportation of cash and BNI by post.
201. Travelers are only permitted to carry up to US\$10,000.00 or its equivalent in Leones or other foreign currency, in cash or negotiable bearer instruments and must declare sums above this threshold. Travelers are required to complete the Currency Declaration Form and declare any amount in excess of US\$10,000.00. Failure to declare such an amount will result in the seizure of the currency or negotiable bearer instruments by customs officials and will result in forfeiture of the entire amount upon conviction. This provision of law is, however, recent and has not been tested. The Customs are required to forward a report to the FIU. However, in practice, this is not done. Sierra Leone has issued SOP for the implementation of cross-border currency and BNI requirements at points of entry and departure, whether boarding an aircraft, ship or vessel and a new Currency Declaration Form had been issued. The following cases are examples of seizures.

Box 3.2.

A Ghanaian national was arrested with the sum of eighteen thousand and fifty United States Dollars (US\$18,050.00) at the Freetown International Airport, Lungi on 29th September 2018. The amount was seized and after investigations, the accused was arraigned before court on 23rd July, 2019, he pleaded guilty and was sentenced to a fine of Ten Million Leones (Le10 million - approx US\$1,028). The presiding Judge further ordered that the amount seized from the accused person as part of the investigations be returned to him upon payment of the fine.

Box 3.3.

On 22nd September 2018 Mr A, a Lebanese national was arrested at the Freetown International Airport attempting to leave Sierra Leone, in possession of huge amount of multiple foreign currencies (as indicated in table below). Mr. A failed to declare the amounts in excess of the threshold contrary to Section 68 of the AML/CFT Act, 2012. Authorities indicated that the case is before the court.

Type of Currency	Amount
United States Dollars	368,314
Euro	204,150
Pounds Sterling	60,375
Lebanese Pounds	47,251
Leones	895,000

202. It appears that Sierra Leone's currency declaration regime is not uniformly enforced across borders posts particularly as over two - thirds of the land borders are unmanned. Sierra did not demonstrate that the obligation is being consistently enforced. In addition, custom officers are not focused on ascertaining whether the cash and BNIs being transported are not linked with predicate offences, ML or TF.
203. The table below shows the number of seizures and confiscations between 2016 and 2019. The number of seizures and confiscations is quite low particularly given the context of the Sierra Leone's porous borders and cash based economy.

**Table 3.16. Confiscations and Seizures related to Cross Border Declarations
Jan 2016 – Jun 2019**

Year	Total Declarations	Value of Declarations	No. of Sanctions Imposed for Non / False Declarations	Total Amount of Seizure (\$)
2016				
Inbound	0	0	0	0
Outbound	N/A	\$117,397,159	0	0
Total	N/A	\$117,397,159	0	
2017				
Inbound	0	0	0	0
Outbound	0	0	0	0
Total	0	0	0	0
2018				
Inbound	N/A	\$ 38,777,100	0	0
Outbound	N/A	\$ 52,840,875	0	0
Total		\$ 91,617,975	0	0
2019				
Inbound	0	0	0	0
Outbound	N/A	\$2, 900,060	0	0
Total	0	\$2, 900,060	0	0

Consistency of confiscation results with ML/TF risks and national AML/CFT policies and priorities

204. Although Sierra Leone has a satisfactory legal framework on confiscation, there is limited implementation of freezing measures and confiscation. Sierra Leone's prosecutors, judges and LEAs do not have a clearly defined policy that prioritizes confiscation of illicit proceeds and instrumentalities of crime. There is no asset management system in place and Sierra Leone provided minimal statistics on confiscation. It appears that there are limited confiscations thus, confiscation results are not consistent with the ML/TF risks. The NRA rated corruption as high, however the ACC does not carry out robust financial investigations to follow the money. Confiscations have not been indicated for other high-risk offences. The other LEAs do not conduct parallel financial investigations, trace and identify assets, apply for freezing or seizure orders to preserve assets before the final determination of a case. Sierra Leone pursues deprivation and confiscation of criminal proceeds to a limited extent.

Overall conclusion on Immediate Outcome 8

205. Confiscation of proceeds and instrumentalities used or intended to be used for crime is not a priority within the criminal justice system in Sierra Leone. Whilst the legal framework on freezing and confiscation is fairly sound, the LEAs have limited understanding and capacity to conduct financial investigations and do not generally focus on taking the profit out of crime. Provisional measures are applied by the FIU but seldom by LEAs. The absence of confiscation of property of an equivalent value presents a shortcoming in Sierra Leone's legal framework which impacts on effectiveness of the country's confiscation regime. Although non-conviction based forfeiture is possible in Sierra Leone, the authorities have not made good use of this

tool. Sierra Leone could not demonstrate that it had confiscated proceeds derived from foreign predicates or that the country had repatriated proceeds located abroad involving a domestic predicate offence. Sums of undeclared or falsely declared cross-border movements of cash or BNIs are seized administratively without considering or exploring the possibility of ML in any of the cases. Similarly, proceeds of tax evasion and other tax infringements are handled administratively by the National Revenue Authority which focuses more on the imposition of penalties and recoveries than on prosecution for ML. Overall, the sums confiscated is not consistent with the ML threats in Sierra Leone, especially corruption which is a prevalent offence in the country.

206. **Sierra Leone is rated as having a low level of effectiveness for IO.8.**

Chapter 4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION

Key Findings and Recommended Actions

Key Findings

TF Investigation and Prosecution (Immediate Outcome 9)

- a) There are structures within the country that deal with cases of terrorism and TF namely; TOCU, CISU and ONS. Some elements that relate to investigating and disrupting TF are embedded within the National Counter Terrorism (CT) Strategy of Sierra Leone. However, integration of TF investigation with counter terrorism operations are not comprehensively addressed in the National CT Strategy. In addition, the implementation of the strategy is limited by the lack of specialized TF training.
- b) LEAs have a good understanding of the potential risk posed by TF even though this risk has been assessed to be low. Sierra Leone has implemented proactive measures to forestall potential radicalizations of its citizen through effective intelligence gathering, investigation, and monitoring process conducted by ONS/TOCU. Sierra Leone has been able to utilize disruption tactics through immediate freezing action to address TF activity where prosecution for TF was not possible.
- c) There is a close collaboration at national level to address operational issues relating to terrorism and terrorist financing. There is synergy between key stakeholders in the security services as different cooperation and coordination platforms like JIC, NSCCG, exist to share information on terrorism and its financing and there is some degree of cooperation between the supervisory authority and the FIU on the one hand, and the FIU and reporting entities on the other, for the purposes of information exchange on TF related issues. There is also some measure of international cooperation in respect of TF.
- d) Suspected terrorist activities investigations are generally well-prioritized. Such investigation is often based on a collaborative approach between relevant LEAs, with TOCU taking lead in the investigation process. However, the operational capacity to identify, investigate and prosecute TF cases among LEAs is limited.
- e) Sierra Leone recognizes the potential risks and negative consequences of terrorism and its financing. Thus, the country focuses on identifying and investigating TF in terrorism cases. However, inspite of this inclination, there is no stated operational procedure requiring TF to be considered as part of every terrorism-related investigation. Narratives on operations of TOCU, INTERPOL and CISU, all point to an aggressive approach to deal with cases of suspected terrorist activity without pointing out if in every suspected terrorism case, the component of TF is simultaneously or distinctly pursued. There is no framework detailing the ways and means in which TF cases are investigated and prosecuted notwithstanding the fact that the disruption of TF is embedded in Sierra Leone's counter terrorism strategy. In addition, the financial investigations carried out in the two TF cases reported were limited.

- f) The legal framework that proscribes TF provides for criminal sanctions that may be considered dissuasive and proportionate. Nonetheless, the effectiveness in terms of imposition of sanctions or penalties by the court cannot be determined as no legal and/or natural person has been sanctioned for TF. There have been instances of two TF related STRs, but there are no records of TF cases investigated as a result of STRs. Consequently, there has been no conviction to date. This is nonetheless broadly in line with the overall TF risk in Sierra Leone.

TF preventive measures and financial sanctions (Immediate outcome 10)

- a) Sierra Leone has a legal framework for the implementation of TFS relating to TF. However, there are shortcomings in the country's legal framework that (i) prevents the transmission and effective implementation of targeted financial sanctions (TFS) without delay (ii) limits the country's ability to propose designations.
- b) Reporting entities do not receive the sanctions list transmitted from the United Nations even though some banks, subscribe to software that allows them to screen customers and transactions against the different sanctions lists.
- c) The supervisory authorities do not adequately monitor implementation of TFS by the reporting entities and competent authorities have not applied sanctions for non-compliance with the implementation of TFS.
- d) Sierra Leone has not conducted a comprehensive review of its NPO sector in order to identify those NPOs that are at risk of being abused for TF purposes. The licensing authority has conducted outreach to some NPOs on TF issues. Sierra Leone has not provided guidance, or developed focused actions vis-à-vis potentially vulnerable NPOs and prevent their possible misuse for TF.
- e) Sierra Leone has a multiple registration and licensing regime for NPOs which is not well integrated. This may account for inadequate monitoring and supervision of NPOs. NPOs are required to register with MODEP, SLANGO and the CAC.
- f) The level of awareness of TF risks associated with NPOs is uneven in the country. It is very good among LEAs, the FIU, TOCU, CISU, but remains inadequate for NPOs themselves and public authorities in charge of their monitoring.

Proliferation financing (Immediate outcome 11)

- a) Sierra Leone does not have a legal and institutional framework or mechanism to implement TFS related to proliferation.
- b) Commercial banks that are part of an international group implement the TFS related to PF. Other reporting entities were unfamiliar with, or had low understanding of the obligations relating to PF. Implementation of the obligation related to PF is limited among reporting entities.
- c) No specific actions have yet been taken by reporting entities in relation to funds or assets of designated persons and entities relating to PF. This may be largely due to the lack of mechanisms that permits reporting entities to do so.
- d) Competent authorities are not monitoring reporting institutions for compliance with regard to compliance with the TFS related to PF regime.

Recommended Actions

Immediate Outcome 9

- a) Sierra Leone should develop a more robust national strategy on counter terrorism that includes an outline on how TF risks will be identified and investigated as well as more specific and detailed actions on integration of TF with counter terrorism operations.
- b) LEAs and all other competent authorities should deploy measures that will prioritize and facilitate TF investigations and prosecution. This can be achieved through several measures including:
 - i. building operational capacity of the stakeholders particularly the LEAs to identify, investigate and prosecute TF cases through the provision of specialized CFT trainings;
 - ii. the promotion of effective border controls to prevent the movement of terrorist financiers and foreign terrorist fighters including controls on issuance of identity papers and travel documents;
 - iii. effective criminal data management system; and
 - iv. increase professionally skilled staff dedicated to investigations of terrorism/TF offences within the FIU, TOCU, CID, CISU by creating dedicated desks, teams or units in the different competent authorities.
- c) Sierra Leone should strengthen its legal framework on terrorism and its financing particularly by criminalising terrorism and the country should consider revising the definition of funds in the AML/CFT Act to expressly specify that funds include economic resources (including oil and other natural resources).

Immediate Outcome 10

- a) Sierra Leone should establish a comprehensive framework for monitoring or supervision of reporting entities, especially NBFIs and DNFBPs to ensure their compliance with targeted financial sanctions requirements. In addition, supervisory authorities should enforce compliance and issue proportionate and dissuasive sanctions for non-compliance.
- b) Sierra Leone should conduct a comprehensive review of its NPO sector in order to identify the features and types of NPOs that may be misused by terrorists and adopt a risk-based approach to address the identified risk.
- c) Sierra Leone should (i) strengthen and clarify AML/CFT legal obligations on the NPOs as well as the roles/functions of officials responsible for oversight and provide guidance to the sector, and (ii) conduct sustained outreach to those NPOs that will be assessed as posing a high risk of being abused for TF purposes in order to prevent and combat terrorist financing abuse of NPOs.

- d) Sierra Leone should provide adequate awareness-raising and training to the reporting entities, in particular NBFIs and DNFBPs to facilitate their understanding of TF risks and their obligation to implement targeted financial sanctions related to terrorism and terrorist financing.
- e) Sierra Leone should establish appropriate legal and institutional frameworks for comprehensive regulation and monitoring of NPOs and ensure that all NPOs are duly registered. In addition, allocate more resources to the supervisors of the NPOs in order to effectively supervise or monitor the NPOs most at risk of being abused for TF.
- f) Authorities should deploy a mechanism for the effective dissemination of the UN list to private sector operators especially those in non financial businesses.
- g) Sierra Leone should ensure that existing multiple registration and licensing regime for NPOs is well integrated or harmonized to facilitate monitoring of the NPO sector.

Immediate Outcome 11

- a) Sierra Leone should establish appropriate measures, including legal, regulatory, and institutional frameworks to ensure effective implementation of TFS related to PF.
- b) Reporting entities (other than commercial banks belonging to financial groups) should conduct ongoing regular customer monitoring as appropriate to proactively identify assets subject to sanction. Reporting entities should provide appropriate training to staff to ensure proper and efficient identification of persons and assets subject to TFS, as well as the processes to be followed where such persons and assets are identified.
- c) Supervisory authorities and the FIU should monitor and ensure that reporting entities are complying with the obligations relating to implementation of TFS related to PF.
- d) Sierra Leone should conduct outreach/ raise awareness for relevant authorities as well as FIs and DNFBPs to ensure that they fully understand and effectively implement the obligations related to financing of proliferation. In addition, authorities should provide guidance on TFS related to PF to reporting entities.

207. The relevant Immediate Outcomes considered and assessed in this chapter are IO.9-11. The Recommendations relevant for the assessment of effectiveness under this section are R. 1, 4, 5–8, 30, 31 and 39.

Immediate Outcome 9 (TF investigation and prosecution)

Prosecution/conviction of types of TF activity consistent with the country's risk-profile

208. TF risk in Sierra Leone is regarded as low. Competent authorities, especially LEAs and FIs generally understand their TF risks and the legal framework on criminalization of TF is fairly satisfactory. There has been no prosecution or conviction relating to TF or terrorism in Sierra Leone. This is indicative of the finding of the NRA which rates the risk of terrorism and terrorist financing in Sierra Leone as low. The NRA noted certain factors which could potentially increase the risk of TF, including the

predominant use of cash, the unregulated remittance service providers, the designation of certain Sierra Leonean individuals and entities linked to Hezbollah on the OFAC list, and illicit mining and illicit trade of precious minerals. The NRA did not take account of the changes in the TF situation in the last few years relating to FTFs. Sierra Leone recently enacted the law criminalizing the financing of FTFs so it may be too soon to assess the effective application of the law in the country. Sierra Leone nevertheless, conducted investigation on a company with activities similar to those of charitable organizations which appeared to be distributing certain kitchenwares indiscriminately to ascertain whether there was a link to TF or terrorism. In another instance, some Sierra Leonean youths went in large numbers to a country with significant TF risk and returned to the country after a short while. They were picked up and profiled to ensure that their short stay in that country was not related to terrorist activity and that they were not funded by either nationals or foreigners to carry out terrorist activities either in Sierra Leone or outside of Sierra Leone. Both investigations did not reveal any linkages to terrorist activities.

TF identification and investigation

209. The FIU, TOCU and CISU play key roles in the identification of TF cases. These agencies are also mandated to share information *inter se* and with other relevant agencies for the purposes of initiating and supporting criminal investigations. One of the ways of identifying TF is through financial intelligence disseminated to the LEAs by the FIU. Although 2 STRs on TF were filed by FIs, none of these led to investigation or prosecution as the analysis by the FIU found no evidence for TF. Sierra Leone has a cross-border cash/BNI transport declarations system in place. However, seizures arising from false or non-declaration have not been linked to any TF activity.
210. TOCU is the lead agency for investigating both terrorism and TF offences. TOCU collaborates with other agencies and exchanges information with them particularly, when dealing with suspected cases of terrorism and terrorists financing. Sierra Leone authorities have had course to conduct TF related investigation in two cases. These two cases which are indicated below illustrates how the country identified and investigated TF.

Box 4.1. D.G case

On 7th March, 2016, one **D.G** a.k.a. **K.S.**, a national of Trinidad and Tobago (T&T) was handed over to the Sierra Leone Law Enforcement Authorities by the Liberia Police through operatives of CISU for further investigation of alleged terrorism and terrorist financing. The investigation was conducted in collaboration with the FIU, Interpol and Immigration authorities. Investigation revealed that the sum of \$ 1, 547.11 USD had been remitted to D.G. from Trinidad and Tobago as a subsistence support whilst in Monrovia, Liberia through Western Union Money Transfer. D.G. claimed that the funds were sent to him by a relative whose identity he refused to disclose. This raised a suspicion of terrorist financing and resulted in a request for financial information and intelligence on D.G. and two other local associates that were implicated in the investigation relating to securing a Sierra Leone Passport for D.G. with the false name of K.S. The financial report subsequently received from the FIU proved negative on the three targets. Searches also carried out in the living places of the suspected associates did not yield any incriminating evidence. Enquiry with the T&T authorities through Interpol did not reveal TF. The T & T authorities however reported a range of other predicate offences including aggravated robbery and homicide of which he had been declared wanted. For security reasons, including the potential of radicalizing other inmates if indicted, rather than initiating criminal proceeding against him, D. G. was deported back to his country of origin.

211. The second case was also identified on the basis of international cooperation. Although the information received pertained to freezing accounts of a designated individual, the authorities froze the account and commenced TF investigations. The facts of the case are indicated in Box 9.2 below.

Box 4.2. AL M Q case

On 21st February, 2018, intelligence was received from a correspondence sent by a foreign country to the Sierra Leone FIU indicating that one **Al M Q** also known as **Al K** was designated as a terrorist financier of Hezbollah and was residing in Freetown and operating various businesses including **B L Group Limited** and **K Fishing Company**. A request to freeze all his assets was also extended to the Sierra Leone Government.

Based on the intelligence received, TOCU, in collaboration with FIU and CISU instituted an investigation of potential TF and asset tracing of the target, who had surreptitiously left the country for an unknown destination before the report was made. Authorities traced and identified a property which had been owned by **Al K**. However, the property had been sold by **Al K**. In furtherance of the investigation, his former living accommodation was searched, and two occupants found there interrogated. Financial documents including bank accounts records were discovered and referred to the FIU for further enquiry with the FIs concerned. The FIU financial results or analyses have not been availed to TOCU. Investigation continues while the various bank accounts of **Al K** remained frozen.

212. The Sierra Leone authorities are well aware of the risk and impact of terrorism and its financing. They appear to attach high significance to terrorism and TF cases and understand the need for immediate response and investigation of situations that present a red flag. Investigations on terrorism related offences are given high priority and a criminal investigation is opened when the reasonable suspicion is strong enough. However, there is no indication that LEAs have received specialized training on TF investigation and the scope of TF investigations conducted in the above cases appears limited.

213. As indicated in the cases above, there are evidence of collaboration between domestic stakeholders and foreign counterparts to address terrorism generally without particularizing TF. The Office of the National Security (ONS) monitors suspected foreign nationals especially those from high risk jurisdictions in relation to matters of terrorism and terrorists financing. Sierra Leone has implemented proactive measures to forestall potential radicalizations of its citizen through effective intelligence gathering, investigation, and monitoring process conducted by ONS and TOCU.
214. While there is no indication of TF in Sierra Leone, the large community of people from the Middle East with heavy participation in the informal sector particularly, the weakly regulated money remittance service providers have continued to attract greater scrutiny for suspicion of terrorists financing activities. Although, the movement of suspected foreigners in Sierra Leone is monitored, the lack of a robust national identity management system constitutes a major challenge. However, the country has commenced some reforms which is expected to contribute to improving the current national identity management system. For instance, the country recently established the National Civil Registration Authority with the mandate of harmonizing the national identity management system.

TF investigation integrated with –and supportive of- national strategies

215. Sierra Leone’s National Counterterrorism (CT) Strategy includes TF elements. The country’s counter-terrorism efforts resulted in the arrest of one alleged foreign associates of ISIS in March 2016, in a joint Liberia and Sierra Leone enforcement effort (see case in Box 4.2 above). However, there was no indication that comprehensive financial investigations were conducted in the case. It is thus, unclear if Sierra Leone focuses on identifying and investigating TF when handling terrorism - related cases. The authorities did not fully demonstrate that the component of TF is distinctly pursued when conducting investigation on terrorist activity. Although, there is information sharing, including sharing of financial intelligence on the development of authorities’ CT understanding and knowledge. While relevant, these actions do not indicate a systematic integration of TF aspects into terrorism investigation.
216. Sierra Leone is aware of the risk of TF and has developed a National Counter Terrorism Strategy that has as its pillars: prevent, prepare, pursue and protect. Embedded in the strategy, is the TF component that seeks to promote improved intelligence collection and collaboration. There is a close collaboration at national level to address operational issues relating to terrorism and terrorist financing. There is synergy between key stakeholders in the security services as different cooperation and coordination platforms like JIC, NSCCG, exist to share information on terrorism and its financing and there is some degree of cooperation between the supervisory authority and the FIU on the one hand, and the FIU and reporting entities on the other, for the purposes of information exchange on TF related issues. There is also some measure of international cooperation in respect of TF. Nevertheless, comprehensive TF investigation should be systematically incorporated into investigation related to terrorist activity.

Effectiveness, proportionality and dissuasiveness of sanctions

217. Sierra Leone has not prosecuted any terrorist financing case. The sanction regime is clearly stipulated under the AML/ CFT law. However, in the absence of a TF case a determination on the effectiveness, proportionality and dissuasiveness of the sanctions is premature.

Alternative measures used where TF conviction is not possible (e.g. disruption)

218. Disruption tactics through freezing without delay are deployed to address terrorist financing activity where prosecution for a TF may not be possible⁸⁷. Sierra Leone has a framework in place to deal with the implementation of TFS in accordance with UNSCRs 1267 and 1373. Relevant authorities in Sierra Leone monitor suspected TF individuals and organizations including the NPO sector⁸⁸ and are ready to disrupt possible terrorist financing activities when it may not be possible to obtain a conviction for the offence of terrorist financing. The country's understanding of threat and risk of TF is good, especially amongst the relevant LEAs, and there are some practical alternative measures available where TF conviction is not possible.

Overall conclusions on Immediate Outcome 9

219. Sierra Leone generally understands the TF risk it faces and may still be developing measures required to properly and effectively tackle those risks. As noted elsewhere in this report, although some appreciable level of knowledge of TF risk is present among some relevant competent authorities and in financial institutions particularly, commercial banks, the same cannot be said of DNFBPs (with exception of the accountants/auditors belonging to international groups).

220. There is no doubt that there are determined efforts to check and address suspected cases of terrorist activity. However, there is no distinctive detailed understanding or coherent measures, to identify, investigate and prosecute TF cases, notwithstanding the availability of a National Counter Terrorism Strategy that has some elements of TF enshrined in it. There has only been one instance of freezing of assets on account of suspected TF activity which is not much, even if the TF risk in Sierra Leone is low. Coordination between CISU and other relevant competent authorities on terrorism related issues is noteworthy but there is a dearth of skilled investigators that are able to deal with TF investigation. It is important for Sierra Leone to continuously update its understanding of TF and its capacity to investigate TF.

221. **Sierra Leone is rated as having a low level of effectiveness for IO.9.**

Immediate Outcome 10 (TF preventive measures and financial sanctions)

Implementation of targeted financial sanctions for TF without delay

222. Sierra Leone has adopted a regulatory framework for targeted financial sanctions (TFS). However, there remain a number of deficiencies in the country's legal framework on TFS. The regulations provide a basis to implement TFS in respect of designations made pursuant to the United Nations Security Council Resolutions (UNSCRs) 1267, 1988/1989 and 1373, 2001. The CISU is the competent authority responsible for implementation of TFS. The list of designated persons is transmitted through the United Nations (UN) Representative in New York, USA to the Ministry of

⁸⁷ Refer to paragraph 221 where Sierra Leone (FIU) froze property pursuant to a third party request even though the country could not prosecute, as indicated in box 4.1.

⁸⁸ Refer to paragraph 203 where investigation was carried out on suspected terrorism related activity involving a corporation thought to be a charity which was aimed at disrupting the activity.

Foreign Affairs (MFA). The responsible desk at the MFA forwards the list to CISU and CISU disseminates the list to the reporting entities. However, the list is not comprehensively disseminated to reporting entities. Although, there is a framework in place to implement UNSCRs 1267 and 1373, in the case of 1267, reporting entities do not receive the sanctions list transmitted from the United Nations directly and the extent of time it takes the Ministry of Foreign Affairs to transmit the list could not be determined, the MFA transmits the list to CISU. CISU noted that the transmission of the list from the Representative in New York typically took more than 24hrs but could not state specifically how long was taken to implement each designation as such there are delays in the implementation of TFS. Nevertheless, some commercial banks subscribe to software that allows them to screen customers and transactions against the different sanctions lists independently of the formal government channels of transmission of those sanctions lists. The large commercial banks account for a large portion of the financial market, as such the steps taken by these banks to screen customers using their software mitigate inadequate dissemination by the authorities to some extent. The banks have a legal basis to freeze terrorist funds under the AML/CFT law and the Terrorism (Prevention) Regulation. Although, there has not been any positive match so far, based on the regulation, a positive match will be reported immediately to the supervisory authorities and to the Director of the FIU who has powers to freeze under the regulations for a maximum of 48 hours. The Director of the FIU is required to inform CISU immediately. CISU is required to initiate action to ensure no funds are made available to the designee. The law also expressly prohibits conducting business with the designees.

223. Targeted financial sanctions relating to TF is not being comprehensively implemented because a number of players within the financial sector and DNFBPs do not receive the list and therefore do not screen transactions against any sanction list. Sierra Leone has not proposed any person for designation under UNSCR 1267/1988. Although the TF risk in Sierra Leone is low, there is a knowledge gap as regards implementation of TFS. There is no procedural manual /guidance note from any of the sector regulators to assist reporting entities to apply TFS where necessary. Some of the reporting entities especially the DNFBPs do not understand TFS and was unaware of the UNSCRs and UN sanctions list. Moreover, the CISU did not have a comprehensive understanding of their role as stipulated in the regulations related to TFS.
224. As regards UNSCR 1373, there is some measure of implementation of Targeted Financial Sanctions. Specifically, there was an instance of frozen assets of persons suspected to be associated with terrorist financing. In this regard, a third country request to freeze the funds of some Sierra Leonean residents with links to Hezbollah was granted by the country. The FIU informed relevant competent authorities and FIs about the case. The FIU asked FIs to search for the names of the individuals in their files. The funds belonging to these individuals were found in some FIs and these were frozen. However, the country has not received any request for a third-party designation pursuant to UNSCR 1373. Sierra Leone has the requisite legal framework to designate persons and freeze the funds/assets of these individuals or entities pursuant to UNSCR 1373, however, no domestic designation has been made by Sierra Leone under 1373. This is consistent with the country's risk profile.
225. Based on our interviews with the supervisory authorities, little focus is placed on TFS during examinations, thus supervisory authorities do not adequately monitor implementation of TFS by the reporting entities.

Targeted Approach, Outreach and Oversight of at-Risk Non-Profit Organisations

226. There are different categories of NPOs in Sierra Leone, including educational, humanitarian and project-based NPOs. The exact numbers of NPOs is unknown due to the requirement of multiple registrations. NPOs do not register with all the designated competent authorities as required. NPOs that operate as companies are required to register with the CAC, MODEP and SLANGO while those that are not incorporated are required to register with MODEP and SLANGO. However, some NPOs register with only one competent authority. Although NPOs are required to register with MODEP, there are no regular engagements between NPOs and MODEP. Sierra Leone has not conducted a comprehensive assessment of the NPO sector and MODEP has also not carried out targeted monitoring or supervision of entities within the sector. There is no targeted risk-based approach to supervision by MODEP. Authorities conduct random checks on the activities of the NPOs registered with MODEP and SLANGO. MODEP stated that a number of NPOs operating in Sierra Leone are not subject to any form of supervision. However, authorities had conducted outreach to some NPOs to sensitize them on TF issues. Authorities did not indicate whether there was a basis for targeting those particular NPOs. The international NPO met by the assessment team had a good understanding of AML/CFT obligations. The NPO had in place due diligence requirement for donors and required that the fund support must align with the focus area of the NPO. It is apparent that while international NPOs may have AML/CFT policy and procedures, most other NPOs operating in Sierra Leone do not have the same understanding and could be misused for TF purposes.
227. On the basis of a survey of the NPO sector, Sierra Leone has mandated all faith based organizations that seek to embark on the work of charity to carry out the charitable work as a separate operation and register the operation as an NPO with MODEP. An evaluation of the sector by the country has also shown that some Civil Society Organizations that receive funding from international sources could be at risk of being used for TF and competent authorities state that CSOs should be subject to registration and supervision. The self-regulatory body for NPOs, the Sierra Leone Association of Non-Governmental Organizations (SLANGO), works with MODEP to ensure good governance within the sector. However, both MODEP and SLANGO do not have oversight functions over NPOs that are not registered with them.
228. Sierra Leone has conducted some awareness and sensitization within the NPO sector to inform the sector about the potential of being misused or abused for TF purposes. Nevertheless, there is the need to conduct sustained outreach among NPOs and provide some guidance to the sector. Other than MODEP's role with regard to registration, supervision and management of NPOs, there is generally no policy to promote accountability, integrity and public confidence in the administration and management of the NPO sector. There are no accounting and auditing requirements applicable to relevant NPOs, who are permitted to receive funding from sponsors including foreign sponsors.

Deprivation of TF assets and instrumentalities

229. Sierra Leone has frozen assets pursuant to a third-party request made on the basis of the OFAC list. However, authorities indicated that the evidentiary basis for the freezing, which is a civil standard of prove, was not provided by the third country. There has been no other TF case where assets have been seized by the authorities. Based on the above case it will appear that competent authorities can identify and trace

terrorist property and implement freezing action. The timeliness of the freezing action could not be ascertained.

Consistency of measures with overall TF risk profile

230. Although the NRA report rates TF risk as being relatively low in Sierra Leone, the assessment highlighted significant vulnerabilities related to the implementation of TFS as well as the NPOs' lack of understanding of TF risks (even though there has been no known cases of abuse of NPOs for TF purposes). In particular, because NPOs were not assessed in the NRA, the extent of the TF risk posed to the NPO sector is yet to be determined. However, at the time of onsite, the FCWG had developed two questionnaires (one for NPOs and the other for NPO Regulator - MODEP) to assess the level of ML/TF risk in the NPO sector and determine the measures that are in place to mitigate those risks. The questionnaires for NPOs were administered to 138 NPOs by MODEP. Analysis on the completed questionnaires was yet to be conducted as at the time of onsite visit.
231. The extent to which terrorist activity is disrupted and terrorists and terrorist organizations are denied access to funds and other assets through freezing and other measures as required under the TP Regulation 2013 is an important measure and the fact that some reporting entities are unable to implement TFS without delay is a major shortcoming in the country's AML/CFT system.
232. Despite the low level of TF risk in Sierra Leone, there are some TF vulnerabilities such as the free movement through illegal borders both on land and through waterways. In addition, the presence of certain foreign nationals from high risk jurisdictions in Sierra Leone could potentially impact TF activity in the country if proper and effective monitoring and identification systems, including other measures are not put in place. Furthermore, there is a crucial need for vigilance considering the proximity of Sierra Leone to some terrorism-prone countries. Consequently, measures to implement TFS and disrupt suspected terrorist and their financiers should be more effective.

Overall conclusions on Immediate Outcome 10

233. Sierra Leone has a legal framework to implement TFS relating to TF. However, in practice TFS is not implemented without delay across relevant sectors. Sierra Leone will need to establish appropriate legal and institutional frameworks for comprehensive and effective regulation and monitoring of NPOs on a risk sensitive basis. In particular not all NPOs are registered with SLANGO which presupposes that there are potential high-risk activities that could be carried out through the unsupervised NPOs. There has been no comprehensive methodical assessment of adequate TF risk in the NPO sector. There is also inadequate outreach to NPOs DNFBPs and some sections of the financial sector regarding compliance with targeted financial sanction related to TF. Additionally, local NPOs are vulnerable to the extent that there is an absence of adequate controls to ensure that funding or donations are not linked to TF activity. The extent to which terrorist activity is disrupted and terrorists and terrorist organizations are denied access to funds and other assets through freezing and other measures as required under the TP Regulation 2013 is an important measure and the fact that some reporting entities are unable to implement TFS without delay, is a major shortcoming in the country's AML/CFT system. Consequently, measures to implement TFS and disrupt

suspected terrorist and their financiers from raising and moving funds should be more effective

234. **Sierra Leone is rated as having a low level of effectiveness for IO.10.**

Immediate Outcome 11 (PF financial sanctions)

Implementation of targeted financial sanctions related to proliferation financing without delay

235. Sierra Leone does not have a legal framework and mechanism to facilitate the implementation of TFS related to PF without delay. There are no guidance documents to aid the competent authorities and reporting entities' understanding of the obligation to implement TFS in relation to the financing of proliferation. It is important to state that although Sierra Leone has signed the Nuclear Non-Proliferation Treaty as a member of the United Nations, the treaty has not been domesticated such as to give the treaty the force of law domestically. In addition, the Nuclear Safety and Radiation Protection Act, 2012 does not cover TFS related to PF, while the mandate of Nuclear Safety and Radiation Protection Authority does not include implementation or enforcement of financial sanctions relating to financing of proliferation. As no guidance has been provided in relation to TFS related to PF, the level of awareness on countering PF among the various sectors (other than banks belonging to international groups) is generally very low.

Identification of assets and funds held by designated persons/entities and prohibitions

236. There are no mechanisms in place that permits reporting entities to apply the requisite measures to identified assets and funds held by designated persons or entities or prevent them from operating or executing financial transactions related to proliferation. However, commercial banks, particularly banks that are part of international groups interviewed during the onsite visit indicated that they have some internal measures, including screening their customers against databases provided by the group (database covers sanctions lists, including Iran and DPRK lists), to implement the TFS relating to PF and understand that if there is a positive match they should act without delay. As at the time of onsite visit, there had been no match identified with respect to PF.

237. Given that there are no legislative provisions on implementation of the TFS relating to PF, it will be unclear to the banks that are aware of the TFS related to PF implementation obligations what steps they could take in case there is a match. Overall, reporting entities and national authorities do not have the relevant powers and procedures to apply measures with regard to freezing of assets of designated persons and entities in relation to PF.

FIs and DNFBPs' understanding of and compliance with obligations

238. The understanding of reporting entities and their compliance with obligations to implement UN TFS related to PF cannot be determined as there is no legal framework implementing the relevant obligations. As mentioned earlier, except commercial banks belonging to international groups that demonstrated a fair understanding of their obligations regarding TFS on PF, other FIs were unfamiliar with or had low

understanding of PF and implementation of the obligations relating to PF. The understanding of the commercial banks belonging to international groups is derived from their group's policy/ requirement which broadly covers PF related issues. The DNFBPs have not started complying with other AML/CFT obligations in general, therefore they have not yet taken any initiative to comply with the UNSCRs relating to the combating of financing of proliferation on their own.

239. While the FIU has provided some training on AML/CFT measures, there is no evidence that such training included topics on the implementation of the TFS related PF, and there has been no outreach conducted to the reporting entities specifically with regard to the PF and the application of TFS. As at the time of onsite visit, there was no country-specific guidance developed on TFS relating to PF to enhance understanding of reporting entities and compliance with their obligations.
240. It is the view of the assessment team that the institutional framework to check on compliance with the implementation of these measures should be included in the supervisory framework on AML/CFT.

Competent authorities ensuring and monitoring compliance

241. There is no legal framework established to implement TFS related to PF and no competent authorities are designated, and vested with powers to ensure and monitor compliance of implementation of UN TFS related to PF.
242. Assessors observed from sample onsite examination reports of BSL (the ones for FIU were not provided) that their examinations did not cover compliance to TFS related to PF. In general, supervisory authorities were not undertaking compliance monitoring for PF, and no specific actions have been taken and no sanctions have been applied by supervisory authorities with regard to compliance with the TFS related to PF regime. This may be due to the absence of the appropriate legal and institutional frameworks for the implementation of TFS relating to the financing of proliferation. Thus, an appropriate framework to implement the UNSCRs relating to PF will need to be incorporated into the existing supervisory framework on AML/CFT controls.
243. Overall, the authorities had not taken significant action to monitor and assess the exposure of Sierra Leone's trade or possible financial links to proliferation related sanctions evasion. Coordination of actions to prevent proliferation sanction evasion by different agencies of Sierra Leone had not taken place as at the time of onsite.

Overall Conclusion on Immediate Outcome 11

244. Targeted financial sanctions related to PF has not been implemented in Sierra Leone. The country does not have a legal framework and mechanism to facilitate the implementation of TFS related to PF without delay. Hence, there is no requirement for and no monitoring of reporting entities to apply the measures to identify assets and funds held by designated persons or entities or prevent them from operating or executing financial transactions related to proliferation.
245. **Sierra Leone is rated as having a low level of effectiveness for IO.11.**

Chapter 5. PREVENTIVE MEASURES

Key Findings and Recommended Actions

Key Findings

- a) FIs, especially commercial banks have good understanding of ML/TF risks and AML/CFT obligations but this is less robust in smaller banks. The banks have developed internal procedures and programmes to identify, assess, and understand their risks. The awareness and understanding of risk by NBFIs (insurance, securities and other FIs) varies but is generally low. In particular, the understanding of risk by bureau de change/ foreign exchange is very low and still at an emerging stage. Similarly, the understanding of AML/CFT obligations varies but generally low across NBFIs.
- b) Commercial banks demonstrated good knowledge of AML/CFT requirements and are applying risk-based approach. They have developed and are applying appropriate mitigation measures (AML/CFT controls and processes), to mitigate risks. Such measures are less developed among NBFIs, including bureau de change / foreign exchange bureaus, especially in relation to EDD, ongoing due diligence, identification of PEPs and establishment of beneficial owners of their customers.
- c) DNFBPs demonstrated little or no understanding of their peculiar ML/TF risks and majority seemed unaware of their AML/CFT obligations.
- d) AML/CFT measures and risk mitigation programmes for DNFBPs are either non-existent or where they exist, are less developed. Overall, majority of the DNFBPs are beset with structural weaknesses, and compliance knowledge as well as AML/CFT control measures currently available in the DNFBPs is not adequate to mitigate their ML/TF risks.
- e) CDD and record keeping requirements are largely complied with by most FIs, although more sophisticated in the banking sector. Generally, commercial banks apply adequate CDD/EDD measures and demonstrated a good understanding but have some difficulties in the implementation of BO requirements. Nevertheless, some challenges still exist in the implementation of effective CDD measures, including identification of family members and associates of PEPs. Other FIs do not have robust measures such as CDD/EDD in place. In relation to DNFBPs, record-keeping systems and the application of CDD and enhanced measures are weak. In addition, they do not understand their obligations and requirements regarding the identification of PEPs and beneficial ownership.

- f) Commercial banks have good understanding of their reporting obligation but overall number of STRs filed is considered low given the significance of the banking sector and the risks it faces. They banks have put in place automated transaction monitoring systems to detect and monitor transactions for purposes of reporting suspicious transactions to the FIU and accounted for over 95% of the STRs filed to the Unit. Bureaus de change and legal professionals (law firms) made negligible contribution to the STRs filed to the FIU. In general, received STRs are of good quality and have enabled the Unit to undertake its analysis, but they are not reflective of the most important proceed generating crimes. In addition to STRs, CTRs and FTRs are also filed to the FIU. Overall, NBFIs and DNFBPs show little or no awareness and implementation of reporting obligation, which is of serious concerns.
- g) Commercial banks have a good application of internal controls. AML/CFT compliance functions are well-resourced and involve regular internal audits and trainings. Some NBFIs have appointed compliance officers and have basic internal controls in place. Internal control policies and procedures in the DNFBPs are generally lacking, except in few, such as international accounting firms. DNFBPs do not carry out AML/CFT specific training.
- h) Commercial banks demonstrated good understanding and application of UNSCRs targeted financial sanctions. They have deployed sanctions screening or ICT applications for monitoring of UNSCRs on targeted financial sanctions and subscribed to some commercial databases with instant notification of changes to the Sanctions list. NBFIs and DNFBPs showed little or no understanding in this regard.
- i) The NRA identified DNFBPs as high risk. However, application of preventive measures by DNFBPs is generally weak and in some instances non-existent. They have not conducted internal risk assessments and are not implementing their STR reporting obligations. Majority lack internal policy and procedures to implement measures to identify customers, including application of EDD, and monitor their transactions and activities. Other than large accounting /auditing firms belonging to international groups, other DNFBPs have little or no internal AML/CFT control measures. The weak or non-implementation of AML/CFT measures by DNFBPs therefore has adverse impact on the overall effectiveness of preventive measures in Sierra Leone.

Recommended Actions

- a) Ensure that FIs (other than commercial banks) and DNFBPs conduct institutional ML/TF risk assessment, taking into account the results of the NRA, in order to have proper understanding of ML/TF risks facing them. In this regard Sierra Leone should provide practical ML/TF risk guidance and necessary technical support to reporting entities and supervise/monitor the adoption and implementation of AML/CFT measures in order to facilitate compliance. Higher risk sectors (including foreign exchange bureaus, DPMS, and real estate agents)

should be the priority targets for such actions. In addition, commercial banks should take into account the findings of the national ML/TF risk assessment when reviewing their own ML/TF risk assessments.

- b) Ensure that commercial banks strengthen implementation of their AML/CFT programmes while other reporting institutions (NBFIs and DNFBPs) implement a risk-based approach to AML/CFT controls, especially in relation to EDD, ongoing due diligence and establishment of beneficial owners of their customers. In particular, authorities should: (i) undertake rigorous and sustained awareness campaign amongst NBFIs and DNFBPs, particularly those identified as high risk including real estate agents, DPMS; and foreign exchange bureaus, and develop sector specific AML/CFT guidelines for DNFBPs to facilitate understanding and implementation of their AML/CFT obligations; and (ii) promote the establishment of self-regulatory bodies / industry specific association (where they do not exist) to facilitate engagement with NBFIs and DNFBPs. Awareness raising campaigns and development of guidelines should be undertaken in collaboration with the relevant SRBs/industry associations.
- c) Take necessary measures, including awareness raising, provision of appropriate guidance, and sector specific training on reporting obligations to improve the quality and quantity of STRs (including TF related STRs) by commercial banks and ensure that other FIs and DNFBPs, especially those identified as high risk in the NRA, detect and file STRs and other statutory reports to the FIU. In this regard, supervisors with support of the FIU should ensure that reporting entities internal policies and controls enable their timely review of complex or unusual transactions, and potential STRs for reporting to the FIU.
- d) Ensure that reporting institutions implement effective CDD measures. In this regard, Sierra Leone should speed up ongoing efforts to establish a centralized national identification database (i.e. centralization of databases on international passport, driver's license, national identity card, voter's identity card etc.) under the National Civil Registration Authority. When completed, Sierra Leone should ensure the regular update of data and accessibility by reporting entities and other users. In addition, Sierra Leone should improve the address/identification system in the country. Overall, these will facilitate effective implementation of CDD measures, including identification of beneficial ownership by reporting entities.
- e) Ensure that FIs (other than commercial banks) and DNFBPs should understand and effectively apply targeted financial sanctions.
- f) Ensure that reporting entities (other than commercial banks) have AML/CFT training programmes and provide continuous training on AML/CFT requirements to staff for effective implementation of their AML/CFT obligations. This should be undertaken in consultation with industry associations (where they exist).
- g) Bring the necessary technical adjustments to the AML/CFT framework regarding PEPs. In particular, the technical deficiency relating to the limitation in the definition of PEPs (i.e none coverage of PEPs link to international

organizations) should be addressed in the relevant legal or regulatory framework in order to enhance implementation of EDD measures relating to PEPs.

246. The relevant Immediate Outcome considered and assessed in this chapter is IO.4. The Recommendations relevant for the assessment of effectiveness under this section are R.9-23.

Immediate Outcome 4 (Preventive Measures)

247. As underlined in Chapter 1 (see paragraphs 68-84), the banking sector dominates the financial sector and handles the largest number of transactions that occur in the country. Based on its overall market share or size and importance in the economy, its interconnection with the international financial system and level of exposure, the banking sector is considered the most relevant in the AML/CFT system, and is weighted the most significant. Foreign exchange bureaus are weighted as moderately important based on the cash intensive nature of the business, activities of unlicensed operators, and the exposure to ML/TF risks. The insurance and securities sectors, and Other FIs are smaller in size and have a limited volume or number of transactions, with an impact on the AML/CFT prevention system of low importance.
248. Taking into account that the Sierra Leonean economy is largely informal, and that the high use of cash is an important vulnerability, DNFBPs are especially important in the country's context. In particular, DPMS is considered very significant due to the size /number of operators in the sector and the sector's significance to the Sierra Leonean economy. In addition, the sector represents an important ML vulnerability, especially in relation to illicit trade and corruption in the context of unlicensed artisanal production. Real estate agents, and lawyers are weighted as moderately important based on exposure to ML/TF risks. Other DNFBPs are considered to be less important.

Understanding of ML/TF risks and AML/CFT obligations

Financial Institutions (FIs)

249. The understanding of ML/TF risks and AML/CFT obligations is at varying levels across the financial sector. Generally, the understanding is more developed in the commercial banks and stronger among banks belonging to international groups. The level of awareness and understanding of ML/TF risk and AML/CFT obligations is fairly good amongst remittance service providers and mobile money service providers, low in the insurance sector and very limited or lacking in the remaining FIs.
250. Some of the FIs interviewed participated in the NRA exercise through answering questionnaires prepared by the national authorities and took part in the workshop for the adoption of the NRA report. As such, they were aware of the results of the NRA. Nevertheless, not all FIs interviewed agreed with the findings. Some of them, especially the insurance operators, considered that the NRA might have overestimated the ML/TF risks that their sector faces. There was no evidence of additional outreach by the authorities to the insurance companies after the adoption of the NRA report to provide further information justifying the risk rating. Overall, the AT believes the disagreement is largely due to knowledge gaps – as the insurance companies do not have robust mechanisms in place to conduct internal risk assessments on their products and services, and have little understanding of the risk facing them. In addition, although

the lawyers met had difficulties in accepting the findings of the NRA as it relates to the legal profession, they did not outrightly disagreed with these findings.

