INTER-GOVERNMENTAL ACTION GROUP AGAINST
MONEY LAUNDERING IN WEST AFRICA

Seventh Follow Up Report

Mutual Evaluation



SIERRA LEONE

NOVEMBER 2012

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I. INTRODUCTION

1. With the enactment of the AML/CFT Act, 2012, which to a large extent addresses the deficiencies in the AML/CFT regime, Sierra Leone made a case at the 17th Plenary for GIABA to rescind its decision regarding the public statement issued on the country's non-compliance with key recommendations. Whilst the new Act strengthened the legal framework for the fight against money laundering and terrorist financing, a lot more needs to be accomplished in order to ensure that Sierra Leone comply in considerable measure with the FATF recommendations. The Seventh Follow-up report is being presented in line with the requirements of the enhanced follow-up process, and highlights key developments since the last plenary.

2. The country was subjected to a Mutual evaluation in 2006 and the assessment was based on the FATF 40=9 recommendations. The report rated the Country as follows:

COMPLIANT	LARGELY COMPLIANT(LC)	PARTIALLY COMPLIANT (PC)	NON-COMPLIANT (NC)
R.4: Secrecy laws consistent with the Recommendations	R.23: Regulation, supervision and monitoring	R.1: ML Offence	R.5: Customer Due Diligence
R. 29: Supervisors		R.2: ML Offence-mental and corporate liability	R.6: Politically Exposed Persons
		R.3: Confiscation and Provisional Measures	R.7: Correspondent Banking
		R.10: Record Keeping	R.8: New technologies and non face-to-face business
		R.20: DNFBPs & Secure Transaction Techniques	R.11: Unusual Transactions
		R.25: Guidelines & Feedback	R.12: DNFBPs-R.5,6,8-11
		R.33: Legal Persons-beneficial owners	R.13: Suspicious Transaction Reporting
		R.35: Conventions	R.14: Protection and no tipping-off
		R.37: Dual Criminality	R.15: Internal controls, compliance & audit
			R. 17: Sanctions
			R.18: Shell Banks
			R.19: Other forms of reporting
			R.21: Special attention for higher risk countries

COMPLIANT	LARGELY COMPLIANT(LC)	PARTIALLY COMPLIANT (PC)	NON-COMPLIANT (NC)
			R.22: Foreign branches & subsidiaries
			R.24: Regulation, supervision and monitoring
			R.26: The FIU
			R.27: Law enforcement authorities
			R.28: Powers of competent authorities
			R.30: Resources, integrity and training
			R.31: National co-operation
			R.32: Statistics
			R.34: Legal arrangements-beneficial owners
			R.36: Mutual Legal Assistance (MLA)
			R.38: MLA on confiscation and freezing
			R.39: Extradition
			R.40: Other forms of co-operation
			SR.1: Implement UN Instruments
			SR.II: Criminalize terrorist financing
			SR.III: Freeze and confiscate terrorist assets
			SR.IV: Suspicious transaction reporting
			SR.V: International cooperation
			SR.VI: AML requirements for money/value transfer services
			SR.VII: Wire transfer rules
			SR.VIII: Non-profit organizations
			SR.IX: Cross Border Declaration & Disclosure

II. SUMMARY OF THE PROGRESS MADE BY SIERRA LEONE (APRIL 2012-SEPTEMBER 2012)

(A) AML/CFT TECHNICAL COMMITTEE CALL FOR THE APPOINTMENT OF A DIRECTOR PURSUANT TO SECTION 7 OF THE AML/CFT ACT, 2012

3. Following the enactment of the AML/CFT Act, in February 2012, the Technical Committee took a decision at its meeting of 20th March 2012 to urge the President of the Republic of Sierra Leone to consider the appointment of a Director of the FIU consistent with Section 7 of the Act. The appointment of a Director will enable the Unit to become fully operational and affirm its independence and capacity to lead the fight against money laundering and terrorism financing.

