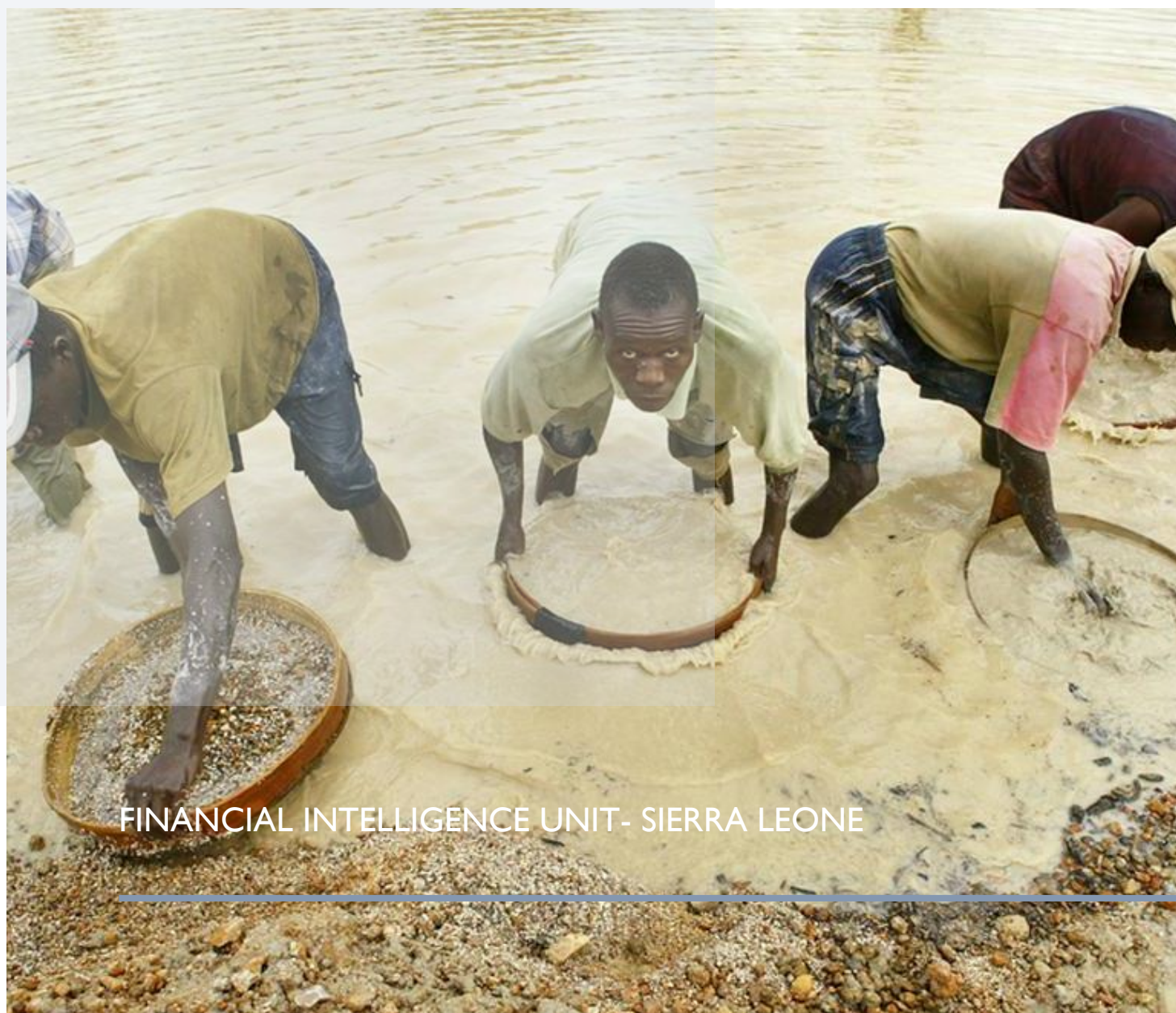


TYPOLGY REPORT



MONEY LAUNDERING AND TERRORIST FINANCING LINKS
TO THE PRECIOUS METALS AND STONES SECTOR IN SIERRA
LEONE
2023



FINANCIAL INTELLIGENCE UNIT- SIERRA LEONE

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DIRECTOR'S MESSAGE

I am pleased to present the findings of this typology study on AML/CFT/CPF Issues related to the precious metals and stones sector. This study reflects our unwavering commitment to combatting financial crime and safeguarding our financial system's integrity. Through extensive research, collaboration with experts in the precious metals and stones industry, and the dedicated efforts of our team, we have provided valuable insights into the key methods and techniques used by criminals to launder proceeds of crime using this sector. These insights will no doubt empower us to strengthen AML/CFT/CPF preventive measures, detect and track illicit activities, and protect Sierra Leone's reputation as a responsible and transparent player within the global financial system. It is our firm belief that the insights provided in this study will support the development of targeted AML/CFT/CPF strategies and enhance the effectiveness of our efforts in safeguarding the integrity of the financial system. I extend my sincere gratitude to the FIU-Sierra Leone team for their dedication and expertise in conducting this study. I also express my profound appreciation to the industry experts and regulatory bodies who provided valuable input and for their professionalism, commitment, and expertise. Together, we can foster a robust AML/CFT/CPF regime and contribute to a safer and more secure financial landscape in Sierra Leone.

David N Borbor
Director
Financial Intelligence Unit – Sierra Leone

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Useful comments and suggestions were provided by Mr Abdallah Sesay, Manager – Litigations and Sanctions Division; Mr Emmanuel Kuteh, Manager – Information, Communications, Technology and Records Management Division; and Mr Alusine Sillah – Principal Analyst – Intelligence and Analysis Division, who are all senior staff members of the FIU-SL.

The external reviewers of the Report included Dr Alhassan A Mansaray, Director – Fiscal Risk Management Division, Ministry of Finance; Mr Joseph A K Sesay Esq, State Counsel and Customary Law Officer – Office of the Attorney-General and Minister of Justice, North-East Region; Mr John Momo – Natural Resource Governance Expert and Consultant; Mr Shek Ahmed Bah, Deputy Director – Serious Organized Crime and Counter-Terrorism Coordination Department, Office of National Security; and Mr Arnold Nottidge, Manager - Financial and Economic Modelling Compliance Manager, Mines Directorate, National Minerals Agency.

I. OVERVIEW

The mining industry is critical to Sierra Leone's economy. With a large mineral resource base and distribution across the country, the main minerals mined in Sierra Leone include diamonds, gold, rutile, and iron ore, as well as recently discovered oil and gas deposits along the shoreline of the country. The mining sector is categorized into Large-scale, Small-scale, and Artisanal Mining subsector mining¹.

The table below shows the export values from Sierra Leone for the period 2020-2022 for the underlisted precious metals and stones which are the focal commodities of our study.

Mineral Category ²	2020	2021	2022
	Value (USD)	Value (USD)	Value (USD)
Diamond	119,389,024.34	161,255,612.92	143,888,056.23
Gold	1,304,390.11	4,651,063.85	5,879,109.53
Gold Concentrate	3,037,915.76	4,067,906.33	1,396,209.92

Source: Statistics Sierra Leone

1.1 Purpose for the study

Sierra Leone is endowed with abundant natural resources, which include rich reserves of precious metals and stones³. However, over the years, there have been various patterns of exploitation of these resources, as the intrinsic and characteristic nature of the primary precious commodities, which are gold and diamonds, means they can be easily smuggled, transported, and subsequently traded due to their inherent high value and demand in various parts of the world. The dealers in precious metals and stones (DPMS) were rated as high risk in the 2023 ML/FT/PF National Risk Assessment, which indicates that there are a

¹ Procedia Earth and Planetary Science - The Geology, Mineral Resources of Sierra Leone and how the Resources can be used to develop the nation (2013)

² Figures are for industrial and artisanal mining.