251. Commercial banks interviewed during the on-site visit demonstrated a good understanding of the inherent ML/TF risks and the application of AML/CFT requirements. They have developed and implemented internal procedures and programmes to identify, assess, and document their ML/TF risks on a regular basis. They have in place ML/TF risk management framework and have conducted internal ML/TF risk assessments of their customers, products, geographic location, transactions, payment channels, etc. Specifically, the understanding is more comprehensive among larger banks and those belonging to international financial groups. Foreign-owned or controlled banks have benefitted from their group practices whose policies require regular comprehensive group-wide risk assessments and developing mitigating measures commensurate with the risks identified. As a result, they have put in place the comprehensive AML/CFT procedures to address the risks identified by relying on the AML/CFT Act and group AML/CFT policies taking into consideration the peculiarities of Sierra Leone. The remaining banks demonstrated a reasonable understanding of ML/TF risks and application of the AML/CFT measures, although not as robust as the foreign-owned or controlled banks.
252. Commercial banks indicated that risk assessments are conducted periodically and at three levels: on an annual basis as required by the banks' risk management policy, semi-annually as required by the Directives and Guidelines for FIs on the Prevention of ML/TF or on a need basis, for example prior to the introduction or rollout of new products or services. However, some of the banks interviewed raised concerns about the six monthly period stipulated by the Directives and Guidelines for FIs for the review of risks as they noted that it poses practical difficulty in terms of implementation. In general, the six monthly period stipulated by the Directives and Guidelines for FIs could inhibit implementation of effective RBA by FIs. Risk assessment by FIs should be flexible, based on changes in business activities, customer profile, services and products offered, payment methods and jurisdictions and more frequently for higher risk customers, products/services, etc.
253. There is consistency across the banking sector regarding client types, services, etc that are identified as potential areas of high risk on which enhanced due diligence measures are applied. For instance, the ML/TF risk assessment reports of commercial banks generally identified products and services (cross border remittances and e-products), customers (PEPs), geography (regions along the borders with Guinea and Liberia due to porosity) and sectors (casinos and gambling, hospitality, extractive industry such as mining and timber) as high-risks and most vulnerable to ML/TF. The risk assessment reports also indicated that banks face some challenges in the verification of identification documents and obtaining beneficial ownership information. As a result of the risk assessment, some of the commercial banks have either terminated or restricted business relations and transaction with some high-risk customers, sectors or regions. The commercial banks also indicated that TF risks are minimal in the country.
254. Small to medium size commercial banks displayed varying level of understanding of the ML/TF risks facing them and their AML/CFT obligations. They do not have robust risk assessment framework in place, have not undertaken comprehensive business-wide risk assessment and as a result have lower understanding of risks compared to the larger commercial banks. Although they are aware of the AML/CFT

obligations, a few of them are yet to establish appropriate or comprehensive AML/CFT control measures.

255. **Microfinance institutions (MFIs) and Rural Community Banks (RCBs)** demonstrated little or no understanding of the ML/TF risks faced by them and showed very limited understanding of their AML/CFT obligations. They do not have the appropriate framework to assess and understand their risks and lack appropriate internal AML/CFT compliance programmes. This may be attributed to the lack of AML/CFT inspections on MFIs and RCBs by the BSL.
256. **Insurance Sector** in Sierra Leone has generally a low level of understanding of the ML/TF risks facing their operations and AML/CFT obligations. Insurance companies interviewed demonstrated low understanding of ML/TF risks and their AML/CFT obligations. They do not have robust mechanisms in place to conduct internal risk assessments on their products and services and as a result, have little understanding of the risk facing them. Although some of them participated in the NRA, they are not familiar with the risks facing the sector as contained in the NRA, and do not agree with the high-risk rating ascribed to the sector in the NRA. They believed there is little or no ML/TF risk in the sector because of the low volume of transactions, low penetration of the insurance sector in the country, and the size of the sector, less than one percent of GDP (see paragraph 74). Similarly, agents and brokers of insurance companies do not have framework in place to assess their ML/TF risks and lacked understanding of their AML/CFT obligations. As the first contact point for insurance companies, it is necessary for them to have adequate understanding of their AML/CFT obligations, including reporting obligation. Following awareness by SLICOM, some of the insurance companies have appointed compliance officers and in the process of establishing Compliance Officers Association for the sector.
257. **The Securities Sector** in Sierra Leone is at its infancy⁸⁹ and represents the smallest segment in the financial sector. Assessors were informed by BSL that there were no active trading activities in shares in the capital market. The Money Market is actively trading in treasury instruments with some commercial banks and two discount houses as dealers. Dealers in these markets, especially the two discount houses demonstrated little or no understanding of ML/TF risks associated with their operations and have limited knowledge of the risk identified in relation to the securities sector in the NRA. In relation to AML/CFT obligations, they showed a limited understanding of their obligations.
258. **Foreign Exchange Bureaus** demonstrated similar pattern of little or no understanding of ML/TF risks and their obligations relating to the application of mitigating controls. The sector is not being supervised or monitored for compliance with AML/CFT requirements which may partly contribute to their lack of understanding of risk and AML/CFT obligations.
259. **The Remittance Service sector** consists of both local and international players. The foreign owned remittance service providers demonstrated a better understanding of ML/TF risks compare to the local remittance service providers. Overall, the providers have relatively good understanding of their AML/CFT obligations and have implemented some policies and procedures which include procedures for KYC, record keeping, etc. Before remittances are processed, they require information on

⁸⁹ NRA

identification, address, etc. The Assessment team was informed by BSL that only one institution (agent) performs both outbound and inbound remittances, while the remainder of the providers receive inbound and only perform local remittances. The outbound remittances are conducted through global remittance service institutions which require them to apply necessary AML/CFT control measures, thus enhancing their understanding of AML/CFT obligations.

260. The representatives of the Mobile Money Service providers met by the Assessment team demonstrated a general understanding of their ML/TF risks on account of their affiliation to their group or GSM Association (global association that supports and promotes mobile operators using the GSM mobile standard) but are not aware of the findings in the NRA report. The exhibited fair understanding of their AML/CFT obligations and have some control measures, including KYC, transaction limit, and record keeping in place.

DNFBPs

261. In general, the level of understanding of DNFBPs of ML/TF risks and their AML/CFT obligations (with exception of the accountants/auditors belonging to international groups) is very low and in some cases lacking. This may be attributed to the lack of AML/CFT monitoring by the Institute of Chartered Accountants of Sierra Leone; General Legal Council; or the FIU. For instance, the Assessment team noted that all DNFBPs have not had any AML/CFT compliance inspection from the supervisory authorities during the period under review. Majority of the DNFBPs are beset with structural weaknesses and there are no sector specific AML/CFT guidelines to facilitate understanding of their obligations.
262. The DNFBPs interviewed by the assessment team did not participate in the NRA process and thus were not aware of the findings of the NRA relating to them. Overall, DNFBPs have negligible or lack proper appreciation of the existence and extent of ML/TF risks in Sierra Leone.
263. **Dealers in Precious Metals and Stones, especially dealers in Diamonds** were not aware of the ML/TF vulnerabilities arising from the peculiar characteristics of their business activities. They demonstrated no understanding of the ML/TF risks and displayed complete lack of knowledge of their AML/CFT obligations. Dealers in diamond viewed AML/CFT as the obligation of NMA. The main concern for dealers, including exporters in the sector is adhering to the Kimberley Process, which is about ensuring that conflict diamonds are removed from the global diamond trade. In general, the various entities operating in the DPMS sector do not have frameworks to assess and understand their ML/TF risk and have negligible or no understanding of the findings of the NRA and AML/CFT obligations.
264. **Legal Professionals** (Lawyers) provide various services for and on behalf of their clients, including buying and selling of real estate. However, lawyers met by the Assessment team demonstrated low level of understanding and awareness of ML/TF risks. Although they have had minimum level of engagement with FIU in terms of awareness and training, the level of understanding of their obligations under the AML/CFT Act is limited. For instance, the lawyers require basic information from their clients, such as their name, address, place of work and identity documents, but AML/CFT is not the focus in this process. The FIU and GLC have not provided sector specific AML/CFT guidelines for lawyers and the legal profession which may have contributed to the low level of understanding of their AML/CFT obligation.

265. **Accountants/Auditors** belonging to global firms or international groups demonstrated good understanding of ML/TF risks and their AML/CFT obligation. Those interviewed by the Assessment team indicated that they apply the global firms' policy which takes into consideration ML/TF risks and their obligations under the AML/CFT Law. However, the Assessment team noted that there seemed to be inadequate consideration for AML/CFT issues, such as suspicious transactions reporting when they are providing services to clients. Accountants and auditors belonging to local and small firms, as well as those operating as sole proprietors have a limited understanding of ML/TF risk and their AML/CFT obligations. ICASL has not issued AML/CFT guidelines for the accountancy and audit sector to facilitate understanding of their risks and obligations.
266. **Real Estate Agents** interviewed demonstrated low understanding of ML/TF risks and their AML/CFT obligations. They do not have mechanisms that can assist them assess and understand their ML/TF risk, and are not familiar with the risks facing the sector, including those contained in the NRA. Although the FIU has commenced some engagements with operators in the sector, including awareness raising and registration of operators (both companies and agents), these are still at early stages. The registration is the beginning of efforts or first step to: (i) organize the sector which currently has various agents but highly unorganized or without industry association, and (ii) provide them the necessary support to understand their ML/TF risk and AML/CFT obligations.
267. **Casinos** operating in Sierra Leone are owned and run by foreign nationals and the players are both locals and foreigners. Casino operators that met with the Assessment team were not aware of ML/TF risk associated with their business activities. They demonstrated little understanding of some elements of their AML/CFT obligations, especially CDDs. They believe that their activities are risk-free given that the sector has very small number of players who are known by the operators and stakes and cash payouts are also small. They highlighted the need for guidance on promoting understanding of ML/TF risks facing their sector and understanding of AML/CFT requirements.
268. Overall, the assessors are of the view that the lack of internal ML/TF risk assessments in the DNFBPs and absence of AML/CFT compliance monitoring programmes represent significant ML vulnerability.

Application of risk mitigating measures

269. Assessors found that the practical application of the mitigating controls significantly varies between FIs and DNFBPs, as well as within FIs and DNFBPs in Sierra Leone. The Assessment team observed that reporting institutions having ML/TF risk assessment frameworks in place demonstrated a better application of the AML/CFT measures than those without. For instance, the large commercial banks applied more rigorous mitigating measures (such as several levels of senior management approvals and on-going monitoring) on customers or transactions considered high risk, including PEPs, cash-intensive industries (e.g., real estate and bureau de change businesses), casinos and cross-border wire transfers.
270. With the exception of commercial banks, the rest of the NBFIs and DNFBP sector demonstrated a limited or complete lack of application of the appropriate mitigating controls such as screening of customers or transactions prior to approval, including

using commercial databases for screening of customers and transactions against UNSCRs targeted financial sanctions List.

271. Generally, the AML/CFT measures applied by DNFBPs are weak or inadequate.

Financial institutions

272. **Banks:** Large and foreign owned commercial banks apply a risk-based approach in implementing mitigating measures which include sound procedures and practices in the assignment of risk rating to each customer at the time of on-boarding. They generally consider relevant factors in determining customer risk categories and apply commensurate CDD measures and levels of scrutiny. They were able to aptly communicate the factors that attributed to high risk customers, and described their established enhanced procedures and how they mitigate against risks. They have applications or electronic systems that allow them to identify inconsistencies with parameters of a customer profile, flag unusual or high-risk jurisdictions involved in a transaction, etc. This practice strengthens ongoing monitoring, contributing to a sound implementation of risk mitigation measures. Overall, the practice of risk categorization at the time of on-boarding, assessment of their customers' ML/TF risks levels, assessment of new geographic areas and products, etc lead to the appropriate application of mitigating measures commensurate with the risks identified. On the other hand, the lack of robustness in the internal risk assessment by smaller banks impact adversely on the adequacy or extent of mitigation measures applied by these banks.
273. **Securities Sector:** In general, there is some level of application of mitigation measures in place, including cash transaction limit of Le50 million (approximately US\$5,263), record keeping, and some form of customer identification procedures. Verification of sources of funds and customer identification are limited to those performed by the intermediaries, mainly banks. There are deficiencies in relation to the assessment of their customers' ML/TF risks levels and the monitoring of transactions based on the customers' risk profiles. Overall, the mitigation measures being implemented by the sector is not commensurate with the risk level of the sector.
274. **Insurance Sector:** Insurance companies apply limited mitigating measures against the ML/TF risks associated with their operations. For instance, they apply limited customer identification measures (i.e. identification by presentation of an identity document without verifying identity of customers), customer risk categorization is rarely done due to poor risk assessment, and there is little or no ongoing monitoring or surveillance of their clients. Although majorities of the insurance companies have appointed compliance officers, they demonstrated little understanding of risk based mitigating measures and there are significant deficiencies in the application of these measures by insurance companies, as well as insurance companies' agents and brokers. Overall, the development and application of risk mitigation measures by the sector is limited and weak or at best, at the beginning stage, and not commensurate with the risk level in the industry.
275. **Remittance service providers, and mobile money service providers,** generally have good mitigation measures in place, commensurate with the level of the risks they face. Particularly, those entities with affiliation to globally licensed and recognized providers who apply, to the extent possible, the policies and procedures of the parent companies. Representatives of the mobile money service providers interviewed demonstrated a good understanding of the mitigation measures they are applying. For

example, mobile network providers require registration and photograph during on-boarding of customers, which are used to monitor customers' transactions as well as risk classification of customers. Additionally, they also track unusual transaction pattern of their customers. Amongst other mitigation measures, remittance service providers have transaction limits, and do not make transfers to countries identified as high risk by their parent organization.

276. In relation to **Foreign Exchange Bureau**, the mitigating measures are not adequate to deal with the specific risks of the sector, such as the cash intensive nature of the business, activities of unlicensed operators, and the high rates of informal economy acknowledged in the NRA, which considerably expose the sector to ML/TF misuse. For instance, the application of CDD measures is grossly deficient. Most of the customers for foreign exchange bureaus / bureaux de change are walk-in customers, who, in most instances do not present identification documents or even where they present identity documents, these documents are not authenticated. Some efforts that have been made by the authorities, including the study on *The unregulated street hawking of local and foreign currencies by peddlers* conducted by the FIU have not translated into an adequate efficiency of risk mitigation measures in the sector.
277. **Other financial institutions, including rural community banks, and microfinance banks**, generally have weak internal systems and controls to adequately mitigate ML/TF risks associated with their businesses. They do not have procedures for identifying and verifying the source of funds of clients. The mitigation measure undertaken by these institutions is mainly limited to customer identification (presentation of any form of the client's identity). In general, the level and quality of risk mitigating measures applied by these entities is weak. This may largely be due to their smaller business size and limited human and financial resources.

DNFBPs

278. Overall, the DNFBPs in Sierra Leone have not undertaken internal ML/TF risk assessments to identify, assess and understand their risks to inform application of AML/CFT measures. They demonstrated limited application and implementation of their respective AML/CFT obligations. For instance, the non-filing of STRs (with exception of legal profession and BDCs that filed negligible number of STRs), insufficient or absence of AML/CFT policies, poor records keeping system, weak or lack of CDD measures, absence of enhanced due diligence measures for high risk customers and transactions as well as the lack of staff training and screening procedures for AML/CFT purposes, are clear indications that DNFBPs do not adequately apply mitigation measures. This is a major concern as the DNFBPs in Sierra Leone are vulnerable to ML activities or identified as high risk in the NRA.
279. **Dealers in Precious Metals and Stones, especially dealers in Diamond** interviewed exhibited extremely poor knowledge of AML/CFT. There was no evidence that they conduct assessments of their inherent risks, establish internal policies, and apply a risk-based approach in customer classification, profiling and monitoring of their customers. Overall, they apply little or no AML/CFT mitigation measures. No sector specific AML/CFT guideline has been issued to facilitate understanding of AML/CFT obligations and application of commensurate mitigation measures. Engagement with the NMA is largely on prudential issues.
280. **Legal Professions (lawyers)** are not applying AML/CFT mitigation measures that are commensurate with their risk level. The lawyers interviewed by the assessment

team intimated that they require basic information from their clients, such as their name, address, place of work and identity documents. However, Assessment team noted that AML/CFT is not considered as a focus in this process. For instance, the lawyers perform stringent verification procedure regarding the authenticity of the ownership of a real property and pay little or no attention to ascertaining the origin of the source of funds of their clients, as well as the identity of buyer / beneficial owners.

281. **Accountants/Auditors** interviewed demonstrated fair (in the case of large accounting firms belonging to international group) or no implementation of AML/CFT mitigating controls. The local accounting/auditing firms have not incorporated AML/CFT into their activities. Authorities have not issued AML/CFT guidelines for the sector while ICASL is yet to incorporate AML/CFT requirements into the standards and principles of good practice of accountants and auditors in Sierra Leone to facilitate understanding of AML/CFT obligation and application of mitigation measures.
282. **Real Estate Agents** have not commenced assessment of their ML/TF risks and the development and application of risk mitigation measures. Although they require some limited basic information from their clients, such as their names and addresses during transactions, AML/CFT is not the focus in this process. In addition, they do not pay attention to ascertaining the origin of the source of funds of their clients, as well as the identity of buyer / beneficial owners. Ongoing engagement of the FIU with the sector is expected in the near future to assist agents in the sector to become aware of their obligations, including application of appropriate risk mitigating measures.
283. **Casinos** have not commenced assessing their ML/TF risk and lack policies, procedures, and controls that can reduce and effectively manage the risks associated with their business. Casino operators interviewed demonstrated little knowledge of CDD requirement but rarely implement customer identification. They informed the Assessment team that they do not always ask for identification documents because players are always reluctant to present identification documents but indicated the risk-free nature of their activity given that the sector has very small number of players who are known by the operators and stakes and cash pay-outs are also small. Overall, they exhibited very poor knowledge of AML/CFT, and are not applying appropriate risk mitigation measures.

Application of CDD and record-keeping requirements

284. The AML/CFT framework in Sierra Leone requires reporting entities to adopt and implement CDD and record keeping measures. The framework also recognizes a risk-based approach to CDD measures commensurate to customer and transactions risk levels. Some FIs have assessed their risks and based on the understanding of the risks, applied commensurate CDD measures to manage and mitigate the risks identified. Assessors observed that reporting entities level of implementation of CDD and record-keeping requirements varies but generally better in the FIs (especially the banks) than DNFBPs. However, a common challenge across all sectors is the verification of beneficial ownership information.

Financial Institutions

285. **Commercial Banks:** Generally, commercial banks are aware of their AML/CFT obligations to keep records as well as carry out CDD procedures before and during the process of establishing business relationship and when conducting a transaction, either one-off or within an existing relationship. Commercial banks, particularly large and foreign owned, have put in place adequate measures to effectively undertake CDD and

maintain records of their customers and transactions. They have guidelines and procedures for proper identification and verification of different categories of customers. They conduct KYC/CDD and obtain all the required CDD information, as well as maintain the necessary documentation/records. Records obtained through CDD measures, account files and business correspondences, and results of analysis undertaken as well as transaction records are kept for a period of at least 5 years from the end of the business relationship or the execution of the transaction. These records can be produced and made available to competent authorities as and when needed. National authorities, especially the FIU and BSL confirmed that they easily access information from the banks for the purposes of analysis or AML/CFT onsite/offsite examinations.

286. Commercial banks met by the Assessors during the onsite visit indicated that they obtain adequate information at account opening stage to develop an understanding of normal and expected activity for the customer's occupation or business operations, which is then used to determine the customer's risk profile. In the case of a natural person, the information includes full names, date of birth, country of origin, permanent residential address, proof of national identity (passport, or driver's license), work permit (in case foreign nationals) etc. For legal persons or arrangement, they seek and obtain CDD information such as articles of association, memorandum of association, certificate of incorporation, identity of beneficial owners, principal shareholders and physical addresses, and any other person authorized to act on behalf of the legal person or arrangement. In addition, they conduct further CDD measures by identifying and verifying the customers where they have suspicion of ML/TF or where they have doubts about the veracity of the previously obtained customer identification data by using bank reference checks, and other independent sources of information such as publicly and/or commercially-available databases to verify the information provided. Banks generally tend to refuse customers, when the necessary information to comply with the CDD requirements cannot adequately be obtained. Banks interviewed indicated that they have refused some clients/businesses on account of incomplete CDD. With regard to remediation of legacy accounts, while the large banks have conducted some client information remediation process with specific focus on high-risk customers, the other sectors were in the process of customer remediation exercise, efforts by the smaller banks to undertake the customer remediation exercise is still at preliminary levels.
287. Banks generally use various forms of identification documents or sources for the identification of clients. These include national ID card, drivers' license, passport, and voters' ID cards (address verification only). These identification documents are used to open account for customers. Commercial banks met by the Assessors stated that verification of identity documents presents some challenges, reinforcing findings in the NRA on the challenges associated with the country's identity infrastructure, which impact adversely on implementation of CDD measures. There is no automated system to authenticate the identity documents presented by clients. Therefore, banks largely rely on security features on these identity documents. They indicated that the identity documents are forgeable but so far, there has been no case of forgery related to the identity documents presented to the banks for CDD purposes.
288. Banks are well aware of beneficial ownership requirements in the law and have incorporated these requirements in their internal procedures. In practice, identification and verification of ultimate beneficial owners (UBOs) are applied at varying degrees across the banking sector. In general, the large and foreign owned banks demonstrated

a higher understanding and application of UBO verification measures compare to smaller banks. Banks rely on client declarations (e.g. in the account opening package); information on corporate structure charts which are verified by clients; other reliable documentation such as articles of association, and minutes from meetings of shareholders in order to satisfy themselves that they have found out the real beneficial owner of a legal person or legal arrangement. In extreme cases, some banks indicated they will decline the relationship where the risk is very high and they cannot establish the UBO but where the risk is tolerable, they can accept the business relation but apply enhanced controls to mitigate and manage the risk. Overall, the Assessment team observed that: (i) obtaining accurate and complete beneficial ownership information, especially on customers who are, or transactions, involving foreign nationals, remains a major challenge for the commercial banks; (ii) some banks do take reasonable steps to establish the true identity of the UBO information in respect of their customers and transactions they process; and (iii) the verification of normal CDD information poses a less challenge than UBO for banks in Sierra Leone.

289. **Securities Sector:** Operators interviewed do not have internal KYC/CDD policy and procedures. Customer identification and verification as well as verification of sources of funds are limited to those performed by the intermediaries, mainly banks. Similarly, operators do not implement the requirement on the identification and verification of beneficial ownership. There was no indication that securities market operators have refused customers or business as a result of incomplete CDD. The discount houses understood their record retention obligation and are aware that records should be kept for a period of at least 5 years from the end of the business relationship or the execution of the transaction. In general, the BSL is able to obtain relevant information from the discount houses (although this might not be for AML/CFT purposes). The periodic reporting requirement to the BSL also provides a good basis for effective implementation of proper recording keeping requirement.
290. **Insurance Sector:** Insurance companies collect pertinent KYC information of their customers during on-boarding or underwriting of insurance policy. However, verification of such documents is rarely undertaken. Representatives of the sector met during onsite visit do not have approved policies and programmes to guide application of CDD measures and continuous monitoring of their policy holders. Additionally, they do not or rarely identify the beneficiaries at the time of payment of benefits. This is a similar situation for insurance brokers and agents. There was no evidence that insurance companies, including insurance brokers and agents do refuse customers or business on account of incomplete CDD. The insurance companies interviewed, understood their record keeping obligation and are aware that records should be kept for a period of at least 5 years from the end of the business relationships or the execution of the transactions. However, Assessors understood from interaction with the insurance companies that some of them still maintain most of their information manually, which in Assessors' opinion could make it difficult to search for the oldest information when required.
291. **Remittance and mobile money service providers** identify clients for each transaction. In particular, the mobile money service providers apply tiered KYC to their customers and have limits on transactions based on customer type. However, both the remittance and mobile money service providers do not identify source of funds and rarely go beyond collection of identification documents. Although they maintain records, the Assessment team could not ascertain their capabilities to provide such records upon request by relevant authorities.

292. **Other financial institutions, including microfinance institutions, rural community banks, and bureaux de change** – although the MFIs and RCBs undertake KYC during account opening or customer on-boarding, this process is not robust and serious deficiencies still exist in the application of KYC and CDD measures. In addition, they do not identify beneficial owners and do not have the necessary tools for monitoring the operations performed by clients. Other FIs, especially bureaux de change rarely requests for client identity when undertaking transactions. There was no evidence that these FIs do refuse customers or business on account of incomplete CDD. From interactions with some of the representatives of the MFIs, and RCBs, record-keeping may not be systematic but is better compared to the remaining FIs.
293. Overall, while the level of understanding of and compliance with CDD requirements among commercial banks is high in general, there are, however, still a number of cases where the banks failed to conduct adequate CDD (see Table 6.2 under IO.3). Similarly, a failure to conduct adequate CDD measures is one of the deficiencies identified by the FIU among the foreign exchange bureaux (see paragraph 361). Although authorities have not conducted AML/CFT inspections in the remaining FIs to ascertain their level of compliance with CDD measures, the general challenges associated with implementation of CDD measures will also apply in their cases.

DNFBPs

294. In line with AML/CFT framework, DNFBPs are required to undertake CDD measures and retain customers and transactions data. Most of the DNFBPs met by the Assessors have not conducted risk assessments in order to be able to apply commensurate CDD measures to manage and mitigate the risks identified. In effect, DNFBPs have little or no understanding and application of CDD measures. Similarly, they do not take steps to identify beneficial owners. There was no evidence or cases where transactions or business relationship were refused as result of incomplete CDD across DNFBPs.
295. Generally, DNFBPs interviewed have some record keeping systems. The big DNFBPs, including those belonging to international groups, such as accountants have better record keeping measures in place. The remaining DNFBPs appear to have basic record keeping procedures in place consistent with their type of business and record keeping processes ordinarily applied in their day-to-day operations. However, the lack of AML/CFT inspections in the DNFBPs has not assisted in demonstrating the full effectiveness of record keeping measures.
296. **Accountings/Auditing** firms, especially those belonging to international groups undertake some due diligence on their clients as part of the global standard procedures which requires KYC on all clients. Other smaller Accounting and Auditing firms lack internal KYC/CDD policy framework and thus, implementation of CDD measures remains weak. In general, the accounting and auditing firms have good record keeping system.
297. **Legal Professionals** (Lawyers) interviewed indicated that they obtain basic information from their clients at the point of establishing relationships. However, the Assessment team observed that they do not exercise all required due diligence measures with regard to clients, especially as it relates to CDD and indeed, all AML/CFT requirements. The information obtained from their clients are mainly to satisfy business requirements and not for AML/CFT objectives or purpose. They do not have measures in place to identify source of funds and beneficial owners, especially

when undertaking real estate transactions. The lawyers have good systems for record keeping.

298. **DPMS** met during the onsite visit demonstrated lack of understanding and application of the CDD measures and record keeping requirements. For instance, representatives of the DPMS, especially dealers in diamond interviewed indicate that they only buy rough diamonds from client with official receipts issued by the government. However, they do not undertake any due diligence on such clients. In addition, bank statement of account showing adequate funds is sufficient for a dealer to buy rough diamonds. There are no measures to identify the sources of such funds and the UBO. Assessment team understands from discussions with the dealers that most transactions are informal and cash-based. Impliedly, there are little or no CDD records or records of transactions to be kept.
299. **Other DNFBPs** including Casinos rarely identify customers nor collect CDD information. In addition, there are no measures to identify the sources of such funds and the UBO. Consequently, records maintained are flawed / deficient. CDD and record keeping measures by real estate agents are not robust, thus records maintained in these regard are deficient.

Application of EDD measures

300. Banks are the only institutions in the financial sector that adequately apply enhanced due diligence measures. Although the practice is stronger in large and foreign-owned banks, banks generally have a good understanding and application of enhanced due diligence and on-going transactions monitoring measures on high risk customers using automated systems and trained personnel to identify and monitor transactions and other activities.
301. The approach to the application of EDD is generally similar across banks, but subject to the nature and complexity of the financial services provided by the banks, and therefore the business relationships and transactions processed. Overall, the EDD measures applied by banks in Sierra Leone are in line with the requirements in the AML/CFT Act and the Directives and Guidelines on the Prevention of ML/TF for FIs. EDD measures in place include approval by senior level management prior to on-boarding or establishment of relationship, periodic review of account and business relationships, and verification of beneficial ownership, as well as source of funds. They also review potential customers against PEP and sanction lists and perform more frequent and thorough on-going monitoring for high risk clients. Banks utilize a variety of reliable sources of information such as commercial databases to carry out EDD. The application of EDD measures by banks extends to customers (e.g., PEPs), transactions (e.g., cross-border wire transfers), and jurisdictions (e.g., North Korea), thus meeting the threshold for high risk. In general, banks acknowledged that they face some challenges in obtaining information on beneficial ownership and source of funds.
302. Most banks visited and interviewed by the Assessment team noted the importance of on-going customer due diligence. They have all invested in automated monitoring systems for purposes of fulfilling on-going due diligence requirements. Information relating to adverse media on a customer, country risks, sanctions designations, and FATF adverse country public statements are generally used to continuously monitor the customer. In the event that the system notices inconsistent customer behaviour, an alert will be generated. The alerts generated are first subjected to interrogation by dedicated personnel to determine whether or not on-going due diligence measures are

required to curb the risk. Where high risk behaviour on the customers and transactions are identified, banks reclassify the risk level and apply on-going due diligence which includes continuous transaction monitoring. Where a low risk behaviour is identified, the banks apply regular due diligence measures. If the alert is found to be negative, the alert and any other information considered during this process will be kept in the record of the customer for possible future use and as evidence that the alert was looked into.

303. Application of EDD measures and ongoing monitoring is weak or lacking in the NBFIs. NBFIs interviewed demonstrated little level of or no appreciation of enhanced due diligence and transactions monitoring measures. This may be attributed to poor understanding of risk, weak AML/CFT programmes, lack of capacities, and inadequate monitoring or supervision for AML/CFT compliance. Assessors understand from interview with some of the NBFIs, especially insurance companies, MFIs and RCBs that they are using manual systems to conduct ongoing monitoring, which in the opinion of the team may not be very effective giving the limited staff strength and high number of transactions and customer base of some of these entities.
304. The implementation of EDD measures and ongoing due diligence by DNFBPs remains weak due to the poor understanding of risks and inadequacy or lack of mitigating measures and appropriate monitoring systems. - DNFBPs have not conducted risk assessment to identify high risk clients and apply commensurate due diligence measures as required by the AML/CFT law and regulations. In general, DNFBPs do not apply EDD measures because they do not have mechanism in place to identify high risk customers and apply appropriate EDD due diligence measures. DNFBPs interviewed demonstrated no evidence of application of EDD measures in respect of high-risk clients and transactions. This could be attributed to a low understanding of risk-based approach to application of CDD measures mainly as a result of limited supervision and monitoring of the sector.

a) Politically Exposed Persons (PEPs)

Financial Institutions

305. Banks are generally aware of requirements relating to PEPs (domestic and foreign). Notwithstanding the limitation in the definition of PEPs (non-coverage of PEPs in international organizations) under the AML/CFT Act, banks have put appropriate measures in place, although at varying level of sophistication, to mitigate risks associated with all categories of PEPs.
306. Banks regard PEPs, including their associates and family members as high risk and subject them to EDD with enhanced and continuous monitoring. They take all reasonable measures to determine whether a customer or a beneficial owner is a PEP. Banks interviewed indicated that when on-boarding PEPs, they conduct screening and have the processes in place for vetting PEPs which include measures to establish the source of funds/source of wealth information and, senior management approval before on-boarding. Some of the banks utilize their internal or group PEP database, to identify and monitor PEPs. Regarding identification of foreign PEPs, banks, particularly those belonging to financial group, indicated that they rely on the list of foreign PEPs compiled by their group to identify foreign PEPs. Assessment team observed that smaller domestic banks face some difficulties identifying international PEPs. Generally, banks retain PEPs' high-risk status even when a customer leaves its political functions because of the likelihood of the PEPs maintaining influence post

political life. Overall, once a person is identified/classified as a PEP by FIs, he/she remains on the list of PEPs even when he/she no longer hold the position.

307. Generally, banks interviewed indicated that they face some difficulties identifying family members and the close associates of PEPs as well as identifying and verifying an UBO who is a PEP especially where there are complex company structures. However, where family members and associates of PEPs are identified, they are immediately classified as high-risk customers.
308. NBFIs generally do not have the necessary measures to check whether a customer is a PEP or not. Overall, the risk management systems in NBFIs are weak or less developed to adequately mitigate and manage the ML/TF risks posed by PEPs.

DNFBPs

309. With the exception of the accounting firms belonging to international groups, DNFBPs interviewed seem unaware of the requirements relating to PEPs (domestic and foreign PEPs) and in general, do not have the necessary measures to check whether a customer is a PEP or not. Overall, DNFBPs do not implement any specific measures to identify PEPs.

b) Correspondent Banking

310. Banks in Sierra Leone, except one, do not provide corresponding banking relationship services to respondent banks. Following a period of de-risking by the global banks, commercial banks interviewed indicated that the number of correspondent banking relationships has generally declined. This has led to significant improvements in their risk management practices regarding correspondent banking relationships. Banks are implementing requirements for correspondent banking relationship under the AML/CFT Act and the Directives and Guidelines for FIs. They indicated that they have to go through due diligence and ongoing monitoring and sometimes additional AML/CFT measures, as respondent banks prior to establishing the correspondent banking relationships with global banks. For the only bank that is offering corresponding banking, it has structures and processes in place to manage risk exposure. These include having a RBA to application of CDD measures, applying further CDD measures including gathering sufficient information so as to fully understand the nature and purpose of the business of the bank, satisfying itself on the adequacy of the AML/CFT measures in place by requesting and obtaining AML/CFT programmes, determining the soundness and effectiveness of AML/CFT controls applied by the respondent bank, and obtaining senior management approval before establishing a correspondent banking relationship. The CBRs are monitored and reviewed on an on-going basis or as and when there are changes that may impact on the robustness of the measures applied on the relationships. NBFIs do not have corresponding banking relationships.

c) Wire Transfers Rules

Financial Institutions

311. Although Sierra Leone has technical deficiencies in relation to the requirements for wire transfers, commercial banks are fully cognizant of and conform to the global requirements on wire transfers, including the SWIFT messaging standards. Banks are aware that wire transfers transaction processing requires all information on both outbound and inbound transactions and take necessary steps to obtain the information. Banks interviewed by the Assessors during the onsite visit demonstrated a good level

of understanding of the ML/TF risks associated with wire transfers. They indicated that wire transfer transactions are usually classified as high-risk and are subject to enhanced measures, including real time screening. A positive match on any of the sanction lists would raise an alert and trigger enhanced measures, including rejection and thorough review of details of payment message. The screening also includes detection of suspicious transactions. They stated that they reject wire transfers having incomplete or missing originator or beneficiary information.

312. With exception of one, remittance service providers belong to internationally recognized money transfer businesses and apply global standards in relation to cross border wire transfer obligations. They obtain the mandatory information including originator and beneficiary information such as names, address, amount unique reference and date, among others, otherwise the transaction will not be processed. Similar information requirements apply for domestic wire transactions. Mobile money service providers (provide only domestic transfers) also have procedures in place, including collecting relevant customer identification information at the initiation of a transaction and at the point of pay-out. In general, these entities demonstrated appropriate level of understanding of wire transfer requirements and are implementing existing measures satisfactorily.

d) New Technologies

313. There is no requirement for FIs to assess ML/TF risks prior to the launch or use of new products, business practices, or delivery mechanisms in the AML/CFT regulatory framework. However, banks are well aware of the need to assess the risks of new technologies and products and consider this as part of internal risk assessments. Banks interviewed indicated that prior to introducing a new financial service/product, delivery method or technology, they usually conduct product risk assessment that includes ML/TF risk factors, and determine the controls needed to mitigate any identified risk. Banks, especially those belonging to international banking group and the large ones, have developed internal policy guidelines in relation to the access and use of new technologies such as internet banking, mobile banking, digital customer identification, etc.
314. In relation to **NBFIs**, the Mobile money service providers have put in place control measures such as threshold limit on transactions to manage the ML/TF risks associated with the technological advancement. The use of new technologies is less common among the other NBFIs and **DNFBPs**.

e) Targeted Financial Sanctions (TFS)

315. The general level of awareness regarding implementation of TFS by commercial banks was satisfactory. Banks generally integrate the lists of designated persons in their operational systems. The measures aimed at ensuring compliance with targeted financial sanctions for TF are implemented by checking whether the relevant persons are designated under applicable UNSCRs (and relevant successor resolutions). The banks interviewed indicated that they are also implementing sanction lists from the Office of Foreign Assets Control (OFAC) of the US Treasury and the European Union. Foreign owned banks belonging to banking group are implementing their group's procedures and have filtering tools as well as updated list. Most of the banks have installed sanction screening software to screen and identify designated individuals and entities. Some of the banks also subscribed to some commercial databases with instant notification of changes to the Sanctions lists. In addition to the access the banks have

to the list through their internal process, the UNSCR sanctions list and relevant websites are also disseminated to the banks and other reporting entities by the FIU. Two of the banks indicated that they have cooperated with LEAs in investigations by providing information on transactions that were suspected to be related to designated persons/entities under OFAC.

316. Our review revealed that the implementation of TFS is not effective as it relates to NBFIs and DNFBPs. They appear unaware of the UNSCRs (and relevant successor resolutions) as well as relevant sanction lists, including those of the Office of Foreign Assets Control (OFAC) of the US Treasury and the European Union. They do not implement any measure to identify among their clients the persons and entities whose assets should be frozen. NBFIs and DNFBPs will require specific awareness to facilitate compliance.

f) *Higher-risk Countries Identified by the FATF*

317. Banks are generally aware of the obligations to apply EDD on transactions, relationships and customers from countries identified by FATF as higher risk jurisdictions. Banks interviewed indicated that they regularly referred to FATF lists of higher risk jurisdictions and have integrated the list into their systems. Some of the steps taken by banks to mitigate the risks in this regard include assigning a higher-risk rating to customers or transactions associated with those countries for ongoing monitoring, and filtering or scrutinizing transactions coming from or going to such countries. Bank also indicated that they regularly monitor FATF publications in this regard.

Reporting obligations and tipping off

318. Banks generally displayed a good understanding of their reporting obligations. In addition to STRs, banks file threshold-based reports, particularly currency transaction reports (CTRs) and foreign transactions reports (FTRs). The internal process and procedures for filing reports are included as part of the AML/CFT staff training, and also incorporated within their AML/CFT policies and procedures. They have systems in place for monitoring and detecting suspicious activities and for filing reports to the FIU. Banks interviewed indicated that the STR, CTR and FTR identification and monitoring systems are automated to ensure effectiveness. The automation is based on pre-defined parameters. Reports to the FIU are filed electronically through a secured portal. From discussions with the banks, Chief Compliance Officers have sufficient independence to file STRs, without the permission or review of the Board of Directors or head office (where applicable). However, in practice, implementation of the reporting obligation, especially filing of suspicious transactions to the FIU appears low amongst the banks, with some yet to file STRs to the Unit (see paragraph 349). On the whole, the FIU is satisfied with the quality of STRs submitted to it.
319. Generally, NBFIs and DNFBPs, demonstrated a low level of understanding and implementation of reporting obligations, especially as regard STRs.
320. The statistics of reporting by FIs and DNFBPs from 2015 to June 2019 is presented in table 5.1 below.

Table 5.1. STRs, CTRs and FTRs filed to the FIU by reporting institutions

SECTOR	2015			2016			2017			2018			2019		
	STR	CTR	FTR	STR	CTR	FTR	STR	CTR	FTR	STR	CTR	FTR	STR	CTR	FTR
FINANCIAL INSTITUTIONS															
Commercial Banks	8	134,156	12,367	6	141,898	20,996	22	224,458	79,652	7	251,029	83,056	9	97,305	31,312
Microfinance Banks		5,130			3,546			5,033			2,783			1,694	
Bureau de Change							1	37,880		1	123,327			134,752	
Subtotal	8	139,286	12,367	6	145,444	20,996	23	267,371	79,652	8	377,139	83,056	9	233,751	31,312
DNFBPs															
Law Firms							1								
Subtotal	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0
OTHERS															
Open Sources	6			7			3						1		
CTR Database	2														
Subtotal	8	0	0	7	0	0	3	0	0	0	0	0	1	0	0
GRAND TOTAL	16	139,286	12,367	13	145,444	20,996	27	267,371	79,652	8	377,139	83,056	10	233,751	31,312

321. From the table above, more than 95% of the STRs filed to the FIU over the period under review was by the commercial banks. Although this appears consistent with the materiality of the sector in Sierra Leone based on the volumes and values of transactions processed, given the significance of the banking sector and the threats it faces, the overall number of STRs filed by the sector is low. With the exception of one BDC that filed 2 STRs over the period, other FIs have not filed any STR to the FIU. Information provided by the FIU indicated that the STRs reported were mainly related to fraud and large cash transactions. Other than fraud, STRs are rarely filed on predicate offenses that constitute major threats (corruption, drug trafficking, smuggling, counterfeiting of products and intellectual property offences) in Sierra Leone. Overall, there is need for greater engagement between the authorities with reporting entities on the findings of the NRA, the need to incorporate the findings of the NRA in the risk assessment framework of reporting entities, and provision of appropriate risk indicators in the major threat areas (corruption, drug trafficking, smuggling, counterfeiting of products and intellectual property offences) to facilitate identification of STRs in these areas.
322. The table also showed that the number of STRs declined significantly between 2017 and 2018 by about 70%, though there is an uptake in 2019 due largely to the awareness of the Mutual Evaluation.
323. Other than 1 STR from a law firm (legal profession), other DNFBPs have not filed any STR to the FIU. Most of the DNFBPs interviewed demonstrated little or no understanding of their reporting obligations. Assessors were concerned with the lack of reporting (STRs) from the DNFBPs given the fact that the NRA identified DNFBPs as high risk for ML/TF.
324. Overall, the low level of STRs reported by commercial banks and the negligible or lack of reporting of STRs by NBFIs and DNFBPs may be attributed to (a) limited or lack of awareness on reporting obligations, (b) inadequate or lack of training on implementation of the AML/CFT control measures; (c) the non-application of proportionate and dissuasive sanctions and enforcement actions by supervisors for non-compliance with AML/CFT obligations, and (d) the absence of AML/CFT supervision of some of these sectors.
325. The statistics on STRs presented to the Assessment team by the FIU also contained “STRs” from Open Sources and FIU CTR Database. According to the FIU, Open Sources are “STRs” generated from newspaper publications, Google search, etc. while the others are STRs generated from the CTRs in the FIU database.

Tipping Off

326. Banks interviewed indicated that they have measures in place to prevent tipping off. As part of the measures, the banks indicated that AML/CFT training provided to staff covers issues of confidentiality of the information on persons and entities associated with suspicious transactions. In addition, only staff of Compliance Department manage (receive and analyse) information relating to STRs and are the custodian of such information. The Chief Compliance Officers disseminate STRs to the FIU. As at the time of onsite visit, there has been no reported case of breaches or concerns in relation to tipping off.

327. NBFIs and DNFBPs have general knowledge of confidentiality of information regarding their clients but this is not in relation to suspicious transactions. For the few NBFIs and DNFBPs that have filed STRs, there are no measures in place to prevent tipping off. For the other NBFIs and DNFBPs that have not filed STRs, the Assessment team is unable to draw conclusions as to whether tipping off measures exist or any available tipping-off preventive measures are effective.

Internal controls and legal/regulatory requirements impending implementation

Financial Institution

328. In line with AML/CFT legal and regulatory framework in Sierra Leone, banks have put in place sound internal controls and compliance systems for AML/CFT compliance. However, the sophistication of implemented measures seems most developed in larger banking institutions belonging to international financial groups, and less in smaller banks.

329. Banks have set up compliance departments/units and designated Chief Compliance Officers, some of which report to senior management and the board of directors. They have also provided some AML/CFT training and capacity building programmes to employees to raise AML/CFT awareness and promote AML/CFT compliance. Discussions with some of the Compliance Officers of banks indicate that they receive appreciable level of support from management and have adequate access to customer information which enables them to monitor transactions and business activities of customers. Banks have adequate internal controls and procedures such as board approvals, on-boarding and monitoring of relationships, as well as procedures for the internal submission of STRs which are then reviewed by the Chief Compliance Officer, before submission to the FIU. In addition, banks conduct pre-employment screening and ongoing employee monitoring. Banks interviewed indicated that their compliance programmes are subject to internal audit to ensure compliance with AML/CFT requirements.

330. Implementation of internal controls and AML/CFT compliance programmes across NBFIs is not as robust as what obtains in the banking sector, though they generally understand the need for it. With the exception of the insurance companies, other NBFIs do not have designated AML/CFT compliance officers. In addition, some have not provided AML/CFT trainings/ongoing training for their employees; do not have AML/CFT compliance functions, internal procedures and senior management controls in place with regard to AML/CFT. These weaknesses may be due to the lax supervision of the various NBFI sectors.

DNFBPs

331. DNFBP's application of internal controls and procedures is adequate only in the large accounting /auditing firms that belong to international groups. These entities have better access to specialist compliance capacity due to group wide internal control programmes. Other accountants (other than large ones) and lawyers may rely on their stringent profession-specific entry (though not AML/CFT focused) requirements to ensure fit-and-proper of employees. The DPMS do not have internal AML/CFT control measures. They do not have compliance functions, no training programmes, no systems in place to know their employees before and during the course of employment, etc. Similarly, other DNFBPs are not implementing internal AML/CFT controls. The lack of implementation of AML/CFT application of internal controls and procedures

requirements by DNFBPs (except large accounting/auditing firms) could be attributed to the lack of supervision.