(B) STAKEHOLDERS MET TO DRAFT A NATIONAL PROCEDURE ON ANTI-TERRORISM AND PROLIFERATION FINANCING

4. The World Bank supported a joint initiative by the Bank of Sierra Leone and Transnational Organised Crimes Unit (TOCU) in drafting a National Procedure on Anti-Terrorism and Proliferation Financing. The three day workshop held on 23rd to 25th July, 2012 was attended by all relevant stakeholders. Key outcomes of the workshop included an agreed chain of distribution of the United Nations or other List of Designated persons and proposed recommendations for each institution to consider. The recommendations have been circulated to all relevant institutions and agencies for necessary action.

(C) PRINTING OF REVISED CURRENCY DECLARATION FORMS

5. The United Nations Integrated Peace Building Mission in Sierra Leone (**UNIPSL)** provided funds for the printing of 100,000 revised currency declaration forms for use in tracking cross border movement of cash and other negotiable bearer instruments above the specified threshold. The support has enabled the National Revenue Authority to carry out its mandate of administering currency declaration at various points of entry.

(D) SUSPICIOUS TRANSACTION REPORTS

6. During the period under review, ten (10) suspicious Transaction Reports (STRs) were received mainly from commercial banks. Four (4) have been forwarded to the law enforcement for further investigation. The courts are yet to test the effectiveness of the new Act.

7. In addition to the STRs received, the FIU also received three (3) requests from the Transnational Organised Crime Unit and the Sierra Leone Police for information to aid their investigation. Intelligence reports were provided by the FIU forf each request.

(E) CURRENCY TRANSACTION REPORTS.

8. A total of 39,583 disclosures in respect of currency transactions above the specified threshold were received from commercial banks by the FIU during the period under review**.**

(F) CURRENCY DECLARATION IMPLEMENTATION EXTENDED TO LAND BORDER ENTRY POINTS.

9. The Transnational Organised Crime Unit (TOCU) hosted series of workshops at key border points to promote inter-agency cooperation among the Police, National Revenue Authority, Immigration and other stakeholders. The workshop was used to introduce the Currency declaration forms to these entry points.

III. CONCLUSION

10. The appointment of a Director for the FIU is critical for the effective implementation of our AML/CFT regime. The initiative aimed at developing a procedure for the implementation of the UNSCR 1267 and 1373 will further enhance our compliance with counter terrorism and proliferation financing measures.

CTR AND STRs handled by the FIU							
Actions taken in relation to STRs	**Month**						
	APRIL 2012	**MAY 2012**	**JUNE 2012**	**JULY 2012**	**AUG 2012**	**1-15 SEP 2012**	**TOTAL**
Number of CTRs received	**7,369**	**7,212**	**6,927**	**6,948**	**7,212**	**3,915**	**39,583**
Number of STRs received	7	-	1	-	2	-	**10**
Number of STRs related to Money Laundering	-	-	-	-	-		**-**
Number of preliminary cases referred to the appropriate authority with a recommendation for referral to law enforcement authorities	4	-	1	-	-	-	**5**
Number of STRs comprising the preliminary cases	-	-	1	-	-	-	**1**
Number of preliminary cases confirmed by the appropriate authority	3	-	1	-	-	-	**4**
Number of confirmed cases disseminated to law enforcement authorities	3	-	1	-	-	-	**4**
Number of money laundering investigations	-	-	1	-	-	-	**1**
Number of money laundering prosecutions	-	-	-	-	-	-	**-**
Number of money laundering convictions	-	-	-	-	-	-	**-**

STATISTICS ON CTR AND STR DISCLOSURES :APRIL-SEP2012

11. The attached matrix summarizes the actions taken to ensure compliance with the recommendations.

MUTUAL EVALUATION IMPLEMENTATION ACTION PLAN OF SIERRA LEONE

Name of Country: **SIERRA LEONE**

Reasons for initial referral to ICRG: Ten out of the sixteen core and key Recommendations, were rated as non-compliant and four partially compliant.
Date of on-site Mutual Evaluation: **June 2006**
Name of Assessor Institution: **IMF/World Bank**
Date of adoption of last Mutual Evaluation: **June 2007**
Date of Follow-up/Progress Report: **Seventh Follow-up Report for the Period: April 2012 – 15th September 2012**