³ Depending on context and perspective, the sector may be also referred to as the precious metals and minerals sector

series of vulnerabilities that are currently being abused or have the potential to be exploited by criminals through ML/TF/PF activities.

Some of these vulnerabilities are:

- It is a high-value industry mostly requiring huge investments which can attract criminals to launder proceeds from illegal, prohibited and banned activities, and the flows from the illicit trade of these high-value commodities can lead to large amounts of funds from such illicit activities entering the financial system.
- Due to the cash-based nature of the economy, especially in the rural areas where most of the illicit trading occurs, the propensity of concealing the origin of funds increases when transactions for precious minerals is conducted in cash.
- These commodities have high in-demand marketability, with high intrinsic value and comparatively smaller in size and can easily be packaged for transportation. They can be readily converted to cash and other forms of currency in most parts of the world which provides a great deal of convenience for illicit activities such as money laundering, as it serves as a channel through which illicit proceeds can be hidden and transported.

A corresponding development in recent years is that there has been a progressive increase in illicit activities and other alleged offences related to the sector reported to law enforcement. As a result, the FIU-SL has also received an increasing number of requests for information from domestic law enforcement agencies and suspicious transaction reports from reporting entities regarding predicate offences and money laundering activities related to the sector.

Consequently, this study is focused on looking at the various methods, patterns, individuals, channels, institutions, and instruments used by criminals to perpetrate illicit activities in this sector.

1.2 Objectives of the study

This study examines the risks, methods, and trends of money laundering (ML), terrorist financing (TF), and the financing of proliferation of weapons of mass destruction (PF) in the precious metals and stones sector of Sierra Leone, the outcome of which will serve to guide and enable decisionmakers to formulate better policies and take appropriate mitigation measures to address these risks.

The specific objectives of this typology study are as follows:

- Collate and analyse cases from all available sources (as required by FATF Recommendation 29) and databases and create a typological understanding and insight into the trends of illicit activity in the precious metals and stones industry.
- Develop an inventory of sanitised cases categorised according to typology, reflecting the related red flags/indicators to guide the relevant stakeholders on the threats in the industry.
- Propose practical and implementable recommendations to guide policy formulation and operational approach for the relevant authorities and stakeholders in the sector.
- Provide an understanding of the current nature of illicit financial flows and how adequate preventive measures can be implemented to support proper resource governance.
- Proffer insights into existing alternative ML/TF/PF channels following increased monitoring of financial institutions.

2. METHODOLOGY

2.1 Data source

Data/Information (A wide variety of cases) were collected from case files held within the FIU-SL databases and other external sources that are specific to financial crime prevention and detection efforts that relate to or concern the precious metals and stones industry.

2.2 Data collection/analysis methods

- Selection process to identify cases that are detailed, appropriate and give value to the study.
- Engagement sessions with the assigned case officers who handled the selected cases.
- Cases were sanitized to remove all the sensitive/unique identifiers.
- Red flags and indicators developed consultatively with the case officers.
- Cases grouped according to the various categories of identified typologies.

2.3 Ethical approach to the study

The ethical principles of voluntary participation, informed consent, anonymity, confidentiality, and results communication were adhered to during the study.

3. OPERATIONAL ANALYSIS OF DISCLOSURES OF INFORMATION AT THE FIU-SL

The FIU's primary function is to receive and analyse suspicious transaction reports (STRs) and other disclosures of information from financial institutions and other reporting entities. Generally, these reports are submitted when a reporting entity forms a suspicion that there is a potential risk of money laundering or terrorist financing in a customer's activities or business transactions. After evaluating the STR, the FIU may reach a conclusion regarding whether further investigation is required and coordinates further actions with

law enforcement agencies by disseminating an intelligence report to be acted upon.

In addition to receiving and handling STRs, the FIU also receives Request For Information (RFI) applications and provides investigation support to LEAs/MDAs, as well as assist citizens who may serve as crucial informants in providing useful information about alleged illicit activities which need to be investigated. As part of its responsibilities, the FIU also examines reporting entities to ascertain compliance with existing statutory anti-money laundering/countering terrorist financing obligations, develops the capacity and sensitizes a wide range of stakeholder institutions on AML/CFT/CPF regulations, and issues contemporary information and guidance on methods, trends and best practices pertaining to financial crime. Additionally, the Unit also develops guidelines, directives, and advisories to guide stakeholders on their required statutory obligations and best practices towards ensuring that AML/CFT/CPF measures are properly implemented.

The three main types of disclosures of information that were analysed into cases that constitute the typology studies below are as follows:

Suspicious Transaction Report (STR) – According to Section 41(1) of the AML/CFT Act 2012, it is required that ***“Where a reporting entity or any of its directors, principals, officers, or employees has reasonable grounds to suspect that any transaction, attempted transaction, or any other information or fact may be related to the commission of an unlawful activity, a money laundering offence or an offence of financing of terrorism, or to an act preparatory to an unlawful activity, a money laundering offence or an offence of financing of terrorism, the reporting entity shall, as soon as practicable after forming that suspicion or receiving the information, but no later than two days (48 hours), report the transaction or attempted transaction or the information to the Unit”***

STRs are filed to the FIU (with supporting documentation) through an online reporting portal. This portal is managed by the Information and Communication

Technology and Records Management Division, which channels all filed STRs to the Directorate through the in-house network secured medium for approval and authorisation. The Intelligence and Analysis Division then analyses the information and generates an intelligence report that is disseminated to competent authorities through secured channels for investigative action.



Figure 1: The diagram above shows how STRs are processed within the FIU-SL

Request for Information (RFI) – A RFI is an application made to the FIU by an LEA or MDA for information to be provided in support of ongoing or to commence investigation into alleged financial crimes. After receiving the RFI, the Directorate gives approval to the Intelligence and Analysis Division to proceed with the analysis process. The information necessary to support this request may be retrieved from the FIU database, and additional information is usually acquired from other institutions by the Examination and Compliance Division, depending on the nature and requirements of the RFI. An intelligence report is generated and disseminated to the requesting agency and other competent authorities (as and when the need arises) through secured channels for investigative action.

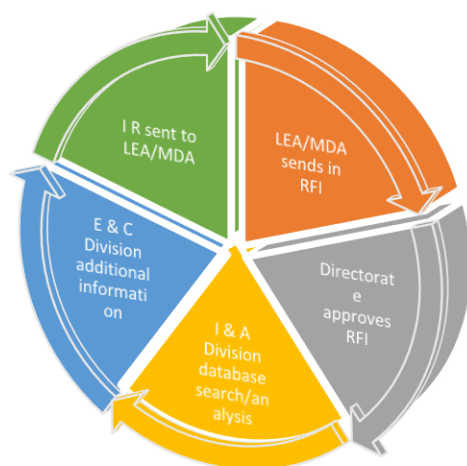


Figure 2: The diagram above shows how RFIs are processed within the FIU-SL

Anonymous Source (AS) – This information is usually provided by an individual who does not want to be identified and can either be a random person or a confidential informant who provides vital information that may be useful in ongoing financial crimes investigations or to commence an investigation. After ensuring verification of the information received, the Directorate gives approval to the Intelligence and Analysis Division to proceed with the analysis process. The process then follows the same pathway as the RFI.



