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## SECOND NATIONAL RISK ASSESSMENT REPORT 2023

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FINANCIAL INTELLIGENCE UNIT, SIERRA LEONE

## Contents

ACRONYMS .....	5
FOREWORD .....	8
DISCLAIMER.....	11
EXECUTIVE SUMMARY .....	12
INTRODUCTION .....	14
SCOPE, METHODOLOGY AND LIMITATIONS OF STUDY:.....	17
OVERALL ASSESSMENT OF MONEY LAUNDERING, TERRORISM FINANCING AND PROLIFIRATION FINANCING.	
OVERALL MONEY LAUNDERING RISK ASSESSMENT AND RATING. ....	19
CHAPTER 1. MONEY LAUNDERING AND TERRORIST FINANCING THREAT ASSESSMENT .....	22
1.1 THREAT ASSESSMENT ANALYSIS.....	22
CHAPTER 2. NATIONAL VULNERABILITY AND THREAT ASSESSMENT .....	26
2.1 INTRODUCTION.....	26
2.2 NATIONAL MONEY LAUNMDERING THREAT ASSESSMENT.....	26
2.3 NATIONAL VULNERABILITY ASSESSMENT .....	33
2.3.1 NATIONAL VULNERABILITY ASSESSMENT 1- <i>LEGAL FRAMEWORK</i> .....	33
2.3.2 NATIONAL VULNERABILITY ASSESSMENT 2.....	35
2.4 RECOMMENDATIONS.....	53
CHAPTER 3. THE ML/TF RISKS ASSOCIATED WITH ENVIRONMENTAL CRIMES IN SIERRA LEONE.....	56
3.1 INTRODUCTION .....	56
3.2 AML CONTROL VARIABLES .....	59
3.3 SUMMARY OF KEY FINDINGS.....	63
CHAPTER 4. THE BANKING SECTOR.....	64
4.1 INTRODUCTION .....	64
4.2 SECTOR OVERALL ASSESSMENT .....	67
4.3 PRIORITY RANKING AREAS .....	70

4.4 QUALITY OF AML GENERAL CONTROLS (GENERAL INPUT VARIABLES) .....	70
4.5 CONCLUSION .....	82
4.6 RECOMMENDATIONS .....	83
CHAPTER 5. OTHER FINANCIAL INSTITUTIONS' VULNERABILITY ASSESSMENT REPORT .....	84
5.1 INTRODUCTION .....	84
5.2 GENERAL AML CONTROL VARIABLES ASSESSMENT .....	86
5.3 FINANCIAL INCLUSION PRODUCTS .....	105
5.4 SUMMARY OF KEY FINDINGS:.....	112
5.5 GENERAL RECOMMENDATIONS: .....	112
CHAPTER 6. THE INSURANCE AND SECURITIES SECTORS .....	113
6.1 INTRODUCTION .....	113
6.2 QUALITY OF AML/CFT GENERAL CONTROLS.....	116
6.3 SECURITIES SECTORS.....	125
CHAPTER 7. DESIGNATED NON-FINANCIAL BUSINESSES AND PROFESSIONS	130
7.1 INTRODUCTION .....	130
7.2 ASSESSMENT OF GENERAL CONTROL VARIABLES FOR DNFBPs: .....	131
7.3 SECTORAL INHERENT VULNERABILITY OF THE DNFBPs SUB-SECTOR .....	137
7.4 RANKING PRIORITY AREAS .....	153
CHAPTER 8. LEGAL PERSONS AND LEGAL ARRANGEMENTS SECTOR .....	157
8.1 INTRODUCTION .....	157
8.2 GENERAL ASSESSMENT OF AML CONTROL VARIABLES .....	159
8.3 RECOMMENDATIONS .....	168
CHAPTER 9. TERRORIST FINANCING, PROLIFERATION FINANCING AND NON- PROFIT ORGANIZATION .....	170
9.1 BROAD OVERVIEW OF KEY VARIABLES ON THE .....	170
9.2 KEY FINDINGS .....	180
9.3 INHERENT VULNERABILITY OF THE VARIOUS SECTORS UNDER REVIEW .....	184
CHAPTER 10. CONCLUSION AND RECOMMENDATIONS .....	188
10.1 CONCLUSION FOR THE RISK ASSESSMENT.....	188
10.2 RECOMMENDATIONS .....	190

APPENDICES .....	193
Appendix 1: Asset base of commercial banks in Sierra Leone as at 31 December 2021. ....	193
Appendix 2: Asset composition community banks as at December 31 <sup>st</sup> 2021.....	194
Appendix 3: Asset composition Financial Services Association (FSA) as of December 31 <sup>st</sup> 2021. .....	195
Appendix 4: The Criminalisation of Predicate Offences in the 2 <sup>nd</sup> Schedule of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 as amended.	197
Appendix 6: Recent Legislative Reforms/Amendments to enhance the capacity of competent authorities to recover proceeds and instrumentalities of crime. ....	205
REFERENCES .....	207
18. Anti-Corruption Act 2008 .....	208
19. Anti-Corruption Amendment Act 2019.....	208
20. Anti-Money laundering and Combating of Finance Act 2012 .....	208
21. Anti-Money Laundering and Combatting of Financing of Terrorism Act 2019.....	208
22. Practice Direction of the Chief Justice of Sierra Leone dated 1st April 2019 .....	208
23. Tejan Kabbah, A. (2010) Coming Back from the Brink in Sierra Leone, A Memoir .....	208

## **ACRONYMS**

**ACC** -Anti-Corruption Commission

**AML**-Anti-Money Laundering

**AML/CFT**-Anti-money Laundering and Combatting of Financing of Terrorism

**AMA**-Alluvial Mining Agents

**ATM**-Automated Teller Machine

**BCP**-Basel Core Principles

**BO**-Beneficial Ownership

**BSL**-Bank of Sierra Leone

**CAC**-Corporate Affairs Commission

**CCTV**-Close Circuit Television

**CDD**-Customer Due Diligence

**CDH**-Capital Discount House

**CFA**-Clearing and Forwarding Agencies

**CISU**-Central Intelligence and Security Unit

**COVID**-Corona Virus Disease

**CPIA**-Country Policy and Institutional Assessment

**DNFBPs**-Designated Non-Financial Businesses and Professions

**DSTI**-Directorate of Science and Technology

**EC**-Environmental Crime

**EPA**-Environmental Protection Agency

**FATF**-Financial Action Task Force

**FDHL**-First Discount House Limited

**FIUSL**-Financial Intelligence Unit of Sierra Leone

**FSAs**-Financial Services Associations

**FSAP**-Financial Sector Assessment Program

**FSRB**-FATF -Styled Regional Body

**GIABA**-Inter-Governmental Action Group against Money Laundering in West Africa

**GIS**-Geographical Information System

**GLC**-General Legal Council

**GoSL**-Government of Sierra Leone

**GPS**-Global Positioning Satellite System

**ICASL**-Institute of Chartered Accountants of Sierra Leone

**IMC**-Inter-ministerial Committee

**IMF**-International Monetary Fund

**KPCS**-Kimberly Process Certification Scheme

**KYC**-Know Your Customer

**ML**-Money Laundering

**MOFED**-Ministry of Finance and Economic Development

**NASSIT**-National Social Security and Investment Trust

**NGO**-Non-Governmental Organization

**NMLTFRA**-National Money Laundering and Terrorism Financing Risk Assessment

**NPO**-Not for Profit Organization

**NRA**-National Risk Assessment

**NRA**-National Revenue Authority

**OFAC**-Office of Foreign Assets Control

**PEP**-Politically Exposed Person

**POS**-Point of Sales

**SAR**-Suspicious Activity Report

**SEC**-Stock Exchange Commission

**SETC**-Stock Exchange Technical Committee

**SLICOM**-Sierra Leone Insurance Commission

**SOCC**-Security Operations Control Center

**STR**-Suspicious Transaction Report

**TC**-Technical Committee on AML/CFT

**TF**-Terrorism Finance

## FOREWORD



The Financial Action Task Force recommends that every country in the global network conduct a national risk assessment from time to time to identify, assess, and understand their money laundering, terrorist financing and recent risks it faces to mitigate them and effectively dismantle and disrupt terrorist networks. Sierra Leone first answered this call of duty in 2014 when the country conducted its first National Risk Assessment exercise. This is therefore Sierra Leone's second National Money Laundering and Terrorism Financing Risk Assessment (NRA). This self-assessment process is conducted to identify, assess and understand Money Laundering (ML), terrorism financing (TF) and recently Proliferation Financing (PF) risks which will carve out a roadmap to deal with the inherent vulnerabilities identified therein, develop a risk based national strategy to mitigate ML/TF and PF risks in Sierra Leone.

After the publication of Sierra Leone's AML/CFT Mutual Evaluation report in 2020, the country decided to update the previous NRA exercise taking onboard new and important modules like the Not-for-Profit Organization (NPO), Virtual Assets and Virtual Asset Service Providers (VA&VASP), Proliferation Financing, Beneficial Ownership (BO) and Environmental Crime.

A lot of consultations and engagements were done to give this research a national outlook and I assure you key competent authorities involved in AML/CFT issues including those in the private sector were engaged. Thus, the completion of this event is a huge milestone in the fight against Money Laundering and Terrorist Financing. It is hoped this document will help map out the next AML/CFT national strategy.

I am particularly interested in the recommendations proffered. My hope is that they can be inculcated and transformed into a practical advantage for the good of the country.



SHEKU AHMED FANTAMADI BANGURA

**Minister of Finance**

**And**

**Chairman-Inter-ministerial Committee**

## **ACKNOWLEDGEMENT**

The second National AML/CFT/CPF Risk Assessment has been completed. This report is the result of teamwork and tremendous collaboration between Financial Intelligence Unit and relevant AML/CFT stakeholders in Sierra Leone. This study would not have been possible without the cooperation, dedication, and relentless efforts of participants from a wide range of agencies both within Sierra Leone and the international front.

I wish to convey the unreserved thanks and appreciation of AML/CFT Stakeholders and the Inter-Ministerial Committee chaired by the Honorable Minister of Finance-**Sheku Fantamadi Bangura** for their steadfast leadership and guidance throughout the conduct of the assessment. The Financial Intelligence Unit provided Secretariat services to the project. I therefore wish to commend the extraordinary commitment of the NRA secretariat in coordinating the process. I would also like to thank the team of national experts who have been at the heart of this project, for their expertise and commitment.

In addition, I would like to thank all those who played a role in reviewing the report at various stages as their efforts were essential in ensuring that the process was guided, and the stated objectives were met in a timely manner.

Also, I would like to extend our gratitude to the World Bank for their knowledge and expertise through technical assistance in reviewing the report and making available their ML/TF/PF Risk Assessment tool which was used to good effect by the participants.

Finally, I wish to thank GIABA for the technical and financial support they provided throughout the process from the workshop at the start to train and prepare the participants right through to the validation workshop at the conclusion of the study.

**David N. Borbor**  
**Director**  
**Financial Intelligence Unit-Sierra Leone**

## **DISCLAIMER**

Sierra Leone's National Risk Assessment of Money Laundering and Terrorism Financing (ML/TF) was conducted as a self-assessment research by national competent authorities using the national ML/TF Risk Assessment tools that was developed and made available by the World Bank Group.

The role of the World Bank Group's project team was limited to providing the tool, providing guidance on technical aspects of the tool, and reviewing/commenting to assist in its proper use. The data, statistics and information used to complete the modules of the National ML/TF risk assessment tool, as well as the conclusions, interpretation and opinion within the national ML/TF risk Assessment are the exclusive responsibility of the authorities of the Republic of Sierra Leone and do not reflect the views of the World Bank Group.

## EXECUTIVE SUMMARY

Recommendation one (1) of the Financial Action Task Force (FATF) Forty recommendations enjoins every country to identify, assess and understand its AML/CFT Risks and apply risk – based mitigating measures informed by empirical data from the said risk assessment.

The first National Risk Assessment (NRA) Report of Sierra Leone was validated in March in 2017. The NRA report was subsequently adopted in 2019 with an implementation plan which lapsed in 2020. However, important areas like the NPOs, Environmental Crimes, Virtual Asset and Virtual Asset Service Providers, Terrorist Financing, Beneficial Ownership and some sections of the DNFBPs were not assessed. These areas are considered breeding grounds for ML/TF, hence, regulators advised their assessment, for instance, “the FATF establishes that there is a significant money laundering and combating terrorism financing risk associated with virtual assets. Transactions are instant, non-face-to-face, cross jurisdictional and largely anonymous hence there was the need to bring them within scope of regulation”. Similarly, recommendation 8 requires countries to review their laws governing NPOs so that these institutions cannot be abused for the purpose of terrorist financing. Consequent on the ratings achieved during the second round of AML/CFT Mutual Evaluation, Sierra Leone needs to address some of the identified and documented technical and effectiveness deficiencies, hence the need to update the NRA. This National Money Laundering and Terrorism Financing Risk Assessment (NMLTFRA) is evidence to reflect Sierra Leone’s commitment to meeting its international ML and TF obligations as required by the FATF recently revised standards. It is hoped that by the end of validation, an action plan to implement the recommendations of this report will be discussed, written and annexed in this report.

This NMLTFRA updates the country’s understanding of her ML & TF risks in new areas in addition to the areas covered in the last National Risk Assessment.

Sub sectors such as real estate, casinos, car dealers, dealers in precious stones like diamonds, lawyers and accountants were fully assessed. They were found to have very high vulnerability to ML. These businesses still conduct transactions in cash with little or no control measures implemented for AML/CFT compliance.

The national threat assessment revealed that fraud, corruption, and bribery generate high level of illicit proceeds in Sierra Leone. The overall threat of ML associated with these offences

were rated very high. The assessment revealed a low-level threat level for terrorism financing and medium for Human Trafficking and Migrant Smuggling.

The assessment revealed that the vulnerability to ML & TF is very high for clearing & forwarding (0.85), and real estate sector (0.95). The transactions are cash based and there are inadequate enforcement mechanisms to ensure AML/CFT compliance. The Legal Professionals vulnerability was assessed to be medium high (0.66). This was also the case with legal persons and arrangements who were found to be exposed to a medium high vulnerability to money laundering and medium level vulnerability in respect of Terrorism Financing.

The management of the process that lead to this report was entrusted to the National Risk Assessment and Outreach Division of the Financial Intelligence Unit with supervision and guidance from the FIU Directorate. The assessment involved all AML/CFT/PF national stakeholders from the private and public sectors.

## INTRODUCTION

Sierra Leone concluded its first National Risk Assessment on Money Laundering and Terrorist Financing in 2017 but the report was eventually adopted in 2019. Certain sectors like the Designated Non-Financial Businesses and Professions (DNFBPs), Beneficial Ownership (BO), Not-for-Profit Organization (NPOs), Virtual Assets and Virtual Asset Service Providers (VA&VASPs) and Terrorist Financing were either not given the desired attention or not considered at all. So, this report is an update to the last NRA. National Risk Assessment in simple term is a method through which a country tries to understand the nature of the risk it faces in terms of money laundering and terrorist financing. The primary concern here is to have a guide in proffering solutions to mitigate the identified threats. This update takes onboard the modules/areas that were not assessed and includes new areas like virtual assets and not-for-profit organizations. This is done to have a thorough and detailed document that will help produce a holistic national AML/CFT/CPF strategy for the next few years.

Currently, in Sierra Leone, some businesses in the DNFBP sector are not regulated and supervised by the Financial Intelligence Unit and or other competent authorities. Areas like the gaming industry are not regulated for AML/CFT/CPF measures; they lack supervision in both prudential and AML/CFT/CPF Measures. The income derived from these businesses and professions plays a vital role in the financial activities of the country's economy by providing essential services for players in both formal and informal sectors. The DNFBP sector in Sierra Leone constitutes a very large informal sector, and this poses a significant threat to Sierra Leone financial system. The transactions done in some of these businesses are not recorded in the traditional banking system in the country, hence, making it very difficult to trace records. The vulnerability is compounded by the large informal sector. Some efforts or measures have been taken by the FIU pursuant to the provision in the Anti-Money Laundering and Combating of Financing of Terrorism (Amendment) Act 2019, Act No 3 of 2019. However, there are signs of gloom if the concerns raised are not properly addressed. Therefore, it is vital that this document makes a comprehensive analysis of this sector.

Again, in most cases, the first thing that comes to mind when discussing ML/TF/PF is the banking sector. There are fourteen (14) Commercial Banks and seventeen (17) Community Banks operating in Sierra Leone now. The Bank of Sierra Leone regulates the activities of Commercial Banks, and Financial Holding companies using the Banking Act 2019, Act No 6

of 2019, the Prudential Guidelines of 2019, and Directives issued from time to time as well as Schedule of Penalties. As opposed to other sectors, the banking sector operates formally, and licenses are issued to commercial banks after fulfilling the requirements set by the Banking Act 2019, Act No 6 of 2019. The banking sector of Sierra Leone has encouraging rating by the World Bank in terms of access to credit facilities.

The beneficial ownership also enjoyed a great deal of attention this time. This area is highlighted as a risk factor for ML/TF/PF. In Sierra Leone, registration and formation of corporate vehicles are very easy and some of these companies are used as platforms by people to conceal the identity of true ownership. Companies can be formed without disclosing the identity of individuals who ultimately control or profit from the business turnover. Cross border syndicate and professional money launderers will also use trade-based money laundering by assigning specialized shareholders or nominees as officials who are actively involved in illegal or fraudulent documentation to hide the actual identity of the owners thereby creating a difficult situation for law enforcement agencies (LEAs) or the Financial Intelligence Unit. (FIU) to investigate and trace perpetrators of financial crimes including money laundering, terrorism financing and predicate offences in the country. The report rates the ML/ TF/PF risk in this sector to be **medium-low**.

Furthermore, the Insurance Industry as another suspected breeding ground for ML/TF/PF is also assessed. The Sector is faced with money laundering risks due to the relatively large flows of funds in the area. It is regulated by the Sierra Leone Insurance Commission (SLICOM) established by The Insurance Act 2016. The Act provides the relevant legal framework for regulating and supervising insurance companies, insurance brokering companies, insurance agents, and loss adjusters. The sector in Sierra Leone deals with two major products; Life and Non-life Insurance. With a total of twelve (12) licensed and registered insurance companies in Sierra Leone, it was prudent that the risk assessment exercise paid key attention to the area. There is a huge presence of not-for-profit organizations in Sierra Leone. But their operations totally lack ML/TF regulation, and the last Mutual Evaluation report rates this area as non-compliant (NC). There is generally **low understanding** of ML/TF risks in NPOS, thus, this area, too, was assessed with some glaring findings.

The financial sector is breeding changes; one of which is the introduction of crypto currency. Virtual Asset and Virtual Asset Service Providers are a serious problem to AML/CFT

stakeholders. The nature of transactions is very swift and secretive. For fear of the dangers, some jurisdictions, like Sierra Leone, have banned its existence in their domain. However, the FIU Sierra Leone, in compliance with the FATF Recommendations, decided to dig out the loopholes and proffer solutions.

**Objectives of the Report:**

This piece of work also aims at getting a better understanding of all the sectors under review, especially the newly introduced ones like NPOs, Virtual Assets, Beneficial ownership, Proliferation financing and the inherent risks/vulnerabilities of ML/TF in the said sectors.

The product will also serve to comply with FATF Recommendation 1 and other international instruments.

Moreover, this will help inform policy makers and guide the process of legal reforms in line with the recommendations of FATF and the FATF styled regional body of GIABA.

It will further seek to establish which of the aforesaid areas needs urgent attention.

The report from this exercise will also help to identify where improvements of implementation will have the greatest impact in reducing risk and mitigating threats.



## **SCOPE, METHODOLOGY AND LIMATIONS OF STUDY:**

### **Scope and Methodology:**

The scope of this report covers the period from 2018 to 2022 to ascertain and understand the desired objectives of the assessment. The last MER indicated knowledge gap in the fight against money laundering and Terrorist Financing. On that note, the report uses a combination of qualitative and quantitative data for its analysis.

Sierra Leone has used a self-assessment analytical tool to assess the different risks that countries face in their territories. This excel tool and instruction modules in Microsoft word and power point is predicated on a unique combination of causal relationships and weighted averages. It follows a logical sequence of relationships between variables that affect ML/TF risk. This allows the excel spreadsheet to capture the most important risk point and the complex ML/TF environment taking cognizance of different risk components thereby generating a measure of the threat- and- vulnerability relationship in the assessed jurisdiction. The risk rating model assesses the structural risk within each area based on a series of factors to indicate the threats and vulnerabilities of a particular sector to ML and TF.

The researchers conducted interviews with relevant stakeholders to retrieve information. Furthermore, open, and closed-ended questionnaires were developed and distributed to various stakeholders, especially regulatory authorities of the various sectors. Secondary sources included but not limited to the Mutual Evaluation Report (MER) on Sierra Leone (2020), the National Risk Assessment Report (NRA 2017) on Sierra Leone, Global Terrorism Index (2022) the FATF 40 Recommendations and FATF Best Practices Report (2015), important government and private reports/surveys and academic works related to the topic. Finally, both the traditional and social media platforms were used as sources of information.

The research further looks at the capability of law enforcement agencies to tackle terrorism, the possibilities of criminals to abuse the various areas, and how effective is the fight against ML/TF/PF in the country.

The risk levels are based on an analysis of threats and vulnerabilities. These variables were analysed and rated each.

## **Limitations of the Study**

- Inadequate awareness of the NRA process: Most of the private sector participants like those in the businesses of mineral resources, real estate agents, car dealers did not know the goal of the NRA thereby making it difficult to release information. Despite the public awareness of the process, some stakeholders lacked adequate understanding of the NRA exercise thereby creating unnecessary delays in providing information to the researchers.
- Lack of commitment to provide statistics by some competent authorities.
- Some respondents were slow in responding to the questionnaires and data requests.
- Data requests on classified information like income and expenditure were difficult to come by as respondents were not willing to cooperate.
- Limited materials and knowledge, especially on Proliferation and Terrorism Financing.

**OVERALL ASSESSMENT OF MONEY LAUNDERING, TERRORISM FINANCING AND PROLIFIRATION FINANCING.**

**OVERALL MONEY LAUNDERING RISK ASSESSMENT AND RATING.**

Sierra Leone’s overall ML threat has been assessed as **Medium** while overall ML vulnerability has been assessed as **Medium High**. Consequently, the national ML risk level in the country is assessed as **Medium** as contained in the heat map below.

Overall Money Laundering Risk in Sierra Leone

**OVERALL MONEY LAUNDERING RISK IN SIERRA LEONE**

<b>OVERALL THREAT</b>	H	M	M	MH	M	H
	MH	M	M	MH	MH	H
	M	ML	M	M	MH	MH
	ML	ML	ML	M	M	M
	L	L	ML	ML	M	M
		L	ML	M	MH	H

**OVERALL VULNERABILITY**

Additionally, overall ML risks in the assessed sectors are represented in the table below:

**Sector ML Vulnerability, Threat, and Risk.**

Sector	Overall Vulnerability	Overall Threat	ML Risk
Banking	MH	M	MH
Insurance and Securities	MH	L	L
Environment Crime	H	MH	MH

Other Financial Institutions and Financial Inclusion	M	ML	ML
Legal Persons and Legal Arrangement	MH	H	MH
Designated Non-Financial Businesses and Professions	MH	H	H
<b>National Vulnerability and Threat Assessment</b>	<b>H</b>	<b>M</b>	<b>M</b>

### **OVERALL TERRORIST FINANCING PROLIFERATION FINANCING RISK**

The overall Terrorist Financing Risk is assessed **LOW**. Even though the country is highly vulnerable, but there is **LOW** threat level, and the non-existence of any terrorist attacks or a reported case, or TF makes the risk low.

### **OVERALL TERRORISM FINANCING THREAT IS RATED LOW**

This is due to the following factors:

- No reported case of terrorist attack
- No recorded STR on terrorism financing
- The global researchers rate terrorism threat level as **NON-EXISTENCE**

### **OVERALL TERRORISM/TERRORISM FINANCING VULNERABILITY**

The overall vulnerability to TF is rated high due to the following factors:

- lack of supervisory authority of NPOs and Proliferation as variables in the sector
- Absence of ML/TF issues in the registration process of NPO
- Lack of knowledge of the ML/TF knowledge of the two variables of this sector.

The heat map below shows the intersection of Terrorism Financing Threat and Vulnerability which, represents the overall risk of terrorist financing in Sierra Leone.

**OVERALL MONEY LAUNDERING RISK IN SIERRA LEONE**

<b>OVERALL THREAT</b>	H	M	M	MH	M	H
	MH	M	M	MH	MH	H
	M	ML	M	M	MH	MH
	ML	ML	ML	M	M	M
	L	L	ML	ML	M	M
		L	ML	M	MH	H

**OVERALL VULNERABILITY**

## **CHAPTER 1. MONEY LAUNDERING AND TERRORIST FINANCING THREAT ASSESSMENT**

This section of the report deals with a thorough analysis of the predicate offences that constitute a serious threat of ML/TF in Sierra Leone.

### **1.1 THREAT ASSESSMENT ANALYSIS**

Predicate offences with the potential to generate proceeds of crime are analyzed below:

#### **1.1.1 HUMAN TRAFFICKING & MIGRANT SMUGGLING**

The Police wing dedicated to Transnational Organized Crime including but not limited to money laundering, terrorism financing, trafficking in persons and migrant smuggling, is known as the Transnational Organized Crime Unit or TOCU.

TOCU investigated a total of 80 cases of Human Trafficking, relatively higher, than the 28 cases of same nature recorded in 2018. Moreover, the Sierra Leone Police was able to record 31 cases of same nature in 2020, with no data available on this offence in 2021.

According to a report by the US department of State, the government reported and investigated 72 cases, prosecuted at least 30 defendants in 33 cases, and convicted one trafficker during the reporting period; this compared with 30 investigations, prosecution of nine defendants, and conviction of three traffickers during the previous reporting period.

In 2022, the government reported and investigated 43 cases, compared with the investigated 72 cases during the previous reporting period. The government reported prosecuting an unknown number of defendants in nine cases, which resulted in the conviction of three traffickers, compared with prosecuting at least 30 defendants in 33 cases and convicting one trafficker during the previous reporting period. Judicial inefficiencies, general corruption, and procedural delays hindered courts from holding traffickers' accountable and diminished confidence in the judicial system. As a result, victims' families often accepted payments from traffickers rather than pursue cases in court, and families sometimes exerted pressure on victims not to participate in investigations and prosecutions against their alleged traffickers due to security concerns, community ties to alleged traffickers, and the high cost and travel required to participate in such cases. In many cases, victims either did not agree to testify against their traffickers and prosecutors dropped the charges, or victims could not meet the travel requirements for court appearances and judges dismissed their cases.

Renewed and determined. The government increased law enforcement efforts. During the reporting period, the government adopted the Anti-Human Trafficking and Migrant Smuggling Act of 2022, which criminalized sex trafficking, labour trafficking and prescribed penalties of a minimum of 25 years' imprisonment. These penalties were sufficiently stringent and, with respect to sex trafficking, commensurate with other grave crimes, such as rape. The new law, which replaced the 2005 anti-trafficking law, increased penalties prescribed for trafficking crimes and removed the option for a fine in lieu of imprisonment for convicted traffickers.

The government reported investigating 26 cases, compared with investigating 43 cases in the previous reporting period. The government reported prosecuting 13 defendants in 13 cases, compared with prosecuting an unknown number of defendants in nine cases in the previous reporting period.

The government identified 34 trafficking victims, including one sex trafficking victim and 33 forced labour victims; this compared with 43 victims in the previous reporting period. Of the 34 victims identified, two were adults (one man and one woman) and 32 were children (15 boys and 17 girls). NGOs identified an additional 62 victims, including 21 sex trafficking victims and 41 forced labour victims. Officials reported referring all 34 victims to care, compared to referring an unknown number to care the previous reporting period; women and child victims were referred to NGOs for shelter services, while authorities temporarily accommodated male victims at law enforcement or other facilities.

Therefore, the threat assessment level is medium-high.

### **1.1.2 FRAUD**

The FIU with its mandate accorded by the AML/CFT Act 2012 to receive and collect reports on suspicious and prescribed financial transactions and other information relevant to money laundering and terrorist financing activities has processed a series of cases relating to fraud as it is a predicate offence according to second schedule of the Act.

Against this premise, the Unit conducted a trend/pattern analysis of cases compiled from both suspicious transaction reports received from reporting entities which were filed based on complex and unusual activities or transactions with no economic justification, and law enforcement requests for support on ongoing investigations for the period January 2017 to March 2020 with the following findings:

- A total of 47 fraud related cases has been analysed by the Unit of which 17 are specifically on Advance Fee Fraud relating to precious minerals (Diamond and Gold)

Advance fee fraud within this context, is a type of fraud in which the businesses or individuals are required to pay a fee (payment between parties) or a percentage of the total fee before the agreed product or service is delivered or provided.

- Majority, that is, 13 of the 17 Advance Fee Fraud related cases involves Sierra Leoneans as perpetrators while the 2 involve Nigerian, Indian and Lebanese nationals.
- Victims of the Advance Fee Fraud cases are mainly foreign entities and individuals as follows:
  - 3 from United States
  - 2 from Turkey
  - 2 from Ivory Coast
  - 1 from China
  - 1 from Iran
  - 1 from Lebanon
  - 1 from France
  - 1 from Britain
  - 1 Botswana
- Monetary value of the 17 cases so far is USD7, 242,759.00 and EUR127, 000.00.
- Majority (10) of the perpetrators used companies with accounts (local and foreign currency) domiciled at several commercial banks in Sierra Leone.
- Funds were mostly sent to the accounts by way of transfers followed by speedy individual structured over the counter withdrawals.

Fraud is believed to be on the increase, especially online scammers/phishing.

According to the FIU, for the years 2019, 2020 and 2021, fraud and corruption represent the most prevalent predicate offences. The mode of reporting this is by way of STRs only. It is therefore assessed as high.



### **1.1.3 CORRUPTION AND BRIBERY:**

Between 2019/2021, Le **23,985,882** was recovered by the Anti-Corruption Commission. The Commission witnessed some significant transformations, especially in the asset declaration sector. This made the exercise more efficient and manageable as well.

The 2019 Act also imposed ‘Administrative Sanctions’ on public officers who failed to submit their ADFs to the Commission within the stipulated deadline. Section 122(5) states “Where the Public Officer fails to comply with a default notice issued by the Commission under subsection (2), the Commissioner shall direct that the Accountant General, the Director of Human Resource Management Office or an officer responsible for the payment of salary as the case may be:

- a. Withhold the salary of the Public Officer.
- b. Suspend the Public Officer after one month but not more than three months; and
- c. Dismiss the Public Officer after three months”

From 2018 to 2022, the country has made consistent progress in international corruption ratings/rankings.

Nonetheless, corruption is rated by the FIU as one of the most prevalent predicate offences in the country. The mode of reporting this is by way of STRs only. In conclusion therefore, corruption is assessed as **HIGH**.

## CHAPTER 2. NATIONAL VULNERABILITY AND THREAT ASSESSMENT

### 2.1 INTRODUCTION.

General financial crimes are those frequently reported infractions to the Police or the Anti-Corruption Commission in each of the 6 crime regions across Sierra Leone. These include Money laundering, terrorism financing, fraud, embezzlement, larceny, human trafficking and migrant smuggling, corruption, bribery, abuse of office, racketeering, participation in an organized criminal group to commit house breaking or robbery among others.

The 6 crime regions include: Freetown East; Freetown West; Northeast; Northwest; the Southern region; and Eastern region. The financial crime rate is determined from the total number of financial crimes recorded per region upon its projected population.

### 2.2 NATIONAL MONEY LAUNMDERING THREAT ASSESSMENT

#### Analysis of Proceeds Generating Crimes in Sierra Leone during the Period 2019-2021

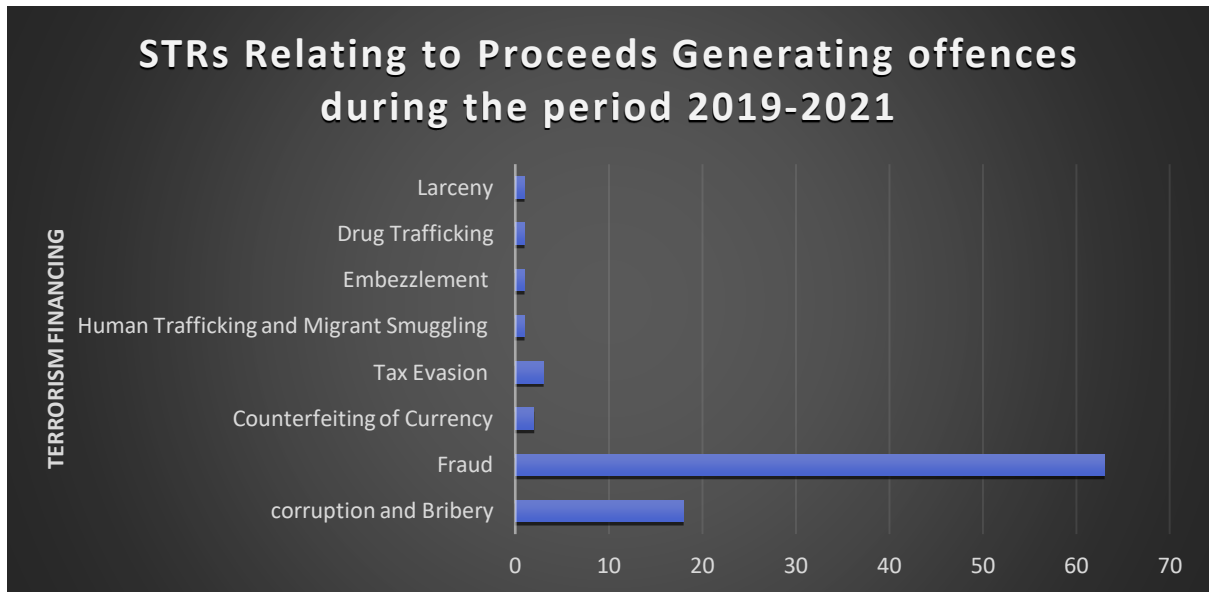
**TABLE 2.1-Matrix of Suspicious Transaction Reports During the Period 2019-2021 relating to proceeds generating crimes.**

SN	SUSPECTED PREDICATE OFFENCES	RELATED SUSPECIOUS TRANSACTION REPORTS
	Terrorism financing	3
	Corruption and bribery	18
	Fraud	63
	Counterfeiting of currency	2
	Tax Evasion	3
	Human Trafficking and Migrant Smuggling	1
	Embezzlement	2

Drug Trafficking	1
Larceny	1

This is illustrated by the Bar Chart that follows:

**Figure 2.1: Suspicious Transaction Reports during the Period 2019-2021 relating to proceeds generating crimes**



The above graph shows that there were growing numbers of suspicious transaction reports relating to fraud during the period under review. These were followed by the number of suspicious transaction reports relating to the corruption and Bribery and hence the government needs to allocate more resources to our collective effort to combat fraud by the FIU, competent authorities, and regulatory bodies.

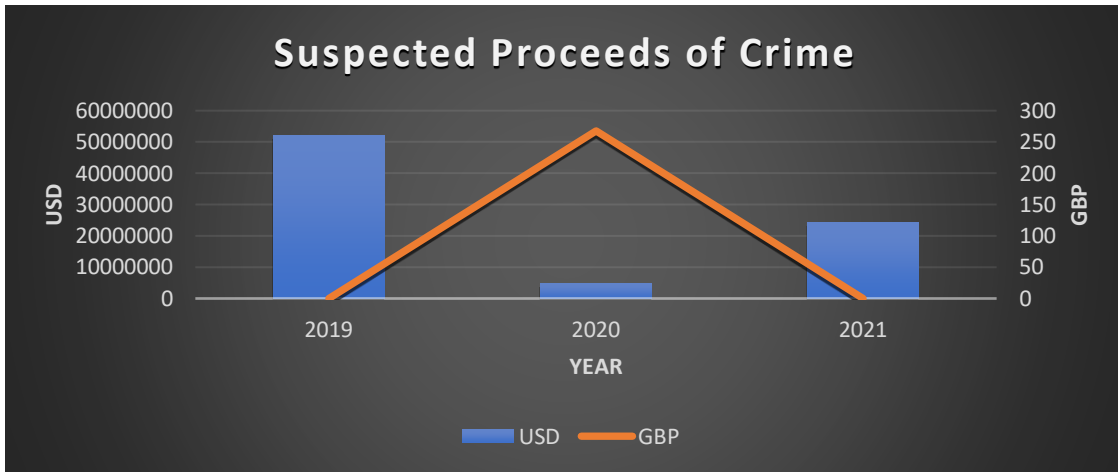
**TABLE 2.2-Monetary Value of Suspicious Transactions Reported During the Period Under Review.**

YEAR	USD	GBP	EURO	LEONES
2019	52,111,859	0	146,360	2,776,512,178
2020	4,888,461.00	267.65	458,000	14,132760,029.40

2021	24,300,738.35	0	803,074	159,802,762,142.96
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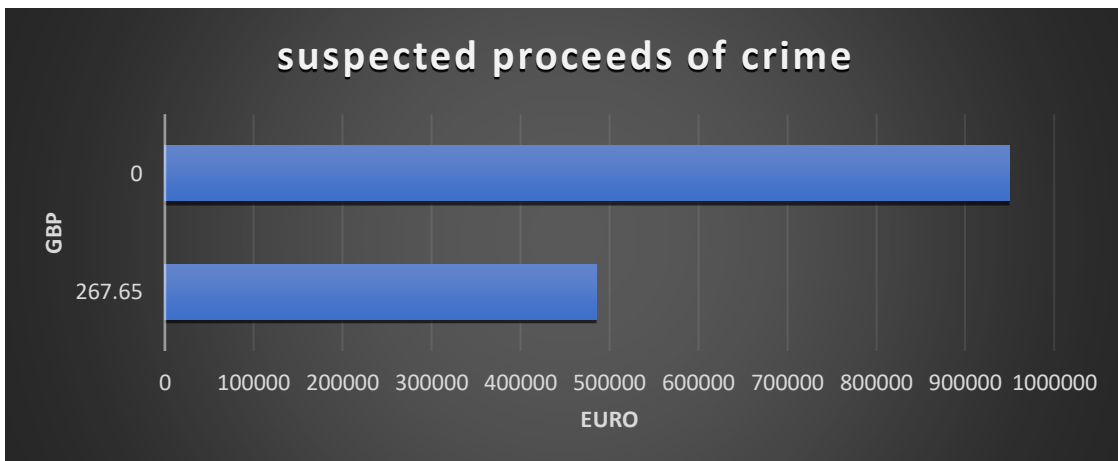
This is illustrated by the Bar Charts that follow:

**Figure 2.2: Monetary Value of Suspicious Transactions Reported During the Period Under Review**



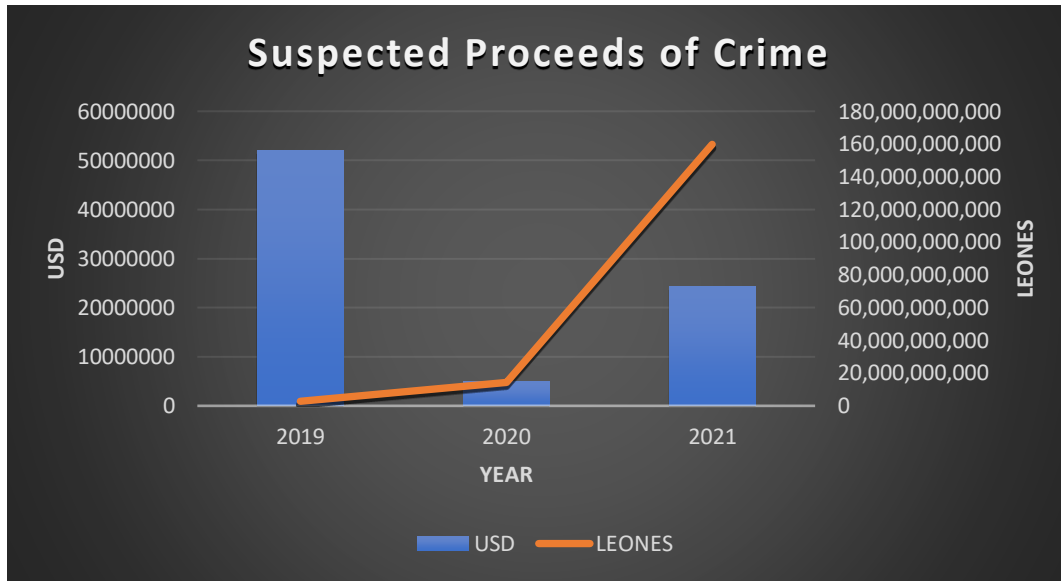
*Comparison between the Amounts of Currencies in British Pounds and United States Dollars*

**Figure 2.3: Monetary Value of Suspicious Transactions Reported During the Period Under Review**



*Comparison between the amounts of suspected proceeds in Euros and British Pounds*

**Figure 2.4: Monetary Value of Suspicious Transactions Reported During the Period Under Review**



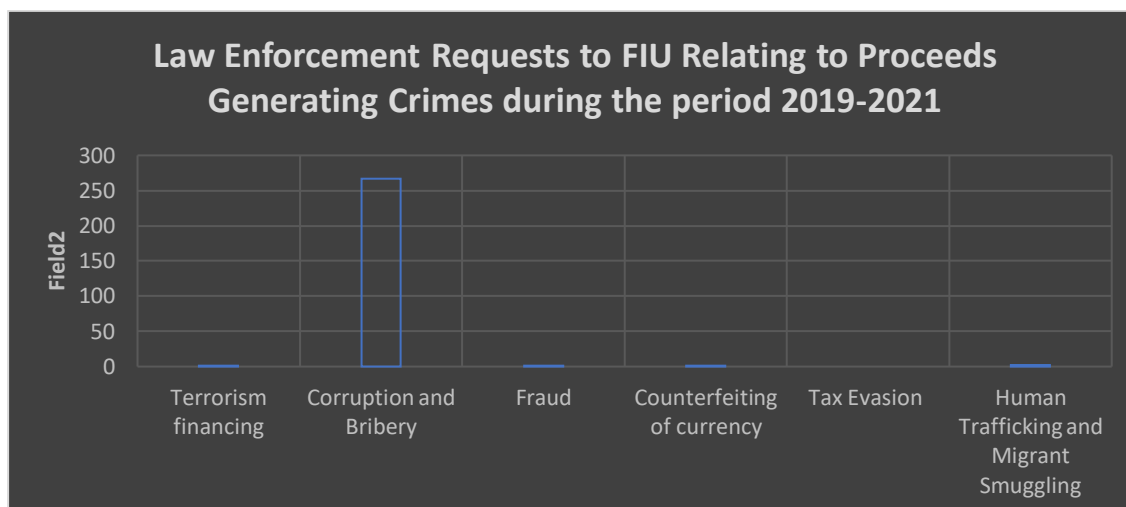
*Comparisons between the amounts of currency in Leones and United States Dollars.*

**TABLE 2.3-Matrix of Law Enforcement Requests to the FIU Relating to Proceeds Generating Crimes during the Period under Review**

SUSPECTED PREDICATE OFFENCE	RELATED LAW ENFORCEMENT REQUESTS
<b>2019-2020</b>	
Terrorism Financing	1
Corruption and Bribery	267
Fraud	55
Counterfeiting of currency	1
Tax Evasion	0
Human Trafficking and Migrant Smuggling	2

This is illustrated in the bar chart that follows:

**Figure 2.5: Law Enforcement Requests to the FIU Relating to Proceeds Generating Crimes during the Period under Review**



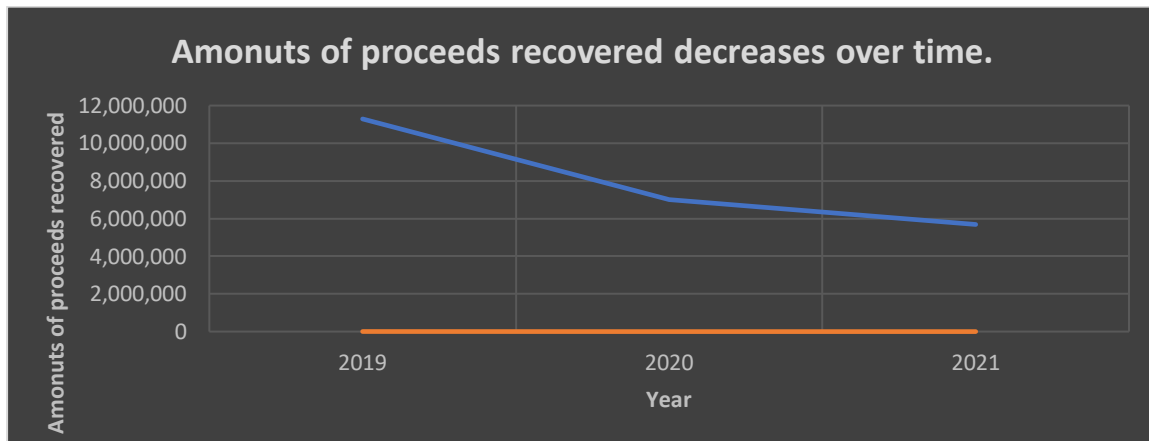
The above graph depicts increasing numbers of law enforcement requests relating to corruption and Bribery. This indicates that the FIU has been instrumental in the work of the Anti-corruption Commission and stakeholder agencies as part of the government commitment to draw a line on corruption and corruption related practices.