Ratings for Core and Key Recommendations

Rec.	1	3	4	5	10	13	23	26	35	36	40	I	II	III	IV	V
	PC	PC	C	NC	PC	NC	LC	NC	PC	NC	NC	NC	NC	NC	NC	NC

Recommended Action (as listed in the 6th FUR)	Timetable for adoption of corrective measures	Action(s) already taken	Remaining Actions to be taken (with timelines, if known)	Responsible Institution	Technical Assistance Required
R1. Self laundering not explicitly criminalised in the Act No judicial decision to test the effectiveness of the law	Implemented Short-Term	Section 15(1) (2) and (3) contains definitions sufficiently wide enough to cover self laundering. Note that the section identifies diverse modes of committing the offence of money laundering Four (4) STRs have been disseminated to TOCU which will be used to prosecute possible money laundering offences.	Outcome of the case to prove the effectiveness of criminalization	Police/Judiciary	Capacity building in the handling of ML/FT. Technical Support to the Transnational Organised crimes Unit (TOCU) and the judiciary with specialised units for AML/CFT

Recommended Action (as listed in the 6th FUR)	Timetable for adoption of corrective measures	Action(s) already taken	Remaining Actions to be taken (with timelines, if known)	Responsible Institution	Technical Assistance Required
					investigation and prosecution.
R3. There have been no ML or FT related cases to determine how effective and efficient the system is.	Short-Term	Four (4) STRs were disseminated to the Sierra Leone Police which will be used to prosecute possible money laundering offences.	Outcome of the cases to determine the effectiveness and efficiency of the system	Police/ Judiciary	Capacity Building for Law enforcement and Judiciary on the technicalities in the handling of Money Laundering/ Terrorism Financing cases
R5. The AML/CFT Act does not explicitly stipulate the modality on how financial institutions are to identify the beneficial owners using relevant information	Implemented	Section 22 of the AML/CFT Act, 2012 contain concise and detailed provisions regarding the procedure for identifying beneficial owners. The Unit conducted onsite examination of 4 Reporting entities and three (3) follow up examinations and noted moderate improvement in the implementation of requirements with respect to ID of beneficial owners and controllers.	Review the MLR so that it will meet FATF Recommendation 5 regarding application of CDD to existing customers, and Recommendation 7 regarding payable through accounts, and Recommendation 8, regarding AML risk from new technologies. Banking Supervision Department to enhance its supervisory manual, in order to incorporate fully AML/CFT compliance	FIU/Technical Committee FIU/BSD	Assistance needed on the review of the MLR

Recommended Action (as listed in the 6th FUR)	Timetable for adoption of corrective measures	Action(s) already taken	Remaining Actions to be taken (with timelines, if known)	Responsible Institution	Technical Assistance Required
		A total of Twelve (12) staff within the Banking Supervision Department are at various levels of the Banking Supervision training courses organized by CBN and WAIFEM for which AML/CFT is a major component.	supervision. Train supervisors in the use of the methodology and manual, consult with supervised persons (especially the commercial banks) on the design of a compliance training program, and begin examinations based on the new methodology and manual.		
R10.There is an ineffective implementation of record keeping requirements. Financial Institutions maintained only basic customer records and the lack of implementation of any requirements by foreign exchange dealers.	Implemented Short term	The effectiveness of record keeping requirements are verified during on site examinations. Seven(7) banks examined during the period under review revealed that the Guidelines issued on record keeping were being followed to a very large extent. Section 23 addresses the deficiency of currency exchange or transmission businesses.	Implementation of requirements by foreign exchange dealers.	FIU/Technical Committee	
R13. .	implemented				
R23.Limited and ineffective AML/CFT Supervision	Status remain the same		The BSL to cover formally the entire ML/TF in its supervision and examination. It should apply sanctions as appropriate.	BSL/ SLICOM/ ICASL/ General Legal Council	Provide substantial AML/CFT training for