Figure 3: The diagram above shows how information from anonymous sources are processed within the FIU-SL

4. DEVELOPING STRATEGIC ANALYSIS PRODUCTS AT THE FIU-SL



Figure 4: The diagram above shows how strategic products are developed within the FIU

By Section 13(1)(n) of the AML/CFT Act 2012, it is required that the FIU-SL “shall conduct research into trends and developments in money laundering and financing of terrorism and improved ways of detecting, preventing and determining money laundering and the financing of terrorism activities”.

Correspondingly, the FIU-SL endeavours to develop comprehensive and quality strategic products that facilitate the detection of money laundering, terrorism and proliferation financing (ML/TF/PF) related threats and vulnerabilities. As well as guiding the FIU, these products will assist other stakeholders in prioritizing their activities within the AML/CFT/CPF regime; guiding authorities towards emerging and contemporary AML/CFT/CPF concerns regarding policy formulation and implementation; and supporting strategic initiatives to curtail AML/CFT/CPF and its associated predicate offences on a national, regional, and global scale.

The development of typology reports is done through a process of an extensive desk study of contemporary peer-reviewed work on the subject matter and a series of engagements with the relevant stakeholders to develop sanitised cases with comprehensive details arrayed in chronological order.

The Research, Policy and Cooperation Division which is responsible for developing strategic analysis products at the FIU-SL, sets up a team that undertakes a series of scheduled engagements with sources that have the relevant data (in accordance with the requirements of FATF Recommendation 29 to “*use available and obtainable information, including data that may be provided by other competent authorities, to identify money laundering and terrorist financing related trends and patterns*”⁴) and the required details for profiles of subjects, channels and instruments used, geographic location or span of the criminal networks and other vital information are examined and categorized for the development of the red flags and indicators.

5. ILLICIT TRADE, MARKETS AND FINANCIAL FLOWS IN THE PRECIOUS METALS AND STONES SECTOR.

5.1 Illicit activities in precious metals and stones sector: Global and regional context

The extraction and supply-chain channelling of minerals done through effective and well-guided resource governance mechanisms enables economic diversification, generates revenues to finance government activities adequately, with the ultimate objective of reducing dependence on foreign aid and loans, attracts foreign direct investments and facilitates the construction of much-needed infrastructure and other socio-economic benefits for deserving communities that are endowed with these minerals and the country at large.

⁴ Financial Action Task Force (FATF) - International standards on combating money laundering and the financing of terrorism & proliferation – FATF 40 Recommendation – Updated 2023

Mining plays a critical role in the development of low- and middle-income countries' resource endowments, thereby creating job opportunities and other commercial and business opportunities whilst enhancing economic growth that alleviates nations from widespread poverty and underdevelopment. In the face of industrial development, the mineral sector remains very attractive, presenting unequalled opportunities to transform and diversify economies. Africa has a rich and varied mineral endowment spread almost widely across its nations and regions. As the global mining industry's resource-concentrated centre, Africa plays a pivotal role.⁵

However, illicit trade in precious metals and gemstones undermines the legitimate economic activity that helps economies grow out of poverty. It is widely recognised that illegal mineral trafficking deprives countries of valuable assets and resources, impairing sustainable economic growth and development for the resource-rich countries and the legal mining industries that operate there. As a result, state investments in essential social and economic infrastructure are diminished, as government revenues are lost. The creation of employment opportunities, skills development and transfer, and investment in infrastructure that supports mines and communities, all of which can help ease economic hardship and produce homegrown prospects to alleviate poverty, is similarly lost.⁶

From the global perspective to regional and subsequently local levels, illicit activities such as the smuggling of precious commodities pose several challenges and threats because they hinder the productivity of mining companies, adversely impact the socioeconomic development of producing countries, and threaten local communities. Furthermore, illicit trafficking and smuggling are often linked to several serious transnational crimes and make precious metals supply chains

⁵ United Nations Economic Commission for Africa – Impact of illicit financial flows on domestic resource mobilization: optimizing revenues from the mineral sector in Africa (2017)

⁶ Transnational Alliance to Combat Illicit Trade (TRACIT) – Mapping the impact of illicit trade on the sustainable development goals (2019)

vulnerable to subversion by international criminal networks.⁷ Several illicit financial flows and smuggling activities have been associated with the trade in precious metals and stones. However, on the positive side, the extraction of precious minerals and their ensuing trade can generate significant revenue, particularly for countries facing economic development challenges.⁸

The rich reserves of mineral resources in Africa, make the continent rank second in the world for industrial diamond reserves at a production level of \$6 billion annually and gold mining, which is estimated to produce \$19 billion in gold each year⁹. A major part of Africa's potential economic growth lies in its mineral industry. Therefore, for most African countries, mineral extraction and production are significant economic drivers for national development.¹⁰

The use of gold as an instrument of exchange and payment has been prevalent throughout history. Currency issued by governments, commonly known as fiat currencies, has no stable intrinsic value and is solely used to make payments. Due to their inherent value and easy exchangeability, precious metals remain an alternative payment method even with the advent of fiat money. The primary reason criminal groups are attracted to gold is that cash is the most common method of exchange on the market in most developing states which makes the transition to using gold as a substitute preferable due to its nature, size and the anonymity it generates through its properties. There are also challenges when attempting to trace its origins, however, the Organisation for Economic Co-operation and Development (OECD) which is an intergovernmental organisation provide traceability guidelines procedures which can aid in that

⁷ United Nations Interregional Crime and Justice Research Institute (UNICRI) – Strengthening the Security and Integrity of the Precious Metals Supply Chain (2016)

⁸ International Monetary Fund (IMF) – Implementing AML/CFT Measures in the Precious Minerals Sector: Preventing Crime While Increasing Revenue Prepared by Emmanuel Mathias and Bert Feys (2014)

⁹ Inter-Governmental Group Against Money Laundering In West Africa (GIABA) – Money Laundering and Terrorist Financing Linked to the Extractive Industry / Mining Sector in West Africa (2019)

¹⁰ Ibid

regard. Another attribute that makes it attractive to criminal operations is that it is possible to trade gold without the gold physically existing or being moved due to the nature of the market as indicating 'gold' as the traded good on an invoice can be used to justify large movements of money, either domestically or across borders.¹¹

Diamonds themselves are used for various purposes, including as alternative payment mechanisms. Money launderers can potentially use them during any stage of the placement, layering and integration and by terrorist financiers during the collection, transmission, and use for the intended offence. The diamond industry is generally regarded to be characterised by complicated processes, which may be challenging for law enforcement agencies without adequate capacity and the requisite skillset to undertake systematic and complex forensic auditing and investigations. This may unintentionally act as a shield that prevents existing criminal opportunities from being prevented or detected by government authorities. In addition to being used for trade and investment, diamonds can also be used as a form of currency.¹² As a trade regime established by the United Nations in 2003, the Kimberley Process Certification Scheme is a multi-stakeholder initiative to improve transparency and oversight throughout the diamond supply chain to prevent conflict diamonds from being traded. However, there have been challenges, including establishing ultimate beneficial ownership of international diamond trading companies doing business in developing countries. Furthermore, only rough diamonds are subject to the scheme, allowing cut and polished conflict diamonds to be traded in the market.¹³

The high convertibility and liquidity of precious metals and stones make them useful as a suitable medium of exchange or transfer of value in commercial business transactions. Associatively, a country may discover a high volume or an

