



Anti-money laundering and counter-terrorist financing measures

Republic of Liberia

JUNE 2023

**Mutual Evaluation
Report**





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

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Executive Summary

1. This report summarises the AML/CFT measures in place in Liberia as at the date of the on-site visit from September 5th to 16th, 2022. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Liberia's AML/CFT system, and provides recommendations on how the system could be strengthened.

Key Findings

- a) Liberia has a good understanding of its money laundering (ML) risks and a fairly good understanding of its terrorism financing (TF) risks. The country completed its first ML/TF national risk assessment (NRA) in September 2021. The NRA is supplemented by some sectoral risk assessments, including assessments of the banking and non-profit organisations (NPOs) sectors, corruption risk assessment for some institutions and a survey on virtual assets service providers (VASPs) covering the banking and insurance sectors. Shortcomings were noted in the comprehensiveness of the NRA in some areas, and the scope of the exercise which impacted on the overall understanding of risks in Liberia.
- b) Liberia has adopted a four-year Anti-Money Laundering and Counter-Financing of Terrorism and Proliferation Strategy and Action Plan (AS-AP), which prioritises the key risks identified in the NRA. The implementation of the AS-AP has commenced with some progress achieved. In addition, some individual competent authorities have strategies or policies that address some of the main ML/TF risks in the country. Although some authorities (for example, the Financial Intelligence Agency (FIA) and the Central Bank of Liberia (CBL) have begun to align some of their activities to address identified risks, resource constraints have impeded the efforts of other competent authorities, particularly law enforcement agencies (LEAs), in effectively achieving their objectives and activities.
- c) Cooperation and coordination at the policy level is one of the strengths of Liberia's AML/CFT system. Liberia's domestic coordination is led by the Inter-Ministerial Committee (IMC) which is the country's main AML/CFT policy development mechanism. At the operational level, coordination mechanisms exist under various platforms. Memoranda of understanding (MOUs) have also been executed amongst some competent authorities to strengthen operational cooperation and coordination in the implementation of AML/CFT policies and activities. Liberia does not have an operational cooperation mechanism in relation to PF.
- d) LEAs have access to a range of information sources but make limited use of financial intelligence to support their investigative activities. The FIA has not made full use of

its powers to access information held by some key competent authorities to support its analysis. Notwithstanding, the quality of the FIA's financial intelligence and analysis reports are considered good, but these are underutilised by LEAs to support their operational activities, including ML/TF investigations. The FIA lacks adequate resources to effectively perform its functions.

- e) LEAs have difficulty in identifying ML resulting from predicate offences, and ML investigations are not entirely in line with the country's risk profile. LEAs and prosecutors are under-resourced and lack appropriate training and guidelines to deliver effective ML investigations and prosecutions.
- f) Although the new AML/CFT Act and the AS-AP demonstrate Liberia's commitment to pursue confiscation as a policy objective, these frameworks are relatively new and are yet to yield the expected results. The identification, location and tracing of proceeds of crime is limited by weak compliance with public officials' assets declarations. The use of unenforceable voluntary restitution agreements, the lack of investigation to trace proceeds of crime beyond the predicate offence and the lack of criminal convictions inhibit Liberia's ability to effectively recover proceeds of crime.
- g) The National Security Agency (NSA) and the Liberian National Police (LNP) have dedicated counter-terrorism units, but these units lack the requisite capacity to effectively investigate and prosecute TF cases. In addition, the widespread use of cash and informality of transactions and the porosity of borders continue to pose significant threats to successful TF investigations.
- h) Liberia has assessed the TF risk of the NPO sector. However, the assessment did not identify the sub-set of NPOs at risk of TF abuse. Although Liberia considers some NPOs that receive funding from international sources to be at risk of being used for TF, this is not based on any assessment. In addition, there is no specific guidance and outreach to raise awareness about the potential misuse or abuse of NPOs for TF purposes.
- i) Liberia's commitment to the implementation of targeted financial sanctions concerning the UNSCRs relating to the combating of financing of proliferation (TFS-CFP) is demonstrated in the AS-AP, but is yet to be progressed. The absence of a legislative framework prevents Liberia from discharging its TFS-CFP obligations. No competent authority has been designated to implement TFS-CFP, nor has outreach been provided regarding TFS-CFP. The understanding of TFS-CFP by reporting entities is weak and derives from institutions' own learning and group policies. While there is a framework for TFS-CFT, implementation appears limited, including because of inadequate national operational infrastructure.
- j) Liberia has robust measures to prevent criminals from controlling or managing a financial institution (FI), but these need to be improved to extend to beneficial owners (BOs) and ongoing controls. The licensing/registration controls for designated non-financial businesses and professions (DNFBPs) are generally not adapted to prevent market entry by criminals. Recent efforts to identify illegal foreign exchange (FX) bureaus led to an increase in the number of licenses, but for other high-risk sectors,

the identification of unlicensed players and illegal activities of those sectors is not apparent.

- k) The CBL has recently implemented risk-based supervision for banks, but supervision for non-bank financial institutions (NBFIs) by the FIA and CBL is not based on risk and for DNFBPs has yet to commence. Recent supervisory actions by the CBL and FIA have nonetheless led to a perceptible increase in compliance of some FIs. The collaboration between the CBL and the FIA is limited which leads to inefficiencies. Most sectoral DNFBP supervisors are not yet aware of their AML/CFT supervisory roles.
- l) Implementation of customer due diligence and enhanced due diligence (CDD/EDD) measures by banks and Mobile Money service providers (MSPs) is improving but remains at a rudimentary stage for remittance service providers and FX bureaus. Lawyers, casinos, accountants and trust and company service providers (TCSPs) implement some level of CDD but verification remains limited although more developed for lawyers and TCSPs. This has an impact on the identification of BOs and politically exposed persons (PEPs), which is compounded by the absence of reliable sources of information to conduct verification as well as the filing of suspicious transaction reports (STRs) which remains low but has been steadily improving for banks and some MMSPs. Except for a few banks, FIs and DNFBPs are unaware of their UNSCR TFS obligations. It is unclear if AML/CFT measures are implemented by DPMS and real estate agents.
- m) Liberia has not assessed the ML/TF risk associated with legal persons and the understanding of risks varies across the competent authorities, with the FIA and some LEAs have a more developed albeit limited understanding of risks compared to other competent authorities. The Ministry of Foreign Affairs (MoFA) and the Liberian Business Registry (LBR) collect basic information on legal persons, but do not verify the information. The Liberian Extractive Industries Transparency Initiative (LEITI) and the Liberian International Ship & Corporate Registry (LISCR) collect BO information on extractive industry and offshore business entities. However, there are concerns about the information being accurate and up-to-date and, in the case of LISCR, timely access by LEAs.
- n) Liberia has a strong legal framework for international cooperation, including MLA, extradition and asset tracing, still the use of cooperation mechanisms to support investigations, including the exchange of BO information, is almost non-existent. The Ministry of Justice (MoJ) which acts as the Central Authority, has limited resources and lacks guidelines to assist with the processing and prioritisation of incoming requests which contribute to very low response rates.

Risks and General Situation

2. Liberia is exposed to high ML risks (NRA report). The main proceeds generating ML predicate offences in Liberia are corruption and bribery, illicit trafficking in narcotic drugs and psychotropic substances, tax evasion, currency counterfeiting, trafficking in human beings and migrants smuggling, counterfeiting and piracy of products, and robbery/ theft. Whilst most of these criminal activities are

committed domestically, drug trafficking is the main external threat to the country. There is no specific data to estimate Liberia's exposure to cross-border illicit financial flows and little information exist regarding the techniques used or the degree to which foreign proceeds are being laundered in Liberia.

3. There is widespread use of cash and a large informal economy, including informal cross-border physical transportation of cash. There are some sectors identified as significant in terms of their scale, role, or vulnerability. Overall, the financial sector is considered to have higher inherent ML/TF risks. Within the financial sector, banks account for a significant part of the total assets. Furthermore, banks offer a variety of products and transactions, and have a deeper connection with the international financial system than other FIs and the DNFBPs. Amongst the DNFBPs, lawyers are the most vulnerable to misuse for ML purposes.

4. The incidence of terrorism and terrorist financing in Liberia is low, and TF is considered to pose a low risk in the NRA. Nonetheless, the preponderance of cash transactions, the limited oversight of NPOs, its porous borders, and some ideological teachings expose the country to TF threats.

Overall Level of Compliance and Effectiveness

5. Since its last mutual evaluation in 2011, Liberia has taken some steps to improve its AML/CFT regime. The country made notable improvements in its overall level of technical compliance with the FATF Recommendations. Specifically, Liberia has amended some of its AML/CFT laws and regulations aimed at remedying the deficiencies that were identified in the 1st round ME process. This has been demonstrated by the enactment and amendment of several key legislation, including the AML/CFT Act, the FIA Act, the LACC Act as well as AML/CFT Regulations and guidelines. However, some deficiencies remain in Liberia's technical compliance framework, including measures related to PF-related TFS (R.7); new technologies – virtual assets (VA) and virtual assets service providers (VASPs) (R.15); DNFBPs-CDD and other measures (R. 22 and R23); transparency and beneficial ownership of legal persons (R.24); transparency and beneficial ownership of legal arrangements (R.25); regulation and supervision of FIs (R.26); regulation and supervision of DNFBPs (R.28) and sanctions for failure to comply with national AML/CFT requirements (R.35).

6. Liberia has implemented an AML/CFT system that is moderately effective in one area. Moderate level of effectiveness has been achieved in the area of understanding of ML/TF risks and national co-ordination. However, fundamental improvements are required in the areas of confiscation, TF investigation and prosecution, investigation and prosecution of ML, particularly regarding the conduct of parallel financial investigations. Fundamental improvements are also needed to strengthen supervision and monitoring of non-bank financial institutions, DNFBPs as well as implementation of preventive measures by these entities, and in preventing misuse of NPO for TF purposes.

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

7. Liberia completed and published its first NRA in September 2021. The process was inclusive, involving relevant stakeholders from the public and private sector coordinated by the IMC and led by the FIA. Both qualitative and quantitative data, including information from suspicious transaction reports (STRs), data from investigative and prosecutorial authorities, etc were utilised in the assessment of the NRA. Although the conclusions in the NRA were generally reasonable in that they reflect the main ML/TF risks facing the country, some shortcomings were noted which impacted on the overall understanding of risks in the country. For instance, the NRA did not assess the specific ML/TF risks associated with the different types of legal persons created in Liberia. While the authorities note some

high-level vulnerabilities that could be exploited for TF, they did not adequately determine the extent to which such vulnerabilities are being exploited. Similarly, potential TF risks associated with the poor control of the movements of cash across the country were not adequately covered. Also, the assessment of the NPOs lacks details in terms of the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of TF abuse.

8. In addition to the NRA, Liberia recently conducted some sectoral risk assessments, including the Risk Assessment for the NPOs sector and the Banking Sector risk assessment, corruption risk assessment for some institutions, and a survey on the risk associated with VASPs covering the banking and insurance sectors, which further improve the country's overall understanding of the ML/TF risks prevailing in the country. These post-NRA sectoral assessments demonstrate the extent to which Liberia has reviewed and updated its understanding of ML/TF risk since the publication of NRA report in September 2021. Nonetheless, the country can benefit from a wider dissemination of the findings of these sectoral assessments.

9. The level of risk understanding varies across the competent authorities. Overall, the authorities demonstrated a good understanding of the ML risk while the understanding TF risk is fairly good. Competent authorities such as the FIA, CBL, LACC, LDEA, LNP and LRA demonstrated a good understanding of ML risks in Liberia. Competent authorities with CFT roles, especially the NSA, LNP, FIA and Customs demonstrated a fairly good understanding of TF-related risks. Understanding of TF risks among the supervisory authorities is stronger in the CBL, while the DNFBP supervisors (recently designated by the new AML/CFT Act) have a low understanding of TF risks. The private sector, especially banks, demonstrated more awareness of the results of the NRA compared to NBFIs and DNFBPs.

10. Liberia has adopted a four-year AS-AP based on the findings of the NRA. The Plan prioritises and covers the key areas of deficiencies identified in the NRA. Implementation of the Plan is on-going with some results achieved. The AS-AP is supplemented by strategies adopted by some competent authorities (including the LACC, LNP and the National Security Agency) which address some of the main risks identified in the NRA. Generally, some competent authorities are beginning to align their objectives and activities with national ML/TF risks and the AS-AP. Resource constraints in some instances have hindered the ability of some of the competent authorities, particularly LEAs, in effectively achieving their objectives and activities. Nevertheless, the authorities have taken a collaborative and shared resources approach, such as the use of taskforces to ensure that their objectives, including targeting those predicate offences that are high risk, ML and confiscation, are achieved to some extent.

11. Cooperation and coordination at the policy level is strong and constitutes one of the strengths of Liberia. The IMC is the overarching domestic coordination and cooperation body and plays a central role in developing policies and coordinating national efforts to implement AML/CFT measures, and drives other pertinent AML/CFT programme. The IMC is in place and functional; and facilitated the review or amendment of pieces of legislation, and the conduct of the NRA. At the operational levels, relevant authorities generally cooperate under various operational platforms such as the Joint Airport Task Force (JAIT), the Financial Crimes Working Group (FCWG) and there are also specialised task forces to facilitate interagency coordination amongst LEAs. However, there is no operational cooperation mechanism in relation to PF.

12. Based on the efforts made to share the results of the NRA, most private sector operators, especially banks, demonstrated a high level of awareness of the assessment's findings, while few of the reporting entities, mostly medium and low risk DNFBPs demonstrated lack of awareness.

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

Use of Financial Intelligence (Immediate Outcome 6)

13. The FIA is the central national agency responsible for receiving and analysing STRs and other relevant information and disseminating financial intelligence to competent authorities to help in identifying potential cases of ML, associated predicate offences and TF. Most STRs filed to the FIA are generated by the banking sector, with few from some NBFIs. The STRs are generally of good quality, but the volume is considered low. DNFBPs and some NBFIs (some of which are assessed as medium to high risks in the NRA), as well as Customs are not filing statutory reports (STRs and reports on cross border declarations of currency and bearer negotiable instruments (BNIs)) to the FIA, which potentially deprives the FIA of the necessary transaction information to support in-depth intelligence analysis, and could ultimately impact adversely on the availability of financial intelligence to be used in investigations to develop evidence and trace criminal proceeds related to ML, associated predicate offences and TF.

14. Financial intelligence from the FIA (upon request and spontaneously) are primarily utilised by LEAs to support investigation of predicate offences and to a very limited extent ML/TF. LEAs do not effectively request financial intelligence from the FIA to support their ongoing investigations or to identify and trace proceeds of crime. While LEAs in Liberia have access to a wide variety of information sources to enable them to initiate and support their investigations on ML/TF and to identify and trace proceeds of crime linked to ML/TF, they make limited use of financial intelligence to support their investigative activities.

15. The FIA lacks adequate human, technical and financial resources and has made limited use of its powers to access information from some key agencies, including the LNP, Customs, LACC and NSA to enhance the performance of its core function (especially operational analysis), which represents a gap that could impact its ability to conduct comprehensive analysis. Strategic analysis by the FIA needs significant improvements to better support the needs of other competent authorities.

Immediate Outcome 7 (ML Investigation and Prosecution)

16. Liberia identifies ML cases in several ways including open-source news media, whistle-blower reporting, FIA spontaneous disseminations, investigations of predicate offences and verifications of asset declarations filed by some categories of public officials. The FIA actively supports all financial investigations and LEAs coordinate well with the FIA, although this is mainly through informal channels.

17. In practice, ML is investigated by the LACC and LNP only. Liberia focuses more on simple self-laundering cases and has not investigated a standalone ML case. Parallel financial investigations are commenced in relation to certain predicate offences, including corruption, but not for other high-risk offences such as drug trafficking. Where parallel financial investigations do take place, the proceeds of crime are not traced beyond the predicate offence, this demonstrates LEA's lack of understanding of the ML offence and the investigation required for a successful prosecution.

18. Investigative and prosecutorial authorities do not have adequate financial, technical, logistical and human resources to identify and investigate ML effectively. Liberia suffers from porous borders and the lack of immigration controls which allows suspects to flee the jurisdiction after indictment and prior to trial.

19. Liberia has very low rate of ML prosecutions, indicating that ML cases are not being proactively pursued and prioritised. There has been no conviction for ML. Liberia uses restitutions agreements instead of formal prosecution and conviction. This approach could impede the effective prosecution and application of sanctions to mitigate the ML risk and ultimately dissuade potential criminals from carrying out proceeds generating crime and ML.

20. The legal framework has moderate shortcomings in relation to conduct occurring in another country (foreign predicate offences) and powers to use investigative techniques such as controlled delivery, electronic or other forms of surveillance and undercover operations, except during investigation of crime on behalf of foreign countries within the framework of international cooperation.

Immediate Outcome 8 (Confiscation)

21. The enactment of the new AML/CFT Act and adoption of the AS-AP in 2022 has enabled Liberia to establish confiscation as a high-level priority. However, it is too early to assess the effectiveness of the AML/CFT Act and the AS-AP. The FIA seeks to identify criminal assets at an early stage during the investigation and has demonstrated an increased use in freezing orders, although these have focused on funds in bank accounts and have not been widely used in relation to other types of asset or instrumentalities of crime.

22. The low rate of compliance with asset declarations by individuals entrusted with prominent public functions contributes to Liberia's inability to identify, investigate and recover property generated from corruption and ML offences. The restitution and tax settlement processes, particularly out of court, lacks efficient enforcement mechanisms. Liberia has made progress, but has not yet recovered criminal proceeds that have been transferred overseas, and has obtained one confiscation order. This is not fully consistent with its threats, risk profile and national AML/CFT policies.

23. Liberia has a robust legal framework to address the threat of falsely / undeclared currency / BNIs physically transported across its borders. However, declarations, detections of false / non-declarations and seizures appear incommensurate with the cross-border risks facing Liberia.

24. Overall, the absence of criminal convictions severely inhibits Liberia's ability to confiscate all types of criminal property.

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

Immediate Outcome 9 (TF investigation and prosecution)

25. The authorities responsible for TF investigations demonstrated a fairly good understanding of TF risk largely based on their operational activities and/or participation in the NRA. The identification of a suspected terrorist training camp in a border county demonstrates the NSA and other relevant authorities' ability to monitor terrorism and TF threats in the country. Though there has been no TF prosecution or conviction, the NSA received five (5) intelligence from the FIA and two TF investigations were conducted, which further demonstrates some capacity to identify and, to some extent, investigate and prosecute TF. Generally, Liberia has a preventive approach to TF.

26. Liberia has a National Security Strategy (NSS) with a component of countering terrorism and provides for the promotion of cooperation for information sharing amongst strategic institution across private and public sectors. Although the NSS does not integrate CFT elements, this gap is mitigated by the AS-AP. For instance, the second objective of the AS-AP (Improves the Investigation of ML/TF & P

cases) has specific item dealing with enhancement of capacity of LEAs to detect/investigate TF and TF related activities (item 2.7 - Build the capacity of LEAs to detect/identify TF and TF related activities). Overall, this is aimed at reducing the risk of terrorism/TF. The FCWG is a multidisciplinary team that provide an operational platform for LEAs to cooperate on intelligence and information sharing, which could include terrorism / TF related issues.

27. Although Liberia is yet to prosecute and/or convict any person for terrorism or TF, the legal framework provides for TF sanctions. However, the effective, proportional, and dissuasive implementation of the sanctions and any other measures to deter TF activities could not be determined. Liberia has provisions in her AML/CFT Act (Freezing Order Act 15.4.1) to seize assets linked to suspected individual terrorists or terrorist organizations. In addition to the alternative criminal justice non-conviction-based measure, Liberia also uses preventive measures to combat radicalisation and prevent the spread of violent extremism that may lead to support for and the financing of fighters in conflict zones or the perpetration of terrorist acts.

Immediate Outcome 10 (TF preventive measures and financial sanctions)

28. Liberia has legal and institutional frameworks for implementing UNSCR 1267 and 1373 and successor resolutions. Liberia established by law, a counter-terrorism advisory committee to advise the Attorney General on request for sanctions submitted by foreign countries. However, there is no mechanism or authority in charge of identifying targets that meet the designation criteria both for UNSCR 1267 and 1373. In addition, no guidance has been issued on the implementation of TFS for the private sector and there is no evidence that the communication mechanism of designation is functional, although UNSCR 1267 obligation takes effect immediately upon designation publication by the UN. In this context, implementation of TFS obligations is generally limited (see IO4).

29. Liberia has assessed the TF risks of NPOs operating in the country. However, the assessment did not identify the sub-set of NPOs at risk of TF abuse and no targeted review of the adequacy of the legal frameworks has been undertaken. In addition, there is no guidance and outreach to raise awareness about the potential misuse or abuse for TF purposes while no monitoring or supervision of NPOs has occurred. Nevertheless, the authorities believe that some NPOs that receive funding from international sources could be at risk of being abused for TF and require effective monitoring /supervision.

Immediate Outcome 11 (PF financial sanctions)

30. Liberia has no legal framework to implement TFS concerning the UNSCRs relating to the combating of the financing of proliferation (TFS-CFP). No competent authority is responsible, or resources are made available to implement TFS-CFP. While the recent AML / CFT Act 2021 and the AS-AP show Liberia's commitment to establishing effective TFS-CFP implementation, no progress is yet to be made.

31. The authorities have a limited understanding of TFS-CFP and have not conducted outreach or provided guidance to the regulated sectors. Understanding of TFS-CFP derives from organisations' own learning and group policies. Consequently, understanding of TFS-CFP is generally better within banks than non-bank FIs and DNFBPs.

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

32. Banks have the most evolved understanding of risks, while MMSPs have a fair understanding and most of the other FIs/DNFBPs have a rather limited or low level of understanding, albeit an evolving

one for the remittance service providers and FX bureaus. FIs/DNFBPs rest their understanding of risk on the results of the NRA, but there does not seem to be a strategy in place to maintain this understanding over time. Weaknesses of the institutional risk assessments of banks and lack of risk assessments by most of the other sectors affects the implementation of risk-based mitigating measures. In addition, some DNFBPs, including lawyers and TCSPs, do not have an appropriate understanding of their AML/CFT obligations.

33. Implementation of CDD and EDD measures by banks and MMSP has been improving but remains uneven, in particular with respect to agents. Implementation of CDD measures by remittance service providers and FX bureaus remains at a rudimentary stage. Lawyers, casinos, accountants and TCSPs implement some level of CDD but verification remains limited although more developed for lawyers and TCSPs. This has an impact on the identification of BO and PEPs which is compounded by the reliance on unreliable sources of information to conduct verification. It also has an impact on the filing of STRs which remains low but has been steadily improving for banks and some MMSPs. Only few banks are aware of their TFS obligations. Although most FIs, especially commercial banks, remittance service providers, MMSPs and insurance operators have established internal control measures, including designation of compliance officers, only banks and MMSPs could demonstrate commendable steps to address ML/TF risks.

34. Assessment of the effective implementation of preventive measures by DPMS and real estate agents – both moderately weighted sectors – was not possible as those sectors did not meet with the assessment team and no inspection reports was available.

Supervision (Chapter 6; IO.3; R.14, R.26–28, 34, 35)

35. Licensing procedures for FIs include robust controls to prevent criminals from controlling or managing an FI, but need to be improved to include BOs and continuous controls. The licensing/registration controls for DNFBPs vary but are generally not adapted to prevent market entry by criminals. Recent efforts have been deployed to identify illegal foreign exchange bureaux and led to an increase in licensing of FX bureaus. The identification of unlicensed players and illegal activities for other sectors, including DPMS and remittance service providers, is not apparent.

36. The CBL commenced the implementation of robust risk-based supervision tools for the banking sector in 2021, but still needs to adapt its supervisory strategy to the risks, fine-tune its risk profiling tools and ensure that its inspection manual covers all AML/CFT obligations. Supervision of NBFIs by CBL is limited and is not yet informed by risk. The FIA has recently conducted inspections of FIs by itself, but these are not guided by a risk-based approach. The collaboration between the CBL and the FIA is limited and leads to inefficiencies. The CBL is not using its sanctioning power and it is not effectively following up on remediation actions, while the FIA has recently implemented sanctions which have had an impact on compliance. Supervision of DNFBP sectors is yet to commence, with some supervisors not yet aware of their new AML/CFT supervisory role and it is unclear if supplemental legislative changes are needed to enable their role. Some useful guidelines and training were conducted for FIs but efforts with respect to DNFBPs remain limited.

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

37. Information on the types of legal persons that can be created in Liberia are publicly available on the websites of registries. Basic information on legal persons and legal arrangements are maintained at various registries and are publicly available upon request. Offshore and maritime legal persons created by LISCR are subjected to CDD and KYC measures but not commensurate with the risks to which these

legal persons are exposed. However, legal persons created by LBR though subjected to general registration requirements, the verification of information during the registration process is inadequate. Foundations, Associations and NPOs are not required to maintain records, and are not subject to sanctions. Basic information on legal arrangements can be accessed from the National Archive Centre (NAC).

38. Liberia has legal framework for obtaining BO information of legal persons. Competent authorities, including LEAs can obtain BO information of some legal persons from LISCR (offshore and maritime companies) upon request and LEITI (some companies in the extractive sector) through its website. However, LEITI does not verify the BO information it collects and there are concerns about LISCR's identification and verification of BOs and timely access to such information by LEAs. LEAs could access BO information from FIs and DNFBPs, however the implementation of CDD measures on BOs by the private sectors remains limited for many sectors. BO information on legal arrangements is not collected.

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

39. Liberia has a strong legal framework for international cooperation, including MLA, extradition and asset tracing. The Central Authority, located within the MOJ, has primacy for international cooperation but has limited resources and no guidelines or case management system to assist with the process and prioritisation of MLA and extradition requests.

40. Liberia makes and receives a very small number of requests for international cooperation. The response rate to incoming requests is extremely low. Competent authorities, including the FIA, do not make effective use of formal or informal international cooperation to progress domestic investigations, including the exchange of beneficial ownership information. Of the competent authorities, the LRA is the most active in international information exchange.

Priority Actions

- a) Liberia should continue to improve its understanding of ML/TF risks by conducting additional sectoral and thematic assessments and widely disseminating the results of all assessments to relevant stakeholders. Similarly, Liberia should adequately resource the IMC, including by creating Working Groups to manage priority areas to enable a better coordination and monitoring of the implementation of the AS-AP.
- b) The Government should provide adequate technical, human, and financial resources to the FIA to strengthen its analytical ability (both operational and strategic) in order to better support financial investigations by LEAs and enable it to conduct its supervisory responsibility. In addition, the FIA should access and fully optimise all the available information in the databases of relevant public authorities to support its analysis.
- c) Liberia should strengthen the FCWG and leverage this platform to: (i) coordinate ML identification and investigation in accordance with the country's risk profile; (ii) enhance the capacity of competent authorities through the provision of human, and financial resources, as well as ongoing specialised training for LEAs and prosecutors; (iii) develop standard operating procedures or manuals that guide ML investigations and prosecutions; (iv) reduce the reliance on the restitution process and enhance focus

on prosecution of all types of ML; and (v) maintain comprehensive statistics on investigation and prosecution of ML.

- d) Liberia should ensure that confiscation of criminal proceeds, instrumentalities and property of equivalent value are commensurate to risk. LACC and LRA should take steps to increase compliance with public officials' asset declarations and cross border currency / BNI declarations, including enhanced efforts to detect false / non declarations. The Property Manager should be appointed in accordance with the AML / CFT Act, to facilitate the effective recovery and management of proceeds of crime and related property.
- e) To address the deficiencies caused by porous borders, Liberia should improve coordination between Immigration, Border and Customs Officials and law enforcement agencies to improve effectiveness of ML and TF investigations.
- f) Liberia should assess the ML/TF risks related to legal persons, in particular the offshore and maritime sector, and adopt appropriate mitigating measures, including to strengthen (i) coordination between LBR, MOFA and LISCR for timely access to accurate and up-to-date information and (ii) the implementation of Liberia's multi-pronged approach (LBR central registry, implementation of CDD by FIs/DFNBPs, LEITI initiative) for access to accurate and up-to-date BO information for all legal persons.
- g) Supervisors should provide to high and medium risk FIs/DFNBPs: (i) guidance and training on implementation of CDD, especially regarding the verification of identity of customers without National Identification cards, foreign customers and legal persons and identification of BO; (ii) sector-specific risk indicators in particular to improve STR reporting; (iii) guidance on the identification of domestic and foreign PEPs, including the need to identify family members and close associates. Similarly, Liberia should consider providing access to FIs/DFNBPs to asset declarations of public officials to facilitate the implementation of EDD measures.
- h) Liberia should: (i) enhance the legal framework to ensure that all DNFBPs, in particular DPMS and real estate agents, are subject to a licensing/registration regime that prevents criminals from accessing these businesses, (ii) ensure that DNFBP sectoral supervisors understand the risks in their sectors, develop their supervisory skills, produce guidance and effectively implement supervisory activities in their sectors, and (iii) allocate adequate resources to each DNFBP supervisor to enable effective implementation of supervision, including by establishing an efficient division of supervisory responsibility between the FIA and sectoral supervisors mindful of FIA's overall priorities.
- i) CBL should expand the application of its AML/CFT supervisory tool to the supervision of NBFIs and ensure that supervisory resources are allocated based on the risks to ensure that high risk sectors are closely monitored through more frequent offsite and onsite examinations.
- j) Liberia should establish clear coordination mechanisms between supervisors with responsibility over the same sectors to, amongst other, enable the development of

common sectoral risk assessments, sharing of information on sectoral risks and individual FI/DNFBP's compliance, development of supervisory work plan for coherent and efficient coordination of offsite and onsite inspections and trainings, and coordination of the implementation of sanctions, in particular where the FIA lacks the requisite authority.

- k) The IMC should establish and sufficiently resource an operational working group responsible for: (i) ensuring the adoption of legislative and operational frameworks to implement TFS-CFP without delay, in accordance with R. 7; (ii) producing guidance on obligations and implementation of TFS for PF and TF for reporting entities and legal and natural persons; (iii) providing reliable access to the UNSCRs regarding TFS and the latest Consolidated List of designated persons and entities, without delay; and (iv) including TFS as part of inspection manual for supervisors.
- l) Liberia should improve the timeliness and quality of its response to MLA requests and proactively seek international cooperation to support ML/TF investigations with a cross-border elements, including to trace and recover assets by amongst others enhancing the procedures for the distribution and monitoring of requests and training to strengthen capacities of relevant competent authorities (MOJ, FIA, LEAs etc).

Effectiveness & Technical Compliance Ratings

Table 1. Effectiveness Ratings¹

IO.1	IO.2	IO.3	IO.4	IO.5	IO.6	IO.7	IO.8	IO.9	IO.10	IO.11
Mod	Low	Low								

Table 2. Technical Compliance Ratings²

R.1	R.2	R.3	R.4	R.5	R.6	R.7	R.8	R.9	R.10
LC	LC	PC	PC	PC	PC	NC	NC	LC	PC
R.11	R.12	R.13	R.14	R.15	R.16	R.17	R.18	R.19	R.20
C	PC	LC	LC	NC	PC	C	LC	LC	LC
R.21	R.22	R.23	R.24	R.25	R.26	R.27	R.28	R.29	R.30
LC	PC	LC	PC	PC	PC	LC	PC	C	PC
R.31	R.32	R.33	R.34	R.35	R.36	R.37	R.38	R.39	R.40
PC	LC	PC	PC	PC	LC	PC	LC	LC	PC

¹ Note: Effectiveness ratings can be either a High- HE, Substantial- SE, Moderate- ME, or Low – LE, level of effectiveness.

² Note: Technical compliance ratings can be either a C – compliant, LC – largely compliant, PC – partially compliant or NC – non compliant.

MUTUAL EVALUATION REPORT

Preface

1. This report summarises the AML/CFT measures in place as at the date of the on-site visit. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CFT system, and recommends how the system could be strengthened.
2. This evaluation was based on the 2012 FATF Recommendations and was prepared using the 2013 Methodology. The evaluation was based on information provided by the country, and information obtained by the evaluation team during its on-site visit to the country from September 5-16, 2022.
3. The evaluation was conducted by an assessment team consisting of:
 - David Borbor, Financial Intelligence Unit, Sierra Leone – Financial Sector (Preventive Measures) /Risk Assessment Expert;
 - Jamila Yusuf, Central Bank of Nigeria – Financial Sector Expert (Supervision);
 - Lamin Jarjue, Ministry of Justice, The Gambia – Legal Expert;
 - Daniel O. Isei, Economic and Financial Crimes Commission, Nigeria – Law Enforcement Expert;
 - Robert MacArthur, United Kingdom (UK), HM Treasury – Law Enforcement Expert (till December 2022); and
 - Ian Collins, UK, HM Treasury – Law Enforcement Expert (From December 2022).
4. with the support from the GIABA Secretariat represented by:
 - Giwa Sechap, Principal Officer, Financial Institutions and Non-Financial Entities;
 - Timothy Melaye, Information Manager;
 - Gina Wood, Senior Legal Officer;
 - Lansana Daboh, Risk Monitoring Officer; and
 - Sabrina Lando, Policy Analyst (FATF Secretariat)
5. The report was reviewed by: Agboola T. Pius (National Insurance Commission, Nigeria); Emil Meddy (Financial Intelligence Centre, Ghana); David Shannon, (Asia Pacific Group Secretariat), and the FATF Secretariat.

6. Liberia previously underwent a GIABA Mutual Evaluation in 2011, conducted according to the 2004 FATF Methodology. The 2011 evaluation has been published and is available at <http://www.giaba.org>.

7. That Mutual Evaluation concluded that the country was Partially Compliant (PC) with 22 Recommendations and non-compliant (NC) with 27 Recommendations. Liberia was placed on the Expedited Regular follow-up process (annual reporting) immediately after the adoption of the MER in May 2011. However, as a result of failure to address some of identified strategic deficiencies in its AML/CFT regime, Liberia was placed on the Enhanced Follow Up process in November 2016. Through concerted efforts and high-level commitment, Liberia was able to address the deficiencies and in November 2017, the GIABA Plenary returned Liberia to the Expedited Follow Up process. In line with the GIABA Mutual Evaluation Process and Procedures (ME P&P), Liberia exited the follow-up process in December 2020 to enable the country to prepare for its second round of mutual evaluation.

CHAPTER 1. ML/TF RISKS AND CONTEXT

8. The Republic of Liberia is located on the West African Coast. It is bordered by Sierra Leone to its northwest, Guinea to its north, Cote d'Ivoire to its east, and the Atlantic Ocean to its south and southwest. The capital city is Monrovia. Liberia is one of the least developed countries in the world³ and is a low-income⁴ post conflict State. Since the signing of the Comprehensive Peace Agreement in 2003 following a prolonged civil war, tremendous efforts and resources were put into rebuilding the country, reintegrating its people, and to establish functional institutions, good governance and consolidate peace and security.⁵ The country was ranked 76th in the 2021 Global Peace index⁶ and is therefore relatively peaceful.

9. Liberia has a land area of 11,369 square kilometres⁷ and a population of 5.3 million (United Nations Population Fund estimate 2022)⁸, with Monrovia, Gbarnga, Ganta, etc. as the largest cities. Liberia operates a dual-currency system where both the Liberian dollar and the U.S. dollar are legal tenders (LRD\$1 = USD\$ 0.0064). It is one of the most highly dollarized economies in the world with about 84% of deposit held in dollars between 2007-2020⁹. The Gross Domestic Product (GDP) in Liberia was worth US\$2.95 billion in 2021. The official currency of Liberia is the Liberian dollar, although the US currency (US\$) is widely accepted. Liberia is rich in natural resources which include iron ore, diamonds, gold, fertile soil, fishery, and forestry. However, the economic potential of these assets remains largely untapped.¹⁰ Liberia is divided into 15 counties, which are subdivided into districts, and further into clans. Montserrado county- which hosts the country's capital- is the most populous county with over a million residents¹¹.

10. Liberia is a unitary state and a presidential representative democratic republic with a multi-party system. It has a clear separation of powers, defined by the 1986 Constitution. The President is the head of State, the head of government and the Commander-in-Chief of The Armed Forces of Liberia. Power is vested in the people, who are represented by the elected legislative assembly. The Legislature is unicameral comprising 103 members, of which 73 elected Representatives and 30 are elected Senators. Judicial power is vested in the judiciary, headed by the Chief Justice and comprising The Supreme Court; the Circuit Courts (Civil and Criminal); the Specialised Courts, and the Magistrate's Courts. The Judiciary has jurisdiction in all civil and criminal matters throughout the country.

11. The laws of Liberia comprise the Constitution, laws or statutes enacted by the Legislature and subsidiary legislation made under those Acts, the common law, and customary law.

12. Liberia is a member of the United Nations (UN), African Union (AU), World Trade Organization (WTO), African Development Bank (ADB), Economic Community of West African States (ECOWAS), and other international organizations. As part of ECOWAS, Liberia is a member of GIABA and endorsed the ECOWAS decision to adopt and implement the FATF Standards and other

³ <https://www.un.org/development/desa/dpad/least-developed-country-category/ldcs-at-a-glance.html>

⁴ <https://data.worldbank.org/country/XM>

⁵ <https://www.economicandpeace.org/wp-content/uploads/2021/06/GPI-2021-web.pdf> . The report ranked 163 independent states and territories according to their level of peacefulness.

⁷ <https://www.nationsonline.org/oneworld/liberia.htm>

⁸ <https://www.unfpa.org/data/world-population/LR>

⁹ IMF, Liberia: Selected Issues, volume 2022; issue 297. <https://doi.org/10.5089/9798400219665.002>.

¹⁰ <https://www.worldbank.org/en/country/liberia/overview#1>

¹¹ <https://www.mia.gov.lr/2content.php?sub=210&related=40&third=210&pg=sp>

relevant international instruments, including subjecting itself to mutual evaluation, aimed at combating money laundering (ML), terrorist financing (TF) and proliferation financing (PF) of weapons of mass destruction.

1.1. ML/TF Risks and Scoping of Higher Risk Issues

Overview of ML/TF Risks

13. This part of the report summarises the assessment team's understanding of ML/TF risks in Liberia. It is based on the NRA report, documents which are publicly accessible, as well as discussions with competent authorities and the private sector during the on-site visit. As further detailed in the sub-chapter below, the assessment team (AT) considers that the NRA has some weaknesses which limited Liberia's accurate understanding of its ML/TF risks.

14. Liberia is exposed to high Money Laundering (ML) risks (NRA report). The main domestic proceeds generating ML predicate offences in Liberia are corruption and bribery, illicit trafficking in narcotic drugs and psychotropic substances, tax evasion, currency counterfeiting, trafficking in human beings and migrants smuggling, counterfeiting and piracy of products, and robbery/ theft. There is no overall estimate available of the value of criminal proceeds in Liberia, and for the mentioned types of predicate offences, in particular. There is little information in the NRA on the techniques used or the degree to which domestic proceeds are being laundered in Liberia.

15. Bribery and corruption remain areas of concern and important sources of illicit gains in Liberia. Transparency International's Corruption Perceptions Index ranked Liberia 136th out of 176 countries in 2021¹², underscoring the widespread corruption in the country. The corruption problem relates mainly to high-ranking public officials, particularly in relation to public procurement. There are some noticeable corruption related investigations and prosecutions (see IO.7) with some convictions (although the convicts were granted Presidential pardon). In 2019, Liberia's Investigation, Restitution and Assets Recovery Team¹³ uncovered US\$485 million double payments to vendors. A former Minister and two of his deputies were convicted in 2019 of misapplication of Armed Forces of Liberia Soldiers and Pension Benefits and were ordered by the court to refund US\$1,147,646.35. The country is taking steps to address corruption, including the creation of the Liberia's Asset Investigation, Restitution and Recovery Team (AIRRET), and efforts to strengthen the anti-corruption legal framework, Liberia Anti-Corruption Commission Act, to empower the Commission (LACC) to prosecute corruption cases, and to compile, verify and recommend sanctions regarding Assets Declarations by some high-ranking public officials; as well as the enactment of the Whistle-blower and Witness Protection Act and efforts to establish a witness protection programme¹⁴.

16. Liberia does not have specific data available to estimate the country's exposure to cross-border illicit flows (related to crimes in other countries). There is little information on the techniques used or the degree to which foreign proceeds are being laundered in Liberia. The NRA did not provide much information regarding the source, nature and scope of the threat from cross border illicit flows.

¹² <https://www.transparency.org/en/countries/liberia>

¹⁴ https://www.emansion.gov.lr/2press.php?news_id=5384&related=7&pg=sp

17. With a reasonable diaspora population, Liberia's remittance sector is an important source of revenue for the country. There are approximately 1.2 million Liberians and people with Liberian Heritage scattered all over the globe, taking into account undocumented irregular migrants and the multigenerational diaspora¹⁵. In 2019, remittance inflow was 9.8% of GDP¹⁶. In 2021, the net personal/worker remittance inflows grew to US\$257.8 million (7.4 percent of GDP) from US\$212.0 million (6.1 percent of GDP) reported in 2020.¹⁷ This is an increase of US\$45.8 million (21.6 percent). The NRA identifies money remitters as being high risk, due largely to the activities conducted underground or by informal money remitters.

18. High risk sectors in Liberia include banks, FX bureaus; informal value transfer service providers, casinos, DPMS, real estate agents and lawyers. This is largely due to their importance in terms of their size, role or vulnerability. Overall, the banking sector remains the most vulnerable sector to ML risks due to its size and weight or importance in the overall financial sector. The securities sector, insurance companies and other FIs and DNFBPs are considered to have low ML/TF risks given their level of development and nature of services they provide in the context of Liberia.

19. The predominant use of cash in financial transactions makes the tracing of most transactions difficult and therefore providing an opportunity for the laundering of proceeds of crime. The large informal sector, limited availability of beneficial ownership information (BOI), and the low capacity and resource constraints of competent authorities increase the country's vulnerability to ML/TF. Similarly, porous land borders, weak cash controls at the borders, weak application of preventive measures, especially by DNFBPs, and the lack of supervision of most DNFBPs for AML/CFT purposes also contribute to ML/TF vulnerabilities.

20. Liberia has a dynamic and large shipping sector which presents some level of ML/TF risk. With 14 per cent of the world's ocean-going fleet dealing with about 200 million tons, the sector is key to the economy of the country. In 2022, Liberia is the third largest ship registry in the World after Panama and China in terms of number of ships registered and second in terms of tonnage¹⁸. The attractiveness of this sector is based on fiscal incentives and ease of registration, which is handled by LISCR, a US-based company mandated by the government to manage the registration.

21. The NRA rates TF risk as low. There has been no known evidence of threats from transnational terror groups to Liberia. Liberia does not have any home-grown terrorist groups, or individuals operating within the country and has not suffered any terrorist attacks. In addition, there is no evidence of NPOs in Liberia being abused for TF purposes. Nonetheless, the NRA noted that suspected operatives of some terrorist organizations in the Sahel region, mainly the *Front de Liberation de Macina*, may be exploiting Liberia's weak financial system to transfer funds into Liberia or remit money from Liberia to other countries. This could mean that funds for attacks in some parts of the region may be originating from, or transiting through Liberia. Overall, the existence of informal money transfer services, free movement of people within the ECOWAS region, weak implementation of cross-border currency/BNI declaration system ; weaknesses in the regulation of mobile money transfer operations; porous borders and low capacity of relevant authorities in monitoring and investigating TF make the country vulnerable to TF/terrorism. In 2018, three individuals with purported Malian links were arrested for using their illegal transfer system in Monrovia to facilitate TF (NRA). However, the case was dismissed due to lack of

¹⁵ <https://frontpageafricaonline.com/diaspora/why-diaspora-liberians-matter/#:~:text=There%20are%20approximately%201.2%20million,calling%20the%20United%20States%20home.>

¹⁶ [https://www.brookings.edu/blog/africa-in-focus/2021/03/15/keep-remittances-flowing-to-africa/#:~:text=In%20general%2C%20the%20economies%20of,GDP\)%20\(Figure%201.9%2C%20second](https://www.brookings.edu/blog/africa-in-focus/2021/03/15/keep-remittances-flowing-to-africa/#:~:text=In%20general%2C%20the%20economies%20of,GDP)%20(Figure%201.9%2C%20second)

¹⁷ <https://public.cbl.org.lr/doc/2021annualreport.pdf> pp. 52.

¹⁸ UNCTAD (2022). UNCTADstat. Available at <https://unctadstat.unctad.org/EN/Index.html> (accessed 1 October 2022).

evidence of any suspected crime including TF. The authorities have continued to monitor any potential activities that may support terrorism or may be linked to terrorism and terrorism financing.

22. In recent times, there has been a technological transformation of the banking sector with increasing use of digital products and licensing of subsidiary banks of international banks, which has created new vulnerabilities in Liberia. The cross-border nature of these new services continues to pose constantly changing challenges, especially in a context in which the use of these new services is becoming increasingly apparent in especially ML cases.

23. Liberia has not had any known formal links or trade relationships with Iran or the Democratic People's Republic of Korea (DPRK) in the review period. However, as indicated by the United Nations Security Council Panel of Experts established pursuant to Security Council resolution 1874 (2009) (UNSC PoE) report and FATF PF guidance, the maritime sector presents a higher exposure to potential breach of PF sanctions¹⁹. Therefore, Liberia's attractive maritime sector in terms of ship registration is an area of concern.

Country's Risk Assessment & Scoping of Higher Risk Issues

24. Liberia conducted its first ML/TF NRA exercise using the World Bank risk assessment tool and the FATF Guidance on Assessing the Risk of ML/TF from November 2018 to August 2020. Experts from the World Bank and GIABA Secretariat provided methodological and technical support.

25. The NRA was coordinated by the Inter-Ministerial Committee for Anti-Money Laundering and Countering the Financing of Terrorism (IMC) and led by the Financial Intelligence Agency (FIA). The NRA was carried out by Technical Working Groups comprising representatives of relevant competent authorities and private sector entities²⁰

26. The NRA assessed the national ML/TF threats and vulnerabilities factors using information obtained through questionnaires, interviews (meetings), statistical and other data provided by government agencies (such as criminal offences, STRs, supervision, investigations, border controls, international cooperation, and prosecutions) and representatives of the private sector, open-source information/data, and expert opinions of the relevant agencies. The country mapped out the inherent potential risk scenarios using ratings (i.e. high, medium high, medium, medium low, and low) of individual threat and vulnerability profiles. The NRA only indicates "residual risk" levels, which were determined considering the effectiveness of the legal and institutional system and the quality of compliance control systems across the sectors.

27. The NRA considered relevant data and information to form conclusions about the main ML/TF risks in Liberia. However, the NRA did not sufficiently assess some areas while some important sectors were not covered. For instance, the NRA analysis did not adequately include an analysis of some inherent contextual factors that may influence the risk profile of the country, especially the informal

¹⁹ See: FATF (2021), Guidance on Proliferation Financing Risk Assessment and Mitigation, FATF, Paris, France, <https://www.fatf-gafi.org/publications/financingofproliferation/documents/proliferation-financing-riskassessment-mitigation.html> and examples of sanction evasions through the maritime sector in the Final report of the Panel of Experts submitted pursuant to resolution 2569 (2021) of March 2022 referenced [S/2022/132](#).

²⁰ All the relevant competent authorities, including FIU, LACC, Central Bank, LNP, LRA, LDEA and NSA contributed to the NRA. Similarly, the private sector adequately contributed to the NRA. These include representatives of commercial banks, insurance companies, and some DNFBPs including those considered to pose high to medium risk (e.g. Casinos, Real Estate Agencies, Diamond/Gold Dealers / DPMS, and Bar Association/Lawyers)

economy; lack of in-depth assessment of NPOs and the TF risks emanating from NPOs. In addition, the NRA does not provide a full picture of the main methods, trends and typologies used to launder proceeds of crime in Liberia, which could have an impact on LEAs' understanding. Furthermore, there is absence of specific analysis on the risk associated with legal persons and inadequate assessment of the real estate sector. Additionally, vulnerabilities were identified in relation to resourcing within the competent authorities to analyse and investigate ML/TF offences, while the lack of AML/CFT oversight of some sectors, including DNFBPs was also identified as a key vulnerability. Although these factors impact Liberia's overall understanding of its ML/TF risks some of the observed shortcomings in the NRA were mitigated by some sectoral risk assessments conducted by the country (Risk Assessment for the NPO Sector and the Banking Sector Risk Assessment), corruption risk assessment of some key institutions and a survey on VASPs (covering the banking and insurance sectors).

28. Liberia disseminated over 225 hard copies of the NRA report to all key stakeholders and commenced engagements to sensitise stakeholders on the findings of the NRA. Similarly, soft copies were circulated to all relevant competent authorities for publication on their websites. Overall, the use of the results of Liberia's NRA to shape how Liberia combats ML or TF is still at early stages. Based on the outcome of the NRA, Liberia has adopted a National AML/CFT Strategy and Action Plan spanning 2022-2025 (AS-AP 2022-2025) to address key risks identified in the NRA report. Implementation of the AS-AP has commenced with some successes achieved ahead of scheduled timelines.

Scoping of Higher Risk Issues

29. In deciding what issues to prioritize for increased focus, the assessors reviewed material provided by Liberia on their national ML/TF risks and information from reliable third-party sources (such as reports from other international organizations). The assessors focused on the following priority issues, which are broadly consistent with the issues identified in Liberia's NRA.

- **Assessment and understanding of ML/TF risks:** Liberia's risk-based approach is particularly recent. It published its first assessment of ML/TF risks in September 2021 and conducted two sectoral risk assessments recently (2022). The team explored the extent to which the conclusions of the NRA appear reasonable. In particular, it focused on the extent to which organised crime and terrorist groups active in the region represent a risk in Liberia given porous borders. It also explored the extent to which virtual assets, shipping activities and offshore company formation represent ML vulnerabilities. It paid particular attention to authorities' understanding of ML/TF risks, in particular, the different ML techniques and the cross-border aspect and national cooperation efforts to mitigate those risks.
- **Cash-based economy and cross border transportation of currency:** Liberia is predominantly a cash-based economy with a large informal economy and porous borders. The preference for cash transactions by economic operators and the use of dual currency (the United States dollars and the Liberian dollars) regime can facilitate the flow of money outside the conventional financial systems and create cross-border risks with neighbouring countries who have a large informal foreign exchange market. Transactions by DNFBPs, especially those within the high-risk sectors such as real estate agents and DPMS, are characterised by large cash transactions, while AML/CFT control measures in place are inadequate. The assessors paid particular attention to the measures taken to mitigate risks, such as: the extent to which the FIA is making use of cash transaction reports to identify ML and associated predicate offences; the effectiveness of controls at the borders,

and domestic cooperation between the Customs and other relevant authorities, regarding cross-border physical transportation of currency and bearer negotiable instruments (BNIs); and measures implemented by the financial sector, particularly banks to identify the source of funds in relation to cash transactions.

- ***Use of financial intelligence and international cooperation in the investigation and prosecution of money laundering and confiscation of proceeds:*** The evaluation team sought to understand the extent to which competent authorities such as the LACC, Liberian Police, LDEA, LRA and Customs take measures to identify, trace, seize and confiscate criminal proceeds consistent with the country's risk profile. Assessors also focused on the investigation (including parallel financial investigation) and prosecution of ML offences arising from these predicates, in particular corruption and drug trafficking, and whether arrangements to return stolen funds to avoid criminal prosecution is reducing the dissuasiveness of sanctions relating to corruption offences. In addition, Assessors looked at the extent to which competent authorities access and use financial intelligence, including on declarations on cross-border transportation of currencies in the context of ML investigations. Given the cross-border nature of most predicate crimes, the Assessors sought to ascertain the extent to which LEAs are seeking appropriate assistance from their foreign counterparts in cross-border ML cases.
- ***Risk-based supervision of banks, FX bureaus, money remitters, and lawyers:*** The 11th Follow-Up Report of Liberia and Liberia's NRA highlighted the lack of supervision of DNFbps and some FIs for AML/CFT purposes. Considering the potential vulnerabilities and the weak or absence of supervision, particularly of DNFbps and some key sub-sectors of FIs, the assessment team focused on supervisory authorities' understanding of FIs sector risks (especially FX bureaus and remittance service providers) and the DNFBP sector (especially DPMS and lawyers); the extent to which these reporting entities are subjected to a risk-based AML/CFT supervision including the extent to which remedial actions and sanctions available are applied by supervisory authorities and their impact on reporting entities. Given the number of money remitters and FX bureaus operating informally, assessors paid particular attention to the authorities' efforts to identify illicit activities.
- ***Risk-based implementation of preventive measures by banks, FX bureaus, money remitters, and lawyers:*** The NRA report noted a low level of AML/CFT compliance by reporting entities, especially non-bank financial institutions (NBFIs) and DNFbps. Assessors focused on the extent to which the higher risk sectors (especially banks, FX bureaus, and MVTS /remittance service providers, and the DNFbps, particularly DPMS, casinos and lawyers) understand their ML/TF risks and AML/CFT obligations, and the effectiveness of the AML/CFT measures implemented by them, particularly the reporting of suspicious transactions; the implementation of appropriate CDD measures especially when doing business with higher risk customers such as PEPs, and whether the beneficial ownership information of their clients are obtained.
- ***Transparency of legal persons in relation to ML*** – In view of significant concerns highlighted in the NRA on corruption and the misuse of legal persons to launder the proceeds of corruption²¹, the team paid attention to the different competent

²¹ GIABA Corruption Typologies report, 2022

authorities' understanding of the opportunities for abuse by legal persons; the extent to which relevant authorities can obtain accurate and up-to-date information on beneficial owners of legal persons in a timely manner to support their operations; the measures taken to ensure the transparency of companies and associations; and the use of financial intelligence and international cooperation to identify any abuse of companies, including foreign vessels registration, in particular in the offshore sector. The team also explored recent efforts to increase the transparency of beneficial ownership in the extractive sector²² as it relates to environmental risks.

Areas of Lesser Risk and Attention

30. The assessment team devoted lesser attention to insurance companies, securities sector and Credit Unions, due to their relatively lower level of ML/TF risks and limited market share as identified by the NRA (see more details in Section 1.4.3. below).

1.2. Materiality

31. Liberia is a small, low-income and least developed economy, with a gross domestic product (GDP) of approximately US\$2.95 billion²³ in 2020. Liberia's economy is heavily dependent on sectors such as agriculture, forestry, fisheries, and energy and mining. According to 2020 data, the agriculture sector (inclusive of fishing and forestry), accounted for about 40% of GDP, the industry sector (including mining, construction, electricity, water and gas), contributed 11.7% of GDP and services accounted for a bit less than 50% of GDP²⁴. The country's principal exports are iron ore, rubber, gold, diamond and timber while the main commodities imported are petroleum products²⁵. Iron ore mining alone accounts for 47% of the country's total export earnings in 2020²⁶. Liberia's leading destinations of exports²⁷ were unchanged during the year.²⁸

32. The Liberian financial sector is dominated by commercial banks. As at end of December 2020, Liberia had 9 commercial banks, 7 of which are either subsidiaries or branches of foreign, mostly regional, banks from Cameroon, Ghana, Nigeria and Togo while individual foreign nationals either solely own or have significant shareholding (86.29%) of the remaining two banks. Assets of commercial banks make up 85% of the total asset base of the entire financial sector with total asset base of about L\$168,89 billion (approx. US\$ 1.1 billion) at the end of December 2021²⁹. The banking sector handles large volumes of activity or the largest number of transactions that occur in the financial system. It is interconnected with the international financial system by its ownership structure as well as cross-border transactions. Commercial banks are considered the most material segment of the financial sector.

²² The Liberia Extractive Industries Transparency Initiative (LEITI) has reported to be working on the establishment of the registry of beneficial owners for the extractive sector. Some regulations have already been adopted. (See: https://www.leiti.org.lr/sites/default/files/documents/2021_2022-Workplan.pdf)

²³ https://climateknowledgeportal.worldbank.org/sites/default/files/2021-07/15917-WB_Liberia%20Country%20Profile-WEB%20%281%29.pdf

²⁴ https://climateknowledgeportal.worldbank.org/sites/default/files/2021-07/15917-WB_Liberia%20Country%20Profile-WEB%20%281%29.pdf

²⁵ CBL Report 2020, pp.42

²⁶ Liberia- Country Commercial Guide, 2021

²⁷ Liberia Revenue Authority Annual Report, 2020, pp. 64. www.revenu.gov.lr

²⁸ CBL Report, 2020; pp. 42.

²⁹ Central Bank of Liberia, Annual Report, 2020. Pg. 61 & 95 https://public.cbl.org.lr/doc/annualreport_2020.pdf

33. All DNFBPs designated by the FATF operate in Liberia and are very diverse in terms of numbers, size and activities. A large number of the sub-sectors are not well regulated and therefore information about materiality is not always available. Lawyers and DPMS represent the most material sectors. Lawyers are extensively involved in a range of transactions related to the real estate sector. DPMS are involved in the largest export sector of the economy, with a dynamic extractive industry (iron ore, diamond and gold) which reported US\$ 45,243,496 in revenue in FY 2019/2020³⁰. There is only one known TCSP but its activities are considered material as it acts as an agent for all offshore foreign companies and ships.

34. On VASPs, the Central Bank of Liberia is not yet granting license for this sector because the associated ML/TF risks are not yet well understood. The sector does not appear material based on discussions with the CBL and the private sector who indicated that the activities for this sector are very limited, in addition to VASP activities being unauthorized.

35. The size of the informal sector of Liberia is significant and cash transactions are preponderant. Available data shows that about 90% of the population is engaged in the informal sector³¹. This simply means a substantial number of transactions are conducted outside the formal financial system. Though transactions in the informal sector are not necessarily criminal in nature; nonetheless, the sector may facilitate the development of illegal or criminal operations due to lack of transparency and monitoring. The wide use of cash in transactions limits the transparency of economic actors and transactions, as well as heightens the difficulties in traceability of transactions. Although, Liberia has taken some measures including the introduction the implementation of the National Financial Inclusion Strategy (NFIS), development of mobile money services, and the modernization of the payments system to reduce the level of cash transactions and the size of the informal economy, the informality index is still high and the use of cash in transactions is still prevalent and identified in the NRA as a risk factor for ML. Overall, these factors constitute significant vulnerabilities, which may pose some challenges for the country in the effective implementation of the AML/CFT regime.