**TABLE 2.4-Summary of Prosecutions and Recoveries by the ACC During the Period Under Review**

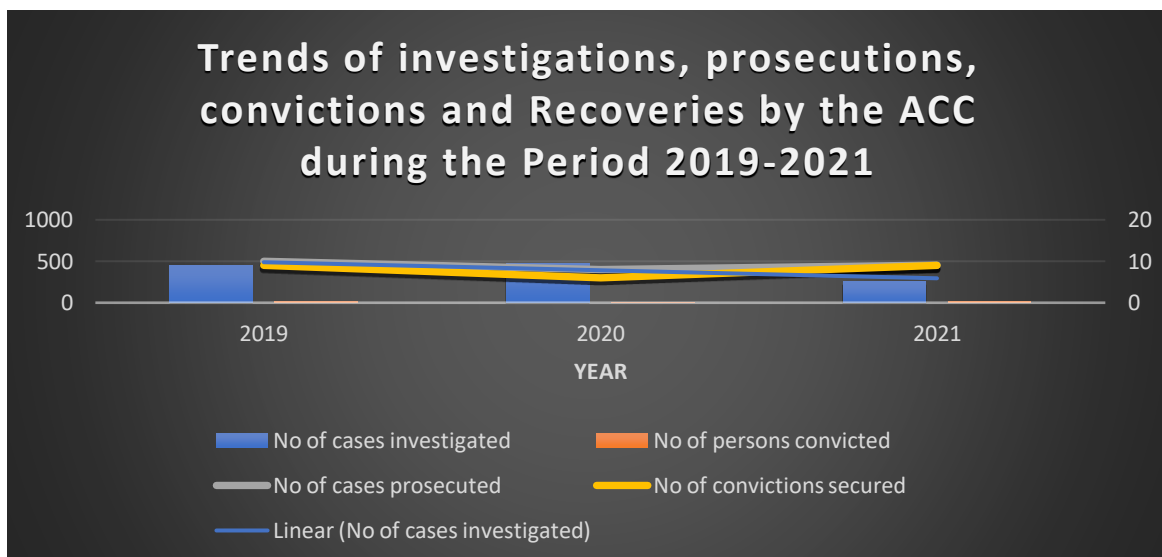
Year	Number of cases investigated	Number of cases prosecuted	Number of convictions secured	Number of persons convicted	Amount of proceeds recovered in New Leones
2019	448	10	9	16	11,290,063
2020	472	8	6	7	7,008,331
2021	254	9	9	13	5,687,488
<b>TOTAL</b>	<b>1,174</b>	<b>28</b>	<b>24</b>	<b>36</b>	<b>23,985,882</b>

This is illustrated by the Graphs that follow:

**Figure 2.6: Prosecutions and Recoveries by the ACC During the Period Under Review**



**Figure 2.7: : Prosecutions and Recoveries by the ACC During the Period Under Review**



The above graphs depict a downward trend in the amount of proceeds of corruption recovered by the Anti-corruption Commission during the period under review. There are also downward trends in the number of cases investigated and prosecuted by the Commission.

This is illustrative of the progress made in the National campaign against corruption including the preventive measures taken by the Commission and partner law enforcement and supervisory authorities.

We note that under powers conferred by section 7 Subsection (1) Paragraph (b) of the Anti-corruption (Amendment) Act 2019, Act No 9 of 2019 the Commission in some cases recovered the amounts stolen or misappropriated and perpetually stay action on the criminal process.

*The Eight Most recurrent predicate offences.*

The table below calibrates the most recurrent predicate offences recorded during the period under review with reference to the number of cases investigated by law enforcement.

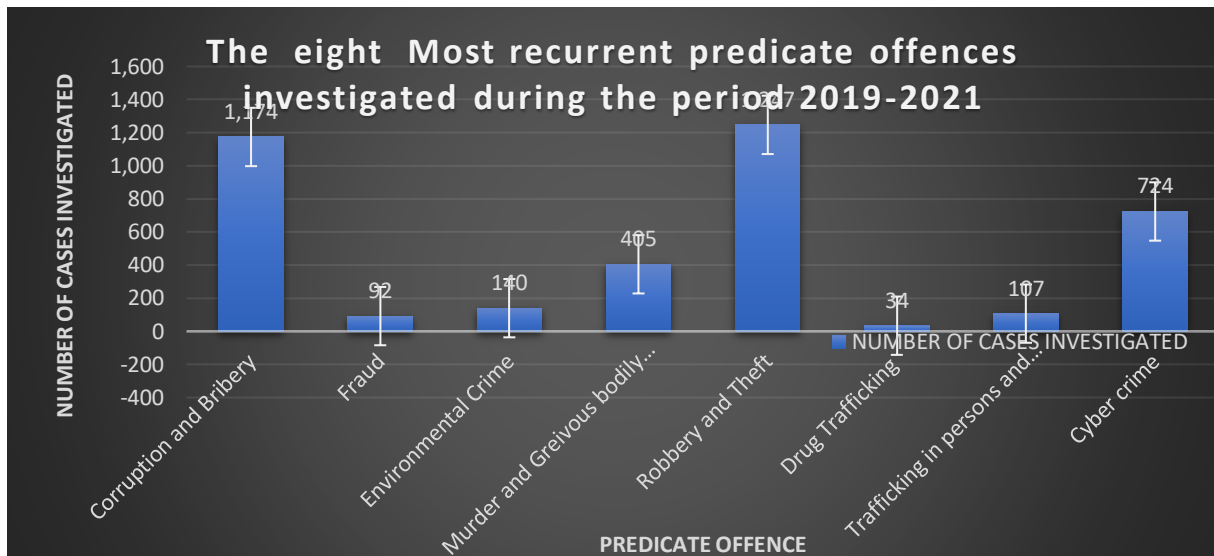
**Table 2.5- The 8 most recurrent predicate offences**

<b>S/N</b>	<b>Predicate offence</b>	<b>Number of cases investigated</b>
1	Corruption and Bribery	1,174
2	Fraud	92
3	Environmental Crime	140
4	Murder and Grievous Bodily harm	405
5	Robbery and Theft	1,249
6	Trafficking In Narcotic Drugs and psychotropic substances	34
7	Trafficking in persons and Migrant Smuggling	107
8	Cybercrime	724

The data in the above table are presented in the chart that follows:

**Figure 2.8: The 8 most recurrent predicate offences**





The illustrative graph indicates that Robbery and theft is the most recurrent predicate followed by corruption, Bribery, and cybercrime.

Moreover, Environmental is becoming increasingly prevalent in in the country. It follows therefore the prevalence of these offences pose a serious threat of money laundering in the country and hence this requires urgent attention by competent authorities.

## 2.3 NATIONAL VULNERABILITY ASSESSMENT

### 2.3.1 NATIONAL VULNERABILITY ASSESSMENT 1-LEGAL FRAMEWORK

#### 2.3.1.1 The Criminalisation of Money Laundering, Terrorism Financing, And Proliferation Financing,

The assessment of our legal framework revealed that tremendous progress has been made in putting in place the legal and institutional framework to build an effective and compliant anti-money laundering and counter-financing of terrorism regime.

**Money Laundering**-Money Laundering is criminalised by section 15 of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended). This was affirmed in the Sierra Leone Mutual Evaluation Report. The Assessors rated section 15 as largely compliant with the exception that the penalty for natural persons is limited to a custodial sentence. They therefore recommend that a financial sentence be included to make it more dissuasive. This has been proposed in the new AML/CFT/PF bill.

**Terrorism Financing** - is criminalised in section 16 of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended).

The FATF Analysis report on Sierra Leone 2015 concluded that the provision was inadequate because it cast a burden on the prosecution to show that the financing is intended for a specific terrorist act and hence non-compliant with FATF Recommendations and applicable United Nations Security Council Resolutions. This concern is addressed in sections 1 and 3 of the Anti-money Laundering and Combating of Financing of Terrorism (Amendment) Act 2019, Act No 3 of 2019. Subsection (2A) thereof criminalises the financing or provision of any support whatsoever to a terrorist, a terrorist group, a terrorist organisation, or a foreign terrorist fighter.

Despite our score in criminalising terrorism financing and related offences assessors are concerned that the country is yet to criminalise terrorism and terrorism related offences. This was highlighted in the MER and remains a major deficiency in the country's legal framework.

It is argued, however, that acts of terrorism can be prosecuted under statutory and common law applicable in Sierra Leone For example, persons can be prosecuted for wounding, Causing Grievous Bodily harm, and wounding with intent to murder contrary to sections 20, 18 and 11 of the Offences Against the Person Act 1861. Persons can also be prosecuted for malicious damage under the Malicious Damage Act 1861.

***Proliferation Financing-*** Another deficiency in our legal framework is the absence of a legislation on targeted financial sanction on proliferation financing highlighted in the MER. This is being addressed in the new Anti-money Laundering and Combating of Financing of Terrorism and Proliferation bill which will hopefully be tabled for enactment before Parliament.

Despite the deficiency related to Proliferation Financing now being addressed in the ongoing review and Sierra Leone is a party to the Treaty on the Non-proliferation of nuclear weapons which came into force on March 5, 1970.

In reference thereto, an agreement was entered into between the Government of Sierra Leone and the International Atomic Energy Agency (IAEA) which was signed on the 10<sup>th</sup> day of November 1977.

The substance of the agreement was to guarantee that the government have in place legal and administrative tools to ensure that no part of our territory is used for the proliferation of Weapons of mass destruction and other antecedent and ancillary matters.

Consequently, Sierra Leone passed into law the Nuclear Safety and Radiation Protection Act 2012, Act No 7 of 2012 “to provide for the establishment of the Nuclear Safety and Radiation Protection Authority to exercise regulatory and supervisory control for the beneficial and peaceful uses of radioactive substances and their applications, including licensing, inspection, and enforcement throughout Sierra Leone among others”.

The progress made in criminalising predicate offences under the second Schedule of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended) is summarised in the manner depicted in *appendix 4*.

## **2.3.2 NATIONAL VULNERABILITY ASSESSMENT 2**

### **2.3.2.1 The Capacity of Law Enforcement Agencies**

The principal law enforcement institutions in Sierra Leone include the Chambers of the Attorney General and Minister of Justice, the Sierra Leone Police, and the Anti-corruption Commission.

The assessment focused on the effectiveness and integrity of investigators, prosecutors and other law enforcement agencies which have been examined under the following heads:

#### **2.3.2.2 The Chambers of the Attorney General and Minister of Justice**

This is also known as the Law Officers’ Department- the Office is established in section 64 of the Constitution of Sierra Leone 1991, Act No 6 of 1991 which designates the Attorney-General and Minister of Justice as the Principal Legal Adviser to Government.

The Law Officers’ Department is compartmentalized into 4 divisions including the Prosecution, Civil, Parliamentary and International Law Divisions.

The institution has the mandate to prosecute all crimes on behalf of the state including Money Laundering and Terrorism financing except for corruption and corruption-related offences under the Anti-corruption Act 2008 (as amended).

To have a quick sense of where it stands following the last Mutual Evaluation Report and the National Risk Assessment a SWOT analysis indicates what needs to be done to improve the current institutional dynamics depicted by the analytical table that follows:

**Table: 2.6 - Law Officers' Department SWOT Analysis**

<b>LOD SWOT ANALYSIS</b>	
<b>STRENGTH</b>	Willingness to carry out their mandate in coordination with other law enforcement authorities.
<b>WEAKNESS</b>	Limited manpower and specialization in the areas of Money Laundering, Terrorism Financing, and Proliferation Financing.
<b>OPPORTUNITY</b>	Employees have now been exposed to the aspect of Money Laundering, Terrorism Financing, and Proliferation Financing through the various capacity-building programs.
<b>THREATS</b>	Limited logistics, poor investigation techniques, and limited cooperation among law enforcement authorities.

### **2.3.2.3 Progress Rating**

On a scale of 10 the progress by the institution during the period covered by this assessment is 5 resulting in a coefficient of 0.50. This has resulted from the present staff capacity and willingness to carry out their mandate in coordination with other law enforcement authorities given the limited resources their disposal.

### **2.3.2.4 Limitations**

Progress is however restricted by the limited manpower and specialization in the areas of Money Laundering, Terrorism Financing, and Proliferation Financing

Bereft of the absence of a designated Unit or division for the investigation and prosecution of money laundering and terrorism financing, the office of the Director of Public Prosecutions (DPP) is mandated to prosecute all offences including but not limited to Money Laundering and Terrorism Financing.

There has however been designated a desk officer who serves as a liaison between the Law Officers' Department and the Financial Intelligence Unit, who has the responsibility to review

case and inquiry files, proffer legal opinions and carry out prosecutions where indictments are preferred.

With respect to the assessment of financial, technical, and human resource base of the institution the coefficient during the period under review stands at 0.30 considering the limited training on investigation and prosecution of financial crime including money laundering, terrorism financing and predicate offences.

However, two capacity building training facilities were availed to staff of the institution during period under review attended by a number of prosecutors in excess of 30.

There has however been little capacity building in the sphere of proliferation financing and matters ancillary and incidental thereto.

### **2.3.2.5 Institutional Independence and General Assessment**

With reference to institutional independence and autonomy in the discharge of their obligation the coefficient during the period under review stands at 0.80. This indicates that there was no incident of interference, pressure, or undue influence during the period under review.

With reference to the reliability and timely access to information, the evidence for the prosecution is accessed in case and enquiry files and in some cases from other law enforcement authorities.

In terms of the capacity of law enforcement, this was further strengthened, as 49 personnel drawn from the various law enforcement bodies had the opportunity to attend 11 capacity-building programs geared towards further improving their knowledge and sharpening their skills to be able to handle investigation/prosecution of ML/TF/PF matters.

The general assessment of the criminal justice administration in Sierra Leone during the period under review is that more needs to be done to achieve the desired goal of seamless administration of justice in all spheres including money laundering, terrorism financing and proliferation financing

**Table 2.7: Summary of Assessment**

Assessed Variable	Coefficient	Source of data
Institutional progress in the discharge of their obligations during the period under review	0.50	LOD Returns on questionnaire
Financial Technical and human resource base of the institution during the period under review	0.30	LOD Returns on Questionnaire.
Institutional independence and autonomy during the period under review	0.80	LOD Returns on Questionnaire

#### **2.3.2.6 The Transnational Organized Crime Unit (TOCU).**

The Transnational Organized Crime Unit (TOCU) is an inter-agency police led formation dedicated to transnational organized Crimes including but not limited to fraud of all forms, trafficking in persons, human smuggling, drug trafficking, arms trafficking, money Laundering, terrorism financing, and offences ancillary thereto. The core mandate of the TOCU includes the investigation, prosecution and disruption of transnational organized criminal activities and networks.

The TOCU is multi-agency platform comprising the Sierra Leone Police, the National Drug Law enforcement agency (NDLEA), the Financial Intelligence Unit and the other intelligence and security agencies. There has, however, been little progress made in the investigation and prosecution of money laundering and terrorism due to limited logistics and inadequate information.

#### **2.3.2.7 Progress Ratings in Terms of Crime Investigations and Prosecutions**

The Crime Service Directorate of the SLP is the designated unit in charge of directing and supervising the investigation/prosecution of crimes within their mandate including ML/TF matters in collaboration with the Attorney-General's Office. However, much has not been done in terms of detecting, investigating and prosecuting Money Laundering and Terrorism

Financing. The Directorate blames this on the legal framework, inadequate financial, technical, and human resource base. This, therefore, impacted their performance; hence, their effectiveness still requires more to keep pace with the current landscape of money laundering and other financial crimes.

With respect to the assessment of the financial, technical, and human resource base of the institution the coefficient stands at 3/10 considering the limited training on investigation and prosecution of Financial Crimes including Money Laundering, Terrorism Financing, and Proliferation Financing.

#### **2.3.2.8 Limitations.**

The strength of the TOCU revolves around inter-agency cooperation in carrying out their mandate. This strength is however counteracted by inadequate training and inability to source information from the Public to aid investigation. There is however a window of opportunity to circumvent the challenges with adequate training opportunities for personnel including supervisors.

The threats that counteract their institutional effort to be more effective in carrying out their mandate include inadequate training facilities, limited financial and material resources and lack of public cooperation in providing information on matters of money laundering, terrorism financing and other financial crimes.

#### **2.3.2.9 Resources, Capacity, and Institutional Independence**

With reference to the assessment of the level of financial, and human resource base of the institution the respondent estimated the coefficient during the period under review at 3/10

With reference to the level of the institution's independence in the discharge of their obligation the coefficient during the period under review stands at 4/10

During the period under review 11 capacity building/training sessions including money laundering, terrorism financing and proliferation financing were availed to 49 staff of the TOCU.

In response to the question on reliability and timely access to information the respondent asserted that sometimes inordinate delays are occasioned and sometime the information received leaves much to be desired.

### 2.3.2.10 The General Assessment

In response to questions on the general assessment of the criminal justice administration in Sierra Leone, the respondents highlighted limitations connected with delays in prosecutions and wider discretion of Magistrates and Judges in handing down sentences for serious offences.

**Table 2.8: Summary of Assessment**

Assessed Variable	Coefficient	Source of data
Level of financial Technical and Human Resource base of the institution during the period under review	0.30	TOCU Returns on Questionnaire
Level of institutional independence and autonomy during the period under review	0.40	TOCU Returns on Questionnaire
Institutional progress in the investigation and prosecution of money laundering/terrorism financing/proliferation financing.	0.40	TOCU Returns on Questionnaire indicating that much progress has not been made

### 2.3.2.11 The Criminal Investigations Department of the Sierra Leone Police (CID)

On The Assessment of the progress made in the discharge of their obligations the respondent indicated a coefficient of 7/10. On the strength of the institution in the discharge of their statutory obligations the respondent indicates that they have ready and willing manpower to carry out their respective mandates enshrined in the Police Act 1964 and other applicable legal instruments. Their strength may however be counteracted by a number of limitations including inadequate resources, and late responses from other institutions in relation to their investigations. The respondent also indicated that the department requires, regular training of investigators to meet global standards.

On the assessment of the level of financial technical and human resource base of the institution during the period under review the respondent reported a coefficient of 6/10.

On the assessment of the level of institutional independence and autonomy, in the discharge of their obligations during the period under review the respondent estimated the confidence



interval at a rate 8/10 and indicated that there has been no incidents of interference, pressure or undue influence during the period under review.

On the area of training and capacity building opportunities availed to staff of the institution, the respondent indicated that many personnel have been trained locally and internationally indicating that 15 personnel benefitted from international training programmes during the period under review. It is also reported that the training and capacity building opportunities hereby contemplated included modules on money laundering, and terrorism financing.

In relation to access to information during criminal investigations and prosecutions it is sometimes difficult to access reliable information on a timely basis.

**Table 2.9: Summary of Assessment**

Assessed Variable	Coefficient	Source of data
Level of financial, technical and human Resource base of the institution	0.60	CID Returns on Questionnaire
Institutional independence and autonomy	0.80	CID Returns on Questionnaire
Institutional progress in the discharge of their obligation during the period under review	0.70	CID Returns on Questionnaire

### **2.3.2.12 The Judiciary of Sierra Leone**

The Judiciary is established and constituted by Part VII of the Constitution of Sierra Leone 1991, Act No 6 of 1991 and charged with the responsibility to administer justice at all levels within the jurisdiction of Sierra Leone.

The enabling laws and regulations include the Constitution of Sierra Leone 1991, Act No 6 of 1991, the Courts Act 1965, the High Court Rules 2007, the Court of Appeals Rules 1985, and the Supreme Court Rules, Public Notice No 1 of 1982 and other applicable legal instruments.

The institutional framework comprises the Chambers of the Chief Justice, the High Court, the Court of Appeals, and the Magistrate Court. The respondent reported that there is no specialized

division within the judiciary for the adjudication of Money Laundering, Terrorism Financing or Proliferation Financing.

During the period under review, little or no progress has been made in the adjudication of Money Laundering, and Terrorism Financing. This is assessed through the judicial Case Management Systems, which look at court returns and individual case reports.

The strengths of the institution in adjudicating cases of money laundering, and terrorist financing is assessed by the respondent as **medium**.

There are several limiting factors that besets the adjudication of cases of ML/TF/PF. These include the lack of specialized courts, and fewer cases been prosecuted. These can be addressed by the establishment of a specialized court for financial crimes including money laundering, terrorism financing and proliferation financing, training of judges and magistrates, review of the rules of courts and other enabling legislations.

The judiciary is further requiring more financial support, capacity building, technical support, and coordination with other stakeholders.

On the assessment of the level of institutional independence and autonomy in the discharge of its obligation during the period under review the respondent reported the confidence interval at a coefficient of 9/10 given that there has been no incidents of interference, pressure, or undue influence to bear on the judiciary during the period under review.

### **2.3.2.13 The Anti-Corruption Commission (ACC)**

The ACC is a corporate entity established by Section 2 of the Anti-Corruption Act, 2008, Act No. 12 of 2008 (as amended). The Commission was recalibrated as an independent entity in the said Act, (Act No 12 of 2008) where it derives sufficient powers to investigate and prosecute cases of corruption and corruption-related matters without the requirement of a fiat to be issued by the Attorney-General and Minister of Justice. When the ACC was established in the year 2000, by an Act of Parliament, it was placed under the direct control of the Attorney General and Minister of Justice with powers to grant fiats to the ACC Commissioner to prosecute corruption and corruption related cases.

The Anti-Corruption (Amendment) Act, 2019, Act no 9 of 2019 specifies categories of public officers from whom the declaration is required under subsection (1) of section 119; to increase

penalties for offenses under the Act, and for other related matters. Notwithstanding that, the ACC was established to take specific concrete actions to nip corruption in the bud; carry out public education on corruption and corruption-related matters; take deliberate actions to prevent corruption; investigate all corruption offenses and prosecute same in the court of law. The ACC also investigates and prosecutes ML/TF and procurement violations.

The ACC is reported to have investigated 5 Money Laundering, cases.

Much as the strengths can embolden the work of the ACC, challenges such as want of the required technology and equipment; poor conditions of service; for operations are bumps on the highway capable of counteracting the fight against corruption.

On the assessment of the level of autonomy and independence of the Commission in the discharge of their obligations, the ACC holds itself to be independent with no powers above interfering with their work. So far, their level of independence and autonomy stands at a coefficient of 100%. The respondent also indicated that during the period under review, they had not experienced any incidents of interference, pressure, or undue influence.

On the General assessment of the prevalence of corruption in Sierra Leone during the period under review, the respondent indicated that the incidents of corruption have been taking a downward trend during the period under review.

### **Transformations of the ACC**

The year 2020 witnessed a remarkable transformation, especially in the Asset Declaration process. The Anti-Corruption Commission Act, 2008, Act No 12 of 2008 was amended by the Anti-Corruption Commission (Amendment) Act, 2019, Act No 9 of 2019 which objective, among others, was to make the Asset Declaration exercise more efficient and manageable. The 2019 Act reduced the categories of public officers that were to declare their incomes, assets, and liabilities with the Commission, thereby limiting it to public officers in grade 7 and above, and those in lower grades with fiduciary responsibilities. This also covers Politically Exposed Persons (PEPs), who enter public life either by elections or political appointments.

The 2019 Act also imposed 'Administrative Sanctions' on public officers who failed to submit their ADFs to the Commission within the stipulated deadline. Section 10 of Act No 9 of 2019 amended section 122 of Act No 12 of 2008 by the insertion of a new section (122A) in which it is provided that where the Public Officer fails to comply with a default notice issued by the

Commission the Commissioner shall direct that the Accountant General, the Director of Human Resource Management Office or an officer responsible for the payment of salary as the case may be to-

- a) Withhold the salary of the Public Officer.
- b) Suspend the Public Officer not more than three months; and
- c) Dismiss the Public Officer after three months”

### **Asset Declaration Forms**

For the year 2020, the ACC collected 25,913 ADFs compared to 2019 in which only 17,212 forms were collected. This shows a 48% increase in the asset declaration. Even though the number of outstanding forms is also huge at 14,483, it is relatively lower when compared to the 19,233 outstanding forms in 2019.

### **International Corruption Indexes/ratings and Country Rankings**

Sierra Leone recorded its highest score of 83% in 2021 in the “control of corruption” indicator, which was an additional 2% of its previous score in 2020. The matrix below indicates the highlight of the various scores.

**Table 2.10: The 8 most recurrent predicate offences**

Organization/Index	2019 score/Rank	2020 score/Rank	2021 score/Rank
Millennium Challenge Corporation Scorecard	79%	81%	83%
Transparency International Corruption Perception Survey	119 (ranking)	117 (ranking)	115 (ranking)
Transparency International Corruption Perception Index	33 (score)	33 (score)	34 (score)

### ***Sierra Leone International Performance Ratings and Indexes 2019-2021***

#### **2.3.2.14 The National Revenue Authority (NRA)**

##### ***Establishment and object***

The National Revenue Authority (hereinafter referred to as “NRA”) is a corporate entity established by section 3 of the National Revenue Authority Act 2002, Act No 11 of 2002 charged with the responsibility of assessing and collecting domestic taxes, customs duties, and other revenues specified by law as well as administering and enforcing laws relating to revenue.

The object for which the authority is established as indicated in section 15 subsection (1) is to administer and enforce revenue laws promulgated for the assessment and enforcement of collection of revenues or other moneys raised or received for the purpose of or on behalf of the Government of Sierra Leone.

### **Enabling Statutes and regulations**

The enabling laws, and regulations include the following.

- ❖ The National Revenue Authority Act 2022, Act No 21 of 2022
- ❖ The Customs Act 2011
- ❖ The Finance Act 2022, Act No 1 of 2022
- ❖ The Income Tax Act 2000
- ❖ The Goods and Services Act 2009
- ❖ The Extractive Industry Revenue Act 2018
- ❖ The Electronic Cash Transfer Regulations 2021
- ❖ The Transfer pricing Regulations 2021

### **Institutional framework**

The respondent assessed the progress made during the period under review in combating tax and revenue related violations as medium high. This was substantiated stating the establishment of the Revenue Intelligence and Investigation Department (RIID), the Data Analytical Unit, Data Warehouse Projects and the introduction of key revenue reforms through automation of NRA processes and procedures. Among them are the ECR, ITAS, BMS, and the ASYCUDA World Systems.

### **Investigation of Tax Evasion and revenue related violations**

To investigate tax and revenue related violations the institution established the Revenue Intelligence and Investigation Department (RIID) and the Anti-smuggling Unit of the customs Department. These newly established Divisions are empowered by-

- i. the approval of the NRA Board in 2021,
- ii. the Criminal Section of the Income Tax Act 2000,
- iii. the Customs Act 2011, and
- iv. the Goods and Services Act 2009.

**The Human Resource base of the institution**

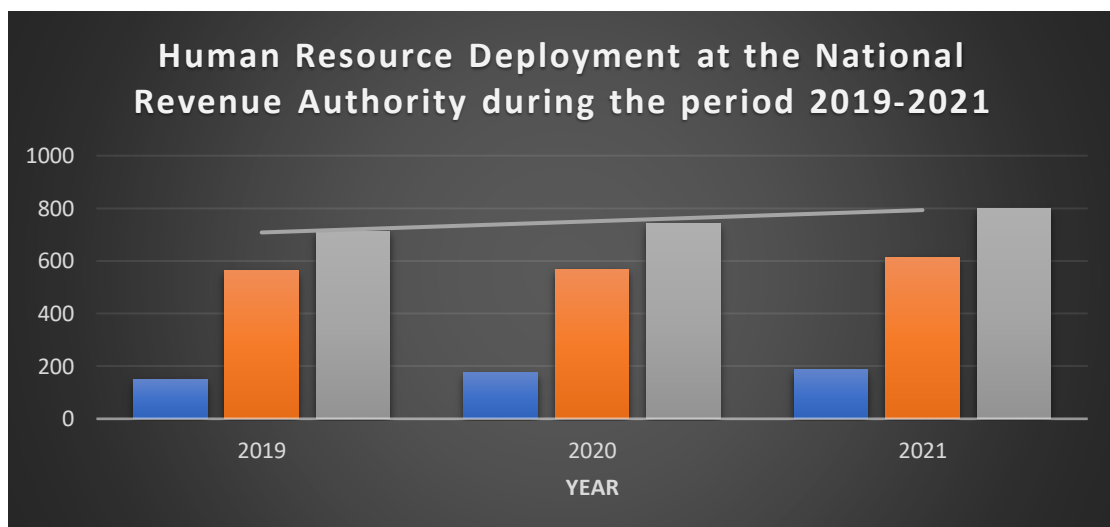
On the Sphere of human resources provided for the Institution to effectively perform its statutory mandate the following matrix summarises the human resource deployment during the period 2019-2021:

**Table 2.11-Matrix of Human Resource Deployment at the NRA during the Period 2019-2021**

Year	Female	Male	Total
2019	151	562	713
2020	175	566	741
2021	186	613	798

The data in the matrix above is represented in the following graph:

**Figure 2.9: Human Resource Deployment at the NRA during the Period 2019-2021**



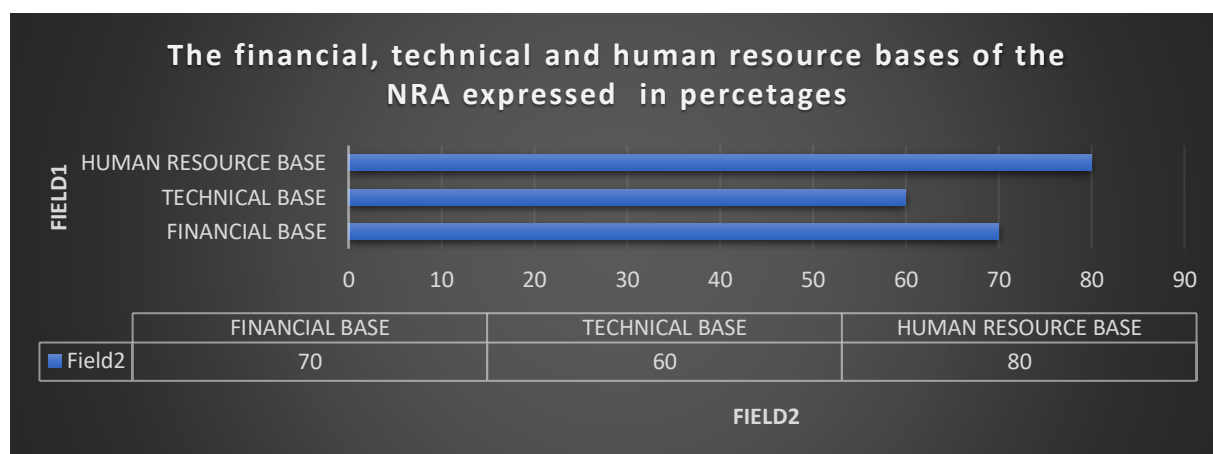
On the assessment of the level of financial technical and human resource base of the institution during the period under review the following table represents the respective coefficients.

**Table 2.12- Resource base of the National Revenue Authority**

Measured Variable	Conservative Estimates in percentages
Financial Base	70%
Technical Base	60%
Human Resource Base	80%

The set of data in the above table are represented in the following chart.

**Figure2.10: Resource base of the National Revenue Authority**



### **Institutional autonomy and independence**

On the assessment of the level of institutional independence and autonomy, the respondent indicated a coefficient of 8/10 meaning that the Authority is highly independent with little room for improvement.

The respondent however indicates that there had been no incidents of interference, pressure, or undue influencer during the period under review as the government is heavily reliant on revenue collected by the Authority.

## **Training and Capacity Building**

In response to the questions on training and capacity building opportunities for staff of the institutions during the period under review the following were reported:

- 9<sup>th</sup> Knowledge Academy, Trade & Tarriff Affairs, Compliance, Facilitation and Capacity Building.
- Anti-corruption and Integrity promotion
- Extractive Industry Taxpayer compliance, Risk Management Strategies.

A total of 8 staff benefitted from the training and capacity building opportunities highlighted during the period under review. The training sessions received by the staff during the period under review where somehow related to money laundering, terrorism financing and proliferation financing. Such training sessions are regularly conducted both at national and international level. The said training sessions were followed by improved staff motivation and improved job performance.

## **Investigation- progress and limitations**

On the area administrative investigation, 42 staff were investigated during the period under review leading to interdictions, terminations, and dismissals.

As a result of the revenue violation investigation carried out during the period under review, the authority recovered moneys which would otherwise have been lost.

In relation to accessing information to aid investigation, access to information is sometimes problematic.

The following table summarises the number of cases investigated by the authority during the period 2019-2021

**Table 2.13-Number of Revenue violation cases investigated by the National Revenue Authority**

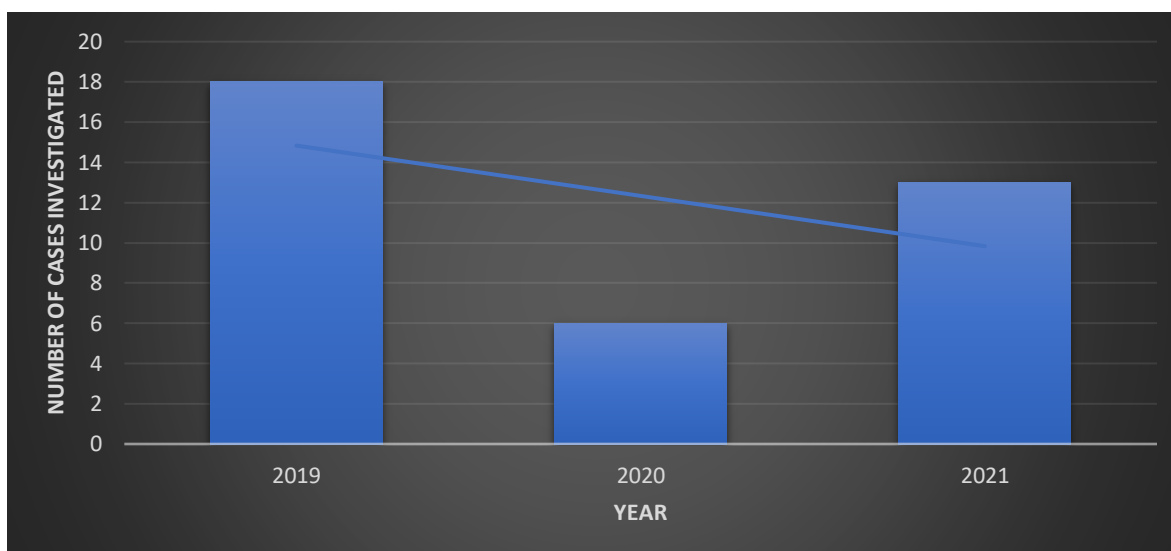
Year	Number of cases investigated.
2019	18
2020	6



2021	13
TOTAL	37

The data in the matrix above are presented in the following chart.

**Figure 2.11: Revenue violation cases investigated by the National Revenue Authority**

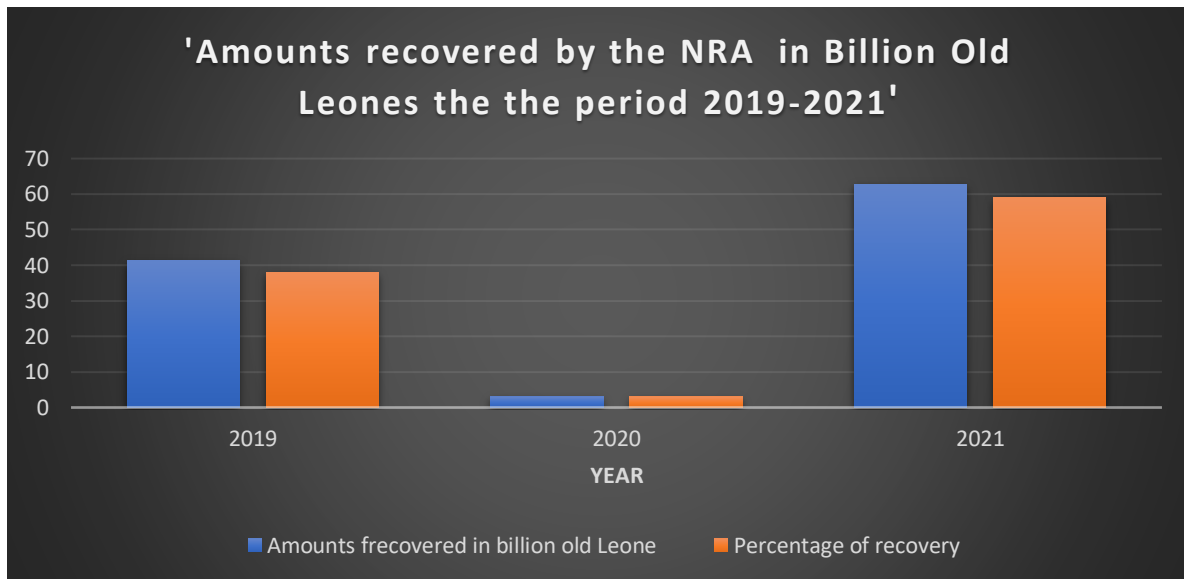


The following table summarises the level of success in recovering funds for on behalf of government.

**Table 2.14 - Funds Recovered by the NRA as a Result of Investigations Carried out During the Period 2019-2021**

Year	Amounts recovered (Old Leones)	Percentage of recovery
2019	41.2 billion	38%
2020	3.04 billion	3%
2021	62.8 billion	59%
Total recoveries	107.04 billion	100%

**Figure 2.12: Funds Recovered by the NRA as a Result of Investigations Carried out During the Period 2019-2021**



Out of 18 customs points available in the country, 15 are manned by staff of the Authority, and 3 are manned by volunteers. The customs volunteers are managed and supervised by the National Revenue Authority Administration Anti-Smuggling Unit (ASU), the Customs Department and Revenue Intelligence and Investigations Department (RIID). Some volunteers are managed under the Whistle blower policy of the RIID.

The general assessment is that all major crossing points are currently manned except for some coastal areas which could not be covered due to logistical challenges including patrol boats and armed guard.

### **RECENT DEVELOPMENTS IN THE LEGAL AND INSTITUTIONAL FRAMEWORK OF THE AML/CFT REGIME IN SIERRA LEONE POST 2017 NRA REPORT**

The Government of Sierra Leone passed into law the COMMISSIONS OF INQUIRY (EXAMINATION, INQUIRY, AND INVESTIGATION NOTICE (1), 2018, Constitutional Instrument No 64 of 2018 pursuant to Subsection (2) of Section 147 of the Constitution of Sierra Leone 1991, Act No 6 of 1991. This paved the way for the establishment of Commissions of Inquiry to investigate the alleged misappropriation of public funds by Senior Government Officials during the period 2007-2018

Following the submission of the report and the publication of the Government's White paper, government properties were adjudged to be corruptly acquired by former government officials. Some are yet to be confiscated pending the hearing and determination of appeals against the finding of the Commissions of Inquiry.

Appendix 5 shows the progress in asset seizure and confiscation resulting from the Commissions of Inquiry and the Government's White Paper that follows whereas the recent Legislative Reforms/Amendments which enhances the capacity of Competent Authorities to recover proceeds and instrumentalities of crime is reference in appendix 6.

### **Limitations to the Asset Recovery Regime in Sierra Leone**

- Legal limitation on the country's ability to enforce foreign judgments and Court orders without the requirement of reciprocity.
- Legal limitations on the country's ability to apply for civil forfeiture of proceeds and instrumentalities of crime.
- Limited resources at the disposal of the Unit and Law enforcement.

In terms of improving the strengths and opportunities that exist, a knowledge and capacity gap analysis would expose the need for further interventions that might counteract the existing limitations. Law enforcement officials would need to develop more traction or footholds to embolden efforts in combating money laundering, terrorism financing and proliferation financing.

### **FINDINGS**

- ❖ State prosecutors and investigators have been exposed to training and capacity building opportunities in the spheres of money laundering, terrorism financing and to a limited extent, proliferation financing though the law enforcement sector is yet to put together the critical mass of specialists in these areas to enhance our ratings in terms of effectiveness.
- ❖ The anti-corruption commission has been making tremendous strides in recovering stolen or misappropriated funds by public officials during the period under review. However, ACC's is limited in scope without the mandate to investigate and prosecute corruption in the private sector.

- ❖ The downward trends in the number of cases investigated and prosecuted by the Anti-corruption Commission and the amount of funds recovered from corrupt public officials following corruption investigations indicate a decrease in the recurrence of corruption and corruption related incidents in the country. However, corruption remains a serious phenomenon which requires more support for the Commission in its effort to build technical, human resource and financial capacity.
- ❖ The Government has passed into law the Cyber security and Crime Act 2021, Act No 7 of 2021 to enable competent authorities to investigate and prosecute cybercrime and related offences and it has also established Cybercrime Unit within the Criminal Investigations Department (CID) and other form of abuse of the cyberspace.
- ❖ Additionally, the Ministry of Information and Civic Education has established the Cyber security Coordination Unit with specialists dealing with issues of cyber security and other forms of computer-related violation.
- ❖ The Hon. Chief Justice has established a specialized division of the High Court for the adjudication of corruption matters which has led to a dramatic increase in the number of prosecutions and convictions in corruption and corruption related cases during the period under review.
- ❖ The recalibration of the Anti-corruption Commission as an independent entity with sufficient powers to investigate corruption and prefer indictments without the need for a preliminary investigation has led to a dramatic increase in the number of prosecutions, convictions, and recoveries during the period under review.
- ❖ There has been tremendous transformation of the National Revenue Authority in the areas of Technical, Financial and Human Resources and hence the capacity of the Authority to mobilize revenue and combat tax evasion and other revenue related violations is at a high level. However more needs to be done in enhancing the technical capacity of Authority and upgrading related national infrastructure including power supply and internet connectivity.
- ❖ There is a proliferation of NPOs and INGOs without a system of financial vetting to ensure that their sources of funds are legitimate, and this represents a vulnerability within the system.

- ❖ There is a proliferation of religious houses without a mechanism for proper financial vetting to ensure that they are not used for the laundering of criminal proceeds, the financing of terrorism or other unlawful activities.
- ❖ There are weak database management systems in most law enforcement agencies and this requires the urgent attention of competent authorities.
- ❖ The porosity of sea borders remains a challenge to the country's effort to curb smuggling and the importation of prohibited goods.
- ❖ The influx of people of different nationalities without proper documentations is a serious threat that needs to be addressed as a matter of urgency.
- ❖ Illegal fishing and other forms of maritime violation represents a serious threat of money laundering and terrorism financing.
- ❖ The movement of cash across borders remains one of the major challenges and it requires a national effort to combat money laundering and terrorism financing.