¹¹ Financial Action Task Force (FATF) – Money Laundering and Terrorist Financing risks and vulnerabilities associated with gold (2015)

¹² Financial Action Task Force (FATF) – Money Laundering and Terrorist Financing through trade in diamonds (2013)

¹³ *ibid*

unusual movement of precious metals or precious stones across borders. In such situations, it is important that there should be a consideration for notifying the competent authorities about the countries that these precious commodities being moved originated from and/or are ultimately destined for. Efforts should be directed towards establishing the source, destination, and purpose of such items. Thus, precious metals and stones may be included in a country's entry-exit point declaration and disclosure system along with currency and bearer negotiable instruments. As a result, the authorities would also be able to monitor and develop a database regarding precious minerals moving through their country, along with any possible risks associated with certain types of travellers.¹⁴

5.2 Illicit activities in precious metals and stones sector: Sierra Leone

Context

Gold and diamonds are the two main types of precious metals and stones that can be found in Sierra Leone, both of which are mined, traded, and exported. The high use of manpower labour, and low technology methods of artisanal mining of diamonds and gold in Sierra Leone have produced a much wider socio-economic impact than industrial mining over the decades.¹⁵ Small-scale artisanal mining is symbolised by informality, which is one of the reasons why governments in many countries have difficulties in maximizing revenues from the production of precious minerals through such methods. The process of mining gold and diamonds varies, and industrial extraction is generally more likely to be controlled by authorities. It is not uncommon for small-scale mining to go unregulated, especially in countries or areas where industrial production is impractical or where there are inadequate capacities, logistics and financing for industrial production. Globally, there are many people working in the small-scale mining industry.¹⁶

¹⁴ *ibid*

¹⁵ Political economy of extractives governance in Sierra Leone by Richard Fanthorpe and Christopher Gabelle (2013)

¹⁶ *ibid*

It is common for conflict to occur when industrial mining operations compete with artisanal gold miners, especially when they operate in the same area. Industrial mining in West Africa contributes largely to national economic development by increasing revenues and supporting mining practices that protect the environment and avoid human rights abuses. Meanwhile, in Sierra Leone, sections 140 – 144 of the Mines and Minerals Development Act 2022, gazetted on 12 May 2023 is emphatic on community development; the general obligation to support community development; the responsibility of the mineral rights holder to deposit not less than one percent of its annual gross revenue into the community development fund and; the establishment of a mining district fund.¹⁷ One of the key disadvantages faced by artisanal miners due to their informal nature is that they lack access to finance, market information and larger concessions. Despite this, the lucrative commercial opportunities and the available channels for smuggling attract a range of illicit activities that prove very challenging for the authorities. However, diamond exports were reported to account for a large percentage of Sierra Leone's export earnings after independence despite such leaks.¹⁸ A significant amount of international attention has been drawn to the illegal trade in diamonds from Sierra Leone via Liberia and Guinea to the global market, primarily due to its connection with the civil wars in Sierra Leone and Liberia. Several possible illicit activities have been linked to foreign nationals such as some Lebanese and Malians in Sierra Leone and Liberia, including the diamond trade, money laundering, drug trade, and mobilizing of funds for 'terrorist' groups such as Hezbollah.¹⁹

There has been a shift of focus in recent years towards gold mining rather than diamond mining because diamonds have become harder to find, and the profitable and viable possibilities in the diamond sector have diminished in recent years compared to past decades. Furthermore, as a coping mechanism to

¹⁷ Sierra Leone Mines and Minerals Development Act 2022

¹⁸ Millennium Challenge Corporation (MCC) – Sierra Leone Constraints Analysis Report (2021)

¹⁹ The Impact of Organised Crime on Governance in West Africa by Etannibi E.O. Alemika (2013)

contend with socio-economic challenges in their communities, rural residents are also diversifying their sources of income by mining gold, which is easier than diamond mining due to the logistical and financial support required and other considered complexities, including the nature of the trade process outside the formalised system. Therefore, the number of artisanal gold miners is continuously increasing, as many are now farmer-miners or trader-miners.²⁰

Small-scale gold miners use mercury to separate gold from other minerals because it binds to gold and forms amalgam. The first step is to mix mercury with gold-containing materials. Mercury will dissolve gold while other impurities will not, thus forming a mercury-gold amalgam. Upon heating the mixture of gold and mercury, the mercury vaporizes, leaving the gold behind. Although this method does not result in 100% pure gold, it eliminates the majority of impurities. The problem with this method is that mercury vapor is released into the environment and mercury is known to cause severe health concerns for humans and is harmful to the environment. Various sources have indicated that is used in the north of Sierra Leone, and the fact that mercury is reported to be used in the eastern and southern provinces of Kumaru and Baomahun give credence to the warranted fear that its use is becoming widespread throughout the nation. It is believed that Lomé is a major source of mercury entering the ECOWAS region. As soon as it enters Ghana, it is transported to Burkina Faso, then to Mali, Sierra Leone and Liberia. Due to mercury's restricted import status, it is suspected to be smuggled into Sierra Leone, as there is no record of applications for import permits.²¹

²⁰ Global Initiative against transnational organized crime (GI-TOC) - Follow the Money: Financial Flows Linked to Artisanal and Small-Scale Gold Mining in Sierra Leone- A Case Study by Marcena Hunter (2016)

²¹ United Nations Industrial Development Organization (UNIDO) – Curbing Illicit mercury and gold flows in West Africa: Options for a regional approach (2018)

5.3 Illicit financial flows (IFFs) from the sector

One of the major contemporary issues with regard to effective governance of the precious minerals and stones sector is the prevalence of illicit financial flows (IFFs). Although there are jurisdictional differences in the conceptual understanding and interpretation of IFFs, they are generally understood as illegal flows of money or wealth across borders from one country to another, often originating from one or a number of illicit activities such as unauthorized dealings in natural resources, smuggling and may at some stage involve money laundering. The threat of IFFs is widely recognized as a serious modern-day challenge as it is a phenomenon that easily adapts to the constantly changing global financial system as more effective monitoring mechanisms and preventive strategies are designed and implemented by the authorities. Therefore, it can exploit the existing loopholes or create them. So accordingly, it must be a contemplated actuality that compliance with international best practices and the quality of national regulations are crucial to combating illicit financial flows.²²

It is a general perception that the financial element of an IFF refers to actual funds or money and to a minor scale, money or other assets possessed by or available for a person or organization for purposes such as starting a business or investing, as is the widespread understanding of the term itself. All things considered, if the conceptual understanding of IFFs is interpreted as practices that include money laundering and other associated predicate offences through formal financial channels and systems, then usage of the expression in such a context is considered appropriate and fit for purpose.

Financial crimes are ever-evolving illicit activities which can be perpetrated in a variety of ways, with the derived proceeds, which can be merchandise, turnover income from comingled earnings, and other forms of value being transferred or remitted through ways and means that are not consistent with the standard way

²² African Development Bank (ADB) – Strategic framework and action plan on the prevention of illicit financial flows in Africa (2017-2021)

funds are channelled through formal financial structures. Derived illegal benefits or value of sorts that may emanate from criminal activity is moved from place to place via various ways and means, especially in countries suffering from market distortions, weak regulatory frameworks and widespread bribery and corruption. Developing regions such as Africa are experiencing a plethora of natural-resource crimes, such as illegal, unreported, and unregulated fishing, wildlife poaching and smuggling, and illicit trade and smuggling of minerals and metals. The countries of origin and even the intermediary passage states or transit countries undergo loss of state revenue when the smuggling of these natural resources takes place, and because they may not be recognized as commodities holding intrinsic value or as a medium of value exchange, they will not necessarily be captured when defining the scope and quantifying IFFs. Therefore, it should be carefully noted that to properly understand the nature, movement, and consequences of IFFs, it must be comprehended that the phenomena do not always involve money or easily liquidable assets.