Overall conclusions on Immediate Outcome 4

332. The assessment team rating of IO 4 considered a number of factors, including risks and materiality in the context of Sierra Leone. The banking sector, the largest and most significant in the financial services sector, has a good understanding of ML/TF risks and AML/CFT obligations and is implementing AML/CFT mitigating measures to a significant extent. Compliance in the banking sector is also enhanced to a large extent by the fact that some of the banks in Sierra Leone are of international financial groups and therefore apply AML/CFT measures based on group policies. The understanding of risk, AML/CFT obligations, and implementation of mitigation measures by insurance, securities and other FIs vary but is generally low. Similarly, DNFBPs demonstrated little or no understanding of their peculiar ML/TF risks and AML/CFT obligations. As a consequence, they have not applied AML/CFT requirements consistent with their risk profiles and thus, demonstrated a low level of compliance with AML/CFT requirements. This is a major concern as some of these entities, especially dealers in precious stones and precious metals have been identified as high risk.
333. Commercial banks apply adequate CDD/EDD measures and demonstrated a good understanding but have some difficulties in the implementation of BO requirements. Application of CDD and enhanced measures by NBFIs and DNFBPs varies between these entities but generally weak.
334. In relation to suspicious transaction reporting, commercial banks have good understanding of their reporting obligation and are the main contributors in terms of STRs submitted to the FIU, but the overall number of STRs filed is considered low and are not reflective of the most important proceed generating crimes. Compliance with reporting obligation by NBFIs and DNFBPs is weak with little or no STRs filed with the FIU, which is of serious concern.
335. The application of internal controls by commercial banks is adequate. They have compliance functions that are well-resourced and undertake regular internal audits and trainings. Other FIs have basic internal controls, while internal control policies and procedures in the DNFBPs are generally lacking, except in few, such as international accounting firms. NBFIs and DNFBPs demonstrated little or no understanding and application of UNSCRs targeted financial sanctions.
336. **Sierra Leone is rated as having a low level of effectiveness for IO.4.**

Chapter 6. SUPERVISION

Key Findings and Recommended Actions

Key Findings

- a) BSL and SLICOM have powers and procedures in place to prevent criminals and their associates from holding or being the beneficial owner of significant interest or control or management function in FIs. BSL applies adequate market entry requirements, including conducting Fit and Proper assessments on significant shareholders, directors, and senior management to ensure the integrity of the banking sector, securities sector and other FIs. However, 'Fit and Proper' controls are applied unevenly in the insurance sector by SLICOM. Overall, due diligence is not conducted on an ongoing basis on existing directors, persons with beneficial interest at or above the threshold of 5%, management and other senior officials, or their associates. However, BSL applies the controls where there are changes in respect of such persons. With respect to DNFBBs, ICASL, GLC and other prudential regulatory authorities do not have adequate procedures to restrict market entry for AML/CFT purposes and prevent criminals and their associates from holding a significant or controlling interest, or holding a management function in a DNFBB.
- b) BSL has a methodology for assessing ML/TF risks in the banks and demonstrated a good understanding of ML/TF risks in the banking sector. BSL adopted a risk-based approach to AML/CFT supervision of banks in 2018 and has updated its internal supervisory manuals to further strengthen this approach. However, its understanding of ML/TF risks in the securities sector and other FIs under its purview is weak while compliance monitoring activities in these sectors are still evolving. SLICOM and DNFBB supervisors possess poor knowledge and understanding of the ML/TF risks facing reporting entities in their various sectors. They lack the necessary supervisory tools/methodologies that can provide them comprehensive information on the nature of ML/TF risks at the level of individual institutions, and consequently, are yet to adopt a risk-based approach to AML/CFT compliance supervision.
- c) AML/CFT supervision of the banking sector by BSL is good but some improvements are required, including the depth of analysis on issues covered during onsite visit, and follow up actions on recommendations from previous onsite examinations. No AML/CFT inspections have been carried out in the other sectors, although their supervisors (SLICOM, ICASL, GLC, etc) have mandates to undertake such supervision. This makes the determination of the extent to which reporting institutions in these sectors are effectively

implementing AML/ CFT preventive measures difficult. Generally, supervisors lack adequate resources to undertake their supervisory roles.

- d) The AML/CFT Act provides a wide range of sanctions for breaches of various requirements by reporting entities, but these are administered by the courts upon summary conviction and therefore difficult to implement by supervisors. Notwithstanding, the BSL and FIU have independently applied or imposed some sanctions or actions on some banks for non-compliance with AML/CFT obligations. However, the sanctions are not proportionate and dissuasive. No similar actions were implemented in the other FIs and DNFBPs.
- e) BSL, SLICOM and the FIU jointly issued AML/CFT guidance to promote the understanding and implementation of AML/CFT obligations by FIs. In addition, they have undertaken independently or jointly, some outreach and training/awareness-raising initiatives, and also participated in the meetings of the Fora of Chief Compliance Officers of banks and insurance companies to discuss common challenges and assist them to improve their compliance culture and practices. Similar support to the DNFBPs by the FIU and other relevant supervisors has been very limited and still evolving. No AML/CFT sector-specific guidelines have been provided to the DNFBPs. Overall, the impact of the initiatives by the supervisors and the FIU has been very limited in respect of the NBFIs and DNFBPs.

Recommended Actions

- a) DNFBPs supervisors should strengthen licensing/registration regimes for high-risk sectors, particularly real estate sector, and dealers in precious metals and stones, which have lax entry controls and ensure that there are consistent controls to prevent criminals owning, controlling or operating businesses in these sectors. BSL should strengthen licensing regime for other FIs while SLICOM should close all the identified gaps in the registration regimes for insurance companies. Both supervisors should apply ‘fit and proper’ tests evenly and comprehensively across affected institutions on an ongoing basis to adequately deter criminals or their associates from participating in the ownership, control or management of the FIs.
- b) Risk-based AML/CFT supervision should be enhanced for banks and introduced for remaining FIs and DNFBPs. In this regard, SLICOM and DNFBP supervisors should: (i) adopt robust risk assessment methodology and take appropriate steps to fully understand the ML/TF risks of the institutions they supervise so that their supervision programme, including on-site and off-site inspection, general monitoring, follow-up measures are guided by risk considerations, (ii) develop appropriate risk based supervisory framework to guide their supervisory activities, (iii) build technical capacity to adequately supervise and enforce compliance with AML/CFT requirements, and (iv) begin risk based supervision for AML/CFT for entities under their purview. BSL and FIU should deepen the scope of their AML/CFT inspections to cover all

AML/CFT requirements. . In addition, BSL should extend Risk-Based AML/CFT Supervision to OFIs under its supervision.

- c) BSL should follow up on AML/CFT compliance deficiencies observed among banks during inspections (onsite or offsite) to ensure that they have been rectified. In addition, BSL to pursue sanctions where compliance deficiencies have not been rectified.
- d) Priority actions should be taken in developing and/or consolidating SLICOM and DNFBP supervisors' understanding of ML/TF risks. Resources for FIU supervision should be increased in order to support the supervisors in this regard.
- e) The NTB and the NMA should be granted AML/CFT supervisory powers to enable them monitor and supervise entities under their remit (casinos and DPMS respectively) for AML/CFT compliance. In addition, Sierra Leone should designate appropriate competent authorities or SRBs as supervisory authorities for DNFBPs that currently do not have designated AML/CFT supervisors such as real estate agents, car dealers, and shipping companies and agencies as the FIU does not have sufficient resources to effectively cover all such sectors.
- f) Sierra Leone should provide adequate resources (material, human and technical) to the FIU and supervisors, particularly SLICOM, GLC, ICASL and BSL in order for them to be sufficiently equipped to undertake effective risk-based supervision and monitoring of reporting entities for AML/CFT compliance.
- g) Supervisory authorities should ensure application of a wide range of sanctions or enforcement actions, which are dissuasive, proportionate and effective against AML/CFT violations to ensure effective implementation of the AML/CFT requirements. To facilitate this, Sierra Leone should review the relevant sections of the AML/CFT Act that require the summary conviction of the courts for breaches of certain AML/CFT requirements to make the applications of sanctions easier for all practical purposes.
- h) Supervisory authorities and the FIU should continue systematic outreach, training, and feedback to reporting institutions, especially DNFBPs identifies as high risk in order to promote adequate understanding of the ML/TF risks facing them and proper implementation of mitigating controls on a risk-sensitive basis. In addition, DNFBP supervisors in collaboration with the FIU should develop and issue well structured, practical and sector-specific AML/CFT guidance to DNFBPs to further promote understanding of their AML/CFT obligations.

337. The relevant Immediate Outcome considered and assessed in this chapter is IO.3. The Recommendations relevant for the assessment of effectiveness under this section are R. 26-28, 34, and 35.

Immediate Outcome 3 (Supervision)

338. The AML/CFT supervisory function in the financial sector and DNFBPs is spread amongst various agencies (see Chapter 1). The AML/CFT capacity of the regulatory authorities and implementation of their responsibilities are at various levels. It is important to note that the scope of DNFBPs subject to AML/CFT supervision in Sierra

Leone extends beyond those designated by the FATF to include car dealers, NPOs, shipping companies and agencies, and clearing and forwarding agencies⁹⁰.

339. For the overall assessment of the level of effectiveness, greater weight is placed on the commercial banks. This is mainly due to their materiality as they account for 94.7% of the total assets of the financial sector, the range and types of products they offer, the volumes of transactions they handle, and the connection of the banking sector with the international financial system. Significant weight is also placed on the DNFBPs, especially DPMS because of their importance in the context of Sierra Leone (see Chapter 1, paragraphs 68-84).

Licensing, registration and controls preventing criminals and associates from entering the market

340. There are a number of regulatory authorities in Sierra Leone with responsibilities for overseeing market entry. The BSL licenses banks, other FIs and securities operators; SLICOM registers insurance companies, while DNFBPs are licensed/registered by various relevant competent authorities. These include the GLC (lawyers), ICASL (Accountants/auditors); the National Minerals Agency (dealers in precious metals and stones), and the National Tourist Board (casinos). All the regulatory authorities have reasonable licensing/registration frameworks in respect of the entities under their purview. On the whole, BSL demonstrated adequate application of licensing requirements for banks. For other FIs, and securities operators some gaps were observed in BSL's 'Fit and Proper' assessments. SLICOM demonstrated reasonable application of registration requirements for insurance companies as gaps were observed in their procedures, including the lack of verification of sources of funds of shareholders, no ongoing assessments of the suitability of persons holding management functions, and with respect to changes in such persons. However, the supervisors of DNFBPs especially GLC, ICASL, NTB, and NMA did not demonstrate adequate application of measures aimed at ensuring that criminals and their associates are prevented from being professionally accredited and prevented from holding or being a beneficial owner of significant interest or holding management functions in the various subsectors in the DNFBPs.

BSL

341. The BSL has adequate measures in place to prevent criminals and their associates from holding or being the beneficial owner of a significant or controlling interest or holding a management function in FIs under its supervision. This involves assessment of fitness and propriety of proposed significant shareholders (holding 5% or more shareholding), beneficial owners, directors and senior management of the applicant at the point of market entry. BSL's fitness and propriety assessments entail an examination of an applicant's honesty, integrity and reputation; competence and capability; and financial soundness. The fit and proper assessments also include criminal background checks by LEAs and the evaluation of the integrity of shareholders, directors and administrators with particular regard to criminal proceedings or convictions. The information is applied to determine the suitability of the applicants. However, there is no evidence that significant changes following market entry, including post-license acquisition of a significant interest in the FIs are subjected to 'fit and proper' assessments.

⁹⁰ AML/CFT (Amendment) Act, 2019.

342. BSL additionally checks open source data for information on the reputation and integrity of new shareholders. In respect of the fitness and propriety of foreign applicants seeking to own or manage banks in Sierra Leone, BSL liaises with supervisory authorities in other jurisdictions. Any changes in significant ownership or management function of banks are required to be approved by BSL upon obtaining clean criminal record from the Police. However, in practice BSL does not apply on-going ‘fit and proper’ test to existing shareholders and persons in management functions either through annual assessments or on-site examinations to maintain their integrity or suitability.
343. The licensing requirements by the BSL are adequate and require the applicants to submit various documentations, such as memorandums and articles of association, certificates of incorporation, academic and professional certificates and identification documents for natural persons. The BSL verifies the information submitted, including visiting the registered locations. In relation to the source of funds, the BSL liaises with the FIU in ascertaining the source of funds of applicants (directors and promoters), particularly applicant FIs whose businesses involve over the counter transactions such as BDCs and deposit taking MFIs. This collaboration is currently limited to applicants for foreign exchange bureaus (BDCs) license. As at the time of onsite visit, the FIU has verified the source of funds of about seventeen (17) applicant BDCs referred to it by BSL with one declined due to doubt about the source of funds⁹¹. It is not clear how the BSL verifies the source of funds for applicants in the other sectors under its purview, as well as screen ultimate beneficial owners against TFS screening.
344. The BSL rejected one license application in 2015 relating to foreign exchange bureau for unclear and suspicious foreign ownership structure. The BSL has also demonstrated that it has measures to detect breaches of the licensing requirements. For instance, in 2019, one license application (approval in principle) for a bank was revoked due to the inability of the applicant to meet the minimum paid up capital requirement and also the failure to submit funds through the appropriate correspondent banking channel. The license of one microfinance institution was also withdrawn by BSL in 2018 and another one in 2019 because of insolvency.
345. Other than the commercial banks, the BSL does not adequately apply the ‘fit and proper’ test across the remaining sectors it supervises, including the securities sector, community banks, microfinance institutions, currency exchange operators, remittance service providers and mobile money financial services providers owing to the lack of resources and technical capacity. This may lead to some breaches of licensing requirement going undetected and could present problems to the system.

SILCOM

346. Entities desiring to become insurers are required to register⁹² with SLICOM according to S3 of the Insurance Act, 2016. The requirements for registration include among other things, payment of the required statutory deposit to SLICOM, at least one person with an Associate Chartered Insurance Institute (ACII) Diploma or a recognized equivalent professional insurance qualification, and the conduct of business in accordance with sound insurance principles. SLICOM stated that although the

⁹¹ The FIU verifies the information on sources of funds using information on its databases (STRs, previous case files, etc), information from other data bases and open sources.

⁹² For Core Principle FIs, what is required is licensing not registration

Insurance Act requires insurers to be registered, in practice it licenses insurers. Although SLICOM undertakes ‘fit and proper’ tests to prevent criminals from holding or becoming the beneficial owner of controlling interest or holding a management function in insurance companies, the licensing requirements are less developed compared to that of banks and application of existing controls is not robust.

347. Out of the twelve registered insurance companies as at December 2018, seven are owned and controlled by foreign interests. However, SLICOM does not liaise with supervisory authorities in other jurisdictions in respect of the integrity and suitability of foreign applicants. Consequently, SLICOM’s ‘fit and proper’ test in relation to foreign applicants is deficient. Also, SLICOM’s fit and proper test or process does not cover key persons in management function and does not incorporate on-going checks on existing shareholders and directors either through annual re-assessments to ensure they maintain their integrity or suitability. In addition, SLICOM does not verify the source of funds of applicants, and does not screen ultimate beneficial owners against TFS screening. These gaps could present ML/TF risks to the insurance industry or creates weak links for criminals or their associates to infiltrate the system.

DNFBPs

348. The authorities responsible for registering or licensing DNFBPs, including NMA, GLC, ICASL and NTB implement some procedures and processes to observe market entry requirements in their respective sectors. However, the application of the fit and proper procedures varies across the regulators.
349. The NTB is the licensing authority for casinos. Before being granted license, applicants for casino business must meet the pre-operational requirements, including registration with CAC for business certificates, registration for tax payer identification number (TIN), and the provision of personal profiles including previous employment with casinos. NTB undertakes reasonable ‘fit and proper’ test and employs open sources searches i.e. internet, electronic and print media to verify information provided to it. However, the licensing process does not include the screening of foreigners against sanctions lists. In addition, it does not liaise with supervisory authorities in other jurisdictions to determine the integrity or suitability of foreign applicants as well as the sources of their funds or beneficial owner. These shortcomings raise concerns, especially given that casinos are mostly owned by foreign nationals particularly Lebanese and Chinese.
350. The NMA licensing application process and requirements vary depending on license category types (i.e. exploration license; reconnaissance license; small-scale and large-scale mining licenses, or mineral dealers and exporters licenses). In general, NMA applies some reasonable fit and proper test or due diligence to prevent criminals from infiltrating the sector. Receipt of applications and the grant of mineral rights follow the process outlined in the *Operating Procedures Manual for the Directorate of Mines*. The process involves 5 key steps; receipt of an application, validation of the submitted requirements, approval by the authorized officials, payment of fees and issuance of the licenses. DPMS must also show evidence of financial viability (sufficient funding). There was no evidence that the Agency has rejected any application on account of non-compliance with regulatory requirements. NMA does not liaise with supervisory counterparts in other jurisdictions to ascertain the suitability and integrity of applicants that are foreigners, and its licensing process does not cover screening against sanctions lists. NMA could not also demonstrate that it has taken additional measures to verify source of funds and individuals being the beneficial

owners of a significant or controlling interest or holding a management function in DPMS.

351. The registration of real estate agents, particularly real estate developers, is undertaken by the Ministry of Housing and Country Planning. The process requires business registration or incorporation certificate from the CAC, certificate of tax payer identification number (TIN) registration, City Council license and the provision of personal details and permits of applicants. There is no ‘fit and proper’ test in place for applicants to prevent criminals and their associates wishing to enter the real estate market. Also, there is no requirement for proof of source of funds of applicants, no verification of beneficial ownership, no Police criminal background check or screening of applicants against sanctions lists. The sector is highly unorganized, with many agents not registered. Overall, application of existing measures is very weak and not sufficient to prevent infiltration of criminals in the sector.
352. GLC and ICASL have registration procedures for membership which are akin to fit and proper requirements. For instance, they require recommendations from existing members to enroll new members. The GLC also requires new members to obtain a good character reference from a lawyer with 15 years in practice. They undertake on-going reviews of the professional conduct of their members. Though this process is yet to integrate AML/CFT elements, it however, provides some controls that help to prevent criminals or their associates from operating within the sector. GLC and ICASL could not demonstrate that they have taken additional measures to verify individuals being the beneficial owners of a significant or controlling interest or holding a management function in their members, although they noted that a license is personal to lawyers and accountants, hence impossible to have other individuals that are beneficial owners. In case of breaches of ethical and integrity standards, they can apply disciplinary actions but no such actions have been taken in the context of AML/CFT and statistics on any other actions taken (administrative) were not provided to the assessors during the on-site visit.
353. On the whole, although some of DNFBPs are registered as companies under the Companies Act, there are capacity and resource constraints at the CAC or Registrar General’s Department to carry out proper background checks, including on the directors, senior management of the DNFBPs. This coupled with weak regulation/monitoring, and proliferation of unregistered DNFBPs, especially in the real estate sector and DPMS (mining sector) create a gap for possible infiltration of criminals and their associates within the DNFBP sector.

Supervisors’ understanding and identification of ML/TF risks

354. BSL demonstrates a good understanding of the ML/TF risks in the banking sector largely developed from the quarterly returns received from banks. Generally, banks have good risk management practices as compared to the other FIs. The returns from them include information on internal ML/TF risk assessment. The results of the analysis of the returns contribute to the BSL understanding of the risk in the banking sector. In 2019 (prior to onsite visit), the BSL developed and issued three questionnaires (AML/CFT Risk Assessment Questionnaire for FIs, AML/CFT Institutional Profile Questionnaire, and AML/CFT Returns Template) which are aimed at assisting it better understand the risk in the supervised entities. The AML/CFT Risk Assessment Questionnaire for FIs takes into consideration elements of risks associated with products, services, customers, delivery channels, geographic locations etc while the AML/CFT Institutional Profile Questionnaire covers licensing details, significant

shareholding, group relationship, business models (customers categories, products and services, delivery channels, geographic regions), board of directors/senior management; while the AML/CFT Returns Template covers inherent risk factors. The questionnaires are expected to be completed by commercial banks on a quarterly basis, however implementation was yet to commence as at the time of onsite visit. Assessors believe this is a good step taken by the BSL which will further enhance its understanding of risks of institutions under its remit in the future.

355. The BSL actively participated in the NRA exercise completed in 2017. Through participation in the NRA process, the BSL further enhanced its understanding of ML/TF risks prevalent in its regulated entities. Since the scope of the NRA included identification and assessment of ML/TF threats and vulnerabilities in Sierra Leone, it served as a useful source of information/data to the BSL as it used the findings to improve its understanding of ML/TF risks in the country in general.
356. To further enhance its understanding of ML/TF risks facing the banks and other supervised entities, BSL also liaises with FIU on information on statutory disseminations from the Unit (on suspicious transactions reports, and cash threshold reports). Information from the FIU is analyzed along with information on quarterly returns submitted by banks which contribute to the BSL understanding of the risk in the banking sector and assists the BSL to identify the banks that are likely to be misused to launder or channel the proceeds of the identified major proceeds-generating crimes.
357. In all, the BSL has a good understanding of the ML/TF risks in the banking sector while the implementation of the questionnaires (AML/CFT Risk Assessment Questionnaire for FIs, AML/CFT Institutional Profile Questionnaire, and AML/CFT Returns Templates) rolled out recently will assist the BSL to undertake a deeper analysis of individual banks using integrated risk matrices such as, the nature and complexity of the products, inherent risks in the use of third parties to conduct CDD/collect CDD information, delivery channels, type of customers, ML/TF risks inherent in the customers' geographical area, possible spill-over of risks from the global business sector, etc. Once this is done, BSL's ability to understand and identify ML/TF risks will be significantly improved.
358. SLICOM has a less developed understanding of ML/TF risks in the insurance sector. Part of the problem can be attributed to the lack of suitably qualified personnel and internal ML/TF risk assessment tools necessary to build a solid understanding of ML/TF risks inherent in insurance products. SLICOM does not have risk assessment methodology and had not carried out any sectoral ML/TF risk assessments in order to develop an integrated understanding of the ML/TF risks within the insurance sector, individual entities, products and delivery channels. It demonstrated low knowledge and understanding of the risk associated with the institutions under its supervision. Its little understanding of ML/TF risks is based more on its perception of where ML/TF risks may arise as opposed to being grounded in actual supervisory experience and knowledge of the current and/or emerging ML/TF risks specific to the sector. SLICOM may adapt or adopt with modification the risk management tools developed by BSL (see paragraph 339) to suit the peculiarities of the insurance sector. Although, SLICOM participated in the NRA, its representatives interviewed during the onsite did not agree with the overall rating of high risk assigned to the insurance sector in the NRA due to the size and general low penetration of the insurance sector in the country. Consequently, it remains doubtful if the findings of the NRA report have in any way enhanced their understanding of risk in the country and the entities SLICOM

supervises. Assessors believe that the ability of SLICOM to understand its sector risks is dependent on having adequately skilled staff and processes to evaluate the sector risks. Due to capacity constraints, these are not being addressed, which in turn diminishes SLICOM's understanding of the ML/TF risks in the sector.

359. There exists the Regulators Forum consisting of the FIU, BSL and SLICOM, and DNFBPs regulators/supervisors. The Forum meets periodically to discuss cross-sectoral and other issues of strategic interest to ensure amongst other things, a common understanding of ML/TF risks facing the financial sector and the DNFBPs and the collective actions required. The impact of this initiative on the understanding of ML/TF risks remains doubtful, given the low level of understanding of risk amongst the supervisors, other than the BSL.
360. In relation to the DNFBPs, the understanding and identification of ML/TF risks by the various supervisors are low. The supervisors exhibited very little knowledge and understanding of ML/TF risks present in their respective sectors during the onsite visit. Assessors observed that the DNFBPs supervisors were only lately coming to grips with the requirements of the AML/CFT regime. They have not developed their supervisory programmes and were yet to start implementing AML/CFT supervision within the sectors which fall under their purview. Hence, they do not have good understanding of the nature and depth of vulnerabilities and resulting ML/TF risks. Assessors established that the supervisors have not identified the ML/TF risks facing the entities which fall under their supervision and therefore they have little or no understanding of the relevant ML/TF risks. Notwithstanding the findings of the NRA, the ML/TF risks in the DNFBP sector is not well understood by the sector supervisors.
361. In general, SLICOM and DNFBP supervisors did not demonstrate a good understanding of the ML/TF risks in the sectors they supervise. Amongst other things, they do not have robust methodologies to assess ML/TF risks which would have provided a sound basis for this understanding. The ML/TF risks in the OFIs are also not well understood by BSL.

Risk-based supervision of compliance with AML/CFT requirements

362. BSL commenced the supervision of banks for AML/CFT compliance on a risk-sensitive basis in 2018. It is yet to begin AML/CFT supervision of the securities sector and the other FIs under its purview. The BSL has established some procedures for AML/CFT supervision of banks. However, no such procedures are available for the other FIs under its purview as at the time of onsite visit. BSL has a Risk-Based Supervisory Framework which guides how to supervise or monitor banks on a risk sensitive basis. It conducts both off-site and on-site inspections. Banks are required to perform their internal ML/FT risk assessment and forward the reports, including the identified risks and mitigation measures to the BSL. The reports are forwarded as part of the periodic returns required by BSL. These are analysed and the results provide the basis for BSL to monitor and supervised the banks for AML/CFT. BSL explained that they do not have standard risk mapping of the banks, but that the current practice provides a reasonable basis for risk-based supervision. BSL indicated that implementation of the AML/CFT risk assessment framework, comprising the risk self-assessment questionnaires and the quarterly returns will provide the basis for a more robust AML/CFT risk-based supervision going forward.

363. BSL's current on-site examination methodology incorporates ML/TF risk assessment as a significant activity alongside other prudential components such as lending, treasury and investment, solvency, liquidity, and information system. BSL started AML/CFT examinations in 2018 when it adopted a risk-based approach to supervision. Some AML/CFT examinations were in progress as at the time of onsite visit. A review of samples of the onsite examination reports on banks conducted by BSL revealed a lack of comprehensiveness or low depth of coverage of AML/CFT issues. The examinations covered the reviews of client identification/CDD, on-going monitoring of client transactions, suspicious transactions reporting, and on-going trainings provided to staff, and the outcomes are included in the findings and recommendations in the report of statutory examination issued to the banks. Outcome of the examinations show that some banks still face varied challenges, including deficiencies in CDD, deficient AML/CFT policy documents, lack of or inadequate AML/CFT training, and lack of regular independent audit of AML/CFT compliance function.
364. Assessors observed that little or no deficiencies were noted by BSL in relation to suspicious transaction reporting. Between January 2015 and June 2019 only 52 STRs were filed by banks to the FIU. Given the significance of the banking sector and the risks it faces, Assessors believe that the number of STRs filed appears low. Most importantly, the break-down of STRs filed per bank provided by the country indicate that some banks have never filed STRs over the review period. This should be a significant red flag to BSL as to where to focus its limited supervisory resources and efforts. This indicates the existence of gaps with respect to the depth of examination coverage, efficacy of the preventive measures, especially reporting obligation in the banking sector, and the system of monitoring compliance.
365. The BSL has developed a consolidated AML/CFT Examination Manual but this was yet to be approved by its Management as at the time of the onsite visit. When approved, it will serve as a guide to BSL staff to further strengthen AML/CFT supervision in the banking and other relevant sectors.
366. The BSL has a dedicated AML/CFT Unit with a staff compliment of four which focused on the banking sector. They joined other staff in the prudential unit when undertaking AML/CFT supervision. A new Unit on AML/CFT was created recently under the OFIs Department to coordinate AML/CFT issues for the OFIs. Structures are still being put in place for the new unit to commence operations.
367. The FIU has dedicated Compliance Department/Unit with staff strength of five and has conducted some AML/CFT onsite examination based on powers conferred on it in the AML/CFT Act. The Unit has developed a *Consolidated AML/CFT Bank Examination Manual* and standard operating procedures that guide its examination and compliance surveillance. The Examination Manual provides guidance for the assessment of AML/CFT compliance programmes of banks and contains procedures for offsite reviews of returns from banks and onsite examinations of banks. The FIU did not provide any ML/TF risk mapping or risk profiles of banks (taking into account complexity of products/services; number and types of customers/entities; and geographical risks) or provide any evidence, including actual offsite reviews incorporating risk metrics and outcomes to provide the basis of its onsite examination. Thus, it is not clear in practice, how the FIU selects or schedules banks and determines the frequency with which it conducts onsite examinations. Consequently, Assessors believe that onsite examination undertaken by the Unit is not risk based. Sample of the

onsite reports of the examinations / inspections of banks conducted by the FIU were not made available to the assessment team to ascertain their depth of coverage and what the findings were. A review of the sample report of the onsite examination on one BDC provided by the FIU indicates that improvement is required in the depth of analysis and scope of issues covered. For instance, the report did not cover record keeping and suspicious transaction reporting obligation, given that BDCs are assessed as high risk in the NRA, the scope of the exercise should have been broadened to cover all relevant elements of AML/CFT preventive measures.

368. Between 2015 and June 2019, the BSL and FIU conducted some AML/CFT onsite inspections in some banks and BDCs. Seven onsite examination were conducted by BSL in 2018 and two in 2019 (additional two were in progress as at time of onsite visit). In all these examinations, AML/CFT was a component of the broader prudential examinations undertaken by the BSL. The FIU undertook thirteen AML/CFT examinations in 2015, thirteen in 2017 and one in 2018 in the banking sector and 4 in the BDCs in 2017. No inspection was undertaken in 2016 because the BSL and FIU were working on an MoU for joint activities, including onsite examinations. One joint AML/CFT onsite inspection was being conducted (ongoing) by the two authorities as at the time of onsite visit.

Table 6.1. Number of completed AML/CFT On-Site Inspections conducted by BSL and FIU – January 2015 – June 2019

Type of FI	2015	2016	2017	2018
Banks	13	0	13	8
BDCs	0	0	4	0

369. Although Sierra Leone regards commercial banks as posing a medium ML/TF risk, Assessors believe that the frequency, intensity and scope of BSL's on-site examinations appears not adequate considering the significance of the banks in the financial sector and BSL should scale-up its supervisory oversight of banks. Sufficient attention was not also given to the supervision of BDCs assessed as high risk in the NRA during the review period.
370. The little or lack of AML/CFT supervision or monitoring for the securities sector and OFIs makes it difficult for the assessment team to ascertain the entities level of compliance with AML/CFT obligations. Given that the NRA identified some of them as high risk, this remains a concern.
371. SLICOM has not conducted AML/CFT examinations of the institutions under its supervision and does not have a risk assessment framework or methodology in place to undertake risk assessments as the basis for a risk-based approach to AML/CFT supervision. SLICOM is yet to develop appropriate framework for AML/CFT supervision, including RBS framework, and AML/CFT examination manual. As at the time of onsite visit, the Commission has only two staff dedicated to AML/CFT compliance issues. SLICOM requires significant technical, financial and human resources to be able to adequately undertake its AML/CFT supervisory role.
372. Assessors noted that AML/CFT supervisory authorities, and the FIU are not adequately resourced (technical, human, and financial resources) to effectively perform their supervisory function. Although the BSL, SLICOM and FIU have dedicated Compliance Units for AML/CFT, the Units are grossly understaffed. For

instance, as noted earlier, the BSL had only 4 staff, SLICOM had only 2 staff dedicated to AML/CFT compliance issues, while the Compliance Unit of the FIU had only 5 staff members. Notwithstanding the fact that some of the supervisory staff are professionals with extensive experience, the regulators confirmed that the existing staff strength does not enable them to fully and effectively engage the entire operators in their respective sectors, thus posing the risk of inadequate compliance supervision/monitoring.

DNFBPs

373. DNFBPs supervisors have not yet started supervising or monitoring for compliance with AML/CFT obligations by entities under their purview. Although, ICASL and GLC have powers under the AML/CFT Act to undertake AML/CFT supervision or monitoring of operators in their respective sectors, representatives of these authorities interviewed during onsite visit could not demonstrate that such monitoring are actually being carried out. Some limited monitoring activities have been undertaken by ICASL, NTB, GLC and NMA but these are prudential in nature and do not cover AML/CFT compliance issues. Overall, the assessment team noted that no AML/CFT onsite examination has been undertaken among the DNFBPs assessed as high risk in the NRA, including the DPMS and real estate agents. The vulnerability of the DNFBPs to ML/TF, the weak implementation of AML/CFT measures across the various sub-sectors, and the lack of AML/CFT supervision/monitoring, are serious gaps that present DNFBPs as a weak link in the overall AML/CFT supervisory regime of Sierra Leone.

374. Although the FIU has commenced engagements with real estate agents and started registration of operators in the sector with a view to establishing appropriate structures/procedures to begin monitoring of the sector for AML/CFT compliance, this is still at rudimentary stage with only seven real estate companies, mostly foreign owned, that have been registered by the Unit.

Remedial actions and effective, proportionate, and dissuasive sanctions

375. The AML/CFT Act provides a range of criminal, civil and administrative sanctions applicable to natural and legal persons that breach the AML/CFT requirements. Broadly, these include the issuance of written warning; issuance of order to comply with instructions; issuance of order to provide regular report on correction measures; imposition of fine (on the reporting entity, as well as on the owner, manager or employee of a reporting entity); barring persons from employment; and suspension of license. Also, supervisors can apply to the court for an order to compel compliance. In addition, supervisors or the FIU can also temporarily or permanently remove an employee from his/her position or functions and can also publish cases of serious compliance failures in newspapers or broadcast such on-radio stations. In practice, these sanctions are rarely applied by the supervisors or the FIU.

376. As noted earlier, the AML/CFT inspections conducted by BSL and the FIU⁹³ found a number of deficiencies in the implementation of the AML/CFT programmes of the banks examined including shortcomings in the application of CDD measures, lack of approved AML/CFT policies, lack of approved AML/CFT compliance programme, lack of or inadequate AML/CFT training, and lack of independent audit of the compliance programmes of the banks. In some instances, reporting entities did not

⁹³ The FIU highlighted the findings of their examinations verbally to the Assessment team during meeting with them

institute enhanced due diligence measures in high risk situations. The nature and extent of the non-compliance were sufficient to attract application of sanctions; however, no concomitant actions were taken by the BSL until 2019 when the BSL applied some limited sanctions against some banks for breaches or failure to comply with AML/CFT requirements.

377. The BSL only introduced a monetary penalty regime in 2019 based on the powers conferred on it in S46 of the Banking Act and has so far penalized five (5) banks for various violations of the AML/CFT requirements totalling a mere Le258 million (US\$26,350). Only a written warning letter was issued to one bank for repeated offences or breaches of the AML/CFT Act by the FIU⁹⁴ during the review period. BSL and the Apex Bank have only issued recommendations for remedial actions to financial services agents and community banks.
378. BSL does not follow up or monitor the implementation of remedial actions previously issued to affected banks to ensure that requested remedial actions have been implemented as part of its supervisory activity. Similarly, there is no evidence that the FIU follows up or monitors the implementation of remedial actions issued. This presents a gap in the sanctioning regime being implemented by the BSL and FIU as progress in remediation by the banks are not monitored to enable them take commensurate measures to enforce compliance.

Table 6.2. Penalty for AML/CFT violations applied by BSL, Jan -June 2019

Institution	Amount (Le)	Amount US\$	Reasons for Imposition of Penalty
Bank 1	155,000,000	17,380.21	Non-submission of CBR agreement and evidence of KYC/CDD conducted on CBRs; e-banking policy not provided to examiners during onsite inspection; lack of adequate compliance program for 2017 and 2018; and various breaches of KYC/CDD requirements
Bank 2	30,000,000	3,363.91	Inadequate KYC/CDD and EDD conducted on PEPs; lack of standardized policy on CBRs; and lack of adequate disclosure when conducting wire transfers
Bank 3	30,000,000	3,363.91	Inadequate KYC/CDD and EDD conducted on some customer accounts; missing files and incomplete documentation; and non-availability of compliance program to guide AML/CFT activities
Bank 4	10,000,000	1,121.30	Incomplete KYC/CDD documentation in some account opening files
Bank 5	10,000,000	1,121.30	Incomplete KYC/CDD documentation in some account opening files
Total	258,000,000	26,350.63	

379. As could be seen from the table above, the BSL is not fully utilizing its powers and the wide range of sanctions available to it to deal with non-compliance. So far, the nature of sanctions applied is limited to fine/ monetary penalty. Overall, assessors are of the view that the sanctions applied by the BSL are not proportionate and dissuasive given the nature of breaches.

⁹⁴ The FIU has powers under s53 of the AML/CFT Act to apply administrative sanctions

380. Assessors noted some legal constraints that could limit the application of administrative sanction by the supervisors. For instance, S53 of the AML/CFT Act requires the supervisory authorities to apply to the court for purposes of enforcing Ss55 - 62 of the AML/CFT Act where reporting entities fail to comply with certain AML/CFT obligations. This may be problematic as a conviction by the court is required by the supervisory authority before enforcing compliance with the obligations. In general, the process may take long, which may also lead to breaches not being punished in time. This could potentially lead to ineffectiveness in dealing with non-compliance behaviour of supervised institutions. Although S62 of the Banking Act, 2019 (which provided for a range of sanction similar to the ones in the AML/CFT Act), does not require BSL to apply to the court for purposes of enforcing or applying sanctions where an FI fails to comply with requirements under the Act..
381. In relation to the insurance sector and DNFBPs, Sierra Leone is yet to apply sanctions for violation of AML/CFT requirements by Insurance companies and DNFBPs. SLICOM and all the DNFBP regulators have not yet started their AML/CFT supervisory activities and no mechanisms in place for monitoring compliance, statistics on sanctions which could have provided a basis for assessing their effectiveness were not available. In the absence of AML/CFT supervision, no breaches against the AML/CFT laws and regulations were noted and therefore no enforcement actions have been taken.

Impact of supervisory actions on compliance

382. Supervisory actions have more positive impact on compliance in the banking sector compared to other sectors. The BSL and FIU have taken some supervisory actions, including onsite inspections, engagement with banks / Compliance Officers Associations, and training, which have improved, to some extent, the level of compliance of banks with AML/CFT obligations. Compared to when the country was subjected to its 1st ME, there has been appreciable improvements in banks with regards to the understanding and adoption of AML/CFT measures. In specific terms, positive results have been observed especially in the areas of the development of risk framework/risk assessment by banks, improvement in quality and quantity of STRs filed to the FIU, enhanced staff training, improved collaboration with the BSL and FIU, and improved oversight and understanding of ML/TF risks by the board and senior management of banks and the adoption of more comprehensive AML/CFT policies and procedures. Some of the bank officials interviewed during the onsite visit acknowledged that support or supervisory actions by the BSL and FIU have enhanced their compliance with AML/CFT requirements.
383. Given that the focus of AML/CFT supervision in Sierra Leone has mainly been on the commercial banks, the positive impact of supervisory actions identified in the banking sector above have not filtered throughout the broad spectrum of institutions in the financial sector. In general, the impact of supervisory actions on compliance in the OFIs, securities and insurance sectors is limited and uneven. For instance, although, majority of the insurance companies have appointed Compliance Officers, and SLICOM/FIU have commenced some engagement with the sectoral Chief Compliance Officers Association, the impact of supervisory actions on their compliance level remains limited, due largely to the lack of AML/CFT supervision. Other than the appointment of compliance officers, SLICOM could not demonstrate or identify other specific areas where their actions have had any effect on AML/CFT compliance by institutions under its supervision.

384. As noted earlier, DNFBP regulators have not yet started carrying out supervisory activities and therefore the level of AML/CFT compliance monitoring and supervision is virtually non-existent. Although the FIU has started some engagement with real estate agents and a few other DNFbps, these are at early stages and have not had any appreciable impact on their level of compliance. Given the non-existent of AML/CFT supervision in the DNFBP sector, the impact of supervision in the sector is also non-existent.

Promoting a clear understanding of AML/CFT obligations and ML/TF risks

385. There is a good level of understanding of AML/CFT obligations by the banks met during the onsite visit. The FIU in collaboration with BSL has undertaken some initiatives to create awareness among reporting entities, especially banks about ML/TF risks and the obligations arising from AML/CFT legal and regulatory frameworks. The mechanisms used included workshops, issuance of guidelines, and provision of training to enhance compliance by FIs. They also take part in the meetings of the Association of Chief Compliance Officers of Banks to discuss AML/CFT compliance issues, among others. In addition, they provide copies of the inspection reports containing the outcomes of on-site inspections with respect to the ML/TF risks and vulnerabilities identified and remedial measures required to banks that have been inspected. This is a form of feedback to the banks which is aimed at enhancing their understanding of ML/TF risk and the effective application of mitigation measures.

386. The FIU, BSL and SLICOM have jointly issued a Directives and Guidelines for Financial Institutions on the Prevention of ML/TF to facilitate a clear understanding of AML/CTF obligations and ML/TF risks of the financial sector. The BSL has independently issued some guidelines, such as Guidelines for Mobile Money Financial Services, and Operating Guidelines for Foreign Exchange Bureaus, to assist the relevant entities understand and meet their statutory obligations, including some elements of AML/CFT.

387. The FIU has undertaken some training and workshops to sensitize FIs to enhance their level of awareness about the ML/TF risks in their sectors and their AML/CFT obligations. The trainings undertaken by the FIU for reporting entities, usually upon their request, also covered standard AML/CFT materials – definitions of ML/TF; stages of ML/TF; typologies; red flags and suspicious transactions reporting; essential pillars of AML/CFT compliance; policies; procedures and controls including CDD and the handling of PEPs; FATF Recommendations; provisions of the AML/CFT Act; predicate offences; implementation of TFS relating to UNSCRs 1267 and 1373; penalties and sanctions; etc. The FIU has disseminated the NRA report to some of the reporting entities (FIs and DNFbps) and some of the training provided by the Unit also cover the findings of the NRA in order to assist the reporting entities to have a more comprehensive view of the ML/FT risks facing the country. Despite this, some of the reporting institutions interviewed during the onsite visit were not aware of the risks identified in the NRA that are relevant to their sectors. See the table below for statistics on trainings provided by the FIU to banks, forex bureaus and insurance entities.

Table 6.3. Statistics of AML/CFT Training Conducted by the FIU

Sector	2015	2016	2017	2018
Banks	2	3	3	2
Foreign Exchange Bureaus	0	0	4	0
Insurance	0	0	0	11

388. Assessors are of the view that the trainings provided so far are inadequate and limited to a few sectors. Supervisory authorities also need to complement the efforts of the FIU in order to broaden coverage of reporting entities, and ultimately enhance compliance.

389. The FIU has also rolled out AML/CFT reporting template for STR, CTR and FTR and have provided some guidance in this regard. However, the low numbers of STRs filed by reporting entities to the FIU (see IO.4) shows that more needs to be done to improve compliance with AML/CFT reporting obligation across reporting entities. In general, it may be an indication of low level of awareness of reporting entities of ML/TF risks and their obligation to identify and report suspicious transactions to the FIU.

390. Despite the afore-mentioned initiatives, a number of FIs, especially NBFIs met during the onsite visit, did not demonstrate a sound knowledge and understanding of key AML/CFT risks to which they are exposed. Thus, more work is required in respect of raising compliance levels of the NBFIs, including outreach by supervisors and the FIU.

391. In relation to DNFBPs, limited or no significant activities (outreach, training, sensitization, etc) have been undertaken as at the time of onsite visit to promote understanding of AML/CFT requirements and ML/TF risks by DNFBPs. In addition, no sector specific guidelines have been issued for the DNFBPs. Majority of DNFBPs met during the onsite visit do not have a clear understanding of the ML/TF risks to which they are exposed to, as well as their AML/CFT obligations. Overall, significant efforts, including trainings, awareness programmes and conducting of onsite examinations, are still needed to raise awareness of the DNFBPs. Additionally, all DNFBP regulators required resources, training and capacity building to effectively carry out their functions.

Overall conclusion on Immediate Outcome 3

392. There are generally fit and proper controls in place to prevent criminals or their associates from controlling or being the beneficial owner of FIs. BSL applies adequate market entry requirements, including Fit and Proper assessment in the banking sector but does not adequately do so in the securities sector and other FIs under its supervision. Fit and Proper controls are applied unevenly in the insurance sector by SLICOM. DNFBP supervisors do not have adequate procedures to restrict market entry for AML/CFT purposes and prevent criminals and their associates from controlling or being the beneficial owner of a DNFBP. Application of the fit and proper procedures varies across the DNFBP supervisors but is generally weak.

393. BSL has developed risk assessment methodologies which enable it to assess and understand the ML/TF risks of institutions within the banking sector. SLICOM lacks

ML/TF risk assessment tools necessary to build a solid understanding of ML/TF risks and thus have a less developed understanding of the risks of the institutions it supervises. Understanding and identification of ML/TF risks by DNFBP supervisors are very weak.

394. AML/CFT supervision is being carried out in the banking sector, and to a limited extent in the BDCs. However, the overall number of inspections appears inadequate considering the significance of the banks in the financial sector, and the depth and scope of coverage of the inspections by the BSL and FIU remain a challenge and need to be further strengthened. No AML/CFT inspection has been undertaken in the securities, insurance and DNFBP sectors. Given the moderate to high risk of the DNFBPs, the lack of supervision of DNFBPs for AML/CFT remains a major concern and a weak link in the supervisory regime in Sierra Leone. In general, the FIU and supervisors lack adequate technical capacity, and financial and human resources for effective AML/CFT supervision, which, in the opinion of the Assessment team, constitutes a limitation of the supervisory capacities and negatively impacts the effectiveness / thoroughness of supervision.
395. The BSL and FIU have independently imposed sanctions on some banks for non-compliance with AML/CFT obligations. However, the sanctions are not proportionate and dissuasive. In addition, BSL does not follow up on the implementation of remedial actions previously issued to affected banks to ensure that requested remedial actions have been implemented. This presents a gap in the sanctioning as progress in remediation by the banks are not monitored to enable them take commensurate measures to enforce compliance. A legislative review is also needed to address the requirement for a court conviction in the AML/CFT Act to enforce sanctions by the regulators against non-compliance by reporting entities.
396. Some efforts, including issuance of guidance, outreaches and training have been conducted by the FIU and FIs supervisors to promote understanding of ML/TF risks and AML/CFT obligations of FIs. Other than the banking sector, these efforts have little impact on compliance by the NBFIs. Limited guidance and outreach activities have been undertaken in the DNFBP sector. Overall, more needs to be done to improve the impact of supervisory actions and achieve an appreciable level of effectiveness.
397. **Sierra Leone is rated as having a low level of effectiveness for IO.3.**

Chapter 7. LEGAL PERSONS AND ARRANGEMENTS

Key Findings and Recommended Actions

Key Findings

- a) Information on the creation and types of legal persons in Sierra Leone is publicly available on the website of the Corporate Affairs Commission (CAC) and the Office of Administrator and Registrar General (OARG). This information is generally adequate and accessible online without restriction.
- b) Basic information is available and accessible at the CAC. The storage of this information is partly manual and partly electronic. The electronic register facilitates a rapid search of the manually filed information maintained in the CAC archives. Overall, the system appears to be fairly efficient. Sierra Leone has put some measures in place to ensure that basic information is accurate and up-to-date; this includes identification of documents at incorporation, and a requirement to notify CAC of changes relating to basic information. However, these measures need to be better implemented.
- c) The CAC conducts identification of company promoters, directors and shareholders during incorporation by requiring them to complete the prescribed form and provide a national identification. The CAC indicated that they also request for a statutory declaration in support of the identification documents however, identification documents are not verified.
- d) Sierra Leone has not undertaken ML/TF risk assessment of all legal persons and arrangements.
- e) SLEITI has developed a BO Disclosure Road Map and CAC has a Corporate Governance Code as an initial measure towards the implementation of BO requirements in the country. The current mechanism for BO disclosure by legal persons is not mandatory as disclosure is on a “voluntary compliance” basis. Therefore, BO information on legal entities (domestic or foreign) is not readily available at the CAC. Nevertheless, FIs, especially commercial banks, generally obtain beneficial ownership information as part of CDD requirements and LEAs have requested such information for the purpose of conducting investigations in the case of predicate offences.
- f) Legal persons that are public corporations are mandated to provide information on nominee shareholder(s). There is no obligation for private companies to disclose nominee shareholders. Authorities indicated that in most cases, shareholders are generally the beneficial owners of legal persons but did not

provide basis for this statement. There is no requirement for private and public legal persons to disclose nominee directors.