#### **2.4 RECOMMENDATIONS.**

- ❖ Increase funding in enhancing the financial, technical, and human resource capacities of the Anti-corruption Commission for the timely and efficient disposal of corruption and corruption related cases.
- ❖ Institute legal reforms to confer powers on the ACC to prevent, detect, investigate, and prosecute corruption in the private sector.
- ❖ Provide adequate ICT infrastructure for use by the Cyber Security Unit at the CID and the Cyber Security Coordination Unit within the Ministry of Information and Civic Education.
- ❖ Establish a working relationship between the CID and the Ministry of Information and Civic Education for a successful implementation of the cyber security system established by law.
- ❖ Provide training and capacity building opportunities for law enforcement officers on cybercrime and computer related violations for effective investigations and prosecutions.
- ❖ Fast-track the enactment of the counter-terrorism legislation now in the process to fully criminalize terrorism and terrorism related activities and provide for other processes in handling cases of actual or potential terrorism.

- ❖ Fast-track the enactment of the Anti-money Laundering and Combating of Financing of Terrorism and proliferation Financing Bill 2023.
- ❖ Review the Customs Act 2011, Act No 9 of 2011 to fully criminalize smuggling and related activities.
- ❖ Introduce legal reforms to fully criminalize illegal restraint and hostage taking and provide for adequate sanctions to make it more dissuasive and legal reforms to fully criminalize sea piracy and related offences.
- ❖ Fast- track the enactment of the Bill entitled THE SECURITIES AND EXCHANGE ACT 2021 that fully criminalizes insider trading and market manipulation.
- ❖ Establish a division within the Law Officers Department dedicated to the prosecution of financial crimes including money laundering, terrorism financing and proliferation financing.
- ❖ Establish a Financial Crimes Investigation Task Force dedicated to the investigation of financial Crime including money laundering, terrorism financing and proliferation financing.
- ❖ Increase funding/support in technology and cyber security to keep pace with the increased abuse of the cyberspace for money laundering, terrorism financing, proliferation financing and other forms organized crime.
- ❖ The specialized division of the High Court established by the Chief Justice for the adjudication of corruption offences should consider other financial crimes including money laundering, terrorism financing, and proliferation financing.
- ❖ Designed a tailored filing system in the High Court to guarantee speed and confidentiality in the determination and disposal of cases of money laundering, terrorism financing and proliferation financing.
- ❖ Allocate resources for training and capacity building for judges in the spheres of money laundering, terrorism financing and proliferation financing.
- ❖ Deploy more resources in energy supplies, internet connectivity and the procurement of ICT infrastructure to enhance the capacity of allied ministries, departments, and agencies to combat cybercrime and other forms of computer abuse to strengthen the hand of the National Revenue Authority in their effort to mobilize revenue and combat revenue related violations.

- ❖ Invest more in strengthening the capacity of the Provincial and Border security Unit and establish a department within the Office of National Security for the Management of Border areas to reduce the rate of smuggling which occasions a loss of revenue.
- ❖ Establish a framework for cooperation between the National Revenue Authority and the Anti-corruption Commission to effectively mobilize revenue and combat revenue related violations.
- ❖ Establish a data bank for law enforcement agencies to ease access to data for the purposes of review, assessment and periodic reporting on the country's progress in combating money laundering, terrorism financing, proliferation financing and other predicate offences.
- ❖ Develop a concept paper for technical Assistance by international partners to aid the operationalization of the National Implementation Plan.
- ❖ Institute legal reforms to establish a specialized Unit for the preservation, management and disposal of proceeds and instrumentalities of crime.

## **CHAPTER 3. THE ML/TF RISKS ASSOCIATED WITH ENVIRONMENTAL CRIMES IN SIERRA LEONE**

### **3.1 INTRODUCTION**

Environmental crimes cover the activities that breach environmental legislation and cause significant risk to the environment. It has been recently identified as one key area of concern in the fight against money laundering and terrorist financing. According to a report by the Financial Action Task Force (FATF) titled: **Money Laundering from Environmental crimes (July 2021)**, “Environmental crime covers a wide range of activities, from illegal extraction, trade of forestry and minerals to illegal land clearance and waste trafficking”.

Open-source information reveals that businesses that cause environmental hazards generate large amount of illicit proceeds for criminal network. Timber logging, illegal construction of buildings in prohibited areas and mining account for some of the worst environmental crimes in Sierra Leone. Thus, this assessment highlights the money laundering vulnerabilities in environmental crimes in Sierra Leone.

### **STATUS OF ENVIRONMENTAL CRIME IN SIERRA LEONE**

Sierra Leone recorded one hundred and forty (140) environmental crimes investigated between 2019/2021 and only twenty-three (23) were prosecuted without conviction. The Environmental Protection Agency of Sierra Leone’s Strategic Plan 2017-2021 discussed that Sierra Leone is richly endowed with natural resources ranging from freshwater, wetlands, biodiversity, wildlife, fisheries, and mineral resources, however, the exploitation and utilization of these resources does not reflect on the standards of living of the citizenry. Most people live in poverty as a result majority of the population depend on the natural resources for their livelihood. Poverty and the increasing population are the major drivers and threats to natural resource exploitation.

Between 1990 and 2000 the country lost 36,000 hectares of forest cover annually leading to 3 percent forest cover change. Forests are threatened by charcoal production and fuel wood collection for the economic needs of both rural and urban populations, encroachment, logging, slash and burn agriculture results in land degradation. Unsustainable farm practices and illegal mining activities have intensified pressure on natural resources. The activities of miners result in land degradation through loss of vegetation cover, soil erosion, and contamination of water sources. (*EPA Strategic Plan 2017-2021*).



## **FISHERIES IN SIERRA LEONE**

Sierra Leone has introduced a range of new Fisheries policies and regulations including:

- Sierra Leone Fisheries law does not permit any fishing vessel to fish within 12 Nautical Miles of the Inshore Exclusion Zone or IEZ.
- Heavy fines and sanctions for violations of the Fisheries Act and Regulations (Administrative fines).
- Vessel monitoring systems (VMS) have been installed on all licensed fishing vessels allegedly providing 100% observer coverage on all fishing vessels.
- Management measures such as the fishing closed season is being implemented for industrial fishing vessels.

Foreign illegal fishing vessels have multiplied, plundering the rich waters of Sierra Leone. It is estimated that the country loses almost \$29 million every year to illegal fishing operators – a potential developmental income that local communities and the government cannot afford to lose.

Several industrial fishing vessels have faced arrests due to violations of the Fishing Act of Sierra Leone. These foreign vessels have consistently failed to adhere to the terms outlined in their license agreements, engaging in overfishing, and disregarding their quota restrictions as stipulated in the agreements. They have also been involved in various fishing malpractices, including encroachment into the Inshore Exclusion Zone (IEZ) reserved for artisanal fishers, capturing juvenile fish, and exporting their catches without accurately reporting their figures to the authorities, all of which are in direct contravention of the Fishing Act.

## **DEFORESTATION**

About 38% of Sierra Leone's remaining land covered by forest is decreasing, principally as a result of anthropogenic activities which can all be attributed to poverty as the underlying cause of much of the forest degradation and deforestation. The main drivers of deforestation in Sierra Leone are: urbanisation, mining and quarrying, agriculture slash and burn farming, fire wood and charcoal production and timber production.

## **WILDLIFE CONSERVATION**

Sierra Leone's predominant natural vegetation is the western extremity of the Upper Guinean Forest formation, though much of the forest is now degraded and occupied by agricultural land, savannas and other secondary vegetation. Approximately 70% of the country was formerly covered by forest, but less than 5% of original intact forest remains. Nevertheless, the country contains rich indigenous flora and fauna including important endemic species, and internationally rare and threatened species. Indigenous flora and fauna exceed 2000 species of vascular plants, 46 amphibians, 69 reptiles and 600 bird species. Almost 200 species of mammals include 15 primates and 18 antelopes. Of these at least 27 vertebrate species and 47 vascular plant species are recognised as globally threatened. The Gola Forest alone has 14 bird species of global conservation concern. As more information is gathered on more cryptic or less studied groups, the number of species overall will increase along with the number of endemic and/or threatened species. Currently 48 forest reserves and conservation areas cover about 4% of the land area of Sierra Leone. However, Outamba Kilimi National Park and Tiwai Island Wildlife Sanctuary are the only areas gazetted primarily for wildlife conservation (though other areas are informally designated as such), which combined comprise approximately 1.5% of the national land area. Currently there are no marine protected areas. The national Biodiversity Strategic Action Plan identified other priority areas for conservation: Gola Forest Reserves, the Western Area Peninsula Forest Reserve, Loma -Tingi Complex, Outamba Kilimi National Park, Mamuta Mayoso, Yawri Bay, Lakes Mape and Mabesi and Kangari Hills, which combined would bring the national wildlife conservation estate to about 2.5% of total land area, and which are projected to contain 80-90% of the country's terrestrial indigenous flora and fauna.

The 2008 Environmental Protection Agency Act, which repeals the former Act, established the Sierra Leone Environmental Protection Agency (SLEPA) with authority for technical implementation and licensing of environmental management activities. Policies, laws and regulations governing local government, land rights, land use planning and terrestrial and aquatic natural resource use intersect with, and need to be consistent with, those governing wildlife. Wildlife conservation faces some serious challenges in Sierra Leone:

- Lack of awareness among the general population and other sectors about benefits of wildlife conservation;

- National and local poverty and its impact on availability of financial resources and concomitant priorities for budget and extra-budgetary allocations resulting in insufficient human and financial resources for effective wildlife conservation;
- Depletion of wildlife and degradation of natural ecosystems;
- Lack of up-to-date information on wildlife resources and status of ecosystem;
- Detrimental impacts on biodiversity of poor coordination, conflicting policies, conflicting mandates and land use practices at national, sub-national, local and community levels;
- Unclear and uncertain tenure arrangements of forest reserves, including those designated primarily for wildlife conservation.

### **3.2 AML CONTROL VARIABLES**

This assessment is based on the AML control variables, from the study it was revealed that there is a high awareness of environmental crimes by the stakeholders and the public. There are clear definitions in the Environmental Protection Act 2000, Act No 2 of 2000 of what constitute as crimes against the environment. However, the knowledge of the link between environmental crimes and ML/TF is **very low** but this is further assessed below:

#### **EFFECTIVENESS OF REPORTING AND WHISTLEBLOWING**

The establishment of the Environmental Protection Agency and the Ministry of Environment is to provide leadership and technical advice on how to protect and preserve the environment. Sections 41 and 42 of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended) command all reporting entities to report suspicious transaction or activities and any other information that may assist law enforcement. There is no record of suspicious transactions in the sector. There is a complete lack of AML/CFT supervision authority in this sector and a vague understanding of what constitutes ML/TF suspicious transaction. Reports indicate that the whistleblowing and reports the EPA receives do not include any ML/TF issues. This area is rated **low**.

#### **EFFECTIVENESS OF THE FIU**

The FIU was established by the AML/CFT Act 2012 (as amended) to coordinate the fight against money laundering and terrorist financing. Section 41 of the Act mandates all reporting entities to file in suspicious transaction report to the Unit. However, the Unit confirmed that it

is yet to receive an STR dealing with environmental crimes. The AML/CFT Act 2012 (as amended). The Unit in collaboration of other competent authorities have put up some strong measures in place against ML/TF in financial institutions and other designated non-financial businesses and professions. However, this legal framework falls short of addressing issues in the environmental crimes. Based on this, the variable is rated **medium**

### **QUALITY OF INTELLIGENCE**

The intelligence used by law enforcement agencies to fight crime is generally assessed as good. The FIU for instance relies on evidence-based reports from reputable financial and non-financial institutions to analyse before making recommendations. The cases recorded by the researchers were obtained from the Sierra Leone Police and the Judiciary of Sierra Leone. This variable is rated **medium**

### **CAPACITY OF DESIGNATED AUTHORITY**

There is no ML/TF supervisory authority for environmental crimes. The Ministry of environment and the environmental protection agency have key responsibilities to manage the environment. The EPA has the authority for technical implementation and licensing of environmental management activities. Policies, laws and regulations governing local government, land rights, land use planning and terrestrial and aquatic natural resource use intersect with, and need to be consistent with, those governing wildlife. However, there is a lack of ML/TF supervisory capacity. Therefore, this variable is rated **medium low**

### **INTEGRITY AND INDEPENDENCE OF PROSECUTORS AND JUDICIARY**

On the assessment of the level of independence of prosecutors and judiciary, the respondent indicated a 7/10. This means that the judiciary is highly independent with some improvement needed. The respondents also indicated that there has been no incidents of interference, pressure, or undue influencer during the period under review. Thus, this variable is rated **high**

### **INTEGRITY AND INDEPENDENCE OF LAW ENFORCEMENT AND CUSTOMS**

There are relevant provisions that dictates the integrity and independence of law enforcement and customs in discharging their duties to fight associated risks that relate to environmental crimes. Further checks are implemented for new employees and disciplinary/administrative measures are adopted on any employees for corruption related charges. Due to the integrity and independence of law enforcement, Sierra Leone recorded one hundred and forty (140)

environmental crimes investigated between 2019/2021 and only twenty-three (23) were prosecuted without conviction. Therefore, this variable is rated **high**.

#### **EFFECTIVENESS OF LEGAL FRAMEWORK FOR ENV & NR VIOLATIONS**

There is a legal framework for environmental violation and as a country we also have structures/institutional framework like Ministry of Environment, Ministry of Fisheries, Environmental Protection Agencies and National Protected Area Authority all gearing towards combating environmental violations or enforcement of the laws based on effectiveness. As a result of the laws, classification has been made on certain areas as reserved forest, national parks based on designation in line with international standards but they are ineffective in pursuing violations and there are also inadequate enforcement of sanctions as prescribed by the AML regulation. Asset recovery/management is poorly implemented and there is no incentive for reporting environmental violations. This variable is rated **medium** as a result of the above.

#### **EFFECTIVENESS OF CUSTOMS AND BORDER CONTROLS**

At the major border crossing points, state actors (Customs Authorities, FIU and other state apparatus) are effective in discharging their duties as prescribed by the Customs Act 2011 and Part VII of the AML/ CFT Act 2012 to manned trade that are related to environmental crimes and other predicate offences. Domestic cooperation is effective and they are capacitated to carry out border control measures. But open source has revealed that there are 961 border crossing points and these places are not effectively manned as a result of limited resources. Illicit trade related to environmental crimes may occur in places where there are no customs and border controls. Therefore, this variable is rated **medium**.

#### **EFFECTIVENESS OF PREVENTATIVE LAW ENFORCEMENT**

Part VII of the AML regulation provides LEAs to adopt preventive mechanisms to fight against money laundering and other predicate offences in Sierra Leone. Based on this provision, the fight against environmental crimes have been adopted by concerned authorities (MoE, MoF, EPA and NPAA) through seminar, workshops and awareness raising programs to ensure sanity within this sector. Collaboration is effective between stakeholders and staff are capacitated to meet emerging issues. Therefore, this variable is rated **high**.

## **ENV & NR CRIME MONEY LAUNDERING COMBATTING ABILITY**

Money Laundering is a derivative crime that could be emanated from fraud, corruption, tax evasion and environmental crimes, to name but a few, so all hands should be active. The way forward, is the document initiated by Environmental Protection Agency, titled, Sierra Leone's Strategic Plan 2017-2021 with a focus on the country natural resources ranging from freshwater, wetlands, biodiversity, wildlife, fisheries, and mineral resources but the exploitation and utilization of these resources does not reflect on the standards of living of the citizenry. All sectors ranging from LEAs, customs and border controls and other preventive mechanisms should be implemented but limited in certain areas for realization of the benefit of the environment. This variable is rated **medium** as result of the above assessment.

## **INSTITUTIONAL MECHANISM**

Sierra Leone has a formidable constitutional and legal framework to tackle environmental crimes. Environmental degradation amounting to environmental crimes is a serious problem in the country, from artisanal mining to building in prohibited areas, illegal timber logging and illegal disposal/burning of refuse.

The crucial roles in the fight against environmental mishaps in Sierra Leone is mitigated by the Ministry of Environment that is dedicated to ensuring all sectors of Sierra Leone value and undertake sound environmental management and prudent use of natural resources provides leadership on the development and supervision of the legal and policy framework for building national environmental resilience as it relates to climate change, natural resources management, including forestry and wetlands conservation.

On the other hand, the Environment Protection Agency Sierra Leone (EPA-SL) mandated to protect the environment of Sierra Leone and effectively manage its natural resources creating an enabling environment for Policy, Legal and regulatory reforms for the Protection of the environment.

## **ML/TF RISKS IN ENVIRONMENTAL CRIMES IN SIERRA LEONE**

Environmental crimes are largely committed for economic benefits hence, illegal timber logging, artisanal mining, disposal of toxic wastes and sand mining have massive consequences but however they are attractive to criminals.

The study revealed that the crimes associated with some of these activities are mostly smuggling. The ML/TF part is being overlooked. The risk of money laundering and terrorism financing related to environmental crime stands at a coefficient of 0.55. Effectiveness of the legal framework for environmental violations stands at **0.23**.

### **3.3 SUMMARY OF KEY FINDINGS**

The study revealed the following:

- Environmental crimes are prevalent with one hundred and forty (140) cases recorded between 2019/2022, but the possible link to money laundering and terrorist financing in Sierra Leone is **low**.
- The awareness of environmental crimes by both the stakeholders and public is **high**.
- The Financial Intelligence Unit indicates that it has no report involving environmental crimes.
- Assessment from the Public Prosecutions office reveal that judicial staff do not investigate or prosecute environmental crimes.
- The Police reveal that they have not prosecuted the money laundering aspect for environmental crimes.
- There is Sierra Leone's Strategic Plan 2017-2021 with a focus on the country natural resources ranging from freshwater, wetlands, biodiversity, wildlife, fisheries, and mineral resources but the exploitation and utilization of these resources does not reflect on the standards of living of the citizenry.
- There is a lack of ML/TF supervisory capacity on the environmental sector.
- Further checks are implemented for new employees and disciplinary/administrative measures are adopted on any employees for corruption related charges on environmental violations.
- Artisanal mining, illegal timber logging, land grabbing, deforestation and sand mining are among the frequently committed environmental crimes in Sierra Leone.
- The study revealed that the private sector suggests that the incorporation of civil society organizations is more of a fanfare than reality.
- The National Disaster Management Agency reveals that environmental crimes like sand mining and land grabbing are more prevalent in the Western Area.

## CHAPTER 4. THE BANKING SECTOR

### 4.1 INTRODUCTION

The Sierra Leone Banking institutions are regulated by the Bank of Sierra Leone. The sector consists of fourteen (14) commercial banks and seventeen (17) community banks operating in the country. The Bank of Sierra Leone is mandated to regulate the activities of banks, financial holding companies, and subsidiaries, the protection of depositors' funds by the 2019 Banking Act and the Prudential Guidelines of 2012, and directives issued from time to time as well as Schedule of Penalties. The sector, as opposed to other sectors operates formally, and licenses are issued to commercial banks after meeting the requirements as stated in the Banking Act of 2019. Also, the Prudential Guidelines addresses operational issues of commercial banks.

All commercial Banks have their head offices in Freetown. Accounts can be held in foreign and domestic currencies. Most of these banks also have Automated Teller Machines (ATM) available in the capital and other parts of the country with debit cards used, as credit cards are not widely accepted. Banks are not allowed to lend in foreign currencies. Currency can be freely converted in Sierra Leone as the Leone is not pegged to a foreign currency and has a floating exchange rate. The client has access to credit facilities, as stated in The World Bank's doing Business report of 2019, ranked Sierra Leone at 161 out of 190 economies for getting credit.

Basic Statistics on the overall Financial Institutions regulated by Bank Sierra Leone

**Table 4.1: Basic Statistics on the overall Financial Institutions regulated by Bank of Sierra Leone**

No.	Sub-sector of financial system	Asset Size (Le 000)	No of Customer
1	Commercial Bank	15,805,576,654	1,470,187
2	Community Bank	130,044,408	99,831
3	Financial Services Association (FSA)	84,078,263	117,787
4	Discount Houses	21,732,083	3,803



5	Microfinance Institution	803,661,032	353664
	<b>TOTALS</b>	<b>16,845,092,441</b>	<b>2,045,272</b>

Source: Annual Report of respective institutions.

The asset base of the regulated financial institution amounted to Le16.845trillion (old Leones) which is about 35.57% of the country's GDP in 2021, with a customer base of over two million and approximately 25.12% of the country's population as of December 2021. There has been an increase in the asset base of the banking sector from Le5.622 trillion in 2015 during the last NRA to SLL16.845 trillion in 2021 and also the banking population from 16.12% to 25.12% in 2015 and 2021 respectively. The above table shows that the financial sector is an important sector that has a significant contribution to the country's GDP. The Asset base of commercial banks in Sierra Leone as at 31 December 2021 is reference in appendix 1 whereas Asset composition community banks as at December 31<sup>st</sup> 2021 is reference in appendix 2 for detailed understanding.

Out of the fourteen commercial banks, there are three state owned commercial banks and ten privately owned commercial banks. However, in 2008 there was an influx of privately owned banks, majorly of Nigerian descent. These banks changed the banking narrative.

There has been an increase in transactions due to the expansion of the country's economy. Furthermore, with the introduction of simplified payments systems like the Real Time Gross Settlement (RTGS).

The community banks are also supervised by the Bank of Sierra Leone using the Other Financial Services Act, 2001 as well as the Guidelines for Other Deposit-taking Institutions. The responsibility of supervising the community banks is partly ceded to an Apex Bank, which performs a first level supervision and based on the reports submitted to the central bank, the Bank of Sierra Leone does extended examination.

In terms of ML/TF/PF issues, the Financial Intelligence Unit regulates the activities of commercial Banks, and always conduct joint examination with the Bank of Sierra Leone. The FIU looks at key issues as stated below.

- The abuse of the banking system by criminals (money launderers & terrorist financiers), and the component threats includes doing business with high-

risk countries, high risk customers (PEPs and other high-risk categories) etc.

- At the very least, the discovery of a bank laundering money for criminals is likely to generate adverse publicity for the bank. A lack of confidence in a banking institution is likely to result in declining business as clients move elsewhere thereby affecting the bank's profitability.
- Banks also face the risk of criminal prosecution for money laundering and terrorism financing.

The following variables were put into perspective and assessed by the working group:

- Availability of laws and regulations for dealing with AML/CFT/CPF issues in the banking system.
- The quality of AML/CFT/CPF supervision.
- Availability of market pressure to meet AML/CFT/CPF standards.
- Level of commitment to good corporate governance practices within the banking system.
- The availability of penalties as deterrents for breaches of AML/CFT laws;
- Level of enforcement of AML/CFT obligations;
- Risk of bank staff integrity together with their knowledge on AML/CFT issues;
- Level and availability of compliance function in the banking system;
- The level of commitment of the management and leadership in the banking system;
- The level and adequacy of policies and procedures;
- The general level of compliance in the banking system as well as compliance with AML/CFT laws;
- The quality of operations in preventing the abuse of banking products for money laundering/terrorism financing
- The level and quality of general ML/CFT controls in the banking system and their effectiveness;

- The availability of CDD framework comprising the legal, institutional and technical framework to identify and verify the identities and profiles of persons;
- The availability of infrastructure for the banking system;
- Availability of independent sources of information regarding ML issues; and
- Level of corporate and trust transparency existing within the banking system.

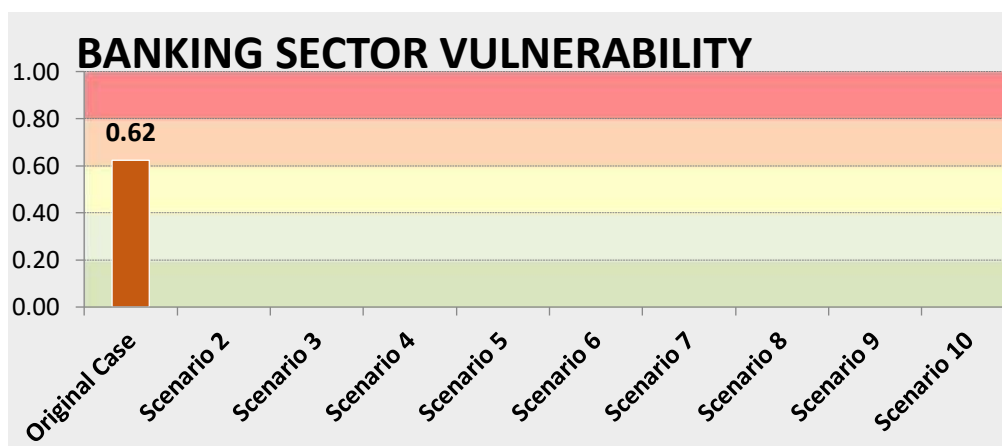
In a similar manner, the products and services offered by the banking sector were assessed given that ML, TF and PF offenses are likely to be committed through these products. Four vulnerable products and services were covered in the assessment, viz., Savings accounts, current accounts, E-Banking, and SWIFT payments.

## 4.2 SECTOR OVERALL ASSESSMENT

### VULNERABILITY ASSESSMENT ANALYSIS

The banking sector’s vulnerability is due to many factors, which are sometimes direct or indirect. Sierra Leone’s banking sector money laundering vulnerability analysis is based on two types of variables the input and intermediate variables. The overall assessment of the money laundering risk to which the banking sector of Sierra Leone is exposed to is Medium high with a score of **0.62** considering that, for the purposes of the national assessment of the money laundering risk in Sierra Lone, this risk is expressed numerically on a scale from 0.00 to 1.00.

Figure 4.1: Bank Sector Vulnerability



Furthermore, the banking sector’s vulnerability to money laundering risk is significant due to its size and importance in the financial sector, and due to the customer and transaction size which are large. Banks are the most organized sector in terms of money laundering and terrorism financing prevention, having well developed internal policies governing them. This is evident by the quality and number of CTRs and STRs submitted to the FIU for the period 2017-2021 as shown in the table below.

**Table 4.2: Number of CTRs and STRs submitted to the FIU for the period 2017-2021**

<b>YEAR</b>	<b>SUSPICIOUS TRANSACTION REPORT (STR)</b>	<b>CURRENCY TRANSACTION REPORT (CTR)</b>
2017	27	229,491
2018	8	279,271
2019	52	295,158
2020	49	300,921
2021	58	367,840
<b>TOTALS</b>	<b>194</b>	<b>1,472,681</b>

Source: FIU data from the returns of commercial banks

The table below shows a comparative analysis of the submission of CTR and STR for the periods 2013-2015 and 2017-2021.

**Table 4.3: Submission of CTR and STR for the periods 2013-2015 and 2017-2021**

<b>YEAR</b>	<b>SUSPICIOUS TRANSACTION REPORT (STR)</b>	<b>CURRENCY TRANSACTION REPORT (CTR)</b>
2013-2015	30	325,438
2017-2021	194	1,472,681

Source: FIU data from the returns of commercial banks

The above table shows that there has been a significant improvement in the submission of STRs and CTRs by 84.54% and 77.9% respectively. These statistics lay credence on the fact that the banking sector is organized, and their operations are guided by laid down policies and procedures.

Nonetheless, the management of the ML/TF/PF risks supervision is well setup in this sector, and further progress can be achieved through consistent supervision based on the assessment of the ML/TF risk the bank is exposed to.

Sierra Leone is mainly a cash-based economy, as the national switch is yet to be implemented, which can boost straight through online payments. Also, banks are vulnerable to the possibility of them being used by criminals who hide their ultimate beneficial owners through complicated ownership structures and increased use of technology, in payment systems. Therefore, there are significant customer screening procedures that regulate customer due diligence measures and actions, including a robust know your customer (KYC) principle, as well as ongoing trainings for bank staff and stake holders to capacitate them to understand and be able to identify suspicious activities related to ML/TF and PF.

The fundamental areas that need to be prioritized are:

- Comprehensiveness of the AML/CFT/CPF legal framework
- Availability and access to beneficial ownership information
- Availability of a reliable identification infrastructure
- Availability of an independent information source.

The priority table 4.3 shows areas the country needs to prioritize in addressing the ML/TF/PF vulnerabilities in the banking sector which are highlighted in red. These priority areas according to the assessment in order of priorities include:

- Availability and enforcement of criminal sanctions
- Availability of Reliable Identification Infrastructure
- Availability and Access to Beneficial Ownership Information
- Availability of Independent Information Source

### 4.3 PRIORITY RANKING AREAS

**Table 4.3: Priority Ranking Areas**

<b>PRIORITY RANKING - LAST CASE/SCENARIO</b>	<b>PRIORITY RANKING**</b>
<b>Comprehensiveness of AML Legal Framework</b>	
<b>Availability and Enforcement of Criminal Sanctions</b>	<b>2</b>
<b>Level of Market Pressure to Meet AML/CFT/CPF Standards</b>	
<b>Availability and Effectiveness of Entry Controls</b>	
<b>Effectiveness of Supervision Procedures and Practices</b>	
<b>Availability and Enforcement of Administrative Sanctions</b>	
<b>Integrity of Banks' Staff</b>	
<b>AML/CFT/CPF Knowledge of Banks' Staff</b>	
<b>Effectiveness of Compliance Systems</b>	
<b>Effectiveness of Suspicious Activity Monitoring and Reporting</b>	
<b>Availability and Access to Beneficial Ownership Information</b>	<b>3</b>
<b>Availability of Reliable Identification Infrastructure</b>	<b>1</b>
<b>Availability of Independent Information Sources</b>	<b>4</b>

*Note: the lower the ranking the darker the color, the more priority the item has.*

### 4.4 QUALITY OF AML GENERAL CONTROLS (GENERAL INPUT VARIABLES)

#### 1. Comprehensiveness of AML/CFT/CPF Legal Framework.

This variable is used to assess whether Sierra Leone has adequately designed laws, guidelines and directives relating to AML/CFT/CPF preventive measures and supervision in the banking sector.

The adequacy of the laws, guidelines and directives related to the prevention of ML/TF/PF were considered, as well their compliance with the relevant international standards (FATF recommendations, Basel Principles for Effective Banking Supervision and Basel Customer Due Diligence Paper). The degree to which the law, guidelines, and directives on ML/CFT/CPF prevention are adequate and compliant with international standards is rated high with a score of 0.7.

The comprehensiveness of the country's AML legal framework score is **0.7** which indicate a high adequacy level of the legal framework in terms of preventing money laundering and terrorism financing in compliance to international standards and in their efficiency in terms of their implementation. The deficiency or vulnerability that remains is the AML/CFT/PF legal framework. The current ML/TF law does not cover proliferation financing and other areas that are germane to the fight against AML/CFT. Hence the legal framework is not comprehensive enough.

In this assessment, the legal framework of both the FIU and BSL, plus regulations and directives issued by them were considered, including their conformity with international standards and best practices. Though the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 Of 2012 (as amended) and the Banking Act 2019, Act No 6 of 2019 have provisions on CDD by applying the risk-based approach, beneficial ownership information verification, record keeping requirement, EDD for PEPs, reliance on third party for CDD, new technologies, wire transfers and correspondent banking, but yet not comprehensively adequate

## **2. Availability and Enforcement of Criminal Sanctions:**

This variable assesses whether the laws of the country are adequate, and effective in terms of criminal sanctions. It considers the availability of provisions within the legal framework to see if these provisions are proportionate and dissuasive for criminal sanctions applicable for noncompliance with AML/CFT/CPF regulations.

The assessment reveals that the country has criminal sanctions in place but limited records to show its enforcement which came out clearly during our last MER which is a serious

vulnerability that needs to be addressed by the country. Records also shows that the limited enforcement of criminal sanctions are not proportionate and dissuasive.

Therefore, in view of the evaluated criteria, the availability of enforcement of criminal sanctions is rated at a coefficient of 0.5 which is medium. This shows that the effectiveness of these sanctions are low.

### **3. Market Pressure to AML/CFT Standards.**

This variable is used to assess whether the market factors exert pressure on banks' management structures to adhere to the standards regarding the prevention of money laundering/terrorism financing/proliferation financing. It is used to consider the pressures existing outside the national legal and supervisory regime, such as correspondent banking relationship. The pressures arising from commercial partners for adherence to AML/CFT standards are high, and thus this variable is rated 0.7. This variable is assessed based on the criteria of whether banks have correspondent banking relationship that they consider important for their business, and whether such correspondent banking relationship requires them to comply with international standards as a condition for the continuation of their business relationships, and whether bank managements are sensitive to international and national AML/CFT related reputational risk.

Before establishing relationships, international financial institutions do take enhanced due diligence or know your correspondent measures. These banks provide prescribed data. Some of the factors that may undermine market pressure to incentivize effective AML/CFT compliance includes meeting of deposit targets by bank staff and the banks quest to for huge profitability. This still remains a vulnerability in the sector which needs serious consideration by the regulators.

### **4. Availability and Effectiveness of Entry Controls.**

These variables assess the availability and effectiveness of entry controls, which includes registration and licensing. In accessing this variable, the working group looked at whether the licensing body is clearly identified in the legal framework of Sierra Leone, whether it has good understanding of ML/TF/PF risks of the banking sector, also, if it has a clear and comprehensive licensing requirements, whether it has a fit and proper person test program to prevent criminals or their associates from having significant control in a bank.



The assessment reveals that the licensing body has limited capacity in performing its licensing function in terms of AML/CFT/PF risk.

This variable is rated very high with a score of 0.8 in the assessment. The banking Act 2019, Act No 6 of 2019 have provisions for the Bank of Sierra Leone to be responsible for the regulation, licensing, supervision and imposition of remedial measures and administrative sanctions against defaulting commercial banks. Also, the 2019 banking Act and Prudential Guidelines set a comprehensive framework for entry controls for all financial institutions, corporate governance regime, requirements for directors, competence, and qualification requirements for board sub committees. It also has requirements for AML/CFT compliance controls.

## **5. Effectiveness of Supervision Procedure and Practices**

This variable was used to assess whether Sierra Leone has a comprehensive supervision regime regarding the prevention of money laundering, terrorism financing and proliferation financing that is supported by appropriate powers, personnel, and other resource available to the supervisory authority.

The quality of supervision regarding compliance with AML/CFT regulations was rated high with a score of 0.7 and the grounds for assigning this score are:

- The Bank of Sierra Leone and the Financial Intelligence Unit conducts joint on-site supervision at least once every year as prescribed in the Banking Act 2019, Act No 6 of 2019 and the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended). They also do offsite supervisions. The two always do a risk-based supervision. Examination reports are forwarded to the banks with recommendations and do follow-up examination to ensure adherence to the recommendations.
- BSL and FIU also sanctions these banks for any regulatory breach and for non-compliance to AML/CFT regulations.
- The Banks are also monitored through regulatory returns that are submitted, weekly, daily, or monthly to the FIU and BSL.
- Also, the Bank of Sierra Leone now have an AML/CFT desk that guides the adoption of the risk based approach in AML/CFT supervisionThe assessment

reveals that there is still confusion in who is primarily responsible for ensuring high quality compliance inspection in the sector which is a serious vulnerability. Notwithstanding, it was clear during the assessment that officials are obligated to systematically follow-up with inspected entities to confirm effectiveness and sustainability of remedial actions for all compliance violations. The assessment further reveals that unreported suspicious transactions are identified during compliance inspection. These were clearly seen from samples of onsite reports reviewed. To remedy the deficiency identified, the country needs to review the existing legal framework and cede the AML/CFT/PF responsibility to one institution.

## **6. Availability and Enforcement of Administrative Sanctions.**

This variable is used to assess whether Sierra Leone has appropriate administrative sanctions (monetary penalties, withdrawal/suspension of license, staff removal or administrative actions) in the case of non-compliance with provisions of the AML/CFT regulations. In addition, the assessment evaluated the perception of bank staff whether they believe that administrative actions will be initiated in a case of non-compliance with AML/CFT/CPF laws and if there are instances or records of past enforcement actions within the sector.

The score for this variable is 0.7 which indicates a high level of appropriate administrative sanctions for noncompliance with the provisions of AML/CFT laws and regulations. The ground for the score is because there is a clear administrative sanction policy in Sierra Leone for offences related to ML and TF as enshrined in Part XIII of the AML/CFT Act of 2012.

The assessment reveals that in terms of AML/CFT/ PF, the FIU is legally responsible for applying administrative sanctions. The assessment further reveals a vulnerability in terms of the absence of a full range of administrative sanctions that are dissuasive, proportionate, and effective. Records show that the administrative sanctions met for the period under review were not systematically applied to address all the AML/CFT compliance violations.

## **7. Integrity of Bank Staff**

The assessment was done based on whether bank officers act with integrity. If the bank officers are in collusion with criminals or under the influence of corruption if they undermine the inspections regarding the prevention of ML/TF. The criteria evaluates whether banks have appropriate mechanisms in place to protect or deter their staff against negative consequences

resulting from reporting STRs, or other actions complying with AML/CFT/CPF obligations and fraud reports involving bank staff.

The score for the integrity of bank staff is 0.6 which indicates a medium high level of integrity relating to the actions of bank officers with respect of AML/CFT/CPF control measures. The grounds for assigning the score are that:

- Banks have thorough recruitment procedures which include background checks, through the Criminal Investigation Department of the Sierra Leone Police evidenced by the Police clearance.
- Also, all recruitments and severance reports are being sent to the Bank of Sierra Leone and the Financial Intelligence Unit.
- Also, senior management recruitments by all Banks are being approved by the Bank of Sierra Leone, they do background checks, to establish their integrity.
- The Banks also have other policies in place on whistle blowing, acceptance of gifts, bribery, and corruption etc.

Assessment reveals that the banks need to improve on their conditions of service for their employees. This will increase the integrity amongst bank's staff and hence drastically reduce the incidence of fraud in the banking sector.

## **8. AML/CFT Knowledge of Bank's Staff**

This variable is used to assess whether bank officers understand their obligations and duties regarding the prevention of money laundering/terrorism financing/proliferation financing. When assessing the knowledge of bank officers, the quality of training materials, training frequency and level, as well as the type of personnel receiving the training was considered.

The score of the knowledge of bank officers regarding the prevention of money laundering is 0.7 which indicates a high level of knowledge of bank officers regarding the understanding of obligations and duties in the anti-money laundering counter-financing of terrorism field.

The findings of off-site and on-site examinations of banks confirm that the bank officers have a high level of understanding of their obligations and duties in the anti-money laundering and counter-financing of terrorism field and quality of training sessions conducted in connection with this. However, the fact that irregularities related to money laundering and terrorism

financing risk management are found in the process of on-site examinations on the prevention of money laundering/terrorism financing indicates the need for further continuous training.

The assessment revealed that the banks need to increase the frequency of their AML/CFT training since there are emerging issues. The sample inspection report reviewed reveals that the high level of staff turnover is a serious vulnerability across the banking industry.

## **9. Effectiveness of Compliance Systems**

This variable assesses whether banks in Sierra Leone have an effective compliance function that is comprehensive, risk based and well-resourced with an independent AML compliance officer function. In assessing the variable, the following were evaluated.

- Do banks in Sierra Leone have an independent compliance officer at senior management level who is sufficiently resourced?
- Do banks have internal compliance programs that are in line with the country's legal framework and international standards and commensurate to the level of risk they are exposed to.
  - Do banks do internal and external AML/CFT/CPF audits?

This variable was rated high with a score of 0.7, this indicates that the Sierra Leone banking sector has an effective compliance function. Of these fourteen banks, eleven have Compliance Officers at senior management level, and these banks also have compliance programs commensurate to the risk they are exposed to

The assessment reveals that some of the recommendations proffered by the compliance division for violation are not given the seriousness it deserves which most times remains unsolved. This is a serious vulnerability within the industry.

## **10. Effectiveness of Suspicious Activity Monitoring and Reporting.**

This variable assesses whether banks in Sierra Leone have effective and appropriate systems for record keeping, monitoring and STR reporting to support their AML/CFT/CPF policies and procedures. The criteria considered in the evaluation of this variable are:

Whether banks have information systems infrastructure that enable and facilitate the monitoring of transactions of their customers against their profiles, transactional records are available in a format that facilitates AML/CFT/CPF screening and monitoring, the systems

support banks in performing effective PEP screenings, assist bank staff to effectively identify and record all complex, unusual large transactions and assist bank staff to effectively identify and report suspicious transactions.

The effectiveness of suspicious transaction/ activity monitoring and reporting was rated high with a score of 0.7. This indicates that Banks have automated software that are used for monitoring their customers' activities against sanction screening lists. Also, they have information systems or software that housed electronic data on all customers that in secured servers or utility storage, located at their head offices whilst backups are securely stored at Disaster Recovery Sites (D.R. Site) and regularly backed up or updated. However, there are no legal provisions for these banks to have specific tools for transaction monitoring, but they are mandated in AML/CFT regulations to do transaction monitoring and reporting of STRs.

Based on the samples of compliance inspection report, the assessment reveals that there are limited number of STRs been filed by the sector which is as result of either capacity gap or fear of been reprimanded by the regulators. This remains a serious vulnerability in the banking industry.

#### **11. Availability of Reliable Identification Infrastructure.**

This variable is used to access to what extent the banks can perform customer identification and identity verification using reliable, independent source documents, data, or information. It is considered that the existence of good identification infrastructure contributes to preventing the use of counterfeit documents and false identities, which hinder the implementation of customer due diligence measures. The following criteria were used in assessing the variable; is there a secured national identification system which issues government identity documents, whether the national identity documents are issued by the national or local authority and a comprehensive public platform system that assists in the verification of details of bank customers.

The score of the extent to which banks may rely on the national infrastructure in establishing and verifying the identity of their customers is 0.4 which is rated medium low. The grounds for this rating are that there are secured national identification systems, such as the national passport issued by the Immigration Department, drivers' license issued by the Sierra Leone Roads Safety Authority (SLRSA), the voter I.D. issued by the Electoral Commission of Sierra Leone (ECSL), the social Security I.D. issued by the National Social Security and Insurance

Trust (NASSIT) and the national Identity Card issued by the National Civil Registration Authority (NCRA).

The assessment reveals that there is currently no reliable identification infrastructure that can be verified on a web-based which remains a serious vulnerability in the country. This deficiency can only be remedied by government ensuring that the aforementioned identification infrastructure is easily verifiable through web-base.

## **12. Access to Beneficial Ownership Information.**

This variable assesses the ease with which criminals can hide their beneficial interest in corporations, trusts, and similar entities in Sierra Leone. When assessing this variable, the following criteria were considered:

- Whether there is transparency relating to beneficial interests in corporations, trust, or similar entities in place.
- Whether there is a comprehensive information on the structure, management, control, and beneficial interests in, corporations, and whether beneficial owner information in trusts and similar vehicles is readily available to the authorities and banks to facilitate compliance with due diligence requirements.

Access to beneficial ownership information variable is rated **0.4** which indicates a medium low rating. The ground for this rating is that the Corporate Affairs Commission (CAC) of Sierra Leone does have a comprehensive, verifiable, and authentic information on the structure, management, control, and beneficial ownership information. However, banks do not have access to this information in a timely manner to help them do due diligence on their customers.

The assessment reveals that the information held by Corporate Affairs Commission on beneficial ownership is accurate but not regularly updated. It also reveals that there were no records to show whether CAC does compliance monitoring on BO information nor sanction companies for non-compliance on same which remains a serious vulnerability in the sector.

## **13. Availability of Independent Information Sources.**

This variable assesses the availability of independent, reliable sources to determine transaction patterns of clients. The criteria used to access this variable are:

- Whether there are independent sources of information that could be used for AML/CFT/CPF purposes.
- Whether these sources are comprehensive and reliable.
- Whether these sources of information are easily accessible to banks and other AML/CFT/CPF stakeholders.