Recommended Action (as listed in the 6th FUR)	Timetable for adoption of corrective measures	Action(s) already taken	Remaining Actions to be taken (with timelines, if known)	Responsible Institution	Technical Assistance Required
			SLICOM, ICASL and the General Legal Council supervise and examine their industry.		supervisory bodies.
R26.Pertinent issues regarding the operations of the FIU have not been addressed, such as independence, security of premises, appointment of Director, funding, staffing and technical capacity of staff.	Short-term	The proposed FIU structure and Budget was presented to the technical committee for review. The technical committee has advised the President to expedite the appointment of a Director.	To fully operationalize the Unit so that it can concentrate on its core functions.	Government of Sierra Leone	
R35. Palermo convention has not been ratified.	On-going	Status remain the same	Ratification of the Convention	Attorney General's Office/ Ministry of Foreign Affairs and International Cooperation/ Technical Committee	Courtesy visit to Sierra Leone by GIABA Authorities to discuss with stakeholders
R36. The absence of MLA for FT purposes.	Implemented	Sections 100 – 113 of the AML/CFT Act, 2012 provides the widest possible range of legal framework for Mutual Legal Assistant in respect			

Recommended Action (as listed in the 6th FUR)	Timetable for adoption of corrective measures	Action(s) already taken	Remaining Actions to be taken (with timelines, if known)	Responsible Institution	Technical Assistance Required
		of both money laundering and financing of terrorism. Section 101 of the AML/CFT Act, 2012 covers MLA for FT purpose			
R40.There is minimal agency to agency co-operation.	Short-term	Inter-agency cooperation between regulatory agencies has been enhanced through the establishment of the AML/CFT technical committee and the Transnational Organised Crime Unit (TOCU)	Signing of bi-lateral Memoranda of Understanding with other relevant agencies.	FIU/relevant Agencies	
SRI. The CFT Conventions and UN Special Resolutions have not been implemented.	On-going	World Bank in collaboration with TOCU and the FIU organised a three day workshop to draft a procedure on the implementation of UNSCR 1267 and 1373.	Implementation of the procedure on UNSCR 1267 and 1373.	FIU/TOCU	
SRII. FT has not been criminalized.	Implemented	Section 15 (1) which sets out the offence of financing of terrorism should not be read in isolation. Note that section 1 of the Act contains definitions of "terrorist" and "terrorist act" which when read in conjunction, are sufficiently broad enough to criminalise financing of individual terrorists or terrorist organisations.			

Recommended Action (as listed in the 6th FUR)	Timetable for adoption of corrective measures	Action(s) already taken	Remaining Actions to be taken (with timelines, if known)	Responsible Institution	Technical Assistance Required
Further more the Act dost not stipulate that terrorists financing offences should not require that funds were actually used to carry out or attempt a terrorist act or be limited to specific terrorist act		It is submitted that section 16 deals with the offence of financing of terrorism not the fact as to whether or not such funds were actually used to carry out terrorist acts.			
SRIII. There is no comprehensive procedure for the effective implementation of UNSCR 1267 & 1373.	On-going	Drafting of procedures for the implementation of UNSCR 1267 and 1373 is in progress which involves all relevant stakeholders within the law enforcement, intelligence and security sectors	Implementation of the procedures for the implementation of UNSCR 1267 and 1373.	FIU/TOCU/World Bank	
SRIV.	implemented				
SRV.No agency co-operation with regard to FT matters.	On-going	The ongoing drafting of procedure on the implementation of counter terrorism measures, especially the UNSCR 1267 & 1373 identified key agencies and mode of cooperation on TF issues.	Finalise and implement procedure on counter terrorism measures.	FIU/TOCU/WORLDBANK	