1.3. Structural Elements

36. Liberia has the key structural pillars necessary to support an effective AML/CFT system. Since the signing of the Comprehensive Peace Agreement in 2003, the political environment in Liberia has been largely stable and there are government accountability frameworks, the rule of law and a functional and independent judiciary. The Minister of Justice and Attorney General is the Chairman of the AML/CFT IMC, which is the multi-stakeholders' group that is responsible for coordination and cooperation at the strategic level. This is a demonstration of the highest level of commitment to combat ML/TF, which was evident during the on-site visit. Political commitment has been demonstrated through amendments of AML/CFT related laws and regulations to largely address deficiencies identified in the 1st mutual evaluation and to incorporate new requirements introduced in the FATF Recommendations of 2012. However, more still needs to be done in terms of their effective implementation.

37. Efforts are being made to ensure government accountability, enforce the rule of law and strengthen the independence of the judiciary. Nevertheless, the Worldwide Governance Indicators (WGI) report³² of 2021 shows that in most dimensions of governance (e.g. voice and accountability;

³⁰ Liberia Extractive Industry Transparency Initiative, 13th report 2019-2020, p.10.

³¹ <https://documents1.worldbank.org/curated/en/198161608648605143/pdf/Appraisal-Environmental-and-Social-Review-Summary-ESRS-Recovery-of-Economic-Activity-for-Liberian-Informal-Sector-Employment-P174417.pdf>

³² <http://info.worldbank.org/governance/wgi/Home/Reports>

government effectiveness and rule of law), Liberia is below the 47-percentile rank among the countries surveyed. Although Liberia has stable institutions which can strengthen its AML/CFT systems, most of them still need to be properly capacitated or adequately resourced to deal with ML/TF cases.

1.4. Background and Other Contextual Factors

38. The porosity of Liberia's borders is affecting the country's effectiveness to prevent and detect ML, its predicate offences and TF. The country has about 173 entry points, only forty-five (45) are recognised as official and assessable to vehicles, or motor bikes, while the remaining one hundred and twenty-eight (128) entry points are not controlled.³³ This poses significant vulnerability and threat to the country's endeavour to counter ML and TF. Notably, it makes it vulnerable to abuse by transnational criminal organizations that continue to traffic various types of narcotic drugs, in particular to and from Nigeria and en route to destinations. In April 2022, the Liberia Drugs Enforcement Agency (LDEA) authorities seized nearly three kilos of heroin at the Roberts International Airport from a Nigerian originating from Nigeria. The largest seizure since the beginning of 2022.

39. While corruption remains an important challenge in the country which influences the effectiveness of AML/CFT measures, Liberia has made important strides in strengthening its legal and institutional frameworks to combat corruption. It ranks 136th amongst 180 countries according to the 2020 Transparency International Corruption Perception Index³⁴ and is one of the best results in the West African region for the year. According to the 2019 Ibrahim Index of African Governance, Liberia experienced significant improvement in governance quality in 2019, ranking 27th out of the 54 countries³⁵. The current government has taken some steps to strengthen the anti-corruption fight in the country. For instance, Liberia established an asset declaration regime, re-enacted the LACC Act in 2021 to give the Commission direct powers for prosecution, and had drafted a bill seeking the establishment of a specialised court to handle corruption cases as at the time of onsite.

40. Financial exclusion is also a key contextual factor that impacts the effectiveness of the regime, with a large portion of the population unbanked or with limited banking access, and a sizeable informal economy that uses cash as a payment medium. Government's efforts to introduce Microfinance Institutions (MFIs) and other forms of payments, like mobile money, although acknowledged, still do not mitigate much of the ML risks as majority of the population still do not have access to financial services. The level of financial inclusion in Liberia is low (35.7%)³⁶. The Central Bank of Liberia (CBL) is promoting financial inclusion with the implementation of the National Financial Inclusion Strategy - NFIS (2020 -2024) to provide financial services to the broader population of Liberia. The NFIS framework is built on three pillars: access to financial services and credit; digital financial services, and consumer protection and financial capability and is aimed at increasing access to formal financial services from 35.7% to 50% by 2024. Nevertheless, it does appear progress is affected by a strong preference to use cash by a majority of the Liberians.

41. While the AML/CFT framework has been in place for more than a decade, the maturity and sophistication of the regulatory and supervisory regime remains limited. Apart from the banking and insurance sectors, supervision practices are still relatively new or to be developed for most DNFBPs. This lack of maturity of the underlying regulatory and supervisory regime in some sectors is therefore affecting the implementation of effective AML/CFT actions.

³³ Page 38, NRA.

³⁴ <https://www.transparency.org/en/cpi/2020/index/nzl>

³⁵ <file:///C:/Users/hp/Downloads/2020-index-report.pdf>

³⁶ <https://public.cbl.org.lr/2press.php?news> National Financial Inclusion Strategy of Liberia available at <https://documents1.worldbank.org/curate>

AML/CFT strategy

42. Liberia issued a four-year AS-AP (2022-2025) following the completion of the NRA to address key risks/deficiencies identified in the NRA report. The Action Plan highlights the key gaps identified in the NRA, the proposed actions to be taken, expected outcomes, timelines for the implementation of each activity, as well as duly assigned responsibilities among stakeholder institutions. The IMC has responsibility to drive and supervise the implementation and monitoring of the Plan. At the time of onsite visit, implementation of the Plan has commenced with some success, including legislative reforms (enactment of the FIA Act, AML/CFT Act, LACC Act, Whistle Blower Act, etc), capacity building, supervision, and operational actions to strengthen investigation and confiscations.

43. Liberia has a National Security Strategy (2008) which incorporates national security threats. The Strategy focuses on improving coordination and oversight of multi-agency security activities, their accountability, sustainability, and resourcing plus their operational efficacy as well as highlight key priorities across national interest including, drug trafficking and corruption. However, specific issues of the financing of terrorism and proliferation of weapons of mass destruction (WMD) are not addressed in the National Security Strategy.

Legal & Institutional framework

Legal framework

44. Liberia has criminalised ML and TF in the AML/CFT Act which entered into force and effect on 12 August 2022. This Act repealed the AML/CFT Act of 2012 which criminalised ML/TF. The country has criminalised ML predicate offences in various statutes, including the Criminal Code. In general, the same laws along with the Financial Intelligence Agency Act, 2021³⁷, the MLA in Criminal Matters Act, 2012, the Act to establish Administrative Procedures for TFS, etc and AML/CFT related Regulations provide for the salient features of a sound AML/CFT regime based on the application of AML/CFT obligations, freezing and confiscation of proceeds and instrumentalities of crime, broad institutional framework, and coordination and cooperation (national and international).

Institutional frameworks

45. Various agencies/institutions and mechanisms are responsible for formulating and implementing AML/CFT policies. The key institutions responsible for AML/CFT in Liberia include:

- a) **National AML/CFT Inter-Ministerial Committee (IMC)** is the highest AML/CFT coordination body in Liberia. It is responsible for fostering national coordination and cooperation and also oversees the implementation of the AML/CFT regime at the policy level. The Ministry of Justice chairs the Committee, with the FIA as the Secretariat. Membership of the IMC is drawn from all relevant authorities³⁸ involved in the implementation of AML/CFT in the country.

³⁷ This Act entered into force and effect on 12 August, 2022. It repealed the Act to Establish the Financial Intelligence Unit of Liberia, 2012.

³⁸ Ministry of Justice- Chairman; Ministry of Finance and Development Planning- Vice Chairperson; Director General of the FIA as the Secretary General; Central Bank of Liberia member; Ministry of Foreign Affairs as a member; Ministry of Commerce and Industry as a member; Ministry of Mines and Energy as a member; Ministry of Labour as a member; Ministry of Transport as a member; Liberia Revenue Authority as a member; Liberian Anti-Corruption Commission as a member; National Lottery Authority as a member; Liberia Business Registry as a member; Liberia National Police as a member; Liberia Immigration Service as a member; Liberia Drug Enforcement Agency as a member; National Security Agency as a member.

- b) **Ministry of Justice/Attorney General (MoJ/AG)** is responsible for enforcing legislation on criminal law. It also coordinates the prosecutions of criminal cases, including those related to ML/TF and plays key roles in international cooperation, including serving as the Central Authority for incoming and outgoing requests for Mutual Legal Assistance (MLA) and extradition or giving effect to MLA and extradition requests.
- c) **Ministry of Finance and Development Planning (MoFDP)** provides general support and ensures adequate funding for effective implementation of AML/CFT measures. The MoFDP co-chairs the IMC.
- d) **Ministry of Foreign Affairs (MoFA)** is responsible for transmitting the lists of designations made by the United Nations Security Council related to terrorism, its financing, including notification of changes, to relevant competent authorities. It also coordinates all engagements with the relevant UN Committees on sanctions related matters. It is also responsible for the transmitting of MLA request received or sent via Diplomatic Channel.
- e) **Liberia Drug Enforcement Agency (LDEA)** is a semi-autonomous agency under the supervisory authority of the Ministry of Justice. The Agency is responsible for combatting illicit drug trafficking. It has mandate to implement all the measures for the prevention, control and suppression of illicit drug trafficking at the national level, and also to coordinate with other relevant authorities at international level, the fight against illicit trafficking in narcotics. Its mandate extends to the investigation of narcotic offences and related ML.
- f) **The Liberia National Police (LNP)** is primarily responsible for law enforcement and crime investigation throughout the country. Its mandates include to prevent crime, protect life and property, detect and prosecute offenders, maintain public order and ensure safety and security. The investigative functions of the Police, including investigation of financial crimes are conducted by the Crimes Services Division (CSD), the Criminal Intelligence Divisions (CID), the Major Crimes and Financial/Special Investigations Unit (FIU). The LNP also has an Anti-Terrorism Unit which investigates terrorism and terrorist financing related cases.
- g) **Financial Intelligence Agency (FIA)** is responsible for receiving and analysing STRs and other information and disseminating the resultant financial intelligence to relevant competent authorities. The FIA also has mandate to supervise reporting entities (FIs, VASPs and DNFBPs) for compliance with their AML/CFT obligations along with the sectorial supervisors. It serves as the Secretariat of the IMC and Liberia's focal point on AML/CFT matters.
- h) **The Liberia Revenue Authority (LRA)** is responsible for the implementation of revenue and customs legislations within the country. The Customs Department under the LRA manages Liberia's cross border declaration system of currency and BNIs over US\$10,000.00 or the equivalent being transported into or outside Liberia through its entry and exit points must be declared. The LRA also has a Fiscal Investigation Division that conducts administrative investigations into allegation of tax evasion, etc.
- i) **National Security Agency (NSA)** coordinates the collection and assessment of any intelligence that may constitute a threat to the security of Liberia and protecting the country from threats, including terrorism, and other serious crimes.
- j) **Transnational Crime Unit (TCU)** is an inter-agency Unit established through a memorandum of understanding between the United Nations Office on Drugs and Crime

(UNODC), MoJ, MOF and National Security and under the direct supervision of the MoJ. Its mandate is to fight illicit trafficking of drugs and organised crime, including ML. It also supports international and cross-border cooperation efforts to counter illicit trafficking and other forms of organised crime.

- k) **Liberia Anti-Corruption Commission (LACC)** is an autonomous institution responsible for investigating allegations of corruption and to take steps to eradicate or suppress corrupt practices including examining of the practices and procedures of Government Ministries and other public bodies to identify vulnerabilities for corruption and to perform public education. It also has power to investigate and prosecute ML cases.
- l) **Judiciary/Courts** are responsible for resolving conflicts, trial of crimes, and ensuring the protection of the rights of citizens. The Circuit/trial Court (Criminal Court C) of Liberia has original jurisdiction for adjudication of cases relating to ML/TF.
- m) **Liberia Business Registry (LBR)** is responsible for registration of companies, associations, and foundations.
- n) **The National Lottery Authority (NLA)** is responsible for licensing, regulating and supervising casinos, including for AML/CFT purposes.
- o) **The Ministry of Mines and Energy (MME)** licenses, regulates and supervises players in the extractive industry, including some wholesale dealers in precious metals and stones for administrative purposes, including for AML/CFT purposes.
- p) **Central Bank of Liberia (CBL)** is responsible for prudential and AML/CFT supervision and regulation for all FIs.

Financial sector, DNFBPs and VASPs

46. This section gives general information on the size and make-up of the financial sector, and DNFBPs in Liberia. Not all of the sectors are of equal importance, given the specific risks and context of Liberia's system. The level and types of ML/TF risks affecting individual reporting entities vary greatly, as do the ML/TF risks facing particular sectors.

47. An overview of the financial and non-financial sector is provided in Tables 1.1 and 1.2 below. There are gaps in information available, particularly for DNFBPs.

Table 1.1 - Type & number of FIs in Liberia as at December 2021

Types of FI	Number of entities	Size of the sector (Asset base)	% of total asset base of the financial sector	Estimated % of GDP ³⁹
Commercial Banks	9	L\$ 168 890 000 000 billion US\$ 1,095,132,075	85%	3.14%
- Branches	87	-	-	-
- Agents	237	L\$ 16,651,190,374 US\$ 108,265,217 (value of transactions)	-	-
Mobile Money Service Providers	3	L\$ 8,391,747,520 US\$ 54,565,517	3.30%	

39 Authorities at the Central Bank of Liberia and FIU. Central Bank of Liberia- **Error! Hyperlink reference not valid.** The estimated percentage of GDP was arrived at using Real GDP (US\$ 3.49 Billion) as at end December 2021.

- Agents	52,308	-	-	-
FX Bureaus	188			
Remittance Service Providers	36			
Micro-finance institutions	18			
- Deposit-taking MFIs	2	L\$1,274,526,000 US\$8,118,000		
- Credit only MFIs	19	L\$3,490,274,895.25 US\$22,517,902.55		
Credit unions	134	L\$101,599,710.00 US\$655,482.00		
Rural Community Financing Institutions (RCFIs)	12	L\$439,091,465.07 US\$3,040,122.68		
Village Savings & Loan Associations (VSLA)	1270			
Mortgage compagnies				
Financial Leasing companies				
Finance companies	1	L\$ 5,378,258,505 US\$ 34,970,958	2.12%	
Life & composite Insurance companies	11	L\$ 6,917,505,015 US\$ 44,979,575	2.73%	1.47%
- Insurance brokers	3	-	-	-
- Insurance agents	N/A	-	-	-
Securities sector	0	0	0	0

Source: CBL

Table 1.2 - Type & number of DNFBPs in Liberia as at December 2020

	Number	Explanation
Casinos	4	-
Notaries	N/A	Sector not organised as a profession. Notaries are appointed by the President based on nomination by the Chief Justice. The number of notaries is unknown.
Real Estate agents	N/A	Sector is not regulated or organised as a profession. The number of agents is unknown.
Accountants/auditors	86	-
Lawyers	637	-
DPMS	N/A	Only operators that are part of the extractive sector are licensed. All other dealers are not licensed and their number is unknown.
TCSPs	N/A	LISCR is the only known TCSP. If other TCSPs operate in Liberia, their number would be limited.

Source: FIA

48. The assessors ranked the sectors based on their relative importance in Liberia's context given their respective materiality and level of ML/TF risks. The assessors used these rankings to inform their conclusions throughout this report, weighting positive and negative implementation issues more heavily for important sectors than for less important sectors. This approach applies throughout the report, but is most evident in IO.3 and IO.4.

Heavily important

49. The following sectors are weighted as heavily important based on their materiality and risk:

- a) The **banking sector** is the largest sub-sector within the financial sector in Liberia and is dominated by foreign banks from the sub-region. It represents about 85% of the total

assets of the financial sector as at end-December 2021. The sector offers the main financial services, including current accounts, savings accounts, loans, mortgages, cash withdrawals, domestic and international transfers and remittances to the mass market. The overall banking sector ML/TF vulnerability was rated High in the NRA. Given the associated risks, the relative size, high number and value of transactions, the large number of customer base, ease of access and connection to international financial systems, the banking sector is weighted **heavily important** throughout this assessment.

- b) **FX bureaux** – There are 184 registered bureaux which provide currency exchange service and a large number of unregistered bureaux. They are assessed in the NRA to have a high ML/TF vulnerability, because of poor compliance with CDD and reporting requirements, and weak monitoring for compliance with AML/CFT requirements. In addition, some of them also offer remittance services which further increases the ML/TF risk presented by the sector. While there is no data about the scale of transactions handled by this sector, it is believed to be significant. Assessors took into consideration these factors as well as the cash intensive nature of their business, the attractiveness of the sole dual currency system in the region, activities of unregistered FX bureaux, the ease of access, and the ability to process large cash transactions and weighted the sector as **heavily important**.
- c) **Remittance Service Providers** Most of the remittance service providers are also mobile money agents, bank agents and/or FX bureaux. Six [6] are stand-alone remittance entities which handle their own clearing system.⁴⁰ The number of remitters increased from 17 to 36 [53%] between 2020 and 2021. Due to many cases of informal money remitters, the total number is considered much higher. The value of net personal inflow grew by 21.6% between 2020 and 2021 in Liberia based on a 9% increase in inward remittances and 16.8% decrease in outward remittances.⁴¹ The origin/destination country of most of those transfers is believed remain in the sub-region. The ML/TF vulnerabilities of the remittance sector was rated as medium high in the NRA. The Assessors weighted the sector **heavily important** because of the relatively high remittance inflow; remittance largely involving cash transactions, as well as the involvement of cash and movement of cross-border funds; their easy access; the inherent high-risk features of remittance service providers that can be abused for the purposes of both ML and TF; and the weak AML/CFT supervision of this sector which further increases the ML/TF risks relative to activities of the sector.
- d) **Lawyers** offer a wide range of services, including in sectors that are more vulnerable to ML such as real estate transactions; management of client assets, and creation of companies. In this regard, lawyers are at risk of being used wittingly or unwittingly to prepare, or carry out, transactions for their clients connected to proceeds of crime. Lawyers were assessed in the NRA as having Low ML/TF risk⁴². The NRA noted the low awareness of ML/TF risks and AML/CFT obligation, and the lack of AML/CFT supervision. Assessors considered these factors, as well as lawyers' gatekeeper role, in particular for the real estate sector and creation and management of legal persons in weighting them as **heavily important**.

Moderately important

50. The following sectors are weighted as moderately important:

⁴⁰ NRA, p.90

⁴¹ CBL 2021 Annual Report, p.52

⁴² NRA, p.99

- a) **Casinos:** There are 4 licensed casinos in Liberia. All the casinos are owned and largely patronised by foreigners⁴³. Casinos were assessed as presenting a medium-low ML/TF risk in the NRA due to the cash intensive nature of their activities, poor implementation of AML/CFT measures; and limited AML/CFT supervision although they are supervised for their other sectorial obligations by the National Lottery Authority (NLA). Based on these factors and the lack of information about the materiality of the sector, assessors weighted this sector as **moderately important**.
- b) **DPMS:** Liberia's extractive industry (mainly iron ore, gold and diamond) is a large contributor to GDP with exports representing 16% of GDP in 2020⁴⁴. Iron ore represented 39.5% of export revenues while gold and diamond represented 40.5%⁴⁵. Although Liberia identified DPMS as highly vulnerable to ML/TF, it did not assess the DPMS sector to ascertain the depth of the sector's exposure to ML/TF risks. While there have been considerable efforts to bring transparency to the extractive sector through the Extractive Industries Transparency Initiatives (EITI), details on the size and makeup of the sector are unclear and open-source information suggest that there is a large number of unlicensed players along the extractive chain⁴⁶. In addition, precious stones shops are not licensed or regulated and there is no data on this sector. In view of the inherent risks related to the DPMS sector and the importance of this industry in Liberia, the assessors weighted this sector as **moderately important**.
- c) **Real estate agents** – Real estate agents are not organised as a professional body with licensing and regulatory requirements and therefore their number is unknown. For AML/CFT purposes, the AML/CFT preventive regime applies to the sector and the FIA is in charge of the supervision. The NRA categorised the sector as “does not exist” but indicates that the real estate sector in Liberia is very profitable depending on the location of the property and perceived as the best investment option. The NRA also acknowledges the preponderant use of cash to finance real estate transactions, the unorganised nature of the sector, the lack of monitoring/supervision and the increasing investments in the sector by foreigners. On this basis, assessors weighted the sector as **moderately important**.
- d) **Mobile money service providers:** This sector has experienced enormous growth since its inception in 2011 due to its use of agents and ease of access to the unbanked population. Most recently, following some regulatory changes to expand the market, the number of transactions and agents has considerably increased (297% increase of US\$ transactions and 244% of L\$ between 2020 and 2021 and 47% increase in the number of active agents between 2020 and 2021)⁴⁷. The number of active subscribers has only slowly increased (5% over the same period) to reach 1.2 million in December 2021. There are 3 service providers with an agent network consisting of commercial banks, FX bureaus, RCFIs, MFIs and stores such as supermarket and gas stations. Accounts are

⁴³ NRA, p.101

⁴⁴ CBL 2021 Annual Report, p.53

⁴⁵ CBL 2021 Annual Report, p. 49

⁴⁶ Recent news reports indicate continuous challenges with small unlicensed miners and difficulties for the government to implement a sustainable and long-term strategy to address illicit mining. See: Front Page Africa. Liberia: Government Agent Connives with Illegal Miners in River Cess, (June 2022), accessible online; All Africa. Liberia Immigration Service, Others Blamed for Rampant Illicit Mining, (February 2022), [accessible online](#); Front Page Africa. Liberia: 'Illicit Mining Activities on the Increase' - Mines and Energy Minister Discloses, (February 2022), [accessible online](#). Daily Observer. Liberia: 'No Policies, Regulations on Small-scale Mining', (March 2022), accessible online; Kalokoh, A., & Kochtcheeva, L. V. (2022). Governing the artisanal gold mining sector in the Mano River Union: A comparative study of Liberia and Sierra Leone. *Journal of International Development*, 1–16. <https://doi.org/10.1002/jid.3643>; United States of America Department of Commerce. Liberia – Country Commercial Guide, (August 2022), [accessible online](#).

⁴⁷ CBL 2021 Annual Report, p. 87.

subject to transaction limits depending on the level of CDD performed, with the highest limits being a balance of US\$ 10,000 and daily and monthly transactions of US\$ 2,000 and US\$ 20,000 respectively. The NRA attributes a medium-high level of vulnerability to this sector mostly due to the lack of supervision of the agents and reporting to the CBL. Given the rapid growth and vulnerability of the sector but the limited scope of transactions, assessors weighted it as **moderately important**.

- e) **Trust and Company Service Providers (TCSPs)**: There is one known TCSP – the Liberian International Ship & Corporate Registry (LISCR), a Delaware-based company, was contracted by Liberia, through the establishment of a trust, to act as registered agents for legal persons and arrangements which do not maintain offices in Liberia and handle some transactions on their behalf⁴⁸. It also administers the Liberian Corporate Registry. It has registered over 15,000 companies from 130 countries. It is subject to AML/CFT obligations since 2022. Based on discussion held onsite, it appears that there are no other known TCSPs and the assessor therefore consider this sector as limited. There has not been a risk assessment of this sector. However, given the vulnerability of the LISCR business and the attractiveness of the taxation regime for offshore businesses, the assessors consider this sector as **moderately important**.

Less important

51. The following sectors are weighted as being of relatively low importance:

- a) **Notaries**: They are appointed by the President. Their activities are limited to the certification of non-contentious documents such as birth certificates, marriage license, testament, corporate records, court affidavits and power of attorney and therefore only conduct transactions foreseen by the FATF Standards to a limited extent. The NRA attributes the risk rating of “close to nothing” without supporting this assessment. Assessors weighted this sector as **less important**.
- b) **VASP**: While this sector is regulated for AML/CFT, the CBL has yet to establish a licensing regime. The CBL has deployed efforts to better understanding the risks related to this sector. There is one known VASP operating illegally from Liberia, but no proactive efforts to identify other illegal VASP operations. The assessors consider the materiality of this sector still very limited despite the potential rapid growth. Therefore, the assessors weighted this sector as **less important**.
- c) **The insurance sector**: The insurance industry in Liberia has low penetration (below 2% - NRA). There are 11 companies offering life insurances, mostly to group policies for state employees. This sector represents less than 3% of the asset base of the financial sector. The sector was assessed in the NRA as medium low but given the relatively small size of the sector, low penetration and the absence of any evidence of ML, assessors weighted this sector as **less important**.
- d) **The Securities sector**- The securities sector in Liberia is not developed. It represents the smallest segment in the financial sector. The securities market is divided into two broad categories - the money and capital markets. The money market deals with short-term securities predominantly Treasury bills, Treasury bonds and the CBL bills. The primary dealers in the money market are commercial banks. Liberia does not have a stock exchange and there is no active trading in shares in the capital market. The NRA noted medium ML/TF vulnerabilities for the securities market. Based on the size of the sector, lack of active trading in the capital market, existence of some control

⁴⁸ Act to Create and Establish the LISCR Trust Company and to Define its Power, Art. V.

measures by commercial banks, and the fact that no case of ML has been linked to the sector, the sector is weighted **less important**.

- e) **Other FIs and DNFBPs**, including Micro-Finance institutions, Rural Community Financial Institutions (RCFFIs), Village Savings & Loan Association (VSLA); Finance Companies, Credit Unions and accountants/auditors are weighted less important because of their small size, general low volume of transactions, existence of some control measures largely commensurate with their level of risks; and the fact that no case of misuse has been reported. The NRA found these to have, in general, a low ML/TF risk.

Preventive measures

52. Since the last mutual evaluation in 2011, the AML/CFT Act was re-enacted in 2021 and came into force in August 2022 to improve consistency with international standards. Generally, the AML/CFT legal framework cover requirements relating to preventive measures specified in the FATF Standards for FIs, DNFBPs and VASPs.

53. The FIA and CBL have issued AML/CFT regulations for FIs. These include the 2017 AML/CFT Regulation for FIs, 2016 CTR regulation for FIs, 2016 STR regulation for FIs and 2019 PEP Regulation for FIs and DNFBPs. These regulations impose more detailed requirements on FIs and are designed to assist them with the implementation of preventive measures, but have yet to be aligned with the 2021 AML/CFT Act. Apart from the 2018 AML/CFT Circular for the Gaming Sector and the PEP regulation, no AML/CFT Guidelines have been issued for the DNFBPs. CBL and FIA AML/CFT Regulations are considered enforceable means as per the FATF Methodology, 2013.

54. The AML/CFT Act does not exempt any activities or business from the full range of preventive measures. Similarly, the AML/CFT Regulations do not set out any exclusions from AML/CFT requirements but do allow for simplified due diligence in identified lower-risk situations and requires enhanced due diligence in identified higher-risk situations. The Act is however applicable to sectors normally outside the scope of the FATF Standards such as construction companies, dealers in automobiles, dealers in antiques, hospitality service providers, NPOs and NGOs. The inclusion of this sector is however not based on an assessment of ML/TF risks (see Section 2.2.3).

Legal persons and arrangements

55. Liberia recognises a wide range of legal persons and arrangements, with limited liability companies, limited partnerships and trusts considered to be the structures most likely to be abused for ML/TF purposes.

56. The Associations Law governs the creation of legal persons and legal arrangements in Liberia. The law establishes the framework that regulates the different types and forms of legal persons in Liberia as well as their characteristics, the process for their formation, and the information required to establish these types of legal persons. The breakdown of legal persons registered in Liberia is presented in Table 1.3 below.

Table 1.3 -Types of Legal Persons and Arrangements, in Liberia as of December 2021⁴⁹

Entity	Number	Description
Legal Persons		
Sole Proprietorship	5,328	Sole Proprietorship is a form of business enterprise that involves only one person as the beneficiary, who solely owns and controls the sole proprietorship. It is relatively easy to register and owner easy to be identified. The owner benefits from the business profits and is solely liable for losses and liabilities.
Other Private Limited Liability Companies	153	A private limited company, or LTD, private small business entity that limits owner liability to their shares, limits the number of shareholders to 50 not including employees, and restricts shareholders from publicly trading shares. Two or more persons holding one or more shares jointly in this type of company are treated as a single member.
Companies Limited by Shares	N/A	A company limited by shares means a company in which the liability of its members is limited to the amount (if any) unpaid on the shares held by them. It therefore provides shareholders with limited liability. Similarly, the directors of a company limited by shares are also not liable for the debts of the company.
Unlimited company	N/A	An unlimited company is a type of private company that has no limit on the liability of its members.
Companies Limited by Guarantee	N/A	A company limited by guarantee is a 'not for profit' or 'Charitable company', this refers to the fact the parties involved do not remove the profit from the company as shareholders can in a company limited by shares. Any profit made by the company is re-used for the good of the company
Public Limited Liability Companies	N/A	A PLC is a company that offers shares of stock to the general public. The buyers of those shares have limited liability in that they cannot be held responsible for any business losses in excess of the amount they paid for the shares.
Branch of a Foreign company/External Companies	18	Chapter 12 of the Associations Law of Liberia amended 2020 applies to foreign Companies, that is, companies incorporated outside of Liberia can be allowed to do business in Liberia if it is authorised to do so. It is a form of enterprise that is domiciled in another Country and wish to do business in Liberia
Partnership	33	Partnership is a form of business enterprise that involves two or more persons/legal entities as the beneficiary with the view of making profits.
Limited Partnership	N/A	Limited Partnership is a form of business enterprise that involves two or more persons/legal entities as the beneficiary, consisting of a general partner, who manages the business and has unlimited personal liability for the debts and obligations of the Limited Partnership.
General Partnerships	2882	<p>A general partnership is a business arrangement by which two or more individuals agree to share in all assets, profits, and financial and legal liabilities of a jointly-owned business. In a general partnership, partners agree to unlimited liability, meaning liabilities are not capped and can be paid through the seizure of an owner's assets. Furthermore, any partner may be sued for the business's debts. A partner is responsible for their personal tax liabilities—including partnership earnings—on their income tax returns as taxes do not flow through the general partnership.</p> <p>However, an act done by a partner apparently connected with the ordinary course of business of the firm is binding on the firm and all the partners unless the partner so acting has no authority to act for the firm in the particular matter; and the person with whom he or she is dealing either knows that he or she has no authority or does not know or believe him or her to be a partner.</p>
Firms	...	A firm means the group of persons who have entered into partnership with one another.

⁴⁹ These include both legal and business forms that do not engender separate legal personality (e.g., sole proprietorship, general partnerships etc).

Co-operative Societies	...	A group of societies whose object is to promote the economic interests or benefits of customers or workers or its members in accordance with co-operative principles or established with the object of facilitating its operations. They can be registered under Chapter 42.1 (Cooperative Societies Act), subchapter B of the Business and Corporations Act of Liberia, 1977 . Any society may be registered under the provisions of this Act if it meets the following requirements: (a) Its object is the promotion of the economic interests of its members in accordance with cooperative principles; (b) Its membership is composed of at least ten natural persons over eighteen years of age or of at least two registered societies or of a registered society and one or more natural persons over eighteen years of age; (c) Its members or the members of any registered society composing its membership reside within or occupy realty within the society's proposed area of operation; (d) None of its members who is a natural person shall hold more than one-fifth of the share capital of the society.
Non-Profit Organisation (NPO)	NA	Non-Governmental/Non-Profit Corporation – (NGO is a form of enterprise that consists of at least three or more persons or organizations).
Community-Based Organisation (CBO)	NA	A Community-Based Organisation provides social services at the local level. It is a non-profit organisation which operates within the confines of a particular community.
Non-Community-Based Organisation (Non-CBO)	NA	A Non-Community-Based Organization (Non-CBO) operates beyond one's community or nationally and even internationally as the case may be. They are primarily concerned with development projects, or advocacy NGOs, which are primarily concerned with promoting a cause.
Foundations	1316	A foundation (also a charitable foundation) is a category of non-profit organization or charitable trust that provides funding and support for other charitable organizations through grants, but may also engage directly in charitable activities. It is a form of business which can be authorised to operate in Liberia consistent with section 1.2 (c) of the Associations Law, amended 2020 of Liberia. A foundation can have board and members as beneficiaries not shareholders. It can be legal, created with a Constitution and Article of Association which expresses its objectives and powers.
Legal Arrangements		
Trusts		Any testamentary or inter vivo arrangement under which property is placed in the hands of a trustee for management or distribution. In Liberia, trusts are usually established through private arrangements. There are administrators and executors acting as trustees to the beneficiaries of estates and trusts.

Source: Liberia

57. The registration of legal persons (except for LPs operating vessels in the marine sector) is undertaken by the Liberia Business Registry (LBR). Basic information on the creation and the types of legal persons in Liberia is publicly available on the websites of LBR (<https://lbr.gov.lr/>). The Ministry of Foreign Affairs has contracted the registration services of legal persons conducting businesses in the marine sector (both domestic and foreign) to LISCRA a US based private entity (see Chapter 7 on IO5 for details).

58. The laws of Liberia permit the creation and operation of Trusts, like what obtains in most common law jurisdictions.

59. Different authorities and entities are involved in the registration and incorporation of the different legal persons:

- **LBR:** The LBR is created by the MOFA and the Ministry of Commerce and Industry (MOCI) to ease the process of registration and incorporation of legal persons resident in Liberia. The agency is a one-stop-shop for legal persons to get their businesses registered in real time. All

potential domestic legal persons that want to operate in Liberia are required to register with the LBR. Basic information is collected in the process of registration.

- **MOFA:** The MOFA is the authority responsible for incorporating all domestic and offshore companies, including maritime companies. MOFA also issues certificate of incorporation after registration. Prior to the establishment of LISCR, MOFA was also responsible for registering offshore companies and maritime businesses.
- **LEITI:** LEITI's mission is to promote the effective participation of civil society in the design, implementation, evaluation and modification of actions, activities, processes and institutional arrangements associated with resource governance in Liberia. It maintains a register of BO information on legal persons licensed by the MoME and registered with LBR to operate in the extractive industry. The register was established by an Act in 2009.
- **LISCR:** LISCR is a trust arrangement between the government and a US service provider and has been designated as the only authorised service provider to act as a registered agent for all Liberian non-resident corporate entities such as Corporations, Limited Liability Companies, General and Limited Partnerships, Private Foundations and Foreign Maritime Entities. It is therefore the central registration point for all offshore companies. As such, LISCR is a Trust Company Service Provider (TCSP). It collects basic and BO information on all its clients.

Supervisory arrangements

60. The CBL is the primary competent authority with AML/CFT supervisory responsibility for overseeing compliance with the AML/CFT requirements for FIs. Under the FIA Act, the Agency is empowered to participate in AML/CFT inspections of supervisory authorities to monitor compliance with AML/CFT obligations, when appropriate. This implies that the FIA can undertake standalone or joint inspections with the CBL. The CBL has some dedicated resources and supervisory tools to supervise and monitor all FIs, especially banks, to some extent on a risk sensitive basis, for compliance with AML/CFT requirements. The CBL plays a prominent role in Liberia's AML/CFT regime through representation at IMC, supervision and the issuance of AML/CFT guidelines/regulations. Overall, the CBL is responsible for licensing of all FIs.

61. The FIA has the authority to regulate and supervise all FIs, VASPs and DNFBPs for compliance with AML/CFT obligations, although it has yet to start supervising DNFBPs. It has not developed supervisory tools for any sector. It has dedicated resources, but they are largely insufficient. The lack of effective collaboration between the CBL and the FIA leads to inefficiencies in the use of supervisory resources (see para 428, under Immediate Outcome 3).

62. Registration and licensing of DNFBPs are undertaken through other legislation by a range of competent authorities or self-regulatory bodies, including the National Lottery Authority; The Liberia National Bar Association; and Liberian Institute of Certified Public Accountants. These authorities have AML/CFT supervisory function under the AML/CFT Act 2021 for their respective sector but it is unclear if amendments to their statutory legislation are needed to give full effect to their new supervisory role.

Table 1.4: Authorities Responsible for AML/CFT Supervision

	Licensing authority	Supervisory authority
FIs	CBL	CBL and FIA

VASPs	CBL	CBL and FIA
Casinos	NLA	NLA and FIA
Lawyers	LNBA	LNBA and FIA
DPMS (extractive sector)	MME	MME and FIA
DPMS (retail sector)	None	FIA
Accountants	LICPA	LICPA and FIA
Notaries	President of Liberia	FIA
Real Estate Agents	None	FIA
TCSPs	None	FIA

International cooperation

63. Liberia has ratified some international instruments relevant to AML/CFT, which it has domesticated to support its international cooperation. The legal framework for MLA and extradition is set out in the Mutual Legal Assistance in Criminal Matters Act, 2012 and the Constitution of Liberia, 1986. In addition, Liberia has entered into bilateral and multilateral agreements (e.g. INTERPOL, Asset Recovery Interagency Network (ARINWA), the West African Police Information System (WAPIS), West African Police Chiefs Committee (WAPCCO), Colleges of Supervisors of the West African Monetary Zone (CSWAMZ), etc as well as with other countries such as the USA, and Sierra Leone) to facilitate international cooperation, and in the absence of such agreements, on the basis of the principle of reciprocity. ML/TF are extraditable offences in Liberia.

64. The Ministry of Justice is the competent authority for MLA and extradition. The Mutual Legal Assistance in Criminal Matters Act enables competent authorities to assist foreign counterparts in obtaining information without a treaty or requirement for reciprocity. LEAs cooperate with foreign partners and have made and received requests on cases with their foreign counterparts regarding predicate offences and few cases relating to ML. No case on TF. The FIA has signed fourteen (14) Memorandum of Understanding (MoUs) with other FIUs, including FIUs in the GIABA region to facilitate exchange of operational information. The FIA had exchanged information with some of its foreign counterparts, including the FIUs of Ghana, Sierra Leone, and The Gambia. The CBL cooperates in the supervision of the financial market and exchanges information to the extent necessary for the performance of its tasks. Overall, Liberia engages largely in areas of informal international cooperation. Competent authorities also participate in various international AML/CFT fora and networks.

CHAPTER 2. NATIONAL AML/CFT POLICIES AND COORDINATION

2.1. Key Findings and Recommended Actions

Key findings

- a) Liberia has a good understanding of its ML risks and a fairly good understanding of its TF risks. This understanding varies across competent authorities and is based on the ML/TF NRA, sectoral risk assessments etc. Liberia completed its first NRA in September 2021. The NRA did not provide an in-depth assessment of TF risk, including the TF risk associated with NPOs; ML/TF risks associated with all the different types of legal persons and arrangements; and did not assess the ML/TF risks associated with VAs and VASPs. The shortcomings relating to the assessment of the NPO sector and VAs/VASPs in the NRA are partly addressed in the SRA of the NPOs and the survey on VASPs.
- b) A national AML/CFT&P Strategy and Action Plan (AS-AP), 2022-2025 was adopted following the completion of the NRA. The implementation of this Strategy has commenced with some success recorded and is expected to allow for a more defined and holistic approach in addressing identified ML/TF risks as well as better allocation of resources based on identified risks.
- c) The main competent authorities such as the LACC, LNP, and the NSA have strategies / policies that address some of the ML risks identified in the NRA. The implementation of these strategies/policies has guided the work of the various agencies and ensured that policy objectives are being achieved. While the FI supervisors (CBL/FIA) are at early stages, the activities undertaken by DNFBBPs regulators are yet to be aligned with the ML/TF risks identified. The authorities' objectives and activities are aligned with the TF risks to some extent.
- d) Resource constraints in some instances have an impact on competent authorities, particularly LEAs, in effectively achieving their objectives and activities. Nevertheless, authorities have taken a collaborative and shared resources approach, such as the use of taskforces to ensure that their objectives, including targeting those predicate offences that are high risk, ML and confiscation, are achieved to some extent.
- e) Cooperation and coordination at the policy level is strong and constitutes one of the strengths of Liberia. The IMC plays a central role in developing policies and coordinating national efforts to implement AML/CFT measures and drives other pertinent AML/CFT matters. At the operational levels, relevant authorities generally cooperate under various operational platforms and there are also specialised task forces to facilitate interagency coordination amongst LEAs. Operational cooperation is generally limited amongst

supervisors on AML/CFT matters but strategic cooperation is fairly good between the FIA and CBL and at rudimentary stages between the FIA and DNFBPs regulators. There is no operational cooperation mechanism in relation to PF.

- f) Liberia has made considerable efforts to disseminate the results of the NRA through publication on the websites of some competent authorities, outreach and training to the private sector. Consequently, most private sector operators have a general awareness of the NRA and its conclusions.
- g) Liberia categorised NPOs as DNFBPs which is inconsistent with the FATF standards. In addition, Liberia incorporated certain entities such as hotels and travel agencies (which are strictly not DNFBPs by FATF standards) into their AML/CFT regime without any formal documented assessment of the ML/TF risk.

Recommended Actions

Liberia should:

- a) Continue to improve its understanding of ML/TF risk and expand the depth of future risk assessments by: (i) conducting a comprehensive analysis of the risk posed by legal persons and legal arrangements as well as real estate sector; (ii) deepening assessment of TF risk, taking into account all relevant factors such as the volume, origin and destination of financial flows, regional context, high usage of cash, and cross border cash/currency transportation; (iii) strengthening the analysis on the main methods, trends and typologies used to launder proceeds of crime in Liberia; (iv) conducting comprehensive assessments of VASPs, and (v) conducting follow-up assessments of the banking and NPO sectors utilising improved risk assessment methodology, scope and process. The IMC should ensure that the ML/TF risk assessments are kept updated through a periodic review mechanism so that they are responsive to significant events or developments, including new and emerging risks, while results of sectoral assessments should be communicated to all relevant stakeholders.
- b) Continue the implementation of AS-AP 2022-2025 and ensure that adequate resources are allocated based on the risk identified for competent authorities' objectives and activities to be achieved to a greater extent. Further, the authorities should ensure that the implementation of the AS-AP is regularly monitored and reviewed or updated based on enhanced risk assessment whilst the IMC should establish Working Groups to enhance effectiveness. In addition, the existing National Security Strategy should be enhanced to adequately cover TF.
- c) Ensure that the FIA and DNFBP regulators assess and understand ML/TF risks in the sectors under their supervision. In addition, Liberia should consider establishing: (i) Regulators Forum to enhance operational cooperation amongst supervisory authorities, and (ii) operational cooperation and coordination mechanism to combat PF potentially by leveraging on TF cooperation channels.

- d) Ensure that (i) NPOs are not considered as DNFBPs as required by the FATF standards; and (ii) the incorporation under the AML/CFT regime of entities which are not covered in the FATF standards is risk-based and properly justified, and does not deviate resources, or otherwise consider remove these entities from the AML/CFT regime.
- e) Based on the result of the NRA, its update or sectoral assessment, identify opportunities for the implementation of simplified due diligence measures to support financial inclusion efforts. Similarly, Liberia should enhance implementation of measures targeting the informal economy (controls on cash flows; reduction of the use of cash; promotion of financial inclusion) and that promote a wider use of the financial system.

65. The relevant Immediate Outcome considered and assessed in this chapter is IO.1. The Recommendations relevant for the assessment of effectiveness under this section are R.1, 2, 33 and 34, and elements of R.15.

2.2. Immediate Outcome 1 (Risk, Policy and Coordination)

Country's understanding of its ML/TF risks

66. Liberia demonstrated a good understanding of its ML risk while the understanding TF risk is fairly good. The understanding is primarily based on the NRA report, information gathered in the authorities' operational activities, sectoral risk assessments, participation in some regional typologies exercises conducted by GIABA, and information exchanged on various platforms for AML/CFT coordination and cooperation. Reliance was placed on the operational activities of competent authorities and the findings of the NRA and their contributions to competent authorities' knowledge and understanding of ML/TF risks. These were given more focus and significant weight in this section of the report by the assessors who concluded that the NRA, including the process and its findings, to be good (based on the process and procedure employed), fair (considered the challenges in conducting the NRA) and reasonable (taking into consideration the information and analysis undertaken and conclusions arrived at). The assessors found that there was a general shared understanding of ML/TF risks, most importantly the higher risk issues as reflected in the NRA, among most competent authorities. This conclusion is based on the review of the NRA report and interviews conducted during the onsite.

Methodology for assessing ML/TF risk

67. Liberia conducted its first national ML/TF risk assessment exercise from 2018 to 2020 to identify, assess, and understand ML/TF risks. The NRA is a product of consultation across public and private sector as all relevant competent authorities such as FIU, LACC, CBL, LNP, LRA, LDEA and NSA and representatives of reporting institutions including commercial banks, insurance, other FIs (e.g. remittance service providers, and forex bureau association) and some DNFBPs including those considered to pose high to medium risks (e.g. casinos, real estate agencies, diamond/gold dealers/DPMS and Bar Association/lawyers) participated or contributed to the NRA exercise which provided a shared understanding of risks in the country. The FIA coordinated the NRA exercise under the overall supervision of the IMC. The NRA was conducted using the World Bank tool and the FATF Guidance on Assessing the Risk of ML/TF and it focused on the threats and vulnerabilities affecting the jurisdiction.

68. The NRA consisted of three phases, namely: (i) preparation, launch and initial assessment, (ii) data collection, analysis and report writing, and (iii) finalization and adoption of the report. In assessing

its ML/TF risks, Liberia considered both qualitative and quantitative data from 2018-2020, including information from STRs, data from investigative and prosecutorial authorities, data from international cooperation, information provided by supervisory authorities and reporting entities as well as data collected through interviews, focus group discussions and document reviews. The data analyses were carried out by Working Groups comprising representatives from key institutions involved in AML/CFT from the public and private sectors. The FIA provided dedicated staff that worked with each Working Group, and provided technical support throughout the risk assessment process. The ML risk for the country was assessed as high while TF risk was rated as low. The NRA report was published in September 2021.

69. The NRA identified corruption and bribery⁵⁰, illicit trafficking in narcotic drugs and psychotropic substances, tax evasion, currency counterfeiting, trafficking in human beings and migrants smuggling, counterfeiting and piracy of products, and robbery/ theft as the predicate offences generating the most proceeds in Liberia. There is no overall estimate available of the value of criminal proceeds in Liberia, and for the mentioned types of predicate offences, in particular. Nevertheless, authorities provided estimates for a few of the predicate offences (e.g. the Police estimated US\$ 300, 000, and US\$3 million for theft/robbery, human trafficking and fraud in 2021 and 2022 respectively; LACC estimated LS\$2 million and US\$56, 000 for corruption linked to procurement in 2020 and 2021). While the NRA does not provide a full picture of the main methods, trends and typologies used to launder proceeds of crime in Liberia, the authorities, especially LACC, LRA, Police, LDEA, CBL and FIA demonstrated a good understanding of these during interview with them. For instance, they highlighted the main ML methods and typologies in the country to include the purchase of real estate property, precious metals and stones, luxurious vehicles with the proceeds from the commission of corruption offences, drug trafficking, robbery/theft etc; and transfer of criminal proceeds to relatives abroad (this is sometimes followed by the acquisition of movable and/or immovable property in a foreign country). From discussions with the authorities, assessors also noted that cash payment is one of the preferred channels for moving the criminal proceeds for laundering through the purchase of luxurious vehicles, real estate, etc. This is an indication that the understanding of authorities has evolved and is better than what is contained in the NRA.

70. Predicate offences committed abroad are considered to constitute some threats to Liberia by the authorities, with proceeds especially from drug trafficking, trafficking in persons, and tax evasion deemed to be the main sources of criminal proceeds. The ML threat flows in both directions and has a nexus to countries such as Cote d'Ivoire, Guinea, Mauritania, Senegal, Sierra Leone, and Nigeria (NRA p23) as well as Ghana and China. Liberia does not have specific data available to estimate the country's exposure to cross-border illicit flows (related to crimes in other countries). There is little information in the NRA on the techniques used or the degree to which foreign proceeds are being laundered in Liberia. Nevertheless, authorities stated that proceeds from drug trafficking, trafficking in persons and tax evasion are laundered back to Liberia in the form of goods (mainly via luxurious vehicles).

71. High risk sectors in Liberia include the banks, FX bureaus; remittance service providers, casinos, real estate agents and lawyers. This is largely due to their importance in terms of their size, role or vulnerability. Overall, the banking sector remains the most vulnerable sector to ML risks due to its size and weight or importance in the overall financial sector. The securities sector, insurance companies, other FIs and the remaining DNFBPs are considered to be of low ML/TF risk given their level of development and nature of services they provide in the context of Liberia.

⁵⁰ The NRA indicates that corruption and bribery problem relates mainly to high-ranking public officials, particularly in relation to public procurement.

72. The NRA identified different types of vulnerabilities (geographical, legal, economic, sectoral, etc), indicating a good approach to understanding the factors and deficiencies in the system that could be exploited for ML/TF. These include porous borders (see Chapter 1), deficiencies in national inter-agency cooperation, presence of a large informal economy, significant capacity and resource constraints of competent authorities, and weak application of preventive measures by reporting entities, especially DNFBPs.

73. Although the assessors consider the findings of the NRA as being reasonable, the NRA did not include a comprehensive analysis of some inherent contextual factors that may influence the risk profile of the country, especially the informal economy. The NRA considered the ML/TF risks associated with legal persons in Liberia but in a limited scope. For example, the ML/TF risks associated with NPOs, which is a form of legal person, was considered. Similarly, some authorities, especially the LACC and LNP demonstrated a fair understanding of the ML risks related to legal persons as a result of their functions, for example, the number of investigations of ML cases involving the use of legal persons (e.g. the Korlane Investment Limited Liability Company case (see Box 3.1 under IO6) investigated by the Police and the Creative Development Incorporated case investigated by the LACC⁵¹). While the NRA did not consider the ML/TF risks associated with VAs and VASPs, the CBL has conducted a survey on the risk associated with VASPs (see IO.3) in the banking and insurance sectors which provided some limited understanding. Overall, this shortcoming was treated as a minor deficiency based on materiality (see Chapter 1).

74. Regarding TF, although the NRA identified some vulnerabilities, it did not contain a sufficiently substantive analysis of how the vulnerabilities could be exploited. In addition, it did not adequately cover regional TF risk. Also, the TF risks emanating from NPOs have not been comprehensively assessed in the NRA. Nonetheless, this gap is partly mitigated by the NPO risk assessment conducted by Liberia (see details below). Similarly, potential TF risks associated with the poor control of the movements of cash across the country were not adequately covered. Given the general low TF risk profile of Liberia, these shortcomings were not given significant weight.

75. In addition to the NRA, Liberia recently conducted some sectoral risk assessments (Risk Assessment for the NPO Sector and the Banking Sector Risk Assessment), corruption risk assessment of some key institutions and a survey on VASPs (covering the banking and insurance sectors) which further improve the country's overall understanding of the ML/TF risks prevailing in the country.

76. The NPOs risk assessment was concluded in July 2022. The assessment covers TF threats of the NPO sector (rated as low) and TF vulnerabilities of the sector (rated as high). However, the assessment lacks details in terms of the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of TF abuse (see IO.10). Although the risk assessment did not specifically identify the sub-set of NPOs at risk of TF abuse, assessors believe that the coverage of TF threats and vulnerabilities in the risk assessment as well as the categorization of all registered NPOs in the countries into 12 activity areas are positive developments that provided some risk understanding of the sector. Beyond the NPO risk assessment, Liberia selected a sample of 24 NPOs (16 domestic and 8 international) for TF risk analysis [see analysis under c8.1(a)]. Based on the review, Liberia concluded

⁵¹ This case involved a false claim by the Creative Developers Incorporated (CDI) that it performed services at the port of Buchanan and received payments from the National Port Authority (NPA) in the amount of US\$249,374.61 between December 9, 2020 and August 25, 2021; with no evidence of hiring and work performed. The CDI and its shareholders were suspected of official corruption including conflict of interest, public procurement violation and money laundering. After investigation, the LACC referred the case to the Ministry of Justice for Prosecution. No further action taken as at the time of onsite. The LACC has also investigated corruption cases involving legal persons such as the Bong Technical College Case, and the Tubman University case

that international NPOs have inherent TF risk based on their ability to send and receive funds overseas. This demonstrates some level of risk assessment and provides some understanding of the TF risk in the NPO sector.

77. The banking sector risk assessment utilizes information from a variety of data sources, including the risk management questionnaire, data collection template, findings of the previous AML/CFT supervisory activity (inspections, AML/CFT meetings, etc.), and inputs drawn from returns from banks, including information on their internal ML/TF risk assessment. In particular, the ML/TF risk factors applied in the assessment process include the customer type, product and services, delivery channels and geographic locations. The assessment also encompasses analysis of residual vulnerability based on offsite assessment of AML/CFT compliance programme, and the quality of the ML/TF risk management controls being implemented by banks. The assessment found the ML/TF risk levels in three of the banks as medium and six as high. Assessors are of the view that the process and results of the SRA were reasonable to enable the country to understand the risks facing the banking sector.

78. In 2021, Liberia conducted corruption risk assessment in some key institutions (the Liberia Electricity Corporation (LEC), the Liberia Immigration Service and the Liberia National Police). The assessments found several vulnerabilities that expose these institutions to corrupt practices. The outcomes further enhance understanding of the risk of corruption in the country.

79. Liberia also provided the risk rating of the various sectors in the DNFBPs. Although this is an indication that the country understands the risk across the DNFBPs, it is not clear how the country arrived at such ratings as no evidence of a formal risk assessment giving rise to these ratings was presented.

80. The survey on VASPs covered the banking and insurance sectors, and amongst other things, focuses on the risk understanding of VASPs by these sectors, and the mitigating measures in place. This provided some understanding of risk associated with VASP to the authorities, especially the CBL.

81. The post-NRA sectoral assessments demonstrate the extent to which Liberia has reviewed and updated its understanding of ML/TF risk since the publication of NRA report in September 2021. Nonetheless, the country can benefit from a wider dissemination of the findings of these sectoral assessments to all relevant competent authorities and private sector entities.

82. In addition to the sectoral risk assessments, Liberia also participated and contributed to some GIABA typologies studies (e.g. Money Laundering and Terrorist Financing through the Informal and Illegal Currency Exchange Service Providers in West Africa, 2020; and Money Laundering and Terrorist Financing Linked to the Extractive Industry / Mining Sector in West Africa, 2019) geared towards identifying regional threats, which assist the country to better understand its ML/TF risks. In addition, the outcomes of the typologies study on Money Laundering and Terrorist Financing Linked to the Extractive Industry / Mining Sector in West Africa, 2019 led to the review of the Business Association law in 2020 as it relates to BO and ongoing work on beneficial ownership database by LEITI.

Understanding of ML risk

83. The level of understanding of ML risks varies among the competent authorities. Authorities such as LACC, LDEA, LNP and LRA generally demonstrated a good understanding of ML risks in Liberia. This understanding of risks is mostly derived from their specific areas of expertise and from information gathered during their operational activities. For examples, corruption risk assessment conducted by the LACC (see below), cash seizures (see IO 8) and seizures in relation to drugs

trafficking⁵² assist in their understanding. In addition, their involvement in the development of the NRA contributed to their understanding of the ML risks in the country.

84. The FIA demonstrated a good understanding of the ML risks developed through its deep involvement in the development of the NRA, its analytical activities, as well as through the trainings conducted and supervision of reporting entities especially FIs. Notwithstanding, its level of understanding of the specific risks to which each DNFBP is exposed appears inadequate (see IO3).

85. The understanding of ML risks by the CBL is more advanced compared to DNFBP supervisors. The CBL generally has a good understanding of the risks in the sectors it supervises, especially commercial banks. This is based, to a large extent, on the results of its supervisory activities, sectoral assessment of the banking sector, and its participation in the NRA process. Sectoral DNFBP supervisors demonstrated a low understanding of ML risks within their supervised sectors. Given that the insurance sector, securities sector, Credit Unions/MFIs, TCSP, Finance Companies, Notaries and accountants / auditors are not material in the context of Liberia and considered less important, the low level of understanding of their supervisors is not considered a significant shortcoming and is therefore weighted lightly by the assessment team.

86. The authorities demonstrated a general understanding of the sectors that are most vulnerable to ML. Most pointed out banks and real estate as the most vulnerable to ML while real estate was identified as the main destination for most illicit proceeds. This corroborates the findings of the NRA exercise as noted above. The banking sector was identified as the main channel that is exploited by criminals, especially, if they want to launder huge amounts. The authorities identified banking channels such as cross-border wire transfers as most vulnerable. Similarly, authorities, especially the LACC noted the high ML risk associated with PEPs which is an indication that they understand the risk and the need to take measures to control the assets (through asset declaration and verification) to prevent possible commission of corruption offences and the laundering of proceeds of crime.

87. Generally, the significant use of cash is acknowledged as one of the major ML risks in Liberia. The authorities are aware of the vulnerabilities associated with cash transactions and are taking steps to reduce cash transactions and improve access to the formal financial system through Microfinance Institutions (MFIs) and promoting mobile money services amongst other things. However, given the weaknesses in the currency declaration system at the borders, and currency transaction reporting regime by reporting entities, especially non-bank financial institutions (NBFIs) and DNFBPs, the cash-based nature of Liberia's economy may affect the availability of information or data to enable the authorities to comprehensively identify and understand ML/TF risks.

Understanding of TF risk

88. Regarding TF, the country recognizes that it is more likely that its exposure to TF arises from cross-border business and financial transactions and activities, with the attendant possibility of services and products offered. The main identified TF typologies (schemes) include money transfer services and the occasional use of illegal/informal financial services to transfer funds that could be potentially related to TF (NRA, 109).