This variable is rated 0.4 which indicates a medium low risk rating. There are independent and reliable source of information for banks, but in most instances, they are not used for AML/CFT purposes, for example there is the Credit Reference Bureau and the Collateral Registry at the Bank of Sierra Leone, which helps banks to check the credit status of their customers and to verify the collaterals or securities provided by their customers for loans. Also, the Corporate Affairs Commission of Sierra Leone do have information on beneficial ownership, but they are not easily accessible by banks or law enforcement agencies (LEAs).

#### **INPUT VARIABLES FOR SELECTED SPECIFIC PRODUCTS AND SERVICES.**

This analysis, was done on the underlisted products:

- Savings Account
- Current Accounts
- Wire Transfers
- Mobile Banking
- Personal Loans
- Private Banking

While general input has a simultaneous impact on all banking products, the underlisted variables have specific impact on each product. These specific input variables make an impact in terms of the level of vulnerability the products have to money laundering. These variables are:

1. Volume
2. Average transaction size
3. Client base profile
4. Level of cash activity

## 5. Availability of additional specific AML/CFT/CPF controls.

### 1. Volume

The Volume of the product is a variable that assesses the volume of a particular product/service in the banking sector. The volume of a particular product or service in the banking sector is indicative of the level of ML/TF/PF vulnerability that this business can introduce into the sector if the relevant risks are not mitigated. The actual number of transactions and amounts involved may be very difficult to determine. What is required is a judgment as to whether a product/service is significant within the banking sector in Sierra Leone.

### 2. Average Transaction Size

This variable assesses the average size of transactions that occur in a particular product or service. Products and services that are customarily used to process large transactions are more prone to attract the attention of money launderers/terrorism financiers/proliferation financiers with large amounts to launder or transmit to terrorist, terrorist organizations or proliferation financiers. The actual average amounts involved in these transactions may be very difficult to determine. What is required is a judgment as to whether the average transactions in assessed product/service involve large or small amounts.

### 3. Client Base Profile

This variable assesses whether the type of client that generally use the product/service (which is being assessed) increases the risks of money laundering/terrorist financing /proliferation financing abuse of these products and services. The client profile is risky if it involves:

- PEPs,
- High net worth individuals,
- Clients with offshore interests,
- Clients with offshore business interests,
- Clients with criminal records,
- Clients with business links in known tax or criminal havens or high-risk jurisdictions, or
- Clients who are prone to engage in tax evasion.



#### **4. Level of Cash Activity**

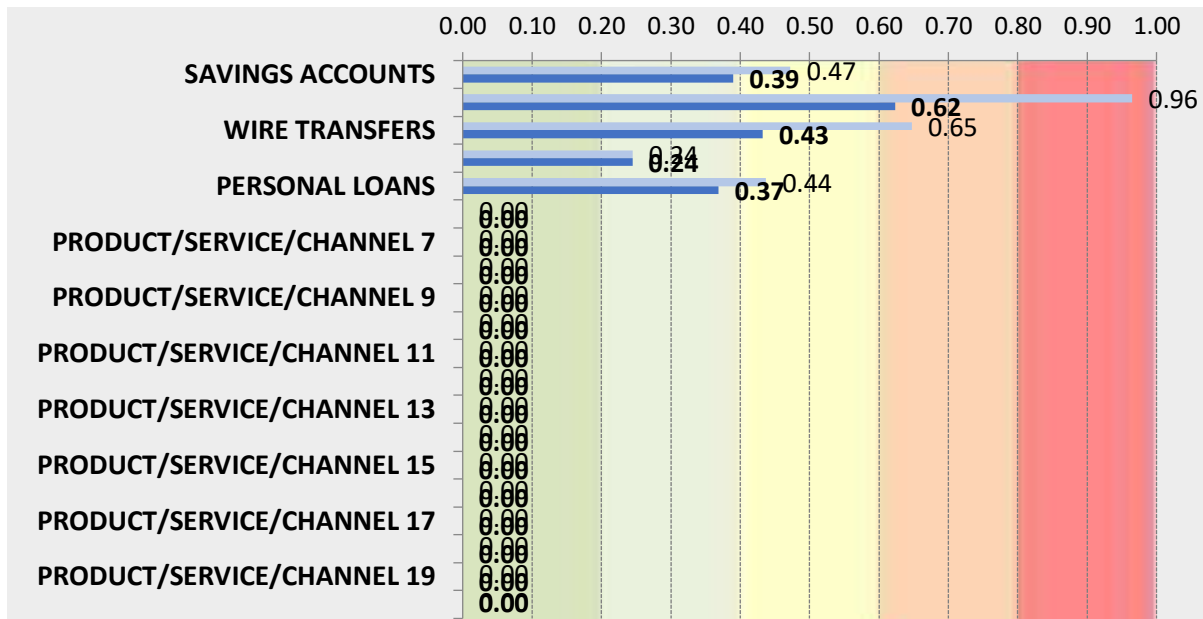
This variable assesses whether the product/service allows use of cash that could increase the risk of money laundering/terrorism financing/proliferation financing abuse of a particular product/service. The criteria used to assess whether the product or service allows the use of cash. If so, the product or service being assessed will be more vulnerable to money laundering/terrorist financing/proliferation financing. The assessors need to analyze the use of cash for various products and services. The more the product/ service is cash based, the more vulnerable to ML/TF/PF.

#### **5. Availability of Additional Specific AML/CFT/CPF Controls**

This variable assesses whether appropriate (well designed) specific AML/CFT/CPF controls to manage any potential money laundering risk that may occur in particular products/services are in place. Specific AML/CFT/CPF controls that are applied in addition to the standard AML/CFT/CPF controls applied to all products in the sector. Banks that implement specific AML/CFT/CPF controls may reduce the vulnerability of money laundering/terrorism financing/proliferation financing occurring in banks.

The results of selected products/services and delivery channels mentioned earlier are provided below. The vulnerability scores of the following selected products/services and delivery channels with reasons accounting for the score are presented based on the data analyzed including responses to questionnaires, statistics from the Bank of Sierra Leone, the Financial Intelligence Unit and the knowledge and experience of the working group.

The graph below are the scores/ratings of selected product/service and delivery channels along with justifications for the scores/ratings assigned:



The assessment showed that Current Account and International Wire Transfer products were the products with the highest vulnerability rate High and Medium High respectively, because these products are widely used by both entities and individuals to make large transactions; Current Account product is also used by banks to grant loans and advances and clients also make their loans repayments through this account. The second most vulnerable product is international wire transfers, it is rated medium high, as it has high average transaction size and foreign currency activity coupled with the fact that the client base profile of the product includes clients such as PEPs, high net worth individuals and high-risk businesses. The third most vulnerable product is Savings Account Product, rated low, it is used by most bank customers including high net worth individuals.

Even though, the sector does have accounts for high-net-worth individuals, the assessment did not see the prevalence of private banking.

#### 4.5 CONCLUSION

The overall Assessment of the Banking Sector vulnerability to Money Laundering/ Terrorist Financing/proliferation financing risks as assessed is medium high. The assessment concluded that there are critical deficiencies in the National AML/CFT Regime in the banking sector given the low ratings in the underlisted critical areas:

- The Quality of the CDD Framework
- Quality of General AML/CFT/CPF Controls

- Availability and enforcement of Criminal Sanctions.

The quality of the CDD framework was rated medium because of the inadequate availability of independent information source, inadequate availability of reliable identification infrastructure and inadequate availability and access to beneficial ownership infrastructure.

Also, the quality of general AML/CFT/CPF controls was rated medium high because of the deficiencies identified in the quality of the CDD framework and the availability and enforcement of criminal sanctions in the sector. These critical areas remain a concern for the sector.

#### **4.6 RECOMMENDATIONS**

In view of the foregoing findings and conclusions, the following recommendations are proffered:

1. The FIU to work with government and the Corporate Affairs Commission in ensuring that beneficial ownership data is easily accessible.
2. Also, the FIU should ensure that they work closely with government and the National Civil Registration Authority for the availability of a reliable identification infrastructure that is accessible to users.
3. The enforcement of criminal sanctions as enshrined in the AML legal framework of both the FIU and the BSL.
4. To improve on the quality of compliance of banks' management and staff.
5. Bank Management should ensure that activities qualifying as STRs be reported promptly as prescribed in the AML/CFT Act of 2023.

## **CHAPTER 5. OTHER FINANCIAL INSTITUTIONS' VULNERABILITY ASSESSMENT REPORT**

### **5.1 INTRODUCTION**

The evaluation of the Other Financial Institutions (OFI) constitutes assessment of inherent vulnerabilities that are pertinent to the regulated other FIs sectors reviewed and range of AML/CFT variables including Comprehensiveness of AML legal framework, Effectiveness of oversight activities, Effectiveness of suspicious activity monitoring and reporting.

Further, AML vulnerabilities related to unregulated OFIs were also assessed by the Working Group. The regulated OFI reviewed were Microfinance Institutions, Community Banks, Mobile Money Operators and Foreign Exchange Bureaus whereas the non-regulated players reviewed were Money Changers and Money Lenders etc.

#### **Overview of Microfinance Institutions:**

Microfinance Institutions provide a range of tailored financial products/services such as Group Loans, Savings deposit, Okada Loans, School/kids Loans, Salary Loans, Energy Loans etc to predominantly low-income households, small and medium size enterprises thereby contributing to financial deepening in Sierra Leone.

There are 5 (five) deposit taking Microfinance Institutions (DTMFIs) with customer base of 121,662. The 2021 Financial Stability Report indicated that the total assets of DTMFIs grew by 43% amounting to Le 492.73 billion and total deposits also increased by 12.8% amounting to 185.3 billion. The Credit-Only Microfinance Institutions also recorded notable increase in total assets of 53.1% amounting to Le 310.94 billion with a customer base 232,002.

#### **Overview of Foreign Exchange Bureaus in Sierra Leone**

Foreign Exchange Bureaus in Sierra Leone are majorly small and medium size family-oriented businesses that offer products and services including spot transactions and remittance services as sub-agents to Banks, Mobile Money Operators and International Money Transfer Organizations.

The total number of registered Foreign Exchange Bureaus as of 31st December 2021 in Sierra Leone was 69.

Foreign Exchange Bureaus are exposed to notable AML/CFT risks because they deal with walk-in and one-off customers, and they do not have system in place to ascertain the veracity of information provided on the source and intended purposes of funds that are remitted.

### **Overview of Community Banks in Sierra Leone**

The Community Banks are playing vital role in ensuring financial inclusion in Sierra Leone as they majorly operate in rural communities where access to financial services is unavailable. They provide financial products and services such as Agric Loans, Salary Loans, Time deposits, Savings deposits etc. to a range of mostly low-income earning customers in remote communities.

There are seventeen (17) Community Banks across the country with a total customer base of 102,904. The total assets of CBs grew by 17.6% amounting to SLL 129.78 billion.

Community Banks were not enrolled on the FIU's online reporting portal. Hence, they were not adhering to their reporting obligations to the Unit.

Financial Services Associations (FSAs) also operate in rural communities where there are no Community Banks granting loans to their members and providing safe keeping. There are 59 FSAs with Total Assets of SLL 84 billion with customer/member base of 117,787 as reference in appendix 3.

### **Overview of Discount Houses:**

Discount Houses constitute comparatively small proportion of the financial system in Sierra Leone with 0.1% of the total assets of the financial sector.

There are two Discount Houses with a customer base of 3,803 and total assets amounting to 21.73 billion. The products/services offered by DHs include Treasury bills, Share trading, Bonds etc.

The DHs in Sierra Leone are regulated by the Central Bank. However, they were not subjected to AML/CFT examination during the period under review.

### **Overview of Mobile Money Operators:**

The Mobile Money Sector currently has three licensed operators. The Financial Stability Report issued by Bank of Sierra Leone indicated notable growth in the activities of MMOs generally. As at the end of 2021, 57% growth rate in the number of registered Mobile Money

Agents (MMA) was recorded bringing the total number of MMAs to 37,772 with Le25.80 billion outstanding balance.

The number of active mobile money accounts in 2021 was 6.8 million resulting from a 59.8% growth rate recorded and the total e-money in circulation stood at Le 239.7 billion. Further, by the end of 2021, the escrow account balance was Le 248.5 billion compared to Le 117.7 billion in 2020. However, 6,060 fraud related incidents were recorded which is deemed very high.

## **5.2 GENERAL AML CONTROL VARIABLES ASSESSMENT**

### **5.2.1 MICROFINANCE INSTITUTIONS**

The overall assessment of the ML vulnerability of Microfinance Institutions was ranked by the Working Group as Medium (0.51) which resulted from 0.5 Quality of AML controls and 0.51 inherent product vulnerability. Further analysis of the AML control variables are presented below.

#### **5.2.1.1 Comprehensiveness of AML Legal Framework**

Sierra Leone's Anti-Money Laundering and Combating the Financing of Terrorism Act of 2012 is drafted in line with the FATF's recommendations proffered to combat ML/TF and it is periodically reviewed in a bid to ensure that it conforms to the revised FATF standards. Part VII of the AML/CFT Act 2012 clearly stipulates range of preventive measures of ML/TF for Financial Institutions and DNFBPs. Section 36 (1) obliges FIs to develop and implement internal frameworks to prevent ML/TF which includes drafting internal AML/CFT policies to guide the operations of entities, maintaining adequate customer screening programs to give entities insights into the extent of ML/TF risk posed by their customers. Section 20 of the AML/CFT Act 2012 requires FIs to adopt KYC/CDD measures.

The Guidelines and Directives for Financial Institutions on the prevention of ML/TF issued by the Financial Intelligence Unit in consultation with the Sierra Leone Insurance Commission and the Central Bank of Sierra Leone entail preventive measures of ML/TF. The thresholds and format for respective regulatory reports (CTR and FTR) are provided in the said directive.

The Bank of Sierra Leone's Directives on Tiered Know Your Customer (KYC) issued in June 2020 addresses AML/CFT compliance issues on customer identification, verification of customer information, Records keeping, use of internal list of designated persons.

However, The OFI working Group observed that the Guidelines and directives issued by BSL specifically for the operations of Microfinance Institutions do not constitute AML/CFT requirements. Based on the above assessment the variable was rated *high* (0.7).

#### **5.2.1.2 Effectiveness of Supervision/Oversight Activities**

Section 50 of the Other Financial Services Act 2001 confers powers on the Bank of Sierra Leone to regulate OFIs. In 2018, the Central Bank further established the Other Financial Institutions Supervision Department (OFISD) and there are designated staff members within the department that are trained to supervise Microfinance Institutions.

MFIs are reviewed yearly by the OFISD. The examinations conducted during the period under review do not cover AML/CFT compliance requirements by MFI.

The Financial Intelligence Unit also has a designated team for MFIs that provide AML/CFT training, review statutory reports submitted by MFI and conduct AML/CFT examinations. However, during the period under review, only one AML/CFT review was conducted.

The Working Group observed that much AML/CFT examinations were not conducted and there is need for a joint risk-based examination plan to be developed by FIU and BSL for Microfinance Institutions. Based on the above, this variable was assessed and rated as Medium (0.5).

#### **5.2.1.3 Availability and Enforcement of Administrative Sanctions**

Section 53 (2) of the AML/CFT confers powers on the Financial Intelligence Unit to issue warnings, order to adhere to instructions, suspend an accountable Institution's license, bar a person from employment, levy fines on reporting entities and the owners and employees for noncompliance with the provisions of AML/CFT Act 2012 and other regulatory directives relating to combating ML/TF.

The Other Financial Services Act 2001 also gives power to the Central Bank as the primary supervisory authority to levy penalties on MFIs for noncompliance with regulatory directives.

The assessment revealed that MFIs are aware of sanctions/penalties relating to infringements of AML/CFT regulations and directives. However, there were no records on administrative sanctions levied on MFIs by regulatory/supervisory authorities and hence this variable is rated medium (0.5).

#### **5.2.1.4 Availability and Enforcement of Criminal Sanctions**

Sierra Leone's AML/CFT regime provides a range of criminal sanctions for non-compliance with ML/TF obligations including imprisonment and fines. Part XIII of the AML/CFT Act of 2012 provides sanctions for various AML/CFT violations.

The assessment further revealed that MFIs are aware of criminal penalties related to breach of AML/CFT laws and regulations. However, there were no records on criminal sanctions levied on MFIs during the period under review and hence the variable is rated medium (0.5).

#### **5.2.1.5 Availability and Effectiveness of Entry Controls**

Section 6 of the Other Financial Services Act 2001 gives power to the Central Bank of Sierra Leone to grant, refuse and revoke license of MFIs. The Financial Stability Department at BSL is designated to conduct assessment on applicants opting to operate MFIs.

The guidelines for the operations of Credit-only and deposit taking MFIs constitute the registration procedures and market entry requirements which includes submission of business plan and profile of shareholders, Board of Directors and Senior Management who are subsequently subjected to 'Fit and proper' assessment.

Pursuant to section 38 (1) of the AML/CFT Act 2012, and as one of the requirements to obtain license from BSL, MFIs are subjected to source of funds verification exercise by the Financial Intelligence Unit. However, the guidelines for Credit-only and deposit taking MFIs issued by BSL do not incorporate AML/CFT obligations for MFIs. Based on the above, this variable is rated high.

#### **5.2.1.6 Integrity of Business/Institution Staff**

Majority of the MFIs surveyed confirmed that background checks are conducted on their staff prior to employing them and they have measures in place for monitoring the conduct of their staff.

The Central Bank of Sierra Leone has mechanisms in place for obtaining fraud reports involving staff members of FIs and a register is maintained at BSL.

Interaction with respondents revealed that incidents of integrity failures such as fraud are reported to the police. The Working Group therefore rated this variable as Medium High 0.6



### **5.2.1.7 AML Knowledge of Business/Institution Staff**

Section 36 (c) of the AML/CFT Act 2012 obliges FIs to maintain detailed on-going AML/CFT training program for officers and employees.

70% of the respondents confirmed that periodic AML/CFT training is conducted for their staff in a bid to enhance their knowledge of AML/CFT obligations.

FIU conducted a few AML/CFT training centred on KYC/CDD reporting obligations to the Unit and roles and responsibilities of Senior Management in AML/CFT compliance framework.

The Other Financial Institutions Supervision Department at the Central Bank also conducted AML/CFT sensitization workshops during the period under review.

However, the Working Group observed relatively average understanding on AML/CFT related obligations by the respondents. Hence, this variable was rated Medium 0.5

### **5.2.1.8 Effectiveness of Compliance Function (Organization)**

Section 35 of the AML/CFT Act 2012 (as amended) mandates FIs to appoint designated compliance officer with requisite qualification to ensure compliance with AML/CFT regime. Further, Section 36 of the AML/CFT Act 2012 (as amended) obliges FIs to develop and implement AML/CFT compliance program.

The assessment confirmed that most MFIs have a designated Compliance team that oversees their AML/CFT compliance program whilst 67% also affirm that they have AML/CFT policy.

Further, the assessment revealed that majority of the MFIs have measures in place for detecting and reporting suspicious transactions and they do conduct periodic AML/CFT training for their staff.

However, spot check reports by FIU and BSL revealed that in most instances, where compliance function is in place, the Internal Auditors perform AML/CFT compliance functions instead of a designated compliance team and AML/CFT policy was not available in some MFIs reviewed. Majority of the MFIs were not submitting CTR and FRT reports to the FIU and hence this variable is rated Medium low.

### **5.2.1.9 Effectiveness of Suspicious Activity Monitoring and Reporting**

Section 41 of the AML/CFT Act 2012 (as amended) requires FIs to forward Suspicious Transaction Report (STR) to FIU immediately when the suspicious if formed or in any case not later than two (2) days when a transaction is deemed to be suspicious and section 45 of the AML/CFT Act 2012 (as amended) prohibits tipping-off.

Most of the MFIs assessed indicated that they have systems in place for identification and reporting of suspicious transactions and all the assessed MFIs further confirm that they have never reported STR to the Financial Intelligence Unit. Records at the FIU further confirm this assertion.

The assessment further revealed that most of the MFIs were not enrolled on the Unit's online reporting portal, and they have limited knowledge on the reporting format and channel of reporting STRs. Transactions monitoring are done manually which is prone to error and MFIs reviewed do not maintain PEP data base and list of sanctioned individuals and entities and hence this variable is rated low.

#### **I. Availability and Access to Beneficial Ownership Information**

This variable was assessed by the Banking Sector Working Group and rated 0.4 (Medium low)

#### **II. Availability of a Reliable Identification Infrastructure**

This variable was assessed by the Banking Sector Working Group and rated 0.4 (Medium low)

#### **III. Availability of Independent Information Sources**

This variable was assessed by the Banking Sector Working Group and rated 0.4 (Medium low)

## **5.2.2 FOREIGN EXCHANGE BUREAUS (FXB)**

### **5.2.2.1 Assessment of ML vulnerability of Foreign Exchange Bureaus**

The general ML vulnerability of Foreign Exchange Bureaus is rated Medium which is attributed to medium low AML controls and medium inherent product vulnerability.

Analysis of the AML control variables and the product related vulnerability evaluations of the Foreign Exchange Bureaus are presented as follows:

## **General AML Control Variables Assessment**

### **Comprehensiveness of AML Legal Framework**

The AML/CFT regime of Sierra Leone is largely in conformity with the FATF's recommended standards. The AML/CFT Act 2012, The Guidelines and Directives for Financial Institutions on the prevention of ML/TF issued by FIU addresses preventive measures of ML/TF.

Section 18 and 20 oblige FIs to adopt a risk-based approach and apply adequate KYC/CDD measures respectively. Further, Records keeping requirements are addressed by section 30 of the AML/CFT Act 2012 and section 41 of the AML/CFT Act obliges FIs to report suspicious transactions to the Unit.

The operating guidelines for Foreign Exchange Bureaus issued by BSL encompass the procedures for applying for license and requirements needed to be granted license. However, AML/CFT obligations are not stated in the said guidelines and breach of AML/CFT laws is not mentioned as one of the reasons that license could be revoked. This variable was assessed as medium high 0.6.

### **Effectiveness of Supervision/Oversight Activities**

Section 50 of the Other Financial Services Act 2001 confers power on Bank of Sierra Leone to regulate Foreign Exchange Bureaus in Sierra Leone.

The Financial Stability Department is responsible for issuance, refusal and revocation of license whilst the Other Financial Institutions Supervision Department is responsible for assessing/overseeing the activities of FXBs in line with regulatory directives.

Section 29 of the Other Financial Services Act 2001 mandates FXBs to submit monthly returns to BSL. However, returns relating to AML/CFT were not specifically stated.

During the period under review, the OFISD at BSL conducted few spot checks to ascertain the extent of adherence to prudential and AML/CFT regulatory directives by FXBs.

The Financial Intelligence Unit in 2021 conducted random spot checks on Foreign Exchange Bureaus in line with the preventive measures of AML/CFT Act 2012. Further, the FIU has designated team that reviews statutory reports submitted by FXBs in accordance with the guidelines issued on reporting obligations of FIs.

It was observed that the FIU and BSL during the period under review conducted very few inspections. However, there is need for BSL and FIU to develop joint risk-based inspection schedule for FXBs. This variable was assessed by the working group as medium low 0.4.

### **Availability and Enforcement of Administrative Sanctions**

The AML/CFT regime provides a range of administrative sanctions for violations of AML/CFT obligations by FIs. Section 53 of the AML/CFT Act 2012 (as amended) gives the Unit the power to impose financial and other forms of penalties on FIs for AML/CFT compliance failures.

The Other Financial Services Act 2001 (as amended) also gives power to Bank of Sierra Leone to impose range of administrative sanctions. Section 10 and 11 of the Other Financial Services Act 2001 (as amended) empowers BSL to revoke and restrict license of Foreign Exchange Bureaus respectively. However, administrative penalties were not mentioned for violations of AML/CFT obligations.

There was no available information on administrative sanctions imposed by FIU and BSL on Foreign Exchange Bureaus during the period under review. However, the assessment ascertained that FXBs are generally aware that they could be sanctioned for noncompliance with AML/CFT regimes and hence the variable is rated medium low.

### **Availability and Enforcement of Criminal Sanctions**

There are several provisions in the AML/CFT Act. 2012 that entail range of criminal sanctions for convicted individuals/entities for ML/TF offenses including financial penalties, confiscation of properties and imprisonments. Section 68, 15 and 16 provide criminal penalties for failing to declare currency at entry point, Money Laundering Offence and Terrorist Financing offence respectively. Further, Section 59 provides sanctions for not complying with the regulations of the Unit or supervisory authorities.

Section 51 of the OFS Act 2001 provides range of penalties for providing false information to BSL while applying for license.

The Working Group observed notable awareness that criminal penalties could be imposed for ML/TF related offences.

During the period reviewed, there were no evidence of FXB and their staff being subjected to criminal sanctions for ML/TF related violations.

This variable was ranked by the working group as Medium low (0.4)

### **Availability and Effectiveness of Entry Controls**

Section 50 of the Other Financial Services Act 2001 (as amended) bestows supervisory authority of Foreign Exchange Bureaus on the Bank of Sierra Leone and the Financial Stability Department is responsible for the issuance of license to OFIs.

The operating guidelines for Foreign Exchange Bureaus issued by the Bank of Sierra Leone provide the requirements for granting, renewal and revocation of license to FXBs. Further, the reporting obligation of FXBs to BSL is enshrined in the said guidelines. However, AML/CFT requirements were not incorporated.

As part of the licensing process of FXB, the ultimate beneficial owners are interviewed in accordance with section 38 (1) of the AML/CFT Act 2012 by the Financial Intelligence Unit in a bid to ascertain that their initial capital is not obtained from tainted source and hence this variable is rated High.

### **Integrity of Business/Institution Staff**

Section 35 (2) (VI) of the AML/CFT Act 2012 (as amended) mandates FIs to screen prospective employees prior to employing them as staff.

The shareholders, Board of Directors, and Senior Management of FXBs are subjected to Fitness of propriety test by BSL.

The Working Group observed from the respondents that potential employees are subjected to background checks before offering them employment.

However, discussions with the respondents revealed that instances of fraud perpetrated by employees are reported to the police.

This variable is assessed as medium High (0.5)

### **AML Knowledge of Business/Institution Staff**

The AML/CFT regime requires FIs to develop and implement training programs for staff members of their institutions as one of the fundamental AML/CFT compliance obligations.

The Financial Intelligence Unit conducted few AML/CFT trainings for staff of Foreign Exchange Bureaus during the period under review upon request.

Most of the respondents reported that they conduct periodic AML/CFT training for staff of their institution. However, reports on spot checks conducted and further discussions revealed that most of the FXBs do not have highly knowledgeable staff to conduct AML/CFT trainings and FXBs surveyed generally demonstrated low level of understanding of AML/CFT. This variable was rated by the working group as medium low (0.4).

### **Effectiveness of Compliance Function (Organization)**

58% of the FXB surveyed stated that they are enrolled on the FIU's online reporting portal, and they do submit Currency Transaction Reports. 83% confirmed that they have designated compliance officer.

Further, 79% alluded to conducting periodic AML/CFT training for staff members of their Institutions respectively.

However, assessment reports on CTR and FTR submitted by FXB revealed that some of the FXBs are not submitting reports on time and in some instances relevant fields are not completed in the report. Failure to maintain AML/CFT policy, not having experienced designated compliance officers stood out in spot check assessment conducted by FIU on FXB.

This variable is assessed as medium low.

### **Effectiveness of Suspicious Activity Monitoring and Reporting**

Section 41 of the AML/CFT Act 2012 requires FIs to submit Suspicious Transaction Report to FIU. The directives and guidelines for FIs on AML/CFT issued by FIU entail the format for reporting STR. Two (2) of the FXBs surveyed stated that they do submit STR to FIU. However, records were not available for STRs submitted by FXBs.

Further discussions with the respondents revealed that they have little knowledge on the reporting format of STR. This variable was therefore ranked Low (0.3) by the Working Group.

## **COMMUNITY BANKS**

### **Assessment of ML vulnerability of Community Banks**

The general ML vulnerability of Community Banks was rated as Medium low and detail analysis of the AML control variables and the product related vulnerability evaluations are presented as follows:

## **General AML Control Variables Assessment**

### **Comprehensiveness of AML Legal Framework**

Part VII of the AML/CFT Act 2012 provides range of preventive measures relating to combating ML/CFT that are in line with the FATF's recommendations. The AML/CFT directives and guidelines issued by FIU encompasses risk-based approach, KYC/CDD procedures, transaction monitoring and statutory reporting obligations.

However, specific guidelines and directives for Community Banks were not available. This variable was rated as medium High (0.6)

### **Effectiveness of Supervision/Oversight Activities**

Pursuant to Section 50 of the Other Financial Services Act 2001, Bank of Sierra Leone is the primary supervisor of community banks in Sierra Leone. However, Bank of Sierra Leone through a Memorandum of understanding has delegated its supervisory function to Apex Bank.

Further, discussions revealed that resources constraints impeded the work of the supervisory authority during the period under review and AML/CFT centred examinations were not conducted.

The variable was rated as medium low (0.4) by the working group.

### **Availability and Enforcement of Administrative Sanctions**

The AML/CFT regime of Sierra Leone empowers FIU to impose several administrative sanctions depending on assessment of the AML/CFT infringements a reporting entity/ individual is found culpable. 53 provides for sanctions including fines and other administrative penalties. Sections 10 and 11 of the Other Financial Services Act 2001 mandate BSL to impose administrative sanctions on OFIs.

There were no available records on administrative sanctions levied by Apex Bank, FIU and BSL on Community Banks during the period under review. This could be attributed to lack of AML/CFT assessment during the period under review. This variable was therefore rated medium (0.5).

### **Availability and Enforcement of Criminal Sanctions**

There are several provisions in the AML/CFT Act 2012 that address criminal sanctions for breach of AML/CFT laws. Some of the penalties include confiscation of properties, fines and

imprisonment. Part XIII of the AML/CFT Act 2012 (as amended) provide appropriate criminal penalties for Money laundering and Terrorist Financing offences respectively.

Section 51 of the OFS Act 2001 (as amended) also contains criminal sanctions for providing deceitful information while applying for license to Bank of Sierra Leone.

Based on the responses provided by the Community Banks assessed, there were no records of reported cases involving community banks or their staff that were criminally sanctioned during the period under review and hence this variable is rated medium high.

### **Availability and Effectiveness of Entry Controls**

Approved guidelines and directives for the establishment of Community Banks were not available. However, further discussions revealed that prior to establishing a Community Bank, needs assessment is conducted by Apex Bank and approval is obtained from Bank of Sierra Leone. Furthermore, BSL would also conduct an independent assessment in a bid to establish that the request is justifiable and regulatory directives are not breach.

Directives on AML/CFT assessments on Community Banks prior to commencing operations were not available during the period under review. This variable was rated low (0.3) by the working group.

### **Integrity of Business/Institution Staff**

The Community Banks surveyed confirmed that as part of their HR policy, background checks are conducted on prospective employees prior to employment.

Further discussions revealed that Apex Bank, the supervisory authority is responsible for recruiting staff and assigning them to Community Banks across the country and two guarantors are required from prospective employees as part of their vetting process.

Integrity failures relating to employees are reported to the police and BSL is notified. This variable was assessed as medium (0.5).

### **AML Knowledge of Business/Institution Staff**

70% of the Community Banks mentioned that they have a system in place to conduct periodic AML/CFT training for their staff members.



The Community Banks surveyed confirmed that they have designated AML/CFT compliance officers to handle AML/CFT related obligations. However, further discussions revealed that Compliance functions are handled by the internal auditors at the Community Banks.

Further the Working Group observed that the staffs of Community Banks have a relatively low level of understanding of AML/CFT directives and guidelines. Based on the above, this variable was rated as medium low (0.4)

### **Effectiveness of Compliance Function (Organization)**

The Community Banks surveyed reported that they have designated Compliance Officers and 55% confirmed that they have AML/CFT policy. However, further interactions revealed that Internal Auditors with limited AML/CFT knowledge performs Compliance Functions.

70% of the community banks confirmed that they conduct periodic AML/CFT training for their employees.

The working group noted that Community Banks are not enrolled on FIU's reporting portal and as such, they are not submitting regulatory reports. This variable is ranked medium (0.5) by the working group.

### **Effectiveness of Suspicious Activity Monitoring and Reporting**

Most of the respondents confirmed that they have structures in place for detecting and reporting of suspicious transactions. The respondents further stated that they have never submitted suspicious transactions reports to FIU.

The assessment of the Working Group indicated that CBs are not enrolled on the Unit's reporting portal and they have little knowledge on the channel of reporting STR. There were no records of STRs being submitted to regulators and Apex Bank during the period under review. This variable was raked Low (0.3)

## **DISCOUNT HOUSES (DH)**

### **Assessment of ML vulnerability of Discount Houses**

The general ML vulnerability of Discount Houses was rated as Medium Low (0.43). Further analysis of the AML control variables and the product related vulnerability evaluations are presented as follows:

### **General AML Control Variables Assessment**

### **Comprehensiveness of AML Legal Framework**

The AML/CFT Act 2012 provides range of preventive measures including the obligation to obtain and verify customers' identification, enhanced due diligence procedures for handling high risk customers and Politically Exposed Persons, Risk-based approach, and the obligation to develop and implement internal programs to combat ML/TF. The AML/CFT Act 2012 is drafted in line with FATF standards on combating ML/TF.

Section 6 of the Other Financial Services Act 2001 gives power to the Bank of Sierra Leone to grant FIs license based on assessment of information submitted by an applicant. Section 3 of the OFS Act 2001 provides the obligations on Financial Institutions to be licensed and section 5 of the OFS Act 2001 highlighted the eligibility criteria to be granted license. However, AML/CFT obligations of Discount Houses were not provided in the OFS Act 2001.

The revised guidelines and directives for the issuance of Treasury Bills and Treasury Bonds identified Discount Houses as one of the primary dealers of Treasury Bills and Treasury Bonds and further outlined their core responsibilities. However, the guidelines do not contain AML/CFT obligations of Discount Houses.

Based on the above, this variable was rated High (0.7)

### **Effectiveness of Supervision/Oversight Activities**

The Central Bank of Sierra Leone is the primary supervisory authority of Discount Houses. Section 34 of the OFS Act 2001 confers power on BSL to conduct examination on licensed FIs.

The Other Financial Institutions Supervision Department at the Central Bank is responsible for supervising Discount Houses. However, during the period under review, AML/CFT focused examinations were not conducted.

Section 52 of the AML/CFT gives the FIU unrestricted authority to examine FIs in respect of AML/CFT compliance. However, AML/CFT examinations were not conducted on Discount Houses by FIU during the period under review. This variable is rated medium low (0.4)

### **Availability and Enforcement of Administrative Sanctions**

Section 37 of the Other Financial Services Act 2001 empowers BSL to remove Directors and other Senior Management staff of FIs from Office.

The AML/CFT regime also provides several administrative sanctions for non-compliance with AML/CFT obligations. Section 53 of the AML/CFT Act provides range of administrative sanctions including fines, suspension of an institution's license, bar an individual from employment etc.

The Working Group observed that none of the Discount House was sanctioned during the period reviewed and there is awareness on sanctions for infringements of AML/CFT laws. This variable was therefore rated as medium (0.5)

### **Availability and Enforcement of Criminal Sanctions**

There are several criminal sanctions that could be imposed for breach of AML/CFT obligations. Part XIII of the AML/CFT Act 2012 (as amended) proffers criminal sanctions for failure to keep and avail access to information.

However, there were no records of any Discount House, or its staff being sanctioned during the period under review and hence this variable is rated medium high.

### **Availability and Effectiveness of Entry Controls**

Section 4 (1) of the Other Financial Services Act 2001 requires FIs to direct their applications for license to the Bank of Sierra Leone whilst section 5 of the said Act provides the eligibility criterion for an individual opting to apply for license.

Further, section 6 of the OFS Act 2001 outlines the conditions for granting and refusal of license which includes fitness and propriety assessment of promoters, prospective directors, Senior Officers and viability of the business plan presented.

The Financial Stability Department at Bank of Sierra Leone is primarily responsible for assessing the eligibility of applicants and issuance of license. However, AML/CFT obligations are not enshrined in the directives and guidelines issued by BSL.

In accordance with section 38 (1) of the AML/CFT Act 2012, the shareholders of FIs are to be subjected to assessment by FIU in a bid to ascertain that their initial capital is not obtained from an illicit source. Based on the above, this variable was rated High (0.7).

### **Integrity of Business/Institution Staff**

The respondents surveyed confirmed that as part of their HR directives and guidelines, prospective employees are screened prior to engaging them and the process includes obtaining forms of identification, copies of certificates and references.

Directors and Senior Management staff are subjected to screening by Bank of Sierra Leone pursuant to section 6 (2) of the OFS Act 2001.

Further discussions revealed that incidents of fraud involving staff members were very low during the period reviewed and the employees are considered trustworthy. This variable is rated medium high 0.6 by the working group.

### **AML Knowledge of Business/Institution Staff**

Section 35 (2) (f) of the AML/CFT Act mandates reporting entities to train their agents and employees to identify risks and trends in ML/TF related to the nature of their operations.

The respondents confirmed that routine AML/CFT trainings are conducted for staff members on their AML/CFT obligations as required by the AML/CFT Act 2012 and other regulatory directives. This variable was therefore rated medium (0.5)

### **Effectiveness of Compliance Function (Organization)**

The respondents confirmed that they have designated AML/CFT Compliance Officer responsible for their institutions' compliance with AML/CFT regulations. They further confirmed that they have AML/CFT policy that guides the operations of their institution.

It was further observed that Discount Houses are not enrolled on the Unit's online reporting portal and there was no evidence of AML/CFT focused examinations conducted by regulators. However, discussions revealed that they are submitting returns to BSL in adherence to prudential guidelines. This variable was therefore rated medium low (0.4).

### **Effectiveness of Suspicious Activity Monitoring and Reporting**

The respondents confirmed that they have systems in place to monitor and detect suspicious transactions. However, they have never submitted suspicious transaction report to regulators, and they are not enrolled on FIU's reporting portal. Further engagement revealed that staff of DH has little knowledge on the format and channel of reporting STR and hence this variable is rated medium low.

## **MOBILE MONEY OPERATORS**

### **Assessment of ML vulnerability of Mobile Money Operators**

The general ML vulnerability of Mobile Money Operators was rated by the Working Group as Medium Low (0.46) which is attributed to medium (0.5) AML controls and (0.46) inherent product related vulnerability.

Further analysis of the AML control variables and product related vulnerability evaluations are presented as follows:

### **General AML Control Variables Assessment**

#### **Comprehensiveness of AML Legal Framework**

The guidelines for Mobile Money Services issued by Bank of Sierra Leone in 2015 specifically provides AML/CFT preventive measures for Mobile Money Operators including adherence to KYC/CDD procedures while onboarding customers, the obligation to obtain and verify customers identification, monitoring and reporting of suspicious transactions, setting thresholds for customers transactions etc.

The Directives and Guidelines for FIs issued by the Financial Intelligence Unit contains respective measures for combating ML/TF including regulatory reporting requirements, Risk-based approach relating to Politically Exposed Persons and Wire transfers, roles of Board Members and Senior Management of FIs in the fight against ML/TF and hence variable is rated high due to existence of adequate legislative framework.

#### **Effectiveness of Supervision/Oversight Activities**

The Banking Act 2019, Other Financial Services Act 2001 (as amended), National Payments Systems Act 2022 and the directives and guidelines for mobile money financial services respectively empowered the Bank of Sierra Leone to regulate and supervise Mobile Money Operators.

The Other Financial Services Supervision Department is primarily responsible to supervise and assess the activities of MMOs. During the period under review one on-site and offsite assessment was conducted that involved review of AML/CFT compliance framework of one of the leading providers of Mobile Money Services which is a vulnerability in the sector.

However, the assessment revealed that some of the MMOs were not assessed by regulators in respect of their level of compliance with ML/TF guidelines and directives and hence this variable is rated medium.

### **Availability and Enforcement of Administrative Sanctions**

Section 53 of the AML/CFT Act contains range of administrative sanctions that could be levied for noncompliance with the AML/CFT regime of Sierra Leone.

During the period under review, there was no record on administrative sanctions levied on MMOs for noncompliance with AML/CFT obligations. This variable was ranked medium (0.5)

### **Availability and enforcement of criminal sanctions**

AML/CFT regime contains several criminal sanctions for culpable individuals/entities. Sections 55 and 79 provide sanctions for not complying with identification obligations and violation of restraining orders respectively.

Discussions revealed that no MMOs and their staff members were convicted and fined for ML/TF related offences. This variable was rated medium (0.5)

### **Availability and effectiveness of Entry Controls**

Mobile Money Operators are subjected to screening process by the Bank of Sierra Leone before granting them approval to operate. The Directives and Guidelines for MMOs issued by BSL contain the requirements for applying for license, acceptable models, tolerable activities, customer protection and AML/CFT obligations.

The Promoters, Board of Directors and Senior Management Staff are also subjected to fitness of propriety test which involves background checks and assessment of the veracity of documents submitted in accordance with section 6 of the Other Financial Services Act 2001 (as amended) and hence this variable is rated medium high.

### **Integrity of Business/Institution Staff**

Section 36 of the AML/CFT obliged reporting entities to subject prospective staff to a screening process prior to hiring them in a bid to establish that they do not have criminal records. MMOs surveyed confirmed that they have systems in place to conduct background checks on their potential employees prior to granting them offer of employment.

However, further discussions revealed that incidents of fraud are investigated internally and reported to the police. The variable was rated medium low (0.5)

#### **AML Knowledge of Business/Institution Staff**

This variable was rated medium high (0.6). MMOs surveyed confirmed that periodic AML/CFT trainings are conducted for employees and reasonable level of knowledge on AML/CFT regulatory directives was demonstrated. Onsite examination conducted by BSL also provided assurance on the level of AML/CFT awareness of MMOs.

However, the Working Group observed that during the period reviewed, few AML/CFT trainings were conducted for MMOs by regulatory/supervisory authorities and that the Compliance Officers were not knowledgeable enough to provide specialized trainings for the staff of MMOs.

#### **Effectiveness of Compliance Function (Organization)**

The MMOs surveyed confirmed that they have designated Compliance Officers responsible for ensuring that they comply with AML/CFT directives and further mentioned that they have internal AML/CFT policy that guides their business operations.

Further, the Working Group observed that KYC/CDD and other internal control measures are adopted in adherence to the AML/CFT regime and in a bid to address the ML/TF ML risks faced. The onsite examination conducted by the Other Financial Services Supervisions Department indicated notable level of AML/CFT compliance by MMOs examined. This variable was therefore rated medium high (0.6).

#### **Effectiveness of Suspicious Activity Monitoring and Reporting**

The AML/CFT Act. 2012 (as amended) requires an obligation on reporting entities to file STR on the activities of their customers within stipulated timeframe. The MMOs assessed confirmed that they have designated Compliance Officers and systems in place to monitor and report suspicious transactions.

However, the directives and guidelines for Mobile Money Services directed MMOs to submit STRs to bank of Sierra Leone which is vulnerability in the sector. The on-site examinations conducted by BSL revealed that Suspicious Transactions were reported to the Central Bank. The said directive contravenes section 41 of the AML/CFT 2012 (as amended) which requires reporting entities to direct STRs to the FIU. Records on STR reported by MMOs during the

period under review were not available. Based on the above deficiency the variable is rated medium.

## **UNREGULATED FINANCIAL SECTOR**

### **Unregulated Foreign Exchange Dealers**

The revised operating guidelines for Foreign Exchange Bureaus stipulated that all FXBs must have a premise suitable for the conduct of Bureau operations and the activities of FXBs must be conducted within the licensed premises. Pursuant to section 48 (3) of the Bank of Sierra Leone Act 2019, the Governor issued a ban prohibiting unlicensed operators from engaging in foreign currency trade. Hence, the directives of BSL allowed only licensed FXBs to conduct the business of buying and selling of foreign currencies.

Unlicensed Foreign Exchange Dealers refer to individuals/entities that conduct buying and selling of foreign currencies without license from the Bank of Sierra Leone.

Unlicensed FX dealers are normally found around border crossing points and in certain locations in towns across the country. There is no available information on the volume of transactions conducted by unlicensed FX dealers during the period under review.