Summary of other Recommendations rated PC or NC

Recommended Action (as listed in the 6th FUR)	Timetable for adoption of corrective measures	Action(s) already taken	Remaining Actions to be taken (with timelines, if known)	Responsible Institution	Technical Assistance Required
R2. The prescribed sanctions are not proportionate and dissuasive.	Implemented	Sections 55 – 60 and 63 of the AML/CFT Act, 2012 has incorporated stringent sanctions to deal with money laundering and terrorism financing and related offences.			
R6.	Implemented				
R7.	Implemented				
R8.	Implemented				
R11.	Implemented				
R12.	Implemented				
R14.	implemented				
R15.	Implemented.				
R16. No Implementation of the AML /CFT Act 2012 by DNFBPs to assess its effectivenesss.	Short-term	Status remain the same	Develop AML/CFT guidelines for DNFBPs. Enforcement of compliance standards for DNFBPs	FIU/Technical Committee	Training
R17.	Implemented		Enforcement of Sanctions.	FIU/Law Enforcement/ Judiciary	Training for LEAs
R18.	Implemented	.			
R19.Officials have not considered feasibility of	Implemented.	Section 41 (5) of the AML/CFT Act, 2012 stipulate that ‘‘A reporting entity shall			

Recommended Action (as listed in the 6th FUR)	Timetable for adoption of corrective measures	Action(s) already taken	Remaining Actions to be taken (with timelines, if known)	Responsible Institution	Technical Assistance Required
reporting all transactions in currency above a fixed threshold.		provide currency transaction report in accordance with thresholds and modalities determined by the Unit". Accordingly the threshold and modalities were specified in paragraph 207 of the Guidelines for financial institutions on AML/CFT ie Le25Million (individual) and Le100Million (legal entity)			
R20.No assessment on the need to extend AML/CFT requirements to non-financial businesses and professions other than those listed in the FATF standards. Efforts have not been made to reduce the reliance upon cash for transactions.	Medium-term Short-term	Sections 23 & 24 of the AML/CFT Act, 2012 extends AML/CFT requirements to DNFBPs and Non Bank Financial Businesses. Modernization of the National Payments System is on going. When fully implemented, electronic products that will help narrow down cash based transactions will be introduced and effectively monitored.	National AML/CFT Risk assessment will help provide a complete threat assessment of other non-financial businesses and professions other than DNFBPs. Implementation of FSDP & Payment System	FIU/Technical Committee Bank of Sierra Leone and Ministry of Finance and Economic Development	Financial and Technical Support for AML/CFT risk assessment survey.
R21.There are no effective measures in place to ensure that	Short-term	Most banks have included issues dealing with Non-compliant and sanctioned	Effective and well constituted FIU will enhance compliance	FIU	Support to the setting-up of the FIU.

Recommended Action (as listed in the 6th FUR)	Timetable for adoption of corrective measures	Action(s) already taken	Remaining Actions to be taken (with timelines, if known)	Responsible Institution	Technical Assistance Required
financial institutions are advised of concerns about weaknesses in the AML/CFT systems of other countries. .		countries into their risk management processes.	with this recommendation		
R22.The Law does not explicitly require branches and subsidiaries in host countries to apply the highest standard, where AML/CFT standards of home and host countries differ.	Status remain the same	Review Guidelines to reflect the need to adopt higher standards should the AML/CFT standards differ between home and host countries	FIU/Technical Committee		
R24.Licensing requirement and supervision of casinos do not relate to any gaming or financial transactions performed by them. There are no effective measures to prevent ownership, control or operation of the casino by criminals.	Status remain the same		FIU should collaborate with NCP & Tourist Board to strengthen licensing requirements and create a gaming and betting organization to regulate and supervise casinos.	FIU/NCP/National Tourist Board	
R25.There is no formal feedback process for either financial institutions or DNFBPs.	Short-Term	Status remains the same	Develop guidelines for Other Financial Institutions and	FIU and Technical Committee.	