⁵²<https://www.unodc.org/westandcentralafrica/en/2019-02-01-drug-seizures-in-liberia.html>;
<https://apanews.net/en/news/liberia-to-destroy-619m-narcotic-drugs>

89. The understanding of TF risk is mixed across agencies. In general, competent authorities with CFT roles, especially the NSA, LNP and the FIA as well as Customs demonstrated a fairly good understanding of TF risks largely based on their operational activities and/or participation in the NRA. They are generally aware of TF typologies, such as the movement of funds through transfers (occasional use of value transfers through money transfer services providers), cross border businesses and activities, the raising of funds through criminal activities, etc. The NSA appeared to have the most developed understanding of regional terrorist threats and how these threats increase the TF risk faced in the country. They cited an instance where some citizens of Liberia were suspected of being trained for terrorism purposes in a border county. This implies that NSA and other relevant authorities are maintaining monitoring of the terrorism threat in the country which provided a basis for further TF understanding (see also Para 293 under IO.9). In relation to understanding of potential TF risk associated with NPOs see Para 76 above. Understanding of TF risks among the supervisory authorities is stronger in the CBL, while other supervisors have low understanding of TF risks.

90. The CBL informed assessors that no entity has been licensed or registered in the country to operate as VASPs⁵³. Similarly, reporting entities interviewed, particularly commercial banks, indicated that they do not have customers that are VASPs or involved in cryptocurrency exchanges. Nevertheless, Liberia recognised the potential ML/TF risks from VAs and VASPs and had taken initial steps to study and understand the sector and the associated risk. As at the time of on-site meetings, the CBL has conducted a survey on ML risks relating to VAs and VASPs in the banking and insurance sectors and plans to establish appropriate regulatory framework after a better understanding of the sector.

National policies to address identified ML/TF risks

91. Liberia adopted a National Anti-Money Laundering and Countering the Financing of Terrorism and Proliferation (AML/CFT&P) Strategy and Action Plan (AS-AP) following the completion of its first NRA, to address the identified risks in the report. The strategy outlines Liberia's AML/CFT/CFP strategic priorities for 2022-2025. It sets out action points, the lead agencies and timelines for the implementation of the actions. The Strategy aims to reinforce preventive and repressive actions under six broad goals: strengthen the AML/CFT legal and institutional framework; enhance the risk-based supervision of reporting entities; improve the effectiveness of ML/TF and PF investigation, prosecution and asset recovery; strengthen domestic and international cooperation; strengthen the capacity and deepen awareness on AML/CFT amongst stakeholders; and enhance the KYC/CDD system and facilitate the promotion of financial inclusion. The IMC is in charge of implementing the Strategy and monitoring its implementation. Implementation agencies are expected to report progress periodically to the IMC through the FIA. Nevertheless, the Strategy and Action Plan does not have cost implications assigned to the activities which could potentially affect its effective implementation given the resource challenges identified by some competent authorities. Overall, the AS-AP is a positive step as it responds to the identified country-specific ML/TF risks and set a unified vector for its future development. Prior to the current national strategy, the country has implemented the 2011-2014 national strategy.

92. The implementation of the Action Plan has commenced as at the time of onsite visit. Some of the progress recorded include:

- a. Enhancement of AML/CFT legal framework, including AML/CFT Act, 2021, LACC Act, 2022 and FIA Act, 2022 to address some deficiencies and strengthen the effectiveness of the AML/CFT regime in the country. In particular, the AML/CFT Act, 2021 criminalizes

⁵³ Although no entity has been registered as VASP, CBL indicated that there was a VASP operating illegally in the country at a point (See IO3)

financing the Proliferation of Weapons of Mass destruction, covers the supervision of virtual assets and service providers, trusts, companies for AML/CFT purposes, expands the scope of predicate offences from 21 to 23 and substantially addresses preventive measures in compliance with FATF Recommendations. In addition, it established the IMC with powers to coordinate national AML/CFT policy development and implementation. Furthermore, the AML/CFT Act establishes the Property Manager (an equivalent of Asset Management Unit) to have responsibility for taking possession of, preserving, managing, disposing of or otherwise dealing with any property that is a subject of any proceedings under the Act. Similarly, the LACC Act, 2022 grants the LACC direct prosecution powers, which is expected to enhance its operational efficiency. Equally, Liberia enacted a new FIA Act, 2022 granting the Agency more operational independence and financial autonomy, with a reduced likelihood of any political interference,

- b. Development and publication of AML/CFT Administrative Sanction regime by the CBL. This is aimed at providing clarity to FIs on administrative sanction regime and enhance application of administrative sanctions. Ultimately, this should contribute to enhancing the level of AML/ CFT compliance by FIs;
- c. Extension of AML/CFT supervision to some high risk sectors such as FX bureaus and remittance service providers and strengthening of onsite examination of banks;
- d. Implementation of financial inclusion strategy to increase access to financial services and reduce cash transactions. For instance, the implementation of the strategy contributed to an increase in the percentage of adults with account from 36%⁵⁴ in 2017 to 52% in 2021⁵⁵;
- e. Enhanced domestic cooperation amongst competent authorities through the signing of MOUs between some authorities (e.g. the FIA and leas) contributing to some joint operations (e.g. the Korlane case between LNP and the FIA (see Box 3.1), and meetings of some operational cooperation platform to enhance information exchange;
- f. Development of Feedback Form by the FIA to elicit / enhance feedback from leas on the usefulness of its intelligence;
- g. Establishment of a Chief Compliance Officers Forum of Liberia by the FIA to facilitate the sharing of information and feedback mechanism and awareness on ML/TF risks, leading to some reporting entities filing strs in 2022; and
- h. Provision of training and capacity enhancement programmes to strengthen the technical capacity of critical stakeholders.

93. The foregoing progresses are noted, nevertheless the country still needs to do more to address outstanding issues in the Plan. In particular, additional human, technical and financial resources should be provided to facilitate implementation of outstanding actions.

94. Prior to the conduct of the NRA, Liberia has taken some steps to address most of the risks identified in the NRA as operational priorities. For example, the country established dedicated agencies to fight corruption (LACC in 2008), drug trafficking (LDEA in 1998), tax evasion (LRA in 2013) and other forms of transnational organised crimes (TCU in 2010). Some of the LEAs have developed strategies or policies based largely on their experience or operational activities. These strategies or policies (some of which are highlighted in the table below) addressed ways to mitigate some of the risks that were identified in the NRA.

54 Global Findex Report 2017

55 Global Findex Report, 2021

Table 2.1 Competent authorities' policies and strategies to address ML/TF risks

Name of agency	Title of Strategy /policy	Year of Adoption	Intent of Strategy /Policy
LACC	LACC Strategic Plan, 2019 - 2024	2019	To address the risks associated with corruption and to give priority to the fight against corruption
LNP	Strategic Plan and Development Framework	2020	Strategy on addressing crimes in Liberia
NSA	National Security Strategy	2008	To address terrorism and related issues
Liberia Ministry of National Defence	Strategic Plan for the Ministry of National Defence	August 2022	To address among other things the protection of national borders against transnational crimes.

Source: FIA

95. The implementation of these strategies/policies have resulted in some success. For instance, the implementation of the LACC strategy resulted in initiatives such as the corruption risk assessment - a corruption prevention tool use to test the vulnerability of institutions to corrupt practices. The assessment normally reviews internal policies and programmes of institutions and make recommendations on specific actions that are needed to address the deficiencies noted in the system. In 2021, the Commission conducted corruption risk assessment at the Liberia Electricity Corporation (LEC), the Liberia Immigration Service and the Liberia National Police. These corruption risk assessments have proven very effective in ensuring that public resources are protected.⁵⁶ In addition, the LACC stated that the assessment has enhanced service delivery in the area of electricity to communities hitherto not served. Notwithstanding, assessors noticed that the strategies do not have a significant AML/CFT component as such the agencies do not adequately prioritize AML/CFT measures which contributed to the low priority given to ML investigations by LEAs.

96. In recent years, most of the AML/CFT policy and legislative measures adopted and implemented by Liberian authorities sought to address the deficiencies highlighted in the 2011 mutual evaluation report and to implement the amended FATF requirements adopted in 2012. In 2022, Liberia enacted three key laws (see details below) to address some of the ML/TF risks identified in the NRA and those otherwise known. For example, Liberia made legislative changes to the AML/CFT Act, 2012 to address the risk posed by VASPs and PF. Similarly, Liberia re-enacted the LACC Act in 2021 to give the Commission direct powers for prosecution of corruption cases and had drafted a bill seeking the establishment of a specialised court to handle corruption cases as at the time of onsite.

97. In response to the risks posed by legal persons and arrangements, Liberia amended its Associations Law in 2020. The amendment imposed new statutory and regulatory requirements for not only resident domestic entities but also non-resident Liberian entities which includes the requirement to keep up-to-date records of beneficial ownership information⁵⁷. Also, LEITI has developed a Beneficial Ownership Road Map. The roadmap is designed to guide Liberia's effort to fully implement the beneficial ownership disclosure requirements under the 2016 EITI Standard. LEITI has developed a database of UBO information for companies in the extractive industry. Similarly, the Liberia Petroleum Regulatory Authority issued a Disclosure of Ultimate Beneficial Ownership Regulation, 2020 to ensure

⁵⁶ LACC Annual report, 2021, p3

⁵⁷ <https://www.openownership.org/en/publications/beneficial-ownership-transparency-in-liberia/beneficial-ownership-regime-in-liberia/>

that ownership information of companies seeking to acquire, own or operate a license and/or exercise control over companies operating within the oil and gas sector in Liberia is made publicly available. Equally, the CBL is updating its beneficial ownership guideline to bring it into full compliance with relevant international standards in order to strengthen the disclosure of beneficial owners. In general, there is some policy response to address the risks posed by legal persons in Liberia, with reforms on beneficial ownership forming an explicit part of Liberia's National AML/CTF/P Strategy and Action Plan (see Goal 6).

98. In recognition of the risk posed by cash transactions prior to the NRA, Liberia introduced the currency transaction reporting regime (CTRs), created MFIs, and promoted mobile money services amongst other things. The CTR regime allows reporting entities to report large cash transactions above certain threshold to the FIA. In particular, a CTR must be filed when a cash transaction exceeds L\$100,000 or US\$5000 for individuals and L\$1 million or US\$10,000 for corporations on a daily basis. In addition, the LRA revised the Currency Declaration Form. This is a good example of specific activity which address identified risks and which is also expected to improve the currency declaration regime. Furthermore, Liberia is promoting financial inclusion with the implementation of the National Financial Inclusion Strategy (NFIS) by extending financial services through Microfinance Institutions (MFIs), and the development of mobile money services as part of measures to reduce cash transactions and the associated risks. While the financial inclusion policy actions have resulted in the increased use of the financial system to some extent, the measures appear insufficient to reduce the preponderance of untraceable large cash payments, or incentives to encourage people to move from cash to electronic forms of payment. Overall, these measures demonstrate how Liberia's national AML/CFT policies are addressing identified ML/TF risks.

99. The CBL has begun taking preliminary steps to respond to new and emerging risks, such as VASPs with the conduct of a survey of the sector and the implementation of risk-based onsite and offsite supervision of the banking sector – one of the most vulnerable sub-sectors.

100. Although real estate related risks and vulnerabilities are among the highest in the NRA, no national level policies have been introduced to address the significant ML risks since the adoption of the NRA report. Furthermore, the AS-AP does not include specific measures which look to address the risks in the real estate sector. Nevertheless, in recognition of the ML risk of the sector, the country began engagement with the Liberia Real Estate Union in August 2022 to raise awareness on outcomes of the NRA, the ML/TF vulnerabilities of the real estate sector, and their AML/CFT responsibilities⁵⁸ It is of particular note that a number of real estate agents are not subject to market entry measures (thus the size of the sector cannot be determined) and no AML/CFT supervision of the real estate agents is undertaken by any supervisor or the FIA.

101. Liberia has a National Security Strategy (NSS) which has a component on counter-terrorism (see IO.9). The NSS focuses on improving coordination and oversight of multi-agency security activities, resourcing and their operational efficacy. In general, the country addresses TF risks in a manner which is fairly consistent with the nature and level of TF risk in the country. CFT is integrated in the AS-AP while TF is part of the broader terrorism related intelligence gathering activities. CFT activities are based on a collaborative and information-sharing approach, especially between the FIA, LNP, and the NSA. For instance, although investigations did not reveal any TF, the School case which led to deportation of the suspects was an operation jointly conducted by the NSA, Police and the FIA. Similarly, the border county recruitment case where some Liberians were allegedly recruited for the insurrections in Mali and Cote d'Ivoire involved the Police and NSA. Liberia has a National Aid and

⁵⁸ fiuliberia.gov.lr

NGO Policy. One of the guiding principles of the policy is to ensure the alignment of donor funding to national development priorities as pivotal in the achievement of the peace building and state building goals. However, supervision/monitoring of NPOs to ensure transparency in the utilization of their funds is weak (see IO.10).

102. The assessment team noted the increased budget allocation for the 2022 financial year to key sectors including relevant agencies dealing with transparency and accountability. For example, the government increased budget allocation of the FIA from \$748,668 in 2021 to \$1, 589, 753 in 2022 representing a 112% increase. Similarly, the budget allocation to NSA increased from \$10,534,405 to \$11,076,724 representing 5.1% increase in 2022 and LACC's allocation increased from \$842,982 to \$2,247,322 in 2022 representing 166.6% increase. The increased budgetary allocation to these critical agencies reflects the political commitment to address the main risks identified in the NRA, and combat ML/TF in the country. However, discussions with some of the authorities indicate that fundings have not been adequately released which adversely impact on the operations of these competent authorities, especially LEAs, in conducting their functions, including the execution of policies, policies and objectives and to ensure that higher levels of effectiveness are achieved. This notwithstanding, some authorities are optimistic that the implementation of the national Strategy will result in the allocation of resources across all relevant agencies based on the commitment made by government. This commitment was re-echoed by the authorities during the opening session of the onsite visit.

103. Given the work undertaken to develop measures to minimize the identified risks, and taking into account the national strategic initiatives adopted before and after the adoption of the NRA, the assessment team considers that the country is progressively responsive to the identified risks through national and sectoral policy changes.

Exemptions, enhanced and simplified measures

104. The results of the NRA are used to support the application of enhanced measures since reporting entities need to consider the risk factors identified in the NRA as part of their assessment and to take enhanced due diligence measures where a transaction is identified as higher risk in the NRA (see TC Annex, c. 1.7 and 10.17).

105. The results of the NRA are also used to support the application of simplified measures as reporting entities are allowed to apply a simplified due diligence regime to lower risk transactions identified in the NRA (see TC Annex, c. 1.8 and 10.18).

106. There are no low-risk situations in Liberia which are exempted from some AML/CFT obligations (see TC Annex, c. 1.6).

107. There are some types of businesses recently incorporated into the AML/CFT regime that are not strictly speaking DNFBPs as defined in the FATF Recommendations. The inclusion of entities such as NPOs, hospitality services e.g. hotels, and travel agencies appears not to be based on any documented assessment of ML/TF risks. This could lead to dedicating resources where not needed, especially if there is no identified ML/TF risk to justify these inclusions. It is imperative to mention that the categorization of NPOs as DNFBPs is not consistent with the FATF standards.

Objectives and activities of competent authorities

108. Liberia developed a national AS-AP with a view to address the ML/TF risks identified in the NRA report. The main policy objectives are outlined in the National Strategy and Action Plan on the

basis of the results of the NRA. Liberia provided information on the level of actions taken since the adoption of the national strategy. For instance, some of the activities which competent authorities have undertaken include: the IMC fast-tracked the passage of three important laws in 2022 (FIA Act, LACC Act and AML/CFT Act); the CBL developed an AML/CFT Administrative sanctions regime for FIs and risk-based supervision tools for the banking sector; while LEITI has developed a UBO database for the extractive industry. Generally, the activities of some competent authorities are to some extent guided by this policy document by way of implementing the Action Plan items, which correspond to the policy objectives of the national AS-AP. Overall, Liberia demonstrated to some extent that the activities of some competent authorities were consistent with national AML/CFT policies and identified risks.

109. CBL has taken steps to adjust its activities and priorities to align with the risk in the country. The CBL has rightly focused its supervisory activities on the banking sector as the higher risk sector under its supervision. It has developed risk profiling tools for individual banks in 2021 and a sectoral risk assessment for the banking sector in 2022. Similarly, based on the results of the NRA, the CBL commenced onsite inspection of some supervised entities (FX bureaus and remittance service providers) identified as higher risk in the NRA. The CBL facilitated the establishment of a joint enforcement exercise with the LNP and National Forex Bureau Association in February 2022 to detect and sanction FX bureaus and remittance service providers operating without licences which represent an important vulnerability for the sector (see IO.3). Also, in recognition of the vulnerabilities associated with cash transactions, the issue of financial inclusion has been given attention by the CBL. The CBL developed and adopted a National Financial Inclusion Strategy (NFIS) in 2020. The work of the CBL on financial inclusion has recorded some progress and is also contributing to efforts to address the threat posed by informal economy. In addition, the CBL stated that they had internally discussed the challenges, and policy responses related to the risk associated with VASPs, leading to a survey in the banking and insurances sectors on VASPs as an example of how the CBL is bringing its objectives in line with emerging risks outside the framework of the NRA. Although the CBL indicated that it has sufficient resources, it is the view of the assessors that the Bank needs to increase resources allocated to the AML/CFT Unit to strengthen its supervisory role given its supervisory purview over all FIs in Liberia. Other AML/CFT supervisors, in charge of DNFBPs do not conduct AML/CFT supervisory activities (see IO 3).

110. Equally, the FIA has begun to align its objectives and activities with the findings of the NRA to some extent. For instance, the FIA has started to prioritize its activities in the area of financial intelligence, training, awareness building and information exchange with AML/CFT key partners. Priority is given to threats and vulnerabilities such as bribery and corruption, drug trafficking, TF and ML. The Sheik Bassirou case (see IO.7) is an example of analysis prioritised by the FIA that have resulted in ML investigation and led to the freezing of assets which is reflective of the objective and activities of the FIA being achieved. The objective of the FIA is also to ensure that its operations are closely aligned to the agencies that access and utilize its financial intelligence and relevant information in their functions, in order to promote a greater use of its intelligence in their operations. Also, the FIA has conducted some training and other outreach initiatives for reporting entities. The efforts have resulted in increased awareness with some reporting institutions, especially MFIs and insurance companies filing STRs to the Agency in 2022. Similarly, outreach by the FIA to the reporting entities resulted in the establishment of the Compliance Officers Forum of Liberia and other sectoral Compliance Associations such as Compliance Officers Association for the banking sector. However, it has yet to establish a coherent and coordination supervision strategy focusing on the highest risk areas of FIs/DNFBPs sectors.

111. The assessors found a harmonised approach and the pooling of resources by competent authorities was taken in the investigations of some ML and associated predicate offences cases and to mitigate the ML/TF risks, thereby resulting in some level of effectiveness and efficiency of the system.

Examples of competent authorities working together and combining resources to mitigate ML/TF risks is the establishment of the Team Veritas a multi-agency task force (comprise of LRA, FIA, Internal Audit Agency and the General Audit Commission) with the responsibility of carrying out verification of public officials' asset declaration; the PIT (comprised of LACC, FIA, Police, MoJ and NSA) to investigate the alleged missing 16 billion Liberian banknotes⁵⁹; and the IBMT comprised of LIS, Customs/LRA to check illicit cross border movement of cash/bearer negotiable instruments. Similarly, the Liberian Government established the Financial Crimes Work Group consisting of all relevant agencies, including the Police, LACC, LRA and NSA to facilitate joint operations and better cooperation in information/intelligence exchange. The authorities have realised some limited benefits of coordinated actions against financial crimes, sharing resources and exchanging information. For instance, the Working Group has successfully completed one joint investigation relating to a public official who was suspected of evading tax on commercial properties as well as corruption. In addition, unspecified number of information has been exchanged informally amongst members of the Group. Other examples of competent authorities working together to achieve their objectives and policies by combining resources are reflected in some case examples provided by the assessed country and reviewed by the assessors, including the Korlane case (see IO.6).

112. LEAs activities are largely governed by their specific agency strategies, such as the National Drug Control Strategy (LDEA) and the Anti-Corruption Strategy (LACC). Although these were adopted prior to the completion of the NRA, they cover the key ML threats identified in the NRA report. Overall, LEAs demonstrated some efforts to address the key risks from predicate offences including corruption, robbery/theft, tax evasion and drug trafficking. Although these are largely in line with the risk identified in the NRA, these activities lack sufficiently targeted AML-focus. For instance, although the LEAs have some level of awareness on the need to pursue and investigate all ML-related activities, the awareness has not materialised in the number of ML investigations initiated so far (see IO.7). In general, authorities' preventive actions and investigations focus on the detection and the identification of criminals but following the money or blocking the available funds or assets when it is possible is not a main part of their actions. LEAs, other than LACC, generally focus on the predicate offence and not so much on the ML part. For example, the LDEA and LRA have shown that they investigate the predicate offences for which they are responsible, but rarely conduct ML investigations (see IO 7).

113. As a result of the outcomes of the NRA, some competent authorities have created new Units to strengthen their capacity to deliver on their mandates. For instance, the FIA created two Units: the Intelligence and Cross-Border Unit with responsibility to detect and report cross border crimes and activities such as trafficking in persons, drug trafficking, illicit movement of currencies, currency counterfeiting in response; and a Legal Unit to specifically deal with application of the FIA Act, the Provisional Remedies Proceed of Crimes Act 2013 (Provisional Freezing orders in consultation with the Ministry of Justice) to detect and apply freezing as preventive measures over suspected proceeds of crime. Similarly, the LACC, created an Intelligence Unit to strengthen its covert activities in addressing corruption, and an Assets Recovery Unit which focuses on stolen assets recovery. These actions are positive developments and consistent with one of the priority actions in the National Strategy and Action Plan⁶⁰. Similarly, Liberia has drafted a bill seeking the establishment of a specialised court to handle corruption cases. This is a response to address areas of higher risks (especially corruption) identified in the NRA and is a positive initiative by the country.

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<https://coinsweekly.com/plus-minus-16-billion-the-missing-millions-of-liberia/>; <https://allafrica.com/stories/201809210013.html>; <https://www.bbc.com/news/world-africa-48540699>

60 Goal 3: Improve the Effectiveness of ML/TF&P Investigation, Prosecution and Asset Recovery

114. Institutions with CFT responsibilities especially NSA, LNP and FIA have jointly investigated a few suspected cases of terrorism/TF which appears consistent with Liberia's low TF risk profile. In particular, the NSA has standard operating procedures for investigation of terrorism/TF, including reaching out to other agencies as appropriate. These procedures were used effectively during the investigation of the school case (see IO.9). The activities of other competent authorities such as the Police are guided by broader CT efforts directed at reducing the drivers for TF. Overall, it does appear that the authorities' objectives and activities are aligned with the TF risks to some extent.

National coordination and cooperation

115. Generally, AML/CFT coordination and cooperation is considered good in Liberia. Liberia has established a national multi-disciplinary Committee [the AML/CFT Inter-Ministerial Committee (IMC)] for the development of national policies and the coordination of AML/CFT/CPF issues. The IMC was created in 2019 but given a legal backing under the AML/CFT Act. It is comprised of representatives from relevant national authorities involved in AML/CFT implementation, including Ministries of Justice, Foreign Affairs, and Finance and Development Planning; FIA; CBL; LRA, LBR, Immigration Service, Police, LDEA, NSA and LACC. The IMC is chaired by the Ministry of Justice with the Ministry of Finance and development Planning as Vice Chair, while the FIA serves as the Secretariat. Amongst other things, the Committee is assigned the responsibility for: (i) coordinating the formulation of national AML/CFT/CPF policies and strategies; (ii) overseeing/monitoring the implementation of the AML/CFT/CPF policies and strategies and the NRA; (iii) assessing the effectiveness of the national AML/CFT system; (iv) facilitating coordination and cooperation between AML/CFT stakeholders; and (v) establishing operational working groups to assist in the implementation of AML/CFT/CPF policies, strategies and measures, as well as the NRA. The IMC meets periodically to discuss AML/CFT matters, and to ensure that there is effective coordination. This has resulted in the completion of the NRA process, preparation and adoption of Liberia's national AML/CFT/CPF strategy and Action Plan, consequential legislative amendments, and preparation for the 2nd round of mutual evaluation. In general, the focus on AML/CFT matters at the IMC's meetings along with deliverables demonstrated Liberia's active national coordination and cooperation efforts.

116. Cooperation and coordination at the policy level does have its own challenges. For example, there are occasions where few members occasionally do not attend meetings. However, due to the Minister of Justice being chair of the Committee (a demonstration of high-level political commitment) this challenge is often resolved and does not have any significant impact on the operations of the IMC. The presence of the Minister and other high-level officials on the IMC also ensures that actions such as amendments to AML/CFT laws amendments are urgently addressed. However, the team notes that the IMC is yet to establish appropriate operational working groups (as required under the AML/CFT Act, 2021) to enhance its works which may be due to the recent passage of the law.

117. At the operational level, some coordination mechanisms exist to share information and coordinate efforts. For instance, the Financial Crimes Working Group provides a platform for key stakeholders, including the FIA, LACC, LRA, Customs, Police and Immigration to cooperate on intelligence and information sharing, and other joint activities relating to financial crimes. As noted above, the Working Group has recorded success in one joint operations/investigation. Besides the FCWG, significant domestic collaboration also exists amongst LEAs through other interagency operational cooperation and coordination mechanisms, especially through the Transnational Criminal Unit (TCU). Evidence of good cooperation and coordination at the operational level is also reflected in the establishment of the Fusion Centre and taskforces including Anti-Human Trafficking Taskforce, Investigation and Prosecution Team (NRA p41); Integrated Border Management Team (IBMT); the Presidential Investigation Team (PIT) and the Asset Investigation, Restitution and Recovery Team

(AIRReT). AIRReT which operated between 2019 and 2020, was tasked with the responsibility to investigate, retribute and recover stolen and misappropriated funds revealed by audit and investigation reports of the General Auditing Commission (GAC) and the Liberia Anti-Corruption Commission. The AIRRet Team recovered close to US \$485 million. Similarly, PIT (comprised of LACC, FIA, Police, MoJ and NSA), investigated the alleged mission 16 billion Liberian banknotes from the vaults of the CBL. The suspects were tried and acquitted. The IBMT comprised of LIS, Customs/LRA made a seizure of one million fake Liberian dollar banknotes in 2021 and forwarded the case to the Police for investigation. The suspect was charged to court for ML and currency counterfeiting. Case still pending. Overall, these cooperation arrangements, especially the task forces are good as they enable the country to pull together and utilize available resources for a common course.

118. There is some demonstrable level of cooperation between the FIA and CBL, especially in terms of joint onsite supervision and training. Operational cooperation amongst other supervisory authorities on AML/CFT matters is at rudimentary stages. There is no operational cooperation platform for the supervisors to discuss cross-sectoral and other issues of strategic interest including AML/CFT supervision, ML/TF risks facing the financial and the DNFBP sectors, as well as emerging risks and the collective actions required. Overall, the level of cooperation and coordination between AML/CFT supervisors requires improvements in order to increase the convergence of supervisory practices, sharing of experiences, good practices and tools to improve the approach to AML/CFT supervision on a risk-basis.

119. There is a demonstrable level of cooperation between the FIA and the other competent authorities, especially LACC, LRA and Police, in the exchange of information. The exchange of information is done either on spontaneous basis or based on request directed by a party requiring the information.

120. In addition to the foregoing, some competent authorities have signed MoUs. These MOUs demonstrate the willingness to formalize and strengthen the domestic efforts in facilitating timely and efficient cooperation and coordination in relation to AML/CFT activities. In particular, the FIA has signed MOUs with LRA, LDEA, NSA and MoJ with some at different stages. Based on the statistics provided by the country, the assessment team found that there was limited use of the MOUs to enhance information sharing. Formal cooperation procedures do not impede authorities from providing informal assistance whenever necessary.

Table 2.2 Key MoUs signed amongst Domestic Competent Authorities

MoU	Date	Purpose
FIA & LDEA	July 2022	Cooperation on exchange of information on AML/CFT matters
FIA & NSA	July 2022	Cooperation in the exchange of information on TF matters
FIA & MoJ	July 2022	Collaboration in AML/CFT matters
FIA & LNP	July 2022	Cooperation in exchange of information on AML/CFT issues
FIA & LIS	July 2022	Cooperation in exchange of information on AML/CFT matters
CBL & LRA	April 2021	Cooperation on reporting financial information on tax matters
LEC & LRA	Feb 2021	Fostering tax compliance in the energy sector
FIA & LRA	Dec 2018	Cooperation in information sharing on ML and tax evasion
LACC & GAC	2018	Cooperation in the verification of assets of public officials
LACC & LRA	Feb 2016	Cooperation and collaboration on AML/CFT matters
LNP & MoJ	Oct 2011	Cooperation in the exchange of information on criminal investigation and prosecution services

Source: FIA

121. The CPF coordination and cooperation at operational level are less developed. Liberia did not demonstrate any positive signs in relation to co-ordination relating to financing of proliferation of weapons of mass destruction (PF) and there is no evidence that authorities with responsibility for proliferation have started to consider PF issues. Similarly, assessors also note that operational coordination and cooperation in identifying and investigating TF cases and in addressing TF risk among the LEAs, other competent authorities and the private sector is weak.

Private sector's awareness of risks

122. Liberia took an all-inclusive approach in undertaking its NRA and included some private sector⁶¹ representatives in some of the Working Groups to identify and assess the country's ML/TF risk. Their participation contributed to increasing the level of awareness of the private sector about the risks.

123. Liberian authorities have taken some steps to ensure that reporting entities are aware of the results of the NRA. The FIA organised NRA results validation and general workshops with a broad range of stakeholders, including the private sectors where it presented the results of the NRA. In addition, the NRA report was disseminated to reporting entities via electronic mails and hand delivery of hard copies and also published on the official websites of some competent authorities⁶². In addition, the authorities, especially the FIA conducted some outreach and a number of sector specific meetings and trainings to enhance awareness on the NRA results. The feedback from some of the reporting entities interviewed indicates that the quality of the information provided by the FIA during those information sessions was instrumental towards them gaining an understanding of ML/TF risks, with some of them clearly articulating the higher risk issues and vulnerabilities affecting the jurisdiction as identified in the NRA. Most of the private sector representatives interviewed were in agreement with the findings of the NRA. Notwithstanding, a few of the reporting entities, mostly medium and low risk DNFBPs interviewed indicated that they are not aware of the NRA.

124. In general, while Liberia made efforts to disseminate the results of the NRA, interviews indicated varying knowledge of the results of the NRA, which indicated that the mechanisms used for dissemination were moderately effective. In general, the team noted that, of the FIs interviewed, commercial banks had a good and better level of understanding of ML/TF risks compared to other FIs which had an understanding that varies between low and moderate. DNFBPs understanding of risk is mixed but generally low (see IO.4).

Overall Conclusion on IO.1

125. There is a good understanding of ML risks among most competent authorities and a fairly good understanding of TF risk amongst officials involved in CFT in Liberia. The understanding of

⁶¹ Questionnaires were disseminated to all key private sector operators and the received responses were analysed by the relevant Working Group. This is in addition to including some in the relevant Working Group.

⁶² the FIU (<https://www.fiuliberia.gov.lr/>), Auditing Commission (<https://gac.gov.lr/other-important-resources/>), Ministry of Finance and Development Planning (<https://www.mfdp.gov.lr/index.php/docs/publications?start=5>); Executive Mansion (<https://www.emansion.gov.lr/2content.php?sub=15&related=7&third=15&pg=sp>) and other competent authorities.

risk is largely based on the conduct of the ML/TF NRA, operational activities of competent authorities and some sectoral surveys and assessments. However, there are some areas where the NRA could be further improved, including deepening assessment and understanding of TF risks, ML risks posed by all legal persons and arrangements, and the risks associated with VAs and VASPs. In addition to the national AS-AP, key competent authorities have sectoral strategies /policies in place, such as the LACC Strategic Plan to address some of the high-risk areas. Resource constraints, in some instances, nevertheless have an impact on some competent authorities' ability to ensure that objectives and activities are achieved to a large extent.

126. AML/CFT coordination and cooperation at the policy level is one of the strengths of Liberia. Whilst interagency cooperation and coordination amongst most competent authorities on operational matters is generally good, Liberia can benefit from more information sharing through the FCWG. Further progress is needed regarding operational cooperation and coordination amongst supervisory authorities while there is no operational cooperation for PF.

127. The country has undertaken important actions to disseminate the NRA report and to raise awareness among private sector operators on the outcomes of the NRA. Generally, commercial banks demonstrated a high awareness of the findings of the NRA while the awareness varies from medium to low amongst NBFIs and DNFBPs.

128. Although Liberia has not assessed the ML/TF risks related to legal persons, some understanding was generally demonstrated of how legal persons might be misused for ML. The VASP sector is currently not material for Liberia, however the authorities have conducted a survey of the ML/TF risks associated with VASPs in the banking and insurance sectors which is a positive step towards understanding of risks in the sector. There are some deficiencies in the NRA that impact on the overall TF risk understanding, however, given the relatively low TF risk profile of the country, this gap was not significantly weighted. Similarly, although the TF risks emanating from NPOs have not been comprehensively assessed in the NRA, this gap is partly mitigated by the NPO risk assessment conducted by Liberia. Overall, all deficiencies were considered and weighted accordingly by the assessors, following which the team concluded that the system requires major improvements.

129. **Liberia is rated as having a Moderate level of effectiveness for IO.1**

CHAPTER 3. LEGAL SYSTEM AND OPERATIONAL ISSUES

3.1. Key Findings and Recommended Actions

Key Findings

Financial Intelligence ML/TF (Immediate Outcome 6)

- a) LEAs have access to a range of information sources but make limited use of financial intelligence to support their investigative activities. Although the FIA has power to access a variety of public sector databases, it has not fully utilised the powers to access information from some key competent authorities such as LNP, Customs, LACC and the NSA to support its analysis.
- b) The FIA constitutes an important source of financial intelligence in the overall AML/CFT system of Liberia. Financial intelligence produced by the Agency is considered to be of good quality by LEAs and has been used by the LEAs to identify and investigate predicate offences and trace assets and to a lesser extent support ML/TF cases. Intelligence produced by the FIA reflect some of the major risks of the country, especially tax evasion, bribery and corruption, and theft/robbery. The lack of advanced IT tools; inadequate human resources; and limited training impede the effectiveness of the analysis process and ultimately, the ability of the FIA to effectively support the operational needs of LEAs and conduct strategic analysis.
- c) Other than the LACC and LRA, other LEAs rarely or do not proactively seek financial intelligence from the FIA to support their ongoing investigations or to trace and identify assets linked to ML and other financial crimes.
- d) Banks account for the majority of the STRs submitted to the FIA which is in line with exposure of the sector to risks. NBFIs, particularly mobile money operators, microfinance institutions and insurance companies, submitted some STRs. The quality of the STRs is generally considered to be good by the FIA. The underlying suspicious crime for the STRs reflect some of the major proceed generating offences identified in the NRA report. Five (5) TF- related STRs were filed to the FIA which appears to be in line with the TF risk profile of Liberia. DNFBPs and some FIs did not file any STR to the FIA which deprives the FIA of potentially valuable information especially as some of the sectors (for example, DPMS and real estate agents) have been identified as posing higher ML risks. In addition to STRs, the FIA also receives CTRs which have helped to enhance its analysis. The FIA did not receive any reports on the physical cross-border transportation of currency and bearer negotiable instruments from Customs.
- e) The FIA does not provide regular and systematic feedback to reporting entities on the usefulness of the STRs filed to and analysed to effectively impact on the behaviour of the reporting entities in respect of discharging their reporting obligations. Similarly, limited feedback is provided to the FIA on use of financial intelligence by LEAs. The lack of

effective feedback to reporting entities and FIA undermines efforts to improve the quality of STRs of reporting entities and intelligence products of the FIA.

- f) The FIA and other competent authorities adequately cooperate but exchange information to a limited extent. The cooperation is facilitated through operational cooperation platforms, FIA focal persons designated in some competent authorities, and MoUs executed by FIA with some authorities to strengthen operational cooperation and exchange of information. There are no concerns about the confidential handling of information.

ML Investigation and prosecution (Immediate Outcome 7)

- a) The enactment of the AML/CFT Act, 2021 following the NRA demonstrates Liberia's commitment to pursue ML at the policy level. Liberia has not demonstrated the ability to conduct, prosecute and convict the money launderer due to fundamental capability and capacity deficiencies across all agencies. Notwithstanding this, there are significant technical compliance deficiencies in relation to relevant recommendations, in particular Recommendations 3.6 (offences committed in another Country) 3.5 (conviction in the absence of a predicate offence conviction) and 31.2 (use of wide range of investigative techniques, undercover operations etc). Consequently, Liberia continues to face several important legal obstacles that prevent it from pursue ML effectively.
- b) As indicated by the lack of any ML convictions, Liberia does not pursue investigations and prosecutions of ML in a manner consistent with the risk profile. Liberia takes a reactive rather than a proactive approach to the identification of ML cases. Liberia has not demonstrated that parallel ML offences are investigated alongside the predicate offence. Detailed financial investigations to trace criminal proceeds are not undertaken as the LACC focus on "more winnable, low-profile [corruption] cases" and the LDEA does not undertake any financial enquiries when investigating drug trafficking cases. As a result, opportunities to identify third party or standalone ML are missed.
- c) At current resourcing levels, Liberia has only very limited capacity to investigate and prosecute ML. LEAs and prosecutors, namely the LNP, LACC, LDEA, LRA, TCU, MoJ and LACC, are inadequately resourced and not sufficiently trained to conduct ML investigations and prosecutions. Consequently, there have been no third-party of ML investigations. Standalone ML cases that are prosecuted are often pursued with insufficient development of evidence. As a result, Liberia has yet to secure a single conviction for ML.
- d) A wide range of sanctions are available, including the confiscation of proceeds of crime. However, as there has been no ML convictions, it has not been possible to assess the effectiveness, proportionality and dissuasiveness of sanctions applied.
- e) There is little evidence to show competence in gathering intelligence and evidence to identify and pursue complex cases. The ability to pursue such cases is also impeded as LEAs are not enabled, by law, to use special investigative techniques.
- f) Liberia uses restitution measures where suspects admit guilt and agree to forfeit the "proceeds of their criminal conduct". However, this measure is not applied in situations where a ML investigation has been pursued as it is not possible in the absence of an ML conviction.

- g) Liberia does not maintain comprehensive statistics on the number and nature of ML investigations, prosecutions and convictions per year, how the investigation was identified, or the type of ML offences and predicate offences being investigated and prosecuted. Accordingly, Liberia is not able to assess the performance of legal and operational system against the risk profile.

Confiscation (Immediate Outcome 8)

- a) Liberia is commended for achieving its first confiscation order in June 2022 and progress regarding proceeds of crime transferred to and from other countries. However, Liberia has not confiscated or made significant efforts to trace proceeds and instrumentalities of crime and property of equivalent value.
- b) Except for funds in bank accounts, Liberia's legal framework for confiscation lacks an explicit provision allowing the freezing of property, identified prior to prosecution, without prior notice to the holder. This deficiency increases the risk of assets being dissipated and therefore not available for subsequent confiscation proceedings.
- c) Liberia has not consistently pursued confiscation as a policy objective. However, the recent AML/CFT Act, the AS-AP and increased use of provisional measures have made progress in establishing confiscation as a high-level priority. This has not been reflected at the operational level.
- d) There is a low level of compliance of asset declarations by relevant public officials. This contributes to the LACC's inability to identify, investigate and recover property generated from corruption and ML offences.
- e) Liberia uses provisional measures almost exclusively to freeze funds in bank accounts. Liberia does not seek to freeze, and lacks experience in managing the seizure of, the instrumentalities of crime and other assets. There is no Property Manager in place or policies and guidelines to govern the management of frozen or confiscated assets.
- f) In the absence of ML convictions and subsequent confiscation orders, the LACC uses restitutions (both in and out of court) and the LRA use settlements to recover the proceeds of corruption and tax evasion. These measures lack effective enforcement, have low rates of recovery and do not act as an effective alternative to criminal proceedings.
- g) Liberia has a robust legal framework to address the threat of false and non-declared cross border transportation of currency and BNI. However, the number of declarations, detections of false and/or non-declarations and seizures is not commensurate with the cross-border risks facing Liberia.
- h) The lack of money laundering convictions (see IO7) severely hinders Liberia's ability to recover proceeds and instrumentalities of crime and property of equivalent value from high proceed generating predicate offending.

Recommended Actions

Financial Intelligence ML/TF (Immediate Outcome 6)

- a) Liberia should allocate further financial, technical and human resources to the FIA to enable it function more efficiently and effectively. In particular, authorities should equip the FIA with advance analytical tools, adequately staff the Analysis Unit, and provide ongoing training to staff to effectively conduct strategic and improve operational analysis that is targeted to the operational needs of LEAs and other competent authorities based on the ML/TF risk profile of Liberia.
- b) Investigative authorities should prioritise and significantly increase the use of financial intelligence through proactively making requests for information to the FIA and seeking financial information ML/TF from other sources for purposes of initiating and supporting investigation of ML/TF and predicate offences in accordance with the country's risk profile. Authorities should take necessary steps, including:
 - i. raising awareness about the importance of using financial intelligence to ensure that LEAs are well equipped to appreciate the value and use of the financial intelligence and other information from the FIA to actively pursue ML/TF cases along predicate offences investigations.
 - ii. providing regular and timely feedback to the FIA on the usefulness of its intelligence to ensure better support of their operational needs.
 - iii. keeping comprehensive statistics and perform analysis on feedback provided by LEAs to ensure enhancement of quality of its disseminations.
- c) The FIA should take appropriate steps to access and fully optimise all the resources or information in the databases of relevant public authorities, especially LNP, Customs, LACC and the NSA to support its analysis in order to produce more robust intelligence. Similarly, the FIA should consider subscribing to and accessing commercially or privately-owned databases as this can enable it to access relevant information that will support its analysis.
- d) The FIA should implement necessary measures to improve suspicious transaction reporting by FIs and DNFBPs in order to increase the availability and scope of useful information at the disposal of the FIA to support analysis. In this regard, the FIA should:
 - (i) ensure that reporting entities strengthen or establish systems and procedures to detect and file STRs consistent with their risk profile, (ii) strengthen collaboration with the relevant sector regulators and SRBs to enhance outreach and provide targeted guidance and training (e.g. STR specific training, STR reporting typologies) to enhance the capacity of reporting entities to effectively identify and report STRs, (iii) provide regular and systematic feedback to reporting entities on the quality and use of STRs to improve the quality of STRs, (iv) provide appropriate risk indicators in the major threat areas (corruption, tax evasion, drug trafficking, etc) to ensure that reporting is further aligned with the risks facing Liberia, and (v) apply effective, dissuasive and proportionate sanctions, especially monetary penalties, to promote compliance with STRs reporting obligation.
- e) The FIA should pursue and develop strategic analysis to support the operational needs of LEAs, inform the objectives of reporting entities, as well as contribute to broader AML/CFT initiatives. Such analysis should identify emerging trends, patterns, typologies and vulnerabilities, as well as an appropriate response, which considers Liberia's context.
- f) The Customs authorities should ensure that the information from the implementation of the cross border currency declaration regime is made available to the FIA spontaneously

in order to enhance strategic and operational analysis and to support ML/TF and associated predicate offence investigations.

ML Investigation and prosecution (Immediate Outcome 7)

- a) Liberia should amend its legal framework to ensure technical compliance with relevant FATF Recommendations. This includes, (i) extend the ML offence to foreign predicate offences; (ii) provide that it is not necessary, when proving ML, to also convict for a predicate offence; and (iii) prescribe proportionate sanctions against legal persons convicted of ML offences (iv) provide legal powers to use specialist investigative techniques.
- b) The FCWG should create and implement a strategy document to standardise interagency coordination and intelligence sharing amongst LEAs. The implementation of this strategy should be monitored and evaluated under the AS-AP. Reflecting on the wider analysis, noting the relevant success of Joint Investigative taskforces, the AS -AP should ensure that these task forces feature more prominently in ML investigations.
- c) Policy authorities should enhance the capacity of the LNP, LACC, LDEA, LRA, TCU investigators and MoJ and LACC prosecutors through the provision of ongoing specialised training on financial investigation and prosecution with emphasis on building skills in intelligence and evidence gathering and the use of special investigative techniques to identify and pursue complex ML cases.
- d) LEAs and the MoJ should develop the AML Strategy to prioritise the investigation and prosecution of ML consistent with the risk profile of the country; Liberia should also develop manuals to (i) incorporate a checklist and outline of the essential elements to help structure each financial investigation undertaken; and (ii) guide prosecutors and promote a consistent and effective approach to the prosecution of ML offences.
- e) To ensure a holistic approach to improve effectiveness in ML prosecutions and convictions, the MoJ should organise specialised training programmes for judges using peer to peer learning with their foreign counterparts in adjudicating ML cases. This will align progress with other RAs for LEAs and prosecuting agencies.
- f) Liberian authorities should increase the financial, human and technical resources of LEAs, the MOJ and the judiciary, including by adding a reasonable number of appropriately skilled staff and working tools to facilitate the effective conduct of complex ML investigations and prosecutions.

Confiscation (Immediate Outcome 8)

Liberia should

- a) through the IMC, coordinate activity at the strategic level, using the AS–AP to monitor and evaluate progress to address the wide-ranging and specific confiscation related deficiencies identified in the key findings.
- b) reduce the reliance on the restitution process and enhance focus on prosecution of all types of ML and formal confiscation proceedings.
- c) develop and adopt a national confiscation strategy and issue guidelines for identifying, tracing, freezing and confiscating the proceeds and instrumentalities of crime and property

of equivalent value, outlining clear priorities as well as the roles and responsibilities for the FIA, LEAs, MoJ, Courts and the Property Manager. The strategy should set out (i) procedures for taking possession of, preserving, managing, realising and disposing of all property subject to freezing and confiscation, establishing a Recovered Assets Fund to receive all funds derived from confiscation measures (ii) measures for ensuring compliance with assets declaration requirements by relevant public office holders; (iii) a system to record and publish data and statistics of compliance with assets declaration requirements, property frozen, confiscated and payments made to and from the Recovered Assets Fund.

- d) develop, adopt and implement a strategy to address cross border movements of currency and BNIs. The strategy should use the Joint Airport Interdiction Task Force to increase the use of both intelligence led and random interdictions to increase the detection of false and non-declarations in accordance with Liberia's risk profile.
- e) increase the use of formal and informal international cooperation to identify, freeze and confiscate the proceeds of crime which have been moved to other countries, in accordance with the risk profile.

130. The relevant Immediate Outcomes considered and assessed in this chapter are IO.6-8. The Recommendations relevant for the assessment of effectiveness under this section are R.1, R. 3, R.4 and R.29-32 and elements of R.2, 8, 9, 15, 30, 31, 34, 37, 38, 39 and 40.

3.2 Immediate Outcome 6 (Financial Intelligence ML/TF)

Background and Context

131. The Liberian Financial Intelligence Agency (FIA) was established in 2012 and initially operated as Financial Intelligence Unit of Liberia (FIUL). The Act creating the FIU was repealed and replaced in 2022 with the Financial Intelligence Agency (FIA) Act 2021. The FIA is an operationally independent and autonomous statutory body and is the central agency for the receipt and analysis of suspicious transactions and other reports from reporting entities, and dissemination of financial intelligence and other relevant information to LEAs to identify potential cases of ML, TF and associated predicate offences. It undertakes preliminary investigations to support its analytical functions and is also involved in freezing of assets. In addition, it has responsibility to supervise reporting entities for AML/CFT compliance. The FIA has three broad departments, namely: Compliance; Analysis, Legal and Investigation; and Administration and Finance. As at the time of the onsite, the Agency had 60 staff, including seven (7) analysts. The Government has, on incremental basis, allocated more budgets to the FIA (e.g. its budgetary allocation increased from \$748,668 in 2021 to \$1, 589, 753 in 2022 representing a 112% increase). It is the view of the assessors that the FIA is not adequately resourced to effectively perform all its functions, including the supervisory role. The FIA is not yet a member of the Egmont Group of FIUs, but has commenced its membership application process.

Use of financial intelligence and other information

132. The LEAs access a range of information sources to identify and trace proceeds, and to support investigations and prosecutions of predicate offences, but do so to a limited extent in supporting ML and TF investigations and developing ML and TF evidence.

133. In the process of performing their functions, authorities, especially the FIA and LEAs have access to a wide range of financial intelligence and other information sources necessary to support their operations. The table below highlights the key or most important publicly accessible and internal information sources used by the FIA in its analysis and LEAs in their financial and criminal investigations.

Table 3.0 Key Databases of Public Institutions Accessible by FIA and LEA

Database	Host Authority	Brief Description of the Nature of Information	Mode of Access ⁶³
STR Database	FIA	Includes information related to STRs, CTRs, domestic information requests, international information requests, and data obtained accessing open and close sources.	Indirect
Criminal information database	Police, LACC, LDEA etc	Criminal information on the accused person(s).	Indirect
Tax information	LRA	Tax information and enforcement information on natural and legal persons	Indirect
Passports database	Liberia Immigration Service	Movement of people leaving and arriving to the country.	Indirect
Customs declarations; Import/Export statistics	Customs	Currency declaration and Bearer Negotiable Instruments; Information on services imported/exported into/out of Liberia	Indirect
Real estate properties database	National Documents & records (Archives)	Lands and real estate owned by natural or legal persons.	Indirect
Commercial Register Database	Liberia Business Registry	Information on legal entities/ arrangements incorporated in Liberia, including the purpose, dates of changes, directors / representatives, and their beneficiaries.	Indirect
Depositors database	Central Bank, Commercial banks	Information on individuals / business entities and their accounts opened with banks in Liberia	Indirect
Vehicles database	Ministry of transport	Data on cars, motorbikes and their owners	Indirect
NPO Registration	LBR, MOFD (NGO Unit)	Records of NPOs	Indirect
Asset declaration	LACC	Information on asset declaration by public servants	Indirect

Source: FIA/Liberia

134. The Liberian FIA constitutes an important source of financial intelligence. This is because of its core functions related to the receipt and analysis of STRs and CTRs. These reports (STRs/CTRs), together with other information received upon request or spontaneously from other FIUs obtained in the framework of international cooperation (see IO.2) are a primary source for the FIA to produce financial intelligence. During its analysis, the Agency has powers to request information from a wide variety of publicly held (see Table 3.0 above) and private sector information. In this regard, accessing information held in these databases is generally part of the FIA's analytical process. Generally, where information is required from another government agency, a formal request is made to the agency. The turnaround time for the provision of information requested by the FIA usually ranges from within days (in most cases) to one month (in few cases) but is occasionally exceeded in few cases.

⁶³ For all databases, other than the host authority, all other authorities have indirect access to databases they are not hosting

135. Statistics in Table 3.1 below show the extent to which the FIA has made use of some of the sources of information held by national authorities to enrich analysis of STRs, leading to the production of good financial intelligence. Between 2018 and August 2022, the FIA submitted 75 requests for information to competent authorities and received 55 responses, representing 73.33% of total requests made. As part of efforts to facilitate communication with the FIA, focal persons (representative of the IMC in each agency) are designated in the relevant competent authorities, including the LACC and LRA. This arrangement does appear to have assisted in the good rate of response to the FIA's requests (73.33%).

Table 3.1 Number of Request made by the FIA on Other Competent Authorities, Jan 2018 – Aug 2022

Institution	Number of Information Requested & Response Received									
	2018		2019		2020		2021		2022	
	Request	Responses	Request	Res	Request	Res	Request	Res	Request	Res
LRA	6	4	8	7	3	3	2	2	3	3
LBR	8	6	13	8	12	10	3	1	6	6
LIS	2	2	0	0	6	2	0	0	0	0
LDEA	0	0	3	1	0	0	0	0	0	0
TOTAL	16	12	24	16	21	15	5	3	9	9

Source: FIA

136. In general, the extent to which the FIA made requests to various authorities varies but generally low (see Table 3.1). Most of the requests were made to the LBR (42), LRA (22), while 8 requests were made to LIS and 3 to LDEA. Overall, Assessors considered the number of requests, especially those made to the LRA and LDEA that handle some of the major proceeds generating crimes, very low (an average of 4 requests for LRA or 1 for LDEA, per year).

137. While the FIA can access (indirect) a number of public databases to generate good financial intelligence and other information, as indicated in the Table 3.1 above, the Agency has not adequately used its powers to access other information that would have further enhanced performance of its core function. For instance, despite the relevance of the information held by some key authorities, such as the Police, Customs, LACC and the NSA, the FIA did not submit any request to these agencies during the review period. Similarly, the Customs does not communicate cross border cash and BNI disclosure information spontaneously to the FIA (see Table 3.4). Thus, the FIA is deprived of information that could enable it to generate a more robust financial intelligence and information required to assist LEAs in relation to ML/TF cases, including those related to cross-border cash or BNI disclosures. In addition, given the potential TF risk associated with cross-border cash/BNIs movements, the FIA's lack of request for cross border cash and BNI disclosure is a gap, capable of impacting its ability to conduct comprehensive analysis. The FIA receives requests for information from some LEAs (see Table 3.3) and the latter in some instances seek information from reporting entities that provide them with some relevant transactions and documents. The FIA benefits from these requests as they help inform its database with new financial intelligence and information on suspicious persons and transactions.

138. The FIA does not have access to any commercially held databases which may impact on its capacity to enrich its financial intelligence. This may be due to resource constraints given the payment of subscription. The FI can benefit from access to these type of databases as these can enable it to access relevant information, including, PEPs, business associates/relationships and transactions, which may otherwise not be readily available in the public space, to support its analysis.

139. In the course of its analysis, the FIA has the power to request and obtain additional information useful for the performance of its functions from any public or private sector institution. In the review period, the FIA demonstrated the use of these powers to request additional information from reporting entities, regardless of whether such entities submitted the original STR or not (see Table 3.2). Such use enhances its analysis and in so doing provides additional intelligence to Liberia's competent authorities. In the period under consideration, the FIA made 80 requests for additional information to commercial banks which hold the majority of financial information in the country and three (3) to other FIs. 77% of the total requests were provided while no explanation was provided for the pending request. The type of additional information requested includes clarifications on the reasons for suspicion, provision of bank statements for a specific period, and explanation of the purpose of some transactions and their linkages with other transactions. The average response time to obtain the requested information from the FIs ranges from 24 to 48 hrs. Most of the banks interviewed confirmed this. No request for additional information was made to DNFBPs during the review period.

Table 3.2 No of Requests for Information made to Reporting Entities by the FIA, Jan 2018 - Aug 2022

Year	Banks		OFIs			
	Request made	Response received	Request Made	Response received		
2018	27	21	0	0		
2019	12	7	0	0		
2020	6	4	0	0		
2021	17	13	2	1		
2022	18	17	1	1		
Total	80	62	3	2		

Source: FIA

140. In the process of investigation of predicate offences and ML/TF, LEAs, including the LACC, LDEA and Police, have access (indirect) to a range of financial and other relevant information source necessary to support their operations (see Table 3.0 above). Financial investigations are conducted through financial analysis, and use of various information sources such as tax information, landed property information, Customs' information (cross-border cash/BNI disclosure system), passport information, and company registry information - basic information on legal persons and BO information where it is collected (see IO.5) as well as information held by reporting institutions. Where information is required from another government agency, a formal request is made to the agency. Some of the LEAs have signed MoUs amongst themselves to facilitate information exchange (see Table 2 under IO.1). In addition, the designated focal persons in the various competent authorities are also responsible for handling all AML/CFT related issues, including information exchange or intelligence requests from other agencies. Overall, the MoUs and use of focal persons facilitate timely information exchange. For instance, some of the LEAs interviewed indicated that most of their responses are received within a week or two with few within a month. However, no statistics were provided to support this claim. The LEAs stated that they also receive information from their foreign counterparts through the INTERPOL channels as well as under the MLA agreements⁶⁴. Nevertheless, LEAs primarily utilize the intelligence to gather evidence and trace criminal proceeds related to predicate offences.

141. The LRA and LACC are the LEAs that regularly make requests for financial intelligence to the FIA when information is needed in an investigation. As indicated in Table 3.3, the LRA made 76 requests to the FIA, LACC made 25, Police made 10 requests, while the LIS made 3 requests. The

⁶⁴ The LEAs did not provide any information or statistics, including case studies to substantiate this claim

requests made by the LACC to the FIA relate to corruption and bribery, LRA relate to tax evasion and tax related crimes, the Police relate to robbery/theft and fraud, while the requests from the LIS relate to persons crossing Liberia's borders and allegedly involved in fraud/forgery and trafficking in person. These reflect some of the main proceeds-generating predicate offences in Liberia (see IO.1). Beyond request by the LEAs, other competent authorities, particularly the MoJ also made one (1) request on the FIA in the review period. Overall, the statistics above show that the results of financial investigations to some extent assist in the detection and investigation of criminal cases, which is also an indication of the good quality of the FIA's intelligence.

142. The FIA responded to a substantial number (72.73%) of the total requests made by LEAs and other competent authorities in the review period (see Table 3.8). Overall, the practice of having dedicated focal persons in relevant agencies to facilitate receipt or exchange of financial intelligence and other information from the FIA is seen as a positive development. The FIA attributed the pending few requests (in Table 3.8) to either the non-availability of information requested; the delays from other agencies to whom they have sought additional information; or inadequacies in the requests made.

Table 3.3 Number of Request made by LEAs on the FIA, Jan 2018 – Aug 2022

Institution (egg)	Number of Information Requested									
	2018		2019		2020		2021		2022	
	Request		Request		Request		Request		Request	
LEAs										
Police	10		0		0		0		0	
LACC	1		16		0		4		4	
LRA	6		31		18		17		4	
LIS	0		0		0		1		2	
OTHER COMPETENT AUTHORITIES										
MoJ	0		0		0		1		0	
TOTAL	17		47		18		23		10	

Source: FIA

143. During the review period, other than LACC and LRA other LEAs such as the Police, LDEA, NSA, TCU, and LIS rarely or do not proactively seek or request financial intelligence from the FIA to support their ongoing investigations or to identify and trace criminal assets (see Table 3.3). This presents a gap and demonstrates a system that has room for improvement in terms of use of financial intelligence and other information. In addition, the Assessors are of the view that the number of requests made by the LACC, LRA and Police could be higher considering that the predicate offences being handled by these authorities were identified as high proceeds generating crime in the NRA. For instance, 25 requests from the LACC, and 10 requests from the Police show that the scope and volume of information requests do not correspond to the needs of these LEAs and the risk profile of the country.