- g) Professional trustees are required to maintain basic information on their clients. However, there are no measures in place to ensure TCSPs (or other trustees including lawyers and accountants) comply with the obligation to obtain and maintain basic and beneficial ownership information on legal arrangements. Non-professional trustees are not required to obtain and maintain information on settlors, beneficiaries, or other persons exercising ultimate control over the trust. There is limited information on the operations of both professional and non-professional trustees including measures put in place to prevent the misuse of such legal arrangements.
- h) There are sanctions for non-compliance with the obligation to maintain and update basic information. However, these sanctions have not been systematically enforced.

Recommended Actions

- a) Sierra Leone should conduct comprehensive ML/TF risk assessment of all types of legal persons and arrangements in order to identify and understand the risks posed to these structures and develop policies to address those risks. In addition, authorities should disseminate findings of the assessment to all stakeholders, including supervisors, and reporting entities.
- b) Sierra Leone should establish an adequate legal framework which will enable the relevant authorities to obtain and maintain information on BO for legal persons and arrangements. Authorities should ensure that the implementation of the BO disclosure road map is well co-ordinated and the country should put in place legally binding measures to ensure that beneficial ownership information on legal persons and arrangements are adequate, accurate and updated on a timely basis.
- c) CAC should ensure that it puts in place adequate measures to verify the identity of legal owners and directors. In particular, bearer shares should be immobilized or dematerialized. CAC should require private companies to disclose nominee shareholders and further oblige both private and public legal persons to disclose nominee directors.
- d) Authorities should conduct awareness raising for DNFBPs particularly - professional trustees and lawyers, on the obligation to collect and maintain basic and beneficial ownership information and also ensure that relevant reporting entities are complying with these obligations.
- e) Sierra Leone should implement measures to mitigate the misuse of nominee directors in both private and public companies and nominee shareholders in private companies.

- f) Apply proportionate and dissuasive sanctions for non-compliance with obligation to update and maintain basic and beneficial ownership information as well as other relevant provisions of the Companies Act.

398. The relevant Immediate Outcome considered and assessed in this chapter is IO.5. The Recommendations relevant for the assessment of effectiveness under this section are R.24-25.

Immediate Outcome 5 (Legal Persons and Arrangements)

399. The creation of various types of legal persons in Sierra Leone is governed by the Companies Act, 2009 and the General Registration Act, Cap 255. The Companies Act established the Corporate Affairs Commission (CAC) with a mandate to register public and private companies. These include companies limited by shares, companies limited by Guarantee and unlimited companies. Section 3 of the General Registration Act, Cap 255 of the Laws of Sierra Leone created the Office of the Administrator and Registrar General (OARG) which is mandated to maintain the registries, including a business registry, a marriage registry, an intellectual property registry, an estate registry, a land registry and a registry for the registration of instruments such as trusts. Sole proprietorship and partnerships are registered at the OARG.

400. Trusteeships are recognized under Sierra Leonean law. The Companies Act, 2009, for instance, recognizes the creation of trusts. However, registration of trusts is not mandatory in Sierra Leone.

Public availability of information on the creation and types of legal persons and arrangements

401. The different types of legal persons are identified and described in the relevant legislation (see R. 24 for more details). The processes for the creation of legal persons including sole proprietorship or partnership, as well as the procedure for obtaining and recording basic information are described in the legislations and are publicly available on the website of the CAC⁹⁵ and the OARG⁹⁶. The information available covers all aspects of registration and incorporation, such as fees payable, requirements relating to memorandum and articles of incorporation, prescribed forms and other required documents, including identification document, among other requirements.

402. A promoter is required to pay the prescribed fee and complete the prescribed form which is submitted with relevant documentation such as National Identification Card, or in the case of a foreign company, a passport. The CAC conducts identification using these documents and issues the certificate of incorporation. Thereafter, the documents are forwarded to National Revenue Authority for the issuance of a Tax Identification Number and to the Freetown City Council for verification of the business address. The CAC does not have a system of verifying the documents received. The CAC intends to establish a one-stop shop which will facilitate the processing of company registration. The OARG has a one-stop shop for registration of legal persons where the National Revenue Authorities are stationed to facilitate the issuing of Tax

⁹⁵ www.cac.gov

⁹⁶ www.oarg.gov.sl

Identification Number. The OARG is in the process of automating the registration process. The CAC has commenced the process to deploy online registration of legal persons. Table 7.1 below shows the number and types of legal entities in Sierra Leone between Jan 2015 - Jun 2019.

Table 7.1. Number of Legal Entities Registered in Sierra Leone, Jan 2015 - Jun 2019

Type of Entity	Number of Legal Entities Registered						
	2015	2016	2017	2018	2019	TOTAL	
Public Limited Companies	-	6	3	-	-	9	
Private Limited Companies	-	1960	1693	2415	1226	7294	
Limited by Guarantee	-	-	-	-	-	642	
General Partnership	398	294	258	155	43	1,148	
Limited Partnership	-	-	-	-	-		
Foreign Companies	-	22	27	34	22	111	
Cooperative Societies	18	32	47	24	12	133	
Foundations	2	1	1	2	1	7	
Others, specify	Sole proprietorship	3092	2606	2238	1067	578	9,581
	Associations (Community Based Organizations / Friendly Societies	20	33	48	26	19	146

403. The legal system of Sierra Leone is based on common law principles. Thus, express trust arrangements can be established in Sierra Leone. In common law countries, trusts are typically established by lawyers or TCSPs. However, authorities stated that the use of express trust arrangements in Sierra Leone is quite limited. The members of the legal profession met by the assessment team had limited information on trust arrangements as well as a limited understanding of their obligations under the AML/CFT Act, 2018. Although, they obtain basic information on their clients at the point of initial contact, lawyers do not conduct adequate CDD on their clients. Thus, CDD information that could be useful for the purpose of identifying beneficial owners is not being systematically obtained from clients. However, lawyers or TCSPs will generally have the particulars of the parties to the trust agreement executed by them. There are a small number of TCSPs in Sierra Leone. These are also subject to the AML/CFT law including the obligation to identify the parties to the trust. Authorities identified two firms (an accounting and a legal firm) that provide trust and company services such as registration of companies, accounting and auditing, provision of company secretarial services, maintenance of statutory registers, share registers, nominee shareholders and so on. However, implementation of the CDD obligation among DNFBPs including TCSPs is generally limited.

404. Trust deeds may also be registered at the OARG. Although, there is no mandatory obligation to register a trust, the registration of a trust can protect the trust from third party claims thus, trust deeds especially those relating to real estate are often registered at the OARG. Authorities indicated that trust deeds are prepared and deposited by lawyers on behalf of the trustees. At the point of registration, particulars of the trust deed are entered into a register. The particulars could include the name of the trustee, the beneficiary(ies) but there is no direct obligation on the lawyer registering the trust deed to disclose the parties to the trust.

Identification, assessment and understanding of ML/TF risks and vulnerabilities of legal entities

405. Sierra Leone has not conducted a comprehensive risk assessment of legal persons and arrangements. However, as part of its NRA, the country identified and assessed the ML/TF risk of particular types of legal persons such as banks, insurance companies and some DNFBPs which are legal persons. As regards DNFBPs, the NRA noted that these entities are particularly vulnerable to ML partly due to the structural features of the economy, including the presence of a relatively large informal sector, and the preponderant use of cash to finance transactions conducted by real estate agents, casinos, dealers in precious stones and metals and automobiles sellers. The assessment revealed that transactions conducted by DNFBPs had a 'very high' level of vulnerability to ML/TF. Also, services provided by legal professionals and accountants are indicated as being highly vulnerable to ML. The NRA further noted that business transactions in these sub-sectors are largely cash-intensive and AML/CFT control measures are not being implemented by DNFBPs. The threat assessment revealed that corruption, drug trafficking and fraud generate a high level of illicit proceeds in Sierra Leone. The overall threat of ML associated with these offenses was rated high. The high level of threats pose by corruption, drug trafficking and fraud and the very high vulnerability of DNFBPs portends high ML risks to legal persons that are DNFBPs. Indeed, the use of legal persons to launder illicit proceeds relating to corruption and other predicate offences have been indicated in the NRA⁹⁷, therefore there is a possibility of misuse of legal persons in Sierra Leone. Whilst the authorities responsible for incorporation of legal persons demonstrated a fair knowledge of the risk inherent in the use of corporate vehicles, the specific risks posed to legal persons in Sierra Leone is yet to be comprehensively assessed. Ultimately, authorities have not identified, assessed and understood the extent to which all types of legal person created in the country can be or are being used for ML/TF purposes. Sierra Leone has not conducted a review of the relevant legal and regulatory framework relating to legal persons. Authorities have not reviewed cases in which corporate vehicles have been misused for criminal purposes in Sierra Leone, or examined international threats and vulnerabilities associated with legal persons incorporated under the laws of the other countries, including the risk of specific ML emanating from those countries.

Mitigating measures to prevent the misuse of legal persons and arrangements

406. Sierra Leone authorities have put in place some measures and controls to prevent the misuse of legal persons even though these measures are not comprehensive. All legal persons are required to register at the CAC. The CAC requires identification documents to corroborate basic information provided by the promoters of a company. However, the CAC does not specifically verify the accuracy of the information it receives, or the authenticity of the documents submitted to it at the point of incorporation, but it ensures that the information provided to it is complete. Authorities were more concerned about ensuring company incorporation is undertaken in real time as against verifying the identification documents provided to it. The authorities admitted that presentation of fake documents was a possibility. In this regard, authorities noted that there are measures in place to curb the use of fake identification

⁹⁷ Pages 102-103 of the NRA

cards. This includes mandating the director to undertake a statutory declaration that the information provided is true. In the event, that a fake identification card is discovered, sanctions can be imposed and the company's certificate revoked. However, the effectiveness of the measure is limited by the fact that there are no verification measures at the point of incorporation to spot fake identification documents.

407. Similarly, the Companies Act requires companies to maintain basic information, including a register of shareholders. This information is also held by the CAC and is publicly available.
408. Regarding measures to mitigate potential abuse of bearer shares, the Companies Act 2009 permits companies to issue a share warrant which states that the bearer of the warrant is entitled to the shares specified in the certificate. However, bearer shares have not been immobilized or dematerialized in Sierra Leone. Section 80 and 81 of the Companies Act recognize nominee directors and shareholders, however the country has not put in place measures to ensure that these are not misused. Public companies are required to maintain information on persons holding shares of which they are not the beneficial owners. This requirement does not apply to private companies. Substantial shareholders in public companies are required to provide names, addresses and full particulars of the shares held personally or by a nominee, including the name of the nominee. Authorities at the CAC confirm that in practice, CAC does not have records on these kinds of arrangements and that in almost all cases persons holding shares are the beneficial owners. However, competent authorities did not provide any basis for these statement. The shortcoming in Sierra Leone's legal framework which limits the disclosure of the beneficial interest and the substantial or nominee shareholder to public companies should be addressed.
409. FIs are required to obtain basic and beneficial ownership information from legal persons and arrangements that they transact business with in accordance with the AML/ CFT Act, 2012 as amended by the AML/CFT Act 2019. Many of the FIs that indicated that they require their customers to provide information on beneficial ownership and take reasonable steps to verify the identity of beneficial owners, which in most cases are the shareholders of the company and nationals of Sierra Leone. The FIs maintained that account-opening process would typically be truncated if a customer fails to provide beneficial ownership information except in cases where the risk can be managed. DNFBPs are also required to obtain basic and beneficial ownership information from legal persons and arrangements. However, some of the DNFBPs stated that they obtain only basic information, which is consistent with the finding of the NRA that there is weak compliance by DNFBPs in respect of their AML/CFT obligations.
410. As regards trustees, there is no express provision that requires professional trustees to disclose their status to FIs and DNFBPs when forming a business relationship or carrying out an occasional transaction even though FIs and DNFBPs are required to identify and verify the identity of customers when it is unclear whether the customer is acting on his own behalf (s22 of the AML/CFT Act, 2012). FIs confirmed that they have very little dealings with express trust arrangements.
411. Sierra Leone has commenced the process to obtain beneficial ownership information on players in the extractive sector in accordance with the Extractive Industries Transparency Initiatives (EITI). The extractive sector, especially DPMS was identified in the NRA as a sector exposed to a high level of ML risk. The NRA's position is reaffirmed by some case studies provided in the GIABA Typology Report

on Money Laundering and Terrorist Financing Linked to the Extractive Industry / Mining Sector in West Africa, 2019. The case studies relate to the use of front companies to defraud foreigners associated with precious minerals business, and laundering proceeds derived from tax fraud through front companies and comingling with funds in the mining sector. In order to address some of the gaps in the mining sector, Sierra Leone strengthened the legal framework in the DPMS sector. These include the revision of the Mines and Minerals Act, 2009 in 2012 and the National Minerals Agency Act, 2012 which provided the legal framework for regulation and strengthened oversight of the sector. The National Minerals Agency (NMA) has the responsibility for processing licenses applications, monitoring compliance and overseeing exploration and mining activities.

412. Sierra Leone has invited all companies operating in the extractive sector to identify their beneficial owners and notify the CAC by January 2020⁹⁸. In order to achieve this, the country established the Sierra Leone EITI Steering Committee (SLEITI), which is a Multi-Stakeholders Group (MSG) made up of mining companies, government agencies and civil society organizations, including the media. In this regard, a BO Roadmap was developed setting out the broad policy objectives and the intended actions with timelines. The Sierra Leone Cabinet also adopted the Corporate Governance Code as a national policy in September 2018. The Code covers collection and management of BO data in respect of all companies. The code was however established on the principle of “comply or explain” and is not enforceable. Authorities explained that this measure was put in place pending an amendment of the Companies Act 2009 which will make the submission of BO information mandatory for all companies.
413. The CAC is in the process of revising the prescribed forms for incorporation and registration to include questions on BO information. Authorities have organised workshops and training programmes for the Beneficial Ownership Technical Working Group. Although some progress has been made on implementing the actions on the road map, some critical areas which include amending the Companies Act 2009⁹⁹ to require mandatory disclosure of BO information is yet to be implemented. The IT infrastructure needed to host the BO register for the collection and management of the BO data at the CAC is yet to be deployed and authorities confirmed that mandatory disclosure of BO information and the collection process by the CAC will not commence until the relevant laws are passed.
414. As part of its revenue collection obligation, the National Revenue Authority (NRA) also collects basic information on legal entities. All legal persons making disclosure to the NRA are required to hold bank accounts and are subject to CDD requirements. However, there are no provisions in the NRA Act 2002 requiring NRA to obtain beneficial ownership information.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal persons

⁹⁸ The process is still on-going. Authorities at CAC indicated that the IT infrastructure to host the BO information was not in place.

⁹⁹ Some laws such as the Minerals and Mining Act, Petroleum and Revenue Act will also need to be amended.

415. Competent authorities can obtain basic information on all types of legal persons created in Sierra Leone in a timely manner from the CAC or OARG. The storage of information is partly manual and partly electronic. The electronic register facilitates a rapid search of the manually stored archives. Authorities both at the CAC and OARG stated that response to a request for information from LEAs and other competent authorities take between 3-7 working days. However, in situations where earlier times are indicated on the request letter, authorities generally respond within the times stipulated in the request. Basic information such as shareholding structure, name and address of directors, nature of business, on legal persons are available at the CAC and OARG.
416. The requirement for identification of documents before incorporation enhances accuracy of records although the lack of verification of such documents limits this accuracy. Companies are required to maintain some basic information at their registered offices. However, CAC does not conduct inspections of companies' shareholder registries to ascertain how up-to-date or accurate such information are. As regards basic information kept at the CAC, companies are under an obligation to notify the CAC within 14 days where there is a change in director(s), shareholding structure, and business address among other requirements. This requirement to notify the CAC aims to ensure that the information held at the CAC is up to date. However, this obligation was not complied with in the past. The CAC recently launched a system which is aimed at ensuring that companies update their records. The CAC has begun monitoring records to ensure that basic information are up-date.
417. Legal persons are not mandated to provide beneficial ownership information to the CAC, thus, beneficial owner information will only be available where the indicated shareholders are the actual owners. LEAs are able to use other sources of information, including financial institutions, especially the commercial banks to identify BO. Access to BO information of legal persons with foreign parent companies may however be more difficult. FIs especially banks typically maintain BO information of legal persons and arrangements. LEAs, including ACC and other competent authorities such as the FIU have wide powers to obtain beneficial ownership information, which is available at the FIs. While banks generally obtain and verify beneficial ownership, most DNFBPs do not typically maintain BO information. LEAs and other competent authorities can also request for basic information on legal persons held by the Revenue Authority. The table below indicates the number of request for information made to the CAC by other competent authorities between January 2015 and June 2019.

Table 7.2. No of request for information on legal persons received by the CAC as at June 2019

AUTHORITY	TOTAL NUMBER OF REQUESTS MADE JAN 2015 - JUNE 2019
Audit Service Sierra Leone	44
Financial Intelligence Unit	16
Sierra Leone Police (CID)	15
TOCU	15
Anti-Corruption Commission	35
Office of the Attorney-General and Minister of Justice	10
Bank of Sierra Leone	8

418. The requests for data are not submitted electronically. The authorities noted that the CAC and OARG are currently in the process of electronically uploading some basic information on all types of legal persons on their website. After concluding this process, the Commission will have the possibility of receiving requests and submitting responses electronically. The uploaded information will also be accessible. The OARG indicated that between January and August 2019, it had received and responded to 20 requests for information from competent authorities. It did not indicate which competent authorities requested for the information. LEAs can, in the course of their investigation, access basic and beneficial owner information held by FIs in a timely manner.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal arrangements

419. DNFBPs including lawyers and accountants, who typically create legal persons and arrangement in Sierra Leone are required to conduct CDD. However, some of the lawyers interviewed by the assessment team seemed to be unaware of any obligations to conduct CDD or obtain beneficial ownership information from their clients especially where such clients intend to establish a trust or create a legal person. Authorities could not provide comprehensive statistics on trust arrangements in the country but nevertheless, provided examples but indicated that trust arrangements are not common. The FIs and DNFBPs met also stated that they do not have clients that are trustees.

Effectiveness, proportionality, and dissuasiveness of sanctions

420. The Companies Act 2009 provides sanctions against legal persons who fail to comply with information requirements including notification of change of director or keeping records among others. Sections 70, 71, and 73 of the Companies Act impose sanctions for non-compliance with the duty relating to ensuring appropriate location of the register of members, proper indexing of members, opening of register for inspection and lack of notification of change of the location of the register. Authorities at the CAC however, indicated that sanctions are not largely applied. The lack of enforcement of sanctions will certainly impact negatively on the veracity of the records. Sections 53, 57, 58, 59 and 118 of the AML/CFT Act, 2012 as amended by the AML CFT Act, 2019 also provide for sanctions. The sanctions range from a two year term of imprisonment to the imposition of a fine, the application of administrative

“type” sanctions such as removal of a manager¹⁰⁰, barring a person from employment¹⁰¹ and refusal to renew a reporting institution’s license¹⁰² among other penalties. Sierra Leone did not provide specific instances where sanctions were applied for failure to maintain records or information on basic or beneficial owners by FIs or failure of companies to comply with the obligation under the Companies Act to update records.

Overall conclusion on Immediate Outcome 5

421. Sierra Leone has not assessed the ML/TF risks associated with the different types of legal persons created in the country. Relevant information on the creation of all types of legal persons is publicly available in Sierra Leone. Basic information on legal persons is publicly available and LEAs are able to access this information in a fairly timely manner. However, basic information is not verified at the time of incorporation; furthermore, sanctions are not applied for failure to update basic information and these shortcomings limit the quality of the information. Beneficial ownership information is not available at the CAC. However, Sierra Leone plans to commence, particularly within the extractive industry, collecting BO information from January 2020. On legal arrangements, Sierra Leone indicated that these types of arrangements are not common in the country. That notwithstanding, the country’s legal framework on transparency of legal arrangement is weak thereby limiting the implementation of effective measures in this regard. Measures to mitigate the misuse of nominee directors and shareholders are yet to be implemented and there is the need to apply strong enforcement actions for non-compliance with the obligation to update or maintain basic information and beneficial ownership information, when this obligation has been enshrined in the law.

422. **Sierra Leone is rated as having a low level of effectiveness for IO.5.**

¹⁰⁰ S.53(2)(f) AML/CFT Act, 2012 as amended 2019

¹⁰¹ S.53(2)(g) AML/CFT Act, 2012 as amended 2019

¹⁰² S. 53(2)(i) AML/ CFT Act, 2012 as amended 2019

Chapter 8. INTERNATIONAL COOPERATION

Key Findings and Recommended Actions

Key Findings

- a) Sierra Leone does not make effective use of international cooperation mechanisms. While Sierra Leone's responses to foreign counterparts' requests appear satisfactory, authorities make little use of international cooperation mechanisms which is inconsistent with the transnational nature of the most important proceed generating crimes.
- b) MLA and extradition requests are channelled through the Ministry of Foreign Affairs and International Cooperation and forwarded to the Attorney General's Office. The AG's office transfers the file to relevant competent authority or authorities to facilitate the process of responding to the requests.
- c) The effectiveness in handling the limited number of MLA is hampered by the lack of specific guidelines, standard operating procedures, a case management system and prioritization of foreign request as well as the absence of dedicated staff tasked to handle MLA and extradition at the Law Office of the Attorney General.
- d) The Police exchange information with counterparts. Police cooperation is through the Interpol platform. The Sierra Leone Interpol has a manual filing system to track incoming and outgoing requests. However, responses to the requests appear to be timely and adequate. Authorities also utilize the WAPIS, in carrying out transfers and handovers of suspects to foreign countries in the region (simplified extradition). The LEAs also exchange information through liaison officers at the embassies and sometimes refer requests to the FIU which is transmitted to the concerned jurisdiction.
- e) The FIU is not part of the Egmont Group but has entered into MOUs with FIUs in sixteen (16) countries. The FIU's cooperation with foreign counterparts is limited and not coherent with the risk profile. However, the limited number of requests sent and received_ appear to be well-managed.
- f) Supervisory authorities cooperate internationally in line with domestic scope of activities, especially in the financial sector, but not specifically in relation to ML/FT.
- g) Competent authorities are able to provide basic information on legal persons registered in Sierra Leone. Authorities are in a position to provide BO information held by financial institutions, especially banks, to their international counterparts or competent authorities.

Recommended Actions

- a) Sierra Leone should ensure that authorities at the Law Office set up a desk or unit with dedicated and trained staff to handle MLA and extradition requests.
- b) The authorities should establish an effective case management system to facilitate the follow-up of both incoming and outgoing requests, including the collection of data and statistics, particularly on the timeliness of handling incoming MLAs, extradition requests and informal cooperation relating to ML/TF and maintain comprehensive statistics on international cooperation. In addition, the country should develop standard operating procedures and guidelines including on how to prioritize such requests.
- c) LEAs and prosecutors should take a more proactive approach in seeking MLA where cases have transnational elements. In this regard, Sierra Leone should enhance the capacity of relevant LEAs and prosecutors to engender willingness to pursue cross-border evidence gathering when conducting transnational criminal investigation.
- d) The FIU should continue signing MOUs with counterpart FIUs and endeavor to increase its spontaneous dissemination to other FIUs as it processes its Egmont membership.
- e) Sierra Leone should ensure that competent authorities are able to provide and respond to foreign requests for co-operation in identifying and exchanging beneficial ownership information of legal persons and arrangement in a timely manner.

423. The relevant Immediate Outcome considered and assessed in this chapter is IO.2. The Recommendations relevant for the assessment of effectiveness under this section are R.36-40.

Immediate Outcome 2 (International Cooperation)

424. Sierra Leone has an adequate legal framework for international cooperation and assistance through the formal channels. This cooperation broadly covers freezing, seizure, extradition, locating persons, enforcing a final order of a foreign jurisdiction and other proceedings on criminal matters. Sierra Leone also engages in other forms of international cooperation with foreign counterparts. Sierra Leone acknowledges its cross-border risk. The country has over 800 border crossing points, two-thirds of which are unmanned. Thus, the country's borders are not properly demarcated and are unsafe and unsecure. This situation fuels transnational criminal activities including illicit cross-border transportation of cash¹⁰³.

Providing constructive and timely MLA and extradition

425. Sierra Leone is generally active in responding to formal requests for MLA and extradition. The Ministry of Foreign Affairs and International Cooperation (MOFA) is the central authority for processing MLA and extradition requests. The MOFA transmits the requests to Attorney General's Office at the Ministry of Justice. The International Division at the Attorney General's Office typically reviews and transfers

¹⁰³ National Risk Assessment

the requests to the appropriate authority for processing. Authorities indicated that some requests for MLA and extradition are referred to State Counsels and not necessarily channelled to the International Division. Sierra Leone has received a limited number of MLA and extradition requests. Feedbacks from jurisdictions¹⁰⁴ that have engaged in international cooperation with Sierra Leone authorities indicate that the engagement was satisfactory.

Mutual Legal Assistance

426. MLA requests are forwarded to MOFA by the requesting jurisdiction. Upon receipt, MOFA forwards the request to the Law Office of the Attorney-General. The MLA request is then assigned to a State Counsel or referred to the International Division at the Law Office. The Officer assigned to handle the MLA reviews the request to verify whether the requesting state has fulfilled the legal requirements. The State Counsel takes whatever action he deems necessary to seek supplementary information, clarification or evidence and if satisfied, sends it to the appropriate authorities for execution. Sierra Leone was not able to provide an estimate on the average period for processing incoming MLA requests. Authorities noted that MLA requests were processed on a case-by-case basis. In particular, where cases are urgent, for example, if funds are required to be frozen, the request is handled immediately. The authorities noted that other national authorities may be involved in the processing of MLA particularly, the FIU and TOCU and this may require more time. There are, however, no internal guideline or SOP relating to the movement/completion of incoming MLAs.

Box 8.1. - MLA request to restrain funds in an account

X committed some predicate offences in Country A. The proceeds of the offences were located in Sierra Leone. An MLA request was received in October 2014 from country A asking Sierra Leone authorities to conduct an investigation and restraint funds held in a bank account. In 2015 the FIU was able to place a restraint on the account. It secured the available financial information from the bank and transmitted it to country A. In 2017, Country A forwarded a copy of a Crime Proceeds Restraint Order which was to be enforced in Sierra Leone to the FIU. Sierra Leone has requested for further clarification from Country A and communication has continued between Sierra Leone and Country A. The funds in the bank account remained restrained while communication continues between Sierra Leone and Country A.

427. As indicated in Recommendation 37, Sierra Leone may refuse MLA on certain grounds. However, the statistics provided by Sierra Leone indicated that the country had not refused any MLA request during the period under review. Between 2015 and 2019 Sierra Leone received a total of 11 MLA requests. Between 2015 and 2016, Sierra Leone received 3 MLA requests involving money laundering and in 2018, 1 MLA request involving terrorist financing. Sierra Leone also received 3 MLA requests relating to predicate offences. The remaining 4 requests relate to other crimes.

¹⁰⁴ Canada, Burkina Faso, Belgium, Monaco, Japan and Ghana provided feedback and only two of those countries have engaged in international cooperation with Sierra Leone.

Table 8.1. MLA requests for ML, FT and associated Predicate Offences, Jan 2015 - Jun 2019

Mutual Legal Assistance	2015	2016	2017	2018	2019
MLA requests received from other countries	3	3	1	3	1
Requests on MLA executed	3	3	1	3	1
Number of MLA requests refused	-	-	-	-	-
MLA requests received on ML	2	-	1	-	1
MLA requests received on Predicate Offences	1	2	0	0	-
MLA requests received on TF	-	-	-	1	0
Other MLA request	0	1	-	2	
ML received for asset tracing with related freezing / confiscation request		-	-	1	-

428. Sierra Leone has received only few MLA requests nevertheless, there are no guidelines, SOPs or case management system in place to process incoming MLAs in order to ensure that deadlines are met and it appears that there is no system of prioritization of cases. There are however, limited requests made to the country. Given that authorities do not have mechanisms in place for monitoring the movement and timely execution of MLA request, incoming requests may not be well managed and requests could be processed more efficiently with the implementation of appropriate mechanisms.

Extradition

429. In practice, extradition requests are channelled through diplomatic channels (MOFA) and forwarded to the Attorney – General and Minister of Justice. The AG is able to give effect to extradition request from commonwealth countries or other foreign States. The authorities explained that upon receipt of an extradition request, the matter is referred to either TOCU or Sierra Leone Police to conduct the search and arrest of the suspect before the necessary processes are filed in court to procure an order to extradite the criminal to the requesting country. Authorities indicated that the length of the process will depend on how soon the fugitive criminal is found and did not provide an average period for processing extradition requests. Authorities confirmed that nationals of Sierra Leone have been extradited in the past. Sierra Leone is able to provide simplified extradition on the basis of the Agreement on Cooperation on Criminal Matters between the Police of member States of ECOWAS which permits the handing over of suspects or fugitive to another member State based on warrants of arrest or court judgments. The Interpol Sierra Leone had collaborated with member States on a number of occasions and have executed arrest warrants efficiently and speedily. One of the extradition cases executed in connected to tax fraud between 2016 and 2017 is indicated in Box 8.2 below.

Box 8.2. - Extradition of MBT

On 12th October, 2016 correspondence was received from the Embassy of the United States of America in Freetown in respect of Interpol Red Notice issued against Fugitive, MBT an American National of Sierra Leone origin wanted for participating in a tax fraud scheme by filing fictitious tax returns and defrauding the Internal Revenue Services of the US as an employee at X Financial Services, a tax preparation business owned by one of the conspirators. On 3rd November 2016, a team of personnel of NCB- Freetown located and arrested fugitive MBT. On 10th March 2017, extradition proceedings commenced at the High Court, Sierra Leone and an order was granted to extradite the fugitive to Pennsylvania in the United States of America. NCB Freetown successfully conveyed the Fugitive to US special agents for the purpose of conveying the fugitive to the United States.

430. Authorities did not provide statistics on extradition cases. Similarly, Interpol and NCB of Sierra Leone demonstrated understanding of the Interpol procedure and collaboration with member States but provided minimal statistics to support the assertion that they had handled a number of simplify extradition cases. Authorities from NCB indicated that there has been successful hand over of suspects from NCB in other jurisdiction and hand over of suspect from NCB Freetown to other jurisdictions. An example of such a case is indicated in Box 8.3 below.

Box 8.3. - Defrauding by false pretences T

On 13 March 2016 suspect A was transferred from Guinea to NCB Freetown and charged to court for obtaining money by false pretences from B. A was arraigned before court a fine was imposed and the Court ordered that A to refund the money obtained from B.

431. The lack of comprehensive and detailed statistics will impact on the effectiveness and efficiency of the system in place for extradition.

Seeking timely legal assistance to pursue domestic ML, associated predicates, and TF cases with transnational elements

MLA and Extradition

432. Sierra Leone seldom seeks MLA. The discussions held with relevant authorities indicate that prosecutors do not generally make MLA request to other jurisdictions. Statistics show that only one request for MLA was made between 2014 and 2019. In addition, there is no case management system in place even though the numbers of MLA request are few. It is unclear if the single request made by Sierra Leone has been responded to. The number of requests made by Sierra Leone do not appear to be consistent with the country's risk given the number of transnational offences (including potential ML offences and associated predicates) handled by the Sierra Leonean authorities.

Table 8.2. MLA request made by Sierra Leone, Jan 2015 - Jun 2019

Mutual Legal Assistance	2015	2016	2017	2018	2019
No. of request made to other countries	-	0	0	1	0
No. of request on ML or TF	-	-	-	-	-
No. of request responded to by other countries	-	-	-	-	-

433. The authorities provided minimal information on the number of extradition request sought by Sierra Leone, including whether these requests were responded to by foreign jurisdictions. The authorities however, stated that two extradition requests were forwarded to Belgium to allow a detainee transit through Belgium territory while being escorted by a police officer. The cooperation was satisfactory in both cases. Aside from the 2 cases indicated above, no other case studies or statistics were provided by Sierra Leone. For example, no information was provided as to whether any extraditions were not executed and the reasons for this. This makes it difficult to assess the effectiveness of extradition under IO2.

434. Sierra Leone makes minimal MLA requests to foreign counterparts. Authorities stated that the reason for the few MLA/Extradition requests may be attributed to the fact that cases investigated are domestic in nature. Also, the country typically utilizes informal cooperation mechanisms within the region. There are however instances where formal requests may be necessary to adduce evidence for a ML/TF trial and the low number of MLA sought by the country may account for the lack of ML cases with foreign elements despite the incidence of transnational crimes.

Seeking other forms of international cooperation for AML/CFT purposes

435. Sierra Leone makes use of other forms of international cooperation for AML/CFT purposes, through the LEAs and the FIU. The supervisory authorities in Sierra Leone, especially BSL, also collaborate and exchange information with home state supervisory authorities. Sierra Leone is leveraging informal international networks like the Asset Recovery Inter-Agency Network for West Africa (ARINWA), the West African Network of Central Authorities and Prosecutors (WACAP) and various arrangements with foreign counterparts to facilitate international cooperation.

FIU

436. The FIU seeks international co-operation from its counterparts and other authorities to support its analytical and operational work. Sierra Leone is not yet a member of the Egmont Group, however, the country is currently processing its application for membership. The FIU has signed MOUs with 16 counterpart FIUs, including Ghana, Nigeria, Zambia, and Malawi. The Sierra Leonean FIU can exchange information with third countries if the request is made through a country that has an MOU with the FIU. Authorities gave an instance of a request made by Ghana on behalf of Romania which was executed even though the FIU had no MOU with Romania. The FIU is a member of the Forum of Financial Intelligence Units of GIABA Member States. The Forum aims to strengthen cooperation amongst members in exchanging relevant information on ML/TF matters or performing joint actions such as typologies studies.

437. The FIU makes requests to counterpart FIUs. It uses the information received from other FIUs to support and enrich its analysis. Between 2016 and 2018 the Unit made five (5) requests to counterpart FIUs (see Table 8.4) responses were received from three countries namely Ghana, Nigeria and Ivory Coast. The FIU did not indicate

whether any of the five request pertained to ML/TF. The FIU forwards outgoing requests directly from the FIU to counterpart FIU in other jurisdictions through a secured email address and responses are received directly by the FIU through the same channel. Although, the number of requests is low, the FIU should nevertheless have a case management system in place to track and monitor the requests sent and responses received from other jurisdictions in order to follow up on the requests. Ghana FIC indicated in its feedback that two requests were received, and both had been responded to and Ghana was in the process of facilitating the repatriation of funds to Sierra Leone, however the statistics provided by Sierra Leone FIU indicates that only one response had been received from Ghana.

Table 8.3. Number of requests made by the FIU

Mutual Legal Assistance	2015	2016	2017	2018
Ghana	-	1	1	-
Ivory Coast	-	1	-	-
Nigeria	-	-	-	1
Benin	-	1	-	-

438. The FIU provides relevant information to its international counterparts on requests made to it. Between 2015 and 2018, the FIU received nine (9) requests for information from FIUs in seven countries (see Table 8.5). Out of which responses were provided for seven (7) and restrictions placed on two because the U.S government failed to provide justification as to why investigations should continue whilst the subject's accounts remain frozen. The FIU did not indicate whether any of the requests pertained to ML/TF.

Box 8.4. - Defrauding by false pretences

In October, 2018 the Financial Intelligence Centre of the Republic of Ghana sent a MLA request to the Sierra Leone FIU to ascertain the equity investment of the sum of US\$11,400,000.00 made by Bank B, a Ghanaian Bank into company A a multi-national corporation incorporated in Sierra Leone. It was alleged that the equity investment of Bank B was part of the suspicious transactions which led to the collapse of seven banks in Ghana including Bank B. Authorities executed the request for information and revealed that some PEPs invested in the company and transactions were carried out on their behalf by Company A.

439. The FIU did not demonstrate that information is disseminated spontaneously to foreign FIUs and other foreign competent authorities. Spontaneous dissemination of information by the FIU could further enhance its international cooperation.

440. On the whole, the number of incoming and outgoing requests is low. The authorities did not indicate whether any of the requests related to ML or TF. The low number of outgoing requests may be due to the limited numbers of counterparts with which the FIU has signed cooperation agreements. It appears also that there is limited capacity and no inclination to pursue cases with foreign elements.

Table 8.4. Number of Requests received from other jurisdictions (FIUs) and processed

Mutual Legal Assistance	2015	2016	2017	2018
Zimbabwe	-	1	-	-
United States	1	-	-	2
Romania	1	-	-	-
Ivory Coast	-	1	-	-
Senegal	-	-	-	1
Nigeria	-	-	-	1
Italy	-	-	1	-

Law Enforcement Agency

441. The Police exchange information with counterparts. Police cooperation is typically channelled through the Interpol platform. LEAs also exchange information through liaison officers at the embassies. The Sierra Leone Interpol has a manual filing system to track incoming and outgoing requests. Notwithstanding, responses to the requests appear to be timely and adequate. Authorities also utilise the WAPIS in carrying out transfers and handovers of suspects to foreign countries in the region. Authorities at Interpol demonstrated understanding of the Interpol processes and good collaboration between member States. Interpol provided statistics on incoming and outgoing request with counterparts as indicated in Table 8.6. Statistics provided by Interpol did not reflect the feedback provided by Canada. In addition, the statistics (see Table 8.6) did not separate incoming and outgoing requests making it difficult to make a critical analysis of the information provided.

Table 8.5. Number of Incoming and Outgoing Interpol Request, Jan 2015 – Jun 2019

	2015	2016	2017	2018	2019
Guinea	11	8	9	8	10
Liberia	14	12	13	4	4
Ghana	1	1	1	1	-
Senegal	1	1	1	1	-
USA	-	1	-	1	-
London	-	-	1	-	2
South Africa	-	1	-	1	-
Côte d'Ivoire	1	-	-	1	-
Gambia	-	-	1	1	-
Lebanon	-	-	-	-	1
Latvia	-	-	-	-	1
Tanzania	-	1	-	-	-

442. LEAs such as TOCU, ACC have limited cooperation with foreign counterparts. In general, there is minimal cooperation with foreign counterparts as regards sharing information and TOCU noted that they rely on FIU and the NCB for this purpose. The ML offences investigated so far do not have trans-national elements. Nevertheless, other associated predicate offences have transnational elements. In particular, drug trafficking has transnational elements and has been indicated as posing significant ML threat in the country.

Bank of Sierra Leone

443. The BSL collaborates with counterparts in the sub-region through the College of Supervisors of the West Africa Monetary Zone (CSWAMZ). The CSWAMZ meets once a quarter to discuss issues relating to the banking sector such as developments relating to the banking and financial sector and challenges faced within their sectors. Sierra Leone indicated that the BSL has shared information with other counterparts in the region through the CSWAMZ.
444. The BSL has signed a bi-lateral agreement (MOU) with Central Bank of Nigeria (CBN), however, it has not exchanged any information with the CBN specifically for AML/CFT purposes.

Customs

445. The Customs and Excise Department of the National Revenue Authority is a member of the World Customs Organisation (WCO). In this context, the Sierra Leone Customs engage in information exchange at the regional and international level. The country has not received any requests related to ML/TF. Sierra Leone did not provide statistics to demonstrate the country's level of cooperation with foreign counterparts.

International exchange of basic and beneficial ownership information of legal persons and arrangements

446. Competent authorities are able to provide basic information on legal persons registered in Sierra Leone. The CAC and the OARG are in the position to provide basic information on legal persons upon request from LEAs and by extension upon request from international counterparts. The CAC and OARG are yet to upload comprehensive basic information on legal persons on their websites, and therefore basic information on legal persons cannot be currently accessed on their websites. However basic information can be accessed at the CAC by competent authorities. For example, the FIU upon receipt of a request from an international counterpart requesting for basic information on legal persons will make a request for the information to either the CAC or the OARG depending on which competent authority holds the information. Under the existing legislative framework, legal persons and arrangements are not mandated to disclose BO information. However, FIs are mandated to obtain and maintain beneficial owner information.
447. Banks in particular, typically obtain and keep BO information when conducting CDD and this information is accessible upon request by LEAs and the FIU. Thus, Sierra Leone authorities should be able to provide BO information held by financial institutions, especially commercial banks to foreign counterparts if requested. It seems, however, that this request has not been made to Sierra Leone. Thus, the timeliness of a response to a request for BO information cannot be ascertained. The CAC is in the process of fully implementing Beneficial Ownership Disclosure Road Map therefore, BO information is yet to be collected and maintained at the CAC. Authorities at the CAC indicated that modalities for accessing BO information would be set out when the BO register is ready (see IO.5).
448. Overall, given the risk profile of the county, Sierra Leone does not appear to engage proactively in international cooperation with counterparts.

Overall conclusions on Immediate Outcome 2

449. Sierra Leone has an adequate legal framework for international cooperation through formal and informal channels. The feedback received from the countries on the quality of support provided by Sierra Leone on requests made to the country were generally positive. This notwithstanding, Sierra could not demonstrate that it proactively seeks judicial assistance for transnational offences, such as drug trafficking which represents one of the major ML threats in the country as the number of MLA request made by Sierra Leone is evidently low. The FIU's cooperation with foreign counterparts is limited and there appears to be more reliance on Police to Police cooperation. Overall, Sierra Leone's engagement as regards international cooperation is not consistent with the country's risk profile.

450. **Sierra Leone is rated as having a low level of effectiveness for IO.2.**

ANNEXE TECHNICAL COMPLIANCE

1. This annex provides detailed analysis of the level of compliance with the FATF 40 Recommendations in their numerical order. It does not include descriptive text on the country situation or risks, and is limited to the analysis of technical criteria for each Recommendation. It should be read in conjunction with the Mutual Evaluation Report.
2. Where both the FATF requirements and national laws or regulations remain the same, this report refers to analysis conducted as part of the previous Mutual Evaluation in 2007. This report is available from www.giaba.org.

Recommendation 1 – Assessing risks and applying a risk-based approach

This is a new Recommendation which was not assessed in the 1st MER.

Criterion 1.1

Sierra Leone completed its first National Risk Assessment (NRA) in 2017. The NRA was coordinated by the Inter-Ministerial Committee while the FIU led the NRA process itself with participation and inputs from relevant competent authorities and some private sector operators (FIs and DNFBPs). Sierra Leone used the World Bank Methodology and the 2013 FATF Guidance as the basis for its assessments.

The NRA consists of an assessment of the national ML/TF threats and vulnerabilities of key economic sectors and contextual vulnerabilities, such as the economy and the financial system.

The NRA identified corruption, drug trafficking, smuggling, counterfeit products and intellectual property, and fraud, as predicate offences generating the highest level of illicit proceeds. NRA also identified foreign exchange bureaus and remittance providers, insurance sector, real estate agents, dealers in diamonds (dealers in precious minerals), lawyers and accountants, as well as, dealers in cars, as high risk sectors; while the banking sector and money changing businesses were identified as medium risk. NRA identified TF risk as low, however there are issues with the assessment of TF. For instance, the NRA did not take into consideration the financing channels of terrorism.

Beyond the NRA, two risk assessments were conducted by the FIU in 2017 and 2018 to contribute to the understanding of the country's TF risk. In addition, the country conducted a survey on the NPO sector, and as at the time of onsite, have administered questionnaires to 138 NPOs as a step towards a risk assessment of especially commercial banks through the periodic comprehensive assessment of the sector to determine NPOs at risk (See IO.10- Para 222). The BSL has also conducted entity level assessment of the internal ML/TF risk assessment of the banks as part of its offsite inspection (see IO.3).

Although some components of the private sector such as casinos and accountants were not sufficiently assessed, they are not material in the context of Sierra Leone, and thus their non-involvement has little impact and weighted lightly. Certain key

players within the DPMS sector took part in the NRA process which contributed to some understanding of the risks in the sector and the country in general, notwithstanding that certain registered diamond dealers (e.g. diamond mining areas) were not covered in the assessment. The limitation of the NRA exercise to Freetown has negligible impact on the overall understanding of risk by the country as information/inputs provided into the NRA process by the public and private sector institutions that took part in the exercise were consolidated, including those of their offices/branches located outside Freetown, and thus providing a basis for broader understanding of risk across the country.

Criterion 1.2

The FIU is the authority responsible for coordinating the ML/FT NRA process.

Criterion 1.3

The NRA is the first assessment by Sierra Leone completed in 2017. Thus, no update has yet been undertaken. Authorities indicated the next NRA will be conducted at the end of the expiration of the Action Plan in 2020. There are however no requirement to do so in the Action Plan or any legislation.

Criterion 1.4

The NRA was disseminated to stakeholders via electronic mails and hand delivery of hard copies. However, some smaller reporting entities (e.g forex bureaus and mobile money service providers) only received the NRA report at the time of the onsite. The FIU has shared the findings of the NRA in some of its training of FIs. In all, the mechanisms to provide information on the results of the NRA to relevant stakeholder-institutions could further be improved.

Criterion 1.5

Sierra Leone has developed a 2 year (2018-2020) National Action/Implementation Plan based on the outcome of the 2017 NRA. The Plan is a good step and expected to assist authorities apply a risk based approach (RBA) in implementing measures aimed at addressing the key deficiencies identified in the NRA report, as well as allocate resources based on priorities in the Plan. In addition to the Action Plan, some competent authorities, such as ACC and TOCU, are implementing institutional-specific strategies addressing some of the risks identified in the country. However, the shortcomings in the assessment of ML/TF risks in the NRA (see c.1.1) could limit the ability of Sierra Leone to implement appropriate measures to prevent or mitigate ML/TF at national level.

Criterion 1.6

All FIs and DNFBPs listed in the FATF Glossary are covered by the AML/CFT regime in the AML/CFT law. Sierra Leone applies all the FATF Recommendations requiring financial institutions or DNFBPs to implement AML/CFT measures.