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There are currently no AML/CFT guidelines for DNFBPs.	On-going	Status remain the same	DNFBPs by second quarter of 2013	FIU/Technical Committee	
R27.There is no law enforcement agency which has full investigative powers and has been assigned responsibility to investigate ML and TF cases. No ML investigations have been conducted to date.	Status remain the same		Strengthen law enforcement capabilities in ML and TF investigation		Capacity Building for the investigation and prosecution of ML/TF cases
R28.There is no evidence to demonstrate the effective implementation and use of the investigative powers of the AML Act 2005.	On-going	Four cases with offences relating to fraud, possible tax evasion etc are been investigated by TOCU.	Conclude Proceedings	Law Enforcement/ Judiciary/police	Capacity Building for the investigation and prosecution of ML/TF cases.
R30.FIU – current resources are insufficient.	Short -term	Status remain the same	Setting up of the FIU and provision of adequate budgetary support for it operations.	Sierra Leone Government.	

Recommended Action (as listed in the 6th FUR)	Timetable for adoption of corrective measures	Action(s) already taken	Remaining Actions to be taken (with timelines, if known)	Responsible Institution	Technical Assistance Required
Law Enforcement – there are significant resources and capacity constraints which limit the relevant agencies capabilities to effectively conduct investigations into ML and TF issues. Supervisors – the BSL needs additional AML/CFT training.					
R31.No agency has been mandated to coordinate the government's AML/CFT policies and international relations. No implementation of the national Strategy on AML/CF	Implemented		Setting up of the FIU as required by the AML/CFT Act, 2012 and provide it with the needed resources	Government of Sierra Leone	
R32.**FIU** Current resources are insufficient. **Law Enforcement** The absence of ML or TF investigation means	Short/medium-term	Status remain the same	Setting-up of appropriate IT infrastructure, training on software analysis and IT productivity tools.	Government of Sierra Leone/ Development Partners	

Recommended Action (as listed in the 6th FUR)	Timetable for adoption of corrective measures	Action(s) already taken	Remaining Actions to be taken (with timelines, if known)	Responsible Institution	Technical Assistance Required
the collection of statistics has not been conducted. There is no system to maintain statistics on investigations and prosecutions of ML and TF, or of the use of powers under AML Act 2005 with regard to asset recovery. MLA and Extradition – there are no statistics available.	Short-term	Status remains the same	Collect and compile statistics	FIU/LEAs	
R33.	Implemented				
R37.MLA in relation to ML has never been tested.		Section 101 of the AML/CFT Act, 2012 has incorporated provisions for the effective implementation of MLA and Section extradition treaties.			
R38.There is no provision for the seizure of instrumentalities of crime. There is no provision for FT There has been no consideration of	Implemented Medium-term	Weaknesses addressed in Section 69 of the AML/CFT Act, 2012. Enactment of the AML/CFT Act, 2012	Establish an asset forfeiture fund.	FIU/Govt of Sierra Leone	

Recommended Action (as listed in the 6th FUR)	Timetable for adoption of corrective measures	Action(s) already taken	Remaining Actions to be taken (with timelines, if known)	Responsible Institution	Technical Assistance Required
establishing an asset forfeiture fund.					
R39.	Implemented				
SRVI. The Act does not provide for MVT operators to maintain list of their Agents for examination.	Short-Term	Guidelines to be developed for MVT operators.	Deficiency Will be addressed in Guidelines for MVT operators		
SRVII. There is no effective implementation of wire transfer rules.	Implemented	Onsite examination of FIs to assess the effectiveness of wire transfers requirements.	Compliance monitoring of Financial institutions on implementation of wire transfer requirements.	BSD/FIU	
SRVIII. There is no legal framework for the supervision of NPOs. The sanctions are not dissuasive and proportionate.	Implemented Short-term	Section 50 (2 and 3) of the AML/CFT Act, 2012 addresses this deficiency. The Act provides comprehensive sanctions for failure to comply with AML/CFT rules.	 Implementation of the Act		
SRIX.	Implemented				