144. Overall, it is the view of the Assessors that LEAs could have benefited more by seeking relevant information from the FIA about the suspects' financial transactions. In particular, by not regularly approaching the FIA for information on the predicate offences being investigated, the opportunity to detect proceeds of crime and other financial transactions associated with the predicate offences from available information may be lost. While some LEAs stated that apart from the FIA sources, they have access to other information sources such as anonymous informants, individual complaints of injured parties, reports from auditor General, media reports / articles etc and powers to obtain information from reporting entities directly to initiate investigations and to further case development, they did not

demonstrate as to how these sources are optimally used to produce financial intelligence that is useful for investigating ML and TF. In addition, no statistics were provided in this regard to enable assessors ascertain the extent to which these authorities effectively use other sources of information to investigate ML, predicate offences and TF.

145. LEAs may also obtain information from the FIA spontaneously, especially when there are reasonable grounds to suspect ML or predicate offences (Table 3.6). The spontaneous disseminations cover some key predicate offences in Liberia, especially tax evasion, corruption and robbery/theft. Thus, the disseminations align to some extent, with a few of the highest risk predicate offences for ML identified in the NRA.

146. The FIA rarely receives feedback from LEAs on the usefulness of the financial intelligence provided to them, notwithstanding the fact that in recent times, the Agency always attached Feedback Form to the intelligence disseminated. LEAs interviewed indicated that, when requested, the feedback they provided includes highlight of progress in the investigation process. Authorities indicated that the Financial Crimes Working Group (FCWG) was established to discuss investigative priorities and promote the use of financial intelligence. In addition, they stated that there are regular discussions between FIA and LEAs on a WhatsApp group of LEAs focal persons (created by the FIA) where feedbacks are provided on the usefulness of intelligence and information. The limited feedback from the LEAs deprives the potential of the FIA to improve the quality and the relevance of the financial intelligence disseminated.

147. Discussions with the LEAs, especially the primary users of the financial intelligence produced by the FIA, considered the intelligence to be of good quality and noted that they have been useful in their operational needs, while response to their requests is timely. Statistics presented by the authorities indicate that, between 2018 and August 2022, the number of investigations supported by the FIA intelligence stood at 139 out of which 35 were proactive intelligence (Table 3.6), and 101 were responses to requests for information from different LEAs (Tables 3.8). A few cases presented by the country demonstrated a successful use of FIA spontaneous intelligence to initiate investigations of ML/TF and predicate offences (see Table 3.7). For instance, one of the cases did not only lead to the launching of investigation but also to confiscation of money (see Box 3.1 below).

Box 3.1: Financial intelligence generated by the FIA and used to initiate an investigation by an LEA

In November 2021, an intelligence generated by the FIA indicate that Company K (a foreign company with subsidiary registered in Liberia) and its corporate owners were suspected of engaging in ML. On this basis, a freeze order was placed on all the company's accounts in Liberia by the FIA, thus protecting alleged proceeds of crime pending the outcome of a full-scale investigation and subsequent criminal trial. The intelligence was forwarded to the LNP which launched investigations based on information and documents submitted by the FIA on the case. The Investigators found company K operated a shell company in Liberia which was used to launder stolen funds from wire fraud. Company K and its corporate owners were indicted by the Grand Jury for Montserrado County for the crimes of Money Laundering, Wire fraud, Theft of Property, and criminal conspiracy. The defendants fled the jurisdiction and as Liberia is unable to prosecute in absentia, no criminal trial has taken place. A motion to confiscate the proceeds was filed consistent with the Provisional Remedies Proceeds of Crimes Act 2013, which allows confiscation where a defendant has absconded. The

motion was assigned for hearing and argued. The Presiding Judge of Criminal Court C granted the motion and ordered the proceeds of over US\$234,000 confiscated. The amount has been transferred to the General Revenue Account of Liberia by the FIA.

148. A few case examples provided by the country indicate that the FIA and some LEAs had conducted joint operations. The practice of conducting joint operational activities or joint investigation provides an opportunity which allows financial information and intelligence to be exchanged without the need for special requests. Such practices are used as a mechanism of cooperation with LEAs. The case example in Box 3.2 indicates the effectiveness of such cooperation, as the joint operational activities resulted in the initiation of criminal proceedings, including ML-related proceedings.

149. Liberia's laws, including the Freedom of Information Act, and the enabling Acts of the LEAs make it possible for competent authorities to access and utilize financial and relevant information. For instance, LEAs have powers to access or obtain financial information from reporting entities either directly (via investigative tools such as subpoenas, customer information orders and warrants) or through the FIA upon establishment of a suspicion and initiation of investigation. Some of the competent authorities such as the NSA⁶⁵ indicated that they usually send a letter of request for information targeted at the specific reporting entity holding that information. LEAs that have made requests to the private sector, especially banks, indicated that they receive the necessary data from the reporting entities within 24 hours or a few more days depending on the complexity of the requests. This was confirmed by some of the reporting entities interviewed during the onsite.

150. Regarding the use of financial intelligence in TF, there were five (5) TF related STR filed to the FIA during the review period. These were all analysed with 5 intelligence disseminated to the NSA that is the key authority responsible for the identification and investigation of terrorism and TF cases. The intelligence were extensively analysed by the NSA but did not generate any reasonable grounds that TF activity has occurred and thus not progressed to prosecution (see IO.9). In general, the FIA can identify potential TF cases through analyses of STRs filed by reporting entities. The NSA accesses and uses intelligence from other sources to initiate or support TF/terrorism related investigation.

151. Overall, assessors are of the view that the range of databases available to the FIA and the LEAs are reasonable to enable them to generate relevant financial intelligence and other information for criminal proceeds and TF. However, there are some impediments impacting the quality of operational financial intelligence gathered and its subsequent use for evidence gathering and tracing of criminal proceeds related to ML, underlying predicate offences and TF. For example, no STRs have been filed by DNFBPs and there have been very few STR filings from NBFIs. In addition, as noted earlier, the use of the FI's intelligence in ML investigations is grossly inadequate, which could be due to the lack of capacities (including specialised human resources), and greater focus of LEAs on the use of intelligence in predicate investigations.

STRs received and requested by competent authorities

152. The FIA receives all STRs and CTRs filed by reporting institutions and is the central agency authorised to receive these reports in Liberia. The STRs and CTRs are submitted to the FIA electronically via secured email and manually (in hard copies, CDs etc). The STRs are filed to the FIA within 3 days of establishing suspicion by the reporting entities.

⁶⁵ The NSA is empowered in its law to request for information from any reporting entity without requiring a court order.

153. Between the period 2018 - August 2022, the FIA received a total of 411 STRs. Most of the STRs were filed by banks. The non-bank FIs (except insurance companies, microfinance institutions and mobile money service providers) and DNFBPs did not file any reports. Out of the total STRs filed, 406 (representing 98.78%) were ML-related, while 5 (representing 1.22%) were TF related.

154. One of the parameters for assessing the appropriateness of the reporting obligation is the consistency of the STRs with the main threats prevalent in the country. Statistics provided by the authorities indicate that the suspected predicate offences contained in the STRs filed to the FIA by reporting entities include illicit trafficking in narcotic drugs and psychotropic substances (5 STRs), fraud (9 STRs); counterfeiting currency (11 STRs); terrorist financing (5 STRs), bribery and corruption (38 STRs), smuggling (23 STRs), tax crimes (25 STRs), forgery (5 STRs), etc which reflect most of the major proceed generating offences identified in the NRA report, and also appears to be consistent with the TF risk profile of the country (see IO.1).

155. As regards the quality of the reports filed to the FIA, the Agency informed the assessment team that it considers the STRs to be of good quality, especially those filed by the larger banks. In general, the STRs contain relevant information such as details of the persons involved, the amount, account numbers and description of the suspicion, etc which form the basis of the FIA's analysis and intelligence generated to support LEAs' operations. Where there is missing or incomplete information, the FIA would contact the reporting entity and request it to provide the necessary information. However, the FIA was unable to provide specific information on the number of STRs with missing or incomplete information which would have assisted the Assessors to draw a conclusion in their analysis in this regard.

156. Table 3.4 below shows the STRs filling by sectors and the total number of STRs and other reports received by the FIA during the review period.

Table 3.4 – Total number of STRs & CTRs filed to the FIA by reporting entities, 2018-Aug 2022

SECTOR	2018		2019		2020		2021		2022	
	STR	CTR	STR	CTR	STR	CTR	STR	CTR	STR	CTR
FINANCIAL INSTITUTIONS										
Commercial Banks	67	95,346	25	117,231	33	185,303	77	189,905	86	195,232
Bureau de Change										
Insurance companies									1	59
Microfinance	0	0	0		0		23		18	370
Mobile Money	1	0	8		25		30		17	7514
Subtotal	68	95,346	33	117,231	58	185,303	130	189,905	122	203,175
DNFBPs										
Games of chance				5		5		17		7
Subtotal										
GRAND TOTAL	68	95,346	33	117,236	58	185,308	130	189,922	122	203,182

Source: FIA

157. With regard to the total number of STRs submitted, the bulk of these reports (70.07%) is filed by the commercial banks. Although the number of STRs filed by banks appears commensurate with the materiality and risk profile of the banking sector in Liberia, based on the diversity of products/services offered, the volumes and values of transactions processed, given the significance of the sector and the risks it faces, the overall number of STRs filed by the sector is considered by assessors as low. Mobile

money service providers filed 19.71% of the total STRs, which appears consistent with their materiality and risk profiles. Similarly, MFIs and insurance companies filed 9.98% and 0.002%, respectively which is consistent with their risk profiles. No STR was filed by DNFBPs and the rest of the NBFIs (some of which are considered medium to high-risk in the NRA e.g. real estate agents), which is not consistent with the risk profile of the country. The lack of reporting by these sectors is an important gap in the basic information available to the FIA to support analysis and dissemination, and indeed, the availability of financial intelligence in the country. In particular, this limits the ability of the FIA to analyse and disseminate financial intelligence for possible use by the LEAs in relation to these sectors. Although the FIA requests and receives information from reporting entities in the course of conducting its analysis function independent from filing a suspicious transaction report (see Table 3.2), the Agency has not made requests for additional information from the DNFBPs and most NBFIs. Thus, Assessors concerns noted in relation to the adverse impact of non-reporting of STRs above remains.

158. The decline in the number of STRs filed to the FIA from 68 in 2018 to 33 in 2019 was attributed by the FIA to the changes in political authorities, especially at the FIA and supervisory authorities. The number of STRs filed maintains a general positive trend from 2020 to 2022 which the authorities attributed to increase in awareness, training provided by the FIA, and the application of sanctions for failure to file STRs. It is the view of the Assessors that based on the concerns around some predicate offences, especially drug trafficking, and fraud (see IO.1) in Liberia, the STRs received could be far higher than in Table 3.4 above. The total number of CTRs filed to the FIA per year witnessed an upward trend throughout the review period. Liberia attributed this to awareness raising and application of sanctions. A CTR must be filed when a cash transaction exceeds L\$100,000 (US\$5000) for individuals and L\$1million (US\$10, 000) for corporations on a daily basis. These reports have proven valuable to the FIA. For instance, they are most times included in the cases disclosed to LEAs, and secondly, as a prescribed report received by the FIA, the Agency can follow up with reporting entities on the subjects of any prescribed report in order to gather additional financial intelligence relating to them and their accounts.

159. In general, the diversity of the STRs filed to the FIA is not sufficiently broad as all the STRs are filed by commercial banks and mobile money service providers. From interview with the FIA and reporting entities during the onsite, the main reasons for the non-filing of STRs by DNFBPs and most NBFIs, include inadequate supervision and monitoring of the sectors, the lack of sanctions for non-compliance with reporting obligations, inability of some of the reporting entities to detect suspicious transactions, and the lack of sector-specific AML/CFT guidance, especially to the DNFBPs (see IO.3).

160. Some initiatives were undertaken by authorities during the review period aimed at improving understanding and compliance with reporting obligations by reporting entities. These include the publication /issuance of a regulation on STR reporting obligations for FIs, which covers issues relating to institutions reporting responsibility, procedures for reporting STRs, STR indicators etc as well as training and outreach programmes provided to some reporting entities. While these efforts are acknowledged, they have offered negligible improvements in the level of reporting in particular by NBFIs and DNFBPs.

161. The FIA does not appear to provide robust and systematic feedback⁶⁶ to reporting entity on the quality, usefulness and progress or outcome of the STR filed, although it provides general feedback, including acknowledging receipts of STRs filed. Nevertheless, most reporting entities interviewed indicated that the feedback provided by the FIA on STRs filed was useful with some stating that this has contributed to improving their ability to detect and file quality STRs. Some of the reporting entities expressed a need for a more robust and systematic feedback on specific STRs, which would further

⁶⁶ Information on the number of feedback provided to reporting entities was not available.

improve the compliance with reporting obligations and the STR quality. The team notes that though the Compliance Officers Association of Liberia provides a platform for periodic discussions on various AML/CFT related issues with the authorities, especially the FIA and CBL, it is not clear if specific feedback on STRs form part of the discussions as no evidence was provided in this regard. There is no platform that facilitates contributions from other stakeholders (LEAs; other end-users; etc) for improvement of the quality of STRs filed by reporting entities. Considering the relatively low number of STRs received per year, the assessment team considers that many reporting entities would benefit from more systematic feedback from the FIA, including on a case-by-case basis.

162. During the period under review, the FIA did not receive any CDR from the Customs pertaining to suspicious cross-border transportation incidents or any other declaration information. The Customs authorities attributed this to logistics and technical resources which impeded their abilities to scan and store the declarations Forms in a manner that easily retrievable and accessible. Nevertheless, there are ongoing effort to computerize the CDRs to facilitate access by the FIA and other competent authorities. In general, the current lack of access to the CDR represents a gap especially as there is no evidence that the FIA request such information from the Customs.

Operational needs supported by FIU analysis and dissemination

163. The FIA's analysis and dissemination support the operational needs of relevant LEAs on investigation of predicate offences to some extent but to a lesser extent on ML/TF investigations, prosecution and the confiscation of criminal proceeds. The conclusion is based on the data and information provided in relation to the investigation and prosecution of ML, predicate offences, confiscation of criminal proceeds and TF investigations.

164. In general, the FIA has a reasonably good ICT infrastructure and structures such as biometric access controls and CCTV cameras on physical protection of the information in its possession.

165. The FIA uses Microsoft excel tool to process STRs or perform analysis and other information it receives. Based on discussions with the FIA, it was clear that the current analytical tool is not adequate in mining relevant information to supports analysis and dissemination of intelligence to LEAs. The Agency indicated that it would have preferred to have an advanced analysis software such as goAML to ensure thorough analysis of STRs. Notwithstanding this and the human resource constraint, especially analysts, the FIA has been able to produce good financial intelligence and information to help LEAs initiate or support their investigations and trace proceeds of crime.

166. The FIA has Standard Operational Procedure which sets out the procedures for receipt, analysis and dissemination of intelligence. For instance, when STRs are received, they are checked for quality (accuracy and completeness) by the Analysis Officer, and thereafter, they are entered into the STR database by the Intelligence Analyst and the STR is assigned to an analyst by the Director General. The security of the submissions and storage of the information is achieved through protection from unauthorised access to information. The FIA indicated that it prioritises STR analysis based on the complexity of cases, amount involved, and the nature of the suspected predicate offence (example – drugs trafficking, corruption or where there is TF related STRs). The FIA provided some instances where it prioritises STRs for analysis on the basis of the parameters highlighted above. When analysing STRs, the analyst will review all data accessible to the FIA. This includes a combination of information held in the database of the FIA (CTRs), accessed from public databases and other information (e.g., from internet search engines) to enrich the quality of the financial intelligence.

167. The FIA also adds value to STRs by seeking additional information⁶⁷ from reporting entities and other institutions which it believes holds useful information. This helps the FIA to identify links/relationships, movement of funds, assets likely to be proceeds or instrumentalities of crime. Upon completion of the analysis, the analyst will develop a report based upon the information contained within the STR, the identified suspicious activity of the subject(s), including activity for which there is reasonable grounds to suspect criminality. The Director General determines whether the elements of suspicion appear sufficient to justify dissemination. If this is the case, the intelligence is transmitted to the relevant agencies, depending on the suspected underlying crimes. Where the matter involves activities or persons outside of Liberia, a report will be prepared and spontaneously disseminated to other FIUs, but this has not occurred in practice.

168. The FIA makes both spontaneous disseminations and disseminations upon request to support the operational needs of LEAs. Between 2018 and August 2022, the FIA disseminated 40 spontaneous intelligence reports to relevant competent authorities for further action. The suspected underlying predicate offences identified in the disseminations include corruption and bribery, robbery/theft, fraud, tax crime and drug trafficking which appears consistent with some of the main ML risk of Liberia. Where the basis of dissemination cannot be established, the file is kept in view and monitored. The FIA provided samples of its disseminations, which were found to be of a reasonable quality. As indicated earlier, quality could be improved if DNFBPs and the remaining FIs are filing STRs while the FIA access other sources of information, especially Cross-border currency/BNI declarations.

169. Table 3.5 below provides an overview of all analytical reports disseminated between 2018 and August 2022.

Table 3.5. Number of STRs Received, Analysed, Disseminations, by the FIA, 2018 – Aug 2022

Year	No of STRs Received	STRs Analysed	Dissemination
2018	68	68	14
2019	33	31	6
2020	58	55	5
2021	130	76	3
2022	122	63	12
TOTAL	411	293	40

Source: FIA

170. Out of 411 STRs received by the FIA during the review period, the Agency analysed 293, representing 71.29% of the total STRs. The average handling time of an STR is between 4 to 14 working days which appears reasonable. However, this may increase, given the increase in the number of reports submitted and the corresponding resource constraints in the FIA. The STRs that have not been analysed was attributed to the inadequate number of analysts and recent restructuring in the Analysis section which caused some setbacks in the analytical function, especially between 2021 and early 2022.

171. In general, the decisions for proactive intelligence disseminations are based on the suspected underlying predicate offence, the risk profile of the subject and subject's associates, the nature of the case, etc. Although the LRA did not receive any proactive dissemination from the FIA in 2021, overall, between 2018 and August 2022, the LRA received the highest total number of disseminations (see Table 3.6). This appears reasonable as the LRA deals with tax evasion which is one of the main predicate offences identified in the NRA. The FIA also provided spontaneous information to other competent

⁶⁷ As noted under core issue 6.1, the total number of requests for additional information made by the FIA is generally considered low.

authorities, including Police. Although this is noted, given that corruption and bribery, drug trafficking, fraud, forgery etc were identified as some of the major predicate offences in Liberia, the team believes that more proactive disseminations should have been made in general, and in particular to the Police, LACC with some to LDEA to reflect some of the major ML risks in the country. There were five (5) proactive disseminations to the NSA by the FIA in relation to TF between 2018 - 2020.

Table 3.6 Proactive Disseminations by the FIA, Jan 2018 – Aug 2022

Year	PROACTIVE DISSEMINATION BY AGENCY							Total
	Police	LACC	LRA	NSA	MOJ			
2018	1	3	6	3	0			13
2019	0	0	4	1	1			6
2020	1	1	2	1	0			5
2021	1	1	0	0	1			3
2022	6	3	3	0	0			12
GRAND TOTAL	9	8	15	5	2			39

Source: FIA

172. The LEAs interviewed during the onsite affirmed that the intelligence package produced by the FIA was of good quality with investigative leads, relationships among subjects of interest and criminal profiles of the subjects forming the basis for the submission to the relevant LEA. Statistics provided in Table 3.7 below, demonstrate that spontaneous intelligence from the FIA has been used to a reasonable extent to initiate ML investigations. For instance, spontaneous intelligence disseminated to LEAs by the FIA (Table 3.6) is 40, the number of ML investigations resulting from spontaneous dissemination by the FIA in Table 3.7 stands at 12 representing 34.29%. With respect to TF investigation, the five (5) TF-related intelligence disseminated by the FIA between 2018 and 2020, led to investigation (see IO.9). While it is not clear why the remaining spontaneous disseminations by the FIA could not result in the initiation of any ML investigations, it is the assessors view that this may be due to capacity constraint at the LEAs, especially as the LEAs confirmed the good quality of the intelligence received from the FIA. Overall, this supports the assessors' view that financial intelligence from the FIA is largely used to support investigation of predicate offences by LEAs in Liberia.

Table 3.7 Number of Investigations Resulting from FIA Spontaneous Intelligence, Jan 2018 - Aug 2022

Type of Crime	2018	2019	2020	2021	2022	Total
ML	3	0	2	2	5	12
TF	3	1	1	0	0	5
Others (predicate offences)	6	5	2	1	4	18
TOTAL	12	6	5	3	9	35

Source - FIA

173. As regards the overall outcomes of ML and Predicate offences investigations initiated from FIA's spontaneous disseminations, statistics presented by the country did not indicate specific numbers of prosecutions, convictions and confiscation arising from same.

174. Regarding the analysis of requests from LEAs and foreign FIUs, upon receipt of these requests, the FIA conducts an initial review to verify if basic information is provided by the requesting authority to facilitate analysis, otherwise the requesting authority or agency is contacted for the relevant

information. Generally, the FIA checks its database then (where necessary) requests additional information from other relevant stakeholders. The timeliness for responding to requests from LEAs and foreign FIUs varies depending on the nature of the request. LEAs noted that, typically, they receive responses to their request within three to four days on average if the information or data is available in the FIA's database and the request requires limited analysis, while where more complex analysis is required, including obtaining information from reporting entities, it takes a longer time like a week or two to provide the response. In practice, where a longer time period is required for obtaining the requested information (e.g. when requests are sent abroad), the FIA first, disseminates the interim information and after that, upon receipt of the necessary information, further provides it to a requesting party. This ensures prompt information exchange between the FIA and LEAs. The FIA responded to 88.60% of the requests made by LEAs (see Table 3.8). The outstanding responses (Table 3.8) could be as a result of some factors including insufficient information on the requests made by the requesting LEA. Overall, the FIA better supports the operational activities of LEAs through the provision of information upon requests.

Table 3.8. Reactive Disseminations (Upon Request) by the FIA, Jan 2018 – Aug 2022

Institution e.g.	Number of Information Requested & Response Received									
	2018		2019		2020		2021		2022	
	Request	Responses	Request	Res	Request	Res	Request	Res	Request	Res
LEAs										
Police	10	7	0	0	0	0	0	0	0	0
LACC	1	1	16	13	0	0	4	3	4	3
LRA	6	5	31	29	18	18	17	16	4	3
LIS	0	0	0	0	0	0	1	1	2	2
OTHER COMPETENT AUTHORITIES										
MoJ	0	0	0	0	0	0	1	1	0	0
LBR	0	0	0	0	0	0	1	0	0	0
MoT / Vehicle Registration	0	0	0	0	0	0	1	1	1	1
TOTAL	17	13	47	42	18	18	25	22	11	9

Source: FIA

175. The FIA has mandate to conduct strategic analysis under the FIA Act. Within the period under review, the FIA completed one strategic analysis report in 2022 which examined the use of personal accounts for business purposes. The report summarizes criminal attempts of diverting business incomes into personal accounts by business owners/shareholders in Liberia to evade taxes over a reporting period of five years (2017-2021). The document outlined some red flags within the prescribed scope of analysis and recommendations to address the misuse of personal accounts which could be used by the competent authorities and reporting entities to identify transactions possibly linked to tax evasions. However, the findings of the report were yet to be disseminated to relevant stakeholders to provide an awareness of the findings. Thus, the team could not assess the impact of the product on the effectiveness of Liberia's AML/CFT regime. Nevertheless, the FIA has not generated any strategic intelligence products in relation to corruption, which poses the highest ML risk to Liberia and other higher ML risk predicate offences. Consequently, there is an absence of such intelligence to inform policy/ legislative or other changes which would mitigate the risk to FIs, DNFBPs, and other competence authorities.

176. While the FIA enjoys operational independence so that it is not subject to undue influence, it seems to be under-resourced, especially in terms of human and technical resources. The FIA currently

has 60 staff⁶⁸, including seven (7) analysts. The analysts are fairly skilled in financial analysis. They have participated in some training⁶⁹ which meets their current needs to some extent. The FIA noted the need for additional staff, including analysts, to complement existing staff strength. The FIA can benefit from better analytical tools, increase funding and more advanced training on analysis.

177. Overall, Assessors believe that the limited human resources, especially analysts, low volume of STRs filed by some of the commercial banks and the non-filing of STRs by some of the NBFIs and all DNFBPs (some of which are assessed as medium to high risks in the NRA, e.g. lawyers), the lack of advanced IT tools considering that the standard processing time of an STR by the Agency is between 2-4 weeks before dissemination, and the inability of the FIA to conduct more than one strategic analysis contribute to the challenges faced by the Agency in effectively supporting the operational needs of LEAs.

Cooperation and exchange of information/financial intelligence

178. The FIA and other competent authorities adequately cooperate but exchange information to a limited extent. Assessors based this conclusion on the fact that LEAs and other competent authorities make limited requests for information on the FIA (see Table 3.3). Although LEAs do not require MoUs to cooperate and collaborate with the FIA, the Agency has signed MoU with the LRA, Police, LIS, MOJ LDEA, and NSA on cooperation and exchange of information. The FIA demonstrated that it provides support to some LEAs proactively (see Table 3.6) and in response to request made by LEAs to support their ongoing investigation (see Table 3.8). To facilitate information exchange between the FIA and competent authorities, the IMC members are designated focal points in their agencies, nevertheless there is limited evidence to demonstrate that these authorities, including the LEAs, make adequate requests for information from the FIA to support their investigative activities. The collaboration space in the fight against the ML/TF can be enhanced with the FIA engaging more in terms of following up on disseminations and creating further awareness on the utility and uptake of its intelligence.

179. The authorities cooperate to some extent and make use of relevant channels to access information that is useful in unveiling financial crime. The box below illustrates how the FIA and some LEAs cooperated in a joint investigation and the outcome led to measures being taken including refund of US\$50,000 by a company.

Box 3.2. Joint Investigation after STR Analysis

In 2021, an FIA analysis revealed suspected tax evasion by company T. The intelligence was shared with the LRA and Police leading to a joint investigation by the three agencies. The company and its corporate owners were charged on allegation of tax evasion, and money laundering. The company's accounts were frozen. Prior to trial, the company admitted to tax evasion and refunded US\$50,000 being tax liability to the government following an agreement between the company and the government of Liberia. As a tax settlement was agreed, criminal proceedings have ceased.

180. There are some operational cooperation platforms, such as the Financial Crimes Working Group (FCWG), the Fusion Centre and the Transnational Criminal Unit. These platforms are operational and bring together the FIA, LEAs and other key competent authorities to share information or discuss

⁶⁸ Out of the 60 staff, 7 are dedicated to analysis while the others are spread across other functions, including supervision of FIs/DNFBPs, and Administration and Finance

⁶⁹ These include *Joint GIABA-GIZ Training on Financial Intelligence Analysis Course for Financial Intelligence Units, and ML Investigations & Interagency Collaboration*.

AML/CFT related issues, including giving each other feedback. The FCWG has not met since 2020 although it continues to exchange information informally.

181. The FIA and other competent authorities take the necessary steps to protect the confidentiality of information that they store, use and exchange. Exchange of information with competent authorities is undertaken in a secured way through dedicated personnel on either side (dedicated staff at the FIA and focal person in other competent authorities). This procedure helps to safeguard and protect the information accessed or disseminated for use by competent authorities. As at the time of the on-site visit, there has not been an instance where the confidentiality of the information exchange between the FIA and competent authorities had been compromised. However, as at the time on the onsite visit, there were instances in which two staff of the FIA were dismissed for tipping off and stealing of classified information for personal gains in violation of section 67.13 of the FIU Act of 2012 and section 6.7.6 of the Human Resources Handbook of the FIA⁷⁰. Assessors were informed during the Face-to-Face meeting that the dismissal was revised and the two staff have been recalled for lack of evidence to substantiate the allegations and the fact that due process was not followed in the dismissal⁷¹. Notwithstanding, the FIA has taken steps to forestall future occurrence, including disabling the USB port on every computer within the Analysis Unit to prevent illegal and unauthorized retrieval of information.

182. The FIA does appear to have adequate counter measures for eventualities such as network intrusion and is implementing IT security policies that appears adequate to guarantee the security and confidentiality of the information it holds. FIA premises have adequate physical security measures, including perimeter wall, video surveillance, and security personnel manning the entrance gate. Entrance into the FIA building is controlled by biometric access control system that is monitored by relevant staff. Thus, the Agency's facilities appear secured enough to prevent unauthorised access and ensure safeguarding of the information.

Overall conclusion on IO.6

183. LEAs and FIA have access to a range of information sources. However, the FIA has not fully utilised its powers to access information from some key competent authorities to develop analytical products. In general, competent authorities in Liberia use financial intelligence and other relevant information for ML and TF investigations to a limited extent. The banks submitted majority of the STRs to the FIA with few from NBFIs while the quality of STRs is generally considered good. The non-filing of STRs by DNFBBs and some NBFIs limits the scope of information available for FIA analysis and ultimately, the availability of financial intelligence in the country. The FIA does not receive currency disclosure reports from the Customs and there is no evidence that it has made requests in this regard. The FIA produces and disseminates good financial intelligence to LEAs and other competent authorities. The analytical function of the FIA is impeded by technical, human and financial resource constraints and as a result the Agency had not conducted many strategic analysis to identify trends and patterns and inform stakeholders on emerging risks. Feedback to reporting entities by the FIA is not regular and systematic while limited feedback is provided to the FIA on the

⁷⁰ <https://www.fiuliberia.gov.lr/the-financial-intelligence-unit-of-liberia-dismissed-two-staff-for-tipping-off-and-illegally-stealing-classified-information-for-personal-gains/>

⁷¹ The recall of the two staff took place after the Ministry of Justice submitted a no opinion on the matter because no fact or evidence of breach was provided to enable for a determination. The AT was informed that on account of no evidence against the dismissed staff, the Ministry of Labour as the competent authority for Labour disputes and related matters ordered the reinstatement of the two staff. However, no supporting documents from the Ministries of Justice and Labour were provided to the AT.

use of financial intelligence by LEAs. The FIA and other competent authorities cooperate well but exchange information and financial intelligence to a limited extent.

184. Liberia is rated as having a low level of effectiveness for IO.6

3.3 Immediate Outcome 7 (ML investigation and prosecution)

185. Liberia's legal framework against ML has moderate shortcomings relating to the basis for proving that property is the proceeds of crime, foreign predicates, fines against natural persons and sanctions against legal persons convicted of ML offence (see R.3), and the power of LEAs to use certain investigative techniques for domestic investigations (see R.31). Accordingly, Liberia faces important challenges in developing its AML/CFT framework across all areas considered in the analysis.

186. Liberia does not maintain comprehensive data and statistics on the types of ML investigations and prosecutions, including predicate offences. Statistics provided by the Liberian authorities were often incomplete and there was an inconsistency with statistics provided by the FIA and LEAs. The assessment team has made efforts to clarify the statistics provided but are unable to guarantee the complete accuracy.

187. Investigation authorities lack powers to use certain investigative techniques (e.g., controlled delivery, undercover operations, interception of communications) for investigation of ML, associated predicate offences and asset tracing, except when required by foreign States in the context of international cooperation. This is exacerbated by the lack of resources, including appropriately skilled investigators, for general crime fighting in the country. As a result, LEAs focus on the investigation of predicate offences and rarely identify or investigate the onward flow of proceeds of crime after the predicate offence is complete. The lack of parallel financial investigations by LEAs has led to opportunities to identify, investigate and prosecute ML being missed.

ML identification and investigation

Identification of ML Cases

188. Several authorities (LNP, LDEA, LRA, TCU, NSA, LIS and LACC) have been identified as having the mandate to enforce law and order, including the investigation of ML cases⁷² (See Chapter 1 for a description of the law enforcement framework of Liberia). The FIA actively supports investigation authorities by providing financial intelligence to further ML and predicate offence investigations. However, in practice, the LACC is the primary authority investigating ML cases (17 investigations in the review period), followed by the LNP, to a lesser extent (3 ML investigations in the review period). The LDEA does not conduct parallel financial investigations in relation to drug trafficking offences. The LDEA explained that potential ML cases uncovered during the investigation of drug related offences are referred to the FIA or the LNP. However, the LDEA did not provide examples of such referrals and subsequent actions taken by the FIA or LNP. The TCU did not conduct any ML investigation during the review period.

189. Although mandated by the AS-AP to conduct ML investigations, the LRA explained that it lacks the authority to directly investigate criminal matters, including tax evasion and ML. The LRA only

⁷² Page 9, 2022-2025 AML/CFT Strategy.

conducts administrative investigations. The LRA collaborates with the LNP and MoJ who can investigate and prosecute criminal cases, including tax evasion. The LRA provided case examples of sharing intelligence and working collaboratively with the LNP on criminal investigations (see Box 3.8).

Investigation of ML

190. The FIA's statistics show that 12 ML investigations were initiated based on FIA spontaneous intelligence disseminations during the review period (see Table 3.7, IO6). However, the LACC only received eight FIA spontaneous intelligence disseminations during the review period (see Table 3.6, IO6) and the LNP only commenced three ML investigations in total. The LACC has not indicated that multiple ML investigations have commenced from a single FIA dissemination, it is therefore unclear how the 12 ML investigations initiated upon FIA spontaneous intelligence disseminations have been calculated. This illustrates inconsistencies between statistics provided by the FIA and LEAs which impedes the AT's analysis. During the review period, 20 ML investigations were commenced in total (17 by the LACC and three by the LNP, see Table 3.10). Two of the three LNP ML investigations were triggered by predicate offence investigations see Box 3.4). This indicates that although LEAs consider FIA disseminations to be of good quality, they are not sufficiently utilised to generate ML investigations.

191. Approximately 35 case studies were provided to demonstrate the investigation and prosecution of ML. In some instances, the material included very detailed information. In others only a small narrative was provided. Most examples were of predicate offence investigations, very few related to investigations or prosecutions of ML. Some of the predicate offence investigations case examples showed aspects of ML which do not appear to have been identified and explored during the investigation (see Boxes 3.3, 3.7, 3.8 and 3.11). The LEAs did not fully trace the funds beyond the predicate offence and therefore failed to fully develop ML evidence to facilitate successful prosecutions. When deciding on charging and prosecution, authorities appear to add the ML offence to the indictment without properly considering the availability of tangible evidence to support the ML charge. Thus, the AT concluded that the authorities have insufficient understanding to proactively identify ML during predicate offence investigations, and complex ML activities (such as standalone, third party or ML arising from foreign predicate offences) are neither identified nor investigated.

192. Investigation of ML by the individual authorities are discussed below.

LACC

193. The LACC investigates all acts of public sector corruption and associated ML and has 20 investigators based in the Monrovia headquarters. The LACC ML investigations are commenced from five sources; open-source news media, whistle-blower reporting, FIA spontaneous disseminations, investigations of predicate offences and verifications of asset declaration filed by some categories of public officials.

194. Since 2018, LACC has investigated 17 ML cases. Two cases resulted in prosecutions by the MoJ, an accused individual was convicted and later received an Executive Pardon (see Case Study 1 Box 3.5), while prosecution of the other is ongoing (see Case Study 3 Box 3.5). There has been no ML conviction (see Table 3.10).

Box 3.3- “Failure to Identify and Investigate ML”

Case Study 1: Company C Procurement Fraud

In 2021, the FIA and LACC commenced an investigation following news media reporting. The investigation concerned Company C (CC, formed in 2020), its shareholders and some senior officials of a Government Institution and was based on suspicion of procurement fraud. CC received payments of approximately US\$ 250,000 from the Government Institution for non-existent work and services. These funds were withdrawn from CC’s accounts and distributed to the personal accounts of its shareholders and employees of Government Institutions by three individuals. Information obtained by LACC from the LRA revealed that CC was not tax compliant. Five individuals have been charged with offences including conflict of interest, abuse of office, insider trading, theft, criminal conspiracy, criminal facilitation, economic sabotage and perjury. No assets have been frozen in relation to the investigation.

Case Study 2: Public Official’s Unexplained Wealth

In 2018, the LACC investigated a public official following intelligence received regarding suspected corruption. Bank statements, asset declarations and tax records were obtained and analysed. Investigations revealed that between 2014 and 2017, deposits were made in excess of the official’s known income from the government and that third parties deposited sums of money into the public official’s bank accounts. LRA information identified that the public official failed to pay tax on income from a commercial property. The LACC referred the investigation to the LRA for consideration for tax evasion. The investigation is ongoing, no ML or parallel financial investigation was undertaken regarding the third parties identified as making deposits into the public official’s account.

Box 3.4 – “LACC ML Investigations”

Case Study 1: Misapplication of AFL Soldier’s Welfare and Pension Benefit Funds

Investigations conducted by the High Command of the Armed Forces of Liberia (AFL) and the LACC in response to protest staged in January 2018 by the “wives” of uniformed men requesting for an accounting of a savings scheme for members of the AFL to augment the benefits accruing to service members under the Pension Act found and concluded that a significant portion of the transactions (specifically, US\$ 1,147,656.35), to which the defendants (Brownie Samukai (BroKai), former Minister of National Defence and his Principal Deputies) were signatories, was unrelated to the purpose and intent of the creation of the account. The defendants were charged with theft of property, criminal conspiracy, economic sabotage, misuse of public money and ML. The trial court convicted the defendants of theft of property, criminal conspiracy and misuse of public money and imposed a suspended jail sentence provided the defendants retribute the sum of US\$ 1,147,656.35. The defendants were acquitted of ML and economic sabotage due to insufficient evidence. On appeal, the Supreme Court upheld the judgment of the Trial Court and ordered a 50% repayment (of US\$ 537, 828.15) within six months with the remaining amount to be repaid within one year, or incarceration for two years if in default. BroKai was later disqualified from holding public office and his seat at the Senate, which he won during the appeal, was declared vacant. He received conditional Executive Clemency or pardon in February 2022 and suspension of the two (2) year prison term imposed. The conditional pardon included working with the MOJ to enter a Stipulation Agreement for the full settlement of the stolen funds. In May 2022, the MoJ and BroKai agreed for BroKai to pay US\$ 500.00 monthly against the remaining amount and participate in active politics until he pays the full amount. BroKai has paid approx. US\$ 200,000 and remains in a senior

Government post while the two deputies have fled the jurisdiction without making any payments toward restitution.

Case Study 2: - Conflict of Interest

In 2022, LACC's investigation related to the tender process for the rental of equipment (costing US\$ 182,000) from a company which was owned by a family member of the head of a Government Commission led to the official's indictment for insider trading and market manipulation (listed as predicate offense to ML (§15.3 AML/TF Act 2012) and violation of the Code of Conduct (Conflict of Interest). The violation of the Code of Conduct aspect of the indictment was challenged on the grounds that the LACC did not have legal basis to investigate (as no referral was made by the Ombudsman, as required). The insider trading and market manipulation aspect was challenged because although these offences are listed as predicate offences to ML, no Liberian law defines insider trading and market manipulation as criminal conduct. The motions to dismiss were granted.

Case Study 3: - Subject Fled Jurisdiction

In 2020, the LACC identified over US\$ 300,000.00 of payments from a public authority to a privately owned company. The payments were investigated and deemed to be fraudulent and related to fictitious contracting and false invoices. The funds were further transferred into personal accounts of the subjects of the investigation. Five subjects were charged (three officials of the private company and two employees from the public authority) with multiple offences including ML. One of the subjects who is citizen of a foreign country has fled Liberia, and an extradition request has been submitted. Liberian legislation does not allow for a prosecution in absentia; therefore, this prosecution is delayed. The prosecution concerning the remaining four subjects is ongoing.

195. LACC can also identify potential ML cases through the review of asset declaration forms. Individuals entrusted with relevant prominent public functions⁷³ in Liberia are required to declare their assets, liabilities, net worth, financial and family interests held by the officials. All such declarations are accessible to LACC for investigative purposes.

196. The LACC has established a joint working group, Team VERITAS (TV) comprising technical staff from the LRA, FIA, Internal Audit Agency and the General Audit Commission to review declarations filed by public officials. Although LACC reports refer mostly to verification of completeness, LACC has not demonstrated the steps taken to verify the information against other governmental databases using prioritisation criteria based on risk. In addition, there is a low level of compliance with the asset declaration obligations (676 declarations received out of 12,000 public officials). In the absence of a specific number of formal investigations and prosecutions based on the LACC verification, it is not possible to determine to what extent TV has leveraged these declarations in conducting investigations to detect acts of corruption and related ML. Case Box 3.6 demonstrates one of the investigations conducted based on verification of asset declaration.

Public officials involved in making decisions affecting contracting, tendering or procurement, and issuance of licenses to declare their income, assets and liabilities prior to taking office. The obligation to declare income, assets and liabilities also applies to members of the Executive, Legislature, the Judiciary designated staff and employees of these officials or any other individual functioning in that capacity, including committee, leadership staff and administrative staff.

Box 3.6 Case study of LACC Asset Declaration-Related Investigation –

Theft and Double Emolument

In 2019, the verification of a public official’s asset declaration by TV revealed the receipt of salaries amounting to approximately US\$ 8,168.70 and LRD 127,114.74 (approx. US\$ 800.00) which was far above his known income. Investigation revealed that the public official received salaries from two government institutions at the same time. The official was charged with theft and receiving double emoluments. He admitted the offences and agreed to refund the amount via US\$ 500 monthly. The public official was ‘named and shamed’ but not prosecuted. The full amount has been recovered.

LNP

197. The Financial Investigation Unit (FI Unit) of the LNP based in Monrovia, is dedicated to the investigation of financial crimes, including theft, counterfeiting, economic sabotage and armed robbery (see Box 3.1, IO6 for an example of a fraud investigation conducted by the LNP). The FI Unit has a total of 31 officers comprising ten Anti-Money Laundering Officers, ten Anti-Smuggling Officers, ten Counterfeit Investigation Officers and a Head of Unit. Since 2018, the FI Unit investigated three ML cases (in 2022). Prosecution of these cases is ongoing (see Table 3.10). Box 3.4 demonstrates some of the FI Unit’s investigations that have led to ML charges.

Box 3.4 - “LNP Currency Counterfeiting and ML Investigations”⁷⁴

Case Study 1: Land Border Interdiction

In December 2021, the LIS identified an individual acting suspiciously at a land border entry point. Officers searched the foreign national and found LD 1m (approx. US\$ 6,500), suspected counterfeit currency, concealed in electrical goods. The case was forwarded to the LNP. The investigation identified the subject had visited Liberia a short time before December 2021. Two other individuals were implicated but could not be fully identified (as full names and further identifying details were unknown). The currency was confirmed to be counterfeit and the subject was charged with Economic Sabotage (specifically - possession, distribution, transportation and/or use of tools and materials for counterfeiting purposes), ML, Counterfeiting and Criminal Conspiracy. The prosecution is being conducted by the MoJ and is ongoing.

Case Study 2: Airport Interdiction

In April 2022, upon arrival at the Robert International Airport, a foreign national used a US\$ note to pay for a mandatory COVID-19 test. The note was suspected of being a counterfeit. A search was conducted, and the passenger was found to be in possession of approximately US\$ 10,000 (also suspected of being counterfeit). Further investigation conducted by the LNP confirmed the suspicion. The subject was charged with Economic Sabotage, ML and Counterfeiting. The prosecution is ongoing.

⁷⁴ Both of these case studies relate to counterfeit currency. They are therefore not considered for analysis under core issue 8.3 regarding falsely / non-declared cross border movements of currency.

TCU

198. The TCU was formed via an MoU between the MoJ, Ministry of Finance and the NSA and has the mandate to investigate transnational organised crime (including wildlife crime, smuggling, human trafficking, drug trafficking, arms trafficking and terrorism) and also has the mandate to investigate ML. The TCU is located within the LNP and has staff seconded from the LNP, NSA, LRA, LDEA and LIS.

199. The TCU has 23 staff (three administrative staff and twenty operational). The operational staff are deployed to the following squads: intelligence, financial investigation, human trafficking, drugs and arms trafficking, wildlife & environmental protection, smuggling and terrorism. In practice, due to resource constraints, officers work between different crime types and squads to support investigations.

200. The TCU did not receive or request financial intelligence or other information from the FIA during the review period (see Tables 3.6 and 3.8, IO6) and has not provided statistics or other information demonstrating its experience in ML investigation. Two case studies have been provided concerning TCU investigations of predicate offences, one related to an overseas arrest warrant (related to a human trafficking offence – see Box 8.2, IO.2), the other concerned a human trafficking investigation initiated by the TCU and later referred to the LNP. Notwithstanding the inclusion of the requirement to conduct money laundering investigations as part of their mandate, the TCU have not demonstrated any aspects of parallel financial or ML investigation, either a standalone offence or alongside the investigation of a predicate offence. The failure in this regard is indicative of the lack of expertise across all agencies to conduct ML investigations.

LDEA

201. The LDEA is responsible for the investigation of drug-related offences and associated ML. The LDEA has 649 staff in total, 601 of which are in operations. There are 26 trained investigators (15 in the 14 counties and 11 in Montserrado county).

202. The LDEA demonstrated one experience in information exchange with the FIA during the review period (see table 3.1, IO6). The LDEA's consolidated statistics for 2019 – 2022 shows a total of 137 cases pending court trial and conviction of 43 individuals for drug-related offences. Despite its mandate to investigate ML, the LDEA does not conduct parallel financial or ML investigations and has not identified a potential ML case, as stated above, this is indicative of a lack of expertise to conduct ML investigations.

Box 3.7 Case Study on LDEA Public Drug Burning

On several occasions during the assessment period, the LDEA has undertaken a public burning of illicit drugs. Narcotics with a street value of US\$ 619m were recovered via approximately 150 LDEA search and seizure operations and, in April 2019, were publicly burnt. No financial investigations were undertaken in relation to these seizures.

LRA

203. The LRA conducts administrative investigations concerning tax evasion and the smuggling of goods. If a LRA investigation becomes a criminal investigation, the case is referred to the LNP. The LRA also has the responsibility to enforce cross border declarations of currency/BNIs (see IO8). The specialist Fiscal Investigation Division (FID) has three specialists dedicated to the investigation of tax evasion. Although the LRA is the highest recipient of the FIA's proactive financial intelligence and is the authority that has made the highest number of requests for information on the FIA (see Boxes 3.6

and 3.8, IO6), the LRA does not conduct standalone ML investigations. An example of a collaborative investigation involving the LRA, FIA, LNP and MoJ is described in Box 3.8 below:

Box 3.8 Case Study on LRA Investigation

In April 2019, the Fiscal Investigation Division of the LRA, in collaboration with the FIA and the LNP identified tax payments amounting to US\$ 1,705,461.51 had been diverted into a criminal syndicate's bank account with a name similar to the LRA's tax collection account. In October 2019, the MoJ obtained a freezing order but only US\$ 419,454.51 remained in the account. No further enquiries were made to trace and locate the outstanding funds (US\$ 1,286,007.00). The LRA is seeking to recover the US\$1,705,461.51 via a tax settlement (see IO8). Six persons, including a staff of the LRA and an FI, have been charged with economic sabotage, theft and criminal conspiracy. The prosecution is ongoing.

Use of search warrants during investigations

204. The Criminal Procedure Code allows for the use of search warrants to seize evidence of ML and predicate offence investigations. Apart from the LDEA, the authorities have not effectively used search warrants to progress investigations. The lack of use of search warrants is inhibiting Liberia's ability to obtain evidence for ML/predicate offences and therefore fully develop ML evidence to facilitate successful prosecutions.

Table 3.9 - Use of search warrants by authorities, January 2018- Aug. 2022⁷⁵

2018	2019	2020	2021	Aug 2022	TOTAL
LNP⁷⁶					
Unknown	Unknown	Unknown	Unknown	Unknown	4
LACC					
0	0	0	0	0	0
LDEA					
97	111	89	137	105	539
TCU					
0	0	0	0	0	0
LRA					
0	0	0	0	0	0

Source: LEAs

Coordination during ML investigation

205. The FIA, LNP and LACC have the power to trace the proceeds of crime. When any of the authorities identify assets that are suspected to be the proceeds of crime, the MoJ will become involved in the investigation at an early stage to consider applying for provisional measures to freeze the assets. Freezing orders were used by the authorities 11 times in the review period (see Table 3.12, IO8).

206. The FIA disseminates financial intelligence and other information on an intelligence basis only. LEAs collaborate with the MoJ to obtain financial evidence, such as bank statements, via a subpoena.

⁷⁵ Information regarding the number of search warrants executed by the LDEA was requested but not provided. As the LDEA do not undertake parallel financial investigations, this lack of information is not deemed impact the analysis relating to the use of investigative techniques to further ML investigations.

⁷⁶ The LNP have indicated that during the review period, four search warrants were executed all relating to theft of property investigations. The LNP were unable to provide information of when the search warrants were executed.

The time period for obtaining evidence from FIs varies but can take up to three months. Assessors believe that a three-month period will significantly impact competent authorities' ability to trace the movements of the proceeds of crime, prevent the dissipation of assets and prepare for the timely prosecution (see Box 3.8).

207. To facilitate joint working and better cooperation between LEAs, in 2015 the FIA established the FCWG, a platform consisting of LEAs and the FIA, to improve the exchange of information and intelligence. The group does not seek to generate ML investigations, but to share intelligence.

208. Coordination by the FCWG has not led to LEAs establishing formal policies regarding the formation of joint investigation teams. However, Liberia has constituted joint investigation teams on a number of occasions (see Box 3.6 regarding TV, Box 3.8 detailing a Presidential Task Force and investigation by the LRA, FIA and LNP; and Box 3.13, IO8, concerning the JAITF).

209. During onsite interviews, LEAs welcomed the establishment of the FCWG and the intelligence sharing benefits. Due to challenges arising from the COVID-19 pandemic and capacity issues, the FCWG has not met in person since 2020, although continues to exchange information through informal channels. As the FCWG is informal in nature, exchanges of intelligence between members are not formally recorded and do not appear in FIA statistics regarding information requests. The AS-AP seeks to, “Revamp the FCWG to enhance the investigation of ML/TF cases” (Action 2.8, Objective 2: Improve the Investigation of ML/TF & P cases).

210. The AS-AP also includes an action point to “Develop a uniform MoU on the formation of Joint Investigative Task Force/Teams to facilitate investigation of financial crimes” by September 2024. The AT believes that an MoU will improve the effectiveness of joint working by creating a process to clearly establish the roles and responsibilities of each agency, set the gateway to share information, formally gather statistics on information sharing and the commencement of investigations and ensure parallel financial investigation is considered in all cases involving high risk predicate offences.

Box 3.9 Case study of joint ML Investigation: The Missing LDR 16 Billion

In 2018 a local newspaper publication alleged missing 16 billion Liberian dollars (approx. US\$ 104,138,112) from the vaults of the Central Bank of Liberia (CBL). The matter was investigated by a Presidential Taskforce consisting of LACC, FIA, LNP and NSA. Four CBL employees were charged and indicted with economic sabotage, criminal conspiracy, criminal facilitation, and ML.

The trial was heard at Criminal Court C in Monrovia. All the defendants were acquitted due to insufficient evidence to warrant their conviction.

Training and resources of investigative authorities

211. Investigation authorities, including the LNP, LACC and TCU have received inadequate training and do not have the skills or capacity to conduct complex financial investigation and properly trace financial flows to construct evidence of ML offences (see Boxes 3.3, 3.5, 3.7 and 3.8). LNP and LACC staff undertake initial training in policing duties, but this does not include content regarding ML or financial investigation. The FIA has conducted upskilling workshops regarding ML and predicate offence investigation while a limited number of LNP Special Investigations Division staff have undergone international training regarding economic crime investigations.

212. The AS-AP includes action points to build capacity for financial investigation but does not include the development of policies or manuals guiding the conduct of a financial investigation. Consequently, LEAs lack guideline which outline the essential elements to help structure financial investigations and guide investigators on ML investigation of higher proceeds generating offences.

213. The LNP, LACC and TCU suffer from a lack of resources to conduct financial investigations. The LACC's 2021 Annual Report refers to a need for basic stationary, fuel and reliable computers (many being attacked by viruses and dysfunctional). The Enforcement Division has only one vehicle assigned.

214. LEAs conduct investigations using paper dockets and lack electronic case management systems. Paper records are subject to damage, especially during the rainy season and, due to the high corruption risk, are vulnerable to loss or manipulation.

215. The LACC is the only investigation authority with the technical capacity to extract and analyse information contained within electronic devices. The LRA has an agreement to access the technical equipment, but the tool is not widely used in the investigation of ML or predicate offences. This poses a serious risk of failing to identify evidence of money laundering and related offences as well as locating the proceeds of crime.

216. The lack of resources is confirmed in the AS-AP which creates an action point to "Provide adequate financial resources and logistics to LEAs to enhance their operational capabilities" (Action Point 2.1, Objective 2).

Consistency of ML investigations and prosecutions with threats and risk profile, and national AML policies

217. As described in IO.1, the NRA identified bribery and corruption, illicit trafficking in narcotic drugs and psychotropic substances, tax evasion, trafficking in human beings and migrant smuggling and currency counterfeiting, as the major proceeds generating predicate offences, followed by robbery/theft and counterfeiting and piracy of products. However, Liberia has investigated and prosecuted a limited number of ML cases which is inconsistent with its risk profile. Resource constraints and the lack of appropriate skills set have limited Liberia from proactively pursuing ML. The assessment team based its findings on limited statistics, a review of case studies and interviews with the judiciary, prosecutors and LEAs.

Corruption

218. Available statistics indicate that since 2018 LACC has investigated 17 ML cases and prosecution of two cases is ongoing. While these appear to demonstrate that ML is being investigated according to the highest risk predicate offence, the LACC automatically classifies investigations, initiated upon FIA intelligence reports, as ML. This demonstrates a lack of understanding of ML and potentially distorts the statistics on the actual number of ML investigations conducted by LACC.

219. The LACC is yet to investigate third party or standalone ML. Case study 2 shown in Box 3.3 highlights an opportunity to investigate third party ML which was not pursued. This shows a lack of proactiveness on LACC's part to identify and investigate corruption-related ML.

220. The LACC Strategic Plan (2019 – 2024) describes an approach to, "focus on more winnable, low-profile cases and then scale up to high profile ones" (see Box 6 for an example of a winnable, low-profile investigation).

221. Considering the inadequate investigative skills, capacity and resources, the AT can understand the LACC's focus to develop organisational learning and experience on less complex cases. However, this strategy is clearly not consistent with the country's risk profile. As noted earlier, higher levels of compliance with asset declaration, better training and resourcing of Team VERITAS and focus on verifying asset declarants with the highest potential for serious corruption will provide authorities with a richer intelligence steam to assist in both the identification and investigation of cases of corruption and related ML cases in accordance with the country's risk profile.

222. Until recently, LACC did not have the power to prosecute any offences it investigated, including ML unless, the MoJ failed to do so after 90 days of receiving a LACC referral. The new LACC Act (LACCA) was enacted on 22nd July 2022, among other things, made LACC directly responsible for all aspects of the asset declaration process, prosecution of public sector corruption and execution of court judgements in relation to assets. While the AT welcomes the new powers given to the LACC, it also notes that if the LACC fails to prosecute a case of corruption, there is no opportunity for the MoJ to review the case and consider a prosecution.

223. The LACC has not had a full complement of Commissioners since 2018. Following the new LACCA, the seven new Commissioners are yet to be appointed. As corruption prosecutions are authorised by the board of Commissioners, the lack of appointments severely impacts the LACC's ability to prosecute corruption and associated ML.

Drug Trafficking

224. The second highest risk predicate offence is drug trafficking, investigated by the LDEA. The LDEA provided consolidated statistics for the period of 2019 – 2022 for all types of drug offences. In total, there are 137 cases pending court trial and 43 persons were convicted. The LDEA focuses on the predicate offence and does not conduct parallel financial investigations (see Box 7). Consequently, there has been no prosecution and conviction of ML emanating from drug trafficking.

Tax Evasion

225. The third highest risk predicate offence is tax evasion, investigated by the LRA in collaboration with the LNP / MoJ. The LRA also focuses on the predicate offence of tax evasion and has not carried out a standalone ML investigation. Since 2018, there have been 21 tax evasion cases with one leading to prosecution (see Table 3.10). There has been no conviction for tax evasion or associated ML.

Indictment and Prosecution by the MoJ

226. In 2015, the MoJ established a Financial Crime Division (FCD) responsible for prosecuting all financial crimes. The division is staffed with one director and three prosecutors. The director is a permanent staff at the division, while the prosecutors move between different prosecuting departments on a rotational basis.

227. Liberian authorities are keen to obtain a conviction for ML, the FCD generally has a challenging case load of not less than 20 ongoing prosecutions at any one time. This, combined with poorly trained and resourced LEAs, has led to ML investigations and prosecutions where the ML aspect of the indictment has not been fully investigated to make sufficient link between the predicate offence and the proceeds. Consequently, MOJ prosecutors appear to add on a ML charge to the indictment for predicate offences without proper consideration, resulting in inadequate evidence of ML being presented at trial and acquittal of the suspects of the ML charges (see Boxes 3.4 and 3.5).

228. The division director has received specialised financial investigation training provided by overseas counterparts. The prosecutors have only received limited dedicated ML training. Prior to the COVID-19 pandemic, the MoJ held quarterly training sessions which included a variety of subject matter, and an element relating to the prosecution of ML. These training sessions have not restarted, and the AT understand the ML element to be basic training and insufficient to deal with complex ML investigations.