Criterion 1.7

Section 27 of the AML/CFT Act provides for the application of EDD measures by reporting entities where higher risks are identified. Par 7.04 of the Directives and Guidelines for FIs on the Prevention of ML/TF, further requires FIs to observe EDD for higher risk categories of customers, business relationship or transaction.

Criterion 1.8

The AML/CFT Act does not allow simplified CDD.

Criterion 1.9

Supervisors, SRBs and the FIU are required to ensure that FIs and DNFBPs are implementing their AML/CFT obligations, including the requirement under R1 [s.50(1)(2) of the AML/CFT Act]. However, the deficiencies under R.26 and R.28, including the fact that AML/CFT supervision, especially by SLICOM is not risk based; and the lack of supervision or monitoring of DNFBPs to ensure that they are implementing their obligations under RI, have impact on this criterion (See analysis of R. 26 and R. 28).

Criterion 1.10

Section 36(1)(2) of the AML/CFT Act requires reporting entities (FIs and DNFBPs) to develop and implement programs for the prevention of ML/TF. In particular s36(2) provides that these programmes shall include internal policies, procedures and controls, independent audit arrangement and ongoing training. The list is inexhaustive but however, did not specifically require reporting entities to identify, assess and understand their risks. Elements (a) to (d) are covered under the Directives and Guidelines for FIs on the Prevention of ML/TF which relates only to FIs. Thus, deficiencies still exist in relation to DNFBPs in respect of elements (a) to (d).

- a) Par 7.02 of the Directives and Guidelines for FIs on the Prevention of ML/TF provides that all decisions (by FIs) regarding high risk relationships and the basis for these decisions shall be documented. Additionally, the requirement for FIs to conduct periodic review of their risks implies that FIs must document their risks assessments to meet the requirements in the Directives and Guidelines.
- b) Par 7.01 of the Directives and Guidelines for FIs requires them (FIs) to have internal control policy that takes into account the risks associated with customers, products, services, clients, transactions, geographical factors etc, so that any AML/CFT measures adopted will be proportionate to the level of risk.
- c) FIs are required to conduct periodic reviews of their risk at every six months (Par 7.02 of the Directives and Guidelines). This is to keep the assessment up to date.
- d) There is no mechanism in place to provide risk assessment information to competent authorities and SRBs. However, there is nothing which hinders the provision of information to competent authorities whenever they request for it. Par 14.01 of the Directives and Guidelines requires FIs to comply promptly with requests directed to it by competent authorities.

Criterion 1.11

- a) Section 36 (1) and (2)(a) of the AML/CFT Act, and Par 20.01 of the Directives and Guidelines for FIs on the Prevention of ML/TF require reporting entities to develop and implement programmes, including internal policies, procedures and controls for the prevention of ML and TF. However, there is no clear requirement for these to be approved by senior management.
- b) Reporting entities are required to have independent audit arrangements to review and verify compliance with and effectiveness of the measures taken in compliance with the AML/CFT law [s36(2)(e) of the AML/CFT Act]. This implies monitoring the implementation of their internal procedures.

- c) Section 27 (1) (a) of AML/CFT Act requires reporting entities to implement appropriate risk management system. Par 7.04 of the Directives and Guidelines for FIs on the Prevention of ML/TF requires FIs to observe EDD when higher risks are identified.

Criterion 1.12

Sierra Leone allows simplified due diligence measures where low risk has been identified by reporting entities. This is implied in the requirement for the application of RBA in s.18 of the AML/CFT Act; and Par 7.01 of the Directives and Guidelines for FIs on the Prevention of ML/TF requires FIs. There is no requirement prohibiting simplified AML/CFT measures where there is suspicion of ML/TF.

Weighting and Conclusion

Sierra Leone has carried out ML/TF risk assessment through the conduct of an NRA. In addition, the country conducted two risk assessments and a survey on the NPO sector, while some steps have been taken to conduct a comprehensive assessment of the sector to know which NPOs are at risk. However, there is no requirement to keep the risk assessment up to date; and for supervision to ensure reporting entities are implementing their obligation under R1 is not risk based for FIs, other than commercial banks, and not undertaken in the DNFBP sector. In addition, c1.10 (a) to (d) are not met in the case of DNFBPs, and there is no requirement prohibiting a simplified AML/CFT measure where there is suspicion of ML/TF Recommendation 1 is rated largely compliant.

Recommendation 2 - National Cooperation and Coordination

Sierra Leone was rated NC with former R.31 in its first MER due to the following deficiencies: no agency was mandated to coordinate the Government's AML/CFT policies and international relations; the mechanisms for domestic cooperation and coordination were not effective, and the level of consultation among the critical AML/CFT bodies was minimal.

Criterion 2.1

Sierra Leone does not have a national AML/CFT policy. However, following the completion of the NRA, authorities developed a 2018-2020 Action Plan (informed by threats and vulnerabilities identified in the NRA). In addition, there are individual competent authorities' strategies or policies that address some of the key risk identified in the NRA, such as the National Drug Control Strategy (NDLEA); National Strategy to Combat Transnational Organized Crime, and Counter Terrorism Strategy (TOCU), and the Anti-Corruption Strategy (ACC). The ACC reviewed its Anti-Corruption Strategy in 2019.

Criterion 2.2

The Inter-Ministerial Committee (IMC) is the coordinating body for AML/CFT policy in Sierra Leone. It is attended by the Minister of Finance (acting as Chair), the Attorney General, the Minister of Internal Affairs; the Central Bank Governor and the FIU Director.

Criterion 2.3

IMC provides leadership and direction on AML/CFT policy and is supported by the Technical Committee. The Technical Committee has representatives from most of Sierra Leone's key AML/CFT institutions [s6(2) of the AML/CFT Act]. It was established as mechanisms through which policy makers and competent authorities can cooperate, coordinate domestically and develop AML/CFT policies [s7(3)(c) of the AML/CFT Act] under the coordination of the IMC. At the operational level, coordination mechanisms exist, including the National Security

Coordinating Committee Group (s2 of the National Security and Central Intelligence Act); Joint Intelligence Committee (s5 of the National Security and Central Intelligence Act); Transnational Organized Crime Unit Management Board; AML/CFT Inter-Agency Intelligence Coordinating Committee; and AML/CFT Supervisors Forum. Memorandum of Understanding (MOUs) have also been executed amongst some competent authorities for the purpose of strengthening operational cooperation and coordination in the implementation of AML/CFT policies and activities.

Criterion 2.4

Sierra Leone has not adopted any coordination mechanism to combat the financing of proliferation of weapons of mass destruction.

Criterion 2.5

While there are no specific cooperation and coordination mechanisms between relevant authorities, AML/CFT requirements under the AMLA and domestic privacy rules generally do not conflict. The AMLA which require disclosure of personal financial information, recognized the need for confidentiality or security of information [s13(1)(a)(b)(2) and data privacy and secrecy of bank deposits or information [s18(1)(10) of the Bank of Sierra Leone Act 2019, and s45(1)(2) of the Banking Act, 2019]. In particular, s13 (1)(s) of the AML/CFT Act provides the ability for the exchange or sharing of information between the FIU and competent authorities. Section 18(2) of the Bank of Sierra Leone Act also provides for information sharing necessary in order to carry out the functions of public authority which includes the processing of personal data for the performance of the functions of the BSL, LEA and regulatory agencies.

Weighting and Conclusion

Sierra Leone has established a high-level IMC made up of the most relevant institutions charged with the responsibility of coordinating the country's policy in the fight against ML/TF. National coordination and cooperation in AML/CFT policy development and implementation is further provided by the Technical Committee. There are operational coordination mechanisms. Although there is no national AML/CFT policy, the country has developed an Action Plan based on the risks identified in the NRA. In addition, there are some individual institutional strategies that address some of the key risks in the NRA. There is no coordination mechanism in place to combat PF. Recommendation 2 is rated largely compliant.

Recommendation 3 - Money laundering offence

In its 1st MER, Sierra Leone was rated PC with these requirements. The deficiencies underlying the ratings relate to the fact that the prescribed sanctions were not proportionate and dissuasive, the country did not consider applying the offence of ML, and there were significant flaws in the wording of the offence and its related definitions.

Criterion 3.1

Sierra Leone has criminalized the offence of money laundering in line with the Palermo and Vienna Conventions. The law criminalises the conversion or transfer of property knowing or having reason to believe that the property is derived directly or indirectly from an unlawful activity, with the aim of concealing or disguising the illicit origin of that property, or of aiding any person involved in the commission of the unlawful activity to evade the legal consequences of the unlawful activity. The law also criminalises the concealment or disguise of the true nature, origin, location, disposition, movement or ownership of the property knowing or having reason to believe that the property is derived directly or indirectly from an unlawful activity; the acquisition, possession or use of property, knowing or having reason to believe that it is derived directly or indirectly from an unlawful activity; and participation in, association with or conspiracy to commit, attempt

to commit, aiding, abetting and facilitating the commission of any of the unlawful activity (s15 AML/CFT Act). The elements criminalized cover removing property from or bringing it into Sierra Leone.

Criterion 3.2

Sierra Leone adopts an all crime approach. The ML offences cover all unlawful activity in Sierra Leone (s.15 AML/CFT Act). However, Sierra Leone has not criminalized terrorism and market manipulation and insider trading.

Criterion 3.3

The legislative framework in Sierra Leone does not apply the threshold approach.

Criterion 3.4

Money Laundering offences extend to any type of property, derived directly or indirectly from an unlawful activity and property that is proceeds of crime. The AML/CFT law offers an elaborate definition of property (s 1 of the AML/CFT Act).

Criterion 3.5

The legal text does not specifically state that a person need not be convicted of a predicate offence when proving that a property is the proceeds of crime. A person will be found guilty of money laundering if that person converts or transfers property knowing that the property is derived directly or indirectly from an unlawful activity. A strict interpretation of the provision will not require proof of the exact circumstances of the offence or the unlawful activities. This interpretation is supported by the unreported case of the STATE Vs. ANSUMANA where the court held that it is not necessary to be convicted of a predicate in order to prove that the individual's property is the proceeds of crime.

Criterion 3.6

The definition of unlawful activity under section 1 of the AML/CFT Act, 2012 include those activities carried out outside of Sierra that would have been a crime if they were done in Sierra Leone (see also, S36 of the Criminal Procedure Act, 1965; sections 128 and 134 of the AML/CFT Act and section 17 of the Extradition Act, 1974).

Criterion 3.7

Money laundering offences apply to a person who himself converts or transfers property derived from unlawful activity or a person that aids the person involved in the commission of unlawful activities. This provision criminalizes self-laundering (section 15 (1)(2) and (4) of the AML/CFT Act).

Criterion 3.8

In Sierra Leone, objective factual circumstance can be relied upon to construct involvement in money laundering activities. Section 15(4) of the AML/CFT Act states that intent or purpose required to prove ML may be inferred from objective factual circumstance.

Criterion 3.9

Proportionate and dissuasive criminal sanctions apply to natural persons convicted of ML to some extent. The sanction for money laundering offence under section 15(6)(a) of the AML/CFT Act, 2012 is a term of imprisonment of no less than 7 years. The sanctions regime does not include fines and there appears to be no specific breakdown of punishment for different degrees of involvement in money laundering activities. Although, section 231 of the Criminal Procedure Act of 1965 states that court may in its discretion apply a fine in

lieu of any punishment to which a person is liable, nevertheless, the sentencing regime does not tally take account of less serious money laundering offences.

Criterion 3.10

A range of criminal sanctions apply in the case of legal persons, including a fine of not less than Le30,000,000.00 (approx. US\$ 3, 438) or an order for the revocation of the licence of the legal person (section15(6)(b) AML/CFT Act). Administrative liability is not precluded and nothing in the law precludes parallel criminal proceedings of natural persons. The range of punishment appears to be proportionate and dissuasive

Criterion 3.11

Ancillary offences includes organizing and directing others to commit ML, attempt, conspiracy, and participating as an accomplice in ML (section15(3) of the AML/CFT Act). Other ancillary offences include aiding and abetting or being an accessory to an offence (section52 (2) Criminal procedure Acts, 1965).

Weighting and Conclusion

The ML offence covers all unlawful activity in Sierra Leone. However, Sierra Leone has not criminalised terrorism, insider trading and market manipulation. In addition, the sanctions imposed on natural persons do not include fines. Recommendation 3 is rated largely complaint.

Recommendation 4 - Confiscation and provisional measures

Sierra Leone was rated PC with these requirements in its 1st MER due to the fact that the law did not provide for confiscation of instrumentalities used in the commission of a predicate offence including offences related to TF. In addition, there were no ML or TF related cases that could demonstrate effectiveness and efficiency of the country's AML/CFT system.

Criterion 4.1

Sierra Leone's legal framework for confiscation is established under the AML/CFT Act, 2012.

- a) Sections 82-85 of the AML/CFT Act, 2012 outline measures for confiscation of property laundered. The court can order forfeiture and confiscation upon application by either a competent authority or a person authorised by a competent authority, in particular, persons authorised to conduct ML investigation.
- b) The measures relating to confiscation of the proceeds of ML, TF or predicate offences are covered under section 82 (1) of the AML/CFT Act, 2012. The confiscation regime generally targets a convicted person who has derived, obtained or realised directly or indirectly proceeds from an unlawful activity, an offence of money laundering or financing of terrorism. Confiscation of instrumentalities used or intended for use in ML, TF or predicate offences is also covered under section 82(2) of the AML/CFT Act. Properties that can be subject to a forfeiture or confiscation order include assets laundered or terrorist property, proceeds, income and gains from such assets and assets intended to be laundered, used to facilitate or commit the unlawful activity or instrumentalities used or intended to be used. Section 38(3) (6) of the Drug Control Act, 2008 also permits the seizure of any property which an officer has reasonable ground to believe, will afford evidence in respect of an offence under the Act.

- c) Property subject to forfeiture orders include property, derived, obtained or realized, directly or indirectly from the commission of the TF. Property subject to a forfeiture order includes the assets laundered or terrorist property, the proceeds, income, and gains from such assets, the assets intended to be laundered, assets used to facilitate or commit the unlawful activity or instrumentalities used or intended to be used in the commission of the offence of money laundering or financing of terrorism (s 82(1) and (2) of the AML/CFT Act, 2012). Also, under section 16 (2) (a) of the AML/CFT (Amendment) Act, 2019, TF offence covers collection of funds or property use in the financing of terrorism, terrorist acts or terrorist organisations. Confiscation extends to property or proceeds of crime held by third parties.
- d) As regards forfeiture of property of corresponding value, section 89 (1) of the AML/CFT Act, 2012 states that the court may order “the payment of an amount equal to the value of the benefit derived from unlawful activity or offence or such lesser amount as the court certifies...” The assessment of the value of the benefits is carried out by the court and the court has to satisfy itself before determining the amount which might be realized at the time the pecuniary penalty order is made. Section 89(2) provides that the Court shall assess the value of the benefits derived by a person from the commission of an unlawful activity or offence in accordance with sections 92 to 96. Even though the court has powers to order the perpetrator to make a payment of an amount equal to the benefit, the court does not have express powers to order the forfeiture of assets of corresponding value.

Criterion 4.2

- a) Legislative measures to identify, trace and evaluate property subject to confiscation are prescribed in section 86(1) of the AML/CFT Act, 2012, Sections 53 and 99 of the Anti-Corruption Act 2008 and Sections 38, 39, 80 and 81 of the National Drugs Control Act 2008. These measures are carried out through production orders, including information relating to property and financial records, tracking and monitoring orders, and powers of entry, search and seizure.
- b) The powers available to seize or freeze assets exist in various legislations. These include section 21 of the AML/ CFT Act, 2012; section 70, 72 and 88 of the Anti-Corruption Act, 2008; section 10(1) of the Arms and Ammunitions Act 2012; section 28, 38 and 39 of National Drugs Control Act 2008; section 63, 65, 69 and 74 of the Customs Act, 2011 and Regulation 21 of the Terrorism Prevention (Freezing of International Terrorism Funds and other related measures) Regulations (TPR), 2013. In addition, Section 75 of the AML/CFT (Amendment) Act, 2019 provides “that a competent authority shall apply for a freezing order in respect of property in the possession of that person or under his control if the Attorney-General has charged or is about to charge a person with money laundering”. However, the freezing order shall lapse at the end of thirty (30) working days if the person against whom the order was made has not been charged with the offence of money laundering. Also, a restraining order prohibiting persons from disposing of or otherwise dealing with such property can also be made (section 76 of the AML/CFT Act, 2012 as amended by the AML/CFT Act, 2019). The restraining order lapses after eighteen (18) months if persons have not been charged. Sections 75 and 76 of the AML/CFT Act, 2012 as amended gives law enforcement agencies the option to opt for procedures under either section of the law. Section 75 covers only money laundering offences, while section 76 provides for money laundering offence and other offences. Furthermore, any police officer

may seize property if he has reasonable grounds to believe that the property will be so disposed of or removed (section 81 AML/CFT Act, 2012).

- c) The courts generally have powers to set aside the disposal or dealing with the property and can also void actions taken to prejudice competent authority's ability to freeze, seize or recover property subject to confiscation. (ss 79, 81 and 85 of the AML/CFT Act, 2012).
- d) A wide range of investigative powers including those described in R31 are available to various competent authorities under their respective legislations. The provisions of s 71 of the AML/CFT Act and ss 53, 54 and 55 of the ACA) are relevant here. LEAs have the power under ss 32,35 and 36 of the NDCA, 2008 to monitor, intercept and record communications, conduct undercover operations, inspect a consignment by mail through the postal services.

Criterion 4.3

The law provides for the protection of the rights of bona fide third parties. This protection extends to circumstances where a party obtains property in good faith. The interested party is required to file a claim of interest before the court within thirty days. The court is under an obligation to consider the interest of the third party (section 82(6) of the AML/CFT Act 2012).

Criterion 4.4

Sections 75(1)(2) and 76(3)(4) of the AML/CFT Act, 2012 has provisions relating to the disposal of property that has been frozen, seized or confiscated. Sections 75 and 76 of the AML/CFT Act empower the court to give directions as to the disposal of property. Section 83 of the AML/CFT Act stipulates that properties that are forfeited are vested absolutely in the Government and disposed of in accordance with the directions of the court. Sections 62 and 74 of the Customs Act, 2011 cover the disposal of infringing goods and smuggled goods. Sierra Leone did not indicate that there are mechanisms in place to manage frozen or seized properties before the final disposal of such properties.

Weighting and Conclusion

Section 89 of the AML /CFT Act, 2012 deals with the payment of an amount equal to the value of the benefit derived from unlawful activity or offence or of such lesser amount as the court is satisfied. Forfeiture of real assets of corresponding value such as precious metals, commodities, real estate, land, equipment and natural resources are not covered under the AML/CFT Act, 2012. **Recommendation 4 is rated largely compliant.**

Recommendation 5 - Terrorist financing offence

In its 1st MER, Sierra Leone was rated NC with these requirements due to the lack of a legal framework criminalizing terrorist financing.

Criterion 5.1

Terrorist financing has been criminalized in line with Article 2 of the International Convention for the Suppression of Financing of Terrorism. Sierra Leone criminalises: the provision, whether by giving, lending or otherwise making available, or collection of funds or property with the intention that they should be used, or having reasonable grounds to believe that they are to be used, in full or in part, for carrying out a terrorist act (s16 of the AML/CFT Act, 2012).

Criterion 5.2

TF offences extends to any person who willfully provides or collects funds or property, or finances or provides any support whatsoever to – (a) a terrorist; (b) a terrorist group; (c) a terrorist organisation; or (d) a foreign terrorist fighter (s16 of the AML/CFT Act, 2012 (as amended)). The AML/CFT Act criminalises the provision of both funds and property. The definition of property includes: “asset of every kind, whether moveable or immovable, tangible or intangible.” Although, the definition of funds does not expressly include references to oil and other natural resources, assets of any kind should generally include financial assets or economic resources. This is however, a minor deficiency.

Criterion 5.2bis

The AML/CFT (Amendment) Act 2012 criminalises financing and providing support to the travel of individuals who travel to other States for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of terrorist training [s3 of the AML/CFT (Amendment Act), 2019].

Criterion 5.3

The definition of funds under the AML/CFT Act 2012, include “property however acquired including currency and any asset of every kind, whether moveable or immovable, tangible or intangible.... whether situated in Sierra Leone or elsewhere...” The words “however acquired” clearly covers property from both a legitimate or illegitimate source.

Criterion 5.4

There is no provision in the law that expressly states that funds should not be linked to a specific terrorist act. Nevertheless, the TF offence as provided in s.3(2) (A) of AML/CFT Act, 2019 (s16(2) of the AML/CFT Act, 2012, (as amended)) makes reference to TF being established where a person finances or provides ‘*any support whatsoever*’ to (a) a terrorist; (b) a terrorist group; (c) a terrorist organisation; or (d) a foreign terrorist fighter. It can be deduced from this provision that the law does not require a link to a specific act to establish TF. It is worth noting that s16(1) of the AML/CFT Act, 2012, (as amended) covers a situation where a terrorist act is committed, as such, s16(2) relates to instances that are not linked to a terrorist act. In addition, the definition of a “terrorist act” under the AML/CFT law includes threats to carry out a terrorist act. The above analysis supports the position that funds do not need to be linked to a terrorist act to establish a TF offence. The assessment team is thus of the view that the requirement of this criterion is essentially met even though there is no case law to confirm the literal interpretation of the provision.

Criterion 5.5

On the basis of s16(3) of the AML/CFT Act, the prosecution can prove intent and knowledge by making inferences from objective factual circumstances.

Criterion 5.6

A natural person convicted of TF as stipulated under section 16 of the AML/CFT law is liable to a minimum sentence of 15 years imprisonment. It appears that complicity in acts of terrorist financing is punishable under s127 (1)(a) of the AML/CFT Act, 2012 by a fine of not less than Le30,000,000 (approx. US\$3,438) or to a term of imprisonment not less than 10 years or to both the fine and imprisonment).

Criterion 5.7

Criminal liability applies to legal persons convicted of TF. Legal persons are punishable by a fine of not less than Le 30, 000, 000 (approx. US\$3,438) or an order for the revocation of the licence of the legal person (s.16(5) (a) and (b) of the AML/CFT Act). This law stipulates a minimum amount however, the courts have discretion to impose stiffer fines or impose sanctions that are administrative in nature. Since the Act confers unlimited discretion on the presiding judge in matters of sentencing by providing for a minimum and not a maximum sum, sentences can be determined by considering the circumstances of each case and this is usually guided by the principles of sentencing. Consequently, the Act allows a considerably wide range of fines to be applied proportionately in accordance to the sentencing guidelines.. Sierra Leone has not imposed any punishment for TF and it is therefore difficult to fully determine the dissuasiveness of the sanction regime for TF.

Criterion 5.8

Section 16(2) of the AML/CFT Act criminalizes the elements in c5 (a)-(d) as offences in Sierra Leone. Under Sierra Leone's law the TF offence is established where a person organises or directs others to commit an offence; attempts to commit an offence; conspires to commit an offence; or participates as an accomplice to a person committing, or attempting to commit an offence. The law does not explicitly cover contributing to the commission of one or more TF offence(s) or attempted offence(s), by a group of persons acting with a common purpose.

Criterion 5.9

TF is not specifically designated as a predicate offence under the law nevertheless all unlawful activities that constitute an offence are predicate offences under Sierra Leone law therefore by implication, TF is a predicate offence. .

Criterion 5.10

There is no express text requiring that TF offences should apply, regardless of whether the person alleged to have committed the offence is in the same country or a different country from the one in which the terrorist/ terrorist organisation is located or the terrorist act occurred or will occur. The lack of this provision may limit the extraterritorial application of the TF offence.

Weighting and Conclusion

There is no express text that stipulates that it is immaterial for terrorist financing to takes place in a location different from where terrorist/terrorist organisation is located, or the terrorist act occurred or will occur. **Recommendation 5 is rated largely compliant.**

Recommendation 6 - Targeted financial sanctions related to terrorism and terrorist financing

Sierra Leone was rated NC on SR.III in the 2007 MER because there was no legal, regulatory and institutional framework or process to deal with all matters related to UNSCRs 1267 and 1373.

Criterion 6.1

- a) Regulation 12 of the TPR grants the Prevention of Terrorism Committee general *powers connected to implementation* of the UNSCRs related to TF. Regulation 7 of

the TPR has also vested powers in the Central Intelligence and Security Unit (CISU) to coordinate with other competent authorities to collate, update and review the list of designated persons pursuant to the UNSCR 1267. Sierra Leone has not established arrangements for identifying and proposing designations to the relevant UN Committee.

- b) Sierra Leone does not have a clear mechanism for identifying targets for designation. In addition, there is no clear laid down criteria for identification under the relevant laws in Sierra Leone
- c) Sierra Leone has not put in place arrangements for identifying and proposing designations to the relevant UN Committee and evidentiary standards to be applied have therefore not been established.
- d) There is no express requirement to follow the procedures and standard forms for listing as adopted by the relevant UNSCR
- e) The TRP provides general guidance on listing and designation. However, there are no provisions covering the requirement for a country to provide as much relevant information as possible on its basis for a proposed listing.

Criterion 6.2

- a) Pursuant to Reg.7 para. 7 of the TPR, the government of Sierra Leone makes domestic designations and forward to the CISU and Prevention of Terrorism Committee. The CISU, in collaboration with the Committee and other competent authorities are to collate the list of designated persons. The above mentioned position is supported by the provisions of Reg. 7 & 8 of the TRP.
- b) There are no established mechanisms for identifying targets for designation, based on the designation criteria set out in UNSCR 1373. Given that there are no clear standards to guide identification of target, the procedures in place may result in the abuse of due process.
- c) There is no provision in the TPR requiring Sierra Leone to make a prompt determination, on reasonable grounds, or a reasonable basis, that the proposed designee meets the criteria for designation under UNSCR 1373.
- d) There is no provision in the TRP requiring Sierra Leone to apply an evidentiary standard of proof of “reasonable grounds” or “reasonable basis” when deciding whether or not to make a designation.
- e) There are no specific legal provisions setting out the identifying information to be provided when proposing designation.

Criterion 6.3

- a) There is no provision in the TPR requiring Sierra Leone to collect or solicit information to identify persons and entities that meet the criteria for designation, based on reasonable grounds, or a reasonable basis.
- b) There is no express provision requiring competent authority(ies) to operate ex parte against a person or entity who has been identified and whose (proposal for) designation is being considered.

Criterion 6.4

Para. 25(2) of the TPR states that freezing of funds and assets shall be carried out without delay and upon having reasonable ground, or a reasonable basis, to suspect or believe that

a person or entity is a designated terrorist. Regulation 7 of the TPR sets out basis for designation and implementations of Targeted Financial Sanctions however, implementation procedures makes it incumbent on CISU to disseminate the list of designated persons to the financial institutions and DNFBPs within 48 hours of receipt of the UN and/or regional list. In addition, the definition of funds or other assets under the regulation makes no reference to oil and other natural resources, and to other assets which may potentially be used to obtain funds.

A combined reading of Reg 16, Reg. 18(2) and Reg. 25(2) shows that Sierra Leone has a legal framework for dissemination “without delay” within a period not exceeding 48 hours. However, without delay means: “ideally, within a matter of hours” rather than within days. There is no clearly laid out procedure for automated process. Human handling and manual processing could potentially impact implementation of the without delay requirement. This is coupled with the fact that the bureaucracy created around dissemination and distribution of information of designated persons and entities is somewhat cumbersome.

Criterion 6.5

- a) Reg. 21 of the TPR requires that funds and economic resources of designated persons and entities should be frozen without delay. However, this action to freeze without delay can arise only upon establishing “beyond doubt” that the designee is the owner, or controller of beneficiary of the funds. Reg. 25 of the TPR states that a freezing order shall take place without prior notice to the designated individual or entity. It is unclear if the courts are required to make an order before the funds and assets are frozen. Where a reporting entity establishes the existence of a designated person or entity as part of those holding or operating account in its organization, it is required to block such an account or any other economic resources belonging to or connected to that person or entity forthwith or without delay (Reg. 27 (1) of TRP 2013). It should however be noted that Sierra Leone has a monitoring process through the FIU and CISU (see Reg. 10 and 11) to ensure FIs and DNFBPs comply with the requirement placed on them under the TRP.
- b) The obligation to freeze under the TPR applies to all funds or economic resource owned or connected to the designated person or entity. This provision does not cover assets. Besides the regulation does not expressly cover those funds or other assets that are wholly or jointly owned or controlled, directly or indirectly, by designated persons or entities; the funds or other assets derived or generated from funds or other assets owned or controlled directly or indirectly by designated persons or entities; and funds or other assets of persons and entities acting on behalf of, or at the direction of, designated persons or entities.
- c) Reg. 21 of the TPR prohibits making any funds and economic resources available to designated persons. The definition of “funds” and “other assets” in the TPR is not consistent with the definition of “funds and other assets” in FATF glossary. Furthermore, the obligation to prohibit funds to designee does not extend to financial or other related services, available, directly or indirectly, wholly or jointly, for the benefit of designated persons and entities; entities owned or controlled, directly or indirectly, by designated persons or entities; and persons and entities acting on behalf of, or at the direction of, designated persons or entities.
- d) Reg. 7(3) of the TPR, requires CISU to take all necessary measures to disseminate the list of designated persons to FIs and DNFBPs. The TPR provides general guidance to reporting entities that may be holding targeted funds or other assets. However, more specific guidance may be necessary.
- e) Para. 27 of the TPR requires reporting entities to report a suspicious transaction connected with a designated person or entity to the FIU and provide the unit all necessary information

on the transaction. However, the TP Regulations does not expressly require reporting entities to report attempted transactions relating to assets frozen or actions taken in compliance with the prohibition requirements of the relevant UNSCRs.

- f) The rights of bona fide third parties are protected when implementing obligations related to Targeted Financial Sanctions (Para. 24 of the TPR).

Criterion 6.6

- a) Procedures to submit de-listing requests to the relevant UN sanctions Committee are set out in Para. 44 of the TPR. A designated person that wishes to have his name deleted from the list may, in the case of UN Consolidated list, submit an application through the Attorney- General to the UN stating reasons for application.
- b) A designated person that wishes to have his name deleted from the list may, in the case of the Sierra Leone list, submit an application to the Committee which shall recommend its objection or refusal to the Attorney General (Para. 44 of the TPR).
- c) There appears to be no procedures that allow a review of a designation decision by a court or other independent competent authority in the case of the Sierra Leone list (domestic designations). However, para. 46 of the TPR provides that in the case of the regional list (third party designations), a designee resident in Sierra Leone may petition the government to request a review of the case by providing relevant information to justify the delisting.
- d) There are no explicit provisions covering procedures to facilitate review by the 1988 Committee in accordance with the guidelines adopted by the Committee.
- e) The TPR does not set out explicit procedures for informing designated persons and entities of the availability of the United Nations Office of the Ombudsperson to accept delisting petitions.
- f) The TPR outlines the procedures to assist persons with the same or similar name as the designated persons or entities (i.e. false positives) that have been inadvertently affected by a freezing mechanism (Reg. 43 of the TPR).
- g) The Attorney-General is required to communicate decision to delist and unfreeze in writing to the applicant and other relevant authorities including the reporting entities (Reg. 43(3) of the TPR). However, there is no detailed guidance for the reporting entities.

Criterion 6.7

Sierra Leone has mechanisms for authorizing access to frozen funds or other assets which have been determined to be necessary for basic expenses, the payment of certain other types of expenses, or extraordinary expenses. There are provisions envisaged for application of the measures for both - persons designated under the UNSCRs 1267/1989, 1988, and UNSCR 1373. Reg. 42 and 25(4) of the TPR somewhat support this position.

Weighting and Conclusion

Sierra Leone has made considerable legislative developments, however, there remain some gaps in the legislative framework related to TFS. Sierra Leone has not established arrangements for identifying and proposing targets to the relevant UN Committee pursuant to UNSCR 1267 and under UNSCR 1373. There are no mechanisms to collect or solicit information to identify persons and entities which, competent authorities believe, meet the criteria for designation. The definition and the scope of funds in the TPR is not consistent with the definition of funds and the scope of funds under Recommendation 6. Financial institutions and DNFBPs are not required to report attempted transaction to competent authorities. There appears to be no procedures that will permit a review of a designation

decision by a court or other independent competent authority for domestic designations. There are no explicit provisions covering procedures to facilitate review by the 1988 Committee in accordance with guidelines adopted by the 1988 Committee and procedures for informing designated persons and entities of the availability of the United Nations Office of the Ombudsperson to accept delisting petitions. There is also no detailed guidance for the reporting entities. Overall, Sierra Leone has mechanisms for freezing the funds and other assets of persons and entities designated domestically and pursuant to UNSCRs related to TF. However, the legal framework needs to be more robust. In reaching the rating for R6, the assessors took account of the particular context of Sierra Leone, including the low level of TF. In addition, the criteria pertaining to freezing, particularly, c6.6 were given more weight. **Recommendation 6 is rated partially compliant.**

Recommendation 7 – Targeted financial sanctions related to proliferation

This is a new requirement of the FATF which was not assessed in the first round.

Criterion 7.1

The Nuclear Safety and Radiation Protection Act, 2012 provides regulatory and control measures, including licensing (S29), and inspection and enforcement (S6 - S9) in respect of nuclear material, equipment or technology in order to prevent their illegal use and protect the safety and security of Sierra Leone. However, there are no measures to implement TFS without delay to comply with UNSCRs relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing as required by c7.1.

Criteria 7.2 -7.5

There are no provisions or measures implementing these criteria.

Weighting and Conclusion

Sierra Leone has not adopted legislation or measures and procedures to implement TFS to comply with UNSCR regarding the prevention, suppression and disruption of proliferation of WMD and its financing. **Recommendation 7 is therefore, rated non-compliant.**

Recommendation 8 – Non-profit organisations

Sierra Leone was rated NC on former SR III in its 1st MER. The deficiencies relate principally to the lack of legislative or regulatory framework for the supervision of NPOs; and the absence of proportionate and dissuasive sanctions.

Criterion 8.1

- a) Sierra Leone conducted a NRA; however, the country did not identify the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of TF abuse. At the time of onsite visit, Sierra Leone had developed and administered two questionnaires (one for NPOs and the other for NPO Regulators - MODEP) aimed at assessing the level of ML/TF risk in the NPO sector and the measures that are in place to mitigate those risks. The completed questionnaires were yet to be analysed.
- b) Sierra Leone has not identified the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs.

- c) Sierra Leone has not comprehensively reviewed the adequacy of measures, including laws and regulations that relate to the subset of the NPO sector that may be abused for terrorism financing in order take proportionate and effective actions to address the identified risks.
- d) Sierra Leone does not conduct a periodic reassessment of its NPO sector.

Criterion 8.2

- a) Regulation 2.3.1 and 2.3.2 of Non-Government Organizations Policy Regulations (NGOPR) 2017, governs the NPO sector. Some of the policies to promote accountability, integrity, and public confidence in the administration and management of NPOs include registration requirements to commence business and re-registration on an annual basis, a signed agreement with the government before commencing operations, mandatory membership in SLANGO, and potential field visits to NPOs by competent authorities.
- b) Sierra Leone has conducted a few outreach and educational programmes to raise awareness about the potential vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks. The umbrella organization (SLANGO) also organizes training and capacity building programmes for NPOs.
- c) Relevant authorities worked with NPOs, especially in completing the NPOs questionnaire (see c8.1(a)). The outcome of this assessment is expected to facilitate efforts at addressing the TF risk and vulnerabilities of the sector.
- d) Para. 2.2.1 (ii) of the NGOPR requires NPOs to have a bank account in Sierra Leone in the organization's name. This is aimed at encouraging transactions through regulated financial channels.

Criterion 8.3

Sierra Leone has not conducted targeted risk-based supervision or monitoring of NPOs.

Criterion 8.4

(a) and (b) - Sierra Leone does not monitor compliance of NPOs on a risk sensitive basis and has not demonstrated that competent authorities apply effective, proportionate and dissuasive sanctions when entities or persons acting on behalf of entities within the sector violate the regulation.

Criterion 8.5

- a) Sierra Leone has not demonstrated that there is effective co-operation, co-ordination and information sharing among all levels of appropriate authorities or organizations that hold relevant information on NPOs. There is no exchange of information platforms between MODEP and CAC. There is the possibility of double registration and no registration in some cases.
- b) LEAs have powers to obtain information (see R.31) directly, or by court order or through the FIU. Similarly, some LEAs have capacities obtained through training that can also be applied to examine any NPOs suspected of TF.
- c) Section 2 of the Right to Access Information Act, 2013 ensures that there is access to information including information on the administration and management of particular NPOs. This information is available when the NPO is registered. Section 22 of the Companies Act, requires NPOs to be registered with the CAC.
- d) There are no established mechanisms to promptly share information with other competent authorities in order to take preventive or investigative action where there is a suspicion that a particular NPO is being misused for TF purposes.

Criterion 8.6

Sierra Leone has not identified appropriate points of contact or establish procedures to respond to international requests for information regarding particular NPOs suspected of terrorist financing or involvement in other forms of terrorist support. Although, the regular channel for international cooperation could be used, there is the need to establish clear procedures in this respect.

Weighting and Conclusion

Sierra Leone has not yet identified the characteristics and types of NPOs which, because of their activities, are likely to be abused for TF purposes. Sierra Leone has not identified the nature of threats posed by terrorist entities to the NPOs which are at risk. The country has not reviewed the adequacy of measures, including laws and regulations that relate to the subset of the NPO sector that may be abused for terrorism financing. Sierra Leone has not conducted a periodic reassessment of the sector, there are no risk-based supervision / oversight measures and no competent authority has been designated to respond to international requests for information concerning an NPO suspected of TF or supporting it by any other means. In addition, Sierra Leone has not demonstrated that the relevant authorities are working with NPOs to develop best practices to deal with TF risk. There are no established mechanisms to promptly share information. **Recommendation 8 is rated non-compliant.**

Recommendation 9 – Financial institution secrecy laws

Sierra Leone was rated Compliant with former R.4 in its 1st MER. There have been no changes in the FATF requirements for this Recommendation. The analysis set out at paragraphs 308 and 309 of the 2007 MER continues to apply.

Criterion 9.1

There are no FI secrecy laws that inhibit the implementation of AML/CFT measures. Sierra Leone has legal and regulatory provisions which allow for access to and sharing of information or data consistent with the requirements of R.9.

- a) Access to information by competent authorities: Section 13 (1) of AML/CFT Act empowers the FIU to access information it considers relevant to the performance of its functions from reporting entities. S30 (1) of the Act, and Par 14 of the Directives and Guidelines for FIs on the Prevention of ML/TF explicitly mandate FIs to make information available to competent authorities. Section 22 (3) of the Act also provides that no entities shall use professional secrecy or confidentiality as a rationale to refuse to disclose a true identity of the transacting party or beneficial owner when information is requested. There are also provisions which grant supervisors powers to access information necessary for the performance of their functions from institutions under their supervision (ss.54, 55, 56 and 57 of the Banking Act, 2019; ss 61(2), 63 and 78 of the Insurance Act). In addition, s44 of the AML/CFT Act overrides any secrecy or confidentiality provision in any law that prevents an FI from fulfilling its AML/CFT obligations, including providing access to information.
- b) Sharing of information between competent authorities - Sections 13 (1) and 14 of the AML/CFT Act empower the FIU to request and obtain information from reporting entities to perform its functions, and to share such information to any competent authority both domestically and internationally. Section 54 of the AML/CFT Act also empowers CAC to establish mechanisms that facilitate timely access to beneficial information by other competent authorities and reporting entities. In addition, s61 of the Banking Act,

empowers the Central Bank to share supervisory information with both domestic and foreign agencies.

- c) Sharing of information between FIs - Sierra Leone does not have any law or regulation prohibiting sharing of information between financial institutions, where this is required by R.13, 16 or 17.

Weighting and Conclusion

Recommendation 9 is rated compliant.

Recommendation 10 – Customer due diligence

Sierra Leone was rated NC with former R5 in its 1st MER. The main technical deficiencies were the lack of rules concerning CDD measures for existing customers, ineffective implementation of certain MLR requirements, including identity of beneficial owners/controllers; and ineffective implementation MLR by FOREX dealers.

Under R.10, the principle that FIs should conduct CDD should be set out in law. In the case of Sierra Leone, this requirement is complemented and/or reinforced in the Directives and Guidelines for FIs on the Prevention of ML/TF. This is a secondary legislation made under the powers conferred through the AML/CFT Act. This has been approved by relevant authorities, is legally binding and has legal force (S133 of AML/CFT Act).

Criterion 10.1

FIs are prohibited from opening or keeping anonymous accounts or accounts in fictitious names (S19 of the AML/CFT Act; Par 3.15 of the Directives and Guidelines for FIs on the Prevention of ML/TF).

Criterion 10.2

S21 (1) (a)-(e) of the AML/CFT Act satisfies to some extent the requirements of c10.2 (a)-(e) as it requires FIs only to verify the identity of the customer when (a) establishing a business relationship, (b) when carrying out occasional transactions above Le 30 million (approx. US\$3,086), (c), when carrying out international or domestic wire transfers above Le 30 million (approx. US\$3,086), (d) when there is a suspicion of ML/TF; and (e) where there is doubt about the veracity of adequacy of previously obtained customer identification data. Para 3.02 of Directives and Guidelines for FIs on the Prevention of ML/TF requires FIs to fully implement CDD/KYC procedures before establishing a business relationship, or carrying out occasional transactions. See also Para 3.05.

Criterion 10.3

FIs are required to verify the identity of their customers using reliable, independent source documents, data or information [S21 (1) of the AML/CFT Act]. Documents stipulated in S21 for verification includes passport, driver's license, national identification document, and certificate of incorporation or other evidence as is reasonably capable of verifying the identity of the customer. Para 3.02 of Directives and Guidelines for FIs on the Prevention of ML/TF requires FIs to fully implement CDD/KYC procedures before entering into a business relationship..... See also Para 3.05.

Criterion 10.4

Section 20 (2) of the AML/CFT Act requires reporting entities to collect sufficient information to establish whether a customer is acting on its own behalf, or for or on behalf of another person. Under Section 22 (5)(d)(iii) of the AML/CFT Act and Par 5.01 (b) of the the Directives and Guidelines for FIs on the Prevention of ML/TF, FIs are required, in

the case of legal entity, to verify that any person purporting to act on behalf of the customer is authorized to do so and identify those persons. The requirement to verify that the person acting on behalf of the customer is so authorized does not cover natural person.

Criterion 10.5

FIs are under obligation to identify and verify the identity of the beneficial owner. Section 22(9) of the AML/CFT Act requires FIs to identify and verify the identity of the person for whose ultimate benefit, the transaction is being conducted. When dealing with legal entities they should adequately identify and verify the principal owners and beneficiaries [S22 (5)(d)(ii)]. Additionally, Par 24.02 of the Directives and Guidelines for FIs on the Prevention of ML/TF requires FIs to clearly identify any beneficial owner different from the customer directly dealing with them. Par 5.05 of the Directives requires FIs conducting, carrying out, dealing with or facilitating a transaction with a legal person to verify and identify the beneficial owners who ultimately have controlling interest in the company unless the company is listed on the stock exchange; and Par 3.17 requires FIs to, as part of the CDD procedure, identify and verify the identity of the underlying beneficial owners. The requirement to identify and verify identity of BO also apply to all business relationship that existed before the AML/CFT comes to effect [s22 (4) of the AML/CFT Act]. In general, FIs should take reasonable measures to verify the identity of the beneficial owner, using the relevant information or data obtained from reliable sources, so that the FI would be satisfied that it knows the identity of the beneficial owner.

Criterion 10.6

S20 (1) of the AML/CFT Act requires FIs to collect sufficient information on the intended use, nature and purpose of each customer account so that it generally understand the size and kinds of expected transactions. This obligation is further reinforced in Par 3.18 of the Directives and Guidelines for FIs on the Prevention of ML/TF which requires FIs to, when entering a business relationship with a customer, make clear and in a documented way, the purpose of the relationship, the intended nature of the relationship, the types and volumes of transactions.

Criterion 10.7

Par 3.11 of the Directives and Guidelines for FIs on the Prevention of ML/TF have provisions which mirror the requirements under c10.7 (a-b). It requires FIs to: (a) scrutinising transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the financial institution's knowledge of the customer, their business and risk profile including where necessary, the source of funds, and (b) ensuring that documents, data or information collected under the CDD process is kept up-to-date and relevant, by undertaking reviews of existing records particularly for higher risk categories of customers. In addition, S32 (1) (b) and (c) of the AML/ CFT Act require reporting entities to conduct ongoing due diligence with respect to the business relationship, including closely monitoring and examining transactions to ensure that: (i) the transactions are consistent with their knowledge of the customer, the customer's commercial or personal activities and risk profile, and (ii) they are performed their obligations relating to high risk customers.

Criterion 10.8

S22 (5) (d)(ii) of the AML/CFT Act specifies that where a transaction is conducted by a legal entity, reporting entities should adequately identify and verify its legal existence and structure, including in relation to the principal owners and beneficiaries as well as the control structures. This obligation is limited to a situation where transaction occurs. Par 5.01(f) of the Directives and Guidelines for FIs on the Prevention of ML/TF requires FIs

to have clear understanding of the structure of ownership of corporate bodies they are entering into business relationship with in relation to the percentage of ownership or controlling shares held by each shareholder, particularly where the shareholders are acting as trustees or agents. Par 6.01 of the Directives only requires FIs, when entering into a business relationship with corporations domiciled outside Sierra Leone, to gather sufficient information to understand the nature and extent of business they carry out. S23 (1) (c) of the Companies Act requires legal persons to disclose in their Memorandum of Association (MoA), the nature of businesses they are authorized to carry on or the objectives for which they are established. The MoA is part of documents required by FIs, particularly banks, when establishing relationship with legal persons.

Criterion 10.9

S22 (5) (d)(i)(iii) of the AML/CFT Act require reporting entities to adequately identify and verify the legal existence and structure of a legal entity, including information relating to the name, legal form, address, directors as well as provisions regulating the power to bind the entity. Section 21 (3) of the AML/CFT Act provides that the identification of body corporate shall be by the production of records establishing that it has been lawfully established and that it is actually in existence. See also Par 18.05 of the Directives and Guidelines for FIs on the Prevention of ML/TF. The requirements did not cover c10.9 (c).