It is worth mentioning that a broad-based, “out of the box” consideration should be given to the matter when taking into consideration the approach to whatever action has been decided, as a misplaced and “off-the-mark” interpretation of financial IFFs would not include trading of commodities, and ultimately the complete picture of what actually comprises IFFs may not be fully brought into context. As a result, the assessments and actual calculation of IFFs flowing from the nations most affected might not wholesomely reflect the true depth of the problem, as they are most likely to be impacted by this notable difference.²³

A major factor driving illicit flows from developing countries is the availability of natural resources. The world has seen a significant upsurge in revenue flows from mineral extraction in recent decades, and even though the entire operational projects for this purpose require huge, concerted investments, the

²³ Global Initiative Against Transnational organized Crime – Measures that miss the mark : Capturing the proceeds of crime in illicit financial flows models (2018)

profits yields make the ventures worthwhile. This creates opportunities and a potential stage for corruption on a grand scale, especially when governance mechanisms and institutional frameworks are weak. Consequently, the prevalence of IFFs is most pronounced in resource-rich countries with weak regulatory frameworks for governing revenues from resources.²⁴

In order to launder illicit revenues, gold, diamonds, and precious stones are often purchased and traded, as the objective is to conduct the transactions, sometimes repeatedly in cash and other financial instruments that may offer little traceability and offer distinct possibilities of distorting any existing audit trail thus distancing the funds from the criminal source. In addition to purchasing a licit and illicit range of items, gold can be used as a reservoir of wealth derived from illegal activities. Criminal syndicates engage in fraud schemes involving gold and diamonds, and they have become known as the most notorious commodities linked to extractive industries and illicit trade. This has ultimately resulted in a significant challenge for law enforcement agencies to track and trace the systemic movement of money in the region related to the illicit activities related to these two minerals.²⁵

Post-extraction or otherwise downstream IFFs are a contributing factor in ensuring the permanence, incessant and continuing worsening of Sierra Leone's gold sector's informality. In principle, IFFs are perceived conceptually from two conflicting and disparate viewpoints, even though they are mostly defined as illicit income generated, transferred, and utilized accordingly. On the one hand, artisanal gold mining associated with IFFs are vital in contributing to the growth of Sierra Leone's informal sector by reducing poverty and advancing economic development²⁶. Meanwhile, IFFs also enable and assist manipulation, exploitation, and abuse throughout the supply chain by unfair and scheming players who may be considered or thought of as relevant stakeholders. So, for the sake of

²⁴ United Nations Interregional Crime and Justice Research Institute (UNICRI) – Drivers of illicit financial flows (2018)

²⁵ Interpol – Overview of Serious and organized crime in West Africa (2018)

²⁶ Ibid

precision and proper understanding of the chain of transactions, upstream financial transactions i.e. financing the extraction, the unregulated buying and selling of the commodity at the mine location or immediate environment outside formal channels, can be categorised as informal transactions, while downstream financial transactions, i.e. illicit commercial activities related to the commodity such as buying and selling of the smuggled gold, as IFFs in the Sierra Leonean context. It is common for upstream actors who engage in IFFs to reinvest profits back into the sector, illegally preserving a monetarist and commodity sourcing system that is dependent on unauthorized and illicit activities from the point of sourcing throughout the entire transaction chain.

As a result, the ever-continuing existence and prevalence of IFFs are an obstacle towards efforts to formalize the gold mining sector in Sierra Leone. When developing measures or a strategy that aims to achieve some level of success in curbing or minimizing IFFs, it is of critical importance to create awareness at all levels and recognize the complicated nature and effects of the phenomena without causing any destructive interference to the livelihood and further sidelining the economically disadvantaged and dependent people. Any oversight in acknowledging and recognizing the socio-economic value of artisanal gold mining and linked IFFs' capability to provide commercial opportunities for the local populace, will result in the failure of formalization efforts and even result in damaging after-effects and an undesired aftermath. Therefore, due to gold mining's economic significance, there will be challenges in enforcing laws that may be misunderstood and interpreted as being detrimental to the livelihood of locals.²⁷

It is thought that most IFF practices fall into areas where the laws and regulations may be vague and interpreted differently by various people. The impacts of IFF practices are evident, but pinpointing, tracing, categorizing, and reducing them continues to be challenging for the authorities due to a variety of reasons,

²⁷ Ibid

including lack of awareness and insight into the phenomena, inadequate capacity and lack of resources. There is a wide array of IFF risks present in mining value chains. In the chain, each transaction comprises an array of overlying and disconnected IFF practices, including illegal and fraudulent activities, as well as tax avoidance arrangements devised by multinational corporations.²⁸

6. GOVERNANCE IN THE PRECIOUS METALS AND STONES SECTOR

6.1 Legislative and policy framework

These are the key legislative instruments and policies that are essential for monitoring and regulating a wide variety of activities and preventing and tackling crime factors within the Sector:

Policy/Legislation	Relevance to the Sector
Anti-money Laundering and Combating of Financing of Terrorism Act 2012 (Act No 2 of 2012) as Amended	Being an Act to provide for the criminalization of Money Laundering and Financing of Terrorism, the establishment of structures to implement this and other related matters.
The Mines and Minerals Development Act 2022 (Act No. 16 of 2023)	Being an Act to promote local and foreign investment in the mining sector by introducing new and improved provisions for exploration, mine development and marketing of minerals and mineral secondary processing for the benefit of the people of Sierra Leone, and other related matters.
The Sierra Leone Minerals Policy 2018	The <i>Sierra Leone Minerals Policy</i> aims to give guidance to legal, regulatory and institutional reforms introduced by the Government to ensure that Sierra Leone maximizes gains from its mineral resource endowments.
The Geo-data Management Policy 2018	The <i>Geo-data management Policy</i> aims to show how government intends to

²⁸ Ibid

	manage geological information in ways that will help all actors - government, companies and communities get a good deal from mineral assets.
Extractives Industry Revenue Act 2018	Being an Act to provide for and coordinate various taxes and charges on extractive industries, the regulation of fiscal aspects of extractive industry agreements and other related matters.
Anti-Corruption Commission Act 2008 (Act No 9 of 2008) as Amended	Being an Act to provide for the establishment of an independent Anti- Corruption Commission for the prevention, investigation, prosecution and punishment of corruption and corrupt practices and to provide for other related matters
Artisanal Mining Policy for Sierra Leone 2018	This Policy sets out a clear framework that will guide actions leading to the improvement of artisanal mining sector governance and management and promote alternative livelihood skills for miners, improve sustainable artisanal mining practices, enhance environmental protection, community and occupational health and safety safeguards, ensure that miners get a fair deal for their winnings; and strengthen linkages between artisanal mining and other sectors of the economy of Sierra Leone.
Environment and Social Regulations for the Mineral Sector 2012	This Regulation established principles for environmental and social management as well as rules for mineral rights holders to follow. A few of these principles include the polluter pays principle and the precautionary principle. They prescribe environmental quality standards, including standards for

	effluent wastewater, as well as the procedures for applying for and obtaining an environmental license.
Directives and Guidelines for the prevention of money laundering and terrorism financing in financial institutions 2017	These guidelines and directives serve as a detailed guide for supervised financial institutions to better understand and effectively perform their statutory obligations pursuant to the existing laws in force within the AML/CFT/CPF regime in Sierra Leone.