There are no audit trail or transaction record on their operation which is sector vulnerability. However, such unregulated businesses pose high risk considering the number of players and volume of cash involved in the FX trade.

### **Unregulated Money Transfer Agents**

The Unregulated Money Transfer Agents (UMTA) operates a network of individuals engaged in transfer of money internationally outside the formal financial system without moving the physical cash. Payments are facilitated by the contact of the agents to the beneficiary.

Unregulated Money Transfer Agents operate an underground network which makes it extremely difficult to obtain information about the extent of their operations. No form of documentation/information about the source of funds is obtained from the individual initiating the transfer. However, there is a risk UMTA being used to launder criminal proceeds or finance terrorism.

The Central Bank of Sierra Leone and the Financial Intelligence Unit have respectively engaged street vendors of foreign currencies in a bid to enlighten them on the need to ensure



that they are duly licensed prior to conducting buying and selling of foreign currencies and the extent of risks they are exposed to in relation to ML/TF.

Despite the ban and engagement of unregulated players in the informal financial sector, considerable volume of transactions is conducted by unregulated money transfer Agents and street vendors of foreign currency which poses ML/TF risks.

### **5.3 FINANCIAL INCLUSION PRODUCTS**

#### **Overview of financial inclusion products in Sierra Leone**

Financial Inclusion generally refers to the process of providing tailored financial products and services to individuals/businesses excluded from the formal financial system. Products and or services such as local/international money transfer, range of credit facilities, payments services, mortgages, insurance are custom-made to suit the needs of the unbanked. These financial products/services are provided by regulated financial institutions and the primary objective is to cater for households and businesses that are deprived from access to the traditional financial sector.

In 2018, the geospatial survey conducted by BSL with the help of the World Bank identified 1,811 access points to financial services across the country. Notable amount of the access points surveyed were concentrated in the capital city and other secondary urban areas and 42% of chiefdoms across Sierra Leone were not having access points to financial services.

The National Strategy for Financial Inclusion (NSFI) issued by the Bank of Sierra Leone identified access to customer focused financial products and services, digital financial services, financial literacy, and customer protection as primary areas of intention in a bid to ensure financial deepening.

The Central Bank developed and implemented range of programs during the period under review including conducting a geospatial survey to identify and map financial access points in the country, issued tiered KYC directives, established a regulatory sandbox, launched a framework for financial literacy and issued directives on the use of agents to improve on access to financial services across the country.

#### **Access to Financial Services in Sierra Leone**

There are 3 Mobile Money Operators in Sierra Leone with over 35,000 agents across the country. Other regulated access points to financial services include 14 Commercial Banks with

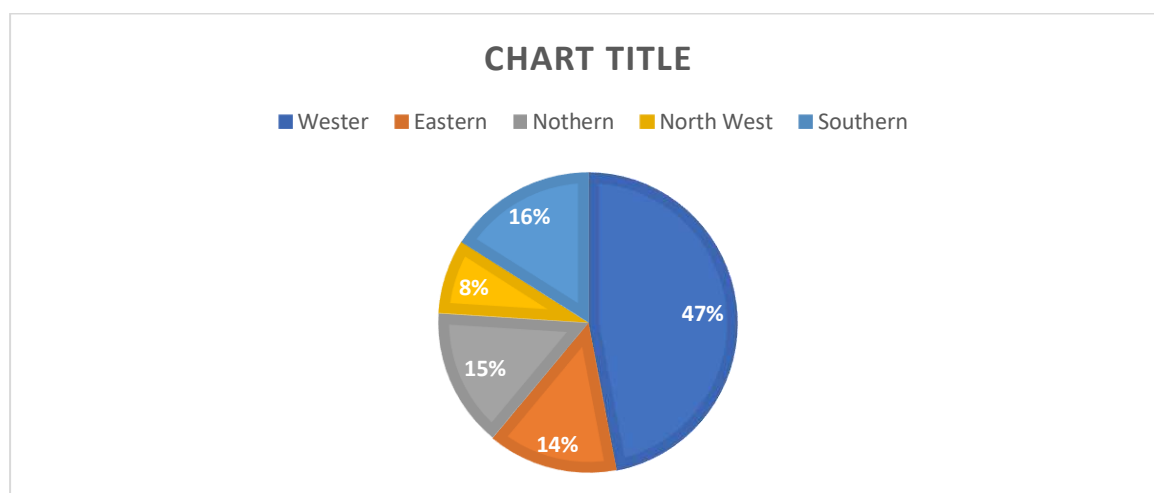
over 140 branches, 54 Microfinance Institutions with over 200 branches, 73 licensed Foreign Exchange Bureaus, 59 Financial Services Association and 17 Community Banks.

Further, other institutions that are not regulated by BSL that also have financial access points include 14 Insurance Companies, 25 Credit Unions and Sierra Leone Post Office. These institutions constitute 11% of the access points of financial services across Sierra Leone.

Nonetheless, stakeholder consultations conducted by the Central Bank highlighted high interest rates, lack of interoperability, low level of education and poor or no availability of network facilities in rural areas as some of the impediments to achieving financial inclusion.

The chart below presents regional distribution of points of access to financial services in Sierra Leone as of December 2021:

**Figure 5.1: Regional distribution access points to financial services**



**Source of data:** National Strategy for Financial Inclusion (2022 – 2026)

### **Assessment of ML vulnerability of the financial inclusion products**

Product specific vulnerability assessments were conducted for different sectors by the working group. The overall ML vulnerability of the financial inclusion products was ranked as *low*. Further, the financial inclusion products were assessed in line with the under listed parameters:

- **Product/service specific risks:** Risks related to the assessed product/services.
- **Customer risks:** Risks related to the consumers of the products/services.
- **Agent Risk:** Risks related to the Agents that serve as intermediaries.
- **Geographic/Country Risk:** Risks related to high-risk jurisdictions.

### **Mobile Money Service Providers:**

Payments/local remittance services are provided by 3 Mobile Money Operators with an aggregate network of over 35,000 agents which constitutes over 97% of all formal access points of financial services across the country.

As of 2021, the total active customers increased to 3.1 million and the number of registered Mobile Money Accounts grew by 59.8% amounting to 6.8 million. Further, over 81.1 million transactions were conducted by Mobile Money Operators implying growth in financial inclusion and financial deepening.

The working group focused on 2 financial inclusion products offered by MMOs and the ML risks was rated *medium low*.

#### **➤ Payment Services/Cash-in-Cash-Out:**

This product offers customers the platform to conduct payment for products/services and cash-in-cash-out of funds simply and efficiently. It further enables customers to collect and manage proceeds from sales.

Customers are subjected to simplified KYC procedures prior to obtaining a registered SIM card for mobile money services. Cash-In-Cash-Out transactions are conducted in easily accessible locations through registered agents across Sierra Leone. Transaction limits are instituted by the service providers based on the level of KYC procedure the customer is subjected to and the limits can be extended upon request and further assessment of the customer.

#### **➤ Funds Transfer Services:**

Funds Transfer Services enable registered customers of the same network to efficiently send and receive virtual cash in real time. Further, funds can also be transferred to and from customers' bank account and mobile money wallet. This service requires prior arrangements between banks and the Mobile Money Operators. However, interoperability among mobile money service users is not permitted.

The ML risk related to this sector was assessed based on Four (4) parameters as follows:

### **Product/Service-related risks:**

The ML risk related to the products/services that enables customers to effect payments and facilitate transfer of funds was assessed by the working group as *medium low*.

As part of the controls related to mitigating the ML risk associated with the products/services, transaction limits are instituted based on the extent of KYC/CDD information obtained from customers. The maximum amount of cash and number of transactions that can be conducted per day by an individual are capped at NLe 15,000 and 12 transactions respectively. Further, Agents and Aggregators are also subjected to daily, weekly, and monthly limits on the number and value of transactions.

### **I. Customer Risks:**

The ML risks posed by customers was assessed and rated as *medium low* by the working group. Customers are categorized into individual customers, Non-governmental Organizations, Community Based Organizations, Small and Medium sized Enterprises, and corporate customers. The extent of KYC/CDD requirement depends on the category that the customer falls. Individual customers are required to present valid form of identification and information on their address and occupation. Business registration documentation, valid form of identification, and proof of address are obtained from legal persons.

### **II. Agent Risk:**

Section 36 (f) of the AML/CFT Act 2012 requires FIs to provide AML/CFT trainings for their Agents. Further, Agents of Mobile Money Service providers are subjected to KYC/CDD procedures prior to enrolling them. Valid form of identification, details on address and profile of agents are obtained by MMOs. Transaction limits are instituted as part of internal controls. However, there was no evidence that AML/CFT trainings are conducted for agents of MMOs. Based on the above, this variable was ranked *Low*.

### **III. Geographic Risks:**

Geographic risks refer to ML risks associated with high-risk jurisdictions. However, MMOs in Sierra Leone do not provide cross-border transfer services and payment for goods and services / Cash-In-Cash-Out services are restricted within Sierra Leone. The risk of receiving or sending cash to sanctioned jurisdictions using the platforms provided by MMOs does not exist and transaction monitoring mechanisms in place. This variable was assessed as *low risk*.

## **Community Banks:**

Community Banks provide range of tailored financial products/services to farmers, petty traders, small/medium sized businesses, and low salary earners across Sierra Leone. There are 17 Community Banks operating in predominantly rural communities where access to the traditional financial institutions is difficult.

In 2021, the gross loans issued by community banks increased by Le 23.10 billion resulting from a notable increase of borrowers to 37,695 as compared to 34,581 in 2020 and number of depositors declined by Le 25,763.

Products in this sector includes savings account, Local money transfer, Loans/ overdrafts etc and CBs accounted for 2% of (Non-Mobile Money) access points in Sierra Leone.

The working group focused on three financial inclusion products in the Insurance sector and the general ML vulnerability was assessed as *Medium Low*.

### ➤ **Savings Accounts:**

This product allows customers to save funds in community banks. Prior to maintaining savings accounts, customers are requested to complete account opening form and present a valid form of identification.

### ➤ **Loans:**

Community Banks offer various loan packages ranging from Salary advances, Agriculture loan, SME loans, group loans etc.

### ➤ **Local Money Transfers:**

This product enables customers to transfer funds locally. Information on the sender and beneficiary are obtained.

Assessment of the ML vulnerability in this sector was premised on four factors as follows:

#### **I. Product Risk:**

Apex Bank is the primary supervisory authority of Community Banks and all products offered by CBs are reviewed and approved by Apex Bank. The Central Bank of Sierra Leone also performs oversight functions on CBs. The level of KYC/CDD requirements depends on the type of product/service. The product risk was rated low.

## **II. Customer Risk**

Customers are subjected to KYC/CDD procedures including obtaining information on the profile of the customer, valid form of identification and address verification.

## **III. Agents Risk:**

This is the ML risks related to agents that are hired to conduct transactions on behalf of Community Banks. However, CBs do not conduct their activities through agents and as such ML risk emanating from agents is non-existent.

## **IV. Geographic Risks:**

Geographic risk refers to ML risk related to providing products/services that could be accessible in high-risk jurisdictions. Community Banks do not conduct cross-border transactions. This variable was rated low by the working Group.

## **Insurance Sector:**

The Financial Stability report 2021 indicated that the Insurance sector is relatively stable despite the price, market and reputational risks faced. In 2021, 19.9% growth rate in premium was recorded as compared to 17.9% in 2020.

The nature and design of products offered by Insurance companies vary from one institution to another. Further, the December 2021 geospatial survey noted that the Insurance sector accounted for 5% of the Non-Mobile Money access points of financial services.

### **➤ Child Education Policy:**

This is a fixed term agreement that allows parents to save funds for their children's education expenses. This policy provides financial security for children in case of untimely death of their parents.

The term of the policy ranges from 5 to 30 years and the minimum assured sum is based on the needs and financial capabilities of the applicant. Documentation requirements include valid form of identification, proof of income and address.

### **➤ Retirement/ Endowment policy:**

This policy provides a source of income for holders as maturity benefits at an agreed future date. The term of the policy ranges from 5 to 25 years and the maximum entry age is 60 years whilst the maximum maturity date is 65 years.

➤ **Famble Insurance Policy:**

This scheme primarily targets low-income earners. Members can opt to pay any of the following amounts: Le 2, Le 5, Le 10 and Le 20 respectively. Access to this product is easy with form of identification and information on the profile of the applicants.

**I. Product Risks:**

Vulnerabilities associated with the products were assessed and rated as medium low. Further, low transaction limits are fixed on assured sum. Non-face-to-face access to the products is only permitted through Agents. There is no evidence of the products being used for Money Laundering and Terrorist Financing.

**II. Customer Risks:**

Customers are required to complete and submit application form entailing information on their profile. Further, valid form of identification and information on the source of income of applicants are obtained.

**III. Agents Risks:**

Agents are vetted and approved by the Sierra Leone Insurance Commission prior to their engagement by Insurance Companies. Section 35 (1) (f) of the AML/CFT Act 2012 obliged FIs to conduct AML/CFT trainings for employees and agents. However, there was no evidence that AML/CFT trainings were conducted for Agents and discussions revealed that they have limited knowledge on AML/CFT regime.

**IV. Geographic Risks:**

Geographic risks refer to AML/CFT risks associated with products that could be accessed in high-risk jurisdictions. This variable was rated *low* by the working group.

#### **5.4 SUMMARY OF KEY FINDINGS:**

- There are rigid entry controls aimed at depriving criminals from establishing an institution that provides financial services.
- The directives and guidelines for the operations of Mobile Money Operators issued by the central bank in respect of reporting of STRs contravene section 41 of the AML/CFT Act 2012.
- Little AML/CFT focused assessments were done for MFIs and MMOs and there was no evidence of the said assessment for DHs and CBs
- Majority of OFIs were not enrolled on the Unit's online reporting portal and some of the OFIs were not au-fait with the channel and reporting format of filling STRs.
- Majority of OFIs are not submitting CTR to the Unit partly because of the reporting threshold.
- Low level of understanding on the identification and channel of reporting STRs to the Unit.

#### **5.5 GENERAL RECOMMENDATIONS:**

- FIU and BSL to embark on training for OFIs on identification and reporting of STRs and FIU to embark on enrollment of OFIs on the Unit's online reporting portal.
- BSL should review directives and guidelines issued to ensure that they are in conformity with the AML/CFT Act 2012.
- The supervisory/Regulatory authorities to develop a Risk-based examination plan in a bid to periodically review the activities of the OFI sector.
- The FIU to engage on enrollment of OFIs on its online reporting portal and provide training on the regulatory reporting requirements and the online reporting process.
- Regulatory and supervisory authorities to collectively develop AML/CFT focused directives and guidelines for the sub-sectors in the OFIs.



## CHAPTER 6. THE INSURANCE AND SECURITIES SECTORS

### 6.1 INTRODUCTION

The insurance Sector in Sierra Leone is being regulated, supervised, Administered and Monitored by the Sierra Leone Insurance Commission (SILICOM) and the commission was established by the insurance Act 2000. Actual operations of the commission started in April 2004. Since that time there has been a lot of transformation. This sector is a key player in the capital market. Money Launderers/terrorism financiers within the Insurance sector can structure transactions, force employees to collaborate, enforce appropriate reports, or set up legitimate front insurance companies to Launder money or finance terrorism. There are twelve (12) licensed and registered insurance companies and one (1) reinsurance corporation in Sierra Leone. Seven (7) out of the twelve (12) insurance companies are composite i.e., they underwrite both life and non-life insurance products. Below is a table that depicts composite insurance companies.

Table 6.1

<b>COMPOSITE INSURANCE COMPANIES</b>		
<b>S/N</b>	<b>INSTITUTION NAME</b>	<b>BUSINESS MODEL</b>
1	Aureol Insurance Company	underwrites both life and non-life insurance products
2	International Insurance Company	underwrites both life and non-life insurance products
3	Sierra Leone Insurance Company	underwrites both life and non-life insurance products
4	STACO Insurance Company	underwrites both life and non-life insurance products
5	ACTIVA Insurance Company.	underwrite both life and non-life insurance products

6	Medical and General Insurance Company	Underwrite non-life businesses insurance products
7	Marine and General Insurance	Underwrite non-life businesses
8	Trans-World Insurance Company	Underwrite non-life businesses
9	Capital Assurance Company	underwriting life insurance business and Motor insurance business
10	Global Risk Insurance Company	Underwrite non-life businesses
11	WAICA-Re Insurance Corporation	All classes of business
12	Reliance Insurance Trust Corporation (SL) Ltd.	underwrites both life and non-life insurance products
13	National Insurance Company (SL)Ltd	underwrites both life and non-life insurance products

In 2020/2021 IIC life insurance growth rate in the market share was 34%/32% and 2020/2021 STACO nonlife insurance growth rate in the market share was 27.2%/29.4% respectively.

The total country premium income as of 2018 to 2021 from the annual report of the insurance regulator (SILICOM).) See below is break down of the figures.

Table 6.2

<b>PREMIUM INCOME FOR LIFE AND NON-LIFE INSURANCE FOR THE YEARS</b>				
<b>YEARS</b>	<b>LIFE INSURANCE</b>	<b>GROWTH RATE-% Le (Million)</b>	<b>NON-LIFE INSURANCE</b>	<b>GROWTH RATE-% Le (Million)</b>
<b>2018</b>	<b>38,737.48</b>		<b>101,679.22</b>	

<b>2019</b>	<b>38,610.35</b>	<b>0%</b>	<b>120,114.48</b>	<b>18%</b>
<b>2020</b>	<b>47,114.98</b>	<b>22%</b>	<b>140524.18</b>	<b>17%</b>
<b>2021</b>	<b>49,982.23</b>	<b>6%</b>	<b>164,424.49</b>	<b>17%</b>

The total assets of the insurance industry grew by a meagre 2 percent in 2021 following a growth of only 0.3 percent in 2020. The slight pick-up in growth was due to the removal of COVID -19 restrictions in 2021. The Growth in the industry’s assets was driven mainly by the increase in investments and receivables in 2021.

Group life insurance policies are not a target for AML/CFT/PF activities because the insurance policy is usually taken by the employer on behalf of the employees, unlike profit single/individual contracts that attract cash value. For non-life insurance, ML/TF can occur within the context of and, as the motive behind its formation/operation, for example where this results in a claim to be made to recover part of the invested illegitimate funds. Fortuitous claims can also be made by unscrupulous persons to recover funds through their fire or burglary insurance policies.

It was discovered that some registered insurance companies in Sierra Leone do not have an internal AML/CFT risk assessment and have not conducted any sectoral risk assessment. However, among the twelve (12) registered Insurance companies none of them has a dedicated AML/CFT compliance officer, the reinsurance company has a dedicated AML/CFT compliance officer which is a sector vulnerability.

The Financial Intelligence Unit (FIU) and Sierra Leone Insurance Commission (SLICOM) have conducted joint onsite examination on some insurance companies and reinsurance company to determine their level of compliance AML/CFT which is a requirement as prescribed by the Part VII of the AML/CFT Act 2012, Act No 2 (as amended), and other applicable Laws, Regulations, Directives and Guidelines. The examination was conducted using the risk-based approach. Training is a relevant component embedded in the AML/CFT programs for reporting entities, to enhance their capacity and knowledge on the laws, directives, and guidelines aimed at preventing the abuse of reporting entities by criminals for laundering criminal proceeds or financing terrorism or the proliferation of weapons of mass

destruction. Considering the above, the Unit has conducted several training sessions for the Insurance sector to enhance their knowledge of AML/CFT compliance.

## **6.2 QUALITY OF AML/CFT GENERAL CONTROLS**

The assessment looked at the general input variables which briefly explains the reasons for the ratings.

### **1. The comprehensiveness of the AML/CFT Legal Framework**

In discussing the legal framework reference is made to the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 20 (as amended in 2019), The Terrorism Prevention (Freezing of International Terrorist Funds and Related Matters) Regulations 2013, SI No 13 of 2013, The FIU Directives and Guidelines for Financial Institutions on the Prevention of Money Laundering/terrorism Financing 2017, the Insurance Act of 2016, Act No 12, in addition, a Memorandum of Understanding was signed by FIU and SLICOM. The FIU also rolled out a template to reporting entities on the filing of statutory reports (CTR, FTR & STR). The first AML/CFT onsite and offsite supervision was conducted on the sector, a comprehensive risk assessment methodology was developed jointly by FIU and SLICOM to ensure insurance companies conduct periodic risk assessment on their products/services, clients, transactions, channel of distributions, locations and other risk factors, appointment of compliance officers and other compliance measures. However, certain deficiencies were identified in the existing AML/CFT regulations which include life insurance policy of PEPs, absence of Compliance Officers in the capacity of senior management staff and the absence of AML/CFT Policies and procedures. Therefore, the variable is rated High based on the strength and effectiveness of laws and regulations that are currently existing regarding AML/CFT measures and AML/CFT supervision in the country. This has been given a high rating because the laws cover several parameters required for a robust AML/CFT regime.

### **2. Effectiveness of Supervision Procedures and Practices**

Section 50 (1) (b) of the Anti-money Laundering and Combating of Financing of Terrorism No 2 of 2012 (as amended) confers on the regulatory authorities (in this context SLICOM) has the primary responsibility to conduct AML/CFT supervision, monitoring compliance, penalizing non-compliance, and compliance enforcement to all insurance

operatives in Sierra Leone. There is limited knowledge in SLICOM with regards handling AML/CFT issues, and the staff strength is also low based on the above FIU and SLICOM jointly conducted its first AML/CFT onsite and offsite examinations using a comprehensive Risk-Based Examination (RBE) manual that was jointly developed by FIU and SLICOM.

### **3. Joint Supervision by FIU & SLICOM**

The FIU and SLICOM conduct joint onsite examination of all the insurance companies. The table below shows several AML/CFT examinations conducted on insurance companies.

#### **1. STATUS REPORT OF EXAMINATION ON INSURANCE COMPANIES**

Table 6.3

<b>SN</b>	<b>INSTITUTION</b>	<b>START DATE OF EXAMINATION</b>	<b>END DATE OF EXAMINATION</b>	<b>STATUS OF REPORT</b>
1	WAICA- RE INSURANCE CORPORATION PLC	3/11/2021	10/11/2021	Completed
2	AUREOL INSURANCE COMPANY	30/8/2021	3/9/2021	Completed
3	RITCORP	20/9/2021	24/9/2021	Completed
4	STACO	19/10/2021	26/10/2021	Completed
5	INTERNATIONA INSURANCE COMPANY	20/9/2021	24/9/2021	Completed

6	SIERRA LEONE INSURANCE COMPANY	2/8/2022	6/8/2022	Completed
7	ACTIVA INSURANCE COMPANY	3/11/2021	10/11/2021	Completed
8	CAPITAL EXPRESS COMPANY	19/10/2021	26/10/2021	Completed
9	NATIONAL INSURANCE COMPANY	30/8/2021	3/9/2021	Completed
10	GLOBAL RISK INSURANCE	19/9/2022	22/9/2022	completed
11	MARINES & GENERAL INSURANCE  MEDICAL INSURANCE COMPANY  TRANSWORLD INSURANCE COMPANY			No examination conducted because they are just dealing with one product.

These onsite examinations were done using a risk-based approach. The examination exercise placed emphasis on high-risk products that breached AML/CFT controls. Some of the main gaps identified were inadequate risk assessment, lack of effective KYC/CDD procedures, inadequate training conducted by the institution for staff awareness, inadequate knowledge of compliance functions, and failure to comply with reporting obligations CTRs, FTRs and STR and lack of AML/CFT policies and procedure These findings were communicated to the

operators via report form accompanied by forwarding letter requesting them to address the identified gaps. Upon receipt of the report and forwarding letters, some insurance operators addressed some of the deficiencies identified and requested from the FIU to deliver training to strengthen their AML/CFT compliance knowledge because this was their first onsite examination experience therefore, because of the above reasons, the quality of AML/CFT supervision was rated as Medium high.

#### **4. Availability and Enforcement of Administrative Sanctions**

Section 50 (1) gives the primary supervisor the powers to penalize and enforce compliance to reporting entities. Based on the joint AML/CFT examination conducted it was noted that no insurance company ever received an administrative sanction. SLICOM is the primary body responsible for imposing administrative sanctions for AML/CFT non-compliance. However, should SLICOM omit to enforce AML/CFT compliance, FIU has a complementary power to carry out the enforcement. In 2019, an entity within the sector was sanctioned for major violation on the AML/CFT compliance requirements for failure to file their statutory reports, failure to carry out KYC/CDD/EDD on the handling of PEPs transactions.

#### **5. Availability and Enforcement of Criminal Sanctions**

This variable assesses whether the country takes criminal enforcement steps against an insurance institution or staff in case of non-compliance with AML/CFT requirements. The AML/CFT compliance violations have been criminalized in Part XIII of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 (as amended). The existing legislation in the country on money laundering and terrorist financing also provides the framework to enforce action, however, there has not been any criminal sanctions for AML/CFT violations during the period under review. Based on the above, this variable is rated Medium Low.

#### **6. Availability and Effectiveness of Entry Controls**

According to part III of the Insurance Act 2016, Act No 12, with specific reference to sections 18 and 19 provisions are made for the application for registration of all Insurers, insurance operators, Brokers, and Agents in Sierra Leone.

SLICOM usually conducts fit and proper person's test of all Directors and senior managers.

The Chief Executive Officer (CEO) of an insurance company must be a qualified person and must undergo a fit and proper person test before an insurance company can be granted a license. However, SLICOM does not verify the source of funds of applicants and do not screen ultimate beneficial owners against TF screen which is a sector vulnerability. Hence this variable is rated Medium High.

#### **7. Integrity of Staff in Insurance Companies**

Based on the onsite examination and interview with some Heads of human resource department in the insurance industries it was revealed that, all new applicants into the insurance industry are subjected to background screening, evidence of police clearance certificate and Fit and Proper Person test as part of the recruitment process, and this was sighted from staff's files and there were no instances of fraud and theft reported by insurance companies. The insurance companies have the obligation to report to the regulator any cases of fraud or other malfeasance or misfeasance by any of their employees. In view of the above, the variable is rated Medium.

#### **8. AML/CFT knowledge of Staff in Insurance Companies**

FIU usually conducted AML/CFT training for Insurance and reinsurance companies on the preventive measures based on request or major deficiencies identified during the examination. Ten (10) Insurance companies requested AML/CFT training for their staff.

However, it was discovered that lack of or inadequate AML/CFT training for some insurance companies. There was no evidence of AML/CFT training materials sighted. This, therefore, impacts the AML/CFT knowledge of the staff and hence rated the variable Medium.

#### **9. Effectiveness of Compliance Functions**

The FIU Sierra Leone is the coordinating body aimed at supporting sound AML/CFT compliance function in all reporting entities including insurance operatives. Section 35 of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 (as amended) made it mandatory for reporting entities including insurance companies to have a designated Compliance Officer who is knowledgeable, highly skilled person whose role within a company is to ensure everyone complies with regulatory and legal, requirement's part VII AML/CFT Act 2012 deals with preventive measures i.e. internal policies, regulations. Section 35(1) and (2) clearly state the roles and responsibilities of the head of Compliance. FIU



Directives and guidelines for Financial Institutions on the prevention of money laundering/terrorism financing.

It was observed that compliance functions are ineffective as most Insurance Companies do not have AML/CFT Compliance departments separate from internal audit departments. There is lack of or inadequate training of officer, lack of or inadequate development of internal policies and programs. Conclusively, the compliance functions demonstrated by the sector, is ineffective based on the number of deficiencies mentioned above. Hence this variable is assessed as Medium Low.

#### **10. Effectiveness of Suspicious Activity Monitoring and Reporting:**

Insurance companies are required by law to file in their daily, weekly, and monthly statutory reports such as FTR, CTR and Politically Exposed Persons report. Furthermore, they are required to report STRs immediately if suspicion is formed or in any case not later than two (2) days.

The FIU, as a regulatory body, monitors the activities of insurance institutions through the review of suspicious transaction reports (STR) and other statutory reports filed to the Unit to assess their compliance level. The Unit also conducts offsite compliance checks on reports submitted. The reporting of suspicious activities by the sector is not effective because some insurance companies do not understand the element or red flags of suspicious activities. However, the re-insurance and other insurance companies do report STRs. In view of the above findings, we rate this variable as Medium Low.

#### **11. Level of Market pressure to Meet AML/CFT Standards**

Based on the questionnaires administered, there are some amounts of pressure from the international partners as well as investors to meet the AML/CFT standards. The pressure has made the insurance and reinsurance companies become conscious about reputational risk that may cause problems in their institutions. Therefore, taking that into mind, the variable has been rated as Medium.

PRIORITY RANKING AREAS

#### **Figure 6.1**

PRIORITY RANKING - LAST CASE/SCENARIO	PRIORITY RANKING**
Comprehensiveness of AML/CFT Legal Framework	
Effectiveness of Supervision Procedures and Practices	2
Availability and Enforcement of Administrative Sanctions	
Availability and Enforcement of Criminal Sanctions	7
Availability and Effectiveness of Entry Controls	8
Integrity of Staff in Insurance Companies	6
AML/CFT Knowledge of Staff in Insurance Companies	5
Effectiveness of Compliance Function (Organization)	3
Effectiveness of Suspicious Activity Monitoring and Reporting	4
Level of Market Pressure to Meet AML Standards	4
Availability and Access to Beneficial Ownership Information	9
Availability of Reliable Identification Infrastructure	
Availability of Independent Information Sources	

## PRODUCTS AND SERVICES FOR SPECIFIC INPUT VARIABLES

### Vulnerabilities emanating from products or services in the Insurance sector.

Table 6.4: Vulnerabilities emanating from products or services in the Insurance sector.

<b>LIFE PRODUCTS</b>	<b>VULNERABILITY (ies)</b>
Group Life	Group life insurance policies are not a target for AML/CFT activities because the insurance policy is usually taken by the employer on behalf of the employees.
Individual Life	This can be a target for AML/CFT activities because of profit single/individual contracts that attract cash value.
<b>NON-LIFE PRODUCTS</b>	<b>VULNERABILITY (ies)</b>
<ul style="list-style-type: none"> <li>• Medical insurance</li> <li>• Motor insurance</li> <li>• Fire Insurance</li> <li>• Burglary insurance(general)</li> <li>• Travel Insurance</li> <li>• Home /Property Insurance</li> </ul>	These categories are mostly done through agents or brokers who ensure the entry controls are followed thoroughly in line with the procedures established by the Primary regulators

These specific input variables make an impact in terms of the level of vulnerability the products have to money laundering. These variables are:

- Customer risk
- Geographic risk
- Agent risk
- Level of cash activity

Vulnerabilities associated with the products were assessed and rated as medium-low. Non-face-to-face access to the products is only permitted through Agents. There is no evidence of the products being used for Money Laundering and Terrorist Financing in the Insurance Sector.

## **Vulnerabilities emanating from products or services in the Insurance sector.**

The group's focus was on products that include Permanent life insurance policies other than group life insurance policies that contained cash value or investment element, annuity contracts, other than group annuity. Any other insurance products with features of cash value or investment feature. Group life insurance policies are not a target for AML/CFT activities because the insurance policy is usually taken by the employer on behalf of the employees, unlike with profit single/individual contracts that attract cash value.

For non-life insurance, ML/FT/ can occur within the context of and, as the motive behind the investment, for example where this results in a claim to be made to recover part of the invested illegitimate funds. Fictitious claims can also be made by bad people to recover funds through fire or burglary insurance policies.

## **FINDINGS FOR INSURANCE SECTOR**

1. The FIU and SILICOM jointly developed a comprehensive Risk-Based Examination (RBE) manual for insurance companies to have robust mechanisms in place to conduct internal risk assessments on their products and services. However, there is little understanding from the part of the insurance companies.
2. There was no enforcement of criminal sanctions for non-compliance on reporting entities for the period under review.
3. Some insurance companies failed to file their CTRs to the Unit whilst no STRs was filled.
4. Agents and brokers of insurance companies do not have the requisite framework in place to assess their ML/TF risk and lacked understanding of their AML/CFT obligations.
5. SLICOM does not screen ultimate beneficial owners against TFS list.
6. Some insurance companies do not have a dedicated AML/CFT compliance officer.

## **RECOMMENDATION ON INSURANCE**

- SLICOM should screen ultimate beneficial owners against TFS.
- There should be adequate tools for transaction monitoring.

- There should be adequate technical capacity and financial and human resources for effective AML/CFT supervision.
- There should be imposed of sanctions for non-compliance.

## **CONCLUSION**

The overall vulnerability of the insurance sector in Sierra Leone is Medium high whilst the overall threat is low because the entry control consists of rigid systematic procedures and the primary regulators have required knowledge of AML/CFT. Hence the overall risk is as assessed low because from the product assessment it came out clear that group life insurance policies are undertaken by the institutions on behalf of their clients.

### **6.3 SECURITIES SECTORS**

The securities sector in Sierra Leone is still in its development phase with a fledging stock exchange operated by the Bank of Sierra Leone.

The Key participants in the securities sector include the Bank of Sierra Leone as the issuer on behalf of the Government, Primary Dealers – intermediaries (commercial Banks, and Discount Houses), the Sierra Leone Stock Exchange and its Dealing Members (Stockbrokers) and investors in the securities (individuals and institutions both local and foreign).

The primary market auctions for government securities exhibited were undersubscribed in the 91-day and 182-day tenures but mostly oversubscribed in the 364-day tenure. The total stock of government securities increased by 3% in 2021. Holdings of marketable government securities increased by all creditors – the BSL (11 %), the commercial banks (30%), and especially the non-bank public (75%). The financial securities market facilitates the trading of short- and long-term financial instruments. This market is divided into two broad categories namely, the Money and Capital markets.

#### **THE MONEY MARKET:**

The money market in Sierra Leone deals with short-term (1-day to 365days maturity period) securities predominantly Treasury bills (91-day, 182-day, and 365-days) auctioned weekly by the Central Bank of Sierra Leone and Treasury bonds (365-days) auctioned monthly by the Central Bank of Sierra Leone with the associated interest payable quarterly (three months interval). In the money market also include the conventional banking (deposit-taking) activities. It is important to note that, investors in the treasury securities (bills and bonds) do

not go directly to the Central Bank rather they invest through the commercial banks and the Discount Houses who are the primary dealers. Private individuals and institutions (foreign or local) can invest in these securities.

**TABLE 6.5: Selected Discount/Interest Rates/ Yields of the Treasury Securities in Sierra Leone from Jan. 2018- to 30th December 2022**

Treasury security type/Issuance dates & Annual Yield (%)	2018	2019	2020	2021	2022
91-day T/Bills	3.45%	3.60%	4.50%	5.61%	6.23%
182-day T/bills	6.31%	6.70%	7.41%	8.20%	8.50%
364-day T/bills	15.21%	15.85%	17.16%	18.25%	20.15%
1-year Treasury Bonds	NIL				
2-Years Treasury Bonds	13.00%	13.50%	13.85%	14.00%	13.50%

Source: Adapted from FDH database (2023)

## **THE CAPITAL MARKET**

This market involves trading medium to long-term (over 1 year) securities. In Sierra Leone, the prevailing long-term securities are equities of public and private companies. The trading of long-term securities takes place at the primary market level (Initial Public Offers, private placements Rights Issues, and bonus offers) facilitated by Issuing Agents/Houses and at the Secondary market level facilitated by the Sierra Leone Stock Exchange and an Over-the-counter market provided by licensed and non-licensed stockbrokers.

## **THE SIERRA LEONE STOCK EXCHANGE**

The Sierra Leone Stock Exchange was established in 2009 and the trading of equity securities commenced the same year.

The principal membership of the company includes the two licensed Discount Houses in the country, namely First Discount House Limited and Capital Discount House who execute on the floor of the Exchange they buy/bid and sell/offer mandates of their clients on a continuous Auction Trading System (CATS), other members include representatives from Commercial Banks, Insurance Companies, National Commission for Privatization, National Social Security, and Insurance Trust (NASSIT), corporate bodies, and the public. The discount houses also conduct brokerage operations on an Over Counter (OTC) basis in the country. Discount Houses remained a very small fraction of the financial system in Sierra Leone, accounting for 0.1 percent of total financial sector assets. The DHs exhibited moderate asset growth driven by more investment in government securities.

## **LEGAL AND SUPERVISORY FRAMEWORK**

The Bank of Sierra Leone has continuously played its supervisory role and granting of licenses to participants in the sector.

Owing to the inactiveness of the Stock Exchange over the years, the Bank of Sierra Leone has also not been active in providing the Stock Exchange with the requisite supervisory/regulatory framework. The Bank has no specific office and staff to handle capital market issues which are and can be a vulnerability that would attract criminals into the securities market knowing that there are no regulatory controls in place.

## **FINDINGS FOR SECURITIES SECTOR**

- Cash intensiveness in the securities market
- lack of rigid application of procedures
- Ineffective supervisory role by supervisory body
- No joint AML/CFT inspection / examination has been undertaken in the securities sector.
- No specific place identified to handle capital market.
- Low staff rate to handle capital market issues.

- No filing of their statutory report to FIU
- Knowledge gap on key players in the securities sector like the Intermediaries,
- No AML/CFT training was provided for key players in the securities sector.
- There were no active trading activities in shares in the capital market.

#### **VULNERABILITIES:**

- In the financial securities sector, our findings shows that, among the high threat are structural risk indicators such as politically exposed persons (PEPs) participants in the sector.
- Cash intensiveness, products and services, number/frequency/volume, and nature of international financial/banking /investment transactions (i.e., cross border transactions in securities through stock exchange in West African Sub-region), partial legal considerations on reports.
- No AML/CFT supervision on reporting entity.
- Poor enforcement of rules and regulations: Findings from the report indicate that there is no securities laws or regulations to deal with issues in this sector.
- Lack of AML/CFT training: Institutions do not make provision for AML/CFT trainings for their staff. There are few people in these sectors with basic knowledge on money laundering and terrorist financing.
- No infrastructure: The country lacks the infrastructure to carry out businesses.
- Gap in the AML/CFT regulations: The current AML/CFT Act 2012 does not have definition for international PEP this area is considered great risks.
- No dedicated AML/CFT compliance officer

#### **RECOMMENDATION ON SECURITIES SECTOR**

- The supervisory/Regulatory authorities to develop a Risk-based examination plan in a bid to periodically review the activities of the security sector.
- There should be an effective onsite inspection.



- FIU should provide AML/CFT training on the regulatory requirements and the online reporting process.

## CONCLUSION

The vulnerability level of the Sierra Leone Securities sector to ML/TF risk indicators, based on the key finding shows the securities sector has a **high** potential to attract money laundering and terrorism financing due to the lack of effective monitoring and supervision by the primary regulator. The FIU should employ measures to ensure that this sector complies with the AML/CFT compliance measures.

Secondly, AML/CFT awareness is lacking in the sector and gap in the AML/CFT act 2012 for international PEP. However, at the time of conducting this research, the FIU was reviewing the AML/CFT legislation, and provision was included for the definition of international PEP.

The FIU and other competent authorities must create AML/CFT awareness programs and capacity-building programs to boost the AML/CFT knowledge in this sector. However, there are several steps being put in place to reduce the identified deficiencies to the barest minimum. There is lack of rigid application of procedures as well as adequate supervision of transactions in the international securities market and international banking activities as compared to the domestic securities market and banking activities. This strongly indicates a strong source of ML/TF activities.

## **CHAPTER 7. DESIGNATED NON-FINANCIAL BUSINESSES AND PROFESSIONS**

### **7.1 INTRODUCTION**

This section examines vulnerabilities of the entire DNFBPs sector covering ML/TF and PF. The overall assessment of the DNFBPs sector in the country was given a very high rating for vulnerabilities to ML/TF/PF. The sectorial assessment involved participants under the DNFBPs umbrella including, lawyers, real estate agents, dealers in precious metals and stones, notaries, other independent legal professionals, accountants, auditors, tax advisors, casinos, clearing and forwarding agencies, shipping companies, and car dealers. Sierra Leone conducted NRA in 2017 but the NRA at the time did not reflect the PF risks the country faced for the DNFBPs sector. Casinos, real estate dealers, clearing and forwarding agencies notaries and dealers in precious metals and stones provided very little response to questionnaires. Most of the operators in the above sub-sectors have little or no knowledge of vulnerabilities to ML/TF/PF in the sector. Accordingly, the report findings revealed that the risk of ML/TF and PF in Sierra Leone for the DNFBPs sector is high. The assessment further revealed that some of the sub-sectors such as real estate dealers, dealers in precious metals and stones, car dealers, casinos, clearing and forwarding agencies, notaries and shipping companies are very high due to weaknesses in the regulatory framework and this makes these sub-sectors attractive to money laundering schemes. The legal profession serves a variety of clients including high risks customers and PEPs and the ML/TF/PF was rated as medium-high with a potential to increase if no AML/CFT supervision is taken. The accountants sub-sector comprised domestic and international firms and the sub-sector is regulated by a competent authority. The accountant sub-sector is assessed medium high, and the vulnerability is rated medium high risk due to ineffectiveness of ML/TF/PF supervision and oversight activities in the DNFBPs sector. Part II of Schedule I of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended) clearly makes provisions for related non-financial businesses and professions. Generally, the DNFBPs in the country are widespread representing a substantial segment of the country's economy. The sector represents prominent industries such as dealers in various precious minerals professionals, real estate's bodies, lawyers, accountants, and company secretaries through which significant high volumes of cash transactions occur. The aim of the assessment is to understand the money laundering threat as it eventuates in different sectors of the economy by examining how the proceeds of crimes are being invested and laundered in each of the identified sub-sectors of the DNFBPs. Identifying

these data helps to determine those sub-sectors, which are possibly being used to launder criminal funds, or finance terrorism or the proliferation of Weapons of mass destruction. The aim of this research, therefore, is to determine the level of ML risk within the DNFBPs sector. According to the information provided on the questionnaire administered to Bo, Kenema, Freetown, and data on specific statistics from the country's National Minerals Agency (NMA), the overall level of vulnerabilities of the DNFBPs sector is assessed very high because the sub-sectors are not subjected to adequate AML/CTF/CPF control measures.

## **7.2 ASSESSMENT OF GENERAL CONTROL VARIABLES FOR DNFBPs:**

### **Comprehensiveness of AML/CFT/CPF Legal Framework**

This variable was assessed and rated medium-high for the general input variable as indicated below. The rating is based on the consideration that though there exist the AML/CFT Act 2012 (as amended) but the provisions in the said Act are inadequate to address deficiencies in the DNFBP sector. The assessment revealed that there is big gap or a complete lack of effective implementation of ML/TF/PF requirements regarding the activities of the DNFBPs, especially sub-sectors such as casinos, notaries, clearing and forwarding agencies, shipping companies, and car dealers. To ensure the comprehensiveness of the legal framework and effectively mitigate the risks associated with the DNFBPs, the following elements are essential:

- Activities such as conducting comprehensive risk assessment to identify the specific vulnerabilities and risks associated with DNFBPs to help allocate resources and designate targeted preventive measures.
- Institute penalties and sanctions for non-compliance to deter DNFBPs from engaging in illicit activities or failing to adhere to AML/CFT requirements.

By implementing a comprehensive legal framework that incorporates the above measures, the country can significantly mitigate the risks posed by DNFBPs and strengthen their overall AML/CFT regime. Sierra Leone has laws and regulations in place that cover all reporting entities of which the DNFBPs sector is part. Part II of the First Schedule of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended) makes provisions for related non-financial businesses and professions. The scope of the DNFBP coverage was expanded by section 10 of The Anti-Money Laundering and Combating of Financing of Terrorism (Amendment) Act 2019 (Act No.3

of 2019). Other relevant legislations include The Extractive Industry Revenue Act 2018, the Legal Practitioners (Amendment) Act 2015, The National Minerals Agency Act 2012, Diamond Cutting and Polishing Act 2007 and the Terrorism Prevention Regulations 2013 SI XIII OF 2013. These statutes, laws and regulations are emanated from the FATF Recommendations.