229. Combined statistics of LEA predicate and ML investigations, prosecutions and convictions are shown below:

Table 3.10 Total Predicate offence and ML Investigation, prosecutions and convictions by LEAs⁷⁷

	2018	2019	2020	2021	Aug 2022	TOTAL
LNP						
Predicate offence investigations	0	0	0	4	4	8
Predicate offence prosecutions	0	0	0	0	0	0
Predicate offence convictions	0	0	0	0	0	0
ML investigations	0	0	0	0	3 ⁷⁸	3
ML prosecutions ⁷⁹	0	0	0	0	3	3
ML convictions	0	0	0	0	0	0
LACC						
Corruption investigations	2	2	1	1	0	6
Corruption prosecutions ⁸⁰	1	1	0	0	0	2
Corruption convictions	0	0	0	0	0	0
ML investigations ⁸¹	2	3	3	4	5	17
ML prosecutions ⁸²	0	1	0	1	0	2
ML convictions	0	0	0	0	0	0
TCU						
Predicate offence investigations	0	4	2	0	0	6
Predicate offence prosecutions	0	0	0	0	0	0
Predicate offence convictions	0	0 ⁸³	0	0	0	0

⁷⁷ The LDEA provided consolidated statistics for the period of 2019 – 2022 for all types of drug offences. In total there are 137 cases pending court trial and 43 persons were convicted, none of which relates to ML.

⁷⁸ See Box 3.4 which shows two LNP ML investigations

⁷⁹ Liberian authorities have indicated that there has been no investigation, prosecution or conviction for third party or standalone ML. It is therefore unclear how the LNP has conducted three ML prosecutions in 2022 while there has been no LNP prosecutions for predicate offences within the review period. This is a further example of inconsistencies within the statistics provided which creates difficulties in conducting effect analysis.

⁸⁰ 2018 prosecution relates to a bribery case where a private company was alleged to have bribed to a public official in relation to a construction contract. Prosecution is ongoing. The 2019 prosecution also relates to a bribery case where a member of the judiciary was alleged to have received a bribe. The suspect has resigned and left the jurisdiction. Prosecution is stalled as Liberia cannot prosecute in absentia.

⁸¹ During the assessment period, LACC conducted 6 corruption and 17 ML investigations. However, Liberian authorities have indicated that there has been no investigation, prosecution or conviction for third party or standalone ML. It is therefore unclear how the LACC has conducted 11 more ML investigations that corruption investigations. It is worth noting that the LACC automatically classifies all FIA spontaneous intelligence disseminations as ML which may distort the statistics and overstate the number of ML investigations being conducted.

⁸² 2019 Prosecution – see Box 3.5 Case Study 1: Misapplication of AFL Soldier’s Welfare and Pension Benefit Funds. 2021 Prosecution - see Box 3.5 Case Study 3: Subject Fled Jurisdiction

⁸³ The TCU initially supplied statistics showing one prosecution and one conviction for a predicate offence in 2019. Clarifications identified that this statistic related to a trafficking in persons offence where the TCU received an executed an arrest warrant on behalf of a foreign jurisdiction. The subject was arrested, transferred and prosecuted in the foreign country. As this example relates to a foreign investigation and prosecution with little input from the TCU, the AT have discounted this case. The investigation is described in Box 8.2.

ML investigations	0	0	0	0	0	0
ML prosecutions	0	0	0	0	0	0
ML convictions	0	0	0	0	0	0
LRA (does not investigate ML, but refers to the LNP)						
Tax evasion investigations	9	5	0	4	3	21
Tax evasion prosecutions	0	1	0	0	0	1
Tax evasion convictions	0	0	0	0	0	0

Source:

230. The table above shows that Liberia authorities have been unable to achieve a conviction for ML, corruption, or tax evasion. Considering the risk profile of the country, Liberia has been ineffective in the prosecution of ML in accordance with risk.

231. The FIA and LEAs have a good understanding of the level of risk posed by predicate offences including corruption, drug trafficking and tax evasion, but face significant challenges in terms of capacity, training and resources which has contributed to the lack of an ML conviction.

232. The LACC, LNP and MoJ are not sufficiently tracing the proceeds of crime and developing significant evidence to underpin ML charges. A further example of this is the lack of LDEA parallel financial investigations regarding drug trafficking. While the LDEA has made numerous high value drug seizures which indicate significant ML activity relating to the drug trade, no drug-related offence has led to prosecution and conviction of ML.

233. Liberian prosecutions also suffer from porous borders and the lack of immigration controls which allows suspects to flee the country after indictment and prior to trial (see Box 3.1, IO6). Since the Liberian legal system does not allow for offenders to be tried in absentia and Liberia does not make effective use of extradition provisions (Liberia has made one extradition request between 2018 – 2022, see Table 8.4, IO2). This inhibits Liberia’s ability to obtain criminal convictions and consequently, suspects remain unpunished.

234. The AS-AP, under Objective 2, provides an action point to, “Review investigative/ operational manuals of LEAs to give priority to the investigation and prosecution of prevalent predicate offences including corruption and bribery, illicit trafficking in narcotic drugs and psychotropic substances, tax evasion, counterfeiting of currency, trafficking in human beings and migrant smuggling”. Liberia is to be commended for this positive step in prioritising predicate offence investigations commensurate with the risk. However, this action does not mention ML and should also contain steps to ensure that parallel financial investigations are adopted in line with high-risk predicate offences.

Types of ML cases pursued

235. Liberia does not collect statistics on the types of ML cases investigated or prosecuted. The range of ML investigations and prosecutions, provided in case studies, does not include complex cases or involve third-party or standalone laundering. LEAs have provided one example of the investigation of ML deriving from a foreign predicate offence.

Box 3.10 Foreign Predicate Offence – Business Email Compromise Fraud: SK Case

In March 2022, based on intelligence, the FIA conducted preliminary investigations regarding individual SK. Accounts controlled by SK had received large and suspicious transfers from overseas, some of which had been withdrawn in Liberia and used to acquire local properties and establish businesses. The FIA engaged with the MoJ and obtained a freezing order in relation to assets held by

SK including, real estate (value US\$ 130,000) and US\$ 440,327 held in business accounts. A foreign jurisdiction was already conducting an independent investigation into SK and had arrested SK under suspicion of committing a complex business email compromise fraud and ML. The foreign LEA identified financial links to Liberia and made an informal request for intelligence. The Liberia FIA is now engaged with the overseas LEA and is sharing intelligence. The investigation is ongoing and has not reached the stage of prosecution in either jurisdiction.

236. Overall, authorities have limited understanding of ML and therefore are unable to identify ML activity during predicate offence investigations. Case studies described in Boxes 3.3 and 3.8 demonstrate elements of third-party and complex ML which have not been progressed. The lack of identification of ML is exacerbated by the absence of parallel financial investigations conducted in high-risk areas such as drug trafficking. These factors coupled with limited resources make it very difficult for Liberia to identify complex cases and therefore ML investigations relate to more simple self-laundering. Box 3.1 relates to a prosecution regarding the fraudulent activities of legal persons who absconded. This case resulted in a confiscation order in absentia.

Effectiveness, proportionality and dissuasiveness of sanctions

237. Liberian authorities have not achieved a conviction for ML. Therefore, the courts have not issued a sanction and the effectiveness, proportionality and dissuasiveness cannot be properly considered.

238. The BroKai case (see Box 5) describes a LACC investigation where public officials were convicted at the Circuit Court and the convictions were upheld on appeal at the Supreme Court. Subjects were convicted of theft, misuse of public money and criminal conspiracy. Subjects were acquitted in relation to ML and economic sabotage. A two-year suspended custodial sentence was issued with a restitution order to return the misappropriated funds.

239. Although this sentence relates to the corruption offence rather than ML, as Liberia has not achieved a conviction for ML, the AT consider it relevant for analysis. The two-year suspended sentence is not deemed to be effective, proportionate or dissuasive when balanced with the serious nature of the offence and the position of the public official.

240. Following the conviction, subjects received a Presidential Pardon. As this is the only example of a LACC investigation resulting in a conviction, the Presidential Pardon clearly reduces the effectiveness, proportionality and dissuasiveness of the sanction imposed.

241. Chapter 31 of the Criminal Code describes the process of restitution. The restitution process takes place both in and outside of court proceedings (see Box 6). A court may include in the sentence an order of restitution of the property or its value in favour of the person wrongfully deprived of property.

242. The Liberian courts consider the imposition of a criminal sentence in addition to ordering a restitution as excessive punishment. Enforcement of a restitution ordered by a court is made via a civil process, there is no criminal sanction for failure or inability of any person to comply with the restitution. The AT believes that this approach could impede the effective prosecution and application of sanctions to mitigate the ML risk and ultimately dissuade potential criminals from carrying out proceeds generating crime and ML.

243. The AS-AP includes an objective to designate specialised courts to adjudicate financial crime cases including ML/TF. To ensure the effectiveness of ML prosecutions and application of sanctions, Liberia is encouraged to focus on the prosecution of criminal offences, address the underlying

investigative, capacity, resource failings and consider learning from the specialised court E (dedicated to sexual offences) while considering this action point.

Use of alternative measures

244. Liberia has not secured a conviction for the high-risk predicate offences of corruption and tax evasion. Therefore, the use of predicate offences is not an effective measure to tackle ML.

245. Liberia has a non-conviction-based asset recovery system where confiscation can take place where a defendant absconds, see Box 3.1, IO.6). As described above, the restitution process can return funds to victims, including the State, deprived of property. Liberia can disqualify a company director and designate a legal person as a ML company (see IO3).

246. Nevertheless, there has been no situations where Liberia has applied other criminal justice measures in cases where ML investigation has been pursued but it has not been possible, for justifiable reasons to secure an ML conviction.

Overall conclusion on IO.7

247. Liberia does not investigate ML commensurate with the country's risk profile. Drug trafficking and corruption for example, considered major proceeds generating offences, have had no parallel financial investigations undertaken in the reporting period. Where authorities do conduct ML investigations, they are for simple self-laundering. Proceeds of crime are not followed beyond the predicate offence. Therefore, evidence of ML is not properly obtained and opportunities to identify third party or standalone ML are missed. For these and other reasons explained above, Liberia has not achieved a conviction for ML. Sanctions are not dissuasive, proportionate or effective and there are fundamental deficiencies in the capability and capacity to conduct ML investigations in Liberia.

248. **Liberia is rated as having a Low level of effectiveness for IO.7.**

3.4 Immediate Outcome 8 (Confiscation)

249. Liberia's legal framework for confiscation has moderate deficiencies. With the exception of funds in bank accounts, there is as no explicit provision which allows the authorities to freeze property, identified prior to prosecution, without prior notice to the holder. This may result in the dissipation of some assets and frustrate recovery of the proceeds of crime.

250. The AT based its conclusions on onsite interviews, particularly with the FIA, LNP, LACC, TCU and the MoJ, a review of statistics and case studies regarding asset freezing and confiscation, recently enacted legislation and the AS-AP.

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

251. Liberia has not consistently pursued confiscation as a policy objective. However, the recent AML/CFT Act and the AS-AP have provided for measures to establish confiscation as a high-level priority. The AS-AP seeks to strengthen Liberia's legal framework and operational effectiveness

regarding confiscation and includes an objective to ‘Institute an Asset Recovery/Forfeiture Mechanism’ under four Strategic Items (see Table 3.11).

252. While the Assessment Team welcomes the planned actions, the Team notes that Liberia is yet to implement these AS-AP actions to enable a determination of their effectiveness. Also, the AS-AP does not provide the details of the resources required for delivery. Investigators would greatly benefit from a standardised policy prescribing the investigative measures to be taken to identify assets at an early stage of an investigation. Likewise, guidance for prosecutors and judges regarding asset freezing and confiscation would demonstrate commitment in this area.

Table 3.11 AS-AP Action Points to “Institute an Asset Recovery / Forfeiture Mechanism”

SN	Action Point	Responsible Institutions	Timeframe
1	Implement the legal and institutional framework for the establishment of an Asset Management Office within the LACC	LACC, MoJ	December 2023
2	Develop a comprehensive standardised policies and procedures for the identification, tracing, seizure and confiscation of proceeds and instrumentalities of crime	LEAs, MoJ, FIA	June 2024
3	Develop a SoP to facilitate the management of seized and confiscated assets	LEAs, MoJ	June 2024
4	Build the capacity of LEAs in asset recovery and management	LEAs, FIA, MoJ	Continuous

Source: AML/CFT&P Strategy and Action Plan (2022 -2025) pg 25

253. The AML/CFT Act 2021 requires the AG to appoint a Property Manager to have responsibility for taking possession of, preserving, managing, disposing of property subject to freezing and confiscation provisions. The AS-AP has scheduled the appointment of the Property Manager for December 2023. The AT believes that the appointment of the Property Manager would increase the effectiveness of the recovery of criminal proceeds.

254. Liberia has demonstrated effectiveness in managing funds in bank accounts that are subject to provisional measures. Where a freezing order relates to funds in a bank account, monies are transferred to the FIA’s transitory account at the CBL until the case is concluded. The AML / CFT Act 2021 requires that all monies derived from fulfilment of confiscation orders are to be credited to Liberia’s Recovered Assets Fund. This Fund has not been established.

255. Liberia did not demonstrate significant experience in managing other types of assets such as vehicles and real estate. There has been one freezing order relating to real estate which was managed by posting a formal notice on the property informing the public that the property has been frozen by a court order and was subject to investigation. This is not considered effective in preventing dissipation (as a notice can be removed). Liberia has not frozen an instrumentality of crime (such as a motor vehicle) and does not have a mechanism in place to manage such seizures. There is no central system or database which holds records of assets frozen.

256. Overall, since 2018, confiscation has not been a policy objective of Liberia. However, recent actions, including the passing of the new AML/CFT Act, adoption of the AS-AP and increased use of freeze orders (four in 2022) demonstrates an increased commitment to pursue the confiscation of proceeds, instrumentalities and property of equivalent value as a policy objective. Liberia is commended for achieving its first confiscation order in June 2022 (see Company K case in Box 3.1, IO6). For clarity, this was a case of non-conviction confiscation as the defendants fled from Liberia, post indictment, and the confiscation order was made under the provisions of the PRPCA which allows a confiscation to be made when a defendant has absconded.

257. The appointment of the Property Manager will assist in terms of implementing procedures relating to the management of frozen assets, the realisation of confiscated proceeds and recording of statistics in relation to asset recovery.

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

258. Agencies responsible for confiscation are the FIA, LEAs (primarily LACC and LNP), the MoJ and MoFA (asset recovery requiring international cooperation). These agencies have not demonstrated consistent and proactive confiscation of criminal proceeds located in Liberia and foreign countries.

259. Liberia has obtained one confiscation order (approx. US\$ 234,000) relating to a legal person (see Box 3.1, IO6). The LRA uses tax settlements to recover unpaid taxes, while the LACC uses a restitution process (§31.1(4), Criminal Procedure Law) to the return of the proceeds of corruption.

Provisional measures

260. Liberia has achieved limited results in the use of provisional measures. Box 3.8, IO7, shows an example of where a freezing order was used to secure US\$ 419,454.51. However, the application to freeze the funds was made six months after the investigation commenced. This delay may have resulted in the proceeds of crime being dissipated from the account and demonstrates a slow response to secure the proceeds of crime.

261. Liberia primarily uses provisional measures to secure funds held in bank accounts and does not fully exploit opportunities to preserve, for potential confiscation, other assets such as real estate, vehicles, precious metals and stones and other instrumentalities of crime. Investigative and prosecution authorities must obtain a freezing order from the court to preserve the property.

262. In June 2019, Liberia established an Asset Investigation, Restitution and Recovery Team (AIRReT). The team had the responsibility of investigating and recovering funds that were allegedly embezzled and or misappropriated from the government of Liberia as revealed by the reports of the General Auditing Commission (GAC) and LACC. The team was staffed by lawyers, accountants and criminal investigators. The AIRReT identified two corruption cases where funds in bank accounts were frozen (one case valued at US\$ 85,000, the other US\$ 400,000). Limited information has been provided in relation to these cases other than the US\$ 85,000 case which was fully repaid via the restitution process (detailed statistics regarding funds agreed and repaid under the restitution process were not available, see Table 3.13). The US\$ 400,000 case is ongoing with the funds remain restrained in a government account. In March 2020, the Head of the AIRReT resigned and in December 2020 the taskforce was dissolved, due to lack of funding, and staff transferred to the LACC.

263. The FIA, LACC, LNP and TCU seek to identify assets held by subjects via parallel financial investigation. In practice this process is led by the FIA and is undertaken on a case-by-case basis without formal asset tracing guidance or procedure (see Table 3.10, IO6 for the data sources available to the FIA). The low levels of public official compliance in declaring income, assets and liabilities (in accordance with the Code of Conduct, see IO7) has led to a limited dataset which impedes the FIA and LACC's ability to identify proceeds and instrumentalities of corruption offences and property of equivalent value.

264. The AT has reviewed six recent FIA disseminations made to LEAs. While the disseminations contain good levels of financial intelligence and analysis of transactions (see IO6), the disseminations do not include sufficient financial profiling of subjects suspected of money laundering. Information such as real estate, company and vehicle ownership is not included. This may contribute to provisional

measures and asset recovery focus being upon funds in bank accounts as identified from STRs. The FIA, LACC or MoJ can instruct an FI to prevent withdrawals from an account, for fifteen days, while awaiting a court to issue a freezing order. Liberia's use of freezing orders is shown in Table 3.12 below.

Table 3.12 Use of Freezing Orders

	2018	2019	2020	2021	2022
Number of Freezing Orders	2	2	1	2	4
Underlying Offence	Tax Evasion	...	...	1 Tax Evasion & 1 Fraud	3 Tax Evasion & 1 Fraud
Type of Assets Frozen	Funds in Bank Account	...	...	Funds in Bank Account	Funds in Bank Account & Real Estate (1 property)
Total Value of Assets Frozen	US\$ 400,000 ⁸⁴	...	...	US\$ 1,404,500 ⁸⁵	US\$ 2,133,807.5386

Source: FIA

265. Liberia did not demonstrate examples of the inland seizure and freezing of physical cash as either evidence of a predicate or ML offence or the proceeds of crime (see IO7 in relation to the lack of use of search warrants). Liberia has a cash-based and dual currency economy. Case studies have also given examples of criminal proceeds being withdrawn from banks in cash (see Box 3.1, under IO6 and Boxes 3.3, 3.5 and 3.10 under IO7). Liberian criminals are likely to use cash to transfer the proceeds of crime, break the audit trail and frustrate efforts to trace proceeds of crime. The lack of cash seizures is not commensurate with the cash-based ML risk. Creation of financial profiling guidelines for the FIA and LEAs, which lists the enquiries to be undertaken to trace assets, would widen the use of provisional measures and ultimately increase the value and type of proceeds and instrumentalities of crime and property of equivalent value confiscated.

Confiscation of the proceeds offences committed or located in Liberia

266. The AML/CFT Act provides measures for post-conviction confiscation of the proceeds of crime, whereas the PRPCA allows for confiscation of the instrumentalities of crime and property of equivalent value. Liberia has not obtained a confiscation order relating to instrumentalities of crime or property of equivalent value.

267. To date, Liberia has obtained one confiscation order. This was made against a legal person in June 2022 to the value of US\$ 234,000 (see Box 3.1, IO6). After being indicted, the subjects of the investigation (company directors) fled Liberia and could not be located. Therefore, no criminal trial has taken place and competent authorities relied on the provisions within the PRPCA that allow for confiscation when a defendant absconds.

268. Liberia uses a restitution process to return the property to a victim of crime (31.1(4), Criminal Procedure Law, see IO7). Restitution can be seen as a measure to confiscate property of equivalent value. However, this process often takes place outside of the court proceedings (see Boxes 3.5 and 3.6, IO7). No criminal penalty can be imposed upon failure or inability to comply with a restitution order, cases of non-payment are referred to the civil court for judgement. The AT view that the restitution process is an ineffective method of recovering the proceeds of crime.

⁸⁴ Although there were two freezing orders granted in 2018, the underlying data was only provided for one. The total of US\$ 400,00 relates to one bank account frozen in relation to a LRA tax evasion investigation.

⁸⁵ The total of US\$ 1,404,500 relates to two bank accounts. The tax evasion investigation froze funds to the value of US\$ 404,500. The Fraud investigation froze funds to the value of US\$ 1,000,000

⁸⁶ The total of US\$ 2,133,807.53 is comprised of funds in bank accounts (US\$ 2,03,807.53) and a residential property valued at US\$ 130,000 which was frozen in relation to the fraud investigation (see Box 9 for case summary).

269. The LRA use tax settlements to recover unpaid tax. These can take place both in and outside of court. An example of a tax settlement is shown in Box 3.11 below:

Box 3.11 Case study of LRA Tax Evasion Settlement

A business owner was suspected of disguising and concealing business proceeds into personal bank account and claiming business losses to evade taxes. The LRA investigated and an audit was undertaken. Business proceeds were identified being transferred into the private account of the business owner and company losses were overturned. The LRA raised a tax bill of US\$ 122,701.92, which was settled and no criminal prosecution was undertaken.

270. The use of LACC restitutions and tax settlements (relating to tax evasion investigations) as a means of asset recovery is shown below.

Table 3.13 Use of Tax Settlements and Restitutions by the LRA and LACC

	2018	2019	2020	2021	2022 (till August)
LRA Tax Settlements (all figures in US \$)⁸⁷					
Number of Tax Evasion cases settled	2	1	1	5	4
Total Value of settlements agreed	190,187.14	1,705,461.5188	11,555.36	474,047.95	378,060.09
Total amount that has been repaid from the settlements	45,060.95	0	11,555.36	458,588.73	80,821.16
Amount repaid as % of total	23.7%	0%	100%	96.7%	21.4%
LACC Restitutions					
Number of Corruption cases resolved by restitution	4	189	190	5	3
Total Value of restitutions agreed	...	US\$ 8,168.70 LRD 127,114.74	US\$ 1,147,656.35	...	...
Total amount of agreed amount that has been repaid	US\$ 57,795.00 LRD 366,893.00	US\$ 8,168.70 LRD 127,114.74	US\$ 200,000.00 (approx.) ⁹¹	US\$ 244,887.07 LRD 254,319.84	US\$ 2,338.80
Amount repaid as % of total	...	100%	17.43% (approx.)	...	...

Source: LRA & LACC

271. The recovery of unpaid taxes can be delayed by challenges to the tax calculation, associated legal proceedings and the waiving of penalties and interest (see footnote). The AT acknowledges that the recent tax settlements will take some time to be settled. However, the low percentage of repayment

⁸⁷ Executive Orders 89 2017, 96 2019 and 103 2020 were issued to institute measures to stimulate growth in the Liberian economy. One measure was to waive penalties and interest payments relating to tax assessments (the principal amount was not waived and remains repayable). The figures in the table show the reduced amounts, the sums waived were as follows: 2018 22,604.78 was waived; 2019 no funds were waived; 2020 3,724.18 was waived; 2021 765,936.86 was waived; 2022 15,787.94 was waived. Totalling 808,053.76 (all figures are \$ US).

⁸⁸ See Box 3.8, IO7 for details of this investigation. US\$ 419,454.51 is subject to a freezing order, but has not yet been recovered.

⁸⁹ See Box 3.6 Case study of LACC Asset Declaration-Related Investigation – Theft and Double Emolument

⁹⁰ See Box 3.5 Case Study 1: Misapplication of AFL Soldier's Welfare and Pension Benefit Funds

⁹¹ The LACC were unable to provide the exact amount that had been repaid. This restitution relates to case study one, box 3.5

(particularly 2018, 23.7% and 2019, 0.0%) and the absence of successful prosecutions and subsequent confiscation proceedings demonstrates ineffective enforcement and limited recovery of the proceeds of tax evasion.

272. Overall, Liberia demonstrated limited results in confiscating the proceeds and instrumentalities of crime and property of equivalent value. The absence of criminal convictions (see IO7) severely inhibits Liberia's ability to confiscate all types of criminal property. The value of funds recovered by the LACC in their highest value restitution agreements are low. Procedures allow for affordable monthly payments and lack enforcement measures. Ultimately, this approach does not make crime unprofitable or create a sufficient deterrent.

Confiscation of the proceeds of predicate offences committed abroad and proceeds moved to other countries

273. Liberia has not returned confiscated assets generated from a foreign predicate offence and has therefore not carried out asset sharing or repatriation to or from a foreign jurisdiction. Despite this, the AT welcomes Liberia's recent engagements with international partners. The AT are aware of a request from a foreign country to repatriate funds, but upon initiating a freezing order, the Liberian accounts has nil balance (see Box 8.1, IO2). The MoJ recently obtained a freezing order related to an overseas predicate offence (see Box 10, IO7). The investigation is at the early stages and has not progressed to prosecution and asset recovery.

274. Liberia has demonstrated one instance (see below) of seeking recovery of proceeds moved to a foreign jurisdiction.

Box 3.12 The Albatross Ltd – Recovery of proceeds moved to another country

In 2020, authorities in the United Kingdom (UK) identified a corporate bank account held by The Albatross Limited. Investigations identified the account held approximately US\$ 8m which were suspected of deriving from corruption, tax evasion and money laundering in Liberia, taking place between 1950 and 2012. The bank account balance was frozen and subsequently forfeited, in UK civil proceedings. Liberian authorities became aware of this forfeiture, via open-source news items, and subsequently filed a civil action in the UK courts seeking the return the funds to Liberia. Repatriation of the funds is awaited.

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

275. Liberia has a strong framework which requires passengers to declare physical cross-border movements of currency and BNIs exceeding US\$ 10,000. A false or non-declaration constitutes a criminal offence and attracts a fine (one third of the undeclared amount, see R.32). The LRA are responsible for administering the declaration system.

276. Competent authorities have a good understanding of the cross-border threat assessment (rated as high, 1.1.1.10 NRA) particularly in relation to drug/human trafficking and smuggling of goods. However, due to Liberia's porous borders (123 unofficial border crossing without LIS/LRA/LDEA presence, see chapter 1) and limited resources, detecting falsely/undeclared currency and BNI is challenging. This impedes the effective implementation of the strong legislative framework governing the obligation to declare the cross-border movements of currency and BNIs.

Obligation to declare

277. Currency/BNI declarations are made on paper forms which are also available on the LRA website for printing and completion prior to travel. Still, there is no facility to submit a currency/BNI declaration electronically. The forms are also available on incoming flights and signage is displayed at Monrovia-Roberts International Airport. When arriving in Liberia through Monrovia-Roberts International Airport, LRA officials scan passenger baggage via an x-ray upon departure from the airport. LRA use this x-ray scan as a method to detect illicit goods, including currency.

278. The LRA does not currently maintain a database of currency/BNI declarations. During onsite interviews, the LRA explained that if the FIA requests for information, a manual search is conducted on the paper records and, if found, the declaration form is provided. However, there was no statistics or demonstration that a request for currency / BNI declaration reports had been made during the review period.

279. The LRA plans to establish and operationalise a database by the end of 2022 to record currency/BNI declarations, with full access being provided to the FIA (see IO6). The LRA has provided the following statistics of currency declarations, generated from paper declaration forms (there were no declarations of BNIs):

Table 3.14 Currency Declarations, Jan 2018-Sept 2022

Year	Inbound		Outbound	
	No. of Declarations	Total Value (USD)	No. of Declarations	Total Value (USD)
2018	0	0	0	0
2019	6	4,833,900	1	89,000
2020	0	0	0	0
2021	0	0	0	0
2022	1	9,150	0	0
TOTAL	7	4,843,050	1	89,000

Source: LRA

280. Of the eight declarations made, seven were made in 2019. The lack of declarations for 2020 and 2021 may be explained by the significantly reduced international travel during the COVID-19 pandemic.

281. Analysis of the six inbound declarations made in 2019 show large sums were transferred into Liberia. Over an 11-day period in March 2019, three declarations were made (US\$ 1,427,000, US\$ 1,724,900 and US\$ 1,558,500, totalling US\$ 4,710,400). Each of the three declarations were made by passengers of the same nationality and travelling from the same jurisdiction.

282. Considering Liberia's small economy, approximately US\$ 4.7m arriving in the country in an 11-day period, from the same jurisdiction should have warranted further investigation. The lack of sharing of cross border declaration information with the FIA impedes Liberia's ability to identify and investigate potential instances of ML and resulting asset confiscation.

283. Considering the total amount of money involved in the few inbound declarations made is an indication of cross border ML threats from foreign predicate offences, Liberia has not demonstrated any analysis of criminals involved in proceeds generating offences who may be attracted to the country's dual currency economy and opportunity to integrate US\$ into the financial system.

Control and Detection

284. The LRA has a dedicated Joint Airport Interdiction Task Force (JAITF) comprising LRA, NSA, LIS, LNP that assembles when a currency/BNI seizure is made. The group is permanently based at the airport and invites the FIA and CBL to assist upon detection of false/non-declarations. The JAITF has no policy or guidelines in place regarding the detection, seizure or investigation of illicit currency / BNI. However, officers have received training regarding the Customs Code and Cross Border Regulation (see R.32).

285. The JAITF uses intelligence to proactively target passengers suspected to be cash couriers and assesses passengers against red flags for cash smuggling. An example of an intelligence led seizure is shown Box 3.13 below:

Box 3.13 Case study of gold seized at Monrovia-Roberts International Airport

LRA intelligence gathering identified a passenger who had made multiple journeys between Liberia and countries in the Middle East region. In 2019, the passenger was intercepted and found to be in possession of approximately 56 kilos of gold to the estimated value of US\$ 1.5m. The traveller was a licenced exporter of gold who had obtained a licence to export a smaller amount. The exporter was found to be evading gold export taxes to the value of US\$ 46,123.91. The evaded taxes were recovered, and a further fine was issued to the value of US\$ 30,749.29.

286. Although the above case study relates to gold rather than currency/BNI, the AT believe it is relevant considering the region's risks associated with illicit gold mining. Also, the detection methods employed by the LRA are similar to those used to identify cash couriers.

287. Liberia has detected two instances of false/non-declaration (one currency and one gold) and investigated two instances where currency was seized following suspicions of ML. In 2019, the LRA seized USD132,362.00 in cash being moved in or out of the country through the airport and a land border (see Table 3.15). Two of the seizures were based on suspicion of ML and occurred at the airport while the remaining one was based on non-declaration and occurred at the land border.

288. In relation to the two seizures with suspicions of ML, both were investigated, and the funds were deemed to be legitimate and returned in full to the traveller.

289. Regarding the false declaration of currency, a penalty of US\$ 8,497.50 was imposed. In relation to the gold seizure, the total sanction was US\$ 76,873.20 (US\$ 46,123.91 in unpaid export taxes and US\$ 30,749.29 as a fine). The AT does not consider this volume of seizures and overall sanctions applied as commensurate with the cross-border risks facing Liberia.

290. Efforts to detect false or non-declarations of currency/BNI are concentrated at the Roberts International Airport, Monrovia. The LRA has limited methods of detection regarding large freight vehicles crossing land borders. The AT view that the vulnerability of land borders creates a risk of illicit cross border currency / BNI movements.

Box 3.14 Case study of currency seized at border – Suspicion of ML

In June 2019, a passenger arriving at a land border declared US\$ 17,612. Due to the large amount, LRA officers suspected ML and seized the full amount. Documentary evidence provided during the investigation confirmed that the money was legally obtained through the sale of goods in Sierra

Leone. The funds were returned to the owner.

Table 3.15 Border cash declaration, seizure and confiscation

Date	Location	Reason for Seizure	Direction	Amount of currency seized	Value of fine issued	Value of Confiscation
June 2019	Airport	Suspicion of ML	Outbound	US\$ 89,000	0	0
June 2019	Land Border	Suspicion of ML	Inbound	US\$ 17,612	0	0
July 2019	Airport	Non-Declaration	Inbound	US\$ 25,750	US\$ 8,497.50	0

Source: LRA

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

291. Liberia has obtained one confiscation order in relation to an investigation of credit card fraud (see IO6, Box 3.1). There had been no confiscation regarding ML, corruption, drug trafficking or tax evasion offences. The LDEA does not conduct parallel financial investigations (see IO7) and therefore does not consider assets belonging to subjects of investigations and are not seeking to confiscate proceeds, instrumentalities and property of equivalent value. This is a significant shortcoming due to the high ML risk associated with drug trafficking.

292. As there has only been one confiscation order, the AT have considered the use of provisional measures to assess whether asset freezing is reflective of ML/TF risks and national AML/CFT policies and priorities. Of the 11 freezing orders, granted during the assessment period, the underlying offence was provided for seven. Of these, five related to tax evasion and two related to fraud (see Table 3.12). The NRA ranks tax evasion as the third highest priority predicate offence⁹², fraud is not explicitly ranked. The Assessment Team commends the LRA and FIA on the increased use of provisional measures, specifically in relation to tax evasion. However, no provisional measures were used in relation to ML, corruption or drug trafficking. As noted in IO.7, the lack of compliance with assets declaration requirements contributes to the LACC's inability to pursue the proceeds of corruption. Overall, confiscation results and the use of provisional measures do not reflect the assessment of ML/TF risks.

Overall conclusion on IO.8

293. Liberia has made progress in terms of obtaining a first confiscation order, increased use of provisional measures and progress regarding proceeds of crime transferred to and from Liberia. However, Liberia does not have policies and procedures to ensure that assets, that may be subject to later confiscation, are identified, frozen and managed. The lack of public official income, asset and liability declarations impedes the identification of proceeds of corruption and related ML. Ultimately, the lack of criminal convictions severely hinders Liberia's ability to confiscate domestic proceeds and instrumentalities of crime and property of equivalent value.

294. Overall Liberia has achieved limited results in seizing and confiscating proceeds and instrumentalities of crime and property of equivalent value.

⁹² Page 11 National Risk Assessment 2019

295. **Liberia is rated as having a Low level of effectiveness for IO.8.**

CHAPTER 4. TERRORIST FINANCING AND FINANCING OF PROLIFERATION

4.1 Key Findings and Recommended Actions

Key Findings

TF investigation and prosecution (Immediate Outcome 9)

- a) The LNP, TCU and NSA have different levels of capacity to identify and investigate TF cases. TF is approached with priority attention by relevant competent authorities like the FIA and NSA. It is apparent that even though, TF cases are often pursued as a component in a suspected terrorist activity, intelligence shared by the FIA points to stand alone suspected TF activity. Agencies involved in TF investigations leverage on intelligence sharing as a vital tool in the investigation of suspected TF Cases.
- b) Liberia though has mechanism to conduct border surveillance and patrols, the FIA and LEAs collaborate in the areas of intelligence sharing for the purposes of identifying and investigating suspected cases of TF. This collaboration has resulted in limited cases of TF investigation with no resultant outcome of prosecution, or asset tracing and freezing of properties or other economic resources linked to individual terrorist or terrorist organization.
- c) Cases of terrorism and terrorists financing get topmost priority in case management procedure as such investigation often draws critical collaboration relating to information sharing across crucial public and private sector institutions. However, investigation authorities do not have adequate resources and the operational capacity to identify, investigate and prosecute TF cases is limited.
- d) There has been no prosecutions or convictions on TF. This could be due to the overall low TF risk profile of the country as well as insufficient capacity to isolate specific roles played by terrorist financiers when investigating terrorists acts. The lack of TF prosecutions and convictions makes it difficult to verify whether the penalties against natural and legal persons are effective, proportionate and dissuasive. Also, in the absence of any TF prosecutions, and a very limited experience in investigating TF, the effectiveness of the implementation of the legal framework is yet to be demonstrated.
- e) In most cases of investigating smuggling and other proceeds yielding predicate offence, the possibility of TF is often looked at in addition to the predicate offence. This is a practice worth noting, as it demonstrates the prioritisation of TF by competent authorities.
- f) Liberia has utilised alternative measures to disrupt potential terrorism/TF cases. These measures include freezing, seizing and confiscating assets suspected to be linked to TF where sufficient evidence hasn't been adduced for prosecution.

TF preventive measures and financial sanctions (Immediate Outcome 10)

- a) Liberia has a legal framework for the implementation of TF-related TFS without delay; however, the country has a limited implementation of TF-related TFS. The structure for the dissemination of the sanction list is provided. However, the overall governance architecture of implementing TFS is unclear. Liberia has a sanctions Committee, the Counter Terrorism Advisory Committee, the extent of the committee's involvement is limited, as it is not empowered to identify targets in-country.
- b) Liberia has not internally listed an individual/entity and request foreign jurisdiction to designate, nor has it received request to designate individual or entities listed within (Listed persons/designated persons). This is consistent with the country's risk profile as stated in its NRA.
- c) FIA and Foreign Affairs Ministry had no evidence of transmission of the sanction list to the reporting entities, nor was there evidence that the reporting entities receive the sanctions list transmitted from the United Nations. Most banks subscribe to sanctions screening software that allows for the screening of customers and transactions. That cannot be said of the DNFBBPs. It is required that both FIs and DNFBBPs are to implement the sanctions, therefore, lack of mechanism by DNFBBPs leaves deficiency in the implementation.
- d) Liberia has conducted some risk assessments for NPOs, but the assessment did not identify NPOs at risk of TF abuse. Although the authorities indicated that international NPOs are more vulnerable to TF, this assertion is not supported by the risk assessment.
- e) Liberia's framework for regulating NPOs is not targeted at TF risk and there is monitoring system in place for this sector. The registration system for NPOs and fiscal controls in place are not effectively implemented or implemented in a TF-targeted manner and do not contribute to addressing TF risks. Furthermore, both the FIA and the Ministry of Finance and Development (NGO) unit have not provided guidance or developed focused action for potentially vulnerable NPOs and prevent their possible misuse for TF.
- f) The level of awareness of TF risk associated with NPOs is low among public authorities and the NPOs themselves.

PF financial sanctions (Immediate Outcome 11)

- a) The absence of a legislative framework prevents Liberia from effectively implementing targeted financial sanctions concerning the UNSCRs relating to combating of financing of proliferation (TFS-CFP). No competent authority is responsible, or resources are made available to implement TFS-CFP.
- b) Authorities have a limited understanding of TFS-CFP. No funds or other assets of designated persons or entities have been identified in Liberia. If identified, the authorities (FIA, LACC and MoJ) would apply for a domestic freezing order to secure the assets. While the ability to freeze is commendable, however, this has not been tested in practice and is not enshrined in a clear multi-stakeholder (e.g. customs, port authorities, LEAs, FIs/DNFBBPs) process of implementing CPF.

- c) The AML / CFT Act 2021 and the AS-AP show Liberia's commitment to establishing effective implementation of TFS-CFP, but progress is yet to be made.
- d) The FIA communicates updates regarding TFS designations to FIs only, and not to non-bank FIs and DNFBPs. There has been no outreach or guidance issued by competent authorities, and therefore understanding of TFS-CFP derives from organisations' own learning and group policies. In the absence of an effective national framework, the understanding of TFS-CFP is inconsistent across the banking sector and non-bank FIs and DNFBPs increasing the risk of PF taking place.
- e) Supervisors do not significantly consider TFS-CFP when conducting compliance examinations.
- f) Despite the general concerns raised by a panel of Experts of the UN Security Council regarding sanction evasion through maritime business sector, Liberia has not demonstrated effectiveness to prevent the abuse of shipping vessels bearing the Liberian flag for PF purposes. The Country's position as one of the largest global providers in shipping registration exposes it to PF risk.

Recommended Actions

TF investigation and prosecution (Immediate Outcome 9)

Liberia Should:

- a) adopt a Standard Operating Procedure (SOP) that has a clear process and prioritise proactive identification, investigation and prosecution of the different types of TF activities.
- b) develop and adopt a robust CT strategy that adequately integrate TF investigation and prosecution components.
- c) build capacity in TF investigation and prosecution through enhanced intelligence gathering programme and provision of additional human and technical resources for NSA, LNP, MOJ and TCU.
- d) take adequate measures and place specific and priority focus on TF identification and investigation during border patrols and surveillance, to prevent the movement of terrorist funds, terrorist financiers and foreign terrorist fighters.
- e) ensure the effective utilization of information-sharing platforms and joint TF investigations to enhance the identification and effective investigation of TF offenses

TF preventive measures and financial sanctions (Immediate Outcome 10)

Liberia Should:

- a) Take urgent steps to ensure the full implementation of TFS obligations without delay. Liberia should clearly identify the specific competent authorities that are

responsible for overall implementation of TFS, and the role of each component of the competent authorities needs to be clear. The supervisors and the sanction committee should take the lead to create the required awareness of the need for the implementation of TFS in Liberia.

- b) Conduct a more comprehensive risk assessment of TF risk in the NPO sector and overall TF risk mitigation measures without disrupting or discouraging legitimate NPO activities.
- c) Enhance the monitoring of at risk NPOs and pursue the targeted investigation of domestic and transnational cases of abuse of NPOs for TF
- d) Synergise the registration and re- accreditation process for NPOs between the LBR for Registration and the MFDP for re-accreditation to ensure that at-risk NPOs are not operating without adequate monitoring.
- e) Upon identification of ‘at-risk’ NPOs, focused and competent authorities should apply proportionate measures to NPOs identified as vulnerable to TF abuse. This supervisory body(ies) should regularly monitor, and conduct outreach activities and sensitization programmes to raise awareness to the group about possible misuse for TF purposes.
- f) Provide reliable access to the UNSCRs regarding TFS and the latest consolidated list of designated entities. The FIA should amend the distribution list for TFS updates to include non-bank FIs and DNFBPs.

PF financial sanctions (Immediate Outcome 11)

Liberia Should:

- a) Establish an operational working group responsible for the design, enactment and implementation of a legislative and operational framework to implement TFS-CFP without delay. The working group should include all relevant stakeholders and be provided with sufficient resources to manage the work.
- b) Produce and circulate detailed guidance on the implementation of TFS-CFP and the obligations of reporting entities, including best practices for screening and methods of detection of TFS circumvention and evasion.
- c) Ensure that, in relation to domestic applications to form legal persons, company director, shareholder and beneficial ownership information is screened against TFS-CFP designated entities.
- d) Expanding the dissemination of the sanctions lists to cover all reporting entities as stated in (RA IO.10 above)
- e) Enhance the monitoring of compliance TFS-CFP of FIs/DNFBPs by including this as a mandatory item for supervisory inspections and apply proportionate and dissuasive sanctions for non-compliance.

- f) Liberia should enhance the competencies (for example through awareness and training) of all relevant stakeholders including authorities involved in the maritime sector, FIA and MoJ, in relation to the implementation of TFS PF including investigations and prosecutions of potential breaches.

296. The relevant Immediate Outcomes considered and assessed in this chapter are IO.9-11. The Recommendations relevant for the assessment of effectiveness under this section are R. 1, 4, 5–8, 30, 31 and 39, and elements of R.2, 14, 15, 16, 32, 37, 38 and 40.

4.2 Immediate Outcome 9 (TF investigation and prosecution)

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

297. Liberia has criminalised TF but the legal framework has some technical deficiencies (see R.5). As discussed under IO.1, the authorities have conducted an NRA and rated the overall risk of terrorism financing as low. Generally, the Liberian authorities, particularly those with CFT responsibility, demonstrated their awareness of TF risk identified in the NRA (see IO.1) and have shown in some instances that TF offences and investigations are given priority especially by the FIA and the NSA. In the absence of a substantive investigations and the lack of prosecution for TF in Liberia, the NSA has not demonstrated enough capacity to identify, and to some extent investigate and prosecute TF, should such matters arise. The AT found that the training for LEAs and prosecutors with regard to TF investigations and prosecutions is limited. During the period under review, seven (7) prosecutors were trained in TF prosecution. The limited investigations initiated into potential TF related matters and lack of prosecutions by the NSA makes it difficult for the assessors to assess the full extent to which these requirements are implemented.

298. There has been no TF prosecution in Liberia. Consequently, no TF conviction has been secured. This is in line with the country's risk profile. Should TF occur, the competent authority responsible for the prosecutions of such matters is the MoJ. However, MoJ prosecutors are not adequately resourced and trained to prosecute TF cases. Overall, there is need to improve the MoJ's expertise to ensure the effective prosecution of TF cases.

TF identification and investigation

299. TF and potential TF cases are identified via different sources, including intelligence by the NSA, FIA intelligence, and proactive investigations by the NSA and LNP. All the five (5) TF related STRs received in the review period (see Table 3.7, IO.6) have been given priority and were immediately analysed and the information disseminated to the relevant competent authorities, especially the NSA. The prioritization is based on the seriousness of the impact and the far-reaching effects, such as loss of lives and property, which can be caused by TF. All the STRs were analysed, resulting in 5 suspected TF disseminations to the NSA. Overall, the FIA has adopted a proactive approach to TF (disrupting TF from occurring) in addition to investigations undertaken by LEAs.

300. The lead authority responsible for TF investigations is the NSA. Other agencies involved in TF investigations are the LNP, and the FIA. These authorities (NSA, LNP and FIA) demonstrated a limited capacity on investigation of TF. The details of different types of TF identified and investigated were not sufficiently provided. While other agencies do play some role in terrorism and TF investigation, the NSA appeared to have the lead role as suspected TF cases are often referred to it by the LNP. Though Liberia is rated low on TF risk, there is no evidence to buttress the mechanisms and systems used by investigators to identify types of TF and the roles suspected terrorist financiers played in a terrorist act.

However, the Assessors noted that during investigation of smuggling and other proceeds yielding predicate offences, the authorities often seek to identify potential links of TF to these offences. This practice is worth noting as it demonstrates prioritisation of TF by the authorities. Also, the SOP of NSA was not shared onsite, but the authorities shared an instance where some Liberian nationals were suspected of being trained for terrorism purposes in a border county. These imply that NSA and other relevant authorities are monitoring the terrorism and TF threats in the country.

301. There are five (5) staff dedicated to TF investigation at the NSA who have obtained specialised training on terrorism or TF. Upon receipt of financial intelligence from the FIA or any other referral relating to TF, these officials are assigned to investigate the cases. According to the NSA, the intelligence received from the FIA were reviewed and only two (2) led to investigation. As noted earlier, the two investigations did not result in any prosecution as the NSA's findings was that there was insufficient evidence that criminal offences specific to TF, were being planned or committed. The NSA has powers to proactively initiate TF investigation without necessarily waiting for intelligence from FIA. Instances of such proactive investigation where cases were initiated from intelligence obtained from the field by officers deployed to the strategic locations and land borders were provided. One such case has to do with the involvement of a foreign national who was engaged in ideological teachings. Overall, the purpose of the NSA's TF investigations premised on FIA intelligence has been to establish the source of funding of the subjects and to determine whether it has links to any extremist individuals, groups, or terrorist organizations and if terrorist financing was involved. The assessors found that despite the close working relationship between the NSA and the FIA, feedback relative to the outcomes of the TF investigations, were not provided by the NSA to the FIA.

Table 4.0: TF Detection, Investigation and Prosecution Cases

	TF related STR disseminated (from FIA)	TF investigation (by NSA)	TF Prosecution
2018	3		
2019	1		
2020	1		
2021			
2022			
TOTAL	5	2	0

302. The NSA appears to have also investigated a case of suspected terrorism and TF initiated from its own intelligence gathering mechanism. This investigation involved a foreign national who was profiled and was found to be a threat because of his ideological teachings and was arrested and deported accordingly. The swift action was born out of the probability that such radical teaching could lead to other support aimed at TF. Although the FIA sought financial information on this matter to support the NSA's investigation, the Agency did not obtain any information suggesting the suspect's involvement in TF. There is no information regarding collaboration between the NSA and its foreign counterpart in the investigation of the case. The NSA or FIA did not provide the details of the case.

303. The LNP has an Anti-Terrorism Unit created in 2018 with mandate for investigating or implementing measures to combat terrorism and TF. The Unit has two (2) dedicated staff. However, these personnel have received limited training regarding TF investigations and lack full expertise and training to conduct TF investigations. The authorities did not provide any cases of terrorism/TF investigated by the LNP. While collaboration or synergy exists between the FIA and the LNP, this is more in relation to the investigation of ML and predicate offences as shown in the dissemination of information from the FIA to the LNP (see Table 3.6, IO.6. See also IO.7). Although the LNP share the

view that terrorism and TF is primarily within the purview of the NSA, the AT considered the resources available to the LNP, including the number of personnel in the ATU of the LNP inadequate.

TF investigation integrated with –and supportive of- national strategies

304. Liberia has a National Security Strategy (NSS) which serves as a national framework for the implementation of the national security policies of the country. The NSS provides for national counter terrorism and the promotion of cooperation for information sharing amongst strategic institutions across private and public sectors. While the NSS framework may provide a good process and procedures for information sharing, it is unclear how TF elements (including TF investigation) are integrated to support national counter terrorism strategies.

305. The National AML/CFT Strategy and Action Plan (AS-AP) was approved in March 2022. Objective 2 of the AS-AP (Improves the Investigation of ML/TF & P cases) has specific item dealing with enhancement of capacity of LEAs to detect/investigate TF and TF related activities (item 2.7 - Build the capacity of LEAs to detect/identify TF and TF related activities). Overall, this is aimed at reducing the risk of terrorism/TF. This is a commendable drive to build requisite capacity. In general, as it stands currently, TF investigations are integrated with and are supported by national strategies to some extent. Nevertheless, there is a need for Liberia to expedite the development of competencies specific to TF investigations in support of national strategies across all relevant agencies.

306. The Financial Crimes Working Group (FCWG) established in 2016 is a multidisciplinary team that provide an operational platform for LEAs, including NSA, LACC, LDEA, TCU, and LNP to cooperate on intelligence and information sharing, which include terrorism / TF related issues. The group has not met in person since 2020, although continues to exchange information through informal channels. Outside this, no records of strategic meetings of key stakeholders on TF were provided to the assessment team to enable it to assess the effectiveness impact of this mechanism with regards to TF investigations.

307. Although there is no specific counter-terrorism related strategy developed by Liberia, efforts made by the country in the field of CFT is acknowledged particularly in the areas of inter-agency cooperation and awareness among LEAs. The SOP for the NSA requires capacity building for staff, including on TF investigations. The AT was informed that some staff of the dedicated team of investigators on terrorism and TF have had some trainings in foreign countries.

Effectiveness, proportionality, and dissuasiveness of sanctions

308. The legal framework provides for sanctions for TF offences. However, Liberia is yet to prosecute and or convict any person for terrorism or TF charges. Therefore, the effectiveness, proportionality and dissuasiveness of sanctions and any other measures to deter TF activities could not be determined.

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

309. The Attorney General has the powers to seize assets linked to suspected individual terrorist or terrorist organizations (§15.4.1, AML/CFT Act (Freezing Order) Act). There are provisions that vest regulatory action or *ex parte* orders to be invoked where necessary to disrupt terrorist financing activities. These provisions enabled Liberia to freeze funds in a commercial bank linked to a school of interest in a suspected case of TF involving a foreign national. While these funds were frozen because the suspect was deported, it does not therefore align the freeze of the funds to forfeiture as there was no judicial pronouncement or order for the freeze, as the action leading to the freezing of the funds remains administrative and may not remain frozen in perpetuity. Thus, Liberia reported that if a suspect does not

show up within a specific period of time for judicial proceedings of a case, the unchallenged frozen or seized asset can be forfeited to the state as in the case of the suspect in the Turkish related school.

310. The NSA monitors suspected individuals, including foreign nationals, especially those from high-risk jurisdictions in relation to matters of terrorism and not specifically on TF. Some of the religious leaders in Liberia have been trained on CT/CFT related issues which has contributed to the adoption of measures to deradicalize its citizens.

311. Liberia also uses preventive measures to combat radicalisation in order to prevent the spread of extremism that may lead to support for and the financing of fighters in conflict zones or the perpetration of terrorist acts.

Overall conclusions on IO.9

312. Liberia did not demonstrate a clear process it uses in identifying TF cases for investigation. There is no evidence of specially or adequately trained officers to handle cases of TF investigation and prosecution. The lack of capacity may have accounted for the zero prosecution for the full range of TF activities. Considering the non-availability of comprehensive records of activities on TF investigations and prosecutions, Liberia has fundamental deficiencies in TF investigation and prosecution and therefore cannot be considered to be effective in TF investigation and prosecution.

313. **Liberia is rated as having a Low level of effectiveness for IO.9.**

4.3 Immediate Outcome 10 (TF preventive measures and financial sanctions)

Implementation of targeted financial sanctions for TF without delay

314. Liberia does not have a clear and comprehensive process for implementing TF TFS without delay. However, there is a clear channel for communicating UN lists of designated persons and entities to competent authorities and reporting institutions. Competent authorities explained that the process for communicating designations is the same for all financial sanctions regimes and there is no differentiation between listing regarding TF TFS or other sanctions regimes. In summary, reporting entities are informed of designations via a three-step chain of communication.

315. The first in the chain starts when, the Liberia Permanent Mission to the UN forwards the updated consolidated list to the MoFA, by email. The second step, MoFA upon receipt of the list seeks and obtains the approval of the Minister to communicate the list onwards. MoFA has systems in place to ensure that this approval can be made without delay. These include 24-hour email access, an on-call system where MoFA staff are required to return to work for urgent matters and to appoint an acting Minister in case of absence. Once approval is granted, the updated consolidated list is sent by email to the MoJ and also the FIA. The third and the last activity in the chain for the distribution of the sanctions occurs when FIA forwards the information of the new designation to the compliance group email distribution list. The FIA does not have any procedures to ensure onward communication can be made out of hours, and in practice, if communication from MoFA is received out of hours, the FIA will act the next working day. During onsite interviews, the FIA explained that the compliance group email list contains only financial institutions, not DNFBPs. This poses some gaps in meeting the requirement of dissemination promptly (within 24 hours). So, the FIA is only able to circulate the sanctions list to the

FIs through a dedicated compliance group email list, However, for the FIs that subscribed to the third-party software, they automatically receive the update without waiting for the FIA dissemination.

316. While acknowledging the existence of legal provisions for TFS, evidence is not provided in any case where such has been applied. The implementation of TFS against individuals or entities expected by all agencies is disseminated in line with the outline in the paragraph above. Liberia did not provide any letter or evidence of dissemination of the UN list or an updated list of sanction entities (UNSCR 1267, 1373, and other subsistent resolutions) to all all-relevant stakeholders.

317. The FIA of Liberia downloads the UN sanctions list and transmits the same to a dedicated mailing list of compliance groups, which consist of only FIs as members. This is to prevent the movement and use of funds suspected to be linked to terrorists and terrorist organizations. The assessors were not provided with information on the number of times these downloads have been made and transmitted. Neither was information provided on the outcomes of the transmission of the sanctions list to relevant authorities. There is a Counter Terrorism Advisory Committee which is expected to work among stakeholders in the architecture of the implementation of TF-TFS in Liberia. The Committee is not empowered to identify targets for a recommendation for listing. It is unclear the extent of the committee's involvement and engagement in the implementation of TFS in the country. Findings revealed that this Committee has not been operational and may not have played any role towards the effective implementation of TFS obligations.

318. Liberia has 725 registered NPOs covering different sectors of society; the NPO sector is regulated by the Ministry of Finance and Development Planning. Liberia has not shared the downloaded UN sanction list with the NPOs identified as at-risk of TF, since there were not identified at-risk NPOs in the first place. Although the FIA asserted it always encourages the reporting entities to periodically visit the UN websites to get updates on sanctioned names and to conduct searches on their systems to identify and freeze funds from confirmed names without delay. There was also a circular requesting NPOs to file STR/CTR to the FIA It is worthy of note that Liberia has not comprehensively assessed the NPOs sector to identify and separate -NPOs that are vulnerable to TF abuse.

Targeted approach, outreach and oversight of at-risk non-profit organisations

319. Liberia has conducted an NPO risk assessment, but has not identified the sub-set of NPOs at risk of TF abuse. The NPOs risk assessment was concluded in July 2022. The assessment covers TF threats of the NPO sector (rated as low) and TF vulnerabilities of the sector (rated as high). In particular, Para 10 deals with ML/TF vulnerabilities of the NPOs and highlighted these to include preventive measures; regulation; national coordination and cooperation; and transparency and accountability of financial records. All NPOs registered in the country were grouped under twelve (12) activity areas⁹³. Although the risk assessment did not specifically identify the sub-set of NPOs at risk of TF abuse, assessors believe that the coverage of TF threats and vulnerabilities in the risk assessment as well as the categorization of all registered NPOs in the countries into 12 activity areas are positive developments that provided some risk understanding of the sector. The major gap in the assessment is its failure to identify NPOs that are at risk of TF abuse, thus, making monitoring and supervision of the sub-set impossible, and not specifically risk-based, but the application of measures to all the NPOs, which is against the spirit of the FATF requirement.

320. Liberia has measures in place to regulate some of the NPOs through the supervising body (Ministry of Finance and Development Planning). The body accredits and re-accredits NPOs operating

⁹³ These include education/literacy and training (198); health, care/HIV & Aids (122); Gender, child protection and people with disability (110), agriculture (142); crisis prevention and peace building (20); Infrastructure and community development / water sanitation (44); Youth development, and training and job creation (26).

in the country. There are local and international NPOs operating in Liberia, some of the NPOs access grants and donations locally and internationally. They must be registered by LBR and at the MFDP; in addition, each NPO must return for re-accreditation annually. The ministry agrees that less than 50% of the NPOs return for the re-accreditation on an annual basis. This reality reveals that there are NPOs operating in the country without the required approval of the ministry. Also, the regulation of the ministry is not necessarily related to AML/CFT issues, but for formal recognition, tax-related purposes, accountability, auditing, and monitoring of operations within their thematic areas. Therefore, monitoring of NPOs is not risk-based, nor is it for the purpose of prevention of TF abuse or for organizing periodic awareness on the vulnerabilities of the targeted subset.

321. There exist no comprehensive statistics regarding the number of outreaches that have been embarked upon to ensure that NPOs implement TFS as it relates UNSCR 1267 and 1373.

Deprivation of TF assets and instrumentalities

322. The legal framework of Liberia provides and allows for the confiscation of assets and instrumentalities of terrorists, terrorist organisations, and terrorist financiers. There is no sufficient and concrete evidence that demonstrates that any of such activities is taking place.