6.2 Institutional framework

These are the formal government structures with specific mandates to formulate and implement the relevant legislative instruments and policies through operational activities within the sector:

<i>Institution</i>	<i>Role in the Sector</i>
National Mineral Agency (NMA)	The NMA is responsible for promoting the development of the minerals sector by effectively and efficiently managing the administration and regulation of mineral rights and minerals trading in Sierra Leone, including geological survey and data collection activities.
Ministry of Mines and Mineral Resources (MMMR)	The MMMR is responsible for creating policies and plans for the development and Management of the Minerals Sectors in Sierra Leone.
Environmental Protection Agency (EPA)	The EPA is responsible for protecting and managing the environment effectively, ensuring compliance and enforcement of environmental impact assessment procedures and pursuing environmental education for the creation of public awareness-raising of the environment and its importance to the economic and social life of Sierra Leone.
Financial Intelligence Unit (FIU)	The FIU plays a leading role in the prevention of anti-money laundering,

	counter-terrorist financing and combating proliferation financing (AML/CFT/CPF) activities in the country. The Unit is responsible for receiving, processing, and analysing disclosures of information on suspicious activity from a wide variety of sources, including reporting entities in accordance with the requirements of domestic AML/CFT/CPF laws and regulations.
Sierra Leone Police (CID, TOCU, Interpol)	The specialized divisions within the SLP are responsible for investigating and prosecuting a wide range of domestic and transnational criminal activities including those associated with precious metals and stones.
National Revenue Authority (NRA)	There is a specific division within the NRA called the Extractive Industry Revenue Unit (EIRU), which was established to manage the handling of all extractive-industry-related taxes.
Anti-Corruption Commission (ACC)	The ACC is as an independent institution established to lead in the fight against and control of corruption through prevention, investigation, prosecution and public education.
Office of the National Security (ONS)	The ONS mission is to effectively coordinate the national security and intelligence architecture with the aim of creating the enabling environment for sustainable national development, poverty reduction and conflict prevention.
Law Officers Department (LOD)	The LOD, which consists of the Attorney General as head, the DPP, the Solicitor General, and state counsels, is charged with the responsibility of providing legal advice to Government.
Central Intelligence and Security Agency (CISA)	The CISA has the responsibility to protect Sierra Leone against threats

	of espionage, sabotage, terrorism, hijacking, piracy, drug trafficking, money laundering or other serious crimes which compromise national economic interests, whether internal or external
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6.3 Efforts by other stakeholders

There are other relevant stakeholders whose activities contribute to an effective governance system. The private sector largely compliments government effort in a variety of ways including complying with the existing laws and regulations and providing disclosures of information on illicit activities. The local and traditional authorities in the provincial areas also assist in enforcement through community engagements and anti-smuggling activities. Non-Governmental Organizations (NGOs) such as GIZ (through its resource governance program), Transparency International, Network Movement for Justice and Development (NMJD), and Women in Extractives (WOME) also play a role in advocating for transparency, accountability and that state actors prioritize and take necessary action on the legitimate concerns of the mining communities.

7. TYPOLOGIES: CASE STUDIES WITH RED FLAGS/INDICATORS

Typology A – Advance fee fraud using shell and front companies in the precious metals and stones sector.

Illegal businesses and enterprises established and registered by criminals to deceive foreigners into making payments/investments for precious metals and stones fraud schemes. Usually, shell companies have no physical address or presence apart from mailing addresses, no functioning business operations or significant assets, and produce insignificant to no economic value in any manner. Front companies, while bearing certain similarities with shell companies, are legitimate businesses that conceal and obscure illicit financial activities with the operations and characteristics of legitimate

ongoing businesses. Shell companies and front companies are both used for a range of financial crime activities, including money laundering.

Case I

On the 24th March 2020, the FIU-SL received a request for information (RFI) from the Transnational Organised Crime Unit (TOCU)²⁹ for an ongoing investigation into an alleged conspiracy, by a group of suspects, to defraud a foreign businessman Mr. A by falsely pretending to have access to an unspecified quantity of gold.

Mr. A, who was convinced that he was in a genuine deal with the alleged conspirators, proceeded to transfer funds from a bank in a foreign jurisdiction to the foreign currency business accounts of Company X held by Mr. B (Subject) at bank A, operating in Sierra Leone.

Analysis by the FIU-SL³⁰ revealed that Company X is registered and incorporated in Sierra Leone by the Corporate Affairs Commission as sole proprietorship/limited company. Company X allegedly operates with an exporter licence issued on 25th July 2019 from the Ministry of Mines and Mineral Resources. It was issued with a City Council permit and National Revenue Authority TIN (Tax Identification Number) to conduct business(s) in Sierra Leone.

It was also detected that Company X is a shell company with no physical address (addresses provided were fictitious) or evidence that it is a viable and existing business entity with ongoing operations, employed personnel and compliance with tax obligations. Furthermore, links were established to two other

²⁹ TOCU is a specialised division of the Sierra Leone Police tasked to investigate offences of a transnational nature that may involve international criminal networks.

³⁰ The FIU-SL forensic analysis is done on all information and data received from various sources, including Account statements and KYC/CDD documentation from the banks and other reporting entities, the National Revenue Authority (for Tax Identification Number and any other tax-related issues), Corporate Affairs Commission (for company legal structure and verification of registration and incorporation details), and Freetown City Council (for license or permission to operate as a business), and the National Mineral Agency (for verification and authentication of licences).

Companies, Y and Z, which had been investigated earlier, and the outcome uncovered that they were set up with the intent to deceive investors from foreign countries.

Mr. B was identified as a middle-aged Sierra Leonean citizen in his 40s by his driving license, a businessman by occupation and the beneficial owner of Companies X, Y and Z, all based in Freetown.

Multiple structured³¹ over-the-counter cash withdrawals without any justified purpose were made in foreign currency (totalling US\$ 508,000.00), each withdrawal made shortly after wire transfers were received into Company X accounts from the foreign jurisdiction.

The FIU-SL generated an actionable intelligence report and disseminated to TOCU to enhance and add value to their ongoing investigations.

Red flags/Indicators:

- Transfer of funds through wire transfers.
- Account opened for receiving remittances in foreign currencies.
- No justification was provided for the purpose and eventual use of the funds.
- Criminal history of the subject and his associated businesses.
- Locally organized criminal networks scheming to defraud unsuspecting foreign individuals.
- Fictitious addresses provided during onboarding (CDD/KYC).
- Structured withdrawal of funds to avoid statutory reporting thresholds.
- Genuine licenses used to deceive investors/victims.

³¹A criminal technique to avoid financial institutions' scrutiny and detection of large transactions over the designated reporting threshold to divide them into several smaller ones.

- The same individual (natural person) is the owner of several Single Shareholder Companies.
- No evidence to show that the company actually operates and offers products or services.

Case 2

Mr. C a businessman who lives in the United Arab Emirates (U.A.E.) and deals in precious metals was contacted by Mr. D and another unknown person who made an agreement to buy and ship an unspecified quantity of gold to Mr. C in Dubai. Mr. C, who was convinced by the seemingly credible and professional nature of the purported gold exporters, transferred a large sum of money in tranches over a short period to the foreign currency business accounts of Company U held at a commercial bank operating in Sierra Leone with the pretext of buying gold in the supposed available bulk quantity. This matter was reported by Mr. C's attorney to the Criminal Investigations Department of the Sierra Leone Police, who subsequently sent in a request for information (RFI) and investigations support to the FIU-SL.

Analysis by FIU-SL revealed that the foreign currency account which received this huge inflow of funds was opened with the primary purpose of defrauding Mr C, as it became almost dormant after the total sum deposited was completely withdrawn.

Company U was registered and incorporated in Sierra Leone by Corporate Affairs Commission in November 2020 with Mr D being the sole beneficial owner. The Memorandum and Articles of Association of Company U clearly indicate that it should operate primarily as a protection and security guard service.

The CDD/KYC documentation for the account did not match Mr. D's true identity, indicating that fake documents were used to open the account.

Large deposits of funds totalling US\$ 355,000.00 were received by the foreign currency business accounts of Company U through wire transfers from Mr. C's bank in Dubai, U.A.E.

The CEO of the Company i.e. Mr. D, made multiple over-the-counter cash withdrawals through structuring on a day-to-day basis as he was the only signatory to the business account, and all the funds in the account were withdrawn within a month.

An actionable intelligence report was generated by the FIU-SL and disseminated to the Criminal Investigations Department for further investigations.

Red flags/Indicators:

- Transfer of funds through wire transfers.
- Large amounts of funds transferred from a foreign jurisdiction into an account whose declared primary business does not match the amount of money received.
- Account opened for the primary purpose of defrauding a victim.
- No justification was provided for the purpose and eventual use of the funds.
- Locally organized criminals conspiring to defraud unsuspecting foreign individuals.
- Structured withdrawal of funds to avoid statutory reporting thresholds.
- Private Security services company used as a front company for criminal activities.

Case 3

On the 28th June 2016, the FIU-SL received a request for information (RFI) from the Criminal Investigations Department (CID) of the Sierra Leone Police on a case they were investigating. It involved an alleged conspiracy using a shell

company M owned by Mr. Q and Mr.R who operated with other individuals in a criminal network to defraud a foreign mining company through inter-banking services.

FIU-SL analysis revealed that Company M was incorporated as a Partnership with the relevant licenses and certificates from other government agencies to operate as a viable business entity. It was also revealed that the two individuals are Sierra Leonean nationals.

It was further revealed that Company M holds accounts in bank G and bank H and both domiciliary accounts held in those banks received a total transfer of wired funds that amounted to seventy-eight thousand eight hundred United States Dollars (\$78,800).

Mr. Q was detected to have carried out structured withdrawals in eight tranches within a 24-hour period, in foreign currency (US Dollars).

The intelligence report was generated by FIU-SL and disseminated to the CID for further investigations to be undertaken.

Red flags/Indicators:

- Transfer of funds through wire transfers.
- Large amounts of funds transferred from a foreign jurisdiction into an account whose declared primary business does not match the amount of money received.
- Account opened for the primary purpose of defrauding a victim.
- No justification was provided for the purpose and eventual use of the funds.
- Locally organized criminals conspiring to defraud unsuspecting foreign individuals.
- Structured withdrawal of funds to avoid statutory reporting thresholds.
- Security services used as a front for criminal activities.

Case 4

A request for information (RFI) was received by the FIU-SL on the 3rd June 2019 from the Transnational Organised Crime Unit (TOCU), regarding an ongoing investigation into a fraudulent scheme allegedly perpetrated by a Lebanese businessman. After an agreement to sell a specified quantity of diamonds to the latter, Mr.S deceitfully proceeded to defraud a foreign investor and businessman, Mr. U, who resides in the United Kingdom (UK). In response to correspondences and e-mails, Mr. U wired funds from the U.K. to the accounts of a front company N held in bank J owned by Mr. S.

FIU analysis discovered that the foreign currency account received an inflow of funds for the purchase of 534 carats of diamonds.

Company N which the CAC incorporated on 16th February 2012 is 100% owned by the Mr. S who has dual citizenship in both Sierra Leone and Lebanon. He was born on the 16th April 1987 in Sierra Leone.

The Company was also issued an artisanal license to mine specifically gold, not to mine, deal or export diamonds. Examination of the available documents indicated that this issued license was fraudulently altered for use as a diamond exporter.

There were several inflows into the account from different foreign jurisdictions for unjustified reasons and from unknown sources, and these included two deposits within a short period from Mr.U into the accounts of Company N, which totalled \$75,159.

The FIU-SL generated an actionable intelligence report and disseminated to TOCU to enhance and add value to their ongoing investigations.

Red flags/Indicators:

- Transfer of funds through wire transfers.

- Large amounts of funds transferred from a foreign jurisdiction into an account whose declared primary business does not match the amount of money received.
- Account opened for the primary purpose of defrauding a victim.
- No justification was provided for the purpose and eventual use of the funds.
- Locally organized criminals conspiring to defraud unsuspecting foreign individuals.
- Structuring withdrawal of funds to avoid statutory reporting thresholds.
- Security services business used as a front for criminal activities.

Typology B – Money Laundering through the financial system

The use of the commercial banking system as a conduit through which illicit financial flows are channelled. Money transfers can be used to launder money by transferring proceeds from illicit activities between jurisdictions via money remittance services. In order to break the audit trail or criminal activity footprint, criminal proceeds can be invested in a far-removed country beyond the reach of authorities in the country where the predicate offence was committed.

Case 5

On the 1st April 2022, the FIU-SL received information from an anonymous source relating to an inflow of fifty million Euro (€50,000,000.00) deposited into Company V's account at bank B operating in Sierra Leone. The alleged stated purpose for which the funds in question were wired from a bank in China was to finance the purchase and export of precious minerals. The source further communicated that the company is owned by a Cameroonian-born citizen Mr. H, who also has second-class United States citizenship.

The FIU-SL proceeded with the forensic analysis process by accessing all relevant information, including bank statements held in bank B and another bank in which the concerned individual, Mr. H also held accounts.

Independent sources confirmed that Mr. H is a Cameroonian born and a Second-Class United States citizen whose date of birth is 31st April 1991.

During the inquiry, access to the funds was restricted by FIU-SL through administrative freezing order. However, the account continued to receive a regular huge inflow of funds from China.

The inquiry revealed that Company V had an agreement with another Company W, who was involved in gold exports and trading. Therefore, funds received by Company V were transferred to Company W through bank transfers. Subsequent transfers were made to other Companies in other Jurisdictions for unjustified reasons inconsistent with the profile of the Company e.g. a transfer of \$80,000.00 to Togo for an alleged purchase of Soya Beans, which was never imported.

Company V is registered and incorporated in Sierra Leone by Cooperate Affairs Commission to operate as Single Shareholder with an expected maximum turnover of 500 million leones (old leones) and is 100% owned by Mr. H. Over an unspecified period, several people made frequent structured withdrawals of large amounts of cash, without any definite association to the account holder Company V has a genuine mining and exporters license issued by the relevant authorities.

An intelligence report was generated by FIU-SL and disseminated to the relevant competent authorities for appropriate action.

Red flags/Indicators:

- International transfers of large amounts of funds followed by very rapid withdrawals.

- Large amounts of funds transferred from a foreign jurisdiction into an account whose declared primary business does not match the amount of money received.
- Transfer of funds to other Jurisdictions with no valid reason or justification.
- Large amounts of funds transferred from a foreign jurisdiction into an account whose declared turnover or expected income does not match the amount of money received.
- Receiving funds through international transfers without a justifiable economic purpose.
- Fraudulent contracts and agreements are signed to create justification for cross-jurisdictional transfers of funds.
- It is difficult to establish where the original funds came from to purchase the commodity.
- Transfers abroad to countries where the company is not registered.
- A huge unjustified transfer of funds for a high-value order indicative of trade-based money laundering (TBML).

Case 6

The FIU received a Suspicious Transaction Report (STR) from bank C, which was filed on an inflow of three thousand one hundred and thirty United States Dollars (\$3,130) wired into the business account of Company H for the purposes of purchasing precious stones. Information received confirmed that investigations by Law Enforcement in the United States detected that the transfer was linked to a stream of illicit flows from criminal activities, including money laundering. The correspondent bank working in collaboration with Law Enforcement requested a recall of the funds eight days after the transaction was completed.

Analysis by FIU-SL ensued to probe into the activities of Company H and its beneficial owners as they could be involved in similar criminal activities in Sierra Leone. During the process, access was restricted to the account of Company H. It was revealed that Company H is a Single-Shareholder Company owned by Mr. K, who was discovered to be a Nigerian-born citizen and his date of birth is 19th October 1987.

No licenses or supporting documents were provided to support any claim as a legitimate operative in the sector.

Transactions over a period reflected rapid withdrawal of funds shortly after huge inflows were deposited into the account from different foreign jurisdictions with no justified economic purpose.

An intelligence report was subsequently generated and disseminated to the Criminal Investigations Department for further action.

Red flags/Indicators:

- International transfers of large amounts of money followed by very rapid withdrawals.
- Recall request for funds shortly after received.
- Receiving funds through international transfers without a justifiable economic purpose.
- Using international wire transfer/remittance services to transfer proceeds of crime.

Case 7

On the 16th January 2021, the FIU received a Suspicious Transaction Report (STR) from bank D regarding a Belgian businessman Mr. M who has been travelling in and out of Sierra Leone for a while. It was ascertained that he was part of a much larger criminal network and connected to a scheme that had been using the corporate accounts of Company J, held at bank D for laundering funds

wired from a foreign business Company K, that allegedly deals in diamonds in the United Kingdom (UK).

The FIU-SL proceeded with its work, and the results of the analysis revealed that Company J has been registered and incorporated as a single Share-Holder Company by the Sierra Leone Corporate Affairs Commission. Apparently, it was issued a permit by the Freetown City Council and a TIN (Tax Identification Number) by the National Revenue Authority for conducting business(es) in Sierra Leone.

Company J was also registered as a multi-sectorial business entity to conduct business operations in mining, games and betting, and general motor sales. However, there was evidently no proof that these businesses were operational. It was also revealed that Mr. M is a Belgian citizen who has been resident and engaging in unspecified business activities in Sierra Leone for years and that his date of birth is 22nd May 1982.

Several wire transfers from Company K in the United Kingdom over a period were made into Company J's account held at bank D, which summed up to One Million Four Hundred United States Dollars (\$1,400,000.00). There are several entities in the payment chain that are linked to each other through mutual beneficial ownership.

The accounts also reflect multiple transfers made to other jurisdictions. Numerous beneficiaries from various backgrounds have been the recipients of these transfers, often in volumes or aggregate values inconsistent with the economic activity and account profile of the individual/his company.

Several withdrawals were made from the account using smurfing techniques by issuing cheques to several individuals who carried out the transactions on his behalf. Currency exchanges were carried out to convert withdrawn funds to other currencies. Furthermore, the inquiry uncovered that the subjects had acquired a range of luxury vehicles and expensive houses.

Consequently, an intelligence report was created and sent to the Criminal Investigations Department to be acted upon.

Red flags/Indicators:

- International transfers of large amounts of money followed by very rapid withdrawals.
- Large amounts of funds transferred from a foreign jurisdiction into an account whose declared business activities were merely superficial.
- Receiving funds through international transfers without a justifiable economic purpose.
- Huge funds were withdrawn and exchanged for other forms of currency without justification.
- Smurfing techniques are used to withdraw funds from the account.
- Difficult to establish where the original funds came from to purchase the commodity.

Case 8

Two businessmen, Mr. O and Mr. P, who are British and Australian citizens, respectively facilitated the transfer of huge inflows of cash into Company M's domiciliary accounts held at bank E in Sierra Leone to secure mining licenses and import mining equipment from Mali.

The FIU-SL proceeded with the forensic analysis process after receiving a request for information (RFI) from the Criminal Investigations Department (CID) of the Sierra Leone Police as they had proceeded with investigating the matter.

Mr. O and Mr. P were found to be the joint owners of the accounts that received the huge inflows of funds, and there were three significant wire transfers which amounted to the sum of Four Hundred and Sixty Thousand Two Hundred and Sixty-Five United State Dollars (\$460,265). There was no evidence to show that

Company M had been involved in any sort of mining activity or that the owners had any experience in the sector.

The withdrawals were all made by a single individual Mr.O and this was done by several structured transactions over a period of one month. The withdrawals were made in foreign currency.

Further examination of the accounts revealed that there have been similar inflows and withdrawal activities within a short period of time in recent years.

A comprehensive intelligence report was generated by FIU and disseminated to the CID for further investigation.

Red flags/Indicators:

- International transfers of large amounts of money followed by very rapid withdrawals.
- Large amounts of funds transferred from a foreign jurisdiction into an account whose declared business activities were merely superficial.
- Receiving funds through international transfers without a justifiable economic purpose.
- Structuring techniques are used to withdraw funds from the account.
- It is difficult to establish where the original funds came from.
- A huge unjustified transfer of funds for a high-value order indicative of trade-based money laundering (TBML).

8. CONCLUSION AND RECOMMENDATIONS

This study examines how precious metals and minerals, including gold and diamonds, have become an attractive channel for fraud, money laundering, and other criminal activities. It is important to remember that, despite the lack of any link between the illicit financial flows from this sector and terrorist financing in this study, there is a degree of awareness that the immense profits gained may constitute an incentive for terrorists to get involved. As a result, all stakeholders must understand that the gold and diamond industry is susceptible to organized crime penetration. Based on these considerations, we offer the following recommendations:

- That all designated competent authorities make it a priority to not only pursue the predicate offences detected during parallel investigations but also to consider the money laundering and terrorist financing aspects which will ensure that illicit proceeds and assets are duly identified and confiscated.
- That the AML/CFT/CPF regime be rolled out to the DPMS Sector to ensure nationwide awareness of ML/TF/PF risks related to precious metals and gemstones.
- That all platforms and mechanisms facilitate effective collaboration and coordination between all relevant stakeholders to detect and disrupt transnational criminal networks operating in the illegal mining and trading sector.
- That the relevant stakeholders jointly conduct a sectoral risk assessment on the DPMS sector with a specific focus on the threats and vulnerabilities associated with the sources of illicit financial flows that contribute to the illicit economy.
- That the relevant authorities prioritize the adoption of enabling legislation that specifies minimum standards for the disclosure of ultimate beneficial ownership of companies operating in the sector, along with dissuasive

sanctions for non-compliance, and requirements for transparency as a license requirement.

- That adequate manpower and logistical support be made available for the relevant Stakeholders including Law Enforcement Agencies to ensure effectiveness and efficiency in the mining inspection regime and other similar initiatives centered on promoting transparency and accountability.
- That a wholistic approach be developed to deal with the multi-faceted and miscellaneous smuggling issues, including effective measures to curb IFFs emanating from illicit trading of precious metals and stones.

Help the FIU fight dirty money