### **Effectiveness of supervision and oversight activities in the DNFBPs**

This variable is rated very low due to the fact that most of the sub-sectors such as casinos, car dealers, clearing and forwarding agencies, shipping companies, notaries were assessed as high risks because there are limited or no oversight and regulatory scrutiny leaving them vulnerable to exploitation for money launderers, terrorist financiers and proliferation financiers. There is also lack of clear and standardised guidelines for the above sub-sectors. Also, the legal structures exist especially for the lawyers, accountants and dealers in precious metals and stones, but there is limited or no records keeping mechanism in place and no reporting of suspicious transactions. There is no awareness of illicit activities relating to proliferation financing for sub-sectors like clearing and forwarding agencies, shipping companies and DPMS. Also, there is a complete lack of training and inadequate awareness for the staff of the DNFBPs on AML/CFT/CPF regulations, red flags, and reporting requirements.

To address these issues, regulators need to strengthen the AML/CFT framework for the DNFBPs, conducting risks assessments, providing guidance, ensuring adequate training and enforcing robust penalties for non-compliance. There is a legal and regulatory framework on AML/CFT, which clearly defined preventive measures to combat Money Laundering and Financing of Terrorism with records-keeping requirements. I hereby respectfully refer to Part VII of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended). The supervisory authority functions are clearly defined in Section 50 (1) thereof, but there is an oversight on the side of the competent authorities in performing a supervisory function within the DNFBPs sector. The supervisory authority for the financial institutions is effective to some extent compared to the DNFBPs sector. From the findings of the researchers, it is understood that a big gap exists (supervisory oversight) on the part of competent authorities responsible to carry out supervisory functions.

### **Availability and Enforcement of Administrative Sanctions in the DNFBPs**

Section 53 (1) and (2), (a-g) of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended) provides for other legal and administrative measures to be taken by the FIU or supervisory authority in the event of failure to comply with a directive on taking corrective measures in response to compliance failure. Section 53 expressly provides for monetary penalties, administrative sanctions, removal of critical staff, and suspension or withdrawal of operating licenses. Administrative sanctions can be imposed directly by the regulator or the FIU, without the need to institute judicial proceedings. These measures are viewed as an efficient way of deterring non-compliance with the AML/CFT laws and regulations. However, the administrative sanctions have not been imposed within the DNFBPs sector due to the limited or non-existent of onsite inspections and compliance monitoring of businesses and professions by regulatory authorities. For sub-sectors such as car dealers, casinos, real estate's dealers, administrative sanctions from government agencies/bodies are non-existence. Some businesses and professions have not been reviewed for AML/CFT compliance. This has affected the administrative sanctions which can be imposed on the firm or profession. There are also no records of administrative sanctions imposed. The general input variable was assessed and rated high indicating that little, or nothing has been done regarding AML/CFT measures.

### **Availability and Enforcement of Criminal Sanctions on the DNFBPs**

Enforcement of criminal sanctions are key challenges facing the DNFBPs sector in Sierra Leone. The lawyers, accountants and dealers in precious metals and stones have some form of fines and penalties in place if any of them are found in violation of AML/CTF/CPF regulation, the fines and penalties may be in monetary fines and penalties. The severity of the fines and penalties depend on the nature and extend of the crime committed. Some of the cases can lead to license revocation or suspension for a period of time. The competent authorities have the power to revoke or suspend the licenses of these sub-sectors of the DNFBPs. The other sub-sectors such as car dealers, notaries, shipping companies, clearing, and forwarding agencies, casinos do not have primary regulators and as a result, there are no records of penalties and fines in an event of violations for AML/CTF/CPF regulation. It should be noted that the severity can vary from one sub-sector to other and the effectiveness of enforcement depends on the willingness of the authorities in charge to take decisive actions. Section 15 of the of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012

(as amended) clearly makes provision for criminal sanctions for Money Laundering related offences and section 16 of the Act provides for criminal sanctions for Terrorists Financing Offences. Section 53 (1) and (2), (a-g) provide for other administrative sanctions, judicial and extra-judicial measures against reporting entities including DNFBPs for failure to comply with a directive issued by the FIU or supervisory authority in response to compliance violations. However, it is worth noting that the Unit can only make recommendations and provide intelligence reports to the law enforcement agencies such as the Sierra Leone Police (SLP), and the Anti-corruption Commission (ACC) any other law enforcement agencies with the mandate to investigate and prosecute criminal cases including money laundering and terrorism financing. The entire DNFBPs sector in Sierra Leone is not properly regulated and monitored for AML/CFT/CPF compliance. Moreover, analysis from the survey questionnaires and focus group discussions shows that the sector has not been sanctioned for AML/CFT breaches. Therefore, the enforcement of criminal or administrative sanctions within the DNFBPs sector has not been effective because there is no evidence of criminal /administrative sanctions being imposed on sector operatives.

#### **Availability and Effectiveness of Entry Controls for DNFBPs**

Entry controls into any of the sub-sector of the DNFBPs in Sierra Leone vary depending on the nature, size, and extent of its structure or formality. There are existing comprehensive regulatory frameworks on registration and licensing controls for dealers in precious metals and stones, lawyers, accounting firms, and individuals. As there are different sub-sectors of the DNFBPs, so also there are varying entry controls which depend on the businesses and professions of the sector. Some of the sub-sectors such as casinos notaries, real estate dealers, and shipping companies, clearing and forwarding agencies have entry controls such as background checks on the beneficial owners and conduct fit and proper test on their beneficial owners, source of funds verification.

- The supervisory authorities should require all the DNFBPs to identify and verify the beneficiary owners of their customers/clients.
- Access to beneficiary ownership database to relevant authorities to facilitate the verification process is needed.

The National Minerals Agency was established to promote the development of the minerals sector effectively and efficiently managing the administration and regulation of mineral rights

and mineral trading in Sierra Leone. The Agency ensures compliance and upholds regulatory requirements for all activities in the mineral sector approves and grants licenses for entry. A good number of the DNFBP-sub sectors have limited or no knowledge on the AML/CFT/CPF compliance including the staff working in the various offices of the casinos, real estate dealers. The FIU has provided AML/CFT trainings to the legal sector, mineral sector, and the accountants, but the rest have not had any trainings related to ML/TF compliance. Businesses and professions such as legal sector and accounting firms do provide training for their staff on AML. The input general variable was rated 0.2 showing in red colour which indicated that nothing has been done in majority of the sub-sectors within the DNFBPs sector.

### **Integrity of Business/Professional Staff**

The assessment revealed that in the DNFBPs sector that there are no reported cases of staff integrity issues. Some of the sub-sectors (Lawyers, Accountants and Notaries public) within the DNFBPs have policies and procedures on the integrity of staff and disciplinary measures are in place. It is confirmed that there are stated provisions in their various professional code of conducts that ensure businesses and staff members act or behave with utmost integrity and professionalism. The assessment further reveals that the diamond dealer's association indicated instances of fraud involving staff and agents of customers were observed but there were no records of staff integrity breaches to show for real estate agents. The officials in each sub-sector of the DNFBPs need to follow a systematic approach to ensure effectiveness and credibility to overcome staff integrity. AML/CFT measures such as risk assessments must be conducted to identify the potential AML/CFT/CPF risks associated with different sub-sectors of the DNFBPs. The assessment should look at clear factors such as staff profiles, risk product/services and the nature of transactions. Also, the authorities should ensure that there is a regulatory framework for DNFBPs. This includes laws, regulations, and guidelines. There should be clear and comprehensive guidelines to DNFBPs on their AML/CFT obligations. Conducting regular training sessions, and awareness to educate DNFBPs personnel about AML/CFT risks, red flags, reporting obligations and suspicious activity identifications.

### **AML/CFT/CPF Knowledge of the Business/Profession Staff**

Institutions like the FIU Sierra Leone and other competent authorities including professional organizations such as legal and accounting firms provide AML/CFT/CPF trainings for their members. Provisions are made in section 36 of the Anti-money Laundering and Combating of

Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended) for putting measures on internal programs for the prevention of Money Laundering and Financing of Terrorism. There is a huge AML/CFT/CPF knowledge gap especially for the casinos and real estate's dealers in Sierra Leone. Responses from a filled questionnaires and face to face meeting with participants show that there is fair awareness of AML/CFT requirement for lawyers and accountants, while inadequate knowledge of AML/CFT for the rest of the other sub-sectors of the DNFBPs. Hence this variable is rated very low (**0.1**) indicating huge knowledge gap in the sector.

### **Effectiveness of Compliance Function (Organization)**

Section 35 of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended) requires a reporting entity to establish a compliance function and appoint a compliance officer responsible to ensure that the reporting entity comply with the requirements of the Act. The businesses and professions within the DNFBPs sub-sector are of small sizes or mostly sole proprietorship or partnership firms and do not have a dedicated AML/CFT/CPF compliance officer which is a vulnerability in the sector.

### **Effectiveness of Suspicious Activity Monitoring and Reporting**

Section 41 and Section 42 of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended) that require all reporting entities to report suspicious transaction/activities and any other information that may assist law enforcement. There is limited record of suspicious transactions in the sector. There is a complete lack of AML/CFT compliance function in the sector and no understanding of what constitutes a suspicious transaction. Even though other policies exist for the various sub-sectors of the DNFBPs, no specific regulation or Policy for AML/CFT other than Act No 2 of 2012 (as amended).

### **Availability and Access to Beneficial Ownership Information**

Section 22 of the AML/CFT Act 2012 (as amended) requires reporting entities to maintain information on beneficial ownership however there is no records for beneficial ownership for the DNFBPs.

### **Availability of Reliable Identification Infrastructure**

In Sierra Leone, reporting entities are required to verify customer and beneficial ownership identification through a reliable and independent information source document, data, or



information as part of the reporting entities CDD measures. The National Civil Registration Act 2016 establishes the National Civil Registration Authority (NCRA) and provides for the compulsory registration of citizens and non-citizens resident in Sierra Leone. The registrants are provided with a multi-purpose identity card. Other independent sources of information include Tax information, Driver’s License, the National Passport issued by the Immigration Department of the Ministry of Internal Affairs, customer-banking information. Section 22 of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended) also provides for the identification of a beneficial owner.

### 7.3 SECTORAL INHERENT VULNERABILITY OF THE DNFBPs SUB-SECTOR

**Figure 7.1:**

PRODUCT VULNERABILITY	Original Case	
	Inherent Vulnerability	Final Vulnerability
DEALERS IN PRECIOUS METALS AND STONES	1.00	0.96
REAL ESTATE DEALERS	0.85	0.85
LAWYERS/LAW FIRMS	0.66	0.66
ACCOUNTING/FIRMS	0.58	0.58
CAR DEALERS	0.95	0.93

#### DEALERS IN REAL ESTATES

The Money Laundering and terrorism financing threat in the real estate sub-sector in Sierra Leone is assessed very high (**0.85**) with a potential to increase in the future as shown in chart above for inherent vulnerability.

The researchers looked at the vulnerabilities, threats, methods, and or channels used by criminals in the real estate sub-sector with the intention to assist the country put in place measures that can mitigate the ML/TF/PF risks in the sector. The real estate sub-sector is

vulnerable to several criminal activities which include fraud, land document forgery, tax evasion, corruption, and element of public funds to buy real estate properties which are all predicate offences to money laundering and terrorism financing.

Currently, the FIU is the specific relevant authority responsible to oversee the business activities of the real estate sub-sector regarding AML/CFT compliance. This is provided for in section 50(2) of the AML/CFT Act 2012. However, there is no preventive measures put in place to curb the threat posed in the sub-sector. The researcher tried to find out from individuals involved in buying and selling real estate properties, but the view from them was that they are not aware of any laws or compliance programs regarding AML/CFT measures. Section 24 (2) (c) of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended) provides for special identification requirements that all transactions in cash or other form involving the purchase or sales of real estate which is in an amount equal to greater than thirty million old Leones or its equivalent in foreign currency must be reported. The real estate business and agents are not regulated in accordance with AML/CFT requirements and that was the main factor that contributed to the real estate sector vulnerability being rated as very high. The sub-sector product vulnerability in the real estate in the country is rated **0.85** using the World Bank tool which indicate that more work needs to be done by the country's primary regulator, the Financial Intelligence Unit to create compliance programs and measures that will enhance the AML/CFT/ compliance in this sub-sector of the DNFbps.

From the above analysis, you can see that both the inherent and final vulnerability in the real estate sector is rated 0.85. From the face-to-face interviews conducted in Freetown, Bo, and Kenema, it was revealed that most of the businesses in this sub-sector involve the use of agents in running out the daily business activities of buying and selling land properties on behalf of politically exposed persons (PEP). There are no data to support the statement from the discussion held with agents employed in the sub-sector due to a lack of records and a coherent system of oversight. In conclusion, the sub-sector is unregulated, and it is a conduit for washing proceeds of crime. Deeping BO concept in the real estate sub-sector is threatening the real estate agents/developers associated to be a self-regulatory for the sub-sector.

### **ACCOUNTING FIRMS**

The Accounting firm sub-sector in Sierra Leone is comprised of both domestic and international firms. There are four (4) international accounting firms registered and operating in Sierra Leone. According to the Director of the Institute of Chartered Accountants of Sierra

Leone (ICASL), and 19 registered domestic accounting firms. ICASL is a corporate body formed by the Government of Sierra Leone to oversee the operations of all registered accounting firms and individual accounting professionals in the country. The ICASL was established by section 2 of the Institute of Chartered Accountants of Sierra Leone Act 1988 and its membership is comprised of chartered accountants who, after receiving a practicing certificate from the institution, are the only individual(s) authorised to conduct audits in the jurisdiction. The ICASL Act authorises the institution to (i) establish initial and continuing professional development requirements for professional accountants, (ii) establish ethical requirements and financial reporting standards, (iii) establish a quality assurance mechanism and investigative and disciplinary procedures to monitor and enforce compliance standards, (iv) issue practicing certificate and register auditors, (v) promote the collective interest of its members.<sup>1</sup>

List of registered firms and individuals that fulfilled all the prescribed requirements of the Institute of Chartered Accountants of Sierra Leone (ICASL) and are duly licensed and authorised to engage in private practice of audit in Sierra Leone for 2022 are listed in the Appendix.

Section 41 (2) of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended) provides that accountants are required to submit a report on suspicious transactions to the FIU. Section 50 (1)(d) of the Anti-Money Laundering Act 2012 provides that the Institute of Chartered Accountants of Sierra Leone shall provide monitoring and supervision for all the chartered accountants and the accounting firms in Sierra Leone for AML/CFT compliance. Records obtained from ICASL and the information on the questionnaire indicate that the accounting firms and the professionals are aware and knowledgeable of the AML/CFT laws and preventive measures, but the implementation of the laws is absent. It also shows that there is a good record keeping mechanism in place, but the accountant's sub-sector is not reporting suspicious transaction as provided in the Anti-money

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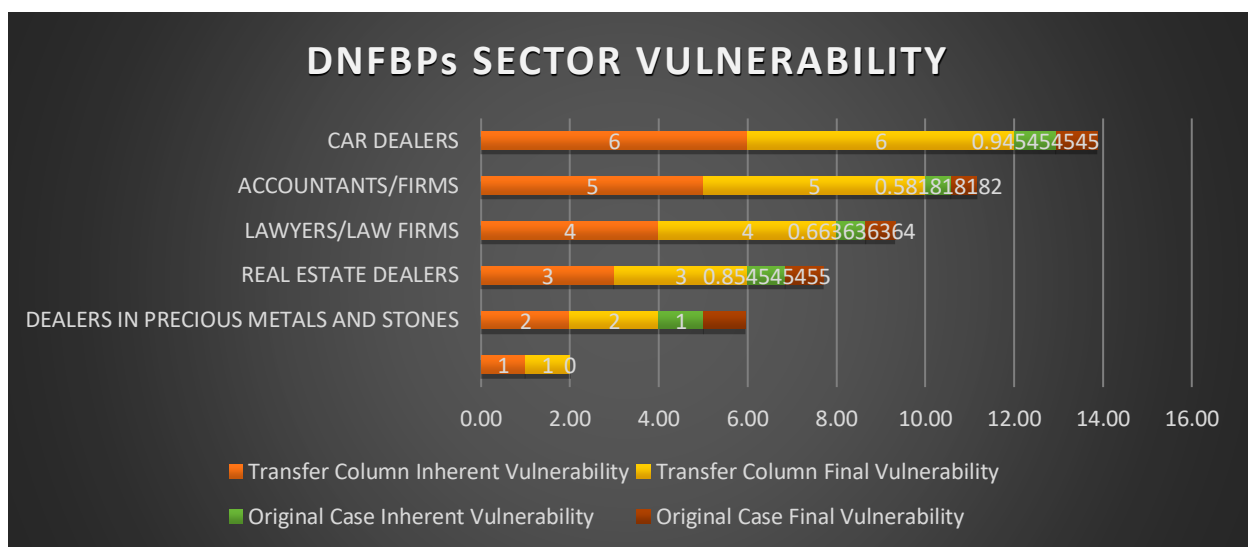
<sup>1</sup> <https://www.ifac.org/about-ifac/membership/members/institute-chartered-accountants-sierra-leone>

Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended).

The product vulnerability for this sector for both inherent vulnerability and final vulnerability of the accountant sub-sector rated **0.58**.

The services of the accounting firms in Sierra Leone are not limited to the country, due to the existence of the 4 international accounting firms, outsourced services from other countries were also considered

**Figure 7.2**



### LEGAL FIRMS/NOTARIES

Legal profession in Sierra Leone has an association of lawyers called the Sierra Leone Bar Association which is under the direct supervision of the General Legal Council. The General Legal Council is a Competent Authority for the regulation of lawyers. The Bar Association is the professional body that caters for the wellbeing of its members. The AML/CFT/CPF supervision is inadequate. Lack of Implementation of section 50 (1) of AML/CFT Act 2012. The ML threats in the legal profession were assessed as medium-high with a potential to increase in the level of threats if no AML/CFT supervisory measures are taken. This rating is mainly due to the current legal regime where lawyers and law firms have not been brought under AML/CFT/CPF supervision as provided for in Section 50 (1)(c) of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No of 2012 (as amended). The General Legal Council is responsible for supervising, and monitoring compliance by legal practitioners and Law Firms and imposing administrative penalties for, non-compliance. The

product vulnerability for lawyers and law firms was rated **0.66** for both inherent vulnerability and final vulnerability as shown below:

**Figure 7.3**



From the above chart, it clearly shows that the legal sub-sector inherent and final vulnerability to ML/TF is rated **0.66** resulting in **17%** of the total DNFBPs vulnerability. There are several services involving large cash that the legal practitioners in Sierra Leone offer. Their services include purchasing and selling of commercial properties, leasing of real estate properties, acting as agent for sales, rent and administration or management or representative of corporate entities. According to the information on the questionnaires administered to the Sierra Leone Bar Association, 90% of the legal practitioners operate under the umbrella of a law firm and their operating licenses are renewed annually. The legal sector is highly vulnerable due to the oversight of compliance enforcement and lack of supervision for the legal sub-sector for AML/CFT/CPF. The lawyers and law firms in the country are not regulated in accordance with the AML/CFT regime in force and hence they are not reporting any suspicious transaction even though the AML/CFT knowledge and awareness exist in the sub-sector and the Financial Intelligence Unit in 2018 rolled out AML/CFT compliance programs to the General Legal Counsel in Freetown. The focus group discussions held with some legal practitioners showed that the nature of their business and services allow the sub-sector to require strict confidentiality

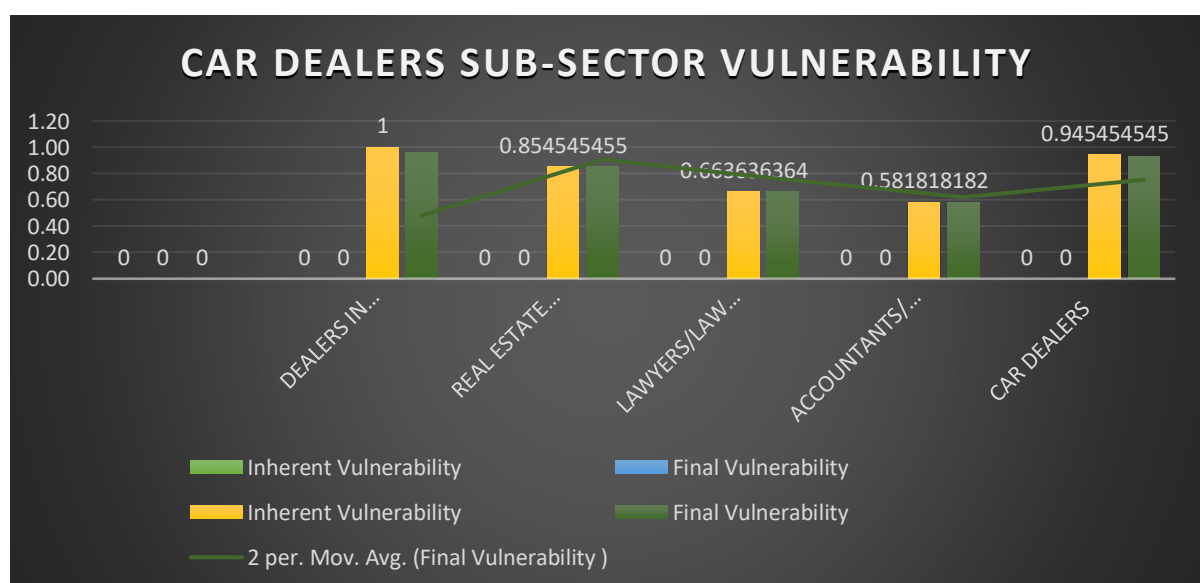
in the lawyer-client relationship. This however does not apply to the FIU in the discharge of its obligation under the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended).

### CAR DEALERS SUB-SECTOR

The car or vehicle dealership in Sierra Leone is a diverse business and involve several players. Car dealers have a union that oversee the activities of car dealers, however, the SLRSA must collaborate with FIU to conduct background checks of these dealers for the AML/CFT/CPF activities. Players within the sub-sector includes few new vehicle dealers, vehicle importers from overseas, used vehicle spare parts importers, and local traders dealing with used vehicles and spare parts. The research covered used vehicles dealers in Freetown, Bo (southern province) and Kenema (Eastern province). The AML/CFT knowledge or awareness in this sub-sector is zero. The research only relied on the information provided on the questionnaire and the face-to-face interview held with the dealers in various car centres in Freetown, Bo, and Kenema. There is a legal framework provision in Part II of the First Schedule of the Anti-Money Laundering and Combating of Terrorism Financing as Amended, item 4A for car dealers. Absolutely, nothing has been done with regards to AML/CFT for the car dealer’s sub-sector.

There is a knowledge gap in this sector. Hence the product vulnerability is rated **0.95** indicating that ML/TF threat is very high in the car dealers’ sub-sector as shown below in the chart.

**Figure 7.4**



The used car businesses in Sierra Leone are largely cash transactions based and there are no records to trace the cash transactions for the sale of cars which makes it difficult to monitor AML/CFT compliance in this sub-sector. The analysis of the questionnaires administered to dealers in used cars and the face-to-face interview held with the operators of the used car dealers sub-sector revealed that most cash-based transaction from this sector are untraceable due to lack of records keeping by the dealers. There are no verification of KYC and CCD on customers and mostly use of agent is encouraged in this sub-sector. The overall inherent vulnerability and the final vulnerability of the sub-sector is rated very high.

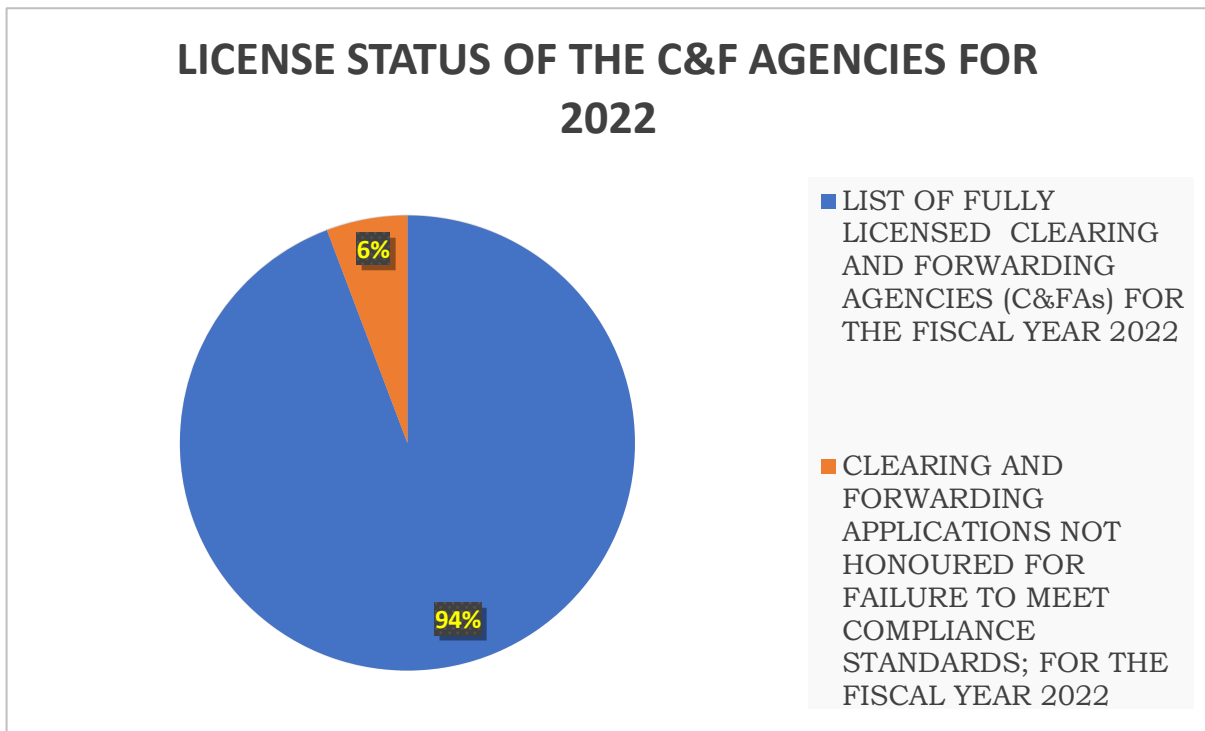
### **CLEARING AND FORWARDING AGENCIES**

The Anti-money Laundering and Combating of Financing of Terrorism (Amendment) Act 2019, Act No 3 of 2019 in Section 10 (4) (d) for the businesses of clearing and forwarding agencies to comply with the AML/CFT compliance measures by designating them as reporting entities. The National Revenue Authority (NRA) is the primary competent authority charged with the responsibility to monitor and enforce compliance in the sub-sector of the clearing and forwarding agencies in the country (Custom Clearing and Forwarding Regulation 2015). The statistics received from the National Revenue Authority on the licensed status of clearing and forwarding agencies is shown below.

**Table 7.1: Licensed status of clearing and forwarding agencies**

<b>LIST OF FULLY LICENSED CLEARING AND FORWARDING AGENCIES (C&amp;FAs) FOR THE FISCAL YEAR 2022</b>	<b>CLEARING AND FORWARDING APPLICATIONS NOT HONOURED FOR FAILURE TO MEET COMPLIANCE STANDARDS; FOR THE FISCAL YEAR 2022</b>
<b>131</b>	<b>8</b>

**Figure 7.5**



From the above, it shows that 94% of the clearing and forwarding agencies are registered and licensed while only 6% of the total of 139 agencies are not licensed with the National Revenue Authority (NRA). Even though there are basic entry controls put in place, but the knowledge and awareness on the AML/CFT control measures is lacking in the sub-sector. There were no records keeping mechanism and no supervision in accordance with the AML/CFT regime in force for the sector making it very vulnerable to ML/TF/PF threats. Hence the product vulnerability of the clearing and forwarding sub-sector is rated **0.85** as shown in the chart below:

**Figure 7.6**

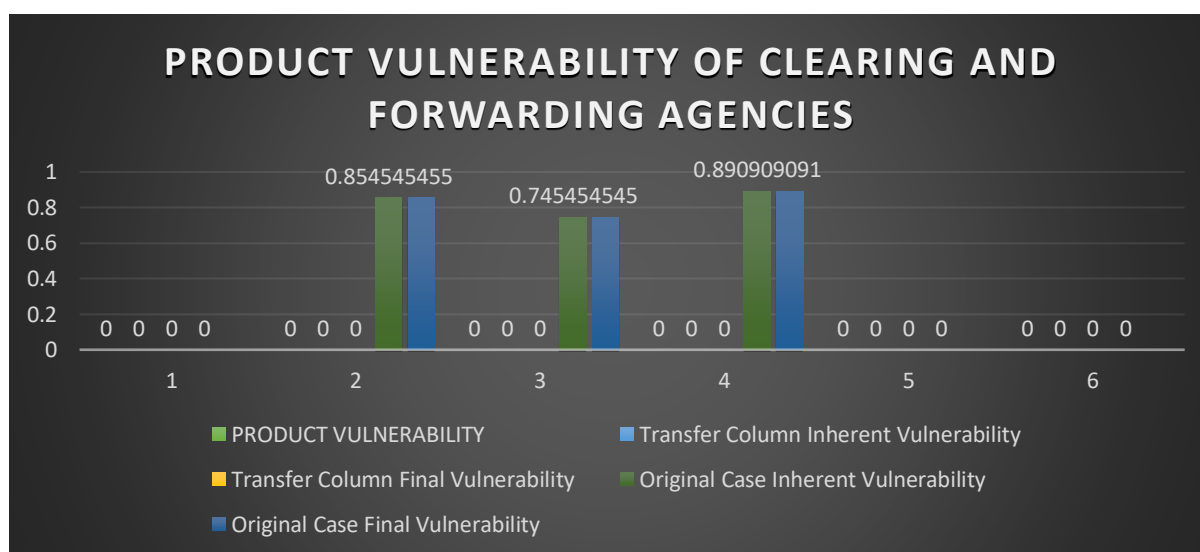
PRODUCT VULNERABILITY	Original Case	
	Inherent Vulnerability	Final Vulnerability
<b>CLEARING AND FORWARDING AGENCIES</b>	<b>0.85</b>	<b>0.85</b>



<b>SHIPPING COMPANIES AND AGENCIES</b>	0.75	0.75
<b>CASINOS</b>	0.89	0.89

The product vulnerability for both the inherent and final vulnerability of the sub-sector is rated **0.85**.

**Figure 7.7**



Some of the clearing and forwarding agencies’ sub-sector operation in Sierra Leone involves the use of agents in most business transactions are often done through informal cash transaction. The supervised clearing and forwarding agencies go through the NRA tax payment system like the ASYCUDA World payment using TIN numbers. From the statistics received, it is analysed that there are measures for entry controls into the businesses of clearing and forwarding agencies operating in the country, but there is no record of suspicious transaction reporting or an outline of AML/CFT compliance training programs.

### **CASINOS**

Casinos and other gaming businesses such as the Sierra Leone state lottery and Mercury International among others are not regulated in Sierra Leone for any AML/CFT compliance measures. Gaming Industry (sport betting companies, online casinos, landed casinos): There is a need for us to look at the sub-sector in terms of vulnerabilities.

- The sub-sector is Unregulated.

- They may be involved in virtual asset transactions.
- Casinos should be well supervised because they are also using mobile money in their transactions. There should be systems in place to monitor between the casinos and mobile money operators.

Formal request was written to the National Tourists Board (NTB) to provide statistics and relevant information on the operations of Casinos, but the research could not have access to the requested information. The Sierra Leone National Tourists Board is a body charged with the responsibility to oversee the operations of all casinos operating in the country. Responses obtained from the filled /completed questionnaires showed that majority of casino customers are foreign nationals such as Lebanese and Chinese nationals. A study undertaken by GIABA in 2021 Money Laundering risks of casinos and other gambling sector in West Africa<sup>2</sup> revealed that the vulnerabilities within the casinos sub-sector are very high in the sub-region.

**Figure 7.8**

<b>PRODUCT VULNERABILITY</b>	<b>Original Case</b>	
	<b>Inherent Vulnerability</b>	<b>Final Vulnerability</b>
<b>CLEARING AND FORWARDING AGENCIES</b>	0.85	0.85
<b>SHIPPING COMPANIES AND AGENCIES</b>	0.75	0.75
<b>CASINOS</b>	0.89	0.89

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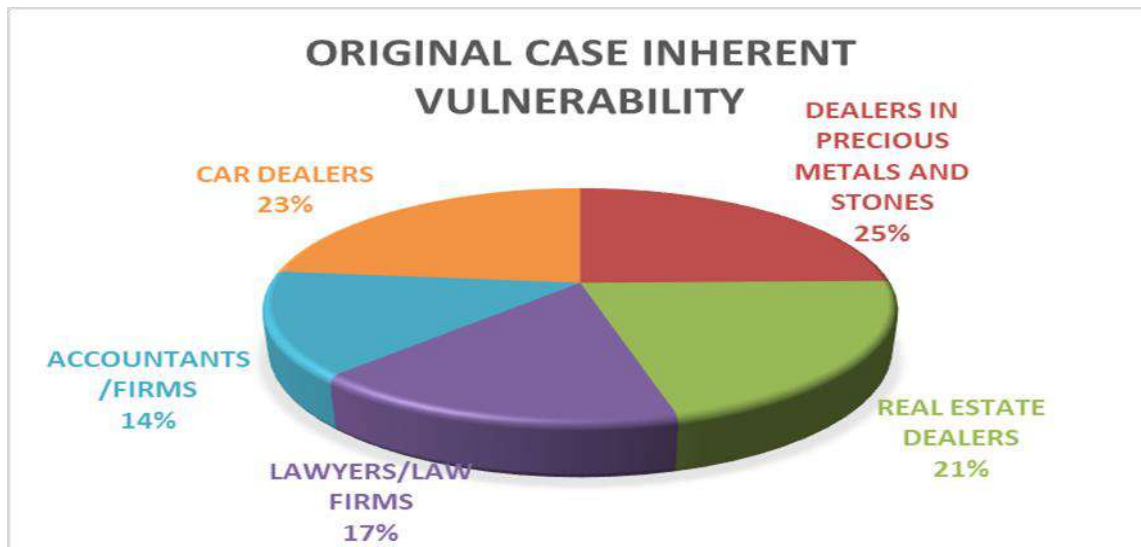
[file:///C:/Users/USER/Desktop/REPORT%20DNFBPs/1195\\_CASINO\\_Study\\_GIABA\\_ENG\\_finale%203%20--.pdf](file:///C:/Users/USER/Desktop/REPORT%20DNFBPs/1195_CASINO_Study_GIABA_ENG_finale%203%20--.pdf)

The analysis of the product vulnerability for both inherent and final in the casinos sub-sector is rated **0.89**. From the discussion held with some key players in the casinos sub-sector it was evident that there are identified AML/CFT legislative gaps for the operation of casinos in the country regarding licensing and regulations of casinos including online casinos operating within the country. There is a complete lack of monitoring and supervision of the operations of casinos in accordance with the AML/CFT regime in force in the country. From the discussion, it was also identified that the casinos sub-sector is high risk due to the introduction of mobile payment and largely cash based transactions. Moreover, the lack of KYC and CDD on their customers makes the sub-sector very vulnerable to ML/TF/CPF. There is a need for awareness creation or sensitization among the stakeholders in the tourism sector.

### **DEALERS IN PRECIOUS METALS AND STONES**

The National Mineral Agency (NMA) is the competent authority directly responsible for all supervision of the dealers in precious metals and stones. The dealers in precious minerals are mostly found in cities such as Freetown, Bo, Kono, and Kenema with most of their agents in the mining sites. In Sierra Leone most mining activities are concentrated in the eastern and southern provinces. Section 5 of the Mines and Mineral Act 2009 give the Director General of NMA powers to exercise regulatory administration and supervision over all mining exploration and mining operations in Sierra Leone. Part II of the First Schedule of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended) designates dealers in precious metals and stones as reporting entities for the purpose of AML/CFT Compliance. Regulatory framework for the precious minerals sub-sector is in place but there is a total lack of AML/CTF compliance programs and supervision. From the below chart, you can see that dealer in precious metals and stones account for 25% final vulnerability and was rated **0.85**.

**Figure 7.9**



This poses a serious threat of ML/TF in the country. The overall percentage of dealers in precious metals and stones in Sierra Leone is relatively small, but the value of the product involved in this sector mostly for diamond, gold, iron ore, rutile, and other mineral resources is very high with the prevailing black market and loopholes for mineral smuggling in the country. Information on the questionnaires and face-to-face meetings with the players in BO and Kenema revealed that returns on the sales and size of the product is usually filed to the country's NMA at the end of each month, but the returns were not available for inspection by the researcher. Furthermore, the researcher wrote and made several follow-up reminder letters and made calls to the National Mineral Agency for the statistics and relevant information to confirm what the players said, and the information received on the questionnaires. In conclusion, DPMS is of high risk due to the following:

- The NMA has general supervision but not adequate link to AML/CFT/CPF supervision. Therefore, the sub-sector needs to be adequately capacitated to carry on their ML/TF/PF obligations.
- The sub-sector does not have AML/CFT/CPF supervisory manuals or directives and guidelines.
- Minerals exporters are not adequately regulated in terms of AML/CFT/CPF and a challenge of porous borders/unapproved routes.
- Lack of AML/CFT/CPF dedicated mining supervisors/officers.

- The DPMS sub-sectors are also used for illicit financial flows.

## SHIPPING COMPANIES AND AGENCIES

The Sierra Leone National Shipping Company (SLNSC) is the leading shipping line and the national flag carrier operating in the country with a longstanding reputation for quality service in the marine transportation industry in Sierra Leone. Nothing is done absolutely regarding AML/CFT/CPF compliance. There has never been awareness of AML/CFT compliance programs in this sub-sector according to the information gathered from the operators in this sub-sector. No KYC and CDD measures for AML/CFT/CPF obligation. The Sierra Leone National Shipping Company was founded in June 1972 under the Companies Act CAP 249. The SLNSC provides clearing, forwarding, warehousing, haulage, parking, bunker facilitation, marine insurance and indemnity, and other consolidated solutions and maritime transportation. Looking at the level of a large volume of transactions and several agents involved in this sub-sector, the risk associated with this subsector is very high and it is rated **0.75**.

Below is a list of shipping companies' operation in Sierra Leone: The Sierra Leone National Shipping Company, Maersk Line Shipping company, OBT shipping company, MSC shipping, Destiny Shipping Company, Bolore Transport and logistics shipping company, Devine Shipping Company, CMACGM Shipping Company, AMA shipping Company and Trans-Sahara Shipping Company. All these shipping companies are not monitored and supervised for AML/CFT compliance breaches.

**Figure 7.10**

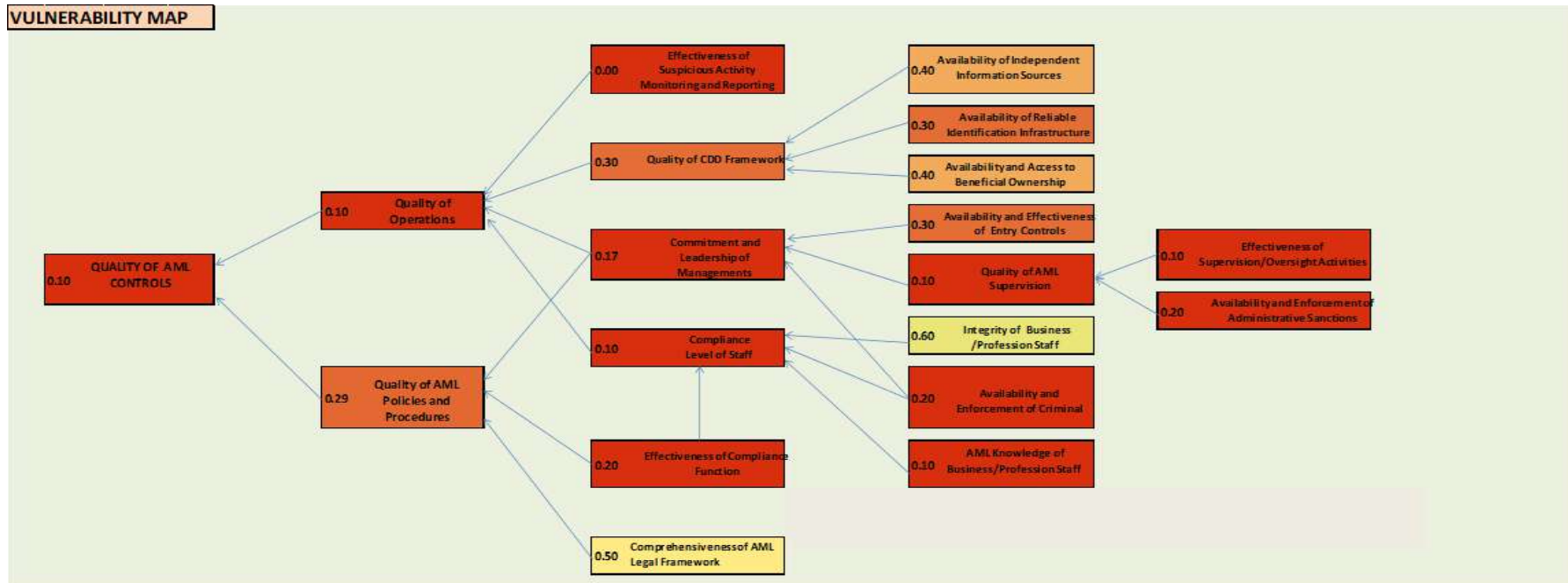
PRODUCT VULNERABILITY	Original Case	
	Inherent Vulnerability	Final Vulnerability
CLEARING AND FORWARDING	0.85	0.85
SHIPPING COMPANIES AND	0.75	0.75
CASINOS	0.89	0.89
0	0.00	0.00
0	0.00	0.00

### Trust and company service providers:

The working group is aware that they are designated by FATF, but in terms of risks, most of their activities are performed by lawyers/accountants.

Figure 7.11

PRODUCT VULNERABILITY MAP



From the vulnerability map, it is clearly shown that the quality of AML/CFT/CPF overall control variable is coloured red indicating that there is a total lack of AML/CFT/CPF control in place within the entire DNFBPs sector. The impact of quality of operations regarding the AML/CFT/CPF in the sector is determined by the quality of AML/CFT/CPF policies and procedures and the quality of operations which indicates that there is a weak AML controls in the sector.