Criterion 10.10

- a) Par 5.05 of the Directives and Guidelines for FIs on the Prevention of ML/TF requires FIs conducting, carrying out, dealing with or facilitating a transaction with a corporate body or company to verify and identify the beneficial owners who ultimately have controlling interest in the company unless the company is listed on the stock exchange. Beneficial owner is defined as (a) an individual who ultimately owns or controls the rights to or benefits from property, including the person on whose behalf a transaction is conducted; or (b) a person who exercises ultimate effective control over a legal person or legal arrangement.
- b) S22 (1)(2) of the AML/CFT Act require reporting entities to use all means to seek information as to the true identity of the principal or party on whose behalf the customer is acting. If following verification, any doubt remains as to the true identity of the beneficial owner, it should terminate the relationship.
- c) There is no provision that meets this requirement.

Criterion 10.11

Pars 7.16 to 7.21 and 19.05 of the Directives and Guidelines for FIs on the Prevention of ML/TF require, amongst other things, FIs to carry out the necessary level of due diligence to ensure that trustees, settlor, protector, beneficiary and persons (including natural person) that have control over the trust are properly identified and verified. They are specifically required to obtain details including their names, occupation, residential addresses, postal addresses and any other information relevant to the adequate and reliable identification of same. Criterion c10.11(b) is not applicable as there are no other types of legal arrangements operating in Sierra Leone.

Criterion 10.12

There is no provision that meet the requirements of c10.12.

Criterion 10.13

There is no provision that meet the requirements of c10.13

Criterion 10.14

Pursuant to s22 (6)(7) of the AML/ CFT, reporting entities are under obligation to establish and verify the identity of customers as soon as practicable with a view to starting business relationship, before carrying on further business or after commencement of the business relationship. In situation where a delay in verification is essential in order not to interrupt the normal conduct of business, the reporting entities have up to two months for the collection of customer identity and other documentation following commencement of business relations. Also, verification of the identity of a customer can be completed after the business relationship is established, provided that the ML/TF risks are effectively managed (s7(a) of the AML/CFT Act). The requirement did not cover beneficial owner.

Criterion 10.15

There is a broad requirement under s17 of the AML/ CFT Act which requires the application of risk-based approach in the implementation of AML/CFT requirements by reporting entities. Although not expressly provided, this can satisfy the requirement for FIs to adopt risk management procedures concerning the conditions under which a customer may utilize the business relationship prior to verification.

Criterion 10.16

S22 (4) of the AML/CFT Act and par 3.11 of the Directives and Guidelines for FIs on the Prevention of ML/TF require every FI to apply CDD measures to customers existing prior to the implementation of the Act and Guidelines. Although there is no express requirement to do this on the basis of materiality and risk, nor to take into account whether and when CDD measures have previously been undertaken and the adequacy of data obtained, there is a general requirement for FIs to apply risk-based approach (Par 7.01, 7.03 of the Directives).

Criterion 10.17

Par. 7.04 of the Directives and Guidelines for FIs on the Prevention of ML/TF obliges FIs to apply enhanced due diligence where ML/TF risks are higher. Additionally, S27 (a) of the AML/ CFT Act generally requires reporting entities to implement appropriate risk management systems to identify customers whose activities may pose a high risk of ML/TF and shall exercise enhanced identification, verification, CDD, as well as ongoing due diligence procedures.

Criterion 10.18

There is a general requirement for reporting entities to apply a risk-based approach [s18 of the AML/CFT Act; par 7.01 of the Directives and Guidelines for FIs on the Prevention of ML/TF]. Although not explicitly stated, this is understood to mean that simplified CDD measures should be applied where lower risks have been identified. Par 7.02 of the Guideline requires FIs to undertake periodic review of their risk to ensure that measures taken are commensurate with the level of risk. Section 24 (1) of the AML/CFT Act broadly requires reporting entities to verify the identity of their customers whenever there is suspicion of ML or TF. However, the requirement under s24(1) does not cover identification.

Criterion 10.19

FIs are not allowed to open an account, or commence business relations if they are not able to comply with relevant CDD measures and should consider filing a STR in relation to the customer to the FIU [S29 of the AML/CFT Act]. This requirement did not cover a situation

where transaction is conducted nor does it require FIs to terminate existing relationship when it is unable to comply with relevant CDD measures.

Criterion 10.20

There is no provision requiring FIs not to apply CDD if there is a risk of tipping-off the customer, and in that case, report a STR.

Weighting and Conclusion

There are a number of deficiencies noted, some of which are minor and others substantive in nature. The substantive deficiencies include: the lack of provision in case of risk of tipping-off the customer followed by submission of a STR; the requirement of when to undertake CDD under c10.2 does not expressly cover identification of customer; customer identification as required under c10.3 is not expressly covered; the requirement under c10.9 (c) is not met; there is no requirement for FIs to undertake CDD for beneficiary of life insurance policies under c10.12, and c10.13; there is no requirement for FIs not to perform the transaction or to terminate existing relation whenever they are unable to comply with relevant CDD measures; and there is no requirement for FIs to verify the identity of beneficial owner as required under c10.14. **Recommendation 10 rated partially compliant.**

Recommendation 11 – Record-keeping

Sierra Leone was rated PC with R10 in its last MER. The main technical deficiency was that the AML Act includes no sections concerning record-keeping for other information, such as account files in general or business correspondence.

Criterion 11.1

The obligation regarding the maintenance of all necessary records on transactions (both domestic and international) is set out in s30 (1) and (2) (b, c, d) of AML/CFT Act. This is further spelled out in Par 24 of the Directives and Guidelines for FIs on the Prevention of ML/TF. Records of transactions shall clearly indicate transaction details, including the nature and date of transaction, type of currency and amount involved, type and the account number, etc and are required to be retained for at least five years following completion of the transaction.

Criterion 11.2

Section 30 (1) and (2) (a, b, c) of AML/CFT Act and Par 24 of the Directives and Guidelines for FIs on the Prevention of ML/TF require FIs to keep all information obtained from customers and transactions. These include all identifying information, such as name, date of birth, address, nationality, documents evidencing the identities of customer and beneficial owners (e.g. passports) and any other particulars that will facilitate the comprehensive identification and profiling of the customer. These provisions also required FIs to maintain account files and business correspondence, records on all transactions, including copies of all STRs, and results of any analysis undertaken in relation to STRs and transactions which involve unusual transaction patterns or are unusually large or complex. The records retention period is at least five years following the termination of the business relationship or after the date of the occasional transaction.

Criterion 11.3

The requirement for FIs to keep transaction records that should be sufficient to permit reconstruction of individual transactions is provided for in S30 (3) (a) of AML/CFT Act and Par 24 (24.01) of the Directives and Guidelines for FIs on the Prevention of ML/TF

require FIs. Records are to be kept in a manner that can enable the transaction to be readily reconstructed at any time by the FIU or competent authority to provide, if necessary, evidence for prosecution of any offences

Criterion 11.4

FIs are required to have a record-keeping system which ensures that all CDD information and transaction records are available swiftly to domestic competent authorities [S30 (1) of AML/CFT Act]. S30(3) (b) of the Act requires that the records are maintained in a manner and form that will enable the reporting entity to comply immediately with requests for information from the competent authority, appropriate law enforcement body or the FIU. Par 24 (sub-par 24.07 -24.08) of the Directives and Guidelines for FIs on the Prevention of ML/TF states that the records should be kept in a readily retrievable and accessible manner, and could be maintained in an original hard copy, microform, electronically or any other form that would ensure the security and easy accessibility of the data.

Weighting and Conclusion

Sierra Leone has met all the criteria. **Recommendation 11 is rated compliant.**

Recommendation 12 – Politically exposed persons

Sierra Leone was rated NC with R.6 in its 1st MER. The shortcomings relate to the lack of specific provisions regarding appropriate risk management systems to address PEPs, and the lack of effective implementation of MLR requirements, including PEPs.

Criterion 12.1

S.1 of the AML/CFT Act defines PEP as persons holding prominent public positions domestically or in a foreign country such as heads of state or government, senior politicians on the national level, senior government, judicial, military or party officials on the national level, or senior executives of state owned enterprises of national importance, or individuals or undertakings identified as having close family ties or personal or business connections to such persons. Par 10 of the Directives and Guidelines for FIs on the Prevention of ML/TF requires FIs to apply enhanced CDD measures when dealing with PEPs, including Foreign PEPs. Section 27 (b) of the AML/CFT Act and Par 10.02 of the Directives and Guidelines for FIs on the Prevention of ML/TF require reporting entities to establish appropriate risk management system to determine whether a customer or a beneficial owner is a PEP. In addition, in case of PEPs, FIs are required to obtain approval from senior management before establishing a business relationship with the customer (s27(b) (i) of the AML/CFT Act), or continuing business relationship with the customer (Par 10.05 of the Directives and Guidelines for FIs on the Prevention of ML/TF); take all reasonable measures to identify the source of wealth and funds of the customers and beneficial owner [s27(b)(ii) of the AML/CFT Act]; Par 10.03 of the Directives and Guidelines for FIs on the Prevention of ML/TF], and conduct enhanced ongoing monitoring of the customer and the business relationship (s27(b) (iii) of the AML/CFT Act).

Criterion 12.2

The analysis in c12.1 above also applies to c12.2. However, the definition of PEPs did not cover persons who are or have been entrusted with a prominent function by an international organization as stated in the FATF Glossary. This limitation presents a gap in relation to the requirement under c12.2.

Criterion 12.3

Relevant requirements under c12.1 and c12.2 also apply to individuals having “having close family ties or personal or business connections” to PEPs (S1 of the AML/CFT Act). Consequently, all the measures described above apply to PEPs’ family members or close associates of PEPs. However, given the limitation in the definition of PEPs (i.e. the non-coverage of PEPs link to international organizations), family members and close associates of persons entrusted with a prominent function by an international organization are not covered.

Criterion 12.4

Though S27 (b) of the AML/CFT Act, and Par 10.02 of the Directives and Guidelines for FIs on the Prevention of ML/TF require financial institutions, including insurance companies, to establish appropriate system to determine whether a customer or a beneficial owner is a PEP, there is no explicit provision addressing the specific requirements in relation to life insurance policies under this criterion. In addition, the limitation in the definition of PEP noted under c12.1, impacts on c12.4.

Weighting and Conclusion

There is limitation in the definition of PEPs (none coverage of PEPs link to international organizations). In addition, the requirement of c12.4 is not met. **Sierra Leone is rated largely compliant.**

Recommendation 13 – Correspondent banking

Sierra Leone was rated NC with former R.7 in the 2007 MER. The main technical deficiencies were the lack of rules concerning documenting CDD by correspondent banks, and payable through accounts.

Criterion 13.1

FIs are required to apply the measures set out under c.13.1 (a) to (d) in respect of correspondent banking relationships [S28(1) (b-f) of the AML/CFT Act; Pars 13.01, 13.05, 13.07 of the Directives and Guidelines for FIs on the Prevention of ML/TF]. However, there is no requirement to establish whether a respondent bank has been subject to a ML/TF investigation or regulatory action, and non-banking correspondent relationships are not covered.

Criterion 13.2

With respect to payable-through accounts, S28 (2) of the AML/CFT Act, require FIs to ensure that the person (understood to be respondent bank) with whom it has established relationship: (a) has verified the identity of and performed ongoing due diligence on such a person's customers that have direct access to accounts of the reporting entity; and (b) is able to provide the relevant customer identification data upon request. Par 13.03(a)(b) of the Directives and Guidelines for FIs on the Prevention of ML/TF has requirements which mirrored the elements in c13.2 (a)(b).

Criterion 13.3

S28 (1) (g) of the AML/CFT Act prohibits relationship with shell banks. Similarly, they are not allowed to enter into or continue business relations with a respondent FI in a foreign country if the respondent institution permits its accounts to be used by a shell bank (S28) (h).

Weighting and Conclusion

There is no requirement to establish whether a respondent bank has been subject to a ML/TF investigation or regulatory action and non-banking correspondent relationships are not covered. **Recommendation 13 is rated largely compliant.**

Recommendation 14 – Money or value transfer services

Sierra Leone was rated NC on former SR.VI in its 1st MER due to the absence of effective implementation of requirements of money laundering regulations.

Criterion 14.1

Natural or legal persons that provide MVTS in Sierra Leone are required to be licensed by the Central Bank [s23 (1) of the AML/CFT Act]. Sections 6-21 of the Banking Act provide general licensing procedures which are also applicable to MVTS providers.

Criterion 14.2

It is illegal to operate an MVTS without a license in Sierra Leone [S7 (1) of the Banking Act]. The Central Bank which supervises the MVTS has powers to instruct a person who contravenes this provision to immediately terminate any illegal deposit taking activities and repay the funds raised [S7(7) of the Banking Act]. In addition, a person who violates s7(1) commits an offence and is liable on conviction to a fine or to imprisonment for a term not exceeding 2 years or both the fine and imprisonment [section117 of the Banking Act]. Similarly, Par 27 (g) of GMMFS empowers the Central Bank to amongst other things suspend or cancel the approval; and impose any other conditions as it consider appropriate on any MVTS provider, that operates in contravention of terms and conditions in the guidelines, which in the view of the assessors, also includes operating without a license. However, as at the time of onsite, Sierra Leone has not taken any specific actions with a view to identifying natural or legal persons that operate MVTS without licences and sanction them.

Criterion 14.3

MVTS are reporting entities under the AML/CFT law [S36 (1) of the AML/CFT Act; Par 22 of the GMMFS; Par 20.01 of the Directives and Guidelines for FIs on the Prevention of ML/TF] and subject to AML/CFT supervision by the Central Bank. They are required to comply with AML/CFT laws, regulations, guidelines and subject to sanctions for non-compliance.

Criterion 14.4

Section 23 (1) of the AML/CFT requires any person who intends to engage in the business of currency exchange or transmission or mobile financial services to obtain license from the Central Bank (BSL). However, there is no express requirement for agents of MVTS providers to be licensed/ registered or MVTS providers to maintain a current list of its agents

Criterion 14.5

There is no specific requirements for MVTS providers that use agents to include them in their AML/CFT programmes and monitor them for compliance with these programmes.

Weighting and Conclusion

Sierra Leone met the requirements of c14.1, and c14.3H. However, no action has been taken with a view to identifying natural or legal persons that operate MVTS without

licences. In addition, there is no express requirement for agents of MVTS providers to be licensed/ registered or MVTS providers to maintain a current list of its agents, and there is no specific requirement for MVTS providers that use agents to include them in their AML/CFT programmes and monitor them for compliance with these programmes.

Recommendation 14 is rated partially compliant.

Recommendation 15 – New technologies

Sierra Leone was rated NC with R.8 in its 1st MER. The main technical deficiencies were the lack of rules regarding policies on the specific risk faced by non-face to face transactions, and the misuse of technological developments in ML/TF schemes.

Criterion 15.1

There is no specific provision that requires the country or any competent authority to identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products.

In relation to FIs, section 36 (1)(2) (d) of the AML/CFT Act requires reporting entities to develop and implement programmes for the prevention of ML/TF including policies and procedures to prevent the misuse of technological developments including those related to electronic means of storing and transferring funds or value. Though not explicitly stated, assessors believe that the requirement to identify and assess risk that may arise in relation to the development of new products and new business practices is covered in this broad provision. However, it appears the obligation under S36 (1)(2) (d) of the AML/CFT Act does not apply to new and pre-existing products.

Criterion 15.2

Par 7.02 of the Directives and Guidelines for FIs on the Prevention of ML/TF requires FIs to conduct a periodic review of risk in every six months to determine if any adjustment should be made to the risk rating. In addition, the obligation for FIs to undertake risk assessment is broadly covered in S36 (1) of the AML/CFT Act which requires FIs to develop and implement programmes for the prevention of ML/TF. However, there is no specific obligation requiring FIs to undertake risk assessment prior to the launch or use of such products, practices and technologies.

FIs are required to take into consideration (in their internal control policy and implementation of AML/CFT programmes), the risk of ML/TF posed by various customers, products, services, clients, transactions, geographical factors, etc. This is to ensure that any AML/CFT measures adopted by the FI will be proportionate to the level of risk posed (Par 7.01 of the Directives and Guidelines for FIs on the Prevention of ML/TF). Also, S18 of the AML/CFT Act provides a general requirement for the application of a risk-based approach.

Weighting and Conclusion

There is no specific provision that requires the country or any competent authority to identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices. In addition, the obligation under S36 (1)(2) (d) of the AML/CFT Act does not apply to new and pre-existing products and there is no requirement for FIs to assess ML/TF risks prior to the launch or use of new products, business practices, or delivery mechanisms. **Recommendation 15 is rated partially compliant.**

Recommendation 16 – Wire transfers

Sierra Leone was rated NC with former SR VII. The primary deficiencies identified in the 1st MER were that there was no de minimis rules with respect to wire transfers and no special rules for batch transfers; no monitoring of compliance with rules and regulations implementing SR VII, and no effective implementation of wire transfer rules.

Criterion 16.1

For cross-border transfers, FIs are required to include, in all wire transfers of three million Leones (approximately US\$343), the originator's name, account number or in its absence a unique reference number, address, or national identity number, or date and place of birth [S34(1)(a) to (d), and S31(1) of the AML/CFT Act; Par 11.02 of the of the Directives and Guidelines for FIs on the Prevention of ML/TF. The requirement also covers verification of the identity of the originator. There is no requirement for FIs to ensure wire transfers are accompanied by required beneficiary information.

Criterion 16.2

Section 34(6)(b) of the AML/CFT Act provides for cross border wire transfers from a single originator that are bundled in a batch file. Ordering FIs are required to include originator information. There is no similar requirement for beneficiary information.

Criterion 16.3

The requirement under s34(1) of the AML/CFT Act applies to wire transfers with threshold of Le 3 million (approximately US\$343). For cross-border transfers below this amount, there are no requirements to include any originator or beneficiary information.

Criterion 16.4

Section 24(1) of the AML/CFT Act requires reporting entities to verify customer's identity regardless of the amount of the transaction whenever there is suspicion of ML or TF. Although not expressly link to wire transfers, the word "transaction" is broad and could include wire transfers.

Criterion 16.5 and 16.6

Par 11.06 of the of the Directives and Guidelines for FIs on the Prevention of ML/TF provides that FIs involved in wire transfer shall ensure that the information accompanying the domestic wire transfers include originator information (such as name, address, date and place of birth etc) as if it were cross-border wire transfer. Par 11.07 provides that where the originator information can be provided to beneficiary FI and competent authorities by other means, then the FI should only include the account number or a unique identifier which could permit the transaction to be traced back to the originator. Par 11.08 of the Guidelines requires an ordering FI to make available the information within three business days of receiving request from competent authority or beneficial FI. LEAs have general powers to request and receive information from FIs.

Criterion 16.7

Section 30(1)(2) of the AML/CFT Act have general provision which requires FIs to maintain records, including records of transactions as required under R.11. However, the lack of requirement for ordering FIs to obtain and include beneficiary information as noted in the analyses under c16.1-c16.3 above, means that such records will not be available to be maintained.

Criterion 16.8

Section 34(4) of the AML/CFT Act requires FIs to decline the execution of wire transfers where the required originator information is not obtained. There is no requirement to obtain detailed information on beneficiaries as set out in c.16.1-16.7 which creates a gap.

Criterion 16.9

Section 34(5) of the AML/CFT Act requires intermediary FIs to re-transmit all of the information it received with the wire transfer. The lack of requirement to obtain detailed information on beneficiaries, also impacts adversely on this criterion.

Criterion 16.10

Intermediary FIs are required to keep for five years the full originator information in situations where technical limitations prevent the intermediary FI from transmitting the information accompanying a cross border wire transfer with a related domestic wire transfer (Par 11.11 of the of the Directives and Guidelines for FIs on the Prevention of ML/TF). There is no similar requirement for beneficiary information.

Criterion 16.11

Section 34(4) of the AML/CFT Act requires FIs that receive wire transfers that do not contain the complete originator information required, to take measures to obtain and verify the missing information from the ordering institution or the beneficiary; if the missing information cannot be obtained, the transfers should not be executed and should be reported to the FIU. However, the provision did not cover wire transfers that lack the required beneficiary information.

Criterion 16.12

S34(4) of the AML/CFT Act requires reporting entities to take measures to obtain information on any wire transfers that do not contain originator's information. Where they cannot obtain the missing information, they should reject the transaction and file a report to the FIU. There is no requirement to suspend the transaction. Although there is no requirement that the process be on the basis of risk, there is a general obligation for reporting entities to adopt risk-based procedures and implement controls that are commensurate with the risk corresponding to transactions, clients, etc [S18 of the ML/CFT Act) which could be applicable. Overall, there is no similar requirement for intermediary financial institutions regarding required beneficiary information.

Criterion 16.13

Par 11.12 of the Directives and Guidelines for FIs on the Prevention of ML/TF requires beneficiary FIs to have effective risk-based procedures in place to identify wire transfers lacking complete originator information. This requirement did not cover obligation to identify wire transfers lacking required beneficiary information.

Criterion 16.14

There is no specific requirement for beneficiary FIs to verify the identity of the beneficiary of a cross border wire transfer if the identity has not been previously verified.

Criterion 16.15

There is a general obligation for FIs to adopt risk-based procedures when handling transaction and to refuse wire transfers not accompanying with complete originator information, especially when they cannot obtain the missing information, as well as file a report to the FIU [s18 and 34(4) of the AML/CFT Act]. There are no similar requirements

for beneficiary FIs in relation to wire transfers that lack the required beneficiary information as stated in c16.5.

Criterion 16.16

Section 31(1) of the AML/CFT Act requires an entity or person that is licensed to do business in Sierra Leone as a money transmission service provider to include accurate originator information on wire transfers and the information shall remain with the transfer. Although this requirement does not cover beneficiary information, this gap is addressed by Par 23 of the Guidelines for Mobile Money Financial Services, which requires service providers to have unique transaction reference number, transaction number, amount, etc and transactions should contain valid description, payer and payee number and maintain audit trail of all transactions. However, this is limited to only mobile money transfer services.

Criterion 16.17

There is no provision that meet the requirements of c16.17

Criterion 16.18

Section 27 (1) of the TPR requires FIs to take freezing action or block the funds or any other economic resources belonging to a person or entity on the designated list (under United Nations, ECOWAS countries and Sierra Leone –Par 26 of TPR) or those connected to them as per obligations set out in the relevant UNSCRs relating to the prevention and suppression of terrorism and terrorist financing, such as UNSCRs 1267 and 1373, and their successor resolutions. FIs are also required to check the list prior to conducting any transaction or establishing a business relationship with any person or entity. Section 27(2) makes dealing with such funds and resources an offence. However, it is not clear how FIs should deal with a list from a non-ECOWAS member State under UNSCR 1373 given the restriction in the list under Par 26 of the TPR.

Weighting and Conclusion

There is no requirement that covers required beneficiary information as set out in R.16 which creates significant deficiency, especially under c16.1-c16.3, c16.7, c16.8, c16.9, c16.10-c16.13, c16.15 and c16.16. Also, there is no specific requirement for beneficiary FIs to verify the identity of the beneficiary of a cross border wire transfer if the identity has not been previously verified as required under c16.14. In addition, there is no provision that meets the requirements of c16.17, and it is also not clear how FIs should deal with a list from a non-ECOWAS member State under UNSCR 1373 (c16.18). **Recommendation 16 is rated partially compliant.**

Recommendation 17 – Reliance on third parties

Former R.9 was rated not applicable in the 1st MER of Sierra Leone because reporting entities were not permitted to rely on intermediaries or other third parties to perform any of the elements of the CDD process under the MLR and the AML Act.

Criterion 17.1

Although S25 (1) of the AML/CFT Act restricts reliance on intermediary or third party to customer identity verification under certain conditions , S25 (4) provides a broader requirement that ...Notwithstanding any other provision in this section, any reporting entity that relies on an intermediary or third party has the ultimate responsibility for compliance with this Act, including all of the customer due diligence, identity and reporting requirements. This broad provision suggests that an FI can rely on intermediary or third

party to perform elements (a)-(c) of the CDD measures set out in R.10, and where an FI does so, the ultimate responsibility for CDD measures remains with the FI. However, elements (a-c) listed in c17.1 are not covered in the circumstance of s25 (4), while s25(1) where these elements apply is limited to customer identity verification.

Criterion 17.2

Section 25 (2) of the AML/CFT Act specifies that the Unit (FIU) or supervisory authority may determine which jurisdictions do not sufficiently adhere to and apply AML/CFT obligations for the purpose of reliance on 3rd parties or intermediaries for identification. However, Sierra Leone has not developed any list of countries from where third-parties can be relied upon or vice versa. In addition, there is no specific requirement for FIs to have regard for a country's level of risk, where the third party or intermediary is located in another country which is the primary focus of c17.2

Criterion 17.3

There is no requirement relating to introduction by 3rd parties within the same financial groups to apply a group-wide AML/CFT programme in Sierra Leone (see c18.2).

Weighting and Conclusion

The main deficiencies are that the FIs relying on third party or intermediaries are not required to comply with elements (a-c) under c17.1; and there is no specific obligation on FIs to have regard for a country's level of risk, where the third party or intermediary is located in another country. **Recommendation 17 is rated partially compliant.**

Recommendation 18 – Internal controls and foreign branches and subsidiaries

In the first round Mutual Evaluation, Sierra Leone was rated NC on R.15 (internal controls) and NC on R.22 (foreign branches and subsidiaries). Deficiencies identified include: there was no effective implementation of requirements of the AML Act and the MLR; the MLR is not updated to include provisions consistent with FATF Recommendation 22; the Bank Examination Manual includes no elements regarding internal controls, audit function, employee training, screening procedures, compliance officers, and audit process are being at least partially implemented. Additionally, there were no rules with respect to communication with home country supervisor or compliance with CDD measures at the group level. Sierra Leone has amended its AML/CFT Law and issued new regulations to address some of these deficiencies. The New FATF Methodology includes an additional requirement regarding the implementation of AML/CFT group wide programmes.

Criterion 18.1

FIs are required to develop and implement programmes for the prevention of ML/TF (Section 36(1) of the AML/CFT Act). Such programmes should have regard to the ML/TF risks (Par 7.01 of the Directives and Guidelines for FIs on the Prevention of ML/TF) and should include the following internal policies, procedures and controls (Section 36 (1) of the AML/CFT Act):

- a) Appointment of a Compliance Officer with responsibility for the FIs compliance with its AML/CFT obligations. The compliance officer should be a senior officer with the relevant qualifications and experience [s35 (1), (2)(a) of the AML/CFT Act) and (Pars 20.03 and 20.04 of the Directives and Guidelines for FIs on the Prevention of ML/TF)]. The appointment of the compliance officer should be communicated to the FIU and regulatory authorities (Par 20.05 of the Directives and Guidelines for FIs on the Prevention of

ML/TF). There is no express provision requiring the appointment of the Compliance Officer at a management level.

- b) Screening procedures to ensure high standards when hiring employee [s36(2)(b) of the AML/CFT Act]. Generally, the high standards relate to integrity of the persons and their skills and experiences.
- c) On - going training programme for officers and employees (s36(2)(c) of the AML/CFT Act).
- d) An independent audit function to test the system (s36(2)(e) of the AML/CFT Act).

Criterion 18.2

There is no requirement for FIs to implement group-wide AML/CFT programmes that are applicable to branches and subsidiaries of the financial group.

Criterion 18.3

Section 37(1)(2) of the AML/CFT Act requires FIs to ensure that their branches and majority-owned subsidiaries operating internationally apply AML/CFT measures consistent with the home country requirements, and where the laws of the other country does not permit the application of equivalent AML/CFT measures, the FI should notify its competent supervisor (home supervisor). However, there is no provision requiring financial groups to apply appropriate additional measures to manage the ML/TF risks in such circumstance.

Weighting and Conclusion

Major deficiencies exist, including the lack of clear provision for the appointment of compliance officers at management level; lack of requirement for financial groups to implement group-wide AML/CFT programmes; and the lack requirement for financial groups to apply appropriate additional measures to manage the ML/TF risks in such circumstance where the host country does not permit implementation of the preventive measures in line with the home country requirements. **Recommendation 18 is rated partially compliant.**

Recommendation 19 – Higher-risk countries

Sierra Leone was rated NC on R.21 in its 1st MER. The primary deficiencies identified include the absences of effective measures to ensure that FIs are advised of concerns about weaknesses in the AML/CFT systems of other countries, and lack of effective implementation of MLR requirements.

Criterion 19.1

FIs have obligation to apply EDD to higher risk categories of customers, business relationships, or transactions from high risk countries and regions [Par 7.04 (d) of the Directives and Guidelines for FIs on the Prevention of ML/TF]. They are also required to pay particular attention to business relations and transactions with persons (including legal persons and arrangements) from or in countries that do not or insufficiently apply AML/CFT international standards [S33(1)(b) of AML/CFT Act]. Similar provision also exists in Par 7.08 of the Directives and Guidelines for FIs on the Prevention of ML/TF. High risk countries are defined as countries or jurisdictions which do not or insufficiently apply the FATF Recommendations, designated as high risk and non-cooperative jurisdictions and those known to have inadequate AML/CFT laws and regulations, while high risk regions refer to regions within a country notorious for certain types of crimes

connected to ML, terrorism activities, and other criminal behaviors ([Par 1.00 of the Directives and Guidelines for FIs on the Prevention of ML/TF].

Criterion 19.2

Beyond the application of the EDD measures, there are no explicit requirements or provisions that enable application of countermeasures proportionate to the risks when called upon to do so by the FATF, and independently of any call by the FATF. Par 7.04 (d) and 7.08 of the Directives and Guidelines for FIs on the Prevention of ML/TF requires FIs to apply EDD to higher risk categories of customers, business relationships, or transactions from high risk countries and regions, and also pay particular attention to transactions involving the transmission of funds to high risk countries or regions. Overall, this appears very limited compare to the range of countermeasures stated in INR19.

Criterion 19.3

There are no measures in Sierra Leone to inform financial institutions of concerns about weaknesses in the AML/CFT systems of other countries.

Weighting and Conclusion

There are no measures in place to ensure that financial institutions are advised of concerns about weaknesses in the AML/CFT systems of other countries. In addition, there is no explicit requirement to apply countermeasures proportionate to the risks when called upon to do so by the FATF, while the range of available counter measures is not comprehensive (limited to EDD). **Recommendation 19 is rated partially compliant.**

Recommendation 20 – Reporting of suspicious transaction

In its 1st MER, Sierra Leone was rated NC on R.13 and SRIV. The major shortcomings identified in the MER were: no provisions for reporting of suspicious FT transactions in the AML Act; lack of effective implementation of many key MLR requirements; no effective implementation of MLR requirements by FOREX dealers; and no guidelines for implementation of TF requirements.

Criterion 20.1

The requirement is provided for in s41(1) of AML/CFT Act, and Par 21.01 of the Directives and Guidelines for FIs on the Prevention of ML/TF.

Criterion 20.2

Section 41(1) of AML/CFT Act requires reporting entities to report “any transaction, attempted transactions, or any other information or fact” where there is a suspicion of ML/TF. This requirement also applies where there is a commission of an unlawful activity.

Weighting and Conclusion

The AML/CFT Act and Directives and Guidelines for FIs on the Prevention of ML/TF comply with the requirements of the criteria. **Recommendation 20 is rated compliant.**

Recommendation 21 – Tipping-off and confidentiality

In the last MER, Sierra Leone was rated NC on R14. The technical deficiencies identified in the report were: no provisions on tipping-off in relation to reports made pursuant to AML Act Section 14 (b); and only good faith reporting of an STR under AML Act Section 6(4) is protected against criminal and civil liability.

Criterion 21.1

There is a system of immunity or protection for FIs and their directors, officers and employees if they make their disclosure or report their suspicions in good faith to the FIU. S46 of AML/CFT Act stipulates that where a disclosure or report of suspicion is made in good faith, the entity reporting and its employees, staff, directors, owners or other representatives as authorized by law, shall be exempted from all criminal, civil or other liability for complying with the law or for breach of any restriction on disclosure of information imposed by contract, or by any legislative, regulatory or administrative provision, regardless of the result of the report. However, it is not clear whether the protection is available even if they did not know the underlying criminal activity.

Criterion 21.2

S45(1) of the AML/CFT Act prohibits a reporting entity, its officers, employees or agents or any other person from disclosing to any person that a report to the FIU has been or may be made, or further information has been provided; that the reporting entity has formed a suspicion in relation to a transaction; that an investigation concerning ML/TF or an unlawful activity is being or has been carried out; or any other information from which the person to whom the information is disclosed could reasonably be expected to infer that a suspicion has been formed or that a report has been or may be made. Reasonable exceptions are provided in s45(2) of the AML/CFT Act. Disclosure made to an officer or employee or agent or supervisory authority of the reporting entity in connection to the performance of their duties is not considered a tipping off. Section 45(3)(4)(5) of the AML/CFT Act prohibits persons in this category from disclosing this information except for the purpose of the performance of their duties, or to obtain legal advice, or to a court on application by a competent authority.

Section 123 of the AML/CFT Act makes unauthorized disclosure of STRs and other information an offence. Upon conviction, an individual is liable to a fine of not less than Le 15 million or to imprisonment for 5 years; and in the case of body corporate, a fine of not less than Le 30million or loss of authority to do business or both [s127(3) of the AML/CFT Act].

Weighting and Conclusion

The criterion is met. **Recommendation 21 is rated compliant.**

Recommendation 22 – DNFBPs: Customer due diligence

Recommendation 12 in the 1st MER of Sierra Leone was rated NC because there were serious gaps in the rules with respect to CDD for DNFBPs and none implementation of the AML Act,

DNFBPs are parts of the reporting entities required to comply with provisions of the AML/CFT Act. All categories of DNFBPs as required by the standard are covered in the AML/CFT Act.

Criterion 22.1

DNFBPs are required to comply with the CDD requirements for AML/CFT purposes in the following situations:

- a) Casinos: Section 21(1) and 22(5)(c)(d) (6) (7) of the AML/CFT Act require reporting entities, including Casinos to conduct CDD. In addition, s24(1) (2)(a) of the Act requires casinos to verify the identity of their customers whenever they open account or execute financial transaction (in cash or other form) in an amount equal to or above

five million Leones (approximately US\$574) regardless of whether the customer has an existing business relationship with the Casino. This amount is less than US\$3000 and thus more stringent than required by the Recommendation.

- b) Real estate agents: The provisions in ss22(5)(c)(d) (6) (7) and 21(1) of the AML/CFT Act requiring reporting entities to conduct CDD also covers real estate agents. Additionally, S24 (1), (2) (c) of the Act also requires reporting entities (in this case, real estate agents) to verify customer identity for any transaction (in cash or other form) involving the purchase or sale of real estate which is in an amount equal to or greater than thirty million Leones (appropriately US\$3,450) regardless of whether the customer has an existing business relationship with the reporting entity.
- c) Dealers in precious metals and dealers in precious stones are subject to CDD obligation under ss.22(5)(c)(d) (6) (7) and 21(1) of the AML/CFT Act. Also, s24(1) (2) (b) of the Act requires reporting entities (in this case, dealers in precious metals and dealers in precious stones) requires the verification of customer identity for any cash transaction with a dealer of precious metals or precious stones involving an amount of twenty million Leones (approximately US\$2,298) or more regardless of whether the customer has an existing business relationship with the reporting entity.
- d) Lawyers, notaries, other independent legal professionals and accountants are parts of reporting entities with CDD obligations under s22(5)(c)(d) (6) (7) and 21(1) of the AML/CFT Act. In addition, s24 (2)(d) of the AML/CFT Act requires reporting entities involve in the purchase or sale of real estate in which the amount is equal to or greater than thirty million Leones (appropriately US\$3,450) to verify the identity of the customer. Overall, in relation to CDD, the law is broad and did not specify the activities or services listed in c.22.1(d).
- e) Trust and company service providers - Analysis in item (d) above applies.

In general, the deficiencies under c10 also impact on the criterion.

Criterion 22.2

DNFBPs in Sierra Leone are subject to the same record-keeping requirements as FIs which are in line with the standard (s30 of AML/CFT Act, see R.11).

Criterion 22.3

DNFBPs in Sierra Leone are required to comply with the same requirements regarding PEPs as FIs under the AML/CFT law (see analysis in R.12) and as such, the shortcoming identified under R.12 also apply, except for the deficiencies regarding life insurance beneficiaries which do not apply to DNFBPs.

Criterion 22.4

DNFBPs in Sierra Leone are required to comply with the same requirements on new technologies as FIs under the AML/CFT law (see analysis in R.15). Consequently, the deficiencies identified under R.15 also apply.

Criterion 22.5

DNFBPs are required to comply with the same third-party reliance requirements as FIs under the AML/CFT law (see analysis of R.17). Consequently, the shortcomings observed under R.17 also apply.

Weighting and Conclusion

Sierra Leone exhibited some deficiencies in relation to the criteria in R.22. In particular, the shortcomings relating to R10, R. 12, 15, and 17 also apply. **Recommendation 22 is rated partially compliant.**

Recommendation 23 – DNFBPs: Other measures

Sierra Leone was rated NC with former R.16 in its 1st MER. Key deficiency identified by the assessment relate to the lack of implementation of the AML Act by DNFBPs.

Criterion 23.1

The reporting obligations set out under the AML/CFT law apply to all reporting entities, including DNFBPs.

- a) Section 41 (1) (2) of AML/CFT has a general provision which requires reporting entities, including Lawyers, notaries, other independent legal professionals and accountants to report STRs to the FIU when they engage on behalf of, or for a client, in a financial transaction associated with the activities specified in criterion 22.1(d).
- b) and c) DPMS and Trust and company service providers – are covered under the STR reporting obligation specified in s41(1) of AML/CFT Act. See analysis in c22.1 (d).

Criterion 23.2

DNFBPs are subject to the same requirements for internal controls as FIs (s36 (1)(2) of the AML/CFT Act- see analysis in R.18], and therefore the deficiencies in R18 apply to this criterion. .

Criterion 23.3

There is no specific provision for DNFBPs to comply with the higher-risk countries requirements set out in R.19. The analysis for R.19 can not apply here because it is based on provisions in the Directives and Guidelines for FIs on the Prevention of ML/TF which did not cover DNFBPs.

Criterion 23.4

DNFBPs are subject to the same requirements as FIs regarding tipping-off and confidentiality (see analysis in R.21).

Weighting and Conclusion

The requirement of c23.3 is not met because the analysis in R.19 is based on provisions in the Directives and Guidelines for FIs on the Prevention of ML/TF which did not cover DNFBPs. In addition, the deficiencies under R. 18 impact or are valid for c23.2. **Recommendation 23 is rated partially compliant.**

Recommendation 24 – Transparency and beneficial ownership of legal persons

In its last MER, Sierra Leone was rated PC with these requirements due an absence of enforcement mechanisms to compel companies to submit annual returns in a timely manner. In addition, requisite information was recorded manually and its accuracy and reliability could not be ascertained.

Criterion 24.1

Sierra Leone has mechanisms to identify and describe the different types, forms and basic features of legal persons in the country. The types of legal persons that can be created in Sierra Leone are companies limited by shares, companies limited by guarantee and unlimited companies. Company registration is undertaken by the Corporate Affairs Commission (CAC) in accordance with the Companies Act, 2009 and the Companies Regulations, 2015. Foreign-created legal persons are required to register in Sierra Leone before commencing operations in the country. Other types of legal entities can be created under the Business Registration Act, 2007. These include partnerships and associations.

- a) Sierra Leone has put in place mechanisms to identify and describe the different types, forms and basic features of legal persons in the country. Specifically, s18 of the Companies Act describes the basic features of legal persons in the country. Business Registration Act, 2007 also sets out forms and basic features of legal entities. The information that describes the different types, forms and basic features of legal persons/associations are provided for in the various legislations on the website of the CAC and at the Office of Administrator and Registrar General (OARG).
- b) The process for the creation of the above types of legal persons is set out in the Business Registration Act, 2007, the Companies Act, 2009, the Companies Regulations and is available at the website of the CAC (<http://www.cac.gov.sl/gen-incorporation.html>). Companies are established following registration with the CAC which can be processed online. The process for obtaining and recording basic information on the legal persons is publicly available. Beneficial ownership information is not required under the law therefore the processes for obtaining and recording beneficial ownership information is not publicly available.

Criterion 24.2

Sierra Leone has not carried out a comprehensive risk assessment of the ML/TF risk associated with all the different types of legal persons in the country.

Criterion 24.3

Companies are required to submit a memorandum of articles or in the case of a foreign company, a copy of statute, charter or instrument under which the company was incorporated, stating among other items, the name of the company, nature of business and business address. Submission of a valid proof of identity for directors and subscribers is also mandatory (ss 7 and 8 Companies Regulation, 2015). Upon incorporation, registration information will be forwarded to the registry of the CAC where the information can be accessed by the public.

Criterion 24.4

Companies are required to have a registered office in Sierra Leone, provide its address to the registrar and maintain certain documents, including the memorandum of association (setting out the companies name, the nature of business, or business, nature of objects for which it was established, restrictions if any on the powers). Sections 23 and 24 of the Companies Act, 2009 makes reference to the Memorandum of Association. Reference is also made to the first schedule of the Companies Act, 2009 and specifically to tables B, C and D.

Section 282(2) of the Companies Act, 2009 provides that the accounting records of a company shall be kept for a period of six years from the date on which they were made. Section 69 of the Companies Act, 2009 provides for the register of members and section 69(1) requires every company to keep a register of its members and enter the particulars

required by this section in the register. This includes the number of the shares held by each member, distinguishing each share by its number (so long as the share has a number) and, where the company has more than one class of issued shares, by class; and the right of members to attend meetings and vote (s.69(3)(a)(i)). Section 69(6) of Act 2009 provides that any entry relating to a former member of the company may be removed from the register after the expiration of 10 years from the date on which he ceases to be a member.

Criterion 24.5

Sierra Leone has specified in its law, the obligation to update the information referred to in criteria 24.3 and 24.4. The requirements for the timely updating of companies' information are set out in ss 9, 13, 18 and 24 of the Company Regulation. The regulation prescribes updating the information within 14 days.

Criterion 24.6

There is no legal requirement under the Companies Act, 2009 and Companies Regulation, 2015 requiring companies to obtain and maintain beneficial ownership information (although s 80 of the Companies Act states that a public company may request for the disclosure of a beneficial owner). Under section 80 of the Companies Act, 2009, public companies may be required to provide beneficial ownership information to the CAC. The Act does not however oblige private companies to provide beneficial ownership information. Nevertheless, the Corporate Governance Code requires all companies to provide beneficial ownership information (s A10 of the Corporate Governance Code 2018). The provision under the Corporate Governance Code requiring companies to obtain and maintain beneficial ownership information was made on a voluntary compliance basis and is therefore not binding.

Appendix 7 of the Corporate Governance Code 2018 covers beneficial owners' background and context. Legal persons operating in the extractive industry are referred to as reporting companies and they are required to identify and disclose the names of their beneficial owners or ultimate beneficial owners where the ownership structure is indirect or complex. The SLEITI has put in place mechanisms to implement the Corporate Governance Code for the purpose of obtaining beneficial ownership information within the extractive industry. A disclosure of the beneficial owners of the legal person is required to be made on the SLEITI 2017 Beneficial Ownership Declaration Form. The Corporate Governance Code does not however have a binding effect on the legal persons operating outside the extractive industry. Sierra Leone intends to enact legislation that will require a legal person to disclose its beneficial owner(s). Sierra Leone indicated that the Mines and Minerals Act, 2009 and the Petroleum (Exploration and Production) Act, 2011 makes reference to ultimate beneficial owners and sets out certain rights and obligations in this regard. FIs and DNFBPs are also required by law to obtain and maintain beneficial ownership information (s. 22 of the AML/CFT Act, 2012).

Criterion 24.7

Sections 22 and 54 of the AML/CFT Act deal with information on beneficial owners and requires reporting entities to obtain and maintain BO information. Under Section 54 of the same law, competent authorities are required to determine the mechanisms by which adequate, accurate and current information on the BO can be kept and the mechanisms to provide timely access to the information by reporting entities, competent authorities, including law enforcement, the FIU, and supervisory and judicial authorities. The authorities did not indicate that mechanisms had been put in place to ensure BO information is accurate and up-to-date. Sierra Leone should consider implementing a regulation to give effect to and enforce s54 of the AML/CFT law.

Criterion 24.8 (a), (b) and (c)

Competent authorities are to put in place mechanisms to access BO information (s 54 of the AML/CFT Act, 2012). In addition, section 23 also requires legal persons to have presence in the country. However, there is no express provision mandating companies to be accountable to competent authorities for the purpose of providing all basic information and available information or further giving advice to authorities.

Criterion 24.9

The CAC maintains the information and records for 10 years after the dissolution of the company. Information and records that are kept include the names and address of members, date on which each person was registered as a member, the date at which any person ceased to be a member (s 69(1) and (6) of the Companies Act 2009). The company itself or administrators and liquidators are not required to maintain the information and records of the companies after dissolution. FIs are required to maintain information on customers, including legal persons, for a period of five years after the legal person ceases to be a customer of the professional intermediary or the financial institution (s. 30 of the AML/CFT Act).

Criterion 24.10

LEAs have powers that allow them to obtain timely access to relevant information on basic information held by agencies, or any other relevant person. Section 13(1) of the AML/CFT Act empowers the FIU to request and obtain any information that it considers relevant to an unlawful activity, money laundering activities or financing of terrorism and that is publicly available, including commercially available database or information that is collected or maintained or stored in database, maintained by government ministries, department and agencies. The FIU may also request and obtain information from reporting entities, supervisory authorities or any law enforcement agency for the purposes of the AML/CFT law Section 41(3) of the AML/CFT Act, 2012 empowers the FIU and competent authorities to request for further information on a report submitted by a reporting entity. The Commissioner of the ACC or an authorised officer is empowered under ss53 and 54 of the Anti-Corruption Act to request for information and production of documents such as accounts books, documents, or other article of or relating to any person who is a subject of investigations. The Commissioner or an authorised officer may request for documents and information on moveable or immovable assets belonging to or possessed by or which at any time belonged to or was possessed by such person, his agents or trustees.

Criterion 24.11

Section 125 of the Companies Act, 2009 permits issuance of bearer shares. The section provides that a company limited by shares if so authorised by its articles may, with respect to any fully paid-up shares, issue under its common seal a warrant (in this Act called a “share warrant”) stating that the bearer of the warrant is entitled to the shares specified in it, and may provide, by coupons or otherwise, for the payment of the future dividends on the shares. A share warrant shall entitle the bearer to the shares specified in it and the shares may be transferred by delivery of the warrant. There are no provisions relating to the immobilization of bearer.