323. Nevertheless, there is an appreciable level of capacity of law enforcement authorities to trace, seize and confiscate assets suspected to be linked to terrorists, terrorist organizations, or terrorist financiers through either criminal or administrative processes. There is some understanding amongst financial Institutions, especially banks, to deploy appropriate mechanisms enabling them to freeze without delay, the funds of suspected terrorists, terrorist organizations and terrorist financiers and provide a report of the frozen funds to the FIA without delay. However, they have not had a positive match and consequently, have not frozen any assets related to UNSCRs. Overall, Liberia is yet to deprive any person or entity of assets and instrumentalities associated with TF, or belonging to terrorists, terrorist organisations, and terrorist financiers, through criminal, civil or administrative proceedings.

Consistency of measures with overall TF risk profile

324. Though the NRA rated the risk of TF as low, the requirement to have measures consistent with the overall TF risk profile presupposes that relevant law enforcement agents, reporting, and accountable institutions should have sufficient personnel, tools and training to combat the menace of terrorism and terrorism financing. As at the time of assessment, the data to determine the capacity of law enforcement and regulatory authorities to take the necessary steps to have measures and policies in place to address TFS is not sufficiently provided. Considering the easy movement of NPOs across borders and the ability of NPOs to mobilize and access funds from a wide range of sources, relevant authorities must deploy adequate measures to address concerns of misuse or abuse of NPOs while at the same time monitoring them for effective implementation of TFS Overall, Liberia has not shown operationally effective measures to address TFS. However, it is well noted that reporting entities are obliged, by law, to file STRs to the FIA.

Overall conclusions on IO.10

325. Targeted financial sanction is a critical measure to disrupt the raising, movement, and use of funds and other assets for terrorism and terrorist financing. Liberia has not sufficiently shown how TFS is implemented in the DNFBPs sector and amongst the NPOs operating in the country. Liberia has not sufficiently demonstrated how TFS-TF are being implemented without delay. While FIA is informing FIs on new UN designations, albeit not always within 24 hours, the DNFBPs and NPOs sectors are not receiving the same information of new designation from FIA.

326. **Liberia is rated as having a low level of effectiveness for IO.10.**

4.4 Immediate Outcome 11 (PF financial sanctions)

327. Liberia is neither a manufacturer nor market for weapons of mass destruction or proliferation of dual-use goods. The UN Panel of Experts reporting to the Security Council Committee, regarding DPRK TFS indicates maritime TFS are subject to sophisticated attempts of evasion. This is usually made possible by deliberately creating unclear financial ownership and complex networks. Though Liberia is not specifically mentioned in the UN Panel report, the size of the maritime operations in the country poses some level of vulnerabilities⁹⁴. With approximately 14% of the world's ocean-going fleet, and Liberia being the 3rd largest shipping registry in the world, these may create some inherent risks regarding proliferation financing and related sanctions evasion. This underscores the need for not just attention but closer review and strict monitoring for compliance in the sector.

Implementation of targeted financial sanctions related to proliferation financing without delay

328. Liberia has no domestic law regarding TFS-CFP (see R.7). FIs, DNFBPs, legal and natural persons do not have a legally enforceable obligation to freeze assets of designated entities located in Liberia, should there be any PF-related case(s).

329. Despite the lack of a TFS-CFP domestic legal framework, Liberian authorities explained that new designations made under TFS-CFP are communicated to FIs and the process is the same as that for entities designated under TFS relating to terrorist financing as shown in IO.10.

330. Understanding of TFS-CFP obligations and evasion methods is low across the range of Government authorities. The FIA explained that if a reporting entity were to identify funds or other assets of a designated person or entity, the FIA would rely on the freezing order provisions under the AML / CFT Act 2021. In practice, upon being informed of the identification of assets, the FIA would instruct the reporting entity to restrict withdrawals from the account, for a 15-day period, while the FIA makes an application to court for a freezing order. To obtain the freezing order, the FIA is required to demonstrate belief that the specified property is proceeds or instrumentalities of crime or terrorist property. This process, in the absence of a TFS-CFP law has never been used or tested. However, the process is not in accordance with TFS-CFP obligations, demonstrates a lack of understanding and is ineffective as it places an unnecessary standard and burden of proof upon the FIA.

⁹⁴ Letter dated 4 February 2022 from the Panel of Experts established pursuant to resolution 1874 (2009) addressed to the Chair of the Security Council Committee established pursuant to resolution 1718 (2006) S/2022/132

331. Although the FATF standards do not currently require an assessment of proliferation risk, it is worth considering that the financing of proliferation is not addressed in the NRA or the National Security Strategy. At the time of the onsite assessment, there was no designated competent authority or resources dedicated to the implementation of TFS-CFP.

332. Liberia has not co-sponsored or proposed a person or entity for designation under TFS-CFP, as no information or activity regarding the proliferation of weapons of mass destruction is known to the competent authorities.

333. The AML / CFT Act 2021 mandates the IMC to establish an operational working group to assist in the implementation of financing of proliferation policies, strategies and measures. However, at the time of the onsite visit, the working group had not been established and no resources had been allocated.

334. The AML / CFT Act 2021 also created a criminal offence of Financing the Proliferation of Weapon of Mass Destruction. It is an offence to “knowingly, directly, indirectly, intentionally finance, participate or aid in the transaction for the purpose of financing the proliferation of weapon of mass destruction in or out of Liberia” (§15.3.30.4). Due to the recent passage of the legislation and the absence of suspected breaches of TFS-CFP, no investigations have been undertaken. Liberian authorities have indicated that, if identified, the NSA is likely to undertake these investigations and the MoJ will be responsible for prosecutions. The AS-AP contains an action point to ‘Develop a Guideline on the Implementation of Targeted Financial Sanctions related to Proliferation Financing’ (Goal 1, Objective 3: Develop Sector Specific AML/CFT Guidelines and Directives, Action 3.5). The timeframe for completion is June 2023. The FIA, NSA and MoJ are shown as the responsible institutions, at the time of the onsite assessment, drafting of the guidelines has not commenced.

335. The AT welcomes Liberia’s efforts to establish a more effective system regarding TFS-CFP as demonstrated by the AML / CFT Act 2021 and the AS-AP. However, the team notes that the AS-AP does not explicitly task competent authorities to enact legislation that would fully implement TFS-CFP in accordance with R.7. The AT view that implementing a legislative framework concerning TFS-CFP is a priority for Liberia which should be undertaken prior to guidance being developed.

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

336. Liberia has not identified funds or other assets owned or controlled by entities designated under TFS-CFP. No STRs regarding DPRK, Iran or the financing of proliferation have been submitted and there have been no investigations regarding potential breaches of TFS-CFP. Neither the FIA nor the MoJ have issued or received a request for formal or informal intelligence sharing regarding proliferation financing. Furthermore, Liberia has not taken any significant actions to prevent the abuse of shipping vessels bearing the Liberian flag. For instance, the country has not issued any advisory note to shipping companies with the Liberian Flag to comply with UN Resolutions in response to a request by the Panel of Experts of the UN Security Council for information about alleged links with entities designated by the UN under the UNSCR 1718. This constitutes a weakness that increases the risk of Liberia.

337. Domestic Liberian companies are registered by the LBR (see IO5). Basic company information is obtained, but the LBR does not require companies to disclose beneficial ownership information (with the exception of companies operating in the extractive industry, whose beneficial ownership information is collected by LEITI). The LBR does not undertake any screening of companies or directors against the TFS-CFP. Basic information is not public but is available to the competent authority upon request. The AT view the lack of beneficial ownership information and screening could impede Liberia’s ability to identify assets and funds of designated entities, prevent their operation and detect the use of domestic legal persons to circumvent TFS-CFP.

338. The UN Panel of Experts, in the February 2022 letter to the President of the Security Council, notes that, “sophisticated evasion of maritime sanctions continued, facilitated by deliberately obfuscated financial and ownership networks⁹⁵”. Liberia has a large shipping registry comprising of over 5,000 vessels (approximately 14% of the world’s ocean-going fleet⁹⁶). The Liberian Registry is administered by LISCR, a privately owned U.S. registered company, and the potential risk posed Liberia by this industry is reflected in the analysis in IO5.

339. Foreign corporations or foreign maritime entities seeking to do business in Liberia must register with LISCR. Beneficial owners, directors and shareholder details are provided but are not publicly available; however, based on request, competent authorities can access it from both LISCR and MoFA. As highlighted in IO.5 and IO.10, the process of adequately identifying and verifying beneficial ownership information by LISCR appears comprehensive, specifically, for offshore companies and the shipping sector. The process of promptly accessing the information available to LISCR by FIU is swift; there is a need to further simplify the same for other LEAs, though, some of this information may be available at the MoFA.

340. Automated screening tools are used to seek matches against entities designated under all financial sanctions’ regimes, including TFS-CFP. Screening is undertaken at the point of registration, annual declaration and upon amendments to the consolidated list of designated entities. If matches are identified, the company will not be registered or cease services in the case of an entity already registered. LISCR has not identified any instances of a match against TFS-CFP screening list. It is not possible to establish if LISCR’s screening is considered to be effective in the identification of assets and funds of designated entities and prevention of operation in Liberia.

341. The AT welcomes efforts of the Liberia Maritime Authority to (LMA) raise awareness of TFS-CFP amongst owners, operators and masters of Liberian registered vessels. The LMA issued two advisories relating the TFS-CFP (January 2007 regarding UNSCR 1737 (2006) and September 2016 regarding UNSCR 1718 (2006) subsequent resolutions, 1874 (2009), 2087 (2013), 2094 (2013) and 2270 (2016). However, Liberia did not demonstrate effective circulation of these advisors (the method of distribution and readership is unknown) or further advisories in relation to UNSCRs 2321 (2016) or 2356 (2017).

FIs, DNFBPs and VASPs’ understanding of and compliance with obligations

342. Liberia’s banks demonstrated a good understanding of TFS-CFP and are using sophisticated screening tools and group policies to implement TFS-CFP measures. Banks screen customers at the point of onboarding and in real-time upon making transactions against consolidated lists, including TFS-CFP.

343. No assets owned or controlled by designated entities have been identified by reporting entities at the time of the onsite visit. However, during onsite interviews, FIs and some DNFBPs explained that if assets were located, an STR would be filed with the FIA and, in the case of international banks, reports made to group compliance functions. FIs would await the FIA to instruct a temporary freeze on the account while obtaining a freezing order (under the AML / CFT Act 2021, see R.4) which is unlikely to meet the “without delay” threshold. In the absence of a TFS-CFP domestic framework, the freezing order would provide legal protection to the FI to freeze the funds. The understanding of non-bank FIs varied, with mobile money service providers and remittance service providers, demonstrating a good

⁹⁵ Letter dated 25 February 2022 from the Panel of Experts established pursuant to resolution 1874 (2009) addressed to the President of the Security Council, S/2022/132.

understanding and the use of screening tools to identify transactions relating to entities designated under TFS-CFPs. Identification of funds would be reported to the FIA. However, other non-bank FIs, such as FX bureaus, as well as DNFBPs including lawyers and casinos demonstrated a lower level of understanding and, due to resource constraints, ineffective measures to screen customers and transactions against the TFS-CFP.

344. Neither the FIA nor the MoFA website provides reliable access to the UN Security Council Consolidated List of designated entities.

345. Overall, the lack of legal framework, limited distribution of updates to the consolidated list and the absence of guidance means Liberia has provided very little assistance to reporting entities in understanding of TFS-CFP. Consequently, smaller and less resources non-bank FIs and DNFBPs have very limited understanding of TFS-CFP. In the case of banks and some larger non-bank FIs, group policies and sufficient resources have filled this gap and led to a good level of understanding. Notwithstanding, the lack of a legal framework means there is no domestic obligation for natural or legal persons in Liberia to comply with TFS-CFP.

Competent authorities ensuring and monitoring compliance

346. Liberia's competent authorities' ability to monitor and ensure compliance of TFS-CFP is impeded by the lack of legislation.

347. The CBL AML / CFT Examination Manual provides significant guidance and templates on the procedures regarding offsite surveillance and onsite examinations of financial institutions. The templates provide a checklist of mandatory items for assessment, but do not refer to TFS-CFP.

348. During onsite interviews, the CBL explained that the monitoring of FIs compliance with TFS-CFP is limited. Examiners will ask an FI to confirm whether they have TFS screening tools and customers located or transactions linked to Iran or DPRK. There have been no instances of an FI identifying customers or transactions regarding Iran or DPRK and therefore compliance with TFS-CFP is unlikely to be recorded with CBL examination reporting.

349. Liberia did not demonstrate any efforts to monitor and ensure TFS-CFP compliance by DNFBPs.

Overall conclusion on IO.11

350. Liberia does not have a domestic legislative framework to implement TFS-CFP; this is a fundamental deficiency. No funds owned or controlled by financiers of proliferation have been identified. Understanding of TFS-CFP varies, with institutions with higher materiality (such as banks) demonstrating better understanding and the use of sophisticated methods of identification. Supervisors do not significantly consider TFS regarding proliferation when conducting compliance examinations of FIs and DNFBPs.

351. **Liberia is rated as having a low level of effectiveness for IO.11.**

CHAPTER 5. PREVENTIVE MEASURES

5.1.Key Findings and Recommended Actions

Key Findings

- a) Banks have the most evolved understanding of risks, while MMSPs have a fair understanding. Most of other FIs and DNFBPs have a limited or low level of understanding although it appears to be evolving for remittance service providers and FX bureaus. Understanding of AML/CFT obligations and how they specifically apply to each sector remains a work in progress for most DNFBPs, including lawyers and TCSPs. In particular, the status of LISCR as a TCSP is not well understood by LISCR and the authorities.
- b) Banks have documented ML/TF risk-based mitigating policies. However, those relatively recent policies have important gaps and are not always attuned to institutional risk assessments. MMSPs have enhanced their policies based on identified risks, but remittance service providers and FX bureaus, which are mostly small businesses, do not always have documented policies and risk assessments, and apply measures rather intuitively. Lawyers, casinos, TCSPs have mitigating measures in place but they are not implemented on the basis of ML/TF risks, but rather on ethical and reputational risks. Other DNFBPs do not have measures in place.
- c) Implementation of CDD policies by banks remains uneven but are improving. They seek to identify the BOs, but verification is difficult given the limited reliable source of information available. MMSPs have automated CDD processes but implementation by agents represent a considerable challenge which they are attempting to address. Implementation of CDD by remittance service providers and FX bureaus remains at a rudimentary stage. DNFBPs implement some level of CDD but verification remains limited although more developed for lawyers and TCSPs. The roll-out of the National ID card and the verification platform is facilitating CDD in all sectors.
- d) Banks and MMSPs implementation of EDD mostly relies on flags raised by screening tools based on country-risk and hits with PEP and sanctions lists. For other FIs and DNFBPs, the implementation of EDD is rather limited and not well documented.
- e) Only few banks are aware of TFS-TF related obligations. Some FIs that rely on automated screening tools, screen their customers when onboarding or when processing a wire transfer. Otherwise, efforts by FIs and DNFBPs to identify designated persons is limited and hampered by weak CDD.
- f) The filing of STRs is improving but remains insufficient for some high-risk sectors. Banks' filing has been steadily improving but remains low partly due to weaknesses of screening tools and to some banks still having a very limited level of filing.

Remittance service providers and FX bureaus do not file STRs and are poorly equipped to do so. Only one mobile money service provider is filing STRs despite fines imposed. All other sectors are not filing STRs because they are unclear about their obligations or lack knowledge about risk indicators.

- g) Large FIs have recently put in place some AML/CFT controls and have designated compliance officers. Banks visit their branches to control their implementation of AML/CFT policies, but could not identify gaps or weaknesses. MMSPs have recently enhanced their controls on their agents given weak implementation of diligence measures, with more supervisors for a smaller number of agents and real-time monitoring of transactions.
- h) Assessment of the effective implementation of preventive measures by DPMS and real estate agents – both moderately weighted sectors – was not possible as those sectors did not meet with the assessment team and no inspection reports was available. There are no licensed VASPs operating in Liberia.

Recommended Actions

Liberia should:

- a) Improve the understanding of ML/TF risks in particular of high and medium risk sectors (banks, FX bureaus, remittance service providers, MMSPs, lawyers, DPMS, TCSP and casinos) by ensuring that sectoral supervisors and the FIA, publish sectoral ML/TF risk assessments going beyond the generalities of the NRA as well as regular ad hoc information on new risks as they arise.
- b) Improve understanding of AML/CFT obligations, including those provided for in the recently amended AML/CFT Act, and their implementation by ensuring that sectoral supervisors and the FIA, provide sector-specific guidance and conduct training/outreach, with a focus on high and moderate risk sectors (FX bureaus, remittance service providers, lawyers, LISCR/TCSPs and casinos).
- c) Strengthen implementation of CDD/EDD by providing guidance and conducting targeted examinations on: (i) the verification of identity for customers without National ID card, foreign customers and legal persons; (ii) identification of BO beyond the shareholding and verification of their identity, including by clarifying that national registries cannot be the sole source of information to verify BO information; and (iii) on identification of domestic and foreign PEPs, including to draw attention to the need to identify family members and close associates and bring awareness to the limitation of commercial databases in some context. Consider providing access to FIs/DNFBPs, even if only compliance officers, to asset declarations of public officials to facilitate the implementation of EDD measures.
- d) Ensure that banks implement regularly update group wide policies to reflect evolving risk dynamics and implement mitigating measures commensurate with identified risks. Similarly, ensure that reporting entities deepen their assessment of TF risk and formulate appropriate mitigation measures in their policies.
- e) Ensure that banks and MMSPs effectively communicate AML/CFT policies to their

agents, conduct training and appropriate monitoring, and take remedial measures where necessary to ensure effective implementation of AML/CFT preventive measures.

- f) Enhance the number, diversity and quality of STRs (see IO6, RA (d)).
- g) Provide guidance and training to ensure that UNSCR TF-related TFS obligations are well understood by all FIs/DNFBPs and that they have procedures in place to ensure identification, freezing and reporting of funds associated with designated persons/entities without delay and that funds are not made available directly or indirectly to any designated person/entity.

352. The relevant Immediate Outcome considered and assessed in this chapter is IO.4. The Recommendations relevant for the assessment of effectiveness under this section are R.9-23, and elements of R.1, 6, 15 and 29.

353. Based on materiality and risk in the context of Liberia, assessors weighted the implementation of preventive measures *most heavily* for the banking sector, FX bureaus, remittance service providers and lawyers; *moderately heavily* for real estate agents, TCSPs, casinos, DPMS and mobile money service providers; and *less heavily* for all other FIs (e.g. credit unions, MFIs, securities sector, insurance sector), notaries, and VASPs. Real estate agents, DPMS, securities sector and VASPs are not covered in the analysis below. DPMS and real estate agents did not meet with the assessment team and no information on their level of compliance with preventive measures was shared with the assessment team. No license has been granted to VASPs or institutions in the securities sector.

5.2. Immediate Outcome 4 (Preventive measures)

Understanding of ML/TF Risks and AML/CFT Obligations

354. The understanding of ML/TF risks and AML/CFT obligations varies across the financial sector and is generally weak for the DNFBPs. With respect to the *most heavily weighted sectors*, commercial banks, in particular those belonging to international groups, have the most developed understanding of ML/TF risks and AML/CFT obligations. Remittance service providers, and Forex Bureaus have a relatively limited but evolving understanding of risks, while that of lawyers is insufficient. *For the moderately heavy sectors*, only the mobile money service providers have a fair understanding of risks and obligations while the other sectors have a limited understanding. The understanding of ML/TF risks and obligations for the *less heavily weighted sectors* is generally low or very limited. The ML/TF risk understanding of FIs and DNFBPs is mostly informed by various training and NRA awareness raising activities conducted by authorities. It is however unclear which measures are put in place by FIs/DNFBPs to maintain their understanding of risk over time.

Financial Institutions

355. *Banks* have a good understanding of their roles in the financial sector, their customer base and the operational environment to assess existing and potential ML/TF risks. During the meetings with the banking sector, the main ML/TF risks identified were cash transactions, including currency exchange, money transfers, and cross-border transactions, which are consistent with the identified country risks. Until recently, the understanding of risk was guided by group policies with little understanding from

local staff of the actual risks in Liberia. With the consultation conducted by the authorities during the conduct of the NRA and the dissemination of its results, the understanding of the specific risks to which the Liberian banking sector is exposed improved. Most banks also developed their own risk assessment, based on the NRA and with the support of a guidance published by the CBL in 2021. However, those risk assessments remain shallow in some respect and not always up-to-date (see para 355), which is not in line with the relatively good understanding of risks that banks displayed during the Mutual Evaluation onsite. Banks understood well their AML/CFT obligations but the majority appeared to rely mostly on group policies rather than the obligations in force in Liberia. Many banks were not aware of the AML/CFT Act that was enacted in 2021 and came into force a few days before the onsite.

356. Non-bank *remittance service providers* and *FX bureaus* demonstrated limited but evolving understanding of ML/TF risks. They are fully aware that they operate in a higher risk sector, but their understanding of the particular risks faced is rather shallow. This appears to be explained by the relative recent nature of their efforts to understanding ML/TF risks. Their understanding appears to have considerably improved with the conduct of the NRA and the training provided by authorities. However, the majority of the operators of these sectors do not have documented institutional ML/TF risk assessments and cannot rely on sectoral assessment from the authorities. It is therefore unclear, with the NRA outreach activities completed, how the operators will be in a position to maintain an understanding of risks. On the other hand, they appear to understand very well their AML/CFT obligations, although it is unclear if they are fully aware of the recent changes to the AML/CFT legislation.

357. For the other FIs, the understanding of risk varies but could generally be improved, in particular for mobile money operators. *Mobile Money service providers* have a fair understanding of risks, in particular of their vulnerabilities. These appeared to be mostly informed by group-policies – but appeared relevant in the context of the Liberian market – and most recently by training on the results of the NRA. Notably, providers noted the vulnerabilities created by the dual currency system and the multiple accounts held by customers as well as the poor understanding of AML/CFT obligations by agents. They recently acted on both fronts by rationalising accounts and reinforcing monitoring of agents. For *MFIs and credit unions*, in line with the NRA, they assessed their risks as low given the small size and mostly domestic nature of their business. They cited credit product as the most vulnerable product. They have a good understanding of their AML/CFT obligations although they did not appear certain of the way they all apply to their sector. The *insurance sector* also understood its risk to be low given that most policies are group life insurance as noted in the NRA. Until legal actions in 2021-2022 against the FIA, the whole insurance sector was not aware of its AML/CFT obligations, in particular their STR/CTR obligations (see Box 6.1).

Designated non-financial businesses and professions

358. *Lawyers* have a general understanding of the ML/TF risk environment but did not acknowledge the scale of the risks they face and understand their key role as gatekeepers. Their understanding of the risks and their obligations is largely insufficient given the type of business they conduct including with respect to high-risk sectors such as the creation and management of legal persons, the sale/purchase of real estate, and their business with foreign customers.

359. *Casinos* in general demonstrated a shallow understanding of their ML/TF risks and are mostly unaware of the NRA results. Most of casinos believe that their business activity is low risk in terms of ML/TF because of mitigating measures in place, but appear unaware of their vulnerabilities. *TCSPs* (i.e. LISCR) have a general understanding of the risks to which their sector is exposed, but not of their particular vulnerabilities and the role they play as gatekeepers. It is unclear whether LISCR (and the authorities) is aware of its AML/CFT obligations as per its DNFBP status.

360. *Notaries* have a limited understanding of ML/TF risks and AML/CFT obligations and are not aware of the NRA. *Accountants* understand to some extent the ML/TF risks as they relate to their auditing services and their AML/CFT obligations.

Application of risk mitigating measures

361. The application of the risk mitigation measures significantly varies between FIs and DNFBPs depending on the extent of their understanding of risks and their resources. With respect to the *most heavily weighted sectors*, commercial banks, categorised their client-based risks and implement mitigating measures associated with each risk level. However, the risk assessment methodology includes gaps and the assessments are not regularly reviewed. Remittance service providers, and Forex Bureaus implement rather intuitively and to a limited extent risk mitigated measures. Lawyer's mitigating measures address some of the ML/TF risk but are not implemented based on ML/TF considerations. *For the moderately heavy sectors*, mobile money service providers have recently improved the implementation of mitigating measures based on risks specific to Liberia while casinos' and TCPS' measures are not implemented based on risks. The *less heavily weighted sectors* do not have AML/CFT policies and do not apply mitigating measures based on risk, except a few MFIs that have some limited policies in place. With respect to TF risk mitigation, most FIs/DNFBPs rely excessively on sanctions screening tools as opposed to seeking TF risks indicators to inform the implementation of mitigating measures.

Financial Institutions

362. All *banks* (except the one local bank) rely on group-wide risk management policies of their foreign headquarters. They have ML/TF risk assessment models that provide for risk profile for each customer based on customer type, products and services, delivery channels and geographical areas into high, medium and low-risk categories. These customer classifications focus to a large extent on ML risks with a limited focus on TF risks. Some banks also refuse some categories of clients because they are unable to mitigate the risks, for example VA-involved clientele and non-residents.

363. However, the 2021 examinations conducted by the FIA of identified important deficiencies with the risk-based approach of all banks. For most banks, the risk assessment appears to be a one-off exercise with no periodic review planned and the methodology is not clearly established. Many banks did not appear to use the result of the risk assessment to inform their mitigating policies which were for the most part not approved by management. Given that the AML/CFT policy of most banks is adopted at the group level, it is unclear to what extent the specificities of the risk environment in Liberia are taken into account, although some examination reports noted that a few banks had some local risk elements integrated in their policy. While banks appear to have increased their awareness to the risk-based approach obligations, some of the deficiencies identified in the 2017-2018 CBL examination reports are again identified in the 2021 FIA examination reports.

364. For *remittance service providers* and *FX bureaus*, the implementation of risk mitigating measures is rather limited. Most still do not have an institutional policy to implement risk-based mitigating measures. They rely on their knowledge of their customer base to identify risk and implement further measures when needed but these appear rather limited and relatively recent. The 2021 inspection reports of the FIA confirm that most do not classify their customers based on risk and do not have institutional ML/TF risk management policy and risk assessment to guide the implementation of mitigating measures. The rather intuitive or rule-based approach of these sectors to the implementation of mitigating measures may be explained by the small size of most players and limited capacity. However, the limited understanding of risk and low STR filing suggests that those measures are not effectively implemented.

365. *Mobile Money Service Providers* have in and implement group wide policies. They indicated having conducted their own risk assessment and now relying on domestic policies in the implementation of mitigating measures. Most MMSPs have been able to better consider risks specific to Liberia based on the NRA and the “risk-based approach” guidance of the CBL. They categorise their customers and apply different level of CDD measures based on their risks. The agents use a platform for processing the transaction which integrates some of the risk mitigating measures to be implemented. Operators monitor the implementation of those measures by agents at their national head office. However, they all identified challenges with the implementation of risk-based mitigating measures by their agents which recently led to further monitoring (see para 391).

366. Few *MFIs* and *credit unions* categorise their customers based on risk or have specific AML/CFT policies in place to guide the implementation of risk mitigating measures which are intuitively adapted according to the level of risk. *Insurance companies* do not have institutional risk assessments, but do consider risk in the application of due diligence measures. The large majority of their business are group life policies with small pay-out.

Designated non-financial businesses and professions

367. *Lawyers* implement some risk-based mitigating measures, but these are mostly based on reputational and ethical risks as well as obligations related to the code of conduct of the profession. While some of those measures may address ML/TF risks, these risks are not part of the initial consideration.

368. *Casinos*, having a largely shallow understanding of risks and lacking risk-based AML/CFT procedures, apply mitigating measures on a rule-based approach with little consideration to ML/TF risk factors. The *TCSP* (i.e.; LISCR) has mitigating measures in place but they do not vary based on risk and no institutional risk assessment has been conducted. *Notaries* and *accountants* do not have AML/CFT policies and do not apply mitigating measures based on risk.

Application of CDD and Record-keeping requirements

Financial Institutions

369. All *banks* have in place a CDD policy which has improved over the last 5 years, but still contains important gaps. The 2021 offsite CBL examination exercise found that almost half of the banks have deficient CDD policies and procedures while the other banks have acceptable policies in place which represents good progress since 2018 examinations. For example, some of the banks’ policies do not provide for regular rescreening of clients in line with ongoing CDD or are not detailed enough to guide implementation. Very few banks allow for non-face-to-face account opening, but most offer internet banking and it is unclear if CDD procedures are adapted for this type of services.

370. The implementation of CDD measures appears to remain an important challenge. Evidence from 2021 onsite compliance inspections by the FIA of all banks indicates that the verification of identification of documents against independent sources remains difficult due to the lack of official ID for a large segment of the population and tools to verify the authenticity of documents. However, with the roll out of the National ID card and the verification portal, verification of identity appears to be improving. Otherwise, banks rely on passport, voter registration cards and driver’s license. The 2021 FIA onsite examination also found that some banks failed to obtain sufficient information and documentation and that a number of customer files remained incomplete with evidence to support the application of CDD not always retained on file (e.g., no background verification done on documents/business registration certificates records provided by businesses before opening of account).

Some banks have deferral policies allowing customers to be onboarded (with no debit restrictions) pending the provision of certain KYC or CDD documents. However, authorities have not been able to clarify the regulatory basis for this deferral policy and inspection reports showed that CDD is not always completed while the account is used. Some of those weaknesses identified in examination reports may also be due to weak implementation of record keeping requirements.

371. Regarding the identification of BO, all banks are well aware of their obligation in this regard. They had good understanding of the concept of BO making references to ownership beyond the first line of shareholders and other type of controls that could be exercised on the legal person. BO identification of domestic or foreign company is often done through open sources and paid databases. For offshore companies that are registered, some banks indicated consulting the LISCR registry. However, in practice, it is unclear to what extent banks conduct verification of documents against credible and independent sources given the difficult access to basic information through LISCR and LBR information and lack of information from FIA and CBL inspection report on the BO obligations.

372. For *non-bank money remitters* and *FX bureaus*, the implementation of CDD measures varies according to the size of the institutions. The operators indicated having CDD policies in place, but highlighted the challenges of implementing those policies in an environment where most clients are walk-ins and unfair competition from unlicensed businesses affects their profitability. They indicated taking note of the national ID card number in their ledger, but did not verify the validity of the card or other ID documents. If the customer does not have an ID, they indicated seeking confirmation from reputable community members to validate the trustworthiness of the customer. That said, they indicated conducting very little transactions above the FATF CDD threshold and that most of their clients are natural person. However, they noted that they would not know if the customer is acting on behalf of another natural person or legal person and they are not seeking to identify the BO. In case of ML/TF suspicion, they indicated refusing the business or taking a picture of the national ID card. The recent examinations Forex/remittance bureaus by the CBL confirms that CDD implementation remains at a rudimentary stage, that CDD policies are incomplete. Many do not have record keeping policies and the records that they have are incomplete mostly due to a lack of system/infrastructure to hold this information.

373. *Mobile money operators* rely on CDD policies if their foreign parent company. Those policies require valid national ID card or a passport and photograph for registration of sim cards. The agent needs to fill in a questionnaire for the registration of the client which is always done in a face-to-face mode. The information is verified centrally at the national head office. The identification of the BO is a challenge. Operators appear to keep records in line with regulatory requirements.

374. *Insurance institutions* undertake KYC/CDD on their policy holders which are almost exclusively group life policies for governmental entities, at the time of underwriting but verify the information on beneficiaries at claim payments and their records are appropriately maintained. *MFIs* have CDD and record keeping policies in place and they verify the identity of the customer before onboarding. For legal persons, they verify their registration with the LRA and LBR. The identification of the BO appears to be limited to the shareholding structure. *Credit unions* also have CDD policies in place, but often service customers that do not hold ID card or they operated in regions without internet access which limits their ability to verify information. All members receive a membership card which can then be used for subsequent CDD confirmation.

Designated non-financial businesses and professions

375. *Lawyers* conduct robust CDD when conducting business with a new client. For foreign clients, they rely on third parties – law firms in the country of origin of the customer – to conduct CDD. They may use more than one third party if they need further reassurance. They also rely on publicly available

information to get a better understanding of their customer. For legal person, they make request for information to the LBR and LISCR in order to get information on the shareholding structure. When it is not possible to identify the ultimate BO, they may refuse the business if they are uncomfortable. They keep all records for over 10 years.

376. Some *casinos* have some measure in place for the implementation of KYC/CDD and record keeping, but implementation and verification of information appears limited. They use a form to note the information on the client identity when buying a playing card/buying chips and when cashing out their gains. However, in terms of actual implementation, it is unclear to what extent this policy is implemented and for which threshold. There is also considerable push-back from the clientele to undergo CDD and the extent of verification, beyond the collection of identification information, appears limited.

377. *TCSPs* (i.e. LISCR) have policies on CDD and record keeping. LISCR has been subjected to the 2021 AML/CFT Act in August 2022, but has yet to include those obligations in its AML/CFT procedures. Its CDD policies nonetheless require its clients – all foreign corporations or foreign maritime entity – to provide information on the BO (since October 2020) and, only in some instances depending on the type of registration the client requests, the directors and officers. The identification of the BO is done on the basis of the KYC form (“BO form”) that the clients are obliged to submit for the company to be registered along with the copy of the passport of the BO. However, nor the form, not the CDD procedures provide a functional definition of BO and the form only provides for the declaration of one BO. It is unclear, whether apart from the declaration of the client, LISCR attempts to identify the BO. The information submitted is verified for completeness by a LISCR agent before being sent to the compliance department for screening of the name of the person on the KYC form only (i.e. the BO and not all persons involved in the management or ownership of the company) against commercial database on the same day that the company is created to ensure most up-to-date information. However, while the verification process allows to determine if the person is listed in the commercial database as being under sanctions or a PEP, it does not allow to verify the identity of the customer and the authenticity of his documents. This gap appears particularly concerning given that most clients are represented by a third party and most of communications are none face-to-face. Every year, each client needs to re-confirm its KYC information, but it is unclear whether this information is systematically verified. Records are kept in line with regulatory requirements.

378. *Notaries* do not conduct CDD when notarising documents, they focus on the completeness and legality of the document only. They keep records of the documents they notarise, but not of customer information.

379. *Accountants* conduct due diligence before agreeing to audit a firm, including by looking at the Board of Directors, but these efforts are mostly targeted towards reputational, ethical and conflict of interest consideration. If they have any doubt about the trustworthiness of the client, they refuse the business.

Application of EDD Measures

Financial Institutions

380. Notwithstanding the weaknesses mentioned above about the risk-based mitigating measures and application of CDD, *banks* attempt to implement EDD measures mandated by their policies for each risk category (3 levels) the risk classification. These may include more thorough verification of clients’ information, periodic monitoring of the account, KYC confirmation (yearly basis for higher risk customers) and approval by senior manager. Some banks use automated system generating alerts mostly based on country-risk and hits with different sanctions lists to identify high-risk clients/transactions.

However, in practice, 2021 FIA inspection reports found that most banks have incomplete EDD policies in place and that in many cases EDD was not implemented consistently at the moment of onboarding or subsequently as part of ongoing monitoring.

381. For *non-bank money remitters* and *FX bureaus*, as the risk-based approach and CDD implementation are rather limited, the implementation of EDD measures is difficult. While operators reported taking more measures when dealing with a higher-risk situation related to the client or the transactions, the CBL inspection reports indicate that most do not have EDD policies in place and while some had documentation demonstrating some level of diligence conducted on higher risk clients, most did not implement such measures or identified the high-risk situations. *Mobile Money service providers* have more robust system in place to identify high-risk customers, but they mostly rely on automated transaction monitoring against commercial databases, which are targeted towards country-risk and sanctions lists. Agents working directly with the clients are not properly equipped to identify high risk situations and implement enhanced due diligence measures. Other FIs such as *insurance institutions*, *MFIs* and *credit unions* have some level of EDD measures in place, but the implementation remains a recent practice.

Designated non-financial businesses and professions

382. The implementation of EDD measures and ongoing due diligence are evolving for *lawyers*, *accountants* and to some extent for *Casinos*. However, the implementation of EDD by other DNFBPs remains weak due to the poor understanding of risks and inadequacy or lack of mitigating measures and appropriate monitoring systems.

a) Politically Exposed Persons (PEPs)

Financial Institutions

383. *Banks* regard PEPs, including their associates and family members, as high risk. At the moment of on-boarding, banks indicated conducting screening and using commercial databases to identify PEPs, but did not appear to seek through other source of information or indicators to determine whether a client could be politically exposed. The periodic screening of the customer database allows to identify current clients that might have become a PEP since being on-boarded. Generally, banks retain client's PEPs' high-risk status even when a customer is no longer a PEP. Banks indicated facing some difficulties identifying family members and the close associates of PEPs, in particular when the PEP is not a client of the bank. However, where family members and associates of PEPs are identified, they are immediately classified as high-risk customers. In terms of implementation of specific measures for PEPs, onsite examinations of banks observed that most banks have procedural gaps in the approval by senior management in respect of the opening and maintenance of some PEPs' accounts and that specific diligence measures were not systemically implemented. Follow-up examinations suggest some level of improvements in the procedures of some banks, but interviews with banks in the context of the Mutual Evaluation suggest that implementation remains a challenge.

384. For *non-bank remittance service providers* and *FX bureaus*, CDD/EDD weaknesses identified above have an impact on their ability to identify PEP. Recent inspection reports indicate that most establishments do not have procedures in place. However, all institutions met indicated having some measures in place, even if not documented. For example, for domestic PEPs, some institutions indicated relying on the Executive Mansion website of the Presidency which includes the list of Ministers. However, this list only includes current Ministers and does not represent an effective mean to identify all current or past PEP. *Mobile Money service providers* have measures in place similar to those of banks, but appear more difficult to implement given the lack of awareness of agents. Other NBFIs generally do not have the necessary measures to check whether a customer is a PEP or not. *Insurance*

companies indicate receiving the list of policy holders from contracting employers along with required documents to determine their position in the institution, including if they are a PEP. At the moment of pay-out, they also determine if the beneficiary is a PEP in order to implement the appropriate measures. Other FIs such as *MFIs* and *credit unions* do not count many PEPs amongst their customers given their institutions' mission.

Designated non-financial businesses and professions

385. *Lawyers* have procedures in place to identify whether a potential client is a domestic or foreign PEP. They also rely on the Executive Mansion website to identify domestic PEP. In terms of foreign PEPs, lawyers rely on other Law firms in foreign jurisdictions to verify whether or not a potential client is a PEP. In dealing with PEPs, lawyers indicated applying enhanced due diligence procedures. *Accounting firms* are also aware of the requirements when dealing with PEPs and implement similar measures. Other DNFBPs (*TCPS, casinos, notaries*) seemed unaware of the requirements relating to PEPs (domestic and foreign PEPs) and in general, do not have the necessary measures to check whether a customer is a PEP or not.

b) Correspondent Banking

386. The authorities are not aware of any banks in Liberia providing correspondent banking services and banks interviewed confirmed that they were not providing such services or providing nested accounts. Nonetheless, some of the 2017 and 2018 examination reports indicate that most banks have taken proactive steps to develop policies in relation to correspondent banking relationship.

c) Wire Transfers Rules

Financial Institutions

387. Although Liberia has important deficiencies in relation to cross-border wire transfer obligations, all banks comply with the SWIFT messaging standards. They obtain all the mandatory information, otherwise the transaction is not processed. Similar information requirements apply for domestic wire transactions. Banks indicated that wire transfer transactions are usually classified as high-risk and are subject to enhanced measures, including real-time screening. They stated that they reject wire transfers having incomplete or missing originator or beneficiary information and filed as suspicious transaction to the FIA. For remittance service providers and FX bureaus, the weaknesses in CDD implementation have a direct impact on the measure taken with respect to wire transfer. These are partly mitigated by the wire transfer operator when they act as agents, but not when they are the processing institutions and handle their own compensation mechanism. Mobile money service providers (provide only domestic transfers) have procedures in place, including collecting relevant customer identification information at the initiation of a transaction and at the point of pay-out, but verification of the beneficiary identity is often not conducted beyond making sure that the transfer amount is given to the right person. In practice, it was however noted that the amount transferred through mobile money service providers are often under the threshold of EUR 1,000.

d) New Technologies

388. Banks interviewed indicated that prior to introducing a new financial service/product, delivery method or technology, they usually conduct product risk assessment that includes ML/TF risk factors, and determine the controls needed to mitigate any identified risk. Banks, especially those belonging to international banking group and the large ones, have developed internal policy guidelines in relation to the access and use of new technologies such as alternative payment services, internet banking, mobile banking, digital customer identification, etc. Mobile money service providers have put in place control

measures such as threshold limit on transactions to manage the ML/TF risks associated with the technological advancement. The use of new technologies is less common among the other NBFIs and DNFBPs.

e) Targeted Financial Sanctions (TFS)

389. In general, all FIs appear unaware of the specificities of the UN TFS obligations and how to stay informed of new designations, although they were all aware of other sanctions regimes, such as the Office of Foreign Assets Control (OFAC) of the US Treasury and the European Union. Nonetheless, the automated screening tool of some FIs (commercial banks, mobile money service providers, and insurance companies) includes check against UN TF-related TFS sanction lists. However, those checks are only conducted at the moment of on-boarding or when wire transfers are processed. Only some banks indicated conducting regular screenings (e.g. every week or month) on their customer database to identify deposits of designated persons or entities. In addition, apart from some banks and mobile money service providers, most FIs are not clear of what to do when the screening reveals a positive alert on TFS. Most of the banks interviewed indicated that the transaction will not be allowed and did not mention an obligation to report the situation to the authorities. Apart from LISCR, no DNFBP has measures in place with respect to TF-related TFS. For LISCR, a screening is done when onboarding and during annual verification, but it is unclear if there is any proactive screening in-between. Nor the authorities, nor FIs/DNFBPs are aware of a hit between a client/customer and UN TF-related TFS.

f) Higher-risk Countries Identified by the FATF

390. Banks are generally aware of the obligations to apply EDD on transactions, relationships and customers related to countries identified by FATF as higher risk jurisdictions. Banks indicated that their screening system includes countries identified by the FATF and some indicated that they regularly monitor FATF publications. They implement EDD measures, but the implementation of those measures appears to be affected by the same challenges as for the implementation of EDD in other high-risk cases described above. Some NBFIs and DNFBPs demonstrated a fairly good understanding of the requirements for higher risk countries but show little evidence of its practical implementation. However, generally, NBFIs and DNFBPs are not specifically aware of the FATF's calls on high-risk countries and did not refer to any enhanced measures applied on the basis of country risk.

Reporting obligations and tipping off

391. The filing of STRs is improving but remains insufficient for some higher risk sectors. With respect to the *most heavily weighted* sectors, commercial banks are filing the most STRs but compliance varies across the sectors and detection tools are often not appropriate. Remittance service providers, and FX bureaus do not file STRs and are poorly equipped to do so. Lawyers also do not file STR and appear unclear about their reporting obligations. For the *moderately heavy sectors*, only one mobile money service provider is submitting STRs while casinos and TCPS do not. The *less heavily weighted* sectors do not file STRs, except for MFIs and insurance companies which have recently started filing. In addition to a lack of capacity, the poor reporting practice of many sectors can be attributed to a lack of awareness of the reporting obligations or risk indicators specific to the sector.

Financial institutions

392. Banks generally displayed a good understanding of their reporting obligations. The internal process and procedures for filing reports are included as part of the AML/CFT staff training, and also incorporated within their AML/CFT policies and procedures. However, most of the 2021 inspection reports of the FIA indicate that policies are often unclear or inadequate. All banks have compliance

officers who are in charge of investigating and deciding whether to file STRs. The lapse of time between the moment the suspicion is identified and the STR is filed to the FIA rarely goes beyond 2 days. About half of the banks have automated system for the identification of suspicious transactions, while other banks have manual processing, relying mostly on bank tellers which receive training. The 2021 FIA inspection reports found that most of the banks with automated system need to update their indicators as they appear to not be attuned to the risks. Some banks appear to not document their investigation and analysis properly as they could not explain the reason behind the large number of transactions flagged but not filed with the FIA. All banks indicating having measures in place to prevent tipping off, but those measures appeared limited to training of staff.

393. The number of STRs filed is steadily increasing for the banking sector but compliance across the sector remains uneven. 70% of the STRs filed to the FIA over the period under review were submitted by the banks. Although this appears consistent with the materiality of the sector in Liberia based on the volumes and values of transactions processed, the overall number of STRs filed by the sector is considered low given the significance of the banking sector and the threats it faces. In addition, compliance across the banking sector varies greatly. Data indicates that 4 banks filed 80% of STR in 2022 with the rest filling between 0 and 6 STRs. There is one bank which filed only 1 STR over the period under review and another not having filed since 2020.

394. Generally, NBFIs understood their reporting obligations but its implementation is largely insufficient across sectors. *FX bureaus* and *money remitters* have not filed STRs and appear unequipped to file STRs. Most operate small businesses and do not appear to have the infrastructure or have an operational process for the filing of STRs. *Mobile money service providers* have been increasing their filing which appears somewhat coherent with the risk profile (small transfer, mostly domestic). They are better equipped to identify suspicious transactions with screening tools and centralised compliance division which ensures the monitoring of transactions, but agents are not proactive enough in the detection of suspicion. However, only one provider has been filling, the other having filed two STRs in 2021 despite having been fined by the FIA in 2019. *MFIs* and *insurance companies* have only started to file recently, following awareness raising activities and sanctions imposed on all insurance companies by the FIA (see box 6.1).

395. The STRs received across the FI sector relate to crimes mostly in line with the risk profile. Approximate numbers indicate that most STRs relate to crimes related to corruption and bribery, tax crimes, robbery and smuggling. There are however few STRs related to drug trafficking and none on human trafficking. Over the review period, there were 5 STRs related to terrorism, but these date from before 2021 (see further information under IO6).

396. The statistics of reporting by FIs and DNFBPs from 2018 to August 2022 are presented in the table below.

Table 5.1. Number of STRs filed to the FIA by reporting entities (2018 – Q2/2022)

	2018	2019	2020	2021	Q2/2022	Total
Banks	67	25	33	77	86	288
FX bureaus	0	0	0	0	0	0
Money remitters	0	0	0	0	0	0
Insurance companies	0	0	0	0	1	1
MFIs	0	0	0	23	18	41
Credit Unions	0	0	0	0	0	0
Mobile money	1	8	25	30	17	81
DNFBPs	0	0	0	0	0	0
TOTAL	68	33 (-51%)	58 (+75%)	130 (+124%)	122	411

Source: FIA

Table 5.2. Number of CTRs filed to the FIA by reporting entities (2018 – Q2/2022)

	2018	2019	2020	2021	Q2/2022
Banks	95,346	117,231	185,303	189,905	195,232
FX bureaus	0	0	0	0	0
Money remitters	0	0	0	0	0
Insurance companies	0	0	0	0	59
MFIs	0	0	0	30	370
Credit Unions	0	0	0	0	0
Mobile money	1	8	25	0	7514
Game of chances, incl. casinos	0	5	5	17	7
DNFBPs	0	0	0	0	0
TOTAL	95,346	117,236	185,308	189,922	203,182

Source: FIA

Designated non-financial businesses and professions

397. The DNFBP sector has yet to submit STRs to the FIA. Most DNFBPs indicated that their understanding of reporting obligation was relatively new and they are yet to come across transactions that are suspicious based on their understanding of what forms a suspicion. For some sectors, such as *lawyers* and *notaries*, professionals are unclear about how the obligation to report STRs applies to their business. For *accountants* and *casinos*, it is unclear whether STR reporting is part of their policies, however they indicated that they would file an STR if they have suspicion. For *LISCR*, it is unclear whether they are aware of their obligation to file an STR. Most professionals would tend to refuse or cease business with their clients if there is a ML/TF suspicion and not necessarily file an STR which deprives the FIA from valuable information. In addition to limited resources and weak AML/CFT controls in place, DNFBPs appear to lack understanding and guidance on the way that reporting obligations apply to their sector and the specific risk indicators to consider.

Internal controls and legal/regulatory requirements impending implementation

Financial institutions

398. Banks have been improving their AML/CFT internal controls and compliance, but some improvements are still needed, in particular in terms of audit and training. Following pressure from supervisors, all banks now have designated compliance officers which appear to have the autonomy to conduct their functions and report directly to the Board. They all have procedures in place but examination reports indicate some shortcoming in their coverage of certain requirements and highlight the lack of mechanisms for regular review of their content. Domestic banks do not have subsidiaries abroad, but all banks have branches on which they conduct controls of the implementation of AML/CFT measures. However, despite weaknesses identified by supervisors, none of the internal control and audit conducted by any bank led to the identification of procedural failure or areas requiring improvements which indicates the inefficiency of the controls in place. It is also unclear to what extent the internal control mechanism extends to banking agents. Banks' employees (compliance officers, members of compliance department, front desk employees and others) are trained for AML/CFT purposes, but some more efforts appear to be needed based on 2021 FIA examination reports, in particular with respect to frequency and training of branch staff.

399. *FX bureaus* and *money remitters* also all have designated compliance officers, however, notwithstanding the small size of those businesses, internal controls are limited. Most of them do not have procedures in place for their staff and are not equipped to monitor compliance in a manner that would be coherent with the size of their business. *Mobile money service providers* however have more developed internal controls mechanisms in place. They appear to have a better system for the communication of procedures to their staff and agents. They also identified implementation failure which brought them to take mitigating measures, notably to increase the number of managers overseeing agents and regularly visiting them in the field. Live monitoring of agents' transactions also allows to identify potential compliance issues. These measures are expected to have an important impact on effectiveness given the number of agents, which are often licensed as an FI of another category and their vulnerabilities. *MFIs* also have some controls in place, with a compliance officer regularly visiting branches (once a month to multiple times per week), but the extent of training and communication of procedures is unclear. For *credit unions*, internal controls mechanisms appear rather limited.

Designated non-financial businesses and professions

400. Most DNFBPs do not have internal control measures, except some large law and accounting firms. Larger law firms and accounting firms have procedures in place and some type of control mechanisms, but they are targeted towards identifying failure with the respective professional code of conduct and it is unclear to what extent they fulfil AML/CFT objectives. For the other sectors, internal control functions are not in place.

Overall conclusions on IO.4

401. Compliance of banks – one of the most heavily weighted sectors – has been improving, in particular since the NRA and more recent supervisory actions. Banks have designated compliance officers, started gaining experience with the implementation of the risk-based approach, and are consistently improving their STR filing. However, considerable efforts still need to be deployed to ensure that the understanding of risks and AML/CFT obligations leads to tangible effectiveness, in particular with the identification of PEPs and BOs. Remittance service providers and FX bureaus, both heavily weighted sectors, have little, albeit improving, understanding of their risks and obligations and are ill-equipped to implement CDD measures. Mobile service providers have improved their AML/CFT efforts as the sector is experiencing exponential growth, but their efforts are hampered by a network of agents with weak compliance practice. Some DNFBPs, in particular lawyers, casinos and TCSPs have some AML/CFT measures in place but do not properly understand their role and how obligations apply to their sectors. There is no information available on the compliance of DPMS and real estate agents which are other important sectors. TFS obligations are not understood by most sectors.

402. **Liberia is rated as having a low level of effectiveness for IO.4.**

CHAPTER 6. SUPERVISION

6.1. Key Findings and Recommended Actions

Key Findings

- a) CBL has robust controls in place to prevent criminals and their associates from holding significant interest or control or management function in FIs at the time of licensing but there are areas of improvement needed with respect to BO, continuous control and control of newly appointed shareholders. The licensing/registration controls for DNFBPs vary but are generally not adapted to prevent market entry by criminals.
- b) Recent efforts to identify illegal FX bureaus have led to an increase in FX bureau licensing. However, the identification of unlicensed players and illegal activities for other sectors is not apparent, including for DPMS and remittance service providers.
- c) Through its participation in the NRA, the development of banking sector risk assessment tools in 2020 and conduct of sectoral risk assessment for banks, the CBL developed a very good understanding of the ML risks of the banking sector and of individual banks, but less so for the non-bank sector.
- d) FIA has a good understanding of the financial sector ML/TF risks but less so for the DNFBP sector. Sectoral DNFBP supervisors have limited understanding of ML/TF risks. The FIA and sectoral DNFBP supervisors have not undertaken sector-specific risk assessments to better understand ML/TF risks.
- e) The CBL started implementing risk-based supervision tools (institutional risk profiling and examination manual) for the banking sector in 2021 but the overall supervisory strategy for the financial sector is yet to be aligned with risks. Risk parameters for banks' institutional profiling are not fully aligned with identified risks and do not include clear TF parameters and data collection from banks is challenging. The CBL has an examination manual for banks but it does not cover some AML/CFT obligations (e.g., BO identification and TFS).
- f) AML/CFT supervision of NBFIs is limited and supervision of DNFBP sectors is yet to commence. Supervisors do not have a supervision strategy, tools and manual for the supervision of NBFIs and DNFBPs and the few AML/CFT onsite inspections of NBFIs conducted by the CBL were not based on ML/TF risks profiles. DNFBP sectoral supervisors are still largely unaware of their AML/CFT supervisory role and it is unclear if statutory sectoral legislation needs to be amended.
- g) There is a lack of coordination and resourcing to enable effective supervision. The CBL and the FIA do not coordinate risk assessments and supervisory plan for the sector for which they have dual responsibility which creates an inefficient use of their scarce resources. The CBL, and in particular the FIA, are not appropriately staffed to conduct their supervisory function. No resources have been allocated for DNFBP sectoral supervisors to conduct examination and develop their expertise.
- h) The CBL has not sanctioned non-compliance in a dissuasive and proportionate manner. The FIA's use of sanctions led to an increase in compliance with STR/CTR obligations.

The time interval between examinations and communication of reports/sanctions are far in-between thus affecting the impact of such actions. In practice, the FIA's sanctioning power is limited to stating and communicating the fines while it relies on the licensing authority to impose the recommended sanctions and monitor compliance.

- i) The impact of supervisory action has recently led to appreciable increase in compliance for some FIs. Outreach and training for FIs has improved since 2019, but remains limited for DNFBPs.

Recommended Actions

Liberia should:

- a) Clarify and communicate to all stakeholders the AML/CFT supervisory role of DNFBP sectoral supervisors and revise where necessary, the statutory framework of DNFBP sectoral supervisors to enable their new role.
- b) Expand the application of the ML/TF risk-based supervisory tool of the CBL to NBFIs by rolling out offsite examination and institutional risk profiling tools and developing onsite examination manual for each sub-sector, starting with higher risk sectors.
- c) Develop a clear multi-year risk-based supervision strategy for the financial sector to help guide the development of annual examination plan for the CBL and FIA while ensuring that supervisory resources are allocated based on the risks for the financial sector as a whole to ensure that high risk sectors are closely monitored through more frequent offsite and onsite examination.
- d) Strengthen market entry controls for FIs by conducting fit and proper control on an ongoing basis on BO, new shareholders and on all management positions. Designate a licensing/registering authority for real estate agents and TCSPs and establish market entry controls for each DNFBP sector to prevent criminals and associates from holding significant or controlling interest or being BO of DNFBPs. Establish coordinated efforts to detect unlicensed activities in higher-risk sectors, including FX bureaus, remittance service providers, DPMS and casinos.
- e) Review the CBL institutional risk profiling tool to better calibrate risk parameters with the NRA and sectoral risk assessment and include assessment of TF risks while also reviewing onsite examination manual to include assessment of new AML/CFT obligations of the 2021 Act including, compliance with UNSCRs TFS and BO obligations and ensure that the FIA implements similar risk-based supervisory tools and inspection manual by developing its own or gaining access to CBL's.
- f) Ensure that DNFBP sector supervisors, in particular for lawyers, DPMS, TCSP, casinos and real estate agents, understand the risks in their sector, develop their supervisory skills, produce guidance and develop and effectively implement a supervisory strategy and work plan for their sectors while ensuring that adequate resources are allocated to those activities.
- g) Establish clear coordination mechanisms between supervisors with responsibility over the same sectors to, amongst other, enable the development of common sectoral risk assessments, sharing of information on sectoral risks and individual FI/DNFBP's compliance to inform supervisory efforts, development of supervisory work plan for coherent and efficient coordination of offsite and onsite inspections and trainings, and

coordination of the implementation of sanctions, in particular where the FIA lacks the requisite authority.

- h) Improve the frequency and number of trainings by the CBL and FIA while also expanding the scope to include other non-bank financial institutions (Remittance Services providers, Credit Union, Mobile money).
- i) Ensure a better use of sanctioning power by the CBL for the implementation of dissuasive, proportionate and effective sanctions in particular for systemic, repetitive and long-standing AML/CFT violations with the objective to improve compliance. The CBL should improve turnaround time for the finalisation of onsite inspection reports to ensure swift implementation of remedial measures and sanctions.

403. The relevant Immediate Outcome considered and assessed in this chapter is IO.3. The Recommendations relevant for the assessment of effectiveness under this section are R.14, 15, 26-28, 34, 35 and elements of R.1 and 40.

404. The weighting was categorised most heavily for banks, FX bureaus, remittance service providers, and lawyers; moderately heavy for casinos, DPMS, real estate agents, mobile money service providers, and TCSPs; and less heavy for notaries, VASPs, insurance sector, securities sector, MFIs, credit unions, RCFFIs, VSLAs, finance companies and accountants/auditors. The weighting was based on the relative materiality, risks, and level of supervision in the sectors (see Chapter 1 for more details).

6.2. Immediate Outcome 3 (Supervision)

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

405. Fit and proper controls for FIs cover all management positions by going beyond the legal requirements, but controls on BOs and after the license has been granted are limited in practice. There is no example of licenses being refused or revoked on the basis of fitness or integrity concerns, which is difficult to reconcile for some sectors. For DNFbps, licensing and registration procedures are not adapted to prevent criminals and associates from accessing the professions/businesses (lawyers, DPMS in the extractive sector), not effectively implemented (casinos) or non-existent (DPMS in the retail sector, TCSPs, real estate agents). There are entry controls for Notaries but awareness of AML/CFT requirements is absent. Measures to detect unlicensed activities lack coordination, in particular with respect to casinos and DPMS. There is however good recent impetus and coordination to address the activities of unlicensed FX bureaus and remittance service providers.

Financial Institutions

406. The CBL has detailed fit and proper procedures in place for FIs, which go beyond the legislative requirements to cover all management positions, but not BOs. The CBL issued guidelines detailing the fit and proper procedures for FIs. The guidelines cover all FIs despite the different regulatory requirements for each type of FI and are implemented in the same way across sectors, albeit with some variation for smaller institutions, such as FX bureaus and MVTS providers. The CBL conducts fit and proper checks for significant shareholders (at least 5% of shares), directors, managers and other persons holding key positions, in some cases going beyond the legal requirements which does not cover all management functions for all FIs (see R.26.3). While the legislation and the guidelines do not make reference to fit and proper controls on BOs, assessors understand that the CBL does consider the ownership structure, beyond the direct shareholders, by requiring detailed information on legal persons

that are shareholders. However, it is unclear to what extent this practice is systematically implemented and whether the ultimate BO is sought in all cases in the absence of clear procedures.

407. Fit and proper controls are implemented at the period of granting the license but only to a limited extent thereafter. The fit and proper assessment is conducted initially as part of the licensing process and upon receipt of a notification from the FI of a proposed appointment in the management team, but not for newly appointed shareholders despite the regulatory requirements. In addition, the guidelines indicate that a review of the fit and proper documentation should be conducted at least every 12 to 18 months thereafter. However, in practice, this is not enforced. The CBL conducts a review of the licensing requirements of relevant persons as part of the onsite examination but it does not systematically involve fit and proper assessment. Furthermore, the CBL requires that FIs develop and implement, on an ongoing basis, clear due diligence processes to guide the hiring and appointment of directors, management and all prospective staff members.

408. The fit and proper assessments by the CBL involve an examination of an applicant's honesty, integrity and reputation. This control is guided by guidelines defining the honesty and integrity requirements through examples. The CBL conducts due diligence on foreign nationals that are directors, management or shareholders of proposed institutions through collaboration with supervisors in the foreign jurisdiction while also requiring a police clearance report. When an application lacks information, the CBL guides the FI in order to complete the application, in particular for smaller NBFIs.

409. The CBL appears to be implementing its procedures diligently at the time of licensing for banks, but less so for other sectors. The fit and proper assessment conducted by the CBL never led to the refusal of license applications between 2018 and August 2022. The CBL revoked 14 licenses of insurance firms for prudential considerations unrelated to fitness and propriety. Between 2018 and 2022, the CBL conducted 25 assessments to validate a change of management, but did not conduct any regarding change of shareholders, and never gave an unfavourable response to a notification of nomination of a new manager. The absence of licenses refusal or revocation for fitness consideration for the banking sector could be partially explained by the large presence of large foreign financial groups in Liberia. For the smaller institutions such as FX bureaus and remittances service providers, the absence of refusal may be largely explained by the objective of the government to encourage illegal providers to apply for a license. However, the current strategy does not appear to balance appropriately the objectives of reducing the informality of the sector and increasing integrity.

Table 6.1. Records of licenses granted by the CBL between 2018 and Aug 2022

	Granted
Banks	0
FX Bureaus	33
MFI's	9
Mobile money service providers	3
Money remitters	18

Source: CBL

Designated non-financial businesses and professions

410. *Lawyers* – All lawyers must be accredited as members of the LNBA before practicing in Liberia. The Association has requirements for members to uphold the standards of professional ethics. The membership registration procedure requires information on the educational qualification and financial position of applicants, but these do not provide effective controls against criminals becoming licensed members. However, recent events in the country involving the investigation of a senior member

falsifying key requirement for membership, have drawn the attention of the Association to include vetting in the licensing process.

411. *DPMS* – The MME is responsible for licensing miners, brokers and traders in raw precious stones and metals that are involved in the extractive chain and exportation. Liberia has established criteria for licensing new entrants, but it does not include a fit and proper assessment for shareholders, directors, senior management or beneficial owners. Although during the onsite visit, Liberia stated that precious stones and metals are only for export purposes, the MME Mining Procedure states that there is a category for Processors/Jewellery License granted for processing and selling gold in the domestic market. It is noted that this category of license is not provided in the Mineral and Mining Law or Regulation. The licensing criteria does not include a fit and proper assessment for shareholders, directors, senior management or beneficial owners.

412. *Casinos* – Although the Gaming Regulation requires the conduct of fit and proper checks for applicants, associates, management and shareholders of twenty per cent (20%) or more of shares, the NLA only obtains minimal information on shareholders, directors and senior management and criminal checks and gathering of information on foreign nationals are not conducted. Casinos are required to renew their licenses annually, but the fit and proper checks are not carried out during renewal of licenses. The NLA has never refused a license or revoked a license based on integrity or fitness consideration, which is not in line with the risks outlined in the NRA regarding the mostly foreign ownership structure of casinos.

Table 6.2. Records of applications for Casino license

	2018	2019	2020	2021	2022	Total
Applications received	3	0	1	0	1	5
Licenses granted	3	0	1	0	1	5
Applications refused	0	0	0	0	0	0
Licenses revoked	0	0	0	0	0	0

Source: National Lottery Authority

413. *Real Estate Agents and TCSPs* – These sectors are not subject to market entry control and mostly not formally organised and regulated. Therefore, there is no licensing authority and market entry control in place. Liberia is currently engaging with the Liberia Real Estate Union (LREU)⁹⁷ to establish a formal structure to work with the FIA in supervising real estate agents. For TCSPs, the only one identified by the Assessors is LISCR and it is unclear if any fit and proper controls have been conducted on this firm⁹⁸.

414. *Accountants* – The LICPA’s licensing criteria relate mostly to educational qualifications and financial commitments. The process does not include controls that would allow identification of criminals or their associates. However, the professional code of ethics includes integrity requirements for all accountants associated with sanctions for breach. There has not been any membership revoked or refused based on fitness or integrity considerations.

415. *Notaries* – On recommendation by the Chief Justice of the Supreme Court (CJL), the President appoints notaries. Notaries in Liberia are mostly former legal practitioners. There are clear entry controls as they are nominated by the CJL based on their good standings and membership can be revoked by the President, although there has been no such instance.

⁹⁷ The LREU is an umbrella association for real estate and construction companies. It is a voluntary membership organization governed by its byelaws. There are working on legislation that would grant the LREU the status of self-regulating body.

⁹⁸ See Chapter 1 and IO5 for more information on the role of LISCR.

Virtual Asset Service Providers

416. While the creation of VASP is not prohibited, the CBL does not deliver licenses for the conduct of VA financial business and has yet to issue regulation for the licensing of this sector. The CBL is closely monitoring the development in the region and initiatives of regional partners to determine the right approach for Liberia. The CBL conducted a study of the level of preparedness of the financial sector to conduct business with VASPs. Based on this study and a subsequent risk assessment of the sector, the CBL intends to develop a licensing framework for VASPs adapted to the Liberian environment. Meanwhile, the CBL issued a circular to FIs prohibiting dealings with VASPs and VAs.

Detection and repression of unlicensed activities

417. Liberia has recently deployed proactive and coordinated efforts to detect unlicensed FX bureaus and remittance service providers. These efforts, although they are mostly motivated by monetary policies consideration, address one of the higher risk sectors (see chapter 1). In view of the ease of setting up and conducting FX business by existing structures for mobile money and mobile phone airtime vendors, there is a higher propensity for such operators to be involved in unlicensed foreign currency exchange. The CBL conducted a series of joint operations with the LNP beginning 2022 to identify and monitor activities of unlicensed foreign exchange activities in Monrovia where the market is concentrated. They use ‘mystery shopping’ practice and leads provided by market operators to guide their detection exercises. During such enforcement exercises, funds are seized from identified illegal bureaus who are then advised to submit applications for licensing. The efforts led to seventeen (17) licensed FX bureaus renewing their licenses and thirteen (13) new licenses being issued between January and November 2022. Measures to mitigate the risks are given high priority and the CBL and FIA are engaging the Association to create more awareness in the country.

418. For the other sectors, there is a lack of coordinated system for detecting and sanctioning of unlicensed activities. There are no proactive efforts to identify unlicensed activities for other FIs, DNFBPs and VASPs. For some DNFBP sectors, this is explained by the fact that some sectors are poorly regulated or unregulated (DPMS in the retail sector, TCSPs and real estate agents) or unlicensed activities would be impossible because of the nature of the sector (notaries appointed by the President and working with county Courts). For other DNFBP sectors, detection of unlicensed activities is not part of the priorities of the supervisor or self-regulated body. This is notably the case for the NLA who has not deployed detection efforts for unlicensed brick and mortar casinos or illegal online casinos as well as the MME who was not able to demonstrate proactive efforts to detect unlicensed DPMS activities. The CBL has one example of the detection of an illegal VASP which came to the attention of its staff through media exposure. The VASP still launched its activities despite the advice of the CBL and the FIA who is now investigating.

Supervisors’ understanding and identification of ML/TF risks

419. The CBL has a good level of understanding of risks related to the banking sector and recently developed tools allowing it to develop a risk profile for each individual bank. Its understanding of risks of the non-bank sectors is relatively good but less developed. The FIA, which has been acting as secondary supervisor for the financial sector and until recently, the sole supervisor for DNFBPs, has a good understanding of risks related to the financial sector but not as developed for the DNFBP sectors. The sectoral DNFBP supervisors have very limited understanding of risks to which their respective sector is exposed and in some instances of their AML/CFT role.

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420. Prior to the NRA, the CBL had in place a prudential Risk-Based Supervision (RBS) Policy Framework for banking institutions and banking groups under its supervisory purview. The prudential RBS was used rudimentarily to identify the ML/TF risks in banks. The CBL was actively involved in the NRA which included a detailed assessment of threats and vulnerabilities of the financial sector. This exercise highly contributed to the enhancement of the CBL’s understanding of ML/TF risks. After the conduct of the NRA in 2019, the CBL carried out its own assessment of the banking sector, which assisted the supervisor in developing a more granular understanding of the ML/TF risks and informed the profiling of individual banks into different risk categories.

421. In July 2022, the CBL completed a ML/TF risk assessment report for the banking sector. For this assessment, the CBL consulted with the FIA and used the findings of 2021 and 2022 offsite examinations of individual banks. The overall ML risks in the banking sector were deemed “High”. It also identified the main ML predicate offences, threats and vulnerabilities to which the sector is exposed, which are mostly in line with the NRA. For the TF assessment, the report supports the low level of risk found in the NRA, but the analysis remains shallow. Overall, this detailed sectoral risk analysis demonstrates the depth of the CBL’s ML risk understanding for the banking sector and provides greater details and rationale for the individual risk profiling tool for each bank.

422. Since 2021, the CBL develops detailed ML/TF risk profiles for each bank. It uses ML assessment tools (Data Collection Template (DCT) and Risk Matrix Questionnaire (RMQ)) to analyse the structural and inherent risks of the nine banks in Liberia. The structural risk analysis considered the size of banks in terms of total assets, ownership structure (foreigners vs nationals) and the number of years that the bank has been operational. The inherent risks analysis considered the vulnerabilities, threats and consequences in the type of customers, products and services offered by the banks; the geographic location of branches and delivery channels that were predominantly non-face-to-face. Information to assess the risk mitigations established by banks was obtained from DCT reports rendered by the banks, outcomes of previous examinations, volume of STRs and CTRs filed with the FIA and open-source information.

Table 6.3. Evolution of risk rating of banks (2021 and Aug 2022)

	2021	2022	Trend
Banks at high risk	9	6	-3
Banks at medium risk	0	3	+3
Banks at low risk	0	0	-

Source: Assessment team’s calculation based on CBL data

423. The risk profiling tool provides a good framework to develop detailed understanding of the risk to which each bank is exposed. The profiles are updated on a yearly basis. The first year, it was found that all banks are high risk; the second year, three banks improved their risk profile based on improvement in the mitigating measures in place. The profile, however, does not seem to assess TF risks and the parameters used did not reflect an understanding of what constitutes inherent ML/TF risks to be captured in the tool. For instance, natural resident persons and banking premises transactions were evaluated as inherent risks. Furthermore, the data submitted by most of the banks raised some concerns with regard to data quality and completeness. The CBL noted in the Risk Assessment Report that while reviewing the DCT that many banks reported either inconsistent or unrealistic figures which has contributed to the high rating of some banks in the sector.

424. With respect to NBFIs, there is a general understanding of the ML risks by the CBL, but empirical means have not been adopted to profile the threats in the sub-sector thus the absence of clear strategy for a thorough understanding of the risks that were highlighted in the NRA. Most importantly,

FX bureaus and MVTS, which were identified as high risk in the NRA, have not been further assessed to thoroughly understand the ML/TF risks inherent in the sectors.

425. The CBL has little understanding of the ML/TF risks in VAs and VASPs however, efforts are ongoing to identify and understand the risks. CBL issued a circular on cryptocurrency to all FIs in August 2021 directing all FIs not to provide services to facilitate any person or entity in dealing with or settling virtual currencies. In July 2022, the CBL conducted a survey by administering questionnaire to 9 banks and 14 insurance firms to gauge the level of understanding and potential exposure to VAs in the financial sector. The results of the survey and the monitoring of the development of the sector in the region will help enhance the understanding of risks of the CBL. However, despite having been designated with (secondary) supervisory responsibility for this sector, the FIA did not take part in the ongoing assessment conducted by the CBL.

Financial Intelligence Agency

426. Prior to the NRA, the FIA assessed the ML/TF risks in the financial sector through sole and joint examinations reports of banks and CTR and STR thematic assessments carried out periodically but did not have a comprehensive understanding of risks. With the NRA, the FIA developed a good understanding of the ML/TF risks in the financial sector but did not produce sectorial or individual risk profiles and does not have access to the CBL risk assessment tools or reports apart from the examination reports.

427. With respect to DNFBPs, the FIA, did not appear to be monitoring specific ML/TF risks of the different sectors. There was no attempt at systematically collecting information for each sector and little information could be drawn from STRs given the low level or lack of rendition. The FIA appears to have improved its understanding based on its central role in the NRA exercise despite the limitation with respect to the depth of the NRA analysis. The FIA has reached out to some sectoral supervisors and has developed a DNFBPs matrix, which shows the mapping of the vulnerability (strength of regulatory framework and monitoring) of some sub-sectors but does not highlight the threats and risks. Based on this assessment, real estate agents would be the most vulnerable, followed by DPMS, accountants and lawyers.

Sectoral DNFBP supervisors

428. Before the conduct of the NRA started in 2018, there was low understanding of ML/TF risks by all sectoral DNFBP supervisors, but it improved for those involved in the NRA exercise. While not all sectoral supervisors participated in the NRA, the NRA report provided them with a foundational understanding of the ML/TF risks in the sector. However, the NRA is rather general when it comes to identification of specific sectoral risks and is mostly targeted towards vulnerabilities. Further assessments have not been conducted to better understand the specific sectoral or institutional risks. The various supervisory authorities for the DNFBPs sector have not demonstrated that they understand the ML/TF risks in their respective sectors although the level of understanding varies across the sector.

429. More specifically, the LNBA has a basic understanding of the ML risks to which lawyers are exposed, which comes mostly from their participation in the NRA. The NLA has a fair understanding of the ML/TF risks in Casinos and is conducting outreach programs jointly with the FIA to improve its understanding of the risks. As at the time of the onsite visit, there was no licensed online casino in Liberia but the supervisors are aware of the risks in online casinos. The NLA has not conducted a sectorial risk assessment but generally rates some casinos to have a higher ML risk based on the ownership structure, volume of cash transactions and types of customers. The MME has not demonstrated an understanding of the ML/TF risks in the DPMS sector despite its categorization as a high-risk sector in the NRA and there has not been a proper identification of the ML/TF risks in the

sector. LICPA is not aware of the ML/TF risks in their sector and was not involved in the NRA. For real estate agents and notaries, there is no designated sectoral supervisor apart from the FIA.

Risk-based supervision of compliance with AML/CFT requirements

430. AML/CFT supervision is generally not conducted on a risk-sensitive basis in the FI and DNFBP sectors. The CBL started to implement a risk-based approach to the supervision of the banking sector in 2021 but the overall supervisory strategy is not clearly linked to the outcome of its risk assessment report. The FIA conducted examination of all banks in 2021 and some insurance companies, but this approach was not informed by the understanding of the risk. There have been few supervision activities for Casinos and none for the other the DNFBP sector.

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431. The CBL develops annual work plan which clearly identifies planned supervisory actions to be undertaken during the year. However, the plan and supervisory resources are not allocated on a risk-sensitive basis. The work plans for 2018, 2019 – 2020 and 2021 indicate that only one high risk bank and two high risk banks were scheduled for examination in 2019 and 2020 respectively although more banks were identified as high risks. Also, examination of FX bureau and remittance service providers were scheduled only in the 2021 work plan despite those sectors being considered high risk. Even more recently, following the NRA and adoption of the risk-based approach, considerable supervisory resources were targeted at lower risk institutions such as insurance firms and micro finance institutions in 2021 and 2022. This is buttressed by statistics on AML/CFT examinations (see table 6.4).

Table 6.4. Number of onsite inspections of FIs conducted (2018 – Aug 2022)

	2018	2019	2020	2021	Q2/2022
Banks	11*	2	0	11**	4
FX bureaus	0	0	0	0***	0
Remittance service providers	0	0	0	4***	0
Mobile money service providers	1	1	1	0	0
Life and composite insurance companies	0	0	0	4	4
MFIs	0	0	0	2	0
Other FIs	0	0	0	0	0

Source: CBL and FIA

Notes:

* Five (5) of those inspections were joint inspections between the FIA and CBL.

**Nine (9) were examined solely by the FIA while the rest was examined by the CBL.

*** Two (2) of the four (4) remittance companies examined also licensed as Forex Bureaus

432. The CBL conducts AML offsite surveillance and onsite examination of banks. Since 2021, the offsite surveillance conducted by CBL is in the form of the review of supervisory reports submitted quarterly by FIs to the CBL using the DCT. These reports are quantitative data of each bank's inherent risk factors relating to customers, products and services; geographic activities/locations and delivery channels. The information on the DCT and RMQ is used by the CBL to assess the Net ML/TF risk of each bank. Based on those risk profiles which are produced every year, the CBL selects the banks for which it will conduct an onsite examination during the year. The CBL may use information received from the FIA, other supervisory division and open sources to inform the scope of the onsite examination. The frequency of the onsite examination does not seem to be clearly established but appears to be broadly determined on the basis of the risk profile of the bank and other factors such as reports from the FIA and other relevant competent authorities which would necessitate the conduct of targeted

examination of a bank. Before 2021, there was no guideline for the conduct of offsite surveillance and onsite examinations were not guided by a ML/TF risk-based approach but rather by prudential risks.

433. The CBL has developed an AML/CFT RBS Framework and has an AML Examination Manual which guides the conduct of onsite examination. The onsite examination of banks covers senior executive or Board involvement in AML/CFT; policies and procedures; suspicious transaction reporting; customer due diligence; record keeping; staff awareness and training and performance or audit testing. This helps the CBL to validate information submitted by the banks in the RMQ which provides the bank's assessment of their control functions. Although examiners are required to enquire about the type of ongoing monitoring that the bank does to ensure that existing customers are not on the UN TFS Sanction lists, the Examination Manual does not provide for examination of compliance with BO identification and TFS obligations.

434. At the international level, the CBL has signed MoUs with supervisors of banking sector of various countries (including Nigeria that is the home supervisor for 3 of the 9 commercial banks) and participates in meetings of different supervisory college of banks where the group AML/CFT issues, amongst others, is discussed. The CBL is a member of the College of Supervisors of West African Monetary Zone (CSWAMZ) which provides a forum that facilitate the exchange of information, views and assessments among supervisors in order to allow for a more efficient and effective consolidated and solo supervision. The CBL conducted joint AML/CFT examinations of two commercial banks that are part of a group in Nigeria with the supervisor of the banking sector of Nigeria (CBN). However, the CBL does not collaborate with home country supervisors in preparation for examination of FIs member of a financial group. Therefore, the CBL does not seem to seek information or collaborate with foreign supervisors for the information the supervision efforts of their mostly foreign-owned banking sector (see IO2).

435. CBL supervision of NBFIs is not informed by risk assessment. The CBL does not conduct offsite AML/CFT supervision of NBFIs but relies on findings from prudential supervision to identify institutions for examination. In particular, selection of the 4 Remittance Service Providers examined during the scope period, was based on the absence of record-keeping processes for prudential reporting.

436. The CBL's coordination with the FIA does not allow for an effective use of supervision resources to address the highest risk areas. The CBL and the FIA do not have a formal mechanism to coordinate their activities and ensure that they receive appropriate input from the other supervisor on institutional/sectoral risk assessments and development of yearly supervision plan. There is some ad hoc exchange of information, some examination reports are shared once they are concluded and the FIA and CBL have conducted some joint examinations in 2018 only. However, the lack of formal mechanism prevents the FIA and CBL from ensuring that there is a coherent use of expertise and resources by each institution to address higher risk sectors for which they both have supervisory responsibility. This lack of cooperation is also preventing the CBL and FIA from alleviating challenges related to scarcity of resources and sharing expertise to build capacity.

437. The CBL has a unit dedicated to AML/CFT supervision which has six staff. AML/CFT examinations of FIs are carried out by the 6 staff and other staffs drawn from the prudential supervisory department for the FI. The very low number of AML/CFT examination could be due to the low level of capacity building for staff of the FIs and the CBL. In addition, the resource dedicated for AML/CFT (for instance 6 in the CBL) is deemed inadequate to effectively monitor the financial Sector.

Financial Intelligence Agency (Financial Sector)

438. In line with the provisions of the FIA Act, the FIA conducted AML/CFT examinations jointly with the CBL (5 in 2018) for the financial sector and has started conducting inspections by itself in 2021. The FIA does not have a supervisory plan and examination manual. The FIA selected institutions to be examined based on volume of activities seen from analysis of CTRs, open-source information on the products of the FI, and prior reports of examinations shared by CBL. All the banks (then eight banks) were examined in 2021 while none of the high-risk sectors were examined. Also, in the first quarter of 2022, the FIA conducted thematic examination of all insurance firms to verify compliance with reporting of currency and suspicious transactions.

439. The FIA has five compliance officers who are responsible for monitoring the compliance of all FIs and DNFBPs with AML/CFT obligations. Although the FIA stated that other Analysts were enlisted in the compliance examination of all banks and insurance firms, this indicates a lack of prioritisation and allocation of resources without consideration of the risk levels of the institutions.

Designated non-financial businesses and professions

440. The FIA is responsible for supervising DNFBPs for compliance with AML/CFT obligations. The FIA has no supervisory strategy for the DNFBP sector. It developed an AML/CFT Sectoral Vulnerability Matrix for DNFBPs however, AML/CFT examination was not carried out for any DNFBP during the period under review, except for 3 casinos but it is unclear if the reports were finalised⁹⁹. The FIA has indicated that it is focusing on outreach programs to sensitise the supervisors and DNFBPs of their obligations before examinations and enforcement commences. For the sectoral supervisors, their role as sector supervisors in monitoring and supervising compliance to AML/CFT requirement is largely unclear and has only been introduced with the amended AML/CFT Act which came into force in August 2022. Most of them are still unaware of their AML/CFT supervisory responsibility and do not have the resources or expertise to conduct examinations. It is also unclear whether further regulatory measures need to be adopted to internalise this function in the statutory regulation of each supervisor or to designate the supervisor for some sectors where there are no licensing authorities (e.g. jewellery shops, real estate agents and notaries).

Remedial actions and effective, proportionate, and dissuasive sanctions

441. The supervisory authorities in Liberia are making a limited use of the wide range of sanctions available to mitigate non-compliance. The CBL has yet to impose sanctions on FIs despite the important compliance failures identified during onsite examinations. It is rather using Warning letters, but their implementation and follow-up does not appear effective, proportionate and dissuasive. The FIA has recently started using its sanctioning power to address systemic compliance failures, which had a positive impact on the compliance rate of the FIs sanctioned as well as other obligated entities informed of the sanction. The FIA has not conducted examinations of DNFBPs and therefore has not used its sanctioning power for this sector.

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442. CBL has a broad range of civil and administrative measures to sanction non-compliance with AML/CFT obligations (see R.35). In June 2022, it developed a regulation “Sanctioning Regime for Non-Compliance with AML/CFT Requirements for Financial Institutions” which clearly guides the application of sanctions for each type of regulatory breach by considering the severity of the breach, the number of times the breach or non-compliance has occurred or has been previously identified, and

⁹⁹ The assessment team was not able to confirm whether the inspection reports were finalised and shared with the casinos. During the onsite, no mention was made to those reports by the authorities or the casinos. Therefore, the assessment team was not able to discuss the process, methodology and outcome of those inspections.

whether the financial institution had previously been required to implement corrective action as required by the CBL. This regulation provides for a clear framework for the implementation of proportionate and dissuasive administrative and financial sanctions.

443. However, in practice, the application of the sanction regime by the CBL is ineffective, not dissuasive and not proportionate. Since 2018, the CBL issued formal warning letters to 3 banks and noted 339 remedial actions. These breaches related to the lack of independence of the compliance officer, improper classification of customer based on risk profile, late filing of quarterly returns and lack of training of staff, management and Board. Although the CBL identified several breaches of the AML/CFT Regulations during the examinations that would ordinarily warrant a sanction, the CBL did not impose any monetary penalty. Furthermore, the CBL is not sanctioning FIs for outright contravention of AML/CFT regulations. For instance, the CBL did not impose a sanction on any of the Forex bureaus, a highly vulnerable sector, despite them not having filed any STR throughout the period under review.

444. CBL's process of imposing sanctions is overly long and the follow-ups to ensure effective implementation of remedial measures appear ineffective. The process commences immediately after the examination during an exit meeting with management of the FI where the key findings of the examination and breaches identified are presented to the management of the FI and discussed. The management of the FI is provided the opportunity to respond and remedy observations. The final report of the examination is presented to the Management of CBL for approval and thereafter, a letter is issued to the FI formally informing them of the breaches and sanctions issued for non-compliance. The FI has a window of up to 12 months to implement remedial measures depending on the gravity and urgency of the contravention. CBL indicated following-up on imposed sanctions through updates provided by the FI and follow-up checks during the next examination visit. However, it is unclear if a systematic follow-up process is implemented and the CBL was not able to provide information about the rate of remedial measures successfully implemented. It was noted that the onsite report is sent long after the examination was conducted for instance, the examination reports of FX/remittance bureaus conducted in September 2021 were signed in August 2022. In addition, the CBL does not communicate sanctions in a timely manner to effectively remedy identified breaches. For instance, one bank was examined in March 2017, but the sanction (Warning Letter) was issued in February 2018. Similarly, a bank examined in August 2016 was issued a Warning Letter in February 2018.

Financial Intelligence Agency & DNFBP sectoral supervisors

445. The FIA has recently made good use of its sanctioning power to compel AML/CFT compliance. The FIA sanctioned banks, microfinance institution and insurance firms for non-compliance with CTR and STR reporting requirements. The infractions identified by the FIA are lack of adequate written and documented internal controls for identifying, investigating and reporting STRs and failure to file STRs and CTRs. Furthermore, the FIA, in May 2022, designated an insurance firm and its chief executive officer as a Primary Concern for Money Laundering in Liberia due to their lack of cooperation and refusal to comply with AML/CFT obligations. The firm sued the FIA but lost the case and was compelled by the court to engage with the FIA on remedial actions to rectify the breaches. These sanctions are effective and dissuasive as more FIs are filing CTRs and STRs. There is uncertainty to the proportionality of the sanctions as all insurance firms were fined the same amounts (See Table below for details) irrespective of the duration for which the breach has been ongoing, the severity and whether the FI had previously been required to implement corrective action.

446. In addition, for administrative sanctions that are not fines, the FIA needs to rely on the licensing authority which they have not been able to mobilise in certain cases.

447. The CBL is notified of the sanctions and requested to implement the sanctions. While the CBL indicated discussing with the FIA every recommendation for sanction that it receives, it did not provide any statistics on the number of such recommendations received and the follow-up measures taken by the CBL. Therefore, it is unclear if the CBL has implemented or considered all of the sanctions referred to it by the FIA, in particular administrative sanctions.

448. With respect to DNFBPs, the FIA and the sectoral supervisors have not imposed any sanctions for AML/CFT breaches. It is unclear whether there is still legislation that needs to be adopted to internalize AML supervisory responsibilities of sectoral supervisors in their respective statutory texts. For the FIA, despite having clear supervisory and sanctioning power for multiple years, these have not been utilised.

Table 6.5. Overview of remedial actions and sanctions imposed on FIs and DNFBPs for breach of AML/CFT obligations (2018- Aug 2022)

	Warning Letters issues	Remedial actions issued	Number of entities suspended from operations	Number of licenses withdrawn	Monetary Sanctions	Sanctioning authority
Banks	2	339	0	0	2	CBL/FIA
Life insurance companies	15	60	0	0	14	FIA
MFIs	0	64	0	0	0	FIA
Forex bureaus	0	0	0	0	0	FIA
Remittance service providers	0	0	0	0	0	-
Mobile money operators	0	0	0	0	1	FIA
DNFBPs	0	0	0	0	0	-

Source: CBL and FIA

Table 6.6. Overview of monetary sanctions imposed by the FIA on FIs for breach of AML/CFT obligations (2018- August 2022)

	Amount	Year	Reason
Bank A	L\$ 500,000.00 (EUR 3,240.00)	2020	Failure to file STRs to the FIA
Bank B	L\$ 500,000.00 (EUR 3,240.00)	2021	Failure to file CTRs to the FIA
Mobile Money Service Provider	L\$ 337,500.00 (EUR 2,188.00)	2019	Lack of adequate written and documented internal controls for identifying, investigating and reporting STRs Failure to file STRs to the FIA
14 insurance companies	L\$ 1,500,000.00 – each (EUR 9,730 – each)	2022	Unlawful exemption to file STRs; Failure to file STR and CTR with the FIA

Source: FIA

Impact of supervisory actions on compliance

449. The impact of supervisory action has recently led to perceptible increase in compliance albeit not across the FIs. The FIA has recorded some positive changes in the level of compliance with AML/CFT reporting requirements by insurance and mobile money providers resulting from monetary

sanctions imposed on the institutions. Supervisory activities had not commenced in the DNFBP sector thus it was not possible to assess the impact on compliance by the DNFBP operators.

Central Bank of Liberia

450. Data on the impact of supervisory actions is limited. The impact appears limited as the examination reports show low level of authority and independence of compliance officer, weak implementation of CDD policies and inadequate trainings for employees and board members in banks. The impact is also limited in the NBF sector as the compliance function is almost non-existent (except for mobile money services). This is likely due to the rather limited and recent supervisory actions outside of the banking sector. The CBL has however indicated that supervisory actions had led to the appointment of compliance officers at management level and improvement of CDD policies by FIs, but data was not provided to support this conclusion.

Financial Intelligence Agency & DNFBP sectoral supervisors

451. The FIA conducted thematic examination of all commercial banks and insurance firms in 2020 which was triggered by a low level of STRs by some FIs. The supervisory action revealed, amongst others, that there was lack of, or low level of awareness and training on AML/CFT, absence or low-level compliance function and lack of system for monitoring transactions. Resulting from findings, 15 insurance firms, 2 banks and a mobile money operator were fined. The supervisory actions led to more FIs' appointment of compliance officers at management level with commensurate authority and autonomy and establishment of appropriate internal controls, especially in the insurance sector. This had resulted in increase in the number of institutions that render STRs and also an increase in the number of STRs and CTRs being reported to the FIA (see Box 6.1.). Also, institutions such as MFIs increased their filing of STRs and CTRs from zero in 2021 to 18 and 370 respectively in 2022.

Box 6.1. Impact of supervisory and sanctioning actions by the FIA on the insurance sector

Following intelligence received by the FIA relating to “shady” transactions performed by insurance companies for clients and given the absence of STR/CTR filing for all insurance companies, the FIA invited each insurance company to the FIA office for questioning in December 2021, consistently with the Administrative Procedure Act of Liberia.

During hearings some admitted in the presence of their lawyers that they did not have STR/CTR filing policies and assured that remedial actions would be taken. When the FIA saw no improvement in STR/CTR filing, it imposed fines (administrative actions) of L \$ 1.5M (EUR 9,730) consistent with law/regulation against all 14 insurance companies in February 2022. All insurance companies jointly sought judicial review with the Civil Law court of Liberia consistent with law/regulation. The FIA was represented and filed responsive pleading and argued that FIs are required to file CTR/STR as per its AML/CFT obligation.

Before pleadings rested, the Insurance approached the FIA for out of court settlement and reduced fines to L \$200,000.00 for each insurance company. A stipulation was entered and each insurance company paid its fine. Since then, insurance companies have fully commenced filing (1 STR and 59 CTR in first half of 2022). They have effectively operationalised compliance programs as well as appointed compliance officers that are fully engaged with the FIA and a part of the compliance officer forum.

DNFBPs

452. FIA and sector supervisors have not yet taken any supervisory action on entities under their supervisory purview. This may be due to the low resource capacity of the supervisors and the recent nature of their AML/CFT role (mid-2022). However, it is noted that the Casinos have been reporting CTRs and have designated compliance officers responsible for implementing AML/CFT programs. These could be adduced to close engagement of the FIA with the NLA in creating awareness.

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

453. Since 2019, the CBL and FIA have deployed more efforts to promote a clear understanding of AML/CFT obligations and ML/TF risks among banks, some NBFIs and to a lesser extent DNFBPs. However, those efforts remain limited and not targeted enough towards risks.

Central Bank of Liberia

454. The CBL issued regulations (broad regulation on AML/CFT (2017), PEP regulation (2019)) and published guidelines (ML/TF risk management (year unknown), and fit and proper (2018) and BO (July 2022)). These are accessible on its website to provide easy access to such information by the FIs.

455. As shown in Table 6.7 below, the CBL provided training for the banking, insurance, forex bureau and MFI to create awareness about ML/TF risks and the obligations arising from AML/CFT legal and regulatory frameworks. The trainings were far in-between, not target-centric and do not cover all regulated entities. The focus on FX bureaus is welcomed and in line with risks. However, training for other high-risk sectors appears limited. There also does not seem to be a training or outreach plan to give efforts on the short/medium term and ensure coordination of efforts between the CBL and FIA.

Table 6.7: CBL AML/CFT TRAININGS/ENGAGEMENTS CONDUCTED, 2019 -AUG 2022

No	BENEFICIARY SECTOR	NATURE OF TRAINING	DATE	ATTENDANCE
1.	Regulators of AML/CFT regime of Liberia	NRA validation Workshop for Insurance Sector	16/08/2019	21 insurance companies
2	FIs and DNFBPs	Awareness on AML/CFT for compliance officers of FIs & DNFBPs**	31/08/2022	60
3.	Forex Bureau	First segment of AML/CFT training related activities about the FX AML/CFT compliance regime**	05/05/2021	11
4	Microfinance Sector	AML/CFT Training	06-07/05/2021	N/A
5.	Forex Bureau	Second segment of AML/CFT training related activities about the FX AML/CFT compliance regime **	02/12/ 2021	19
6.	Commercial Banks	Related AML/CFT training about the banking sector	16/08/2022	9
7.	Insurance Sector	Related AML/CFT training about the insurance sector	18/08/2022	9
8	Forex Bureau	Third segment of AML/CFT training related activities about the FX AML/CFT compliance regime	19/08/2022	8

Source – CBL

** Trainings were jointly provided by the FIA and CBL

FIA

456. The FIA is increasing its engagement with the FIs to promote understanding of ML/TF risks and awareness of AML/CFT obligations, but it remains limited. The FIA has issued some AML/CFT guidelines which are easily accessible on its website in 2017 and jointly published a circular with the NLA for the gaming sector in 2018. However, it has not issued new guidance since then or provided information on ML/TF risk indicators to support the detection of STRs, including for smaller and higher risk sectors such as FX bureaus and remittance providers. The FIA provides feedback to FIs in the context of examinations. The FIA started outreach to sectoral DNFBP supervisors, in particular the NLA, and jointly organized training for compliance officers of some DNFBPs.

Compliance forum

457. As part of efforts to promote more dynamic information sharing on AML/CFT obligations and risks, the CBL and the FIA have fostered the establishment of a compliance officers forum for all compliance officers to share information on AML/CFT through mobile chat communication. At the national level, the forum is headed by the National leadership of compliance officers with subgroups for the insurance, gaming, banking and fintech sectors. The CBL and FIA use these Forums to communicate information, but have not indicated the frequency of their outreach to the forum and the number of members in the forum, although it is thought to be a broad representation of each subsector.

DNFBP sectoral supervisors

458. There has been scarce efforts by sectoral DNFBP supervisors to inform their sectors of ML/TF risks or AML/CFT obligations. The NLA has published a circular with the FIA, but has done little outreach since then to encourage effective implementation. For the other sectors, the topic of AML/CFT may be touched upon during annual meetings with the sectors, but there is no formal outreach program. Given that the role of sectoral supervisors for AML/CFT supervision has only recently (mid-2022) been established, it is difficult to assess their efforts so far.

Overall conclusion on IO.3

459. Market entry controls for the financial sector provide a sound mechanism to prevent criminals from controlling a bank, but need to be enhanced when it comes to BO and ongoing controls. For DNFBPs, market entry controls are ill-adapted or not in place. Supervision of banks has been considerably enhanced since 2021 with individual ML/TF risk profiles and sectoral assessment. However, for the rest of the financial sector, including higher risk-sector such as FX bureaus, mobile money and remittance service providers, the CBL strategy is not based on ML/TF risk consideration and effective coordination with the FIA to enable an efficient allocation of resources based on risk has yet to be established. DNFBP supervision has yet to commence which leaves high-risk sectors such as lawyers, DPMS, casinos, real estate agents and TCSPs uncontrolled for AML/CFT. There has been good training and outreach efforts by the FIA and CBL which lead to some result, but efforts need to be enhanced and better targeted towards risk. Other sectoral DNFBP supervisors are yet to embrace their supervisory role and put efforts in place.

460. **Liberia is rated as having a low level of effectiveness for IO.3.**

CHAPTER 7. LEGAL PERSONS AND ARRANGEMENTS

7.1. Key Findings and Recommended Actions

- a) Information on the creation and types of legal persons is publicly available from the websites of the MOFA, LBR and LISCR.
- b) The understanding of its ML/TF risks associated with legal persons varies across the competent authorities, with the FIA, and some LEA having a more developed albeit limited understanding of risks compared to other competent authorities. Liberia has not identified and assessed the ML/TF vulnerabilities associated with the different forms of legal persons created in the country. Therefore, the measures implemented by Liberia to mitigate the ML/TF risk of legal persons (and arrangements) are not risk-based, including for sectors that have important inherent risks such as the attractive offshore and maritime sectors.
- c) Liberia Offshore companies are not permitted to issue bearer and nominee shares while domestic legal entities must disclose the BO in the certificate and register it with MOFA. However, the authorities have not taken steps to identify companies that are issuing unregistered shares and ensure that those are registered with the MOFA.
- d) LISCR is the registering agent for all offshore and maritime companies. It conducts CDD and screening against sanction lists when registering the company and on an annual basis. However, there are concerns about the identification of the ultimate BO and verification process of basic and BO information. It is also unclear to what extent basic and BO information is collected for companies involved in the maritime sector. Access to information and coordination between competent authorities and LISCR is weak.
- e) Competent authorities, including LEAs can access basic information on domestic legal persons from LBR and MoFA to some extent in a timely manner. However, the information held by LBR and MoFA is not properly verified. LEAs could access BO information from FIs and DNFBPs, however the implementation of CDD measures on BOs by the private sectors remains limited for many sectors. For the extractive sector, LEITI is collecting and publishing BO information of some of the largest companies but this information is not verified.
- f) Liberia established a National Steering Committee on BO in 2021 to develop a fully functional national BO register. A regulation is being drafted by the Committee.
- g) Liberia has not demonstrated the use of proportionate and dissuasive sanctions for legal persons and arrangements failing to comply with their registration obligations.
- h) Liberia laws recognised trusts and information on the types of trust created in the country is publicly available. There are no clear mechanism for obtaining basic and BO information, except when the trustee is a DNFBP. However, most DNFBPs do not properly collect BO information.

Recommended Actions

Liberia should:

- a) Identify and assess the ML/FT risks associated with all types of legal persons created in the country and disseminate the findings to all stakeholders, especially LEAs, supervisors, and reporting entities. The country should also implement measures to mitigate the identified risks, including but not limited to the offshore and maritime legal persons sectors.
- b) Clarify and where necessary, develop a framework for (i) coordination between competent authorities and LISCR and (ii) transparency of information held by LISCR to ensure that LEAs have timely access to accurate and up-to-date basic and BO information on offshore and maritime companies.
- c) Ensure that the BO information collected is accurate and maintained up-to-date. In this regard, the country should strengthen its current multi-pronged approach to the collection of BO information by:
 - i. providing LBR the authority and resources to collect and hold up-to-date information on the companies' BO information and establish robust verification mechanisms;
 - ii. Considering the importance of the extractive industry, ensuring that LEITI and other competent authorities within the sector continue to make progress on the framework for maintaining accurate BO information;
 - iii. Ensuring that FIs/DNFBPs and in particular LISCR effectively implement CDD obligations on legal persons and hold accurate and up-to-date information on BOs including by enhancing supervision of those sectors (see IO3 and 4)
- d) Streamline the procedures to access information held by MOFA, LBR, LISCR and LEITI to ensure that LEAs obtain basic and BO information in a timely manner.
- e) Ensure that Deed Registry, probate court and trustees verify and obtain BO information and maintain comprehensive statistics of legal arrangement created and registered in the country to enable competent authorities, including LEAs to have access to basic and BO information of trustees.
- f) Ensure sanctions are available against both legal persons and natural persons who fail to meet the relevant obligations in order to promote transparency of legal persons and arrangements. In addition, Liberia should impose effective, proportionate and dissuasive sanctions for violations of obligations related to the transparency of legal persons and arrangements.

461. The relevant Immediate Outcome considered and assessed in this chapter is IO.5. The Recommendations relevant for the assessment of effectiveness under this section are R.24-25, and elements of R.1, 10, 37 and 40.¹⁰⁰

¹⁰⁰ The availability of accurate and up-to-date basic and beneficial ownership information is also assessed by the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes. In some cases, the findings may differ due to differences in the FATF and Global Forum's respective methodologies, objectives and scope of the standards.

7.2. Immediate Outcome 5 (Legal Persons and Arrangements)

462. Liberia's framework for capturing basic and beneficial ownership (BO) information is rudimentary and developing, and the infrastructural capacities of the various registers that hold this information varies. The system for capturing and verifying basic information relies on a number of public and private registries (LISCR, LEITI, and the Ministry of Foreign Affairs (MOFA)) as well as information held by the LRA and FIs/DNFBPs. There are two areas with higher inherent risks for which Liberia has developed particular framework: (i) for the offshore business sector, Liberia has contracted and empowered a private foreign company, LISCR, to act as a registering agent for all offshore companies including maritime companies; (ii) or the extractive sector, the LEITI is collecting BO information from some of the companies in the extractive industry, forestry and the agricultural sector. For domestic companies, the LBR maintains a register on basic information. The LRA is collecting tax-related information, including some basic information on all domestic companies. MOFA incorporates all domestic and foreign companies and therefore also maintains basic information. Some FIs and DNFBPs also hold basic and to some extent BO information on domestic legal persons.

463. The assessment team based its findings on statistics and documents provided by Liberia authorities; interviews with the LBR, LRA, LEITI, LISCR, CBL, FIA, LNP, LACC, MOJ, Notaries, MOFA and the private sector (FIs, DNFBPs and other legal persons).

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

Legal persons

464. Liberia has various registries for the registration of the different types of legal persons. These are the LBR, LEITI, and MOFA (which registers domestic legal persons) and LISCR (which registers non-resident foreign companies, particularly, maritime companies). Detailed information on the types of legal persons (see Chapter 1), that can be created in Liberia and the process and procedures for their creation including the 2016 Handbook for Operating Businesses¹⁰¹ are available at the LBR's Registry¹⁰² and can be publicly accessed online on the LRA and the Ministry of Commerce and Industry's (MOCI) websites.¹⁰³ Also, the detailed information on the creation and types of Liberia offshore company is available publicly at the LISCR's Registry and its website¹⁰⁴.

Legal Arrangements

465. The BCA as amended in 2020 permits for creation of legal arrangements in Liberia. Information on the creation and types of legal arrangements, including trusts is available publicly at the National Archive Centre (NAC). Requirements for the registration and revocation of a trust in Liberia are clearly set out in the provisions of the law. The legislation detailing the creation of trust is publicly available.

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

466. Liberia has not assessed the specific ML/TF risks associated with the different types of legal entities created in the country. As a result, competent authorities' understanding of ML/TF risks

¹⁰¹ This contains the specific preparatory work required for formation/registration, documents to be submitted, formation procedures and fees to be paid and information contained therein

¹⁰² The LBR is a one-stop-shop business registration platform which became operational in 2

¹⁰³ https://revenue.lra.gov.lr/businesses/_and_www.moci.gov.lr

¹⁰⁴ www.liscr.com

associated with legal persons varies. Some LEAs and the FIA to some extent, are aware of the ML/TF risks that affect legal persons as a result of expertise gained through the conduct of their functions, other competent authorities demonstrated a limited understanding of the risks and vulnerabilities associated with the legal persons created in the country.

467. Liberia has not assessed the vulnerabilities to which the different types of legal persons are exposed. Liberia's 2021 NRA did not include a specific assessment of the risks of legal persons in the country, although it did consider to a limited extent, the ML/TF risks associated with NPOs, which is a form of legal person. NPOs are the channels through which, at least, 70 percent of aid flowing to Liberia are channelled. Although an NPO may open a bank account before accreditation by MoFDP and commence operation without being detected by any other competent authority, the assessment of NPOs is not robust and did not adequately address the extent to which these legal entities can be misused for ML/TF purposes (see IO10). There have also been some criminal cases in which corporate entities have been misused for criminal purposes, yet these cases have not been examined in order to identify trends and typologies that would allow to provide an overview of the vulnerabilities to which legal persons are exposed. In addition, despite allowing for the creation of non-resident foreign companies and providing attractive financial/fiscal benefits, Liberia has not assessed the specific ML/TF risks associated with this inherently risky business. The unique risk posed by the large number of foreign maritime companies registering ships in Liberia call for a sector specific assessment to enhance competent authorities understanding of the level of risk.

468. Overall, the understanding of the extent to which legal persons created in Liberia can be misused for ML/TF is limited. The lack of an assessment of ML/TF risks of legal persons limits the understanding of the risk of misuse of the different forms and types of legal entities in Liberia. The officials of LBR and other competent authorities involved in the registration of legal entities participated demonstrated a limited understanding of the vulnerabilities and the extent to which legal persons can be or are being misused for ML/TF purposes. Some LEAs and the FIA demonstrated to some extent, awareness of the risks posed by legal persons and the need to identify the natural person behind the structures. The level of understanding is based on the operational activities of these institutions, including cases that have been investigated involving legal persons as well as participation in the NRA exercises.

Mitigating measures to prevent the misuse of legal persons and arrangements for ML/TF purposes

469. Overall, Liberia has not implemented sufficient measures to increase transparency and prevent the misuse of legal persons and arrangements. In the absence of an adequate risk assessment of legal entities, it is difficult for the authorities to demonstrate that they have taken mitigating measures to prevent the misuse of legal persons and arrangements for ML/TF purposes. However, the assessment team took note of inherent risks (extractive sector and offshore companies, including maritime sector) which appear to not have been addressed sufficiently (see Chapter 1), while also noting some progress in certain areas that have yet to lead to tangible results. The deficiencies in the legal framework relating to unsatisfactory measures for ensuring that there is adequate, accurate and updated information on BO have an impact on effectiveness in mitigating measures to prevent the misuse of legal persons and arrangements (see R.24, R.25).

Bearer shares, Nominee shares and Directors

470. Liberia has implemented some measures designed to address some of the risks related to bearer shares and nominee shares and directors, but their effectiveness remains limited. The BCA was amended in 2020 to prohibit Liberia non-resident entities (offshore companies) from issuing bearer shares and nominee shares. Domestic legal entities are allowed to issue bearer shares and nominee shares and these shares must be registered and approved by the Registrar of Companies in the MOFA who must maintain custody of the bearer share certificate on behalf of the beneficial owner and must maintain

a register of each bearer share and up to date information on the beneficial owners. However, it is unclear how this measure is enforced and who is in charge of enforcing it. The authorities stated that no bearer shares and nominee shares were issued in Liberia in the review period but could not explain how they reached this conclusion. The authorities have not taken measures to ensure that the obligation to maintain a registry of bearer shares is implemented.

471. FIs and DNFBPs are to some extent contributing to mitigating risks of misuse of legal persons and arrangements that are their clients. The FIs and DNFBPs are subject to AML/CFT obligations to perform CDD on legal persons, including to establish the true nature and purpose of the business, identifying the beneficial ownership and maintain up-to-date and accurate information. However, implementation of CDD and identification of BO remain uneven in practice and at rudimentary stage for some FIs and most DNFBPs, including lawyers and accountants (see Immediate Outcome 4) which limits the impact of FIs and DNFBPs as gatekeepers for this sector. In addition, weak supervision may be affecting the level of compliance of FIs and DNFBPs, in particular given that the CBL's supervision does not cover BO obligations and supervision of DNFBPs is yet to commence (see Immediate Outcome 3).

Extractive industry

472. Since 2018, the LEITI is collecting BO information of some legal persons licensed to operate in the extractive, forestry and agricultural sectors. It conducts annual BO scoping assessment to identify and classify the Legal Persons that are to provide BO information based on materiality threshold determined by multistakeholder Steering Group (MSG)¹⁰⁵. However, the BO information does not cover all the legal persons in the sector and the information collected is not verified. The publication of the BO information collected on the LEITI website helps in increasing transparency in the extractive industry and mitigating the risk of misuse of legal persons operating in this sector.

473. In addition to the work of LEITI, there are national efforts aimed at increasing transparency of legal persons. In September 2021, Liberia established a National Steering Committee on BO information which comprises of LEITI, LRA, LBR, LPRA, FIA, and MME to develop a fully functional Beneficial Ownership information Registry in Liberia. A regulation¹⁰⁶ is being drafted to create a central database for BO information of legal persons in Liberia. The assessors acknowledge these efforts laudable towards AML/CFT compliance, as it relates to increase in transparency of legal persons in Liberia.

Offshore sector

474. Liberia took some limited measures to address risks related to its attractive offshore sector. The government designated LISCR - a trust arrangement between the government and a US service provider - as the sole registered agent for all offshore and maritime companies. The services provided by LISCR are non-face-to-face which exposes it to inherent risks related to the authentication of documents, understanding of the nature and structure of its clients which are all foreign based. The AML/CFT Act which came into force in August 2022, subjects LISCR to AML/CFT obligations and supervision as a DNFBP. LISCR implements due diligence measures on its clients, including screening against UN sanction list, however important effectiveness gap remains (see IO.4, para 381).

475. In addition to its core mandate to register shipping companies, LISCR is empowered to register offshore private foundations and limited liability partnership and it obtains, verifies, maintains and keeps updating the identity of beneficial owners and members and shareholders of these legal persons. Any change in beneficial owners, shareholders, directors or officers must be reflected in LISCR's records.

¹⁰⁵ The Multistakeholder Steering Group is the governing body for the LEITI comprising 15 members from the government (7), civil societies (4) and private sector (4)

¹⁰⁶ The Liberia Beneficial Ownership Disclosure Regulation was adopted, after the AT's onsite, in December 2022.

Similarly, LISCR's registered agents must maintain accurate and up-to-date information regularly in automated software systems.

476. Since the designation of LISCR, as a DNFBP, regulatory authorities have not fully supervised the agency on its AML/CFT requirements to reduce the residual risk of the registry even though it appears to have control measures in place to prevent the misuse of legal entities it has incorporated and registered. Also, the mitigation measures in place cannot be commensurate to the unique risk posed by large number of foreign maritime companies registering ships in Liberia in the absence of a sector specific risk assessment.

Domestic companies

477. MOFA and LBR respectively incorporate and register companies, but they are not implementing mitigating measures to address particular risks. All companies operating in Liberia must be incorporated by the MOFA and registered with the LBR in order to operate in Liberia. MOFA and LBR do not have an AML/CFT preventive measure and only apply general administrative control measures. MOFA and LBR do not subject legal persons to any form of due diligence or verification to ensure that the information registered is accurate or that the legal person is not created for the purpose of being misused for ML/TF purposes. They also do not conduct background criminal checks on directors/shareholders before incorporation and registration of legal entities. This situation can lead to the concealment of the beneficial owners of the legal persons and does not allow for an accurate identification of all economic agents and increase the vulnerabilities of being misused for ML and criminal activities of legal persons.

478. Liberia indicated that the LRA has a role to play in ensuring the transparency of legal persons. They notably referred to the unique tax number provided to legal persons as well as investigation conducted related to tax obligations. However, it remains unclear to what extent the LRA is contributing to preventing the misuse of legal persons, notably whether the tax number can be used by the private sector or other competent authorities to authenticate the incorporation of a legal persons or whether the LRA cooperates with the LBR to share information, notably on legal persons dissolved or discrepancies noted with the information held in the LBR register. It is also unclear whether any of the actions taken by LRA has led to the dissolution of legal persons or imposition of fines for AML/CFT considerations.

Association/Foundations, etc

479. Liberia allows registration of domestic and foreign foundations under the Association Law. LBR registers domestic Association/Foundation while LISCR registers Liberian Private Foundation. The Liberian Private Foundations (offshore entities) are subjected to KYC and CDD measures during the onboarding process (see para 475 & 476 on verification process). However, these diligence measures do not extent to the "donor" who creates the Private Foundations which creates an important transparency gap. Domestic associations/ foundations are not subject to any verification or mitigating measures. The weak supervisory measures make it possible for misappropriation of endowment fund and to qualify the risk of money laundering by private foundation. The ML/TF risks associated with these legal persons remain unknown to the competent authorities in Liberia and due to the services provided by private foundation, the risks of misuse of private foundations could be high.

Legal arrangements

480. Regarding legal arrangements, under the BCA, where a trust is created, only information relating to the name, address and place of incorporation of the corporate body is maintained. Creation of a trust in Liberia requires a judicial process. The procedures of the probate court do not require disclosure of beneficial ownership information. The procedure is limited to the requirements of the BCA and in practice, the authorities did not demonstrate that they go beyond this information and obtain

details of the ultimate natural persons in or behind the corporate trustee, beneficiary, or settlor. Also, the AT is concerned whether the information that is available is adequate, accurate and up-to-date.

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

Legal persons

481. Liberian competent authorities, including LEAs can access basic information and/or BO information on legal persons from various sources: from financial institutions or DNFBPs, or from the company registries (LBR and LISCRC registries) or from incorporation authority (MOFA). However, there are concerns in terms of how adequate, accurate and current this information is.

482. Generally, basic information is available on legal persons provided during creation and formation of business, and the business is known. Similar information may be available on trusts provided the trustee is known. However, BO information is not generally accessible to the standards expected by the FATF in a timely manner due to the absence of: (a) any requirement to collect BO information at the time of formation; and (b) effective measures in place to collect BO information from legal persons and arrangement. Information on tax payments of a legal person is available publicly via an App developed by LRA and the identity of the legal person is possible through Tax Identification Number (TIN). Liberian competent authorities including LEAs conducting ML/TF can access information on status of tax liability of legal persons.

Basic information – Domestic companies

483. The competent authorities are able to access basic information on legal persons from the MOFA or LBR upon request, but there is no process to ensure the information is accurate and up-to-date. The LBR verifies the completeness of the information in the registration request against requirements, including by reviewing the articles of incorporation documents during the onboarding process. However, the LBR has no process or procedures to ensure that the information is accurate and that the documents provided are authentic. In particular, for the registration of companies by non-nationals, the LBR relies on notarization only without confirmation of the authenticity of the documents from foreign counterparts. Both MOFA and LBR's verification of the information submitted appears limited and its accuracy over time is not guaranteed. Liberia was not able to provide information on the number of requests for information received from competent authorities by the LBR or MOFA.

484. The procedure for competent authorities including LEAs to access basic information of legal persons from LBR requires a written request to the Registrar of LBR who will approve such a request. The authorities stated that volumes of the request ranges from 20 to 50 monthly and the timeframe is from 3 to 10 working days to provide a request. The basic information provided within 3 working days appears to be fairly timely while the information provided in 10 working days appears to be untimely in specific cases which need to be treated with utmost urgency. Regarding competent authorities' access to adequate, accurate and current basic information of legal persons from registries of LBR and MOFA, there remains deficiencies due to inadequate verification processes during the onboarding process.

485. The basic information can also be obtained directly from the companies which are under the obligation to keep records of their incorporation documents filed during the registration process. However, regarding obtaining this information directly from legal persons will require judicial process in form of subpoena or productions orders which does not allow to gain timely access of basic information. In addition, the competent authorities cannot directly obtain information from Not-For-Profit Corporations, and Unincorporated Associations as they are not required by law to keep and maintain record of their incorporation documents (see R.24).

Information on beneficial owner - domestic companies

486. The competent authorities can access BO information of companies operating in the extractive industry from the LEITI in a timely manner. Annually, the LEITI collects, processes and store BO information of some legal persons that meet the materiality threshold in the database and it can be accessible publicly via LEITI's website: www.leiti.org.lr/ and its reports published online on various websites including the website of MOCI: www.moci.gov.lr/. However, BO information of other legal persons operating within the extractive industry which yet to be covered by LEITI are not collected. Generally, the accessibility of accurate BO information of legal persons operating in extractive industry remain uncertain because BO information collected from legal persons are not subject verification to ascertain the accuracy.

487. However Liberian competent authorities cannot access BO information of other domestic companies operating outside of extractive industry. The MOFA and LBR registries do not subject legal entities to disclose their BO information during the creation and formation process and therefore, BO information is not obtained and maintained. Domestic legal persons are also not required to maintain this information. Competent authorities can however request this information from FIs/DNFBPs but this requires a time consuming process to identify the FI/DNFBP that conducts business with the LP and there are concerns about the accuracy of the information held by the private sectors (See IO4, para 361-371).

Box 7.1. LEGAL PERSON INFORMATION

Example of cooperation in international mutual assistance and basic and BO information.

In August 2022, an FIU in the Region sent a request to Liberian FIA for the purpose of determining the basic and BO information of a company registered and operating in Liberia which sent a wire transfer via a bank in Liberia to one Mr. Z's bank account in the requesting country including the relationship between the company and Mr Z.

In September 2022, the FIA provided the basic and banking information of the said company but did not provide other information, including BO information. The remaining information is being processed and the response to the requesting country is underway

Source: FIA

488. Box 7.1 demonstrates that competent authorities, including the FIA can access basic information of a legal person incorporated and registered in Liberia by MOFA and LBR in a timely manner. However, in case of investigation of BO information of these legal persons, LEAs must resort to gathering this information through time-consuming, resource-intensive, and lengthy investigations, which may involve: detailed analysis of bank accounts and transaction records; physical around-the-clock surveillance; collection of emails; conducting searches; interviewing potential witnesses, etc. As a result, the competent authorities are not always able to access such information in a timely manner, and thus it cannot be said that there are no impediments to their collection of such information. The requirement to launch a full and costly investigation cannot be construed as an effective mechanism for timely access to adequate, accurate and current BO information.

Basic information – offshore companies

489. The competent authorities can access basic information on legal persons from the LISCR upon request. LISCR collects all basic information upon registration and offshore companies are required to make an annual declaration to the LISCR, including information on the director(s), management, and ownership, as well as provide a point of contact for immediate access to internal records. However, there are some concerns noted about the thoroughness of the verification mechanism of the information collected (see IO4, para 369). The fact that all interactions with legal persons are conducted in a none

face-to-face format is also not mitigated by measures to properly authenticate documents received in the context of CDD. In addition, all customers are foreign-based and challenges which respect to verification of CDD documents do not appear properly mitigated. It is also unclear if the KYC procedures extend to maritime companies and therefore if LISCR collects and verifies all basic information for this sector.

Information on beneficial owner – offshore companies

490. LISCR identifies the BO of offshore companies through the completion of its KYC form (“BO form”) that clients are obliged to submit along with the copy of the passport of the BO. However, neither the form, nor the CDD procedures provide a functional definition of BO and the form only provides for the declaration of one BO. It is unclear, whether apart from the declaration of the client, LISCR attempts to identify the BO especially when dealing with complex structures. The information submitted is verified for completeness by a LISCR agent before being sent to the compliance department for screening of the name of the person on the KYC form only (i.e. the BO and not all persons involved in the management or ownership of the company) against commercial database on the same day that the company is created to ensure most up-to-date information. However, while the verification process allows to determine if the person is listed in the commercial database as being under sanctions or a PEP, it does not allow to verify the identity of the customer and the authenticity of his documents.

491. The competent authorities can access basic and BO information from the LISCR for free of charge by making a formal request. It is however unclear how many requests have been submitted and competent authorities could not demonstrate that they can access information in a timely manner despite the particular framework establishing LISCR as a trust between the Liberian government and a US based company. In addition, despite the authorities’ efforts to enhance transparency of BO through initiatives spearheaded by the National Steering Committee on BO, no coordination mechanism has been established with LISCR and the US government to ensure timely access to accurate BO information.

492. The authorities have not provided case examples demonstrating that LEAs are able to obtain adequate and accurate information about the BO of some legal persons and arrangements created in Liberia and there is no information available on the actual lengths of time it will take the authorities to identify the BO successfully in timely manner.

Legal arrangements

493. The creation of legal arrangements is allowed in Liberia’s legal system and the country has taken measures to facilitate access by the competent authorities to relevant information on legal arrangements created. During the onsite visit, competent authorities and the private sector in Liberia indicated creation of trust in Liberia is rare and competent authorities unable to confirm whether any legal arrangements was created in the country within the review period. The information on trust created is at the Deed Registry in the NAC and the registry of the Probate Court. Competent authorities, including LEAs can access basic information of the natural persons the settlor and the beneficiary named in the trust agreement.

494. However, competent authorities, including LEAs cannot access BO information because trustees are not required to disclose BO information in the trust instrument. As in the case of legal persons, timely access to adequate, accurate and current basic and BO information on legal arrangements by competent authorities faces serious impediments because the country lacked effective mechanisms in place to assist competent authorities to have access in a timely fashion to adequate, accurate and current information on the beneficial ownership and control of legal arrangements, and in particular the settlor, the trustee, and the beneficiaries of express trusts.

495. The application for creation of a trust is filed in the Probate Court with verify affidavits and accompanying documents which the court relies on to grant the order sought in the application. The court verifies the accuracy of the information by consulting legal documents of the trust, including

intention of the parties named in the trust instruments before granting its orders. There is degree of accuracy and timeliness access of the information held in the Deed Registry and the Registry of the Probate Court.

496. Trustees are not regulated by any supervisor to ensure compliance with AML/CFT obligations. Some of the lawyers informed the AT that they are guided in their relationship with the clients by the common law of trusts, ethical rules of practice, and confidentiality obligations.

7.2.6. Effectiveness, proportionality, and dissuasiveness of sanctions

497. Sanctions are available for breaches of reporting and record-keeping requirements under the BCA governing legal persons. The authorities state that the LBR and LISCR have the powers to apply sanctions independently and they have used these powers to impose sanction for various violations. However, this remains unclear to the AT as no law was provided to confirm it. The Association law empowers MOFA to impose sanctions against legal persons. The sanction includes a fine of One Thousand Dollars (US\$1,000.00), or withdrawal of good standing, revocation of the entity's license to operate, and dissolution, as the Registrar shall determine to be appropriate and apply it within the ambit of the law. However, \$1000.00 as a maximum sanction appears to be not dissuasive and proportionate in cases where a legal person involved in a multimillion-dollar illegal activities leading to breach of its reporting obligations.

498. Between 2019 and 2022, LISCR applied monetary sanctions to offshore companies for failure to comply with reporting obligation (see Table 7.1). However, LBR has not applied monetary sanction to a legal person. Both registries have not prosecuted any legal persons for non-compliance with the BO reporting obligation. The number of sanctions applied by LISCR seems low and the nature of these sanctions has not been disclosed and it is therefore not possible to determine whether they are proportionate and dissuasive. Liberia was not able to specify the nature of the sanction and whether this had been used proportionately to the offence committed. Criminal and administrative sanctions have not been applied against the natural persons including directors and shareholders of legal persons during the period under review.

Table 7.1: Fines imposed by LISCR on LPs and LAs for failure to comply with reporting obligation or sanctions (2018 – 2022).

Corporate entities	2018 (XLRD) (US\$)	2019 XLRD) (US\$)	2020 (XLRD) (US\$)	2021 (XLRD) (US\$)	2022 (XLRD) (US\$)
Domestic companies	n/a	n/a	n/a	n/a	n/a
Foreign companies	n/a	n/a	n/a	n/a	n/a
Offshore companies	0	\$4,106,400	\$918,850	\$66,750	\$78,915
Total amount (XLRD) (US\$)	n/a	\$918,850	\$66,750	\$78,915	\$78,915

499. LBR and LISCR applied sanctions such as deregistration due non filing of annual report for the purposes of tax. Table 7. 2 reflects the number of deregistration carried out between 2018 and 2022 as a result of non-renewal of business certificate. However, this deregistration is made rather for reporting breaches of persons who have already discontinued their activities, instead of material breaches to obligations required during the companies' existence.

Table 7.2: Measures taken against companies for failure to comply with the reporting obligation and sanctions.

Actions by LISCR	2018	2019	2020	2021	2022

No of rejection	0	0	0	0	0
No of deregistration	0	1622	1151	746	1905
Total	0	1622	1151	746	1905
Criminal sanctions	0	0	0	0	0
Actions by LBR	2018	2019	2020	2021	2022
No of rejection by LBR	3	1	1	4	4
No of deregistration by LBR	0	0	0	0	0
Total	3	1	1	4	4
Criminal sanctions	0	0	0	0	0

500. Liberia authorities were not able to demonstrate that sanctions had been imposed on associations. Not-For-Profit Organisations including the natural persons, behind foundations and associations operating in the country.

501. The authorities stated that LEITI have power to impose sanction for failure to provide BO information by naming and shaming through publication. In serious cases, it will refer the matter to MSG or executive for appropriate action, including the imposition of a \$1,000 USD fine and revocation of license, to be taken against the defaulted legal person. However, no information or data on sanction of this nature was provided to AT for consideration. Therefore, AT cannot ascertain the effectiveness of this sanction.

502. Liberia has not provided any information or statistical data on sanctions of legal arrangements and natural persons involved the creation of legal arrangements. No provisions is made for sanctions of legal arrangement in Liberia.

Overall conclusion on IO.5

503. Information on the processes for the establishment of all types of legal persons is publicly available. Basic information on legal persons is available and accessible by competent authorities, including LEAs. The adequacy, accuracy and up-to-date of this information cannot be ascertained due to limited verifications process. In addition, BO information of some legal persons in the extractive industry and offshore as well as maritime companies is accessible from LEITI and LISCR, respectively. However, there are concerns about the information being accurate and up-to-date and, in the case of LISCR, timely access by LEAs. Liberia has not assessed the ML/TF risks associated with the different types of legal persons established in the country. Competent authorities have limited understanding of the risk associated with legal persons and how they can be misused by criminals. Measures to mitigate the misuse of legal persons and arrangements are inadequate. Liberia has not demonstrated the effective application of proportionate and dissuasive sanctions in case of failure to report up-to-date basic information, record keeping or obtain BO information.

504. **Liberia is rated as having a Low level of effectiveness for IO.5.**

CHAPTER 8. INTERNATIONAL COOPERATION

8.1. Key Findings and Recommended Actions

Key Findings

- a) Liberia has a good legal framework for international cooperation in criminal matters. However, the country has inadequate institutional and resource capacity to rapidly provide and seek the widest possible range of MLA in relation to ML, associated predicate offences and TF investigations, prosecutions and related proceedings.
- b) The number of incoming requests is relatively low. Even though, Liberia has not able to execute any of the request received from its foreign counterparts during the period under review. The MoJ has no guidelines, standard operating procedures, nor a case management system to handle and process incoming MLA and extradition requests".
- c) Liberia made only one MLA request over the period, which indicates that the country does not make proactive and effective use of international cooperation through MLA. This limits the country's opportunities to pursue and investigate transnational criminals and their assets and is inconsistent with the country's risk profile.
- d) Liberian LEAs participate in regional and international networks (INTERPOL, WAPIS, WACAP, ARINWA, etc) which facilitate police to police cooperation on criminal matters. However, the extent to which LEAs have leveraged these platforms to exchange information to support domestic and foreign investigation of cases with transnational elements remains unclear. The LRA has some experience in information exchange with foreign counterparts.
- e) The FIA has signed cooperation agreements with some foreign FIUs to facilitate the exchange of information, the FIA did not demonstrate the effective use of these channels to support its analytical functions.
- f) Cooperation between AML/CFT supervisors and their foreign counterparts is incommensurate with Liberia's ML/TF risk profile. The CBL demonstrated a limited level of information exchange related to FIs, especially banks, for AML/CFT purposes. The DNFBP supervisors, including the FIA are yet to establish or leverage existing cooperation channels with foreign financial and DNFBP supervisors to inform their supervisory activities.

Recommended Actions

Liberia should:

- a. Ensure that incoming MLA and extradition requests are dealt with in a timely and comprehensive manner, by (i) making international co-operation a national high-level priority; (ii) securing adequate resources to deal with international co-operation matters and training them accordingly; (iii) developing a

standards operating procedure on how the processing and timelines of incoming request.

- b. Ensure that competent authorities systematically seek international co-operation, especially from its neighbouring countries and within West Africa (for example, Nigeria and Sierra Leone) and also from the USA, when investigating criminal cases of ML, associated predicate offences or TF with transnational elements. Assistance should be pursued in line with the country's risk profile. In this regard, Liberian authorities should train relevant LEAs to pursue cross-border evidence accordingly.
- c. Ensure that the FIA speeds up the process of joining the Egmont Group for increased exchange of information with other FIUs, including those outside the West Africa region. Meanwhile, the FIA should continue signing MOUs with foreign counterparts of strategic interest to promote a wide information exchange.
- d. Supervisors initiate and secure proactive cooperation with their foreign counterparts to better inform their supervisory actions, including sharing and seeking information on sectoral or thematic risk assessment, joint inspections, fit and proper controls.
- e. Ensure the maintenance of comprehensive data and information on the execution (result, timeframe) of MLA extradition requests. Similarly, competent authorities should maintain robust statistics on information exchange, namely on case studies, and feedback provided.
- f. Strengthen mechanisms to facilitate the exchange of information on the beneficial owners of legal persons.

505. The relevant Immediate Outcome considered and assessed in this chapter is IO.2. The Recommendations relevant for the assessment of effectiveness under this section are R.36-40 and elements of R.9, 15, 24, 25 and 32.

8.2. Immediate Outcome 2 (International Cooperation)

506. Liberia has a good legislative framework for MLA and can exchange information based on bilateral and multilateral agreements in accordance with the principle of reciprocity within the framework of the UN, and ECOWAS treaties.¹⁰⁷ Liberia borders three countries and the Atlantic Ocean with numerous porous borders and given the information provided under Chapter 1 on the porous borders, this makes the country an attractive transit route for illicit goods, drugs trafficking and human trafficking.

507. The fact that corruption associated with PEPs, currency counterfeiting, human trafficking, drug trafficking, tax evasion and are proceeds generating crimes in the country and given the foreign elements of these crimes, international cooperation is vital in the context of Liberia. However, Liberia is inactive in seeking and providing international cooperation to support domestic and foreign investigation as it

¹⁰⁷ Liberia is a party to all four conventions for international judicial cooperation mentioned in the FATF standards and it has further enacted MLAA to strengthen judicial cooperation for the AML/CFT&PF purposes.

has not developed active cooperation in the field of MLA and extradition consistent with the ML/TF risk Profile. The assessors based their conclusions on the analysis of the legal framework and the processes in place, including discussions with competent authorities, statistics on assistance case examples provided by the authorities.

Providing constructive and timely MLA and extradition

508. At the structural level, the MOJ is the central authority (CA) responsible for making and handling MLA and extradition requests for execution or dissemination to domestic competent authorities for execution. One prosecutor at the Prosecutions Department of the MOJ, is responsible for making and handling requests, in addition to playing other roles in the Department. However, the official is not adequately trained on international cooperation matters and demonstrated a low knowledge in the processing of requests. The Ministry of Foreign Affairs also plays a role in receiving and distributing requests transmitted via diplomatic channels and coordinates between the MOJ and the requesting States. The requests are processed in collaboration with the different relevant authorities, including the FIA, and there is a mechanism to ensure that the execution of requests is kept entirely confidential if the nature of the foreign proceedings so requires. The unauthorised disclosure of the contents of a request from a foreign counterpart is a first-degree misdemeanor under penal law.

Incoming MLA (for foreign Investigation and prosecution purposes)

509. The statistics provided suggests that Liberia's level of international cooperation is extremely low while execution of requests is almost non-existent (see Table 8.1). Since 2018, Liberia has received twenty-seven (27) MLA requests (14 on ML and 13 on asset tracing, seizure and confiscation) from foreign jurisdictions, including the USA and Denmark. The request from Denmark relates to criminal investigations against a company involved in oil business contrary to the Danish Criminal Code. The authorities acted on a request from the USA, but without success (see Box 8.1). However, the sources of the origin of other requests remain unknown as the authorities did not provide such information to the AT for consideration. There is no information regarding the status of the outstanding requests (whether being processed, refused or withdrawn) and according to the authorities the rest of the requests are pending. There were no TF related MLA requests during the review period which is commensurate to the country's risk profile. Overall, Liberia can provide MLA related to confiscation and adopt other provisional measures but lacks the capacity to effectively do so in practice.

Table 8.1 Incoming MLA requests for ML/TF and Predicate Offences, 2018-2022

MLA RECEIVED	2018	2019	2020	2021	2022	Total
Money Laundering	1	6	1	5	1	14
Executed	0	0	0	0	0	0
Under processing	0	0	0	0	0	0
Refused	0	0	0	0	0	0
Terrorism/Terrorist Financing	0	0	0	0	0	0
Predicate offences	0	0	0	0	0	00
Asset Tracing						
<i>With a related freezing/ confiscation request)</i>	0	1	0	0	0	01
Executed		0				0
Under processing						
Refused						
<i>Without a related freezing /confiscation request)</i>	1	5	0	5	1	12
Executed	0	0		0	0	0

Under processing	0	0		0	0	0
Refused	0	0		0	0	0
Total	2	12	1	10	2	27
Executed	0	0	0	0	0	00
Under processing	0	0	0	0	0	0
Refused	0	0	0	0	0	0

Source: MOJ

510. Although the MLAA requires the MOJ to execute MLAs as soon as possible and take full account of suggested deadlines of the requesting State, no Standard Operation Procedure (SOP) and guidelines set out the specific processes and timelines for handling MLA requests. Even though the number of incoming MLA requests is low, since none of them have been executed during the period under review, the Assessors consider that they are not given priority. The process is slow and lengthy due to a number of factors such as inadequate human resources, training of personnel dealing with the matter and the lack of SOP and guidelines for processing MLAs. The grounds for refusing to provide assistance are set out in the MLAA and appear to be reasonable and justified. Notwithstanding, as indicated in Table 8.1, Liberia did not refuse any request for the period under review.

511. Feedback from the Global Network did not provide examples of Liberia making or acting upon MLA requests, which confirms the statistics in Table 8.1. These suggest Liberia's possible challenges in effectively responding to formal international cooperation requests. Accordingly, this demonstrates the country's inadequate capacity to provide constructive and timely international cooperation through MLA, extradition and informal information exchange.

Box 8.1. The A.C.K Case Unsuccessful MLA Request.

In 2018, Liberia received an MLA request from the USA to identify, freeze and confiscate bank accounts and landed property belonging to a Liberian who was convicted and imprisoned in the US in connection with a fraudulent investment scheme involving gold and diamond valued at US\$ 9.5 million. The authorities obtained a judicial freezing order to pursue the request. However, the landed property could not be identified while the bank account which was found to be in the names of the convict's spouse and associates contained an insignificant amount of money. The USA authorities were informed accordingly.

The MLA request was unsuccessful due to Liberia's inability to identify and freeze the landed property subjected to a confiscation order.

Extradition

512. Liberia operates two extradition regimes: standard extradition procedure based on treaty and a simplified extradition procedure based on agreements with foreign counterparts. The MOJ is the central authority for all extradition matters. Extradition requests are processed through diplomatic channels and handled by the MOJ's Office. Application to the Magistrate Court or Circuit Court is required, depending on the nature of the offence in the requests. Liberia can extradite its nationals if the purpose of the extradition is not contrary to the requirement of the extradition process and international obligations.¹⁰⁸

¹⁰⁸ Article 13(b) of the Constitution of Republic of Liberia 1986 allows extradition of nation and it provide that: *Every Liberian Citizen shall have the right to leave and to enter Liberia at any time. Liberian citizens and non-Liberian residents may be extradited to foreign country for prosecution of a criminal offense in accordance with the provisions of an extradition treaty or other reciprocal international agreements in force. Non-Liberian residents may be expelled from the Republic of Liberia for cause*".

513. Since 2018, Liberia has received one extradition request related to a predicate offence, which the authorities refused to execute because the request was considered political in nature. In the absence of extradition within the review period, the Assessors could not determine the average time for executing incoming requests. Liberia does not have guidelines and SOP, and clear processes for the timely execution of extradition requests. There was no extradition request in relation to TF offence in the review period.

Simplified extradition (Surrender suspects to foreign jurisdictions)

514. Liberia can utilise the Cooperation framework in Criminal Matters between the Police of States of ECOWAS to surrender fugitives based on warrants of arrest or court judgments for investigation and prosecution of ML, APOs and TF to foreign jurisdiction. It can also utilise treaties, agreements and reciprocity to provide rendition in criminal matters for non-ECOWAS States. During the review period, Liberia rendered two suspects and fugitives, a Guinean national and Pakistani national to Guinea and Sierra Leone respectively based on the simplified extradition measures (see Box 8. 2). Both suspects were charged with the offence of trafficking in persons.

Box 8.2. The TIP Case.

Example of MLA surrender and extradition leading to handing over of a suspect to foreign counterpart

On August 28,2019, TCU received an arrest warrant from counterparts in the Republic of Sierra Leone requesting the arrest of two (2) Pakistani nationals who jumped bail in that country for human trafficking and came to Liberia. On August 30,2019, one of the Pakistanis was arrested and surrendered to the Sierra Leonean authorities on September 3, 2019, while the other escaped from the country prior to the request.

Source: MOJ

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

Outgoing MLA (for domestic investigation and prosecution purposes)

515. In Liberia, the MOJ and the FIA handle and process the outgoing MLA request. Formal outgoing MLA requests are handled and processed by the Central Authority which transmits the request on behalf of the relevant agency to foreign jurisdictions.

516. Since 2018, Liberia has made only one MLA request which was directed at to Sierra Leone in relation to immigration offences. However, Sierra Leone did not respond to the request. Some of the proceeds generating crimes investigated and prosecuted during the review period involved foreign nationals. Notably, the LDEA operatives arrested several foreigners in drug-related offences while LNP and LIS investigated human trafficking cases involving foreign traffickers and victims.¹⁰⁹ However, the LEAs involved did not seek any assistance from foreign counterparts. The transnational nature of drug trafficking, human trafficking and corruption associated with PEPs require active engagement with foreign countries to support domestic investigation. The low number of MLA requests suggests that the Liberian authorities are not giving priority to the transnational aspects of these proceeds generating offences and ML which is inconsistent with the risk profile of the country. There are no written

¹⁰⁹ US DEPARTMENT OF STATE, 2021 TRAFFICKING IN PERSONS REPORT: LIBERIA: [HTTPS://WWW.STATE.GOV/REPORTS/2021-TRAFFICKING-IN-PERSONS-REPORT/LIBERIA/](https://www.state.gov/reports/2021-trafficking-in-persons-report/liberia/) ACCESSED 12 SEPTEMBER 2022.

guidelines (or clear processes established within relevant authorities) setting out any type of priorities for requesting international legal assistance. This is a major deficiency which to a very large extent impedes requesting international assistance in proceed generating offences and ML cases.

517. In relation to requesting MLA from foreign counterparts for seizure and confiscation of assets in ML related cases during the period under review, assessors were not advised if this has occurred.

518. The MOJ is yet to align risk and develop a strategy to effectively pursue the proceeds generating crimes noted in the NRA and related assets through established enhanced international cooperation. No request was made relating to TF in the review period, which reflects the country's risk profile.

519. Overall, Liberia is not actively seeking formal international cooperation to support domestic investigations which is not commensurable with its risk profile.

Extradition

520. Liberia's extradition requests are designed to be handled and processed by central authority for onward transmission to the foreign country where the suspect may be residing at the material time of the request. Over the review period, two extradition requests have been made, but without success. The first request (2018) related to document fraud and immigration offences and was refused by the requested State. The Liberian authorities did not provide information on the reasons for the refusal. The second request (2020) related to corruption (see case 3, Case Box 3.5), and is pending. The low number of requests for extradition to pursue fugitives and the proceeds of their crime is not in line with the country's risk profile. This could be because Liberia has not equipped prosecutors and investigative authorities with guidance documents or manuals of procedures on extradition matters. The authorities have not also trained or raised awareness among prosecutors and investigators to strengthen their skills on processing formal requests. There has been no extradition request related to TF which is consistent with the risk profile of Liberia.

521. Overall, Liberia is not proactively seeking cooperation in the field of MLA and extradition, particularly in cases of bribery and corruption, tax evasion, currency counterfeiting, fraud, theft/stealing or robbery, forgery, migrant smuggling, environmental crime, and sexual exploitation which are identified in the NRA as the most prevalent proceeds generating predicate offences in Liberia, which is not consistent with its risk Profile. The high-risk proceeds generating predicate offences identified in the NRA have an inherent cross-border element, which emphasises the importance of international cooperation in this regard.

Seeking other forms of international cooperation for AML/CFT purposes

522. The competent authorities in Liberia can explore other forms of international cooperation during the investigation of ML, associated predicate offences and TF cases, through respective LEAs and the FIA. The supervisory authorities in Liberia, especially the CBL, also collaborate and exchange information with foreign State supervisory authorities for AML/CFT purposes.

FIU-FIU Cooperation

523. The FIA is a member of the Forum of FIUs of GIABA member States. The Forum aims to strengthen cooperation amongst members in exchanging relevant information on ML/TF matters or performing joint actions such as typologies studies. ¹¹⁰~~(b)~~ are members of the Egmont Group and could provide quality information. There are no restrictions on the FIA to share spontaneous information with foreign counterparts.

110 Burkina Faso, Cabo Verde, Cote d'Ivoire, Niger, Gambia, Ghana, Nigeria, Senegal, Sierra Leone, Togo and Trinidad and Tobago).

524. Since 2018, the FIA has made one request to Ghana relating to suspected ML. During this period, the FIA received two requests, one from Sierra Leone relating to shareholder information and other from The Gambia relating to basic and BO information on two companies. The FIA has provided preliminary response to The Gambia's request while the request from Sierra Leone is pending. The FIA is yet to receive a response from Ghana to be able to determine the adequacy and quality of information provided or if the information served the purpose for which it was requested. Similarly, it is yet to receive feedback from The Gambia to determine the same. Overall, the FIA makes little use of its cooperation network with other foreign FIUs to share information and enhance its operational analysis. The low number of outgoing requests is a concern given Liberia's risk profile. The FIA is not yet a member of the Egmont Group, although it has applied for membership.

Law Enforcement Authorities Cooperation

525. Drug trafficking and trafficking in persons are major transnational threats to Liberia. Given the country's risk and context, as well as the nature of drug trafficking, human trafficking and corruption associated with PEPs, TCU and other LEAs in Liberia are expected to take commensurable measures through cooperation with their foreign counterparts to ensure effective investigation and asset recovery. In December 2018 and January 2019, LDEA officers conducted two effective joint operations, resulting in the seizure of 26 kg of heroin valued at USD 910,000 and the arrest of 8 individuals in Paynesville and Grand Cape Mount County. Prior to that, in November 2018, LDEA and the Liberia TCU officers also seized 8 kg of unprocessed heroin from a passenger's luggage at Roberts International Airport in Monrovia. The seizures were made possible through intelligence gathering and proactive investigations between LDEA, TCU and various international partners.¹¹¹ Considering the transnational elements of the proceeds generating cases in Liberia, the number of mutual assistance sought by the TCU and LDEA from their counterparts to support their investigations domestically remains limited.

526. Liberia is a signatory to the Judicial Police Cooperation Agreement between ECOWAS countries and relevant UN Conventions⁸³ which facilitate informal cooperation in the investigation of ML, associated predicate offences and TF (see R40). The country is also a member of the World Customs Organization (WCO), INTERPOL, WAPIS, WACAP, ARINWA. These frameworks provide a basis for cooperation in law enforcement, financial intelligence and customs with foreign counterparts for AML/CFT purposes. However, LEAs provided limited information on how these informal cooperation networks were leveraged. The inadequate information, on other forms of international cooperation could mean that LEAs do not engage enough in information exchange to facilitate investigation of serious offences and asset recovery or maintain comprehensive statistics. These gaps will not allow the authorities to monitor how effective international cooperation is and, thus take necessary steps to improve the system.

Liberia Revenue Authority (LRA)

527. The LRA is a member of global fora such as West African Tax Administration Forum and WCO which strengthens cooperation to counter tax evasion. The LRA-Domestic Tax Division and Custom Unit can exchange information with counterparts.¹¹² Since 2018, LRA has received four (4) requests from counterparts in three different countries and made five (5) requests to counterparts for tax purposes (see Table 8.6). The incoming requests related to BO information, tax status and banking,

111 UNODC Report: Liberian authorities achieve positive results in the fight against drug trafficking:

<https://www.unodc.org/westandcentralafrica/en/2019-02-01-drug-seizures-in-liberia.html>, accessed on 12th of September 2022.

112 Liberia has ratified the Convention on Mutual Administrative Assistance in Tax Matters and (Nairobi Convention) International Convention on Mutual Administrative Assistance for the Prevention, Investigation and Repression of Customs Offences.

while the outgoing ones related to shareholding, accounting, banking and tax information.

Table 8.6 Information Exchange between LRA and counterparts, 2018-2022

Requesting/Receiving Countries	Frequency	Nature of the request	Year
Incoming information requests			
Netherlands	1	Ownership information	2018
Germany	1	Information relating to tax status	2019
India	2	Banking information	2019
Total	4		
Outgoing Information			
South Africa	1	Shareholder information	2018
India	1	Accounting information	2018
France	2	Banking information	2018
Germany	1	Information relating tax status	2018
Total	5		

Source LRA.

Supervisory authorities

528. Supervisory authorities have legal bases to exchange financial, supervisory or other relevant information with their foreign counterparts.

529. There are seven foreign banks operating in Liberia, which makes supervisory cooperation important to mitigate the ML/TF risks associated with the banking sector which is overall considered as high risk in the NRA. The CBL is a member of the College of Supervisors of West Africa Monetary Zone (CSWAMZ)¹¹³. CSWAMZ provides a forum for directors of the central banks of the member States to exchange information that allow for a more efficient and effective consolidated and solo prudential and AML/CFT supervision of banks in their countries.¹¹⁴ In 2018, the CBL and Central Bank of Nigeria (CBN) conducted a joint examination of a Nigerian banks in Liberia at the instance of the CBN. Also, during the period under review, the CBL received and processed a request from the CBN in relation to BO information of a Nigerian bank in Liberia. Liberia did not provide evidence of information exchange with foreign counterparts regarding insurance companies and remittance service providers. The CBL exchanged information on fit and proper due diligent with the Ugandan and Rwandan counterparts through the framework of Association of African Central Banks (AACAB) within the review period. Overall, the CBL demonstrated a limited level of information exchange related to banks for AML/CFT purposes. This is inconsistent with the financial sector's ML/TF risk profile.

530. Supervisory authorities of DNFBPs¹¹⁵ have established cooperation channels with financial sector and DNFBP supervisors in foreign countries to exchange inform their supervisory activities. Supervision of DNFBPs is limited and there are a few foreign players.. In practice, it does appear that supervisory cooperation is low which is inconsistent with Liberia's risk profile.

¹¹³ The CSWAMZ meets once in a quarter to discuss issues relating to the banking sector such as developments relating to the banking and financial sector and challenges faced within their sectors. Members include Ghana, Nigeria, Gambia, Guinea, Sierra Leone and Liberia.

¹¹⁴ 2021 Annual Report of the West African Monetary Zone (WAMZ)

¹¹⁵ FIA, NLA, LICPA, LNBA & MME

531. Overall, the competent authorities in Liberia have not satisfactorily explored other forms of international cooperation through information exchange with foreign counterparts to support investigation of ML/TF cases in accordance with the country's risk profile.

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

532. The Liberian authorities demonstrated a limited experience with exchanging relevant information on legal persons and arrangements. As noted under IO.5, there are limitations regarding the adequacy, accuracy, currency and timeliness of basic and beneficial ownership information maintained by competent authorities and reporting entities.

533. The Liberian authorities did not provide any case studies, information or statistical data on requests by foreign jurisdictions regarding basic and beneficial ownership information of legal persons and arrangements or on exchange of such information through MLA or other forms of international cooperation. In the absence of information, the team could not ascertain the effectiveness of international exchange of basic and BO information with respect to legal persons and arrangement. Overall, the existing limitations could impede the country's ability to easily access and exchange BO information in a timely manner.

Overall conclusions on IO.2

534. Liberia's legal framework provides for a wide range of international cooperation in criminal matters. However, relevant institutions lack the capacity and tools to implement the measures for purposes of providing or seeking MLA, extradition and other forms of cooperation regarding ML, associated predicate offence, TF and asset recovery. In the absence of successful MLA activity, it is not possible for a determination to be made on how timely the authorities have been able to provide MLA the quality of the assistance.

535. Although LEAs participate in informal co-operation directly or via Interpol and other co-operation platforms, there are no statistics or case studies to enable the assessors to determine the effectiveness of information exchange by LEAs.

536. The FIA's cooperation with foreign counterparts is limited, while co-operation between supervisors is low, customs and tax authorities and their foreign counterparts are fairly good. The mechanisms for international exchange of basic and BO information of legal persons and other arrangements are weak. Overall, Liberia's engagement as regards international cooperation is not consistent with the country's risk profile. Given the context of Liberia, fundamental improvements are required in the use of both formal and informal cooperation channels for information exchange.

537. **Liberia is rated as having a Low level of effectiveness for IO.2.**

TECHNICAL COMPLIANCE

This section provides detailed analysis of the level of compliance with the FATF 40 Recommendations in their numerical order. It does not include descriptive text on the country situation or risks and is limited to the analysis of technical criteria for each Recommendation. It should be read in conjunction with the Mutual Evaluation Report.

Where both the FATF requirements and national laws or regulations remain the same, this report refers to analysis conducted as part of the previous Mutual Evaluation in 2011. This report is available from www.giaba.org.

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

This is a new Recommendation added to the FATF standards in 2012, therefore it was not assessed in the previous round.

Criterion 1.1 – Liberia completed and published in September 2021 its first National Risk Assessment (NRA) covering 2018 – 2020. The NRA was conducted using the World Bank NRA tool and methodology. The FIA led the NRA process with participation and inputs from relevant competent authorities¹¹⁶ and private sector representatives¹¹⁷. The NRA describes the process undertaken as well as the analyses and findings on the nature and extent of ML/TF risks facing the country. The NRA identified corruption and bribery, illicit trafficking in narcotic drugs and psychotropic substances, tax evasion, currency counterfeiting, trafficking in human beings and migrants smuggling, counterfeiting and piracy of products, and robbery/ theft as the crimes generating the most proceeds for laundering. The most vulnerable sectors identified are DNFBPs, Banking sector, Other Financial institutions, Insurance sector and Securities sector. Liberia rated ML risk as high while TF risk was rated as Low. Nonetheless, the assessment lacked in-depth analysis of certain areas, including the TF risks emanating from NPOs while legal persons and legal arrangements, and certain sectors which could be vulnerable to ML/TF risks such as real estate agents and virtual assets and VASPs were not covered in the NRA. Some of these gaps are partly mitigated by the sectoral risk assessments (see below) conducted by Liberia. Although there are some shortcomings in the NRA that impact on TF risk understanding, given the relatively low TF risk profile of the country, this gap was not significantly weighted.

Beyond the NRA, Liberia recently conducted some sectoral risk assessments, including the Risk Assessment for the NPOs sector and the Banking Sector risk assessment (see details in IO.1). Liberia also conducted a survey on the risk associated with VASPs covering the banking and insurance sectors (see IOs 1 and 3) which provided some risk understanding. In addition, Liberia conducted corruption risk assessment in some key institutions (the Liberia Electricity Corporation (LEC), the Liberia Immigration Service and the Liberia National Police) and also participated in and contributed to some GIABA typologies studies (e.g Money Laundering and Terrorist Financing through the Informal and Illegal Currency Exchange Service Providers in West Africa, 2020; and Money Laundering and Terrorist Financing Linked to the Extractive Industry / Mining Sector in West Africa, 2019). Furthermore, Liberia provided the risk rating of the various sectors in the DNFBPs. Although this is noted as it is an indication that the country understands the risk across the DNFBPs, it is not clear how the country arrived at such ratings as no evidence of a formal risk assessment giving rise to these ratings was presented. Overall, the additional efforts highlighted above further improve the country's overall understanding of its

¹¹⁶ These include the FIA, CBL, LNP, LDEA, NSA, LIS, LACC, GAC, LBR, LRA, MLME, Liberia National Lottery, and Ministries of Justice, Transport etc.

¹¹⁷ These include the representatives of commercial banks, insurance companies, mobile money service providers (Orange and Lonestars), Forex Bureaus Association, Bar Association, real estate agencies, Casinos, DPMS etc

ML/TF risks.

Criterion 1.2 – The Inter-Ministerial Committee (IMC) is responsible for coordinating the development and implementation of policies and activities to combat ML/TF and PF (Section 15.1.5.2, AML/CFT Act). In particular, the roles of the IMC include establishing operational working groups (WGs) to assist in the conduct of NRA (s.15.1.5.2 (1)(f), AML/CFT Act). The IMC is supported by the FIA which is responsible for coordinating the work of the WGs and the overall NRA process or assessment of Liberia’s ML/TF risk.

Criterion 1.3 – Liberia completed and published its first NRA in September 2021. There is no legal requirement to update the NRA, however, Liberia has committed itself under the AS-AP to update the risk assessment. In particular, item 1.1 of Goal 5 of the National AML/CFT Strategy provides for the periodic review of the NRA, with the deadline for the first review set for December 2024. This will allow Liberia to take necessary steps before or in the next 2 years to conduct/update ML/TF risk assessment and identify and assess new developments, threats and vulnerabilities.

Criterion 1.4 – The NRA report was disseminated to stakeholders via electronic mails and hand delivery of hard copies and published on the official websites of the FIA (<https://www.fiuliberia.gov.lr/>), Auditing Commission (<https://gac.gov.lr/other-important-resources/>), Ministry of Finance and Development Planning (<https://www.mfdp.gov.lr/index.php/docs/publications?start=5>); Executive Mansion (<https://www.emansion.gov.lr/2content.php?sub=15&related=7&third=15&pg=sp>) and other competent authorities. Further, the FIA organised NRA results validation and general workshops with a broad range of public and private sectors where the FIA presented the findings of the NRA. In addition, the FIA conducted one-on-one sessions with competent authorities and also carried out a number of sector specific meetings and trainings to enhance awareness on the NRA results.

Criterion 1.5 – Liberia has developed a National AML/CFT Strategy and Action Plan (2022-2025) based on the NRA. The Plan is a good step and expected to assist authorities apply a risk-based approach (RBA) in implementing measures aimed at addressing the key deficiencies identified in the NRA report, as well as allocate resources based on priorities in the Plan (P7 of the strategy). There are action items in the AS-AP to increase resources, including human resources. For instance, item 2.3 under objective 2 of Goal 2. Furthermore, some competent authorities, such as LACC, NSA and LDEA are implementing institutional-specific strategies addressing some of the risks identified in the country.

Criterion 1.6 – (N/A) - All FIs and DNFBPs are subjected to FATF Recommendations. Liberia applies all the FATF Recommendations requiring FIs or DNFBPs to implement AML/CFT measures.

Criterion 1.7 –

- (a) **Met** - Reporting entities are required to apply EDD measures where higher risks are identified (Section 15.3.1(3), AML/CFT Act). Section 15.3.1 (4) requires reporting entities to apply enhanced CDD measures where they have identified higher ML/TF risks.
- (b) **Met** - Reporting institutions are required to ensure that their institutional risk assessment take into consideration the outcome of any risk assessment carried out at a national or sectoral level (§15.3.1 (2), AML/CFT Act).

Criterion 1.8 – Reporting entities are permitted to apply simplified CDD measures in relation to a customer which presents a lower ML/TF risk but such measures cannot be implemented when there is suspicion of ML/TF and can only be applied when it can be demonstrated that an adequate risk assessment has been done §15.3.5 (1)(3), AML/CFT Act). Though reporting entities are required to take into account the results of the NRA when carrying out their risk assessments (§15.3.1 (2), AML/CFT

Act), there is no specific requirement that the identified areas of lower risk be consistent with Liberia's assessment of its ML/TF risks.

Criterion 1.9 – Supervisory bodies and SRBs are required to exercise appropriate oversight, regulation, supervision, and monitoring for compliance with AML/CFT obligations set out in the Act by FIs and DNFBPs (s15.3.28(1)(d) of the AML/CFT Act). The CBL and FIA do ensure that FIs, especially banks are implementing their obligations under R1. The specific requirements of CBL and FIA's supervision include ensuring FIs conduct a risk assessment, mitigate risk and apply a risk-based approach. However, AML/CFT monitoring / supervision for DNFBPs and other FIs is not on a risk-sensitive basis (see analysis of R.26 and R.28).

Criterion 1.10 – Reporting entities are required to identify, assess and monitor their ML/TF risks (§15.3.1, AML/CFT Act). Thus, reporting entities are required to:

- (a) – document their risk assessment (s15.3.1 (5) of the AML/CFT Act).
- (b) – consider all the risk factors, including those related to customers, products and services offered, transaction types, delivery channels, and geographical locations (§15.3.1 (2), AML/CFT Act). In addition, reporting entities shall also give due consideration to the results of any risk assessment carried out at a national or sectoral level, and any regulatory guidance issued. Reporting entities shall employ a risk-based approach to the management and mitigation of their ML/TF risks (Section 15.3.1 (3) of the AML/CFT Act)
- (c) - keep their risk assessment up to date (S15.3.1 (5) of the AML/CFT Act).
- (d) – make their risk assessments available to relevant supervisory authorities and SRBs upon appropriate request (S15.3.1 (5), AML/CFT Act)

Criterion 1.11 –

- (a) - FIs are required to develop and implement policies, controls and procedures to enable them to manage and mitigate the risks that have been identified (§15.3.12 (2)(a), AML/CFT Act). Such programmes must be approved by senior management (s15.3.12 (2)(a) of the AML/CFT Act).
- (b) - FIs and DNFBPs are required to put in place procedures and mechanisms for monitoring implementation of the controls and enhance them, where necessary (§15.3.12 (2)(b), AML/CFT Act, and reg. 2.2.1, CBL AML/CFT Regulations).
- (c) – Reporting entities are required to apply RBA in the management and mitigation of ML/TF risk (s15.3.1(3) of the AML/CFT Act) which entails application of enhanced measures where higher risks are identified. Where ML/TF risks are determined to be high reporting entities are required to apply enhanced CDD measures (§§15.3.1(3); and 15.3.4(2), AML/CFT Act). In addition, reporting entities are required to ensure that their policies and procedures are appropriate to all the risk they face and be proportionate to the nature and size of their businesses.

Criterion 1.12 – Reporting entities are permitted to apply simplified CDD measures when risks are determined to be low (§§15.3.1 (4) and 15.3.5(1), AML/CFT Act). SDD measures are not applicable when there are suspicions of ML or TF (s15.3.5(3). Section 2.4 on the Regulation on Filing Suspicious Transaction report by financial institution does not allow the application of SDD when ML/TF are suspected. However, deficiencies identified in criterion 1.9 also affect this criterion.

Weighting and Conclusion

Liberia has substantially addressed the requirements of the Recommendation in particular through the conduct of an NRA and sectoral assessments demonstrating continuous updating of risk assessment and its dissemination to a wide range of stakeholders. FIs/DNFBPs need to ensure that they have the policies in place to address the risks identified in the NRA and apply enhanced due diligence where there is risk. However, the fact that AML/CFT monitoring / supervision for DNFBPs and non-bank FIs is not on a risk-sensitive basis affects the capacity of the country to ensure that FIs/DNFBPs are implementing their R.1 obligations. This deficiency is considered significant but the existence of legal requirements for supervisory bodies and SRBs to exercise appropriate supervision and monitoring for compliance with AML/CFT obligations means it is a minor shortcoming. Although there are some shortcomings in the NRA that impact on the TF risk understanding, given the relatively low TF risk profile of the country, this gap was not significantly weighted. Other shortcomings of the NRA are partly addressed by sectoral assessments (NPOs) or scoping exercises (VASP), except for the lack of depth of some of the conclusions of the NRA and the lack of coverage of legal persons. Considering the risk and context /materiality, the deficiencies relating to the non-assessment of VASPs, and NPOs are regarded as minor. **R.1 is rated Largely Compliant.**

Recommendation 2 - National Cooperation and Coordination

Liberia was rated NC with former R.31 in its first MER due to the following underlying deficiencies: there is no FIU in place to coordinate the activities of the LEA's and act as the central point of operational cooperation, mechanisms for consultation among competent authorities are very weak, and there has not been any coordinated policy development or joint activities among the LEA's and policy makers to combat ML and FT.

Criterion 2.1 – Based on the findings of its first NRA, Liberia has adopted a National AML/CFT Strategy and Action Plan (AS-AP) for four-year period, 2022-2025. AS-AP was developed, validated by Stakeholders, approved by the President of Liberia in March 2022, and published. The Strategy has six broad goals: Strengthen the AML/CFT legal and institutional framework; enhance the risk-based supervision of reporting entities; improve the effectiveness of ML/TF and PF investigation, prosecution and asset recovery; strengthen domestic and international cooperation; strengthen the capacity and deepen awareness on AML/CFT amongst stakeholders; and enhance the KYC/CDD system and facilitate the promotion of financial inclusion. Although the national AS-AP is still running (2022-2025) it does not provide for regular reviews.

Criterion 2.2 – The IMC is the designated body for the coordination of AML/CFT policies in Liberia pursuant to s15.1.5 of the AML/CFT Act. Amongst other things, the IMC has responsibility for overseeing the implementation of AS-AP policies and strategies, including the NRA; facilitating the coordination and cooperation between AML/CFT stakeholders; and monitoring of the effective implementation of AML/CFT measures by AML/CFT stakeholders. The IMC is chaired by the Ministry of Justice with the Ministry of Finance and Development Planning as Vice Chairman. Membership is drawn from all the critical AML/CFT agencies, including the CBL, LRA, LBR, LDEA, LACC and NSA. The FIA serves as the Secretariat of the IMC.

Criterion 2.3 – Liberia has mechanisms in place to coordinate and implement AML/CFT policies both at the policy making and operational levels.

Policy Level - The IMC is responsible for developing and coordinating the implementation of the national AML/CFT policies (§15.1.5, AML/CFT Act). In particular, it is responsible for co-operation, co-ordination and exchange of information domestically between competent authorities concerning the development and implementation of the AML/CFT national strategy, policies and activities at the policy making level. The Committee also has responsibility to establish operational working groups to assist in the implementation of AML/CFT&P policies and strategies and measures (§15.1.5.2(1)(f), AML/CFT

Act). The IMC consists of high-level officials from all the relevant institutions such as the FIA, the CBL, LACC, Ministries of Justice and Finance.

Operational level – There are various interagency co-ordination mechanisms which facilitate cooperation and exchange of information pertaining to ML, and TF at the operational level. For instance, the Financial Crimes Working Group which is an interagency coordinating body that includes the FIA and law enforcement agencies such as LDEA, LACC and NSA. In addition, operational collaboration also exists through the Transnational Criminal Unit (TCU). Evidence of good cooperation and coordination at the operational level is also reflected in the establishment of the Fusion Centre and taskforces including Anti-Human Trafficking Taskforce, Investigation and Prosecution Team (NRA p41); Integrated Border Management Team (IBMT); the Presidential Investigation Team (PIT) and the Asset Investigation, Restitution and Recovery Team (AIRReT). The FIA has signed Memoranda of Understanding with a broad range of stakeholders to facilitate coordination and exchange of information.

Criterion 2.4 – The IMC is the relevant body for co-operation and co-ordination to combat PF (s15.1.5.2 (1)(a) of the AML/CFT Act). Under s15.1.5.2 (1)(a) of the Act, the IMC is responsible for monitoring the implementation of AML/CFT&P strategies and policies.

Criterion 2.5 – There is no national data protection and privacy legislation in Liberia. Notwithstanding, competent authorities have their independent policies on data protection and privacy rules guiding data usage and exchange of information. For example, sections 67.7 of the FIA Act and 3.6 of the FIA Information Communication Technology and Security Policy provides the standards on confidentiality and data protection. Similarly, the AML/CFT Act and enabling Acts of most competent authorities allow for the exchange of information, including publicly available information, amongst agencies in furtherance of the AML/CFT Regime. Cooperation and coordination among the relevant authorities take place at the strategic via the IMC. On the operational level, sharing and communication of information must be made within the framework of the law or upon an order of Court. Overall, there is no specific data protection obligations on competent authorities or privacy obligations that impede the AML/CFT requirements.

Weighting and Conclusion

Liberia has a national AML/CFT/CPF co-ordination body to set national policy and exchange information domestically, and Liberia's AS-AP 2022-2025 is based on the findings of its NRA. However, there is no requirement for the national AML/CFT policy to be regularly reviewed. **R.2 is rated Largely Complaint.**

Recommendation 3 - Money laundering offence

The First MER rated Liberia PC on the former R1. The identified shortcomings related to the scope of predicate offences for ML and the lack of administrative sanctions against legal persons convicted for ML.

Criterion 3.1 Liberia criminalises ML in line with the Vienna and Palermo Conventions. The ML offence in section 15.2.1 of the AML/CFT Act explicitly covers:

(a) the conversion or transfer of property for the purpose of concealing or disguising the illicit origin of property, or of aiding any person involved in the commission of the criminal conduct to evade the legal consequences of the [illegal] conduct;

(b) the concealment or disguise of the true nature, origin, location, disposition,

movement or ownership of rights with respect to property;

(c) the acquisition, possession or use of property;

(d) the direct or indirect engagement in any transaction which involves property;

(e) the receipt, possession, concealment, disguise, transfer, conversion, disposal, removal from or bringing property into Liberia.

The offender must know or have reason to believe or suspect that the property is the proceeds of crime.

Criterion 3.2 In Liberia, predicate offences for ML extends to offences and/or acts, which result in the generation of proceeds. These include but are not limited to all the FATF designated categories of offences and illicit trade in other goods, which may be found in the Penal Code and other laws of Liberia (§15.2.2, AML/CFT Act).

Criterion 3.3 Liberia has adopted a listing approach (§.15.2.2), AML/CFT Act).

Criterion 3.4 “Property” has the same definition as “funds and other property” which covers all types of property required by the FATF Standards, regardless of their value or mode of acquisition (§15.4.16, AML/CFT Act).

Criterion 3.5 When proving that property is the proceeds of crime, no provision expressly requires that a person be convicted of a predicate offence. In addition, no information, including case study, evidence that a strict interpretation of the section 15.2.1 of the AML/CFT Act would not require proof of the exact circumstances of the predicate offence or the unlawful activities committed by the defendant.

Criterion 3.6 Predicate offences of ML do not include conduct that occurred in another country, which constitutes an offence in Liberia, and which would have constituted a predicate offence had it occurred in Liberia. In Liberia, predicate offences include, but are not limited to the listed criminal acts, which may be found in the Penal Law and other Laws of Liberia (§15.2.2, AML/CFT Act).

Criterion 3.7 The ML offence applies to a person who converts or transfers property for the purpose of (a) concealing or disguising the illicit origin of that property; or of (b) aiding any person involved in the commission of the criminal conduct to evade the legal consequences of the conduct (§15.2.1(1)(a)). In this regard, the ML offence extends to persons who commit the predicate offence.

Criterion 3.8 In Liberia, proof of knowledge and intent can be inferred from objective factual circumstances (§§ 1(7) and 2.3(4), Penal Code).

Criterion 3.9 The ML offence is punishable as a first-degree felony (§15.2.1(2)). The AML/CFT Act does not provide a specific custodial or monetary penalty in relation to natural persons convicted of ML. In the absence of a specific punishment, a court can impose a maximum of term of ten years imprisonment (§50.5(1) (a), Penal Code). The courts are not empowered to impose fines on natural persons convicted for ML. The sanctions are considered only somewhat proportionate and dissuasive.

Criterion 3.10 The ML offence applies to body corporates or other legal entities (§15.2.1), AML/CFT Act). In Liberia, the conduct constituting an offence is engaged in by an agent of the corporation while acting within the scope of his employment and on behalf of legal persons unless the offence is one defined by a statute which indicates a legislative purpose not to impose criminal liability on legal persons. This provision applies if the law governing the offence designates the agents for whose conduct

the legal person is accountable or the circumstances under which it is accountable (§3.2, Penal Code). However, no criminal sanctions have been specified in relation to legal persons convicted of ML. The AML/CFT Act does not designate agents to be held accountable or circumstances under which legal persons can be held accountable for ML. There are no civil or administrative sanctions for both natural and/or legal persons convicted for ML.

Criterion 3.11 The ML offence applies to a person who participates in, associates with or conspires to commit, attempts to commit or aids, abets or facilitates or counsels the commission of any of the ML acts (§15.2.1(f), AML/CFT Act).

Weighting and conclusion

Liberia has criminalised ML in line with the Vienna and Palermo Conventions and extended the ML offence to the widest range of serious offences, including the FATF designated categories of predicate offences. However, there are shortcomings regarding the basis for ML conviction, foreign predicates, fines against natural persons and sanctions against legal persons convicted of ML. These constitute moderate shortcomings. **R.3 is rated PC.**

Recommendation 4 - Confiscation and provisional measures.

The first MER rated Liberia PC on the former R.3. Only three categories of offences were designated as ML predicates which the Assessors considered as potential impediments to the effective implementation of freezing, seizure and confiscation measures. Also, LEAs lacked express powers to identify and trace property that is subject to confiscation or suspected to be the proceeds of crime. The Prevention of Money Laundering Law (PMLL) lacked express provision to void actions taken by persons to prevent LEA's from recovering property subject to confiscation. Liberia also had effectiveness issues which are now addressed under IO.8.

Criterion 4.1 – Liberia has legislative measures that enable the confiscation of all types of proceeds of crime, laundered property, instrumentalities of crime, terrorism/terrorist related property, property of corresponding value, whether held by criminal defendants or by third parties. These measures operate as follows:

- (a) Upon conviction, a prosecutor can apply for a confiscation order against property laundered (§7.120(2)(a), Provisional Remedies for Proceeds of Crime Act (PRPCA)).
- (b) Confiscation of the proceeds of crime can be made via a confiscation order (§7.120(2)(b), PRPCA and §15.4.6(a) AML / CFT Act). This includes instrumentalities intended for use in a predicate offence, including use by a terrorist organisation s15.1.4.(17)
- (c) *Property that is the proceeds of, or used in, or intended or allocated for use in the financing of terrorism, terrorist acts or terrorist organisations* (§7.120(2)(b), PRPCA & §15.4.6(a) AML / CFT Act).
- (d) Where property specified in a confiscation order cannot be located, has been transferred, is located outside of Liberia, has diminished in value, or is comingled and cannot be divided, the Court can order the convicted person to pay an amount twice the value of the original property (§7.120(3)(b), PRPCA).

Criterion 4.2 - Liberia has measures, including legislative measures that enable competent authorities

to:

- (a) *Identify, trace and evaluate:* The FIA can request additional information from reporting entities, LEAs, supervisory authorities, public agencies and other relevant persons in order to conduct preliminary investigations (§67.3 (3), FIAA). The MoJ and LACC can apply to court for an order requiring an FI to provide customer information records (§15.4.3 (1) AML/CFT Act 2021), monitor an account and disclose information of transactions undertaken (§15.4.4 (1) AML/CFT Act).
- (b) *Carry out provisional measures:* When specified property is believed to be proceeds or instrumentalities of a crime, or is terrorist property, the MOJ, FIA or LACC can apply for a freezing order (§15.4.1 AML/CFT Act & §7.122(1) PRPCA). In relation to bank accounts, upon filing a freezing order application, the applicant (MOJ, FIA or LACC) can require a financial institution to restrict withdrawals from the account for fifteen days pending the issuance of a freezing order. Funds held in bank accounts are therefore frozen without notice to the account holder. However, this does not apply to other types of property as there is no explicit provision to apply for a freezing order without prior notice.

Although an application can be made without notice, (§7.64(5) PRPCA), this measure can only be used in relation to proceeds or instrumentalities of crime during prosecution or after conviction. Therefore, this measure does not fully prevent the dealing, transfer or disposal of property which is identified at an early stage of an investigation.

However, officers can carry out provisional measures in regard to TF where there is concern about the dissipation of funds intended for a terrorist, terrorist group or organisation, or where the officer discerns the imperative to disrupt the flow of funds to a terrorist or where the seizure is necessary to prevent the commission of a terrorist act, search and seizure must be done without delay and without warrant (§11.2(e)(iii), Special Criminal Procedures for Offences Involving Terrorist Acts, 2017(SCPTA)). After seizure, the provisions of the PRPCA apply.

- (c) The Court can set aside any conveyance or transfer of property that occurred during or after the commission of an offence, unless made for sufficient value, in good faith and without notice. The Court can also order confiscation where a person dies or absconds (§7.120(7) and (8), PRPCA).
- (d) The MoJ and LACC can apply for customer information records, account monitoring orders and search warrants (§15.4.3, 15.4.4 and 15.4.5 AML/CFT Act). A prosecuting attorney can apply for a subpoena to compel the production of books or documents (§17.3, Criminal Procedure Law) (see R.31).

Criterion 4.3 - Liberia Laws protects the rights of bona fide third parties. A third party can apply to court seeking their interest in property to be excluded from a confiscation order. The exclusion will be granted if the property or third party was not involved in the offence (§15.4.7, AML/CFT Act). Where jointly held property is subject to a confiscation order, a legitimate third party can make a payment equal to the convicted person's interest and take full ownership of the property (§7.120(5), PRPCA).

Criterion 4.4 - Upon granting a freezing order, the Court can direct that property is taken into possession, placed under a receiver, or dealt with in any other lawful manner (§7.122 (3) PRPCA). Liberia has mechanisms in place that enable authorities to manage and (where necessary) dispose of frozen, seized and confiscated property

The Court can appoint a receiver or trustee to take possession and realize property (§7.120 (5) PRPCA).

If a receiver or trustee is not appointed, the confiscated property, along with other Government property, is managed by the General Services Agency (Ch. 51.5 (2) and 51.6 New Executive