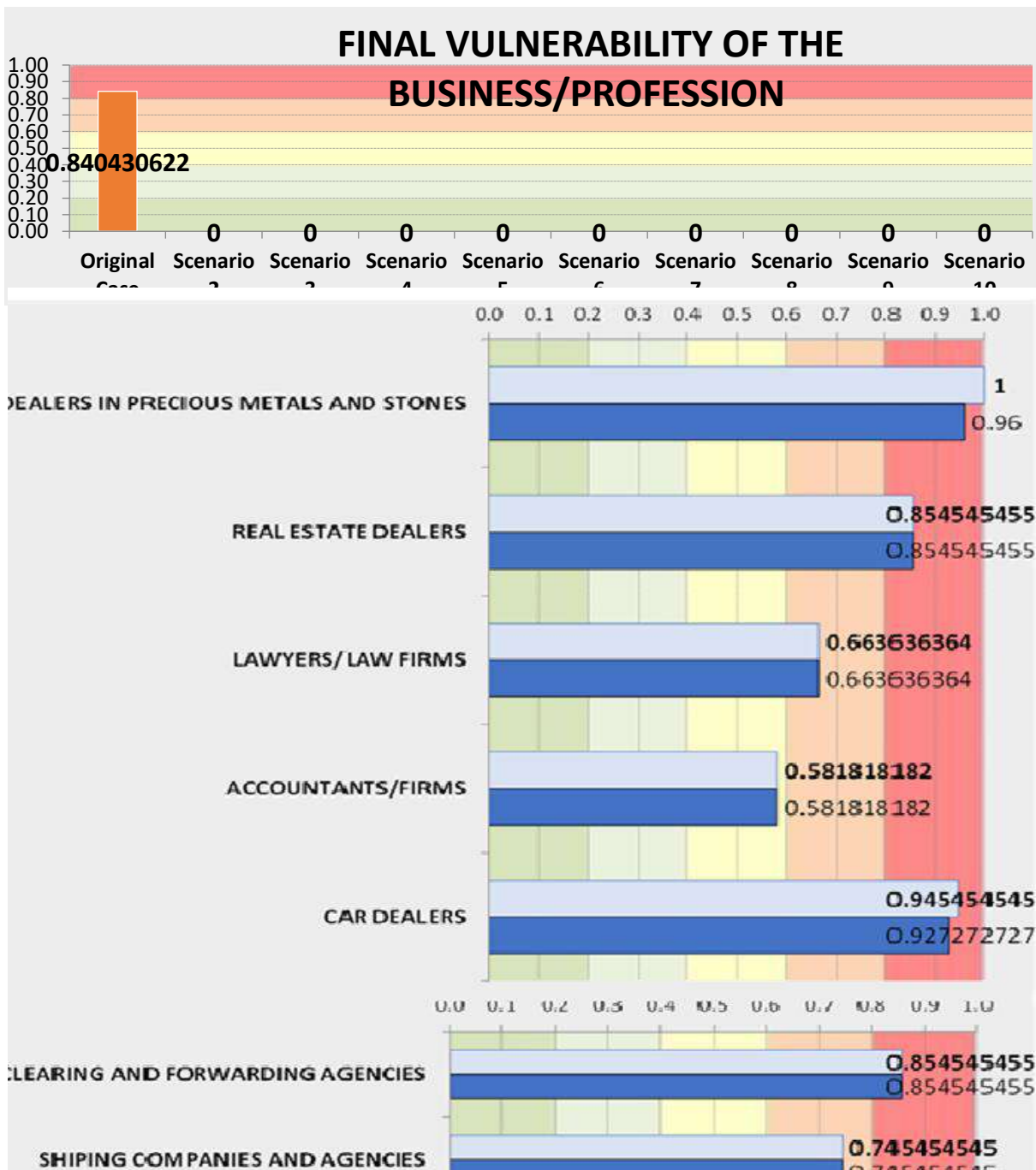
There is a complete lack of effectiveness of suspicious transaction monitoring and reporting, and a little or low CDD framework for most of the sub-sectors such as the clearing and forwarding agencies, casinos, shipping agencies, car dealers, real estate agents, and dealers in precious metals and stones. It is also observed that there is a total lack of AML/CFT/CPF commitment and leadership within the DNFBPs sector, no monitoring of AML/CFT compliance by the leadership and management, and the effectiveness of the compliance function is very weak which is rated **0.2**. This is probably due to the fact that AML/CFT/CPF regime has not yet been rolled out to the entire sector. The comprehensiveness of AML/CFT legal framework is rated **0.50** indicating that there is a legal framework in place Comprising the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended). Terrorism Prevention Regulation 2013.<sup>3</sup>

There are also independent sources of information available for AML/CFT programs and competent authorities. The country also has a reliable independent identification infrastructure in place for the purposes of verification. Various state authorities including the country's National Civil Registration Authority (NCRA), the Sierra Leone Road Safety Authority (SLRSA) for vehicle registration and driver's license, the Immigration Department for national passport, the Electoral Commission for Sierra Leone for the voter identification card, and many others for AML/CFT breaches, there exist a gap in the quality of AML/CFT supervision as shown below in the figure. The final vulnerability is rated 0.84. Since there is a complete lack of effectiveness of supervision/oversight activities, and lack of availability and enforcement of administrative sanctions This show that there is total downplay on the part of the authorities to enforce AML/CFT compliance in the DNFBPs sector. No monitoring of suspicious transactions and a very weak enforcement of AML/CFT compliance in each of the sub-sector as rated below in the chart.

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<sup>3</sup> <https://fiu.gov.sl/legal-framework>

Figure 7.12: Vulnerability of business professions



Each sub-sector product vulnerability is shown in the red region in the chart pointing there has not been much done regarding the AML/CFT/CPF measures in the sector.



## 7.4 RANKING PRIORITY AREAS

The priority ranking in each of the sub-sector against each input variable for AML/CFT knowledge of the staff. Each sub-sector is very weak indicating a priority of 1 as shown below in the chart.

**Figure 7.13**

<b>PRIORITY RANKING - LAST CASE/SCENARIO</b>	<b>PRIORITY RANKING**</b>
<b>Comprehensiveness of AML Legal Framework</b>	<b>8</b>
<b>Effectiveness of Supervision/Oversight Activities</b>	<b>2</b>
<b>Availability and Enforcement of Administrative Sanctions</b>	<b>6</b>
<b>Availability and Enforcement of Criminal Sanctions</b>	<b>7</b>
<b>Availability and Effectiveness of Entry Controls</b>	<b>5</b>
<b>Integrity of Business/ Profession Staff</b>	<b>10</b>
<b>AML Knowledge of Business/ Profession Staff</b>	<b>1</b>
<b>Effectiveness of Compliance Function (Organization)</b>	<b>3</b>
<b>Effectiveness of Suspicious Activity Monitoring and Reporting</b>	<b>4</b>
<b>Availability and Access to Beneficial Ownership information</b>	<b>11</b>
<b>Availability of Reliable Identification Infrastructure</b>	<b>9</b>
<b>Availability of Independent Information Sources</b>	<b>12</b>

**Figure 7.14**

<b>INPUTS/GENERAL INPUT VARIABLES</b>	<b>RATING</b>
<b>Comprehensiveness of AML/CFT Legal Framework</b>	<b>0.5</b>
<b>Effectiveness of Supervision/Oversight Activities</b>	<b>0.1</b>
<b>Availability and Enforcement of Administrative Sanctions</b>	<b>0.2</b>
<b>Availability and Enforcement of Criminal Sanctions</b>	<b>0.2</b>
<b>Availability and Effectiveness of Entry Controls</b>	<b>0.3</b>
<b>Integrity of Business/ Professional Staff</b>	<b>0.6</b>
<b>AML/CFT Knowledge of Business/ Professional Staff</b>	<b>0.1</b>
<b>Effectiveness of Compliance Function (Organization)</b>	<b>0.2</b>
<b>Effectiveness of Suspicious Activity Monitoring and Reporting</b>	<b>0</b>
<b>Availability and Access to Beneficial Ownership information</b>	<b>0.4</b>
<b>Availability of Reliable Identification Infrastructure</b>	<b>0.3</b>
<b>Availability of Independent Information Sources</b>	<b>0.4</b>

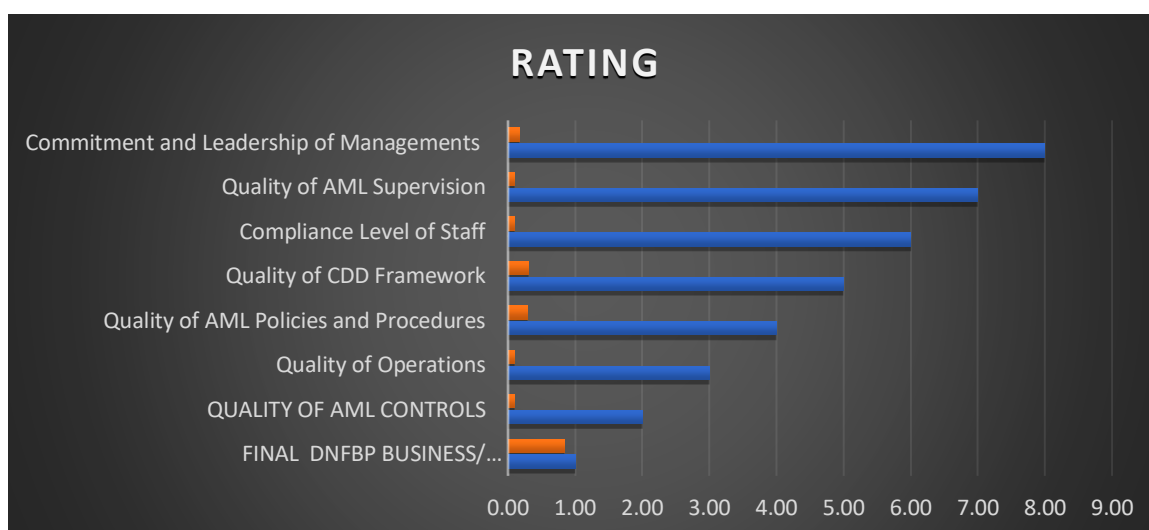
**Figure 7.15**

<b>OUTPUTS/ASSESSMENT RESULTS FOR INTERMEDIATE VARIABLES</b>	
<b>FINAL DNFBP BUSINESS/ PROFESSION VULNERABILITY</b>	<b>0.84</b>
<b>QUALITY OF AML/CFT CONTROLS</b>	<b>0.10</b>

<b>Quality of Operations</b>	0.10
<b>Quality of AML/CFT Policies and Procedures</b>	0.29
<b>Quality of CDD Framework</b>	0.30
<b>Compliance Level of Staff</b>	0.10
<b>Quality of AML/CFT Supervision</b>	0.10
<b>Commitment and Leadership of Managements</b>	0.17

The chart below shows that the product output result for the intermediate variables is very weak because there is little, or nothing done in the DNFBPs sector in monitoring the AML/CFT Compliance. Therefore, the entire sector is considered to pose a very high risk of money laundering and terrorism financing.

**Figure 7.16**



The overall Assessment of the DNFBPs Sector vulnerability, threat and risk to Money Laundering/ Terrorist Financing/proliferation financing as assessed is **medium high, high, and high respectively due to the following factors:**

- The Professions (Accountants, DPMS, and Law Firms) do not comply with AML/CFT obligations even though they have supervisory bodies.

- The designated non-financial businesses (car dealers, casinos, clearing & forwarding, shipping agencies, Real Estate Agents etc) do not have supervisory bodies and hence do not comply with any AML/CFT obligations etc
- The sub-sectors provide cash intensive products and services associated with an informal economy making it difficult to detect and regulate ML/TF/F activities.

## **CHAPTER 8. LEGAL PERSONS AND LEGAL ARRANGEMENTS SECTOR**

### **8.1 INTRODUCTION**

Based on the geographical and political stability in Sierra Leone, registration and doing businesses have been very attractive to Foreign Direct Investment (FDI). The business Registration Act, 2007 and the Companies Act, 2009 (as amended) established a set of rules on how businesses should be registered and implemented. There are instances where front men are used to set up companies under direct control by perpetrators who are the true or actual people of such businesses. Some of these perpetrators are using that method to evade tax or involved in other heinous financial crimes. The type of structures formed in establishing business relationships and company formation can help facilitate money laundering, terrorism financing, fraud, tax evasion and other forms of financial crimes.

The complex role of a Sierra Leonean who is a shareholder of a foreign company based on percentage may encourage the concealment of identity of the Beneficial Owner of company and its assets. A Sierra Leonean shareholder can facilitate enclosures on jurisdictional controls on company ownership and circumvent directorship bans imposed by Law Enforcement Agencies and Competent Authorities.

While the Sierra Leonean shareholding with a foreigner in a company is lawful in Sierra Leone, the ongoing merits of this practice are questionable in the context of the significant money laundering and terrorist financing vulnerabilities associated with the lack of disclosures.

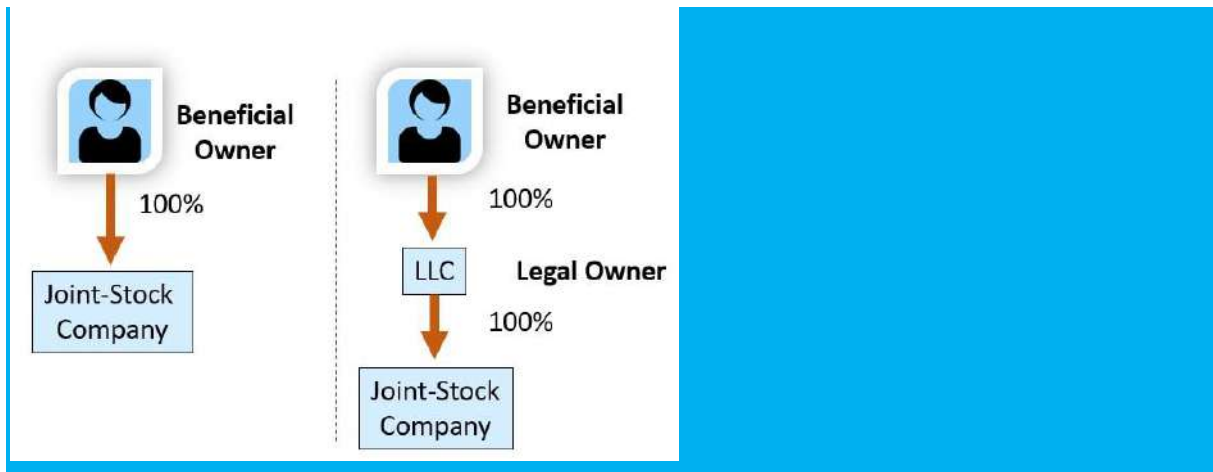
### **BENEFICIAL OWNERSHIP**

A beneficial owner (BO) is any individual or natural person (s) who ultimately owns, controls, or benefits from a company (or any other form of legal vehicle). Importantly, the beneficial owner can be different from a company's legal owner, i.e., the person or entity with immediate and formal ownership. While the two can be the same, say for a small business with one clear owner, they can also differ. In fact, in the case of complex and opaque corporate structures, the legal owners are often companies or individuals with little actual control. In these cases, a whole chain of legal owners might obscure the beneficial owner, i.e., the individual at the end of the chain with ultimate control.

Figure 8.1 below demonstrates how the use of a legal entity or arrangement could obscure the identity of a beneficial owner. However, there may be more layers involved in the ownership

structure, perhaps a chain of entities between a legal vehicle and its BO. In Figure 1, the example of the picture shows an additional layer which clearly depicts limited liability company (LLC) – between the legal vehicle (the Joint Stock Company) and its beneficial owner. The LLC, as the shareholder of the Joint Stock Company, as its direct legal owner, while the beneficial owner indirectly controls the joint stock company through the LLC.

**Figure 8.1. Difference between a BO and a Legal Owner**



## LEGAL PERSONS

According to FATF, Legal person refer to any entity other than natural persons that can establish a permanent customer relationship with a financial institution or otherwise own property. This can include Companies, Bodies Corporate, Foundations, Clubs, Partnerships, or Associations and other relevantly similar entities/ business relationships are mostly registered by CAC.

Legal persons are vehicles of the economy in most countries, as they are useful tools for organizing, managing, and developing legitimate businesses. However, these same characteristics also make them attractive to criminals who may wish to use them as vehicles for criminal activity or for laundering the proceeds of crime, financing terrorism or the proliferation of weapons of mass destruction. Legal persons and legal arrangements may be misused for ML/TF purposes involving complex operations and transactions, where money from illicit sources (e.g., drug trafficking, tax evasion, etc.) may be made to appear legitimate.

## LEGAL ARRANGEMENTS

Legal Arrangement refers to express trusts, or other similar arrangements that provide for the separation of legal ownership from beneficial ownership. The settlor (a natural or legal person) places property (including real, tangible, and intangible) under the control of a trustee for the benefit of a beneficiary (or beneficiaries) or for a specified purpose. The trustee who holds legal title owes a fiduciary duty to the beneficiary who is the beneficial owner of the trust property. We have several legislative instruments being implemented by OARG for businesses related to other arrangements such as land registration, marriage registration, administration of estate and intellectual property registration, but most of these arrangements are being executed by law firms.

### 8.2 GENERAL ASSESSMENT OF AML CONTROL VARIABLES

This sector is characterized by input and intermediate variables due to the deficiencies, weakness, limitations in laws, regulations procedures, capacity of authorities and limited resources to fully implement anti-money laundering regime. This assessment identified a number of emerging and potential factors which have culminated into overall vulnerability being rated as **medium low** based on the following:

- There is no comprehensive law on BO disclosure, and BO information are not rapidly accessible to aid investigations and prosecutions by LEAs and CAs and FIU;
- No obligatory measures for TCSPs to collect basic information;
- No verification mechanisms for BO information;
- No administrative/criminal sanctions implemented for non-disclosure and false declaration and
- Some fictitious corporate vehicles were set up to engage in illicit financial flows.

The overall threat is **medium** because there is no risk-based approach for foreign ownership/control on legal structures but there are legislative/institutional frameworks. Therefore, the overall money laundering risk is **medium low** because the complexities of these structures and the unclear beneficiaries may be used by perpetrators to commit money laundering and other predicate offences. But as a country, we have two established agencies serving as the primary regulators for legal persons and legal arrangements.

## Scale

The focus here is to assess the total number of registered legal structures and the estimated value that pass-through financial flows/assets held in Sierra Leone. Total number of registered entities were provided as prescribed in section 30 of the AML/CFT Act 2012 (as amended) for record keeping requirement but the estimated financial flows/assets were not provided upon request during the assessment. Record keeping requirement should not be limited to just total number of legal structures. Therefore, this variable is rated **medium**.

For the period under review, the institutions responsible for business and company registration registered Seventy-One Thousand, Seven Hundred and Twenty-Two (71, 722) businesses out of which Thirty Thousand, Eight Hundred and Twenty-Five (30,825) are legal persons.

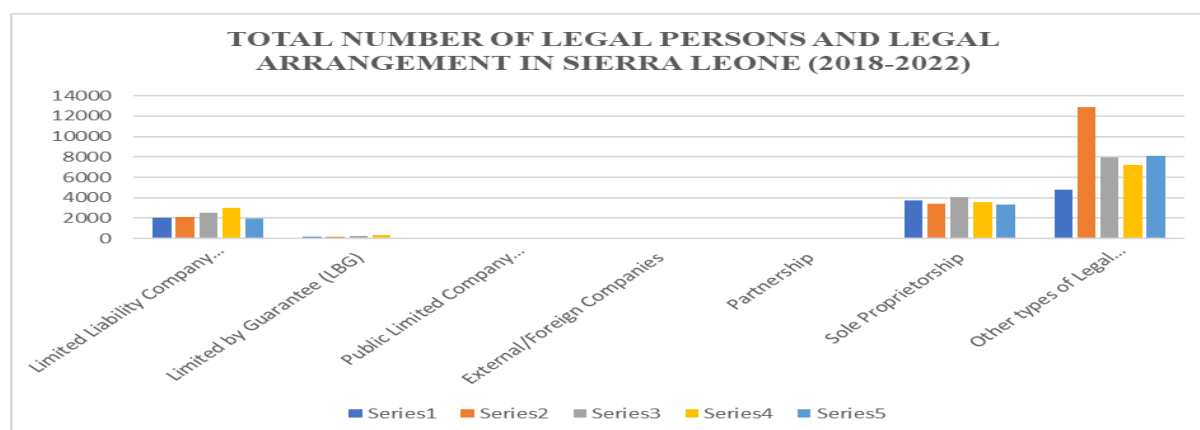
The number of registrations by various types of legal person in Sierra Leone is listed in figure two of below.

**Figure 8.2 TOTAL NUMBER OF LEGAL PERSONS AND LEGAL ARRANGEMENTS IN SIERRA LEON (2018-2022)**

YEAR	Limited Liability Company (LLC)	Limited by Guarantee (LBG)	Public Limited Company (PLC)	External /Foreign Companies	Partnership	Sole Proprietorship	Other types of Legal Arrangements	TOTAL
2018	1992	194	1	0	0	3729	4759	10675
2019	2112	203	3	0	0	3402	12896	18616
2020	2554	257	2	14	0	4026	7964	14817
2021	2995	353	1	19	0	3605	7184	14157
2022	1940	108	0	18	0	3297	8094	13457
<b>TOTAL</b>	<b>11593</b>	<b>1115</b>	<b>7</b>	<b>51</b>	<b>0</b>	<b>18059</b>	<b>40897</b>	<b>71722</b>

Source: CAC&OARG database, 2022

**Figure 8.3**





## **Cross Border Risk Exposure**

Section 18 of the AML/CFT Act 2012 (as amended) required institutions to adopt risk-based approach which correspond to the actual risk represented by various products, services, clients and other risk factors as long as they are consistent with the prescribed risk levels. The assessment revealed foreign ownership and control of legal structures based on percentages which led to the creation of fictitious companies thereby making it difficult to ascertain the level of ownership structure/control. There is no effective due diligence for foreign legal structures/ownership which are exposed to top jurisdiction of the origin for the proceeds of crime. The variable is rated **low** based on the above statements.

## **Ease, Speed and Cost of Formation/Registration**

The relevant laws on the registration of legal persons and legal arrangements in Sierra Leone are the Registration of Business Act, 2007, the Companies Act, 2009, as (amended) 2014, General Law (Business Start-up) (Amendment) Act, 2007, and the Administration of Estates (Amendment) Act 2006. There are several other legislative instruments being implemented by OARG for legal arrangements with direct supervision under the Attorney General and Ministry of Justice (AGMoJ) whereas CAC is under the direct supervision of the Ministry of Trade and Industry (MTI).

Applications are not usually rejected. They are rather queried to afford the applicants the opportunity to make changes to their applications as required. Some instances where queries are raised are listed below:

- If a similar name already exists in the register.
- If the name is misleading or undesirable.
- If the object or nature of business (es) are illegal or do not match up with the type of business entity being registered.
- If the Forms are not properly filled out.
- In the case of an External Company, where copies of the incorporation documents submitted are not certified from the country of origin of the Company or notarized

The entire registration process should be completed within 3 working days except otherwise, based on the aforementioned. This variable is rated **high** due to the above.

### **Quality of Corporate Registry**

Companies or businesses are registered by two established government agencies known as the Corporate Affairs Commission (CAC) and office of the Administrator and Registrar General (OARG). As a public institution geared towards effective service delivery, OARG has a decentralized system of business registrations in all provincial headquarter towns throughout the country. Data from these regional offices are transferred directly into the main OARG register.

Those who want to be involved in the process of registration can visit the official address of the registries or do online registration. To register any company/business, a name search will be conducted to ascertain if the proposed company name is unique before the individual is allowed to go ahead with the registration process. Every company whether limited by shares, guarantee or unlimited shall be incorporated with the memorandum and articles of association signed by the subscribers as referenced in part three (3) of the Registration of Business Act 2007 and the Companies Act 2009 (as amended). The following are the vulnerabilities that affects the corporate registry:

- The online registration portal does not require a face-to-face interaction, document/information required or submitted are not verified;
- The walk-in registration process is also susceptible to human errors. Additionally, there are shortcomings with respect to access and verification of information;
- Inaccurate stated capital is sometimes paid by foreigners who wish to own businesses in the country.
- To avoid payment by foreigners, most foreign companies are using front men as shareholders even though the stated capital may not be for Sierra Leoneans.

The information collected may not be accurate due to no verification mechanisms and they are not updated as prescribed by the AML/CFT legislation; therefore, this variable is rated **medium**.

### **Quality and Accessibility of Basic Information**

Through the memorandum and articles of association submitted by legal persons for registration as prescribed by the Companies Act 2009 (as amended), CAC and OARG have basic information on all legal persons and legal arrangements in its registers and it is accessible to all Law Enforcement Agencies, Competent Authorities, Financial Intelligence Unit and the public upon request. The Trust and Company Service Providers (TCSPs) which are mostly formed by accountants and lawyers are required to collect basic information on their client but the clientele formula implemented by Lawyers or law firms is a serious problem as they tend to ignore the erasure of client secrecy and the need for full and frank disclosure contemplated by the AML/CFT Act 2012. There are no measures or obligation for ensuring the collection of basic information on TCSPs. No cross checking, routine checks and identification of discrepancy reporting is identified as red flagging indicators based on the basic information collected, as a result of the highlighted deficiencies, this variable is rated **medium**.

### **Quality and Accessibility of BO Information**

Section 54 (1) of the AML/CFT Act 2012 requires competent authorities to devise a mechanism for maintaining beneficial ownership information which could be adequate, accurate and up-to date on the ownership/control structures of legal persons and arrangements in Sierra Leone and such information should be rapidly available to Financial Institutions/other reporting entities for cross checking purposes, Law Enforcement agencies, Competent Authorities and Financial Intelligence Unit for investigative and prosecution purposes as prescribed by the updated Financial Action Task Force Recommendation 24. The Companies Act 2009 (as amended), section 80 (1) (a) and (b) also provides for disclosure of beneficial interest in shares mainly for public companies. BO disclosure should be for everybody, and it should be made mandatory for all legal structures, therefore the law is not comprehensive on beneficial ownership disclosure.

Nominee shareholders for public companies are required to disclose but not applicable to private companies and there is no requirement for legal persons to disclose nominee directors. By law, bearer shares, which are considered by FATF as high risk in terms of concealing identity through legal persons, are prohibited in Sierra Leone. It is also assumed that shareholders are used as beneficial owners in formation of legal persons but no further declaration is made to ascertain the ultimate beneficial ownership.

However, as a country, there is a Corporate Governance Code seeking to change the way of doing business. The Corporate Governance Code which officially became a national policy in 2018, is designed to improve the business environment by increasing transparency and accountability among state and non-state actors.

This Code also set out certain basic disclosure and reporting requirements for all companies operating in Sierra Leone. Though applicable on a “comply or explain” basis on BO disclosure for companies operating in Sierra Leone. Nevertheless, the risk of corrupt practices, illicit financial flows, and tax evasion is quite high in other sectors where disclosure on beneficial ownership is not made.

It is also stated that all organizations registered and regulated by the Corporate Affairs Commission (CAC) should include the following information in the organization’s annual report (financial statements) and would be required to complete relevant sections at the point of incorporation or submission of annual returns.

- Whether the company is public or private
- The stock exchange on which securities are traded.
- Names of all shareholders holding more than 5% of total shareholding in that organization.
- A beneficial Owner section which sets out all the beneficial owners of that organization which would include ownership by State Own Enterprises (SOEs), and by Politically Exposed Persons (PEPs) regardless of the level of shareholding.
- Date when the interest was acquired.
- Whether the shares are held by a legal representative and if so, the name of the firm

The Mines and Minerals Development Bill is also currently being debated in Parliament, as well as an ongoing process to amend the Companies Act 2009, that would mandate government to collect and disclose BO information of all companies, not just public listed mining companies. Effort has also been made as a country by the Sierra Leone Extractive Industries Transparency Initiative (SLEITI) by developing a road map covering 2016-2020 though limited to extractive industries only. This variable is rated **medium low** as result of the above assessment.

### **Existence & Effectiveness of Bo Verification Mechanisms**

There is a requirement in section 22 (1) of the AML/CFT Act 2012 for the identification of beneficial ownership but there is non-compliance with the provisions. There is no independent verification mechanism adopted by the corporate registry or TCSPs to ascertain the true validity of the information received. This variable is **low** because there is no verification of beneficial ownership information against independent reliable sources though section 22 of the Anti-Money Laundering and Combating of Financing of Terrorism Act, 2012, Act No 2 of 2012 (as amended) requires reporting entity to identify BOs in their daily transactions and update were necessary to prevent the abuse for ML/TF.

### **Quality of Regulation & Supervision of TCSPs**

This variable assessed the quality of AML regulation of TCSPs as prescribed in section 50 (1) of the AML/CFT Act 2012 (as amended) for supervision, monetary compliance, penalizing non-compliance and compliance. There is already an established supervisory authority for the professional bodies. General Legal Council (GLC) supervises Lawyers whereas accountants are being supervised by Institute of Chartered Accountants in Sierra Leone (ICASL). These bodies are part of the supervisory forum established by FIU on AML related activities with a duty to report suspicious transactions. The assessment also revealed limited operations of TCSPs and the non-professional trustees are left unregulated. Based on the above assessment, this variable is rated **medium**.

### **Quality of Controls against Opaque Structures**

The rating for this variable is **medium** as a result of abuse in setting up companies in the form of complex/front companies, shell companies, trusts and company service structures. There are few instances where foreign legal structures misuse the formation of business as the real owners of corporate entities. Due Diligence measures may prove ineffective where the people performing online due diligence on a potential company and its staff are unable to physically verify identities.

### **Effectiveness of Enforcement of Sanctions/Fines**

This variable assesses the effectiveness of enforcement of sanctions/fines for non-compliance with disclosure requirements of basic and beneficial ownership information for legal entities in Sierra Leone as prescribed in Part XIII of the AML/CFT Act 2012 (as amended) for

violations and section 53 (1) and (2) of the Act also provides administrative measures to be taken by the supervisory authority or FIU in the event of failure to comply with corrective measures in response to compliance failure. However, it was ascertained that no administrative or criminal sanctions have been implemented proportionate or dissuasive as a result of non-disclosure requirement or failure to update information or reporting inaccurate beneficial ownership information. This variable is rated **low** due to the above.

### **Incidence in Analyzed ML/TF Cases**

As a developing economy, trading with neighboring states, legal persons in Sierra Leone are exposed to ML/TF threats arising from both internal and external sources. From the analyzed cases, it was revealed that a minor was used to open fictitious company to launder the proceeds of crime, non-professional trustees engage in criminal activities, the used of trade-based money laundering through TCSPs and source of funds related issues were the key problems noticed in the analysis. As a result, this variable is rated **medium** because there are few related issues.

## **TYOLOGIES AND CASE STUDIES**

### **CASE 1. Use of front men and minors**

An STR was filed to the Unit regarding a customer of a Bank who opened an account on behalf of Company X. He refused to provide any form of identification when requested to do so and insisted on acting on behalf of his son who is a minor with a 60% shareholding in Company X. Furthered to that, he refused to provide a definite residential or official address. This deliberate attempt to conceal his identity as he wanted to remain anonymous was regarded as suspicious thus the basis on which an STR was filed to the Unit.

### **CASE 2: Multi-jurisdiction splitting**

The Unit received an anonymous STR on an alleged money laundering offence touching and concerning a company (ABC Company) that was registered in Sierra Leone. ABC Company received a huge inflow of EURO 50, 000, 000. 00 into an account domiciled at a Bank in Sierra Leone. Also, the sole shareholder requested that a bank account be opened and operated on his behalf. It was later noticed that the mandate/objectives of the company was different from its operations with multiple foreign jurisdictions.

### **CASE 3: Abuse of Attorney client privilege**

An STR was filed on a foreigner whose funds were frozen due to insufficient documentation to ascertain the source of funds received into his personal account via SWIFT and registered company X for suspected money laundering activities. The subject decided to open Company X in Sierra Leone with him holding 80% shares, 10 % by a Sierra Leonean and a foreign company with 10% shares. Funds were transferred into the company's accounts from the foreign Attorney.

The foreign attorney wired USD89, 970,00 into the company's account in Sierra Leone claiming that it was for the purchase of heavy-duty equipment and some portion of the funds were transferred to another foreign jurisdiction but it was further investigated by the Unit.

### **CASE 4: Foreign ownership shell companies**

An STR was filed to the Unit regarding structured deposits into the subject's company's accounts without tangible justification and supporting documents, other than the claim by the subject of building up funds for transfer to their suppliers. Inflow into the accounts had a structured deposits of USD 12, 500 and USD 40, 000. The Memorandum and article of Association reveal that the two shareholders are foreigners, with 52% and 48%. The transaction pattern shows multiple cash deposits occurring almost daily above USD 10,000. 00 and funds were immediately wired out of the country which far exceeds the business turnover of Le500, 000, 000, 00 initially stated on their KYC.

### **SUMMARY OF KEY FINDINGS**

- Detailed information on the creation of any type of legal persons in Sierra Leone is publicly available on CAC and OARG website.
- Basic information is available and accessible at CAC and OARG electronically and manually on incorporated legal persons.
- The current company's act 2009 as (amended) does not comprehensively cover BO disclosure by all legal persons.
- BO disclosure is not mandatory for all companies and disclosure of nominee shareholder is made for only public companies

- It is also assumed by authorities that shareholders are beneficial owners of legal persons in most cases but there is no basis to support this assertion.
- As a country, we have corporate governance code as an initial document for governance on BO disclosure and SLEITI has also developed a road map on BO disclosure though the focus is on the extractive sector.
- There is no rapid access to beneficial ownership information that will aid investigations and prosecutions initiated by LEAs, CAs and FIU.
- There is AML sanction regime, but they are not enforced for violations of compliance.
- There are no BO verification mechanisms for documents/information submitted with other independent sources.
- There is inadequate AML supervision on trust and company service providers for compliance and non-compliance in accordance with the provisions of the AML/CFT Act 2012.

### **8.3 RECOMMENDATIONS**

In view of the identified ML/TF risks posed, the following are recommended:

- Amend the Company Act 2009 (as amended) for BO disclosure as a requirement and other related issues
- BO disclosure should be made mandatory for all legal persons/entities
- Institute BO declaration at entry point of registration
- Apply effective sanction regime to enforce BO disclosure and it should be effective, proportionate and dissuasive for non-compliance based on the following;
  - Non-disclosure
  - Partial disclosure
  - False disclosure
- Beneficial ownership information should be adequate and updated and should be made available to Law Enforcement Agencies, Competent Authorities, and Financial Intelligence Unit.



- BO Verification mechanisms for legal persons should be linked to NIN (NCRA)
- Sensitization and awareness raising is key to this sector for public understanding about the trend and patterns of abuse.
- CAC to embark on more MOUs with other LEAs and foreign countries for information sharing and on other relevant related issues.
- The Government should allocate adequate resources to CAC, OARG and FIU to coordinate activities gearing towards the fight against money laundering and terrorism financing.

## **CHAPTER 9. TERRORIST FINANCING, PROLIFERATION FINANCING AND NON-PROFIT ORGANIZATION**

The threat level environment of Money Laundering and Terrorist Financing evolves daily in the world. The Financial Action Task Force (FATF) as a pacesetter in the AML/CFT realm in turn introduces or updates methods and standards to address these threats and vulnerabilities. Terrorism Financing became an acute global problem after the 9/11 attack on the World Trade Centre twin towers in the United States of America. To salvage this threat, governments are required to set up institutions and enact laws that enhance cooperation between and among state institutions to cut off the financiers of terrorism.

### **9.1 BROAD OVERVIEW OF KEY VARIABLES ON THE**

#### **NPO/NGO SECTOR:**

The NPO sector was one of those areas rated Non-Compliant (NC) in our last Mutual Evaluation Report because it was not designated as a reporting entity for AML/CFT Compliance during the period of the assessment no procedures were provided for compliance by NPOs. FATF Recommendation 8 requires that countries assess specific types of NPOs with certain characteristics. Statistics obtained from MoPED, SLANGO and selected NPOs revealed that most of the NPOs operating in Sierra Leone fall within this category. Similarly, The Revised Non-Governmental Organization Policy, 2009, defines NGO as an entity operating within the territory of Sierra Leone, independent, not for profit making, non-political and charitable organisation, with the primary objective of enhancing the social, environmental, cultural, and economic wellbeing of communities. In addition, the operations of an NGO shall not have a religious, political, or ethnic bias

Not-for-Profit organizations (NPOs) continue to play significant roles in the socio-economic development process of Sierra Leone. Staff members of both local and international Not-for-Profit Organizations are often seen as front runners in helping to actualize the development agenda of successive governments, especially in time of disaster. Also, NPOs are particularly useful in areas where government encounter difficulties to finance certain projects. They are so vital in Sierra Leone that, most of the ministries have special personnel, an NGO Desk Officer, responsible for the coordination of all matters relating to the NGO world.

Not-for-Profit Organisations (NPOs) have, for decades, helped governments to set up youth empowerment projects and succeeded in closing some major gaps where the governments have

failed or unable to provide basic social amenities. This has led to the reduction of poverty. The provision of water facilities, hospitals and schools in villages has earned NPOs the moral guarantor and humanitarian interventionist title. Because of their alleged neutrality on political matters, NPOs are looked forward during political stalemates. As voices of poor people, it is easier for NPOs to work everywhere in the country.

However, one thing worthy of note is that NPOs and NGOs are considered same and used interchangeably in Sierra Leone. Thus, the researcher will be using them in that manner. NPOs continue to help channel development projects across Sierra Leone in almost all sectors such as governance, health, education, infrastructure, agriculture, anti-corruption, environment, skill development, human rights, and advocacy in presence of every part of the country.

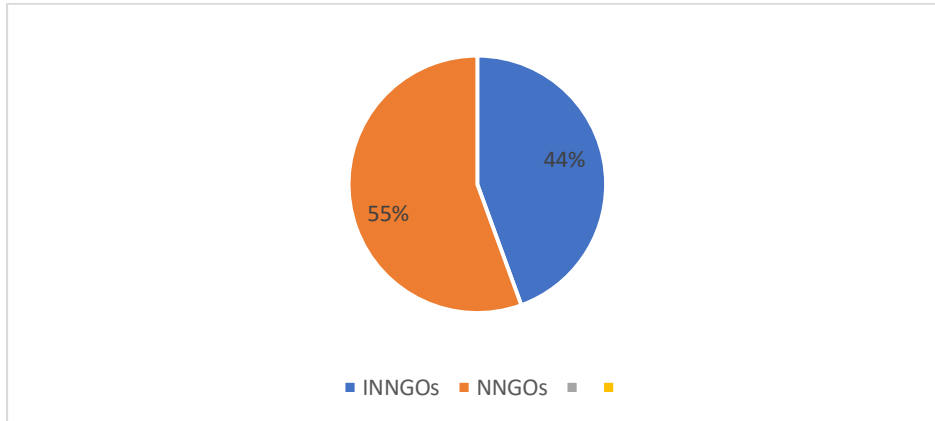
The directorate of NGO Affairs at the Ministry of Planning and Economic development reveals that, there are a total of four hundred and thirty-six (**436**) registered NPOs, with national/local NGOs accounting for **55%** of that figure. There are nineteen (**19**) new registered International Non-Governmental Organizations-(INGOs) and one hundred and ninety-five (**195**) new National Non-Governmental Organization-(NNGOs). In the various sectors of operations, gender, children and social welfare, health and education lead the chart. NPOs are not profit driven, they seek to help people in need. What the government should do is to help put modalities in place that will prevent people with obscure backgrounds from using NPOs to achieve clandestine aims. The AML/CFT Amended Act 2019 empowers the FIU to regulate the sector. But the identification of a particular agency, rather than FIU, to supervise NPOs for ML/TF issues can be of serious help.

The researchers found contradictions in the figures from the Ministry of planning and Economic Development (MoPED), the Sierra Association of NGOs (SLANGO) and the Corporate Affairs Commission (CAC) of registered NPOs. The CAC has more registered NPOs than MoPED and SLANGO

Even though Sierra Leone has a comprehensive AML/CFT regulatory and supervisory framework, the vulnerability is heightened by the nature of work NPOs do and this gives them certain privileges to escape scrutiny. The badge of “humanitarian intervention” easily kicks out criminality. In essence, NPO operations are checked by some legal and institutional framework, but none does an AML/CFT supervision and monitoring on them. However, the registration

processes with MoPED and SLANGO should be of help if issues like sources of funds and other ML/TF are properly documented.

**FIGURE 9.1 shows % of National and International NGOs**



### **PROLIFERATION FINANCING:**

The AML/CFT legal framework in Sierra Leone does not cover Proliferation Financing, thus it is one of the issues included in the ongoing review of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, (as amended). Proliferation Financing became a very serious concern worldwide after the 9/11 attacks in the United States of America-USA.

Alberto Ballesteros, 2022, **Counter proliferation Financing Outlook of West Africa** underscored that “the region presents issues regarding the lack of a legal framework that includes CPF provisions to address issues like the implementation of PF, TFS, as well as the lack of authorities mandated with supervising compliance with them by relevant entities and enforcing penalties on them for noncompliance”<sup>4</sup>.

There is a national agency/authority in charge of nuclear safety and radiation Protection in Sierra Leone, and it is empowered by the Nuclear Safety and Radiation Protection Act 2012, Act No. 7 of 2012. Under this Act the agency is expected “to provide for Sierra Leone to meet its obligations under relevant international treaties, in particular, the **Treaty on Non-**

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<sup>4</sup> Alberto Ballesteros, 2022, **Counter proliferation Financing Outlook of West Africa**

**Proliferation of Nuclear Weapons** and the Agreement between Sierra Leone and the International Atomic Energy Agency (IAEA) for the Application of Safeguards in Connection with the Non-Proliferation Treaty”<sup>5</sup>. The report further states that most financial institutions are unfamiliar or have a low understanding of proliferation financing and implementation of the obligations relating to proliferation financing. Financial institutions mostly concern themselves with money laundering and terrorism financing and put measures in place to that effect.

The Anti-money Laundering and Combating of Financing of Terrorism Act 2012, (as amended) falls short of making provisions on proliferation financing. The FIU came out as the only institution with knowledge on proliferation financing.

In the Maritime Administration, the Sierra Leone Maritime Administration is an autonomous body established by section 2 of the Sierra Leone Maritime Administration Act 2000 for the registration of ships and other vessels, the licensing and safety of maritime personnel and for the regulation and development generally of maritime, coastal, and inland water transport. Although there is no provision in the Act for the control and prevention of PF, some interviewees from the institution maintained that Sierra Leone observed all international protocols as precaution to proliferation financing. Special care is taken not to allow vessels from North Korea to dock our seas.

## **TERRORIST FINANCING**

According to the Global Terrorism Index (GTI) 2022, there is an improvement in the fight against terrorism in the world. GTI 2022 records one hundred and five (105) countries with no deaths or attacks from terrorism in 2021. This is considered the highest number of countries since 2007<sup>6</sup>.

There is an institution and a legal framework to coordinate the fight against terrorist financing in Sierra Leone. The Anti-Money Laundering and Combating of Financing of Terrorism Act, 2012, clearly spells out the reason for the establishment of the Financial Intelligence Unit

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<sup>5</sup> Nuclear Safety and Radiation Protection Act, 2012

<sup>6</sup> Global Terrorism Index, 2022-Measuring the impact of terrorism.

including the criminalization of money laundering and financing of terrorism, the establishment of structures to implement this and for other related matters.

However, data obtained from intelligence agencies including Central Intelligence and Security Unit (CISU), Transnational Organized Crime Unit (TOCU), Integrated Intelligence Security (IIS), Forces Intelligence and Security Unit (FISU) Financial Intelligence Unit (FIU) and Office of National Security (ONS) indicate that Sierra Leone is yet to suffer a single attack of terrorism. These statistics are further emphasized with zero number of terrorism cases reported or investigated by either the Criminal Investigations Department (CID) or the office of Director of Public Prosecutions. The ONS, FISU and TOCU rate Sierra Leone's national terrorism alert system as **high**.

Nonetheless, intelligence points to the existence of certain people and business entities who have attempted to move out large cash from the country using clandestine means.

Similarly, Sierra Leone continues to be a potential target for terrorist groups for her contributions in peace keeping operations and the presence of Western interest in the country.

Terrorist financing has three major steps:

Where the raising of the funds happens?

Where the movement of the funds happens?

How are the funds used?

The **raising** and **movement** of funds are allegedly happening in Sierra Leone for various reasons:

- The interception of huge amount of cash (in foreign currencies) as well as interdiction of prohibited drugs at border crossing points.
- The use of the HAWALA system is prevalent in Sierra Leone and could be a risk of Terrorist Financing.

There has been no STRs filed for investigation and prosecution on Terrorist Financing. Among stakeholders in the Anti-Terrorist Financing sector, the FIU has more knowledge on the subject than the others.

## **REGISTRATION PROCESS OF NPOs**

In Sierra Leone, it is a requirement for NGOs to register with the Sierra Leone Association of Non-Governmental Organisations (SLANGO). The primary basis for registration with SLANGO is for the NGO in question to register with MoPED.

The NGO Directorate at MoPED is responsible for aligning the NGO activities to national priorities and ensuring effective service delivery. The Unit registers and certifies NGOs. This is necessary to get NGOs to submit their annual reports on programs implemented and gives the government the opportunity to determine the performing NGOs and weed out non-performing ones. The directorate develops a database by sector and region of all registered NGOs and organizes quarterly meetings of inter-Agency and Sectorial Standing Committees to review the activities of NGOs and discuss plans for future programs.