Criterion 24.12

The Companies Act, 2009 provides for nominee shares and directors and mandates the disclosure of information on nominee shareholders in the case of a public company (ss 80-83). Section 81 (1) of the Companies Act provides that a person who is a substantial shareholder in a public company shall give notice in writing to the company stating his

name and address and giving full particulars of the shares held by him or his nominee (naming the nominee) by virtue of which he is a substantial shareholder. A person is a substantial shareholder in a public company if he holds by himself or by his nominee shares in the company which entitle him to exercise at least 10 percent of the unrestricted voting rights at any general meeting of the company. Sierra Leone indicated that the Beneficial Ownership Register proposed to be implemented in 2020 will require nominee shareholders and directors to disclose the identity of their nominator to the company and any relevant registry and also require that said information should be included in the relevant register. Section 80(1) of the Companies Act requires any member of the company to indicate the capacity in which the member holds any shares in the company including the identity of the beneficial owner, or persons interested in the shares.

Criterion 24.13

The Companies Act, 2018 and the Companies Regulations 2015 imposed sanctions on companies for failing to comply with provisions in the Act. Section 70 of the Act deals with the location of the companies register and stipulates sanctions for failure to comply with the requirements of section 70. Section 70 (4) provides that if a company defaults for 14 days in complying with subsection (2), the company and every officer of it who is in default is liable to a fine and, for continued contravention, to a daily default fine, of Le500,000. Section 71 provides for index of members. It indicates that the index shall be at all times kept at the same place as the register of members and s71(4) indicates that in default of complying with the provisions in s71 the company and every officer of it who is in default is liable to a fine and for continued contravention, to a daily default of fine of Le500,000. Section 73 provides for the inspection of register and index. Section 73(5) provides that if an inspection required under this section is refused, or if a copy so required is not sent within the proper period, the company and every officer who is in default shall be guilty of an offence and be liable in respect of each offence to a fine not exceeding Le3,000,000.

Section 80 of Act 2009 is on disclosure of beneficial interest in shares and subject to subsection (4) and (5) any person who fails to comply with a notice under the section shall be guilty of an offence and liable to imprisonment for a term not exceeding 6 months or to a fine of Le500,000 for each day during which the default continues.

Section 518 deals with false statement and provides that any person who makes or authorizes the making of a statement that is false or misleading or omits or authorizes the omission from it knowing that the omission makes the document false or misleading commits an offence, and is liable on conviction to a fine not exceeding Le8,000,000 or to a term of imprisonment not exceeding 3 years or to both the fine and imprisonment. Again every director or employee of a company who in relation to a mechanical, electronic, or other device used in connection with the keeping or preparation of any register, accounting records, index, book, paper, or other document for the purposes of a company or this Act, records or stores in the device, or makes available to a person from the device, matter that he knows to be false or misleading in a material particular; or (b) with intent to falsify or render misleading such register, accounting records, index, book, paper or other document destroys, removes, or falsifies matter recorded or stored in the device, or fails or omits to record or store any matter in the device is guilty of an offence, and is liable on conviction to a fine not exceeding Le8,000,000 or imprisonment for a term not exceeding 2 years or to both the fine and imprisonment.

Regulation 40 of the Companies Regulations 2015 provides that where an officer of a company commits a breach or an offence for which a fine has been imposed and that breach or offence is committed twice within three years the company or officer or both in default

shall be liable to twice the amount of fine for such breach in addition to any imprisonment which may be imposed.

The late provision of updated basic information does not appear to attract any sanction. There is no sanction for failure to maintain a register of shareholders.

Criterion 24.14

Section 13 (1), (b), (c), (d) and (p) of the AML/CFT Act, 2012 empowers the FIU to facilitate access by foreign competent authorities to basic information held by company registries in response to a request for information in accordance with the laws of Sierra Leone. However, the exchange of any such information must come under an existing agreement especially where it is not publicly available.

- a) Some basic information is available on the CAC website; for example, the name of the company, company address and contact number. Foreign competent authorities can also directly access this information on companies publicly available on the CAC website, www.cac.gov.sl. However, more detailed basic information is publicly available at the CAC.
- b) Information on shareholders may be exchanged by the FIU and law enforcement authorities through their channels of cooperation (see R.40).
- c) The FIU and law enforcement authorities have investigative powers to obtain beneficial ownership information (to the extent that it is available in Sierra Leone) on behalf of their foreign counterparts (see R. 37 and 40).

Criterion 24.15

Sierra Leone does not have a legal provision or mechanism in place to monitor the quality of assistance received from other countries in response to requests for basic and beneficial ownership information or requests for assistance in locating beneficial owners residing abroad.

Weighting and Conclusion

Sierra Leone has not carried out a comprehensive risk assessment of the ML/TF risk associated with all the different types of legal persons in the country. Disclosure of information on nominee shareholder is limited to public companies. There are no measures in place to ensure that companies update the beneficial ownership information. There are no explicit provisions or measures in place to ensure that companies co-operate with competent authorities. There are no sanctions to deal with failure to provide beneficial ownership information. As regards nominee shareholding and directors, there are no mechanisms to ensure that legal persons that are not public cooperation are not abused for money laundering. **Recommendation 24 is rated partially compliant.**

Recommendation 25 – Transparency and beneficial ownership of legal arrangements

In its last MER, Sierra Leone was rated NC with the former R.34 primarily due to the fact that there was no transparency mechanisms in place.

Criterion 25.1

(a)-(b) Express trust can be established in Sierra Leone, however there are no obligations on the express trustees to hold adequate, accurate and current information on the trustee, settlor, the protector and beneficial owner or the natural person exercising ultimate effective control over the trust. However, trust instruments typically set out the identity of the settlor,

the trustee and the terms of the trust, which may refer to a beneficiary or class of beneficiaries.

(c) Professional trustees are not required to maintain information on the identity of the settlor, the trustee(s), the protector, the beneficiaries or class of beneficiaries. Nevertheless, section 30 (2) (a) of the AML/CFT Act, 2012 requires TCSPs to maintain books and records evidencing identities of customers and beneficial owners. This information should be held during the course of the business relationship and for not less than five years from the date the business relationship ends.

Criterion 25.2

There is no express obligation requiring information held pursuant to this Recommendation to be kept accurate and as up to date as possible, and updated on a timely basis. However, there is a requirement for FIs and DNFBPs to keep CDD information on customers, including beneficial ownership information up to date and updated on a timely basis.

Criterion 25.3

Sierra Leone relies on obligations under s22 of the AML/CFT Act to require FIs and DNFBPs to obtain a declaration from customers (trustees) when it is unclear whether the customer is acting on his own behalf.

Criterion 25.4

Trustees are not prevented from providing information relating to the trust to competent authorities, financial institutions and DNFBPs. Competent authorities such as the FIU, the LEAs are able to obtain this information from reporting entities and other competent authorities. As indicated above, FIs and DNFBPs can obtain this information when conducting CDD (section 22 of the AML/CFT Act).

Criterion 25.5

LEAs have the necessary powers to obtain information held by trustees and other parties in accordance with the AML/CFT Act, 2012 and the Anti – Corruption Act, 2012. On the basis of section 13 (b) and (c) of the AML/CFT Act, the FIU may request and obtain information from reporting entities, supervisory authorities, any law enforcement agency or government institution. In addition, under s53 of the Anti-Corruption Act, the Commissioner has the same powers and privileges as a High Court Judge, including the power to compel the production of documents. Section 30 of the AML/CFT Act, 2012 provides that FIs and DNFBPs should keep records and information which shall be made available on a timely basis to the Unit as well as other competent authorities and supervisory bodies.

Criterion 25.6

(a) – (c) - Information can only be shared on the basis of an agreement between the Sierra Leone and the foreign counterpart and this information may only be used for intelligence purposes (s14 of AML/CFT Act). This suggests that in the absence of an agreement, basic information will not be shared by the country. Thus, exchanging domestically available information on the trusts or other legal arrangement and using competent authorities' investigative powers, to obtain beneficial ownership information on behalf of foreign counterparts is possible when there is an agreement in place. Therefore, rapid provision of basic information held by domestic authorities cannot be ascertained.

Criterion 25.7

FIs are legally required to ensure that trustees provide beneficial ownership information. However trustees are not legally liable for any failure to perform the duties relevant to meeting their obligations. FIs have the right not to continue with business relation for instance if a trustee fails to provide beneficial ownership information.

Criterion 25.8

Sanctions are applicable where a reporting entity or a person intentionally or by gross negligence fails to make the information available in a timely manner in response to a lawful request by a competent authority. Professional trustees are reporting entities within the meaning of the AML/CFT Act (s56(c) of the AML/CFT Act). Trustees that are not professional trustees are under no obligation to maintain records thus, sanctions cannot be imposed on these class of trustees. Sierra Leone however, indicated that there is very limited use of trusteeships in the country. Supervisory authorities and the FIU may apply a wide range of sanctions where FIs and DNFBPs fail to comply with their AML/CFT obligations under the AML/CFT Act (ss 50 and 53(2) of the AML/CFT Act). Sanctions range from a two-year term of imprisonment to the imposition of a fine and the application of administrative sanctions such as removal of a manager, barring a person from employment and refusal to renew an accountable institution's license, among others.

Weighting and Conclusion

Sierra Leone relies on the AML/CFT Act, 2012 to regulate activities relating to professional trustees. Under the AML/CFT Act, 2012, professional Trustees form part of DNFBPs and all obligations relating to DNFBPs apply to professional trustees. Express trust can be established in Sierra Leone, however, there are no sanctions imposed on express trustees for failure to keep accurate and update information on the settlor, trustees (s), the protector if any, the beneficiaries and class of beneficiaries and any other natural person exercising ultimate effective control over the trust on a timely basis. There are no obligations on trustees of an express trust to hold adequate, accurate and current information on the trustee, settler, the protector and beneficial owner. **Recommendation 25 is rated partially compliant.**

Recommendation 26 - Regulation and Supervision of Financial Institutions

In the first round of mutual evaluation, Sierra Leone was rated LC with former R.23. The shortcomings included the fact that Manuals were not comprehensive with respect to examination and supervision procedures.

Criterion 26.1

Authorities responsible for supervision of FIs in relation to compliance with AML/CFT requirements are listed in s50(1)(a) (b) of the AML/CFT Act. The Central Bank of Sierra Leone (BSL) is designated to supervise FIs and currency exchange and transmission businesses while the Sierra Leone Insurance Commission (SLICOM) is the supervisor for the insurance industry. Para. 20 of the Guidelines for Mobile Money Financial Services (GMMFS) also designate the BSL as the supervisor for mobile money service providers. Both the BSL and SLICOM also have specific provisions in their enabling acts which empower them with prudential supervisory responsibility of the institutions under their purview. All FIs listed in the FATF Glossary are subject to AML/CFT supervision by either BSL or SLICOM. Notwithstanding, S50(2) of the AML/CFT Act designates the FIU as the temporary supervisor of any reporting entity which does not yet have a supervisory authority in Sierra Leone.

Criterion 26.2

Banks and securities operators are required to be licensed by the BSL [ss 6-8 of the Banking Act, 2019), and s50B(1) of Other Financial Services (amendment) Act, respectively. Insurance companies are required to register with SLICOM (ss16 (1); 18(1), and 3(2)(b) of the Insurance Act). For other FIs, s23(1) of the AML/CFT requires any person who intends to engage in the business of currency exchange or transmission or mobile financial services to obtain license from the Central Bank. Also, Para. 16(1) of the GMMFS requires any person seeking, providing or intending to provide mobile financial services to be licensed by the Central Bank, while Para. 18(a)(i) requires Mobile Money Agent to be a registered business. No shell bank is permitted to be established or to operate in or through the territory of Sierra Leone (s40 of the AML/CFT Act, Para. 12 of Directives and Guidelines for FIs on the Prevention of ML/TF). As Core Principles FIs, insurance companies should be required to be licensed and not registered.

Criterion 26.3

BSL and SLICOM take regulatory measures to prevent criminals and their associates from holding (or being a beneficial owner of) a significant or controlling interest, or a management function in an FI. Nobody can become a director, executive director, deputy executive director, or executive officer of a bank, without obtaining the prior approval of the Central Bank (S19 of the Banking Act, 2019). The approval process includes a 'fit and proper' test which requires that people intending to hold management functions in an FI meet the criteria established by the BSL regarding qualifications, experience, suitability, and integrity [s8 (1)(a), 81(2), of the Banking Act, 2019]. Also, new shareholders by virtue of debt equity conversion are required to be subject to fit and proper assessment [s72(7) of Banking Act, 2019]. BSL also considers previous criminal convictions [s20 (1)(c)], if the person has ever been declared as not a fit and proper person by the BSL; and previous misconduct leading to a ban by a professional body to which he belongs [s20 (1)(i)] as part of the criteria in the approval process. Consideration is also given to the identity, financial resources, and reputation of existing or proposed significant shareholders of the applicant or an FI applying for licence [s8(1)(b)], while approval is required for any person to become a significant shareholder in a bank [S8(1)(b)]. In addition, significant or controlling shareholders and beneficial owners must be fit and proper persons [s25(3)(a) of Banking Act, 2019]. Similarly, in the case of securities operators, the BSL can revoke a license if it has reasons to believe that the license holder is not a 'fit and proper' person or has been convicted of offence involving fraud and dishonesty [s50M (2)(v)(vi) of OFSA]. For insurance companies, directors and shareholders of the applicant should not be persons who have been convicted of any criminal offence involving fraud and dishonesty [s19 (1)(g) of the Insurance Act]. Both BSL and SLICOM have regulatory measures that require prior approval in case of change of management, legal owners and beneficial owners. However, there is no procedure for applying on-going 'fit and proper' tests to existing shareholders and persons in management function to ensure they have continued to maintain their integrity and suitability. Fit and proper test do not also cover associates of criminals.

Criterion 26.4

- a) The supervision of core principles FIs is carried out by BSL and SLICOM, including supervision and control of compliance with the requirements of the AML/CFT Act. The FIU also undertakes or participates in joint examinations of core principles FIs in relation to compliance with AML/CFT requirements based on the powers vested on it in s13(1)(e) of the AML/CFT Act. AML/CFT supervision of banks by BSL is on risk sensitive basis. BSL is yet to commence AML/CFT supervision of the securities sector. Similarly, SLICOM is yet to commence AML/CFT supervision/risk based supervision. BSL can

undertake consolidated supervision [s 55(1)(2), 62(m) of the Banking Act, 2019] and is significantly in compliance with the Basel Core Principles (BCPs). SLICOM is not a member of the International Association of Insurance Supervisors (IAIS) and there is no requirement for it to apply consolidated supervision.

- b) For the other FIs, including MVTS, the BSL is responsible for their supervision and compliance with AML/CFT requirements (s50(1)(a) of the AML/CFT Act; and Para. 27(a) of the GMMFS). However, supervision of other FIs is essentially prudential and not risk-based and is therefore done without regard to the ML/TF risk in the sector.

Criterion 26.5

Section 55 (2) of the Banking Act 2019 requires the BSL to have regard to risks posed by a bank or financial holding company when determining the scope and frequency of its supervision. BSL has developed a AML/CFT Risk Assessment questionnaires or risk assessment framework/methodology for the purpose of assessing/understanding the ML/TF risk profiles of banks. In conducting the risk assessment of banks, it undertakes offsite analysis of returns from banks, and reviews internal risk assessments prepared by these institutions. On this basis, risk profiles of banks are developed. The results of the profiles are taken into consideration in the onsite examination programme. The BSL participated in the NRA and its supervisory activities in the banking sector take into consideration the results of the NRA. The BSL is yet to commence AML/CFT supervision of the other FIs. There is no requirement for SLICOM to have regard to ML/TF risks when determining the scope and frequency of supervision. Although SLICOM took part in the NRA, it is yet to develop necessary risk assessment framework or undertake the assessment of ML/TF risk of institutions under its purview. In addition, it is yet to commence AML/CFT supervision.

Criterion 26.6

There is no requirement that met this Criterion. However, the BSL assesses the ML/TF risk profile of banks prior to onsite inspections by reviewing the adequacy of the bank's internal ML/TF risk assessment process, but this is not performed at other times. Assessment of ML/TF risk profile of other FIs/securities and insurance institutions are not being undertaken by the BSL and SLICOM respectively.

Weighting and Conclusion

The FIs listed in the FATF Glossary are subject to supervision by either the BSL, SLICOM or the FIU designated as supervisory authorities under the AML/CFT Act. In addition, there are measures, including 'fit and proper' tests to prevent criminals from holding shares and controlling FIs. However, these measures do not apply to existing shareholders and directors on an on-going basis to ensure their suitability and integrity. In addition, insurance companies (Core principles FIs) are required to register not license; and there is no requirement for supervisors to review the assessment of the ML/TF risk profiles of FIs on a regular basis and in case of material events or changes in the activities of the supervised entities. **Recommendation 26 is rated largely compliant.**

Recommendation 27 - Powers of Supervisors

Sierra Leone was rated C with former R.29 in the first round of Mutual Evaluation.

Criterion 27.1

Section 50(1)(a)(b) of the AML/CFT Act empowers the BSL to supervise FIs, currency exchanges and transmission businesses, and SLICOM to supervise the insurance industry

for compliance with AML/CFT requirements. Where there is no designated supervisory authority, the FIU is empowered to supervise the reporting entity for AML/CFT [s50 (2) of the AML/CFT Act]. However, they do not have the statutory powers to carry out the supervision of the implementation of targeted financial sanctions obligations in relation to proliferation financing (see R.7).

Criterion 27.2

Section 50(1) of the AML/CFT Act authorizes the supervisors to supervise, monitor compliance, penalize non-compliance and enforce compliance with respect to the obligations set out in the AML/CFT Act. Section 13(1)(e) of the AML/CFT Act authorizes the FIU to carry out and participate in joint AML/CFT examination of reporting entities. In addition, the legal frameworks for BSL and SLICOM also empower them to undertake inspections [s55 of the Banking Act, 2019; and s62 of the Insurance Act].

Criterion 27.3

Section 52 of the AML/CFT Act grants powers to supervisory authorities or the FIU to access or compel the production of any information that is necessary for the performance of their functions. This does not require a court order. Similar provisions exist in the enabling acts of BSL and SLICOM [ss54 and 56 of the Banking Act, 2019; and ss 63 and 78 of the Insurance Act].

Criterion 27.4

Section 53(2)(3) of the AML/CFT Act provides supervisors and the FIU with the powers to impose a range of sanctions, including issuance of written warnings; issuance of orders to comply with instructions; issuance of orders to provide regular reports on correction measures; imposition of fines (on the reporting entities, as well as on the owner, manager or employee of a reporting entity); barring persons from employment; suspension of license, etc. Supervisors or the FIU can also temporarily or permanently remove an employee from his/her position or functions, and can also publish cases of serious compliance failures in newspapers or broadcast such on radio stations [s53(3)(5) of the AML/CFT Act]. Section 62 of the Banking Act, 2019 also empowers the BSL to impose similar range of sanctions, including written warning, administrative penalties and revocation of license for non-compliance with the provisions of the Banking Act. Also, see ss 75(2), 90 and 91 of the Insurance Act (see analysis in R.35 for details). Supervisors will require a conviction to impose the sanctions in the AML/CFT Act (ss 55-62 of the AML/CFT Act), however, conviction is not required for BSL to apply the range of sanctions which are largely similar to the ones in the AML/CFT Act in s62 of the Banking Act.

Weighting and Conclusion

Supervisors do not have powers to carry out the supervision of the implementation of targeted financial sanctions obligations in relation to proliferation financing. Although Supervisors will require a conviction to impose the administrative sanctions under the AML/CFT Act, this is ameliorated by S62 of the Banking Act, 2019. Under S62 (1)(k)(i)(n) of the Banking Act, the BSL can impose sanction where the financial institution fails to establish amongst other things internal controls, risk management system or fails to comply with provisions of regulations, directives or rules issued by the Bank. These Regulations include the Directives and Guidelines for FIs on the Prevention of ML/TF. **Recommendation 27 is rated largely compliant.**

Recommendation 28- Regulations and Supervision of DNFBPs

In its 1st MER, Sierra Leone was rated NC with former R.24. Key deficiencies identified in the MER relate to the following: licensing requirements and supervision of casinos do not relate to any gaming or financial transactions performed by them, and there were no effective measures to prevent ownership, control or operation of the casino by criminals.

Criterion 28.1

- a) Casinos are required to be licensed by the National Tourist Board (s21(1)(b) of the Development of Tourism Act).
- b) Sections 38(1)(a) and 39 of the AML/CFT Act require any person whose usual business is to undertake over-the-counter exchange transactions, including casinos to submit a declaration of activity to the FIU for the purpose of obtaining the requisite operating license. Such declarations should include proof of the lawful origin of the capital required to set up the business. The available regulatory measures, do not include ‘fit and proper’ tests and are not broad enough to sufficiently prevent criminals or their associates from holding a significant or controlling interest, or holding a management function, or being an operator of a casino.
- c) Casinos are classified as reporting institutions (Part 2 of the First Schedule to the AML/CFT Act), and are therefore subject to supervision for compliance with AML/CFT requirements. The National Tourist Board (NTB) is not designated as a supervisor under the AML/CFT Act and therefore does not have powers to supervise casinos for AML/CFT compliance. In addition, the supervisor does not have powers to supervise for PF TFS obligations. Although, s50(2) of the AML/CFT Act provides broad powers to the FIU to act as temporary supervisory authority for any entities/sector, including casinos which do not have designated supervisor, to ensure compliance with AML/CFT requirements. In practice, the FIU has not exercised any supervisory powers over casinos or undertaken supervision of the sector.

DNFBPs other than casinos

Criterion 28.2

Part II of the First Schedule of the AML/CFT Act lists all the DNFBPs stated in the FATF Glossary as part of reporting entities subject to obligations under the AML/CFT law. S50(1)(c)(d) designates the General Legal Council as supervisor for legal practitioners; and the Institute of Chartered Accountants of Sierra Leone as supervisor for chartered accountants. These SRBs have responsibility for supervision, monitoring compliance, penalizing non-compliance and compliance enforcement with respect to the obligations in the AML/CFT law. In the absence of a designated supervisory authority or SRB for the other DNFBPs, S50(2) of the AML/CFT Act designates the FIU as their temporary supervisor. However, these supervisors do not have statutory powers to carry out the supervision of the implementation of the targeted financial sanctions obligations in relation to PF.

Criterion 28.3

All categories of DNFBPs are subject to monitoring and supervision systems by relevant authorities or SRBs.

Criterion 28.4

- a) The General Legal Council, Institute of Chartered Accountants of Sierra Leone, and the FIU are empowered by S50(1) of the AML/CT Act to supervise, monitor compliance, penalize non-compliance and enforce compliance in relation to the AML/CFT obligations under the law. Similarly, S52 empower these supervisors and the FIU to examine the records of entities under their supervision as well visit their premises, request or compel production of information and documents, etc that may be reasonably required for the performance of their functions.
- b) The General Legal Council is established by the Legal Practitioners Act (LPA) 2000. This law regulates the conduct and practices of lawyers. Section 9 prohibits any person from engaging in the practice of law unless the person has been admitted and enrolled as a legal practitioner. The admission follows a written application to the GLC and must include amongst other things, testimonial of good character (s12 of the LPA). The GLC will published a copy of the application with notice inviting objection for the application for 30 days (s12(3) of the LPA), and can only be admitted where there is no objection (s14 (1) of the LPA). Legal practitioners are also prohibited from practicing with unqualified person (s22 of the LPA). Penalties exist for persons illegally practicing as a legal practitioner (s21 of the LPA). The Institute of Chartered Accountants of Sierra Leone (ICASL) is established by Act No.5 of 1988. The law empowers ICASL to register and regulate the activities of its members (accountants and auditors). Requirements for membership of GLC include good character, and the fact that the person has not been convicted by court of competent jurisdiction of a criminal offence (s14 (1) of Act No.5 of 1988). In general, the membership procedures for GLC and ICASL are robust to prevent criminals from being professionally accredited or holding a management function in any of legal and accounting professions. The licensing procedure of the National Minerals Agency is not very robust to comprehensively achieve this purpose. For other DNFBPs, there are no good measures in place to prevent criminals or their associates from being professionally accredited, or holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function in other DNFBPs. For instance, there are no entry requirements or similar measures supervised by any competent authority with respect to real estate agents.
- c) Section 53(2)(3) of the AML/CFT Act provides the General Legal Council, Institute of Chartered Accountants of Sierra Leone, and the FIU with the powers to impose a range of sanctions, including issuance of written warning; issuance of order to comply with instructions; issuance of order to provide regular report on correction measures; imposition of fine (on the reporting entity, as well as on the owner, manager or employee of a reporting entity); barring persons from employment; suspension of license, etc. The SRBs or the FIU can also temporarily or permanently remove an employee from his/her position or functions and can also publish cases of serious compliance failures in newspapers or broadcast such on radio stations [S53(3)(5) of the AML/CFT Act]. Under s36 of the LPA, the GLC can implement some disciplinary measures, including suspension of erring members from practicing as a legal practitioner for a particular period, and imposing a fine not exceeding one million Leones (approx. US\$103). Similarly, ICASL can implement disciplinary measures against its erring members under the Act No.5 of 1988. However, these disciplinary measures generally do not directly relate to AML/CFT issues. In addition, since supervisors do not have statutory powers to carry out the supervision of the implementation of the targeted financial sanctions obligations in relation to PF (see c.28.2) there is no sanction applicable.

Criterion 28.5

There is no requirement for supervisory authorities to review the ML/TF risk profiles and risk assessments prepared by DNFBPs and take the result of the review into consideration and develop and implement a risk-based approach to supervision. No risk based supervisory frameworks have been developed and AML/CFT supervision of DNFBPs has not taken place to date.

Weighting and Conclusion

DNFBPs have designated supervisors for AML/CFT compliance. Regulatory measures to prevent criminals or their associates from being professionally accredited, or holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function in the legal and accounting professions are good but not robust in most other DNFBPs, including casinos, real estate agents and DPMS. There is no AML/CFT supervisory framework for the DNFBPs and AML/CFT supervision is not being undertaken. Also, there is no requirement for supervisory authorities to review the ML/TF risk profiles and internal risk assessments prepared by DNFBPs. In addition, AML/CFT supervisors do not have statutory powers to carry out the supervision of the implementation of the targeted financial sanctions obligations in relation to PF and there are no sanctions applicable in this regard. **Recommendation 28 is rated partially compliant.**

Recommendation 29 - Financial Intelligence Units

Sierra Leone was rated NC with former R.26 in its first MER. The main deficiencies were that the FIU had not been set up, while the AMLD which was expected to become the formal FIU was not performing the functions of a FIU.

Criterion 29.1

Section 2(1)(2)(3) of the AML/CFT Act establishes the FIU of Sierra Leone as an independent administrative body. It is empowered to receive STRs [s. 13(1)(a); S41(1); s42 of AML/CFT Act] and information from foreign FIUs, and make dissemination to appropriate law enforcement and supervisory authorities if it reasonably believes the transaction is suspicious (s13(1)(f) of the AML/CFT Act). Section 41 (1) of the AML/CFT Act provides that the STR or information to be provided to the FIU should be in relation to unlawful activity (predicate offences), a ML or a TF offence, or to an act preparatory to an unlawful activity. Section 13 (1)(p) of the AML/CFT Act requires the FIU to make dissemination if on the basis of its analysis and assessment it has reasonable grounds to suspect that the report or information will be relevant to investigating or prosecuting a ML or TF offence..

Criterion 29.2

The FIU has powers to receive the following disclosures:

- a) STRs – Section 13(1)(a) of the AML/CFT Act empowers the FIU to receive STRs filed by reporting entities as required by s41(1), and supervisors and auditors of reporting entities as required under s42(1)(a)(c) of the AML/CFT Act.
- b) Other disclosures - These include CTRs [s.41(5) of AML/CFT Act]; wire transfers (s34(4) of the AML/CFT Act); and information on currency declarations (Par 2.9 of the SOP for the Implementation of Currency Reporting at Point of Entry and Departure).

Criteria 29.3

- a) Section 13(1)(b)(c)(d) empowers the FIU to obtain and use additional information from reporting entities to perform its analysis properly.
- b) The FIU is competent to request and receive information from LEAs and other public authorities to help it undertake its function [s.13(1)(b)-(d) of the AML/CFT Act]. Under these provisions, it has powers to access information (directly) from the database of the National Minerals Agency, and indirectly from other competent authorities. It can also access information that is publicly available, including commercially available database.

Criterion 29.4

- a) Section 13(1)(f)(p) of the AML/CFT Act requires the FIU to make dissemination, if on the basis of its analysis and assessment it has reasonable grounds to suspect that the transaction is suspicious or the report or information will be relevant to investigating or prosecuting a ML or TF offence. This is understood to be operational analysis.
- b) Section 13(n) of the AML/CFT Act requires the FIU to conduct research into trends and developments in ML and TF to improve ways of detecting, preventing and determining ML/TF activities. The FIU has produced a few strategic analysis products, including an assessment report on the unregulated street hawking of local and foreign currencies by peddlers, and the implications of high-level street begging to determine their potential use for TF.

Criterion 29.5

The power of the FIU to disseminate information spontaneously to both domestic and foreign competent authorities is defined by the provisions of s.13(1)(f) and (p) of the AML/CFT Act. The requirement to disseminate the results of its analysis is only limited to foreign competent authorities [s.13(1)(p) of the AML/CFT Act]. There is no requirement for the FIU to disseminate information upon request. In practice, requests are being made on the FIU and dissemination is done through direct hand delivery by staff of the FIU to the relevant competent authorities.

Criterion 29.6

- a) The FIU has an ICT security policy which governs the security and confidentiality of information, including the procedures for handling, storage, dissemination, and protection of, and access to information. Staffs are prohibited from using portable storage devices in the FIU environment. Files are kept in secured rooms with restricted access and handled on the need to know basis. Disseminations are accomplished through hand delivery by staff of the FIU to designated persons of the recipient entities. S8 of the AML/CFT Act provides for an oath of secrecy, to which every FIU staff must swear to and abide by, including maintaining confidentiality of information they have access to.
- b) Article 3.2(d) of the FIU Human Resources Manual requires police criminal record checks on candidates as part of the recruitment process or selection criteria prior to employment. FIU staff are also trained on the FIU ICT Security policy in line with Par 5 of the Policy in order to assist them understand their responsibility with regards to security of information.
- c) The FIU has an ICT policy which details the rights and obligations of employees in relation to the management of confidential information. Access to the FIU database is limited to relevant staff while offices of management staff holding sensitive and confidential information including the data centre are reinforced with secure locks for adequate protection. Only authorized personnel have access to the data centre where the servers are

located. There are also 24 hours security guards in charge of physical access to the facilities of the Unit.

Criterion 29.7

- a) Section 2 of the AML/CFT Act establishes the FIU as an independent administrative body with specific functions (S.13 of AML/CFT Act). It has power to receive reports [S.13(1)(a)], request for information [s13(1)(b)(c)] and make disseminations [S13(f)(p)]. The responsibilities of the activities of the FIU are vested on the Director, who is appointed by the President, subject to clearance by the Parliament [s.7(1)(2)(a) of the AML/CFT Act]. Although there is a governing board (IMC) which exercises oversight functions over the Unit (s3 of the AML/CFT Act), they do not have a direct role in relation to the operational activities of the FIU, as the Director is responsible to the Technical Committee in the performance of his functions [s.7(3)(c) of the AML/CFT Act]. The FIU autonomously takes the decision to analyse, request and disseminate information.
- b) Section 13(1)(s) and 14 of the AML/CFT Act empower the FIU to independently enter into agreements with foreign counterparts and domestic competent authorities. The Director of the FIU can sign on his own authority, MoUs with domestic competent authorities and foreign FIU counterparts on the exchange of information. For instance, MoUs have been signed between the FIU and the Central Bank of Sierra Leone, FIU and other competent authorities (Multi-Agency MoU) and between the Unit and 16 foreign FIUs, including Ghana, Nigeria, Zambia, and Malawi.
- c) The FIU is an independent administrative institution. It is not located within existing structure of another authority.
- d) The FIU has its own independent budget appropriated by the Parliament (S.9 of the AML/CFT Act). The Director is accountable for the budgetary expenditure and is able to deploy both human and financial resources as the chief executive officer of the institution. Although the Director is not responsible to the governing body (IMC) of the FIU [s.7(3)(c) of the AML/CFT Act], and in practice has never received any operational instruction from either the IMC or TC, the power of the IMC to issue instructions to the Director in connection with the management and performance of the functions of the Unit [s.5(b)], presents a potential risk, including the possibility of political interference or influence which may compromise the operational independence of the FIU.

Criterion 29.8

The FIU is not a member of Egmont Group, however, it has applied for membership. It is working with its sponsors (the FIUs of Ghana and Senegal) in this regard. The first assessment visit by the sponsors was undertaken in 2018.

Weighting and Conclusion

There is no requirement for the FIU to disseminate information upon request.
Recommendation 29 is rated largely compliant.

Recommendation 30 – Responsibilities of law enforcement and investigative authorities

Sierra Leone was rated NC with these requirements in 1st MER primarily because there was no LEA with full investigative powers mandated to investigate ML and TF cases and the fact that no money laundering investigations had been conducted.

Criterion 30.1

On the basis of s71 of the AML/CFT Act 2012, all LEAs have the power to investigate ML/TF. The CID of the Sierra Leone Police and TOCU have responsibility to investigate ML, TF and predicate offences. TOCU is a multi- agency arrangement led by the Sierra Leone Police pursuant to s. 3 of the Police Act 1964 and s. 71 of the AML/CFT Act 2012 with powers to investigate ML and TF offences. The Customs has investigative powers limited to customs offences prescribed in the Customs Act, 2011. The ACC is mandated to investigate and prosecute corruption and corruption related offences (s7 of the ACA), and the National Drug Law Enforcement Agency (NDLEA) is responsible for offences related to illicit drug supply and drug-related offences (ss 2 and 3 of the National Drugs Control Act- NDCA). Investigation of drug related offences is carried out by TOCU.

Criterion 30.2

LEAs such as Sierra Leone Police, TOCU and the ACC that are responsible for investigating predicate offences are able to pursue parallel investigation of related ML and TF cases. LEAs can independently investigate ML/TF offences while conducting investigation of predicates offences and can generally transfer a case to another agency, if necessary.

Criterion 30.3

Sierra Leone has designated authorities, including Police, ACC, Customs, and NDLEA with powers to trace and initiate freezing and seizing of property that is, or that may become, subject to confiscation (see R.4).

Criterion 30.4

Authorities note that agencies such as the Department of Customs of the National Revenue Authority have the powers to search and seize undeclared and prohibited goods. The customs officers exercise their powers as any police officer would (s70 of the Customs Act). Apart from LEAs, the Governor of BSL under the Banking Act, as well as the Director General of CISU under the TPR, 2013, have the responsibility of pursuing financial investigation.

Criterion 30.5

The ACC has powers to obtain an order of the court to identify, locate, or quantify property and initiate freezing and seizure of assets (ss 72, 99, 105,106 of the ACA). The powers of the ACC for instance allows the agency to administratively freeze a property before applying for a confirmation order by the court as well as identify and locate property without an order of the court. The AML/CFT Act allows investigative bodies, such as the ACC, that are mandated to investigate and prosecute unlawful activities to extend their investigations and prosecutions into ML/TF offences (s71.of the AML/CFT Act). However, in practice the ACC does not investigate ML/TF offences arising from, or related to, corruption offences.

Weighting and Conclusion

There are designated LEAs responsible for ML and TF cases. LEAs have a wide range of powers which they exercise in the course of investigations and prosecution of unlawful activities, including ML, TF and predicate offences. However, the law requires an order of the court before the identification of property and documents in the case of the ACC. This may represent a challenge in the country's legal framework. **Recommendation 30 is rated largely compliant.**

Recommendation 31 – Powers of law enforcement and investigative authorities

In its 2007 MER, Sierra Leone was rated NC with former R.28 on the basis that there was no evidence to demonstrate the effective implementation and use of the AML law.

Criterion 31.1

- a) The AML/CFT Act, 2012 empowers competent authorities including LEAs, the FIU and supervisory bodies to enter premises to examine records and inquire into the business and affairs of a reporting entity, including using any computer system in the premises to examine any data contained in or available to the system. The court can compel the production of record by other natural or legal persons (reporting entities) (ss52 and 86 (1) and (2) of the AML/CFT Act). However, s. 86.3 appears to limit the use of a document or any information obtained as a direct or indirect consequence of the production or delivery. The Commissioner of the ACC may by notice in writing, request for documents, from any public body or FI, the production of banker's books, safe – deposit boxes, copies of any bank accounts or any documents relating to any person under investigations in accordance with ss 57 and 58 of the ACA.

Section 3(2) (4) of the National Drugs Control Act (NDCA) empowers the agency to ascertain whether property is the proceeds of, or an instrumentality of an offence under the Act. The Agency may, by notice in writing, require any person to furnish it within such period as is specified in the notice, such relevant information, returns, accounts, books or other documents in the custody of such person as the Agency may consider fit and proper within the circumstances.

Sections 66, 68,69 and 70 of the Customs Act empowers an officer to search, detain seizure and forfeit goods in the course of exercising their duties stipulated under the Customs Act. Section 70 (1) provides that an officer may, without previous notice and at any time, enter any premises in Sierra Leone and make such examination and inquiry as he deems fit where there are reasonable grounds to suspect that any unreported, undeclared or prohibited goods or goods which are otherwise in contravention of any provision of the Customs Act, the Traffic Act or any other enactment are kept or concealed.

- b) LEAs in Sierra Leone have powers to search persons and premises where there is reasonable grounds to believe that a reporting entity or person has committed or intends to commit an unlawful activity, an offence of money laundering or an offence of financing of terrorism (ss 72 and 102 of the AML/CFT Act). Section 104 of the ACA allows the Commissioner of the ACC to obtain a search warrant to enter any premises belonging to, or in the possession or control of any person named in the warrant, search the person or any person named in the warrant, remove documents or material for the purpose of executing the request as directed in the warrant. The Commissioner may obtain the search warrant either during investigations or during prosecution. Similar powers are also provided in s38 of the National Drugs Control Act.
- c) The Commissioner or an authorised officer under s56 of the ACA has the power to summon witnesses and take witness statements. Section 71 of the AML /CFT law empowers other investigative agencies to gather evidence and obtain statements in the course of investigation of related money laundering and financing of terrorism offences.
- d) Sections 69 and 81 of the AML/CFT law empowers LEAs to seize property subject to a restraining order and ss70 and 72 of the ACA empower the Commissioner or an authorised officer to search and seize property subject to a restraining order.

Criterion 31.2

LEAs benefit from a wide range of special investigative powers for the purpose of gathering evidence.

- a) Competent authorities such as law enforcement agents at the National Drugs Law Enforcement Agency (NDLEA) can conduct undercover operations. Section 35 of the NDCA enables them to undertake undercover operations for a specified period and for specified persons. The approval of the Executive Director of a police officer not below the rank of Assistant Inspector-General of Police is required before an undercover operation can be carried out. There are no provisions relating to undercover operation when investigating other predicate offences, including terrorist financing and ML.
- b) Law enforcement agents at the NDLEA can obtain a court order to monitor, intercept and record the communications of a person (s32 of the NDCA). They also have the power to inspect a consignment by mail through the postal services to determine that the consignment may contain evidence of the commission of a serious offence (s.36 of the NDCA). These provisions do not extend to other predicate offences and ML/TF.
- c) Section 37(1) of the NDCA allows law enforcement agents to apply for a court order to enable them to retrieve data from a computer system. In addition, the commissioner of the agency may by warrant, search, seize and take possession of a computer, a computer disk or other article.
- d) Section 35 of the NDCA enables law enforcement agents to undertake controlled deliveries with the approval of the executive director of a police officer not below the rank of Assistant Inspector-General of Police. The provision does not cover other predicate offences and ML/TF.

Criterion 31.3

- a) LEAs have powers to request for information held by FIs to identify accounts, including accounts held by a natural or legal person (s13 of the AML/CFT Act and s53 of the ACC Act). LEAs can apply for a court order directing a reporting entity to produce all information obtained by the institution about any business transaction conducted by or for the entity during a period before or after the date of the order.
- b) Competent authorities have procedures to identify assets without prior notification to the owner and, may apply to the court for property tracking or monitoring order, for the purpose of identifying, locating or quantifying property. Court orders to identify property are typically made ex parte.

Criterion 31.4

Competent authorities conducting investigation on ML, TF and predicate offences are able to obtain information from the FIU on the basis of s13(1) of the AML/CFT Act which empowers the FIU to disseminate information within Sierra Leone and elsewhere. Section 3 (1) (e) of the NDCA provides that the Agency shall, in addition to any other functions conferred on it by the Act, have responsibility for facilitating cooperation and the timely exchange of information between regulatory, law enforcement, criminal justice, demand reduction, scientific and technical agencies in Sierra Leone and abroad, relating to drug and precursor control, demand reduction and drug-related crime.

Section 53 of the ACA Act empowers the Commission and Officers to request for information. Even though the FIU is not specifically mentioned, they can request for information from the Unit.

LEAs may opt to request for information under their respective legislations or decide to access information under the Right to Access Information Act, 2013. Section 2(1) and (2) of the Right to Access Information Act, 2013 provides that every person has the right to access information held by or under the control of a public authority. Every person has the right to access information held by or is under the control of a private body where that information is necessary for the enforcement or protection of any right. Section 1 of the Right to Access Information Act, 2013 defines public authority to include any type of body established by or under the Constitution of Sierra Leone, or by statute, which forms part of any level or branch of government, owned, controlled or substantially financed by funds provided by the government and carrying out a statutory or public function.

Weighting and Conclusion

Sierra Leone's competent authorities have powers to facilitate investigations by requesting for documents, obtaining written statements, and conducting a search, arrest, and seizure of property, among other things. Investigative techniques, including undercover operations, intercepting communications, and controlled delivery are limited to drug related offences. Thus, there are no provisions relating to undercover operation when investigating other offences, including terrorist financing, ML and predicate offences. **Recommendation 31 is largely compliant.**

Recommendation 32 – Cash Couriers

Under the first round, Sierra Leone was rated NC with these requirements because the obligation to report cross-border transportation of currency and bearer negotiable securities had not been implemented.

Criterion 32.1

Sierra Leone has adopted a declaration system for incoming and outgoing cross-border transportation of currency and bearer negotiable instruments (BNIs) by travelers (s68 of the AML/CFT Act). The AML/CFT Act does not cover cross-border transportation, through mail and cargo.

Criterion 32.2

A person who leaves or arrives in Sierra Leone with more than \$10,000 in cash or BNIs, is required to declare this amount (s68 AML/CFT Act). In practice, the system in place in Sierra Leone is a written declaration system for all travellers carrying amounts above a threshold.

Criterion 32.3

Sierra Leone has a declaration system.

Criterion 32.4

In the case of a false declaration of currency or BNIs or a failure to declare, the relevant authority has the power to use reasonable force to search the person concerned. The law does not expressly require the law officer to request and obtain further information from the persons with regard to the origin of the currency or BNIs, and their intended use (ss.68 and 69 AML/CFT Act). However, a customs officer or police officer has general powers to request and obtain information from any person that has breached the law.

Criterion 32.5

Generally, there is a sanction regime that applies to cases of false declaration and non-declaration. The sanction appears to be proportionate and dissuasive. In specific terms,

individuals who make false declarations will forfeit the undeclared sum upon conviction (s 68 of the AML/CFT Act).

Criterion 32.6

There is no specific legal text requiring declaration or disclosure of records to be sent to the FIU. Notwithstanding s68(6) requires records of seized cash or BNIs to be sent to the Unit within 48 hours. An MOU has been proposed between the FIU and the Customs to facilitate the implementation of spontaneous transmission of declaration records.

Criterion 32.7

As regards ensuing adequate domestic co-ordination among customs, immigration and other related authorities on issues related to the implementation of Recommendation 32, there exists general provisions on exchange of information to combat money laundering and terrorist financing. Pursuant to s13(1) of the AML/CFT Act, the FIU may enter into agreements with public institutions on the exchange of information on money laundering and terrorists financing. The decision to enter into cooperation appears to be discretionary and would leave the public institutions with the leverage to cooperate with other stakeholders only to the extent they consider expedient. There is however, no specific mention of the need for adequate cooperation and coordination among Customs, Immigrations and other relevant authorities. This does not however discountenance the import of s6(2) of the AML/CFT Act that promotes domestic collaboration and coordination among competent authorities in Sierra Leone. Nevertheless, it appears that there is limited co-ordination among customs, immigration and other related authorities on issues related to the implementation of Recommendation 32.

Criterion 32.8

- a) Pursuant to ss 68(5) 69 and 70 of the AML/CFT Act, where the relevant authority has reasonable grounds to believe that cash or negotiable bearer instruments found may provide evidence as to the commission of an offence or an unlawful activity an officer may seize the cash or BNI for a period of up to 10 days only, unless a court grants an order for continued detention.
- b) There is no express provision under the AML/CFT law that empowers authorities to restrain currency or BNIs for a reasonable period in the case of false declaration and non-declaration, *to ascertain* evidence of ML/TF. The law only permits relevant authorities to restrain currency or BNIs where there is *a suspicion* of an unlawful activity, a money laundering offence or an offence of financing of terrorism.

Criterion 32.9

Section 101 of the AML/CFT Act provides the legal basis for mutual assistance in matters relating to investigation or prosecution of unlawful activity or money laundering offence. Section 14 of the AML/CFT Act covers information sharing on an FIU to FIU basis. This provision will permit international cooperation. However, there is no legal requirement to retain records relating to false declaration, declaration that exceeds the prescribed threshold or cases of suspicion of ML.

Criterion 32.10

Although there are no clear provisions or safeguards on proper use of information collected on declaration/disclosure of cash and BNIs under the AML/CFT Act, s4 of the Customs Act, 2011 provides for confidentiality of all information received in the course of customs administration. Overall, there is no hindrance to the free movement of cash and assets

under the extant laws and regulation. Essentially, the declaration system in Sierra Leone does not restrict trade payments between countries for goods and services.

Criterion 32.11

The AML/CFT law states that where there is a suspicion that a cross-border transportation of currency or BNIs is linked to an unlawful activity, a money laundering offence or an offence of financing of terrorism, such funds will be seized. The Act further states that investigation will be conducted. However, there is no explicit provision that persons who carry out a physical cross-border transportation of currency or BNIs that are related to ML/TF or predicate offences should be subject to proportionate and dissuasive sanctions, including measures consistent with Recommendation 4 that would enable the confiscation of such currency or BNIs.

Weighting and Conclusion

Sierra Leone's legal framework does not provide for cross border transportation of cash and BNIs through mail and cargo. There is no specific requirement on the need for adequate coordination among customs, Immigrations and other relevant authorities. There is no express provision that states that persons who are carrying out a physical cross-border transportation of currency or BNIs related to ML/TF or predicate offences should be subject to proportionate and dissuasive sanctions, including measures would enable the confiscation of such currency or BNIs. There is no express provision under the AML/CFT law that empowers authorities to restrain currency or BNIs for a reasonable period in the case of false declaration and non-declaration to ascertain evidence of ML/TF, and there is no legal requirement for the retention of records of false declaration. **Recommendation 32 is rated partially compliant.**

Recommendation 33 – Statistics

In the 1st MER, Sierra Leone was rated NC with the former R.32. Deficiencies identified include the lack of a system to maintain statistics on investigations and prosecutions of ML and TF and absence of statistics on MLA and Extradition. The MER also noted that the absence of ML or TF investigation meant that the collection of statistics had not been done while the solitary STR meant that the collection of statistics had not been effectively tested.

Criterion 33.1

Sierra Leone maintains the following statistics on matters relevant to the effectiveness and efficiency of its AML/CFT systems.

- a) STRs – The FIU has a statutory responsibility to compile statistics and records [(s.13(1)(h) of the AML/CFT (Amended) Act, 2019]. The data on STRs received by the FIU is maintained with a breakdown by type of reporting entity that filed the STRs, number of STRs analysed, number of intelligences disseminated to competent authorities. There is also a breakdown of STRs received and intelligence disseminated per predicate offence.
- b) The FIU has the powers to request, receive and maintain statistics [(s.13(1)(a-h) of the AML/CFT Act]. However, statistics on ML/TF investigations, prosecutions and convictions are maintained independently by the relevant competent authorities. For instance, the ACC maintains statistics based on s.19 (1)(3)(a-d) of the AC Act, and TOCU based on TOCU MoU on Enforcement and Investigations serial No.6.15 on database management. The relevant statistics were provided to Assessors during onsite however, there is no standardized approach or mechanism for maintaining these statistics across the various authorities.

- c) Property frozen; seized and confiscated: The relevant competent authorities maintain statistics in relation to property frozen, seized and confiscated, although the FIU has the power to request, receive and maintain same as indicated in (b) above. Some statistics were provided to the assessment team in this regard. However, there is no standardized approach or mechanism for maintaining the statistics across the various authorities.
- d) Mutual legal assistance or other international requests for co-operation made and received – Sierra Leone maintains records of MLA requests made and received as well as statistics of other international cooperation requests (received/responded to and made/received response). The Ministry of Foreign Affairs and International Cooperation is the central authority dealing with MLA requests and maintains the statistics. The statistics were provided to the assessment team. The mechanism for maintaining statistics on MLA and other international requests could be more standardized.

Weighting and Conclusion

Sierra Leone maintains statistics on matters relevant to the effectiveness and efficiency of the AML/CFT system, however, other than the FIU, there is no standardized approach or mechanism for maintaining the relevant statistics across various relevant authorities as noted under c33.1(b) and (c). This impacted on the timely availability of statistics during the assessment. **Recommendation 33 is rated partly compliant.**

Recommendation 34 - Guidance and feedback

In its first MER, Sierra Leone was rated PC with the former R.25. The rating was based on the lack of a formal feedback process for either FIs or DNFBBs, lack of AML/CFT guidelines for DNFBBs, and absence of an STR form/ reporting format.

Criterion 34.1

Section 64 of the AML/CFT Act empowers supervisors and the FIU to issue guidance or regulations to reporting entities. Section 13 (1) (j) empowers the Unit to issue guidelines to reporting entities in consultation with supervisory authorities. Section 43(1) and 133(1) empower the FIU to provide reporting format, and publish or issue guidelines, directives or make regulation that will assist reporting entities fulfil their obligations under the law. Section 133 (2) provides that Guidelines and Directives issued by the FIU shall have the force of law. Section 13 (1)(h) empowers the FIU to provide training to reporting entities on AML/CFT, while s13(1)(m) requires the FIU to provide feedback to reporting entities. Section 48 of the Banking Act also empowers the Central Bank to make regulations, issue directions or guidelines.

Guidelines issued by competent authorities include the Directives and Guidelines for FIs on the Prevention of ML/TF and Guidelines for Mobile Money Financial Services (GMMFS). These documents elaborated on the obligations of the FIs under the AML/CFT regime. The FIU has also developed and issued reporting template to reporting entities, and periodically provide feedback to them on the quality and use of STRs submitted. The LEAs also provide feedback to the FIU on use of the Unit's intelligence. Feedback is also provided through annual report published by the FIU which includes information on reports received, intelligence disseminated, trainings provided to stakeholders, etc. The annual reports of the Central Bank also contain information on outcomes of onsite inspections, etc. In addition, the supervisors and FIU have independently and collaboratively provided training to reporting entities on AML/CFT over the years. Generally, these are aimed at assisting reporting entities in effectively implementing AML/CFT measures, including detecting and reporting suspicious transactions. However, no AML/CFT guidelines or regulation has been issued for the DNFBB sector. The lack of supervision of the DNFBBs

for AML/CFT means that there will be little or no feedback to the sector. In addition, given resource constraints, the diversity and proliferation of DNFBPs in Sierra Leone, it is doubtful if the training provided on AML/CFT covered all the key reporting entities, especially the DNFBPs which the NRA identifies as posing higher risk.

Weighting and Conclusion

There is legal obligation for the supervisory authorities, SRBs and the FIU to provide guidelines and feedback to reporting entities. Some guidelines have been issued and feedback provided. However, no AML/CFT guidelines or regulation has been issued for the DNFBP sector. Given that DNFBPs are identified as high risks, this gap is weighted heavily in the overall rating of R.34. In addition, there is limited feedback and AML/CFT training to the DNFBPs. **Recommendation 34 is rated partially compliant.**

Recommendation 35 - Sanctions

Sierra Leone was rated NC with former R.17 (Sanctions) during its 1st round of mutual evaluation, due to the lack of a comprehensive system of sanctions application for failure to comply with AML/CFT rules.

Criterion 35.1

The AML/CFT law provides a range of criminal, civil and administrative sanctions applicable to natural and legal persons that fail to comply with AML/CFT requirements. Section 53(2) of the AML/CFT Act provides for sanctions for non-compliance by FIs and DNFBPs with their obligations relating to Recommendations 9 to 23. The sanctions include the issuance of written warning; issuance of order to comply with instructions; issuance of order to provide regular report on correction measures; imposition of fine (on the reporting entity, as well as on the owner, manager or employee of a reporting entity); barring persons from employment; and suspension of license. Also, supervisors can apply to the court for an order to compel compliance. In addition, supervisors or the FIU can also temporarily or permanently remove an employee from his/her position or functions, and can also publish cases of serious compliance failures in newspapers or broadcast such on radio stations [s53(3)(5) of the AML/CFT Act].

Additionally, para. 27(g) of the Guidelines for Mobile Money Financial Services, empowers BSL to among other actions, suspend or cancel approvals granted to operators for failure to comply with the terms and conditions, including KYC rules and the reporting of suspicious transactions as required under para. 22.

Section 53(4) of the AML/CFT Act requires supervisory authorities and the FIU to apply to the court for purposes of enforcing sanctions for failure to comply with AML/CFT requirements, including failures in relation to the requirements for CDD, record keeping, internal controls, STRs, etc. Consequently, the application of fines stipulated in ss55-62 of AML/CFT Act will require a conviction before they are enforced against any reporting entity or person that fails to comply with the AML/CFT obligations. This requirement has potentials to constraint the powers of the supervisors to apply sanctions. In addition, the fines provided for in ss 55 to 62 range between Le10 and 20 million (approx. US\$1,162 and US\$2,325) while the terms of imprisonment ranges from two years and above. With respect to sanctions for non-compliance with the requirements of R.8, NPOs are classified as reporting entities (part II of the first schedule of the AML/CFT Act), consequently sanctions applicable to reporting entities also apply to NPOs.

Section 127 of the AML/CFT Act provides sanctions for natural and legal persons convicted of terrorist offences under S16 of the Act. Such persons are liable to fines ranging

between Le30 and 50 million (approx. US\$3500 and US\$5,820) or to a term of imprisonment of not less than 10 years or to both for natural persons.

Sections 64 and 133 of the AML/CFT Act empower supervisory authorities and the FIU to issue guidance and regulations for giving effect to the provisions of the Act. Based on this power, the FIU, BSL and SLICOM have jointly issued Directives and Guidelines for Financial Institutions on the Prevention of ML/TF. Para 26.08 of the Directives provides that any failure to comply with these Directives and Guidelines shall be punishable in accordance with Section 53 (2) and (3) of the Act. Section 53(2)(3) of the AML/CFT Act provides a range of administrative sanctions, including imposition of fine; barring persons from employment; and suspension of license applicable to reporting entities and their officials in case of AML/CFT violations. Thus, BSL, FIU and SLICOM can rely on Para 26.08 of the Guidance and Directives to apply the administrative sanctions under s53(2)(2) without going through a court process.

In addition, S62 of the Banking Act 2019 which provided a range of sanctions similar to those of the AML/CFT Act that BSL could apply, does not require the BSL to apply to the court for purposes of enforcing sanctions for non-compliance with provisions of the Banking Act.

Criterion 35.2

Directors and senior management of reporting entities can be sanctioned personally where they are involved in serious compliance failures. They can be temporarily or permanently removed from their positions [s53(3) of the AML/CFT Act]. Supervisory authorities and the FIU can also replace a manager, impose fines on the manager or employee of a reporting entity, etc [s53(2) of the AML/CFT Act]. Also, in line with S67 of the AML/CFT Act where a body corporate is convicted of an offence, every director, controller or officer concerned with the management shall be guilty of the offence where it is proved that the act or omission that constituted the offence was carried out with that person's knowledge, authority, permission or consent. Such a person is liable on conviction to a fine not exceeding Le30 million (approx. \$3,500) or to imprisonment for a term not exceeding five years or to both the fine and imprisonment (s131 of the AML/CFT Act). Additionally, section 46(1) of the Banking Act empowers the BSL to issue written warning, dismiss or suspend, etc a director or executive officer of a bank that violates any provision of the Banking Act, a regulation, direction or guideline of the Bank, including the Directives and Guidelines for Financial Institutions on the Prevention of ML/TF, 2016 issued by the FIU.

Weighting and Conclusion

Range of sanctions exist, however, the fines are not proportionate and dissuasive. Additionally, provisions for enforcing administrative, pecuniary or civil penalties for breach of AML/CFT obligations of reporting entities under the AML/CFT Act require convictions of the court and could pose practical difficulties. **Recommendation 35 is rated largely compliant.**

Recommendation 36 – International instruments

In its previous MER Sierra Leone was rated PC with former R.35 because the country had not ratified the Palermo Convention and some of the provisions of the Palermo Convention had not been provided for under the domestic law. In addition, provisions related to instrumentalities of crime had not been domesticated.

Criterion 36.1

Sierra Leone is a party to the Vienna Convention, the Palermo Convention, and the Terrorist Financing Convention. Sierra Leone ratified the Vienna Convention in June 1994, Terrorist Financing Convention in September 2003 and the Palermo Convention in August 2014. The country became a party to the Merinda Convention on 6 November, 2000.

Criterion 36.2

Sierra Leone has to some extent implemented the Vienna Convention, the Palermo Convention, and the Terrorist Financing Convention. The country has domesticated some provisions of these conventions in various legislations. For instance, s 82 (1)(2) of the AML/CFT Act, provides for the confiscation of proceeds from ML & TF offences and instrumentalities used or intended to be used in the commission of the offence of ML or TF. Some elements of the United Nations Conventions against Corruption (Merida Convention), are implemented through the Anti – Corruption Act, 2008.

Weighting and Conclusion

Sierra Leone has not fully domesticated the confiscation of property of equivalent value in accordance with Art.(12)(a) of the Palermo Convention. **Recommendation 36 is largely compliant.**

Recommendation 37 - Mutual legal assistance

Sierra Leone was rated NC with the requirements of former R.36 and SRV. The MER noted that the process for effecting MLA was not effective and there were no provisions covering MLA relating to TF cases.

Criterion 37.1

Sierra Leone has the legal basis that allows the country to provide a wide range of Mutual Legal Assistance (s101 AML/CFT Act). This includes entry and search (s102), obtaining evidence (s104), freezing seizure and forfeiture (s103) relating to predicate offences, money laundering or terrorist financing. Assistance can be provided even in the absence of a treaty. The ACA also covers mutual assistance with foreign states in corruption cases. Furthermore, ss 70-84 of the NDCA allows for mutual assistance in investigation and proceedings relating to drugs offences.

Criterion 37.2

The Ministry of Foreign Affairs and International Cooperation is designated as the Central Authority. It appears that there are no clear processes for the timely prioritisation and execution of mutual legal assistance requests and there is no case management system to monitor progress in relation to requests.

Criterion 37.3

Sierra Leone has placed some conditions on the provision of MLA, none of which are unduly restrictive or unreasonable. These conditions are stipulated under ss100 and 105 of the AML/CFT Act. In practice authorities will refuse a request where it is in contravention with provisions as indicated under ss 100 and 105 of the AML/CFT Act.

Criterion 37.4

Section 105 of the AML/CFT Act sets out particular considerations for refusing. A request for mutual legal assistance may only be refused if the action sought is contrary to a provision of the 1991 Constitution of Sierra Leone or the request is likely to prejudice

national interest. Also, if under the law of the requesting State, the grounds for refusing to comply with a request from another state is substantially different from the two conditions above.

Criterion 37.5

As regards, international MLA requests, the confidentiality of the material provided by requesting countries is governed by provisions in the AML/CFT Act, 2012. Sections 113 (b) the Act covers confidentiality of Mutual Legal Assistance requests. The Sierra Leone authorities stated that that the few requests received from foreign counterparts were handed confidentially.

Criterion 37.6

Sierra Leone does not particularly require dual criminality for non-coercive actions. However, based on a reading of s105 of the AML/CFT Act, it appears that if a requested country's legal framework disallows its authorities to grant assistance to Sierra Leone because the requested country makes dual criminality a condition for granting requests even where the matter does not involve cohesive actions, Sierra Leone will evoke the principle of reciprocal treatment.

Criterion 37.7

The AML/CFT law does not address this criterion.

Criterion 37.8

- a) The AML/CFT Act grants authorities a wide range of investigative powers to execute mutual legal assistance, including search, seizure, requests for relevant documents in accordance with ss102,103,107,109 and 113 of the AML/CFT Act and ss 104-106 of the ACA. Pursuant to the NDC Act, the Attorney-General or an authorized representative has a broad range of powers including powers to apply for a freezing order, search warrant as well as request for the production of documents to facilitate a MLA request (ss76, 80, 81 and 83 of the NDCA).
- b) The range of investigative techniques available domestically when conducting ML/TF cases are limited nonetheless these techniques are available for the purpose of MLA. Sections 100, 101, 103 and 111 of the AML/CFT Act enable the execution of MLA request.

Weighting and Conclusion

There is no process in place to determine the timely prioritisation and execution of MLA requests, or a case management system that monitor incoming and outgoing requests. There appears to be no express provision requiring authorities to maintain confidentiality of the mutual legal assistance requests received in order to protect the integrity of the investigation or inquiry. The range of investigative techniques available domestically for conducting ML/TF cases is limited. The AML/CFT law does not address c37.7.

Recommendation 37 is partially compliant.

Recommendation 38 – Mutual legal assistance: freezing and confiscation

In its last MER, Sierra Leone was rated NC with the former R.38 due to the lack of provisions for the seizure of instrumentalities of crime, the absence of a provision to respond to requests relating to terrorist financing, and a lack of consideration to establishing an asset forfeiture fund.

Criterion 38.1

- a) The authorities are empowered to seize, freeze, confiscate and dispose of, laundered property and proceeds of ML, TF and predicate offences which is the subject of a request for mutual legal assistance (s101 and 103 of the AML/CFT Act, 2012).
- b) There are express provision under the AML/CFT Act covering seizure and confiscation of proceeds of crime, including ML, TF and predicate offences, in the case of a request for mutual assistance. In particular, ss 100-113, specifically s 103. Sections 72 and 81 of the NDC Act and s109 of the ACA provide for ingoing and outgoing MLA requests relating to freezing and confiscation of proceeds of drug offences and proceeds of corruption respectively.
- c) The AML/CFT Act stipulates measures for freezing, seizing and confiscating instrumentalities used in, or intended for use in ML/TF and predicate offences.
- d) There are no express provisions under the AML/CFT Act on mutual legal assistance related to the seizure and confiscation of property of corresponding value.

Criterion 38.2

The law does not provide for legal assistance relating to non-conviction based confiscation proceedings.

Criterion 38.3

(a) Section 99 of the AML/CFT Act implies that Sierra Leone can make arrangements for coordinating seizure and confiscation actions with other countries. (b) Sierra Leone does not have clear mechanisms for managing asset. However, the management of asset, and when necessary, disposing of, property frozen, seized or confiscated is the responsibility of the LEA. The AML/CFT Act provides that property confiscated is vested in the State.

Criterion 38.4

Section 99 of the AML/CFT Act provides that where an asset has been confiscated as a result of joint investigations with a foreign investigations agency, proceeds shall be shared on the mutually agreed basis between the home state and the foreign investigating agency. In the case of drug related offences, s84 of the NDC Act provides that when property is confiscated, the Attorney-General in accordance with international arrangements or in the interest of comity may order that the whole or any part of any property confiscated may be given or remitted to the foreign State. Section 117 of the ACA empowers the Minister responsible for finance to exercise the same powers vested in the Attorney- General in sharing or dealing with confiscated property.

Weighting and Conclusion

Domestic laws enable Sierra Leone to take action in response to request by foreign countries to identify, freeze, seize and confiscate laundered property. The country's legal framework provides for confiscation of instrumentalities used and intended for use in ML, predicate offences and TF. While the law is generally broad, it does not cover property of corresponding value. Furthermore, Sierra Leone does not have a robust mechanism for managing assets; and the law does not expressly cover MLA requests that are made on the basis of non-conviction based confiscation proceedings. **Recommendation 38 is partially compliant.**

Recommendation 39 – Extradition

In its last MER, Sierra Leone was rated NC with the requirements of R.39 due to the absence of the requirement to prosecute nationals who were not extradited. In addition, the extradition process was not effective and efficient; and TF was not an extraditable offence.

Criterion 39.1

Criterion 39.1 (a) (Met) - Both ML and TF are extraditable offences in Sierra Leone (ss 128 and 134 AML/CFT Act, 2012).

Criterion 39.1(b) (Not Met) - The Office of the Attorney-General is responsible for extradition. However, there is no case management system in place for the timely execution, including prioritisation of extradition requests.

Criterion 39.1 (c) (Met) – Section 2 of the Extradition Act, 1974 does not place unreasonable or unduly restrictive conditions on the execution of requests. A request will not be granted where it contrary to public policy.

Criterion 39.2

(a) Section 20(1) of the Extradition Act, 1974 provides that no extradition shall be granted without the consent of the Attorney General if the fugitive criminal whose return is requested is a citizen or permanent resident of Sierra Leone, unless the fugitive criminal is also a national of that part of the Commonwealth to which his return is requested. Authorities indicated that they extradite their national (b) In situations where the Attorney-General has refused to extradite a national the matter would be referred to a competent authority for further investigations and prosecution.

Criterion 39.3

Section 134 of the AML/CFT Act stipulates that money laundering and financing of terrorism are offences for which extradition may be granted. Under s17 of the Extradition Act, dual criminality is required for purposes of effecting extradition requests. However, there is no requirement that dual criminality should be deemed to have been satisfied where both countries criminalise the conduct underlying the offence.

Criterion 39.4

Sierra Leone is able to provide simplified extradition on the basis of the Agreement on Cooperation in Criminal Matters between the Police of member States of the Economic Community of West African States (ECOWAS) which permits the handing over of suspects or fugitives to another member State based on warrants of arrest or court judgments.

Weighting and Conclusion

Sierra Leone has not implemented a case management system for timely execution and prioritization of extradition requests. In addition, there is no requirement that dual criminality is satisfied where both countries criminalise the conduct underlying the offence even where the offence is not placed within the same category by the countries.

Recommendation 39 is partially compliant.

Recommendation 40 – Other forms of international cooperation

In its last MER, Sierra Leone was rated NC with the requirements of Recommendation 40. This was due to minimal agency to agency co-operation; and in particular a lack of agency to agency cooperation with regard to TF matters.

Criterion 40.1

Competent authorities in Sierra Leone are able to provide a wide range of international co-operation in relation to money laundering, associated predicate offences and terrorist financing. The FIU, the Police, the Central Intelligence and Security Unit referred to in s.11 of the National Security and Central Intelligence Act, TOCU, ACC, and the supervisory authorities are able to exchange information and this can be done both spontaneously and upon request. It is unclear if Sierra Leone is able to provide assistance rapidly.

The FIU is empowered under s13(f)(h)(p) of the AML/CFT Act, 2012 to disseminate information received from a report to the appropriate law enforcement agency and supervisory authorities if it has reasonable grounds to suspect that the transaction is suspicious. The FIU is required to disseminate information within Sierra Leone or elsewhere, and may disclose any report or information derived from the report or received from elsewhere to an institution or agency of a foreign state or an international organization established by Governments of foreign states, if on the basis of its analysis and assessment it has reasonable grounds to suspect that the report or information will be relevant to investigating or prosecuting a money laundering or terrorist financing offence. However, there is a restriction on the disclosure of information referred to in section 13 (1)(p) of the AML/CFT Act. It provides that the sharing of information shall be on such terms and conditions as are set out in an agreement between the Unit and that foreign state or international organization regarding the exchange of information and shall include a condition that the report or information shall only be used for intelligence purposes; be treated as confidential and shall only be disclosed with the consent of the Unit. As indicated in s. 13(1) (f) and (h), the FIU can share information with foreign counterparts upon request or spontaneously based on an agreement between the FIU and foreign counterparts .

Section 3(1)(e) of the NDCA provides that the Agency shall, in addition to any other function conferred on it by the Act, have responsibility for facilitating cooperation and the timely exchange of information between regulatory, law enforcement, criminal justice, demand reduction, scientific and technical agencies in Sierra Leone and abroad, relating to drug and precursor control, demand reduction and drug-related crime.

Sections 7(2)(p) of the ACA provides for co-operation and collaboration with foreign governments, local, regional and international institutions, agencies and organizations in the fight against corruption particularly in relation to development and humanitarian aid and co-operation programs. The sharing of information between the Commission and its foreign partners can be executed under s7 (2) (p) of the ACA.

The Environmental Agency Act, 2008 empowers the Agency under s12(s) to collect and make available to the public or interested persons or bodies, through publications and other appropriate means and in cooperation with public or private organizations, environmental data and information. The Environmental Protection Agency is to provide for the effective protection of the environment and other related matters. Although the “other related matters” is not defined, the phrase may be construed to extend to ML, TF and predicate offences.

Criterion 40.2

- a) Sierra Leone has a legal basis for providing cooperation. This includes through bilateral and multilateral agreements and legislation (s3(1) (e) NDCA, and s13(1) (p) and 1 of the AML/CFT law , and s 7 of the ACA 2008).
- b) There is nothing that prevents Sierra Leone from using the most efficient means to co-operate. Competent authorities can cooperate directly with international counterparts.

- c) There are clear and secure mechanisms or channels that facilitate international cooperation. This includes the I 24/7 channel for exchange between INTERPOL NCBs. Financial supervisory authorities, specifically the BSL is a member of the College of Supervisors comprising member States from the region. The College of Supervisors is a platform for exchange information among counterparts. In addition, at the regional level intelligence is shared under the auspices of the West African Bureau of the Committee of Intelligence and Security of Africa (CISSA).
- d) Sierra Leone has not fully demonstrated that there are clear processes for the prioritisation and timely execution of request.
- e) There are generally safeguards for protecting the information received (s8 of the AML/CFT Act).

Criterion 40.3

The FIU can cooperate with its foreign counterparts (s14 of the AML/CFT Act). The Unit has signed MoUs with sixteen countries. Other competent authorities can exchange information following signing of agreements, or through international organization networks such as WACAP. Sierra Leone is a member of Interpol and shares information at the international level; the BSL also shares information with other supervisory authorities, especially in the region under College of Supervisors of the West African Monetary Zone(CSWAMZ). The BSL has signed an MoU with the Central Bank of Nigeria. Authorities indicate that there is nothing that impedes a timely negotiation of an MOU with a foreign counterpart.

Criterion 40.4

The FIU can provide feedback in a timely manner to its foreign counterparts on the use of the information provided it and the result of analysis carried out (s13(1)(m) of the AML/CFT Act). Sierra Leone has not provided any information to demonstrate that the other authorities have such measures in place.

Criterion 40.5 (a-d)

There are generally no unreasonable or unduly restrictive conditions barring information exchange and assistance by Sierra Leone and the grounds mentioned in (a) to (d) are not grounds for refusal in the case of requests for assistance made to Sierra Leone.

Criterion 40.6

The AML/CFT law provides requisite controls and safeguards to ensure that information exchanged by the FIU is used only for the purpose for which the information was sought or provided (s14 AML/CFT Act). The Banking Act also states that information exchanged should be used for supervisory purposes only. This provision does not extend to the other competent authorities.

Criterion 40.7

Section 14 of the AML/CFT Act addresses the requirement of confidentiality, privacy and data protection as regards the FIU. The FIU shares information with its counterparts only if confidentiality is guaranteed (s14 of the AML/CFT Act). The Data Protection Act generally requires the other competent authorities to protect information which impliedly includes exchanged information. Section 14 of the ACA provides, among other things, that the Commissioner, Deputy Commissioner and every officer shall maintain confidentiality and secrecy of any matter, document, report and other information relating to the administration of the Act such as the source of information, identity of any informer,

maker, writer or issuer that becomes known to him, or comes in his possession or under his control in the exercise of its powers or in the performance of a duty. The section lists exceptions under which information cannot be disclosed, for instance in respect of an offence committed, for publication in the media. The Police exchanges information through the secure INTERPOL platform and CISSA. BSL can only exchange information with counterparts where there are assurances of confidentiality [s61 (1)(a) of the Banking Act, 2019]. It is unclear whether there is a requirement for INTERPOL to refuse to give information where the requesting competent authority cannot protect that information.

Criterion 40.8

There is no explicit provision that requires competent authorities to conduct inquiries on behalf of foreign counterparts and exchange all information that would be obtainable by them if such inquiries were being carried out domestically. Nevertheless, s13(1)(q) of the AML/CFT Act states that the FIU may extend assistance to other countries on property tracking and monitoring.

Criterion 40.9

Sections 13(1)(h)(q)(p) and 14 of the AML/CFT Act provide adequate basis for the FIU to engage in international co-operation in relation to ML, associated predicate offences and TF and empowers the FIU to disseminate information within Sierra Leone or elsewhere.

Criterion 40.10

The FIU is empowered under s13(1) (m) to provide feedback to foreign counterparts and other competent authorities. The FIU provides feedback to their foreign counterparts, upon request and whenever possible, on the use of the information provided, as well as on the outcome of the analysis conducted, based on the information provided.

Criterion 40.11

- a) The FIU is authorized to exchange information required to be accessible or obtainable directly or indirectly by the FIU under R.29 (s13(1) (p) of the AML/CFT Act).
- b) The FIU can exchange other information which they have the power to obtain or access, directly or indirectly, at the domestic level (s13(1) (p) of the AML/CFT Act).

Criterion 40.12

Section 50 of the AML/CFT Act designates the BSL and SLICOM as financial supervisors. The FIU is also designated as the supervisory authority for reporting entities including FIs which do not yet have designated supervisors. BSL has a legal basis for providing co-operation with their foreign counterparts consistent with international standards for supervision, including exchange of supervisory information (s61 and s73 of the Banking Act, 2019). The BSL has signed a bi-lateral agreement (MOU) with Central Bank of Nigeria (CBN) to further enhance cooperation. The FIU has legal basis to cooperate and exchange information (s14 of AML/CFT Act). The Insurance Act 2016 which established SLICOM does not have provisions for international cooperation. However, authorities indicated that SLICOM is a signatory to the West African Insurance Supervisors Association (WAISA). SLICOM is not a member of the International Association of Insurance Supervisors (IAIS).

Criterion 40.13

Section 61(1)(a) of the Banking Act, 2019 states generally that the Central Bank may, on obtaining assurance of confidentiality give to or receive from another Central Bank, financial regulator, supervisor, resolution authority, deposit insurance scheme or other

authority in Sierra Leone or of a foreign country with functions corresponding to its functions under this Act, information deemed secret and confidential under s60 of the same Act. These include statements and other information furnished by a bank, other supervisory authorities or institutions. The FIU can exchange information, including those held by FIs (s14 of AML/CFT Act). SLICOM does not have legal basis to exchange regulatory, prudential and AML/CFT information with its foreign counterparts.

Criterion 40.14

Section 61(1)(b) of the Banking Act, 2019 empowers BSL to enter into cooperative arrangement or memorandum of understanding with other supervisory and resolution authorities, other financial sector regulators and stakeholders in Sierra Leone or those of a foreign country for the exchange of information deemed secret and confidential under section 60. These may include supervisory, regulatory, prudential and AML/CFT information. The BSL is a member of CSWAMZ and has shared information with other counterparts in the region through the CSWAMZ. On the basis of s14 of AML/CFT Act, the FIU exchanges information, especially AML/CFT information with foreign counterparts. SLICOM does not have legal basis to exchange the information set out under c40.14.

Criterion 40.15

There is no provision requiring financial supervisors to conduct inquiries on behalf of foreign counterparts, or facilitate the ability of foreign counterparts to conduct inquiries themselves in the country, in order to facilitate effective group supervision.

Criterion 40.16

Although s61 of the Banking Act stipulates the condition under which the Bank can share supervisory information, there is no express provision that prior authorisation of the requested financial supervisor is required for any dissemination of the information exchanged, or use of the information exchanged for supervisory and non-supervisory purposes, except in a case where the requesting financial supervisor is under a legal obligation to disclose or report the requested information. There is also no provision requiring the requesting financial supervisor to promptly inform the requested authority in a case where the requesting authority is under an obligation to disclose the information requested.

Criterion 40.17

LEAs are empowered to exchange information domestically available with foreign counterparts for investigative and prosecution purposes relating to money laundering, associated predicate offences and terrorist financing. The exchange of this type of information is generally conducted through the INTERPOL platform and CISSA. Section 2 of the NDCA also empowers LEAs to exchange information.

Criterion 40.18

Law enforcement authorities are able to conduct inquiries and use domestically available powers and investigative techniques to conduct inquiries and obtain information on behalf of foreign counterparts (as indicated under R.31, only the NDLEA has a wide range of special investigative powers for the purpose of gathering evidence). Cooperation exists through the Interpol and WAPIS.

Criterion 40.19

LEAs are able to conduct joint investigation with a foreign investigation agency (s99 (b) of the AML/CFT Act).

Criterion 40.20

The BSL under s61 (a) of the Banking Act, 2019 can give to or receive from another Central Bank, financial regulator, supervisor, resolution authority, deposit insurance scheme or other authority in Sierra Leone or of a foreign country with functions corresponding to its functions information. The FIU can exchange information with other international organizations (s14 of the AML/CFT Act). “International organization” is broad and might not necessarily be an FIU. It is not clear if other competent authorities are able to exchange information indirectly with non counterparts.

Weighting and conclusion

All relevant authorities have the powers and abilities to provide a wide range of international assistance, except SLICOM. There are also some gaps that could impede international cooperation, including: the lack of an express obligation requiring information shared by competent authorities to be exclusively used for the purposes for which it was requested and by the authorities for which it was requested; the absence of a provision requiring financial supervisors to conduct inquiries on behalf of foreign counterparts, the absence of a provision requiring prior authorisation of the requested financial supervisor for any dissemination of information and with the exception of the FIU, the lack of express provisions that allow other competent authorities to exchange information indirectly with non-counterparts. **Recommendation 40 is largely compliant.**

Summary of Technical Compliance – Key Deficiencies

Annex Table 1. Compliance with FATF Recommendations

Recommendations	Rating	Factor(s) underlying the rating
1. Assessing risks & applying a risk-based approach	LC	<ul style="list-style-type: none"> The NRA did not sufficiently assess some DNFBPs considered high risk in the NRA report. Legal persons and arrangements were not assessed in the NRA. There is no requirement for reporting entities to incorporate information on the higher risks identified in the NRA into their risk assessments
2. National cooperation and coordination	LC	<ul style="list-style-type: none"> There is no coordination mechanism in place to combat PF
3. Money laundering offences	LC	<ul style="list-style-type: none"> Sierra Leone has not criminalised terrorism, insider trading and market manipulation The sanctions imposed on natural persons do not include fines
4. Confiscation and provisional measures	LC	<ul style="list-style-type: none"> Forfeiture of real assets of corresponding value are not covered under the AML/CFT Act
5. Terrorist financing offence	LC	<ul style="list-style-type: none"> There is no express text that stipulates that it is immaterial for terrorist financing to take place in a location different from where terrorist/terrorist organisation is located or the terrorist act occurred or will occur
6. Targeted financial sanctions related to terrorism & TF	PC	<ul style="list-style-type: none"> Sierra Leone has not established arrangements for identifying and proposing targets to the relevant UN Committee pursuant to UNSCR 1267 and under UNSCR 1373 There are no mechanisms to collect or solicit information to identify persons and entities which, competent authorities believe, meet the criteria for designation Reporting institutions are not required to report attempted transaction relating to assets frozen or actions to competent authorities in relation to TFS There is no detailed guidance for reporting entities on TFS
7. Targeted financial sanctions related to proliferation	NC	<ul style="list-style-type: none"> Sierra Leone has not adopted legislation or measures and procedures to implement TFS to comply with UNSCR regarding the prevention, suppression and disruption of proliferation of WMD and its financing
8. Non-profit organisations	NC	<ul style="list-style-type: none"> Sierra Leone has not yet identified the characteristics and types of NPOs which are likely to be abused for TF purposes Sierra Leone has not reviewed the adequacy of measures, including laws and regulations that relate to the subset of the NPO sector that may be abused for terrorism financing. There is no risk-based supervision/oversight measures for NPOs Relevant authorities are rarely working with NPOs to develop best practices to deal with TF risk There are no established mechanisms to promptly share information.
9. Financial institution secrecy laws	C	<ul style="list-style-type: none">
10. Customer due diligence	PC	<ul style="list-style-type: none"> There is no provision requiring FIs not to apply CDD if there is a risk of tipping-off the customer and in that case, report a STR. The requirement of when to undertake CDD under c10.2 does not expressly cover identification of customer. Customer identification as required under c10.3 is not expressly covered.

Recommendations	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> The requirement under c10.9 (c) regarding the address of the registered office and, if different, a principal place of business is not met There is no requirement for FIs to undertake CDD for beneficiary of life insurance policies under c10.12, and c10.13 There is no requirement for FIs not to perform the transaction or to terminate existing relation whenever they are unable to comply with relevant CDD measures There is no requirement for FIs to verify the identity of beneficial owner as required under c10.14
11. Record keeping	C	<ul style="list-style-type: none">
12. Politically exposed persons	LC	<ul style="list-style-type: none"> There is limitation in the definition of PEPs (none coverage of PEPs link to international organizations), There is lack of explicit provisions addressing the specific requirements in relation to life insurance policies under c12.4, including the application of the required due diligence.
13. Correspondent banking	LC	<ul style="list-style-type: none"> There is no requirement to establish whether a respondent bank has been subject to a ML/TF investigation or regulatory action.
14. Money or value transfer services	PC	<ul style="list-style-type: none"> No action has been taken with a view to identifying natural or legal persons that operate MVTs without licences, There is no express requirement for agents of MVTs providers to be licensed/ registered or MVTs providers to maintain a current list of its agents There is no specific requirement for MVTs providers that use agents to include them in their AML/CFT programmes and monitor them for compliance
15. New technologies	PC	<ul style="list-style-type: none"> There is no provision that requires the country or any competent authority to identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices. The obligation under S36 (1)(2) (d) of the AML/CFT Act does not apply to new and pre-existing products No requirement for FIs to assess ML/TF risks prior to the launch or use of new products, business practices, or delivery mechanisms
16. Wire transfers	PC	<ul style="list-style-type: none"> There is no requirement that covers required beneficiary information as set out in R.16 which creates significant deficiency, especially under c16.1-c16.3, c16.7, c16.8, c16.9, c16.10-c16.13, c16.15 and c16.16. There is no provision that meets the requirement of c16.17 There is no specific requirement for beneficiary FIs to verify the identity of the beneficiary of a cross border wire transfer if the identity has not been previously verified as required under c16.14
17. Reliance on third parties	PC	<ul style="list-style-type: none"> There is no specific obligation on FIs to have regard for a country's level of risk, where the third party or intermediary is located in another country FIs relying on third party or intermediaries are not required to comply with elements (a-c) under c17.1
18. Internal controls and foreign branches and subsidiaries	PC	<ul style="list-style-type: none"> There is lack of clear provision for the appointment of compliance officers in FIs at management level; There is no requirement for financial groups to implement group-wide AML/CFT programmes; There is no requirement for financial groups to apply appropriate additional measures to manage the ML/TF risks in such circumstance where the host country does not permit implementation of the preventive measures in line with the home country requirements
19. Higher-risk countries	PC	<ul style="list-style-type: none"> There are no measures in place to ensure that financial institutions are advised of concerns about weaknesses in the AML/CFT systems of other countries. There is no explicit requirement to apply countermeasures proportionate to the risks when called upon to do so by the FATF

Recommendations	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> The range of available counter measures is not comprehensive (limited to EDD).
20. Reporting of suspicious transaction	C	<ul style="list-style-type: none">
21. Tipping-off and confidentiality	C	<ul style="list-style-type: none">
22. DNFBPs: Customer due diligence	PC	<ul style="list-style-type: none"> The shortcomings relating to R. 10, 12, 15, and 17 apply to this Recommendation
23. DNFBPs: Other measures	PC	<ul style="list-style-type: none"> The requirement of c23.3 relating to higher risk countries is not met The deficiencies under Recommendation 18 also apply under R.23
24. Transparency and beneficial ownership of legal persons	PC	<ul style="list-style-type: none"> Sierra Leone has not carried out a comprehensive risk assessment of the ML/TF risk associated with all the different types of legal persons Disclosure of information on nominee shareholder is limited to public companies There are no measures in place to ensure that companies update the beneficial ownership information. There are no sanctions to deal with failure to provide beneficial ownership information
25. Transparency and beneficial ownership of legal arrangements	PC	<ul style="list-style-type: none"> There are no obligations on the part of express trustees to hold adequate, accurate and current information on the trustee, settler, the protector and beneficial owner
26. Regulation and supervision of financial institutions	LC	<ul style="list-style-type: none"> There is no requirement for supervisors to review the assessment of the ML/TF risk profiles of FIs on a regular basis and in case of material events or changes in the activities of the supervised entities
27. Powers of supervisors	LC	<ul style="list-style-type: none"> Supervisors do not have powers to carry out the supervision of the implementation of TFS obligations in relation to PF. Supervisors require a conviction to impose the administrative sanctions under the AML/CFT Act.
28. Regulation and supervision of DNFBPs	PC	<ul style="list-style-type: none"> Regulatory measures by DNFBP supervisors (with exception of GLC and ICASL) to prevent criminals or their associates from being professionally accredited, or holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function are not robust There is no AML/CFT supervisory framework for the DNFBPs There is no requirement for supervisory authorities to review the ML/TF risk profiles and internal risk assessments prepared by DNFBPs Supervisors do not have statutory powers to carry out the supervision of the implementation of the TFS obligations in relation to PF
29. Financial intelligence units	LC	<ul style="list-style-type: none"> There is no requirement for the FIU to disseminate information upon request.
30. Responsibilities of law enforcement and investigative authorities	LC	<ul style="list-style-type: none"> The law requires an order of the court before the identification of property and documents in the case of the ACC
31. Powers of law enforcement and investigative authorities	LC	<ul style="list-style-type: none"> Investigative techniques, including undercover operations; intercepting communications; and controlled delivery are limited to drug related offences.
32. Cash couriers	PC	<ul style="list-style-type: none"> Sierra Leone's legal framework does not provide for cross border transportation of cash and BNIs through mail and cargo. There is no express provision that persons who are carrying out a physical cross-border transportation of currency or BNIs related to ML/TF or predicate offences should be subject to proportionate and dissuasive sanctions There is no express provision under the AML/CT law that empowers authorities to restrain currency or BNIs for a reasonable period in the case of false declaration and non-declaration. There is no specific requirement on the need for adequate coordination among customs, Immigrations and other relevant authorities

Recommendations	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> There is no legal requirement for the retention of records of false declaration
33. Statistics	PC	<ul style="list-style-type: none"> Other than the FIU, there is no standardized approach or mechanism for maintaining the relevant statistics across various relevant authorities. This impacted on timely availability of statistics during the assessment.
34. Guidance and feedback	PC	<ul style="list-style-type: none"> No sector specific AML/CFT guidelines have been issued for the DNFBPs. There is limited feedback to the DNFBPs
35. Sanctions	LC	<ul style="list-style-type: none"> The fines are not proportionate and dissuasive Provisions for enforcing administrative, pecuniary or civil penalties for breach of AML/CFT obligations by reporting entities under the AML/CFT Act require convictions of the court and this could pose practical difficulties.
36. International instruments	LC	<ul style="list-style-type: none"> Sierra Leone has not fully domesticated the confiscation of property of equivalent value in accordance with Art.(12)(a) of the Palermo Convention
37. Mutual legal assistance	PC	<ul style="list-style-type: none"> There is no case management system or process in place to determine the timely prioritisation and execution of MLA request The range of investigative techniques available domestically for conducting ML/TF cases is limited The AML/CFT law does not address c37.7
38. Mutual legal assistance: freezing and confiscation	PC	<ul style="list-style-type: none"> The AML/CFT law does not cover property of corresponding value, The country's legal framework does not provide for legal assistance relating to non-conviction based confiscation proceedings Sierra Leone does not have a robust mechanisms for managing asset
39. Extradition	PC	<ul style="list-style-type: none"> Sierra Leone has not implemented a case management system for timely execution and prioritization of extradition requests. There is no requirement that dual criminality should be deemed to have been satisfied where both countries criminalise the conduct underlying the offence
40. Other forms of international cooperation	LC	<ul style="list-style-type: none"> SLICOM does not have the powers to provide a wide range of international assistance There is no express obligation that information shared by competent authorities is exclusively used for the purposes for which it was requested and by the authorities for which it was requested or provided With exception of the FIU, there are no express provisions that allow other competent authorities to exchange information indirectly with non-counterparts The absence of a provision requiring financial supervisors to conduct inquiries on behalf of foreign counterparts The absence of a provision requiring prior authorisation of the requested financial supervisor for any dissemination of information

Glossary of Acronyms

	DEFINITION
ACA	Anti-Corruption Act
ACC	Anti-Corruption Commission
AML/CFT	Anti-money laundering/combating the financing of terrorism
AML/CFT Act	Anti-money laundering/Combating the Financing of Terrorism Act
BA	Banking Act
BDC	Bureau de Change
BNI	Bearer Negotiable Instrument
BO	Beneficial Ownership
BSLA	Bank of Sierra Leone Act
BSL	Bank of Sierra Leone
C	Compliant
CAC	Corporate Affairs Commission
CBR	Correspondent banking Relationship
CDD	Customer Due Diligence
CFT	Combating the Financing of Terrorism
CISU	Central Intelligence and Security Unit
CSO	Civil Society Organization
CPA	Criminal Procedure Act (1965)
CTRs	Currency Transaction Reports
DNFBPs	Designated Non-Financial Businesses and Professions
DPMS	Dealers in Precious Metals and Stones
DPP	Director of Public Prosecutions
ECOWAS	Economic Community of West African States
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
FIs	Financial Institutions
FIU	Financial Intelligence Unit
FT	Financing of Terrorism
FTR	Foreign Transaction Reports
GDP	Gross Domestic Product
GIABA	Inter-Governmental Action Group against ML in West Africa
GLC	General Legal Council
GOSL	Government of Sierra Leone
GTC	Governance and Transition Committee
ICASL	Institute of Chartered Accountants of Sierra Leone
IMC	Inter-Ministerial Committee
IMF	International Monetary Fund
IO	Immediate Outcome
INTERPOL	International Criminal Police Organization
JIC	Joint Intelligence Committee
KYC	Know your customer
LC	Largely Compliant
LEAs	Law Enforcement Agencies
LPA	Legal Practitioners Act
LTD/GTE	Limited Liability Companies/Companies Limited by Guarantee
MER	Mutual Evaluation Report
MFIs	Microfinance Institutions

ML	Money Laundering
MLA	Mutual Legal Assistance
MLAT	Mutual Legal Assistance Treaty
MODEP	Ministry of Development and Economic Planning
MOFA	Ministry of Foreign Affairs
MOF	Ministry of Finance
MOJ	Ministry of Justice
MoU	Memorandum of Understanding
MTI	Ministry of Trade and Industry
MVTS	Money or Value Transfer Service
NBFIs	Non Bank Financial Institutions
NC	Non-Compliant
NDLEA	National Drug Law Enforcement Agency
NMA	National Mineral Agency
NGO	Non-Governmental Organization
NPAA	National Protected Area Authority
NPO	Non-Profit Organization
NRA	National Risk Assessment / National Revenue Authority
NSCCG	National Security Council Co-ordinating Group
OARG	Office of Administrator and Registrar General
OFIs	Other Financial Institutions
PC	Partially Compliant
PEP	Politically Exposed Person
PF	Proliferation Financing
R	Recommendation
RCB	Rural Community Bank
RBA	Risk- Based Approach
RBS	Risk- Based Supervision
SCDD	Simplified Customer Due Diligence
SLIS	Sierra Leone Immigration Service
SLANGO	Sierra Leone Association of NGOs
SLEITI	Sierra Leone Extractive Industries Transparency Initiative
SLICOM	Sierra Leone Insurance Commission
SLP	Sierra Leone Police
SRB	Self-Regulatory Body
STR	Suspicious Transaction Report
TFS	Targeted Financial Sanctions
TPR	Terrorism Prevention Regulation
TOCU	Transnational Organized Crimes Unit
UBO	Ultimate Beneficiary Owner
UNCAC	United Nations Convention against Corruption
UNSC	United Nations Security Council
UNSCRs	United Nations Security Council Resolutions