The Unit tracks and compiles donor funds for project implementation and organizes annual workshop for NGO desk officers in sector ministries and ensures all NGO programs are monitored and evaluated in Sierra Leone. The Unit also ensures the full participation of the beneficiary community and good communication with sectorial ministry in all program formulation and implementation. It processes NGO applications for duty-waiver concessions and submit to MoPED for approval<sup>7</sup>

The CAC is responsible for the registration of companies in Sierra Leone. Using the Companies Act 2009, Act No 5 of 2009 the CAC registers NPOs as companies limited by guarantee under section 22(1)

NPOs are expected to register through the directorate of the NGOs Affairs in the Ministry of Planning and Economic Development (MoPED) as a government policy. The Ministry requires NPOs to register with the government before the start of operations in the country. International NGOs need accreditation from their government or embassy, proving their legal status and credibility before they can operate in Sierra Leone. The registration process at MoPED is described by some respondents as **difficult**. No organization can attain NPO status without registering with MoPED. Thus, they won't qualify for tax waivers. NPOs require Tax Clearance Certificate from the National Revenue Authority (NRA) of Sierra Leone to proceed

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<sup>7</sup> (<http://moped.gov.sl/ngo-unit/>, Dec, 2018)

with registration. With approval from the required ministry, the NRA also executes tax waivers to NGOs.

In total, the country generates **Le 3,235,736,705** in registration fees of NPOs for 2022/2023.

All NPOs in Sierra Leone work for the interests of their target beneficiaries. They may vary by sector, but the main task is to cater for the advancement of their target beneficiaries. Be it in health, education, gender, human rights or social welfare, the goal is to make life comfortable. Analysis of data received shows that NPOs differ a lot in their operations. While the majority seek interest in gender, social and children's welfare, health, and education, few are in microenterprise, youth, WASH, Peace building, nutrition, and security. Some have a presence in all the regions of the country whilst others operate in sections.

### **CATEGORIES OF NPOs:**

The investigation of NPOs for ML/TF issues target some specific domain. There are so many NPOs operating in Sierra Leone and virtually, all of them fit the FATF definition of NPOs. So, a one fit size for all cannot bring out the vulnerability and risks inherent in them. Some receive money from donor agencies with strict conditions attached to them. There are those whose source funds from other NPOs, giant businesses and influential individuals. Thus, the following are the categories of NPOs operating in Sierra Leone:

#### **➤ FOREIGN/INTERNATIONAL NGOs (INGO):**

Data obtained from the NGO directorate at the Ministry of Planning and Economic Development shows that the INGOs raise funds to undertake large projects and support/fund local organizations/NPOs. The support goes in the form of subcontracts, or grants to help implement projects in humanitarian aid, health, education, infrastructure, electronic infrastructure, and sanitization. Most of the INNGOs receive funding from Europe and America. However, verification of their sources of funds seems difficult. MoPED, SLANGO and sample of NPOs agreed that they do not have the capacity to verify the sources of INGOs that support them.

#### **➤ NATIONAL NGOs:**

The national NGOs account for about **55%** of the total registered NGOs in Sierra Leone. Respondents to the questionnaires distributed claimed that the NNGOs mostly receive funding and support from the INGOs, giant business institutions and influential individuals. Businesses



may want to expand their brand image or sell a particular product/service and do their cooperate social responsibility by supporting NGOs to undertake specific projects. Individuals with political intentions also support NGOs to improve their chances of winning. Most of the sources of funding can be verified.

#### **DIFFERENT SECTORS OF NPOs OPERATION:**

The primary concern of Not-for Profit Organizations in Sierra Leone is to cater for their clients; thus, they operate in different sectors. Some are multi-faceted working in more than one sector, like SAVE the Children. SAVE the Children caters for its target beneficiaries in the fields of health, education, child protection and livelihood. Most of the projects are designed by NPOs to complement the development agenda of the government.

Table 9.1

<b>SECTOR</b>	<b>PERCENTAGE</b>
Agriculture	11%
Education	16%
Environment	3%
Health and Sanitation	23%
Social welfare, gender and children's affairs	32%
Human rights	1%
WASH	6%
Youth	2%
Governance	2%
Advocacy	1%
Child Protection	1%

Justice	1%
Micro enterprise	1%

### **SOURCES OF FUNDS FOR NPOs**

NPOs in Sierra Leone heavily depend on donor funds to undertake their projects and other development strides. They usually develop project proposals and disseminate to a wide range of donors for funding. On the other hand, donor agencies call for proposals to fund a particular cause. Larger sum of these funds come from donor institutions/agencies from Europe and America, like United States Aid (USAID), International Monetary Fund (IMF), UNICEF, Department for International Development (DFID) etc.

Records also show that corporate social responsibilities by giant institutions like the Telecommunications (mainly Africell and Orange mobile companies) and other business institutions serve as a source of funding for NPOs. To align their corporate social responsibilities with the development agenda of government or the community they operate, they donate funds to mostly local/national NPOs to undertake a specific project in the communities they operate in.

Individual donors are also sources of funding for NPOs. Records show that people donate money to not-for-profit organizations, especially in time of disaster. NPOs mostly receive funds from prominent individuals to support their Cause.

In summary, the under listed are some of the major sources of funding for NPOs in Sierra Leone:

- **Donor agencies:** Although respondents acknowledged that NPOs go through some rigorous steps before receiving funds from these agencies, they also agreed that there is not much means to verify the sources of these funds. This makes the risk **higher**.
- **Institutions:** Funds from these institutions are said to be devoid of any ideological condition that will warrant the Financing of terrorism. It is done to increase their brand presence, or through corporate social responsibilities.
- **Individual donations:** NPOs also receive funds from prominent individuals to support their Cause. In most cases, the donors are either politicians or have the intention to vie for political offices. Thus, the idea is to sell their image.

The funds are transferred through banks and utilized undertaking projects in Education, Health, Environmental Sanitation & Hygiene, Empowering Women and Empowering Children & Adolescents etc.

## **TRANSPARENCY AND ACCOUNTABILITY OF NPOs**

Officials at MoPED disclosed that NPOs have no restrictions to rolling out any development project if it is in the interest of the people Sierra Leone. They should be able to partner with others to achieve certain objectives. The government strongly considers NGOs as partners to actualize its development agenda. The Development Cooperation Framework (DCF) or NGO policy comprises regulatory and accountability framework for NGOs. Among other things, the DCF policy encourages transparency and accountability in the operations of NPOs and at the same time ensuring better coordination in the sector. The directorate of NGO affairs at the Ministry of Planning and Economic Development-MoPED describes the methods of soliciting funds by NPOs from donors, especially development agencies as **transparent** but rather **difficult**. Project proposals must go through some rigorous processes before eventually been approved. Most donor agencies have committees that look at these proposals and give recommendations for award of contracts/funds. In return, NPOs must submit reports to their donors outlining how allocated funds were used. In addition, audited financial reports are sent to MoPED and SLANGO. The two institutions rate the transparency and accountability level of NPOs as **medium**. Between 2019/2022, two hundred and seventy-five (275) projects in various sectors were executed by both NNGOs and INNGOs. The Ministry of Planning and Economic Development recorded **Le 8,972,868,088,744** as a total money used NGOs in carrying out these projects. In addition, assets bought with donor funds are considered the property of those they were bought to benefit. In a situation where any property is sold, it must be done with the supervision of SLANGO and the government for the benefit of the targeted group.

## **NPO STAFFING**

Statistics from MoPED, SLANGO and samples of a few NPOs selected show that a greater percentage of the staff are engaged until the project ends and are laid off. Only a few barely remains that are paid from NGOs coffer or work voluntarily until another funding is sourced. This means that a good number of NPO staff members are transitory workers.

## LOCATIONS OF OPERATIONS

The presence of NPOs is felt in every part of Sierra Leone. Whilst some operate throughout the country, others can only be seen in some parts of the country. The table below explains the geographical locations of NPOs by percentage.

**FIGURE 9.1**



## 9.2 KEY FINDINGS

### COMBATING FINANCING TERRORISM KNOWLEDGE AND AWARENESS

Sierra Leone has good legal framework for the fight against terrorist financing. The Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 (as amended) gives serious backing to entities with this responsibility. Institutions charged with the responsibility to fight or coordinate combating financing terrorism have good knowledge on the subject. Institutions like FIU, TOCU, CISU, FISU and ONS have a good understanding of terrorism. But among these, the FIU has the **strongest** understanding of the subject.

### COMBATING FINANCING TERRORISM KNOWLEDGE AND AWARENESS OF STAFF IN THE NPO SECTOR

The last Mutual Evaluation Report rates Sierra Leone as Non-Compliant (NC) in the NPO sector. Samples collected from regulatory bodies of NPOs like SLANGO, MoPED and some samples of NPOs reveal that there are some control measures against vices like sexual exploitation, fraud, and corruption, but there is none against Terrorism financing. Interviews conducted show that even staff members in the NPO sector have no knowledge of combating financing of terrorism. Therefore, ML/TF knowledge and awareness are rated as **very low**.

NPOs not complying with the AML/CFT Act 2012 (as amended) by not reporting is ML/TF risks. Lack of ML/TF supervisor in the sector compounds the issue. An amendment to the AML/CFT Act to cede this responsibility to the directorate of NGO Affairs at MoPED can help salvage the issue.

## **COMBATING FINANCING TERRORISM KNOWLEDGE AND AWARENESS IN THE PROLIFERATION FINANCING SECTOR**

According to the **Counter-proliferation Financing Outlook of West Africa report, 2022**, most financial institutions in Sierra Leone are unfamiliar or have **low** understanding of and implementation of the obligations relating to PF. Worst still, the report also states that there is no formal mechanism for communicating designations or sanctions list to FIs and DNFBCPs.

Findings from the questionnaires issued and interviews conducted reveal that the Nuclear Safety and Radiation Protection agency which has a mandate to enforce the **Treaty on Non-Proliferation of Nuclear Weapons** has **low understanding** on proliferation financing.

It also came out that the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, (as amended) that empowers the FIU to coordinate the fight against ML and TF does not have any provision for PF.

The general knowledge and awareness of PF are **very low**.

### **KNOWLEDGE GAPS**

There is a huge knowledge deficit, especially in the areas of proliferation financing and to some extent terrorism financing. It came out that even institutions that are supposed to be leading the fight against proliferation financing do not have any knowledge on the subject. Similarly, there seems to be a blurred understanding by some people of money laundering and terrorist financing.

### **RELATIONSHIP BETWEEN NPOs AND GOVERNMENT**

With the introduction of certain methods like the Development Cooperation Framework, NPOs view the government as trying to restrict or interfere too much in their operations. It is also alleged that the registration process with MoPED and SLANGO is made difficult to narrow the NPO space.

## **AML/CFT CONTROL MEASURES:**

This defines control/mitigating measures in place to check the issues of money laundering and terrorist financing in the various sectors under review. Some are put in place by the sector themselves whilst there are government introduced policies:

## **TERRORIST FINANCING RISKS IN NPOs**

The Global Terrorism Index 2022 rates the threat level in Sierra Leone at **No Existence**. The research also found out threat level of Terrorism is rated **low** and **medium** in vulnerability in Sierra Leone. There is generally a comprehensive AML/CFT legal framework in Sierra Leone. The Anti-money Laundering and Combating of Financing of terrorism Act 2012, (as amended) criminalizes money laundering and financing of terrorism, establishes structures to implement the country's AML/CFT regime and for other related matters. There are provisions in section 16 that clearly deals with the issue of terrorist financing. NPOs source funds from INNGOs, big business institutions and influential individuals and the funds are mostly transferred through the banks. Youth empowerment, child/women welfare, human rights, education are some of the key areas these funds are spent. Even where there are shortcomings in the Act, a review is currently being done to close the gaps identified in the last mutual evaluation report. Most NPOs in Sierra Leone fall under the category of the FATF definition, but the research categorizes and looks at those most vulnerable to terrorist financing threats.

Cooperation and coordination between and among Law Enforcement Agencies (LEAs) is rated **high**. One of the key vulnerabilities is that there is no system in place to monitor the financing of terrorism from NPOs for terrorist financing.

## **NOT-FOR-PROFIT ORGANIZATIONS**

There are some major control measures the government has put in place to check the operations of the NPOs in Sierra Leone like the Development Cooperation Framework (DCF) on NGOs and the Service Level Agreement. NPOs are so vital that there is a whole committee on NGOs and NaCSA in the Parliament of Sierra Leone. This committee helps to monitor and make sure that donor money is utilized for their intended purposes. The Ministry of Planning and Economic Development in partnership with the Sierra Leone Association of NGOs work hand in glove to register and license NPOs before start of operations. No organization will get NGO status if it fails to register with these two institutions. The general mitigation measures in place by the government is rated at **Medium**.

However, none of these measures is against the abuse of NPOs for terrorist financing.

There are also control measures by the NPOs themselves which is rated at **Medium** as well. These measures are in place to check things like quality of governance, financial and project management, staff vetting, commitment and transparency and there are no measures for the mitigation of NPO abuse for terrorist financing.

Even though the AML/CFT Act 2012 (as amended) empowers the FIU to treat NPOs as reporting entity, but relinquishing the supervisory role to MoPED directorate of NGO affairs can be a good deal considering their roles in the registration processes of NPOs. MoPED also ensures that NGOs align their programmes with the development agenda of the government.

The report identified the different types of NPOs that are more vulnerable to Terrorist Financing. It is but prudent to state that virtually every NPO in Sierra Leone met the FATF definition, but by some margins some are more prone to terrorist financing threats.

In view of this, the researchers categorize NPOs using the following as benchmarks:

- The Raising of funds.
- The Movement of funds, and
- The Use of funds

Although NPO'S are very critical in the socio-economic development of the countries, they are to be adequately supervised to ensure that they play within the stipulated rules and regulations.

In summary, to help stakeholders in the NPO sector get a thorough understanding of ML/TF risks facing the sector, amend the law to designate a supervisory agency of the sector; preferably the directorate of NGO affairs in MoPED can help monitor.

Furthermore, embedding ML/TF issues in the registration processes of NPOs can serve as mitigant to the threat of ML/TF.

## **PROLIFERATION FINANCING**

There is generally **very low** knowledge and understanding on proliferation financing in Sierra Leone. However, the Nuclear Safety and Radiation Protection Act 2012, Act No 7 of 2012 empowers the Nuclear Safety and Radiation Protection Agency to enforce the treaty on Non-proliferation of nuclear weapons. Nonetheless, the researchers found out that FIs and other institutions have **low** knowledge on the subject.

## **9.3 INHERENT VULNERABILITY OF THE VARIOUS SECTORS UNDER REVIEW**

### **NOT-FOR-PROFIT SECTOR:**

The overall inherent vulnerability of NPOs is rated at **high**. Sections 41 and 42 of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, (as amended) specifically requires reporting entities to report suspicious transactions/activities and any other information that may be of help to law enforcement agencies. Even though NPOs have been designated reporting entities, they do not comply. They are not profit driven entities but rather trying to improve the lives of their clients, poor people in most cases. This has earned them the badge of humanitarian interventionists. Besides, the current AML/CFT Amendment Act 2019 makes provision for the supervision or monitoring of NPOs in Sierra Leone. However, placing the mandate of ML/TF supervision of NPOs into the hands of MoPED, can serve the right purpose.

### **PROLIFERATION FINANCING**

The inherent vulnerability of proliferation financing is **high**. The AML/CFT Act 2012 makes no provision for supervision and monitoring proliferation Financing. Financial institutions have **low** understanding. The risk factors that led to this conclusion are:

-Very low understanding of Proliferation Financing issues amongst key industry players. Also, Proliferation issues are yet to be criminalised by any legislation in Sierra Leone.

### **ASSESSMENT OF ML/TF RISKS**

Sections 41 and 42 of the AML/CFT Act 2012 are not heeded by NPOs. There is no AML/CFT supervisory authority monitoring NPOs for the issue of TF. The control measures in place are for other purposes. Data obtained from MoPED, SLANGO and CAC on registered NPOs contradict one another. Whilst MoPED and SLANGO somehow agree on the number of registered NPOs, the CAC shows something astronomical. This parallel discrepancy in data suggests that there might be NPOs operating as shell companies in Sierra Leone.

The threat from known terrorist groups like Al-Shabab for our roles in peace keeping missions, the interception of large foreign cash and contrabands too big for the Sierra Leonean market, the prevalent use of Hawala system put our threat level to **Medium high**.



The lack of knowledge around proliferation financing by FIs, and lack of supervisory and monitoring mechanism by competent AML/CFT stakeholders is a serious call for concern.

## **INSTITUTIONS AND THEIR FUNCTION IN NPO FORMATION**

**Table 9.2**

<b>SN</b>	<b>INSTITUTION</b>	<b>FUNCTIONS</b>
<b>1.</b>	Ministry of Planning and Economic Development-MoPED	<ul style="list-style-type: none"> <li>➤ NPOs are expected to register through the directorate of the NGOs Affairs in the Ministry of Planning and Economic Development (MoPED) as a government policy.</li> <li>➤ No organization can attain NPO status without registering with MoPED.</li> <li>➤ The NGO Directorate at MoPED is responsible for aligning the NGO activities to national priorities and ensuring effective service delivery. The Unit registers and certifies NGOs.</li> </ul>
<b>2.</b>	Sierra Leone Association of Non-Governmental Organization-SLANGO	Its primary role is to ensure co-ordination among its members. SLANGO's purpose is to serve as a unified voice for the NGO community and to interface with civil society organizations around the country
<b>3.</b>	Corporate Affairs Commission-CAC	The CAC is responsible for the registration of companies in Sierra Leone. Using the Companies Act 2009, Act No 5 of 2009 the CAC registers NPOs as companies limited by guarantee under section 22(1)

4.	National Revenue Authority- NRA	NPOs require Tax Clearance Certificate from the National Revenue Authority (NRA) of Sierra Leone to proceed with registration.
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## **SUMMARY OF SECTOR -WIDE VULNERABILITIES**

- a) **Poor Records Keeping:** To retrieve information from certain institutions was very difficult because they have poor records keeping attitude. Their websites have very little information to offer. All regulatory bodies such as ICASL, NMA, NTB, NRA, National Shipping Company (NSC), and other major Associations like Diamond Dealers, Car Dealers and Sierra Leone Mineral Resources Association must ensure that the reporting entities they supervise comply with their AML/CFT regulatory obligations such as record keeping and transaction monitoring.
- b) **Lack of proper supervision:** Professions like the legal profession, accountants, businesses like clearing and forwarding, car sales are not properly supervised for AML/CFT purposes. There are no AML/CFT control provisions in the guidelines of NPOs. Thus, are also not supervised for AML/CFT purposes. Sources of funds from clients in acquiring properties can be difficult to identify and verify.
- c) **Knowledge gap:** There is a huge knowledge deficit, especially in the areas of proliferation financing and to some extent terrorism financing. It came out that even institutions that are supposed to be leading the fight against proliferation financing do not have any knowledge on the subject. Car dealers, Shipping agencies, dealers in precious minerals have very little knowledge on ML/TF. Similarly, there seems to be a blurred understanding by some people of money laundering and terrorist financing.
- d) **Poor enforcement of rules and regulations:** Findings from the report indicate that Sierra Leone has some pretty good laws to deal with most crimes but the lack of implementation/enforcement by successive government has worsened the situation. Proportionate and dissuasive measures are needed to stop defaulters.
- e) **Lack of appropriate AML/CFT training:** Institutions like Car dealers, Shipping agencies, NPOs, and to a large extent, DNBP's do not cater for their AML/CFT trainings

for their members. There are few people in these sectors with basic knowledge on money laundering and terrorist financing.

- f) Inadequate security infrastructure: The Bank of Sierra Leone is on record to have issued out a press release banning the use of Crypto currencies/Bitcoins in Sierra Leone. The BSL claimed that the country lacks the infrastructure to control and curtail the risks it poses to our economic system.
- g) Other institutions do not claim ownership of the NRA exercise. This leads to lack of commitment to provide statistics by some competent authorities. Inaccurate/no data can lead to wrong conclusions. Most of the institution such as the NMA, NTB, ICASL, National Shipping Company, NGO directorate at the MoPED refused to make available the requested statistics and relevant data to aid the process.
- h) Insufficient AML/CFT regulations: The current AML/CFT Act 2012 does not cover issues like Proliferation Financing, Crypto currencies and Virtual Asset and Virtual Asset Service Providers. Consequently, these areas are considered great risks.

## **CONCLUSIONS FOR THE SECTOR**

The update of the NRA is a step to correct some anomalies and at the same time include new areas deemed vulnerable to ML/TF/PF risks. The ML/TF/PF knowledge in the NPO sector is **very low**. The inherent vulnerability is rated at **0.52**. They depend heavily on cash for their operations and the fact that they source those funds from different organizations or persons without adequate scrutiny to prevent abuse for money laundering, terrorism financing or proliferation financing.

## **CHAPTER 10. CONCLUSION AND RECOMMENDATIONS**

### **10.1 CONCLUSION FOR THE RISK ASSESSMENT**

This risk assessment identified several emerging and potential risk areas for ML/TF and identified some deficiencies in key sectors in the Sierra Leonean economy. The survey revealed that the real estate, import and export dealers in motor vehicles, trust and company service providers, and the extractive sector have a moderate level of ML/TF risk. However, there are a few steps being taken to reduce the identified deficiencies to the barest minimum.

The level of ML/TF/PF threats posed in the DNFBPs sector is very high due to the lack of effective monitoring and supervision by the primary regulators. The FIU should employ measures to ensure that the DNFBPs sector complies with the AML/CFT requirements. Given the size, complexity, and relatively large volume of transactions, the DNFBPs is considered one of the largest sectors after the FIs that requires monitoring and supervision against the abuse for ML/TF/PF. IT is expected that high volume of transactions would be involved considering the fact that the sector is widespread representing real estate agents, car dealers, dealers in precious metals and stones, casinos, clearing and forwarding agencies, shipping agencies, lawyers, and accountants.

The assessment showed that the DNFBPs posed a serious threat to the country's financial system because a large part of the unregistered and unregulated DNFBPs constitute the informal sector.

Secondly, there is no monitoring and supervision put in place to mitigate the threat posed by the sector. AML/CFT/CPF awareness is also lacking in the sector. The FIU and other competent authorities like the National Mineral Agency, National Tourists Board, ICASL, the General Legal Council and the National Revenue Authority must create AML/CFT awareness programs and capacity-building programs to boost the AML/CFT knowledge in the DNFBPs sector.

The level of ML/TF threats posed in sectors like the DNFBPs sector is very high due to the lack of effective monitoring and supervision by the primary regulator. The FIU should employ measures to ensure that the DNFBPs sector complies with the AML/CFT compliance measures. Given the size, complexity, importance, and relatively large volume of transactions, the DNFBPs are considered one of the largest sectors after the FIs that requires monitoring and

supervision against the abuse of ML/TF. It is expected that there is high volume of transactions because the sector is widespread representing real estate agents, car dealers, dealers in precious metals and stones, casinos, clearing and forwarding agencies, shipping agencies, lawyers, and accountants.

The assessment showed that the DNFBPs posed a serious threat to the country's financial system because a large part of the unregistered and unregulated DNFBPs constitute the informal sector.

Secondly, there is no monitoring and supervision put in place to mitigate the threat posed by vulnerable activities in the sector. AML/CFT awareness is also lacking in the sector. The FIU and other competent authorities like the National Mineral Agency, National Tourists Board, ICASL, the General Legal Council and the National Revenue Authority must create AML/CFT awareness programs and capacity-building programs to boost the AML/CFT knowledge in the DNFBPs sector. Again, the real estate, import and export, dealers in motor vehicles, trust and company service providers, and the extractive sector all had a moderate level of AML/CFT risk. However, there are several steps being put in place to reduce the identified deficiencies to the barest minimum.

Deforestation, land grabbing, artisanal mining, sand mining, illegal timber logging and haphazard disposal of refuse are hypes in Sierra Leone. The non-implementation of the law compounds the problems. The country is also struggling to understand the link between environmental crimes and ML/TF.

The lack of commitment by successive governments to resolve the impasse contributes to the worsening condition. IGR (2022) maintains that environmental crisis in Sierra Leone is a generational challenge amplified largely by the narrow political legitimacy afforded the main political parties, and the unwillingness of political leaders to cooperate in a bi-partisan manner to proffer solutions to the national predicament. Holistic national approach with bi-partisan cooperation by political actors for the good of all is required.

The ML/TF knowledge in the NPO sector is **very low**. The inherent vulnerability is rated at **0.52**. They depend heavily on cash for their operations and source those funds from different organizations or persons. A lack of an AML/CFT.

## 10.2 RECOMMENDATIONS

The following are the recommended actions for the gaps identified in NRA:

- **Strict enforcement of the laws:** Interviews conducted with respondents from various institutions indicate that Sierra Leone has very good laws to deal with environmental crimes but the lack of implementation by successive government has worsened the situation. Proportionate and dissuasive measures are needed to dissuade defaulters.
- A holistic national strategy devoid of partisan interest should be adopted. This means actions the government and opposition should not demonize one another for actions taken against defaulters of environmental crimes.
- The FIU to work with government and the Corporate Affairs Commission in ensuring that beneficial ownership data is easily accessible.
- The FIU should ensure that they work closely with government and the National Civil Registration Authority for the availability of a reliable identification infrastructure that is accessible to users.
- The enforcement of criminal sanctions as enshrined in the AML legal framework of both the FIU and the BSL to improve on the quality of compliance of banks' management and staff.
- Bank Management should ensure that activities qualifying as STRs be reported promptly as prescribed in the AML/CFT Act of 2022 (as amended).
- **Establish a special control unit:** The DNFBPs is one of the largest sectors, and it involves large cash transaction, and a lot of its cash activities are associated with the informal sector. The IMC has the overall responsibility for the AML/CFT/CPF regime. They should take the initiative to establish a SCUML like structure and ensure that it is given the appropriate legal mandate and funding. The Financial Intelligence Unit must work closely with the established SCUML to control, regulates, and oversees all the activities of the DNFBPs sector.
- **Records Keeping:** All regulatory bodies such as ICASL, NMA, NTB, NRA, National Shipping Company (NSC), and other major Associations like Diamond Dealers, Car Dealers and Sierra Leone Mineral Resources Association must ensure that the reporting

entities they supervise comply with their AML/CFT regulatory obligations such as record keeping and transaction monitoring.

- FIU rollout AML/CFT programs: The FIU should develop Directive and Guidelines for the DNFBPs sector and conduct training programs and rollout to all the participants in the sub-sector including LEAs and major stakeholders.
- Updating the Legislative Framework: The Unit should develop and update the legislative framework that meet the AML/CFT needs and in line with the FATF standards for the entire DNFBPs sector.
- Involvement of all DNFBPs stakeholders in the next NRA: The Unit must adequately involve all major players in the next NRA so the group conducting research on sub-sector will find it easier to gather information and statistics.
- Required AML/CFT capacity building trainings for the NPO sector and other relevant stakeholder institution should be a must.
- The Ministry of Planning and Economic Development and the Sierra Leone Association of NGOs should work with the FIU to develop vetting guidelines for NPO registration.
- The NRA division of the FIU undertakes regular sectorial assessments to ensure an easy update of subsequent national risk assessment documents to ease work when time comes to update the national risk.
- Proper coordination of registration process of NPOs among MoPED, SLANGO and CAC.
- The outreach division of the FIU in collaboration with relevant stakeholders should conduct Mass AML/CFT sensitization, especially in the areas of TF/PF
- Regular engagement of the NPO sector to update them with improved standards.





## APPENDICES

### Appendix 1: Asset base of commercial banks in Sierra Leone as at 31 December 2021.

S/N	BANK'S NAME	ASSET SIZE Le 000	%ASSET SIZE IN THE SECTOR	CUSTOMERS BASE
1	Standard Chartered Bank	1,187,164,301	7.5	14,814
2	Rokel Commercial Bank	2,285,462,349	14.5	172,845
3	Sierra Leone commercial Bank	2,652,883,428	16.8	399,665
4	Union Trust Bank	543,499,823	3.4	105,113
5	Guaranty Trust Bank	1,847,944,457	11.7	225,438
6	First International Bank	943,426,316	6.0	85,555
7	First Bank Nigeria	387,078,162	2.4	12,794
8	Ecobank	1,635,082,061	10.3	62,803
9	Access Bank	588,762,509	3.7	33,289
10	United Bank of Africa	1,925,617,853	12.2	246,177
11	Sky Bank	326,290,771	2.1	16,207
12	Zenith Bank	908,825,325	5.8	55,010
13	Keystone Bank	119,557,435	0.8	31,500
14	Commerce and mortgage Bank	453,981,865	2.9	8,977

	<b>TOTAL ASSESTS</b>	<b>15,805,576,655</b>		<b>1,470,187</b>
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**Appendix 2: Asset composition community banks as at December 31<sup>st</sup> 2021.**

<b>SN</b>	<b>NAME OF COMMUNITY BANK</b>	<b>ASSEST SIZE IN LE,000</b>	<b>% ASSEST SIZE</b>	<b>CUSTOMERS BASE</b>
1	Marampa -Masimera	9,500,225	7.3	1,465
2	Yonibana	14,996,129	11.5	14,965
3	Segbwema	16,049,699	12.3	8,483
4	Matru	6,972,691	5.4	5,009
5	Zimmi	3,551,747	2.7	2,974
6	Kabala	21,239,954	16.3	26,176
7	Nimiyama	4,942,894	3.8	3,494
8	pendembu	6,393,401	4.9	5,112
9	Sandor	2,287,734	1.8	2,599
10	Nimikoro	5,313,456	4.1	4,241
11	simbaru	3,711,152	2.9	3,076
12	Tongo	6,675,697	5.1	7,703
13	Koindu	3,639,380	2.8	3,290
14	Taima	6,506,733	5.0	3,325
15	Sumbuya	3,530,241	2.7	1,482

16	Madina	4,215,302	3.2	2,623
17	Kamakwie	10,517,973	8.1	6,887
	<b>TOTAL</b>	<b>130,044,408</b>		<b>99,831</b>

**Appendix 3: Asset composition Financial Services Association (FSA) as of December 31<sup>st</sup>, 2021.**

S/N	FINANCIAL SERVICES	ASSET SIZE	% OF ASSET	CUSTOMER
1	MANDU	1,724,657	2.1	2,385
2	LUAWA	992,298	1.2	2,355
3	KISSI TENG	2,142,121	2.5	2,551
4	KISSI KAMA	962,662	1.1	1,950
5	PEJE BONGRE	644,944	0.8	1,683
6	PEJE WEST	1,307,542	1.6	2,802
7	JAWEI	4,056,899	4.8	4,459
8	MALEMA	1,279,689	1.5	2,197
9	YAWEI	325,872	0.4	1,552
10	LOWER BAMBARA	1,483,783	1.8	2,556
11	NONGOWA	1,669,398	2.0	2,121
12	KANDU LEPIEMA	1,183,583	1.4	1,723
13	WANDOR	1,186,124	1.4	2,003
14	NIAWA	2,169,178	2.6	2,630
15	DAMA	1,651,560	1.9	2,675
16	GAURA	1,091,030	1.3	2,287
17	TUNKIA	1,046,057	1.2	1,649
18	GBANEH	2,101,701	2.5	1,868
19	FIAMA	501,833	0.6	2,390

20	LEI	502,271	0.6	1,768
21	SOA	215,583	0.3	1,775
22	SANDOR	1,641,086	2.0	2,133
23	NIMIYAMA	1,093,927	1.3	2,180
24	NIMIKOR	2,523,053	3.0	3,106
25	GORAMA KONO	656,046	0.8	1,548
26	KPANDA KEMO	559,447	0.7	1,472
27	BUM	340,501	0.4	1,589
28	GALLINESS PERREI	683,856	0.8	1,803
29	SOWA	827,394	0.9	2,169
30	SENGBE	2,035,450	2.4	2,382
31	KASUNKO	953,389	1.1	1,009
32	WWBAFODIA	607,385	0.7	1,034
33	DIANG	642,866	0.8	1,098
34	NEINI	1,917,124	2.3	2,798
35	F/DEMBELIA	1,593,919	1.9	1,467
36	D/SINKUNIA	3,179,840	3.8	2,174
37	BAOMA	3,695,586	4.4	2,514
38	LOWER BANTA	3,900,820	4.6	3,892
39	BUMPEH	2,490,323	3.0	2,785
40	KOYA	1,077,750	1.3	1,714
41	LOKOMASAMA	421,561	0.5	1,754
42	DEBIA	2,624,054	3.1	2,370
43	MAMBOLO	1,898,510	2.3	1,789
44	MAGBEMA	1,003,634	1.2	2,247
45	TONKO LIMBA	1,010,667	1.2	1,435
46	GBANTI KAMARANKA	908,763	1.1	1,672
47	GBENDUMBU	1,873,322	2.2	2,045
48	BERIWA	1,503,121	1.8	1,265
49	KALASONGIA	1,758,660	2.1	2,848

50	KUNIKE BARINA	2,189,056	2.6	2,014
51	GBONKOLENKE	807,844	1.0	1,194
52	PAKIMASABONG	913,863	1.1	1,066
53	SAMU	1,873,733	2.2	1,615
54	SAFROKO LIMBA	1,244,584	1.5	1,209
55	TOMBO	1,698,191	2.0	2,011
56	FAKUNYA	830,691	1.0	1,242
57	BAGRUWA	879,362	1.0	1,069
58	BUMPE NGAO	1,183,974	1.4	1,137
59	VALUNIA	796,126	0.9	1,559
	<b>TOTAL</b>	<b>84,078,263</b>		<b>117,787</b>

**Appendix 4: The Criminalisation of Predicate Offences in the 2<sup>nd</sup> Schedule of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 2 of 2012 as amended.**

S/N	PREDICATE OFFENCE	STATUS	APPLICABLE LAW	REMARKS
1	Participation in an organised Criminal group and racketeering	Partially Criminalised	<ul style="list-style-type: none"> <li>The common law conspiracy</li> <li>Section 128 of the Anti-corruption Act 2008 (as amended)</li> </ul>	<ul style="list-style-type: none"> <li>An agreement to commit an offence can be prosecuted under the common law of conspiracy.</li> <li>Section 128 criminalizes conspiracy to commit a corruption offence.</li> <li>However, Counsel is yet to find any stand-alone statute or</li> </ul>

				provisions with the specifics on this predicate offence.
2	Terrorism including terrorism financing	Terrorism financing has been fully criminalised	Section 16 of the anti-money Laundering and Combating of Financing of Terrorism Financing Act 2012, Act No 2 of 2012 (as amended)	The Criminalisation of terrorism and terrorism related activities is now at an advanced stage as part of the ongoing legislative reforms.
3	Trafficking in human beings and Migrant Smuggling	Trafficking in person is fully criminalised	Section 2 of the Anti-human trafficking Act 2005, Act No 7 of 2005	There is however no stand-alone statute criminalising Migrant Smuggling.
4	Sexual Exploitation including sexual exploitation of children	Criminalised	Part II of the Sexual Offences Act 2012, Act No 12 of 2012	These predicate offences are fully criminalised in Part II of the Act
5	Illicit trafficking in Narcotic drugs and psychotropic substances	Criminalised	Part III of the National Drug Control Act 2008, Act No 10 of 2008	Part III of the Act fully Criminalises these set of predicate offences
6	Illicit arms trafficking	Criminalised	Part V of the Arms and Ammunition Act 2012, Act No 9 of 2012	<ul style="list-style-type: none"> <li>Part V provides for the requirement of a license for the transfer of small arms to or through Sierra Leone</li> </ul>

				<ul style="list-style-type: none"> <li>• The prohibition of part V is restricted to small arms which limits the proscriptive net</li> </ul>
7	Illicit trafficking in stolen and other goods	Criminalised	<ul style="list-style-type: none"> <li>• Section 33 of the Larceny Act 1916</li> <li>• Section 15 (1)(a) of the Anti-money Laundering and Combating of Financing of Terrorism Act 2012, Act No 18 of 2012 (as amended)</li> </ul>	<ul style="list-style-type: none"> <li>• Section 33 criminalized receiving stolen goods and goods otherwise unlawfully acquired.</li> <li>• Section 15 proscribes the conversion or transfer of property known to have been unlawfully acquired.</li> <li>• These 2 provisions combined fully criminalize this predicate</li> </ul>
8	Corruption and Bribery	Criminalised	Part IV of the Anti-corruption Act 2008, Act No 12 of 2008 (as amended)	Part IV of the ACA fully criminalises this predicate offence.
9	Fraud	Criminalised	<ul style="list-style-type: none"> <li>• Section 20 of the Larceny Act 1916</li> </ul>	<ul style="list-style-type: none"> <li>• Section 20 criminalizes fraudulent conversion in general terms.</li> </ul>

			<ul style="list-style-type: none"> <li>Section 32 of the Larceny Act 1916</li> </ul>	<ul style="list-style-type: none"> <li>Section 32 criminalizes obtaining money and other property by false pretenses.</li> <li>The two provisions enable competent authorities to prosecute a variety of incidents akin fraud.</li> <li>There is however no stand-alone legislation dealing with fraud.</li> </ul>
10	Counterfeiting of currency	Criminalised	Section 2(1)(c) of the Forgery Act 1913	<ul style="list-style-type: none"> <li>The section proscribes the forgery of bank notes.</li> <li>The section however falls short of criminalizing the forgery of coins which also forms part of our currency denomination.</li> </ul>
11	Counterfeiting and piracy of products	Criminalised	Part IX The Copyright Act 2011	<ul style="list-style-type: none"> <li>Part IX deals with infringement and enforcement of copyright laws</li> </ul>



				<p>including criminal sanctions.</p> <ul style="list-style-type: none"> <li>• Par IX fully criminalizes this predicate offence</li> </ul>
12	Environmental Crime	Criminalised	<ul style="list-style-type: none"> <li>• Section 28 of the Forestry Act 1988</li> <li>• Part VI of the Environmental protection Agency Act 2022, Act No 15 of 2022</li> </ul>	<ul style="list-style-type: none"> <li>• Section 28 proscribe the unpermitted use of forest leading to deforestation and other environmental damage.</li> <li>• Part IV requires an environmental impact assessment license antecedent to the issue of license for mining and exploration purposes</li> <li>• The two provisions fully criminalize this predicate offence</li> </ul>
13	Murder and Grievous Bodily Harm	Criminalised	<ul style="list-style-type: none"> <li>• The Common law</li> <li>• Section 18 of the Offences Against the Person Act 1861</li> <li>• Section 11 of the Offences Against the person Act 1861</li> </ul>	<ul style="list-style-type: none"> <li>• Murder is criminalized under the Common law.</li> <li>• Section 18 Criminalizes causing Grievous bodily harm and wounding with intent to do grievous bodily harm.</li> </ul>

				<ul style="list-style-type: none"> <li>• Section 11 Criminalizes Wounding with intent to murder.</li> <li>• These provisions put together fully criminalize these predicate offences</li> </ul>
14	Kidnapping, illegal Restraint and hostage taking	Criminalised	The Common law	<ul style="list-style-type: none"> <li>• The Common law criminalize both kidnapping and false imprisonment.</li> <li>• Counsel is yet to find any stand-alone provision in our laws criminalizing hostage taking and illegal restraint.</li> </ul>
15	Robbery or theft	Criminalised	Section 23 of the Larceny Act 1916 (as amended)	<ul style="list-style-type: none"> <li>• Section 23 (as amended) criminalized robbery in all its forms</li> </ul>
16	Smuggling	Prohibited	Section 74(1) of the Customs Act 2011, Act No 9 of 2011	<ul style="list-style-type: none"> <li>• Section 74 imposes forfeiture of the smuggled goods.</li> <li>• Section 74 does not create a criminal offence since the seizure and forfeiture are automatic</li> </ul>

				without the requirement of a prosecution
17	Extortion	Criminalised	Section 29 of the Larceny Act 1916	<ul style="list-style-type: none"> <li>• Section 29 criminalizes the demanding money with menaces with all the indicia of extortion.</li> <li>• Section 29 fully criminalizes this predicate offence</li> </ul>
18	Forgery	Criminalised	Sections 2, 3 4 and 5 of the forgery Act 1913	These provisions criminalise forgery in all its forms.
19	Piracy	Not clear	<ul style="list-style-type: none"> <li>• Section 41 of the Criminal procedure Act 1965, Act No 32 of 1965</li> <li>• Section 53 of the Criminal procedure Act 1965, Act No 32 of 1965</li> </ul>	<ul style="list-style-type: none"> <li>• Section 41 grant the Court jurisdiction to try offences committed at sea.</li> <li>• Section 53 (3) reaffirms the jurisdiction of the Court to try piracy as defined in the law of nations.</li> <li>• Piracy is a crime of universal jurisdiction.</li> <li>• Counsel is yet to find any domestic law</li> </ul>

				criminalizing piracy at sea
20	Insider trading and Market Manipulation	Not Criminalised		<ul style="list-style-type: none"> <li>• The security and Exchange Commission Bill has been in the process for over 5 years under which the predicate offence would have been criminalized.</li> <li>• The said legislation is yet to be enacted.</li> </ul>

**Appendix 5: Matrix showing the progress in asset seizure and confiscation resulting from the Commissions of Inquiry and the Government’s White Paper that follows.**

<b>LEGAL STATUS</b>	<b>NUMBER</b>	<b>AMOUNT/VALUE (OLD LEONES)</b>	<b>EXECUTIVE ACTION TAKEN</b>
Confiscation orders granted by the High Court following the issue of the White paper	31	905,282,102,880.000	Enforcement approved
No application for a stay of execution pending the outcomes of appeals in the Court of Appeals	8	17,000,992,400.00	The properties have been confiscated and handed over to the Public Asset Commission
All applications made for a stay of execution pending the determination of appeals at the Court of Appeals were refused	23	891,281,110,480.00	Enforcement is still pending on the remaining 23

**Appendix 6: Recent Legislative Reforms/Amendments to enhance the capacity of competent authorities to recover proceeds and instrumentalities of crime.**

<b>Amended/parent legislation</b>	<b>Amending/subsidiary legislations</b>	<b>New legal provisions</b>	<b>Status of the New Instrument/provision</b>
<b>Section 68(1) of the AML/CFT Act 2012, Act No 2 of 2012</b>	<b>Section 7 of Act No 3 of 2019</b>	<b>Post-conviction forfeiture of undeclared currency at points of entry and exit.</b>	<b>The new legal provision is in force.</b>
<b>Section 75 of the AML/CFT Act 2012, Act No 2 of 2012</b>	<b>Section 8 of Act No 3 of 2019</b>	<b>The maximum period of a judicial asset freeze pending the preferment of an indictment now increased from 10 working days to 30 working days</b>	
<b>Section 76 of the AML/ CFT Act 2012, Act No 2 of 2012</b>	<b>Section 9 of Act No 3 of 2019</b>	<b>The Maximum period of judicial asset freeze pending investigation now increased from six months to 18 months</b>	
<b>Section 36 of the Anti-corruption Act 2008</b>	<b>Section 1 of Act No 9 of 2019</b>	<b>In additional to the criminal penalties a person convicted of misappropriating public funds shall now pay back the full amount/value of the assets adjudged to have been misappropriated.</b>	<b>The new legal provision is in force.</b>
<b>Section 89 of the Anti-corruption Act 2008</b>	<b>Section 7 of Act No 9 of 2019</b>	<b>The election of a corruption suspects between the option to</b>	<b>The new legal provision is in force.</b>

		<p><b>return to the state stolen assets/funds and his exclusion from public office for three years and a criminal prosecution</b></p>	
<p><b>Section 147(1) of the Constitution of Sierra Leone 1991, Act No 6 of 1991</b></p>	<p><b>(Examination, Inquiry, and Investigation) Notice (2), 2018, Constitutional Instrument No 64 of 2018</b></p>	<p><b>Establishment of the Commissions of Inquiry.</b></p>	<p><b>The new Legal instrument is in force. The Commissions of Inquiry have completed their investigations and the reports have been implemented by the Government</b></p>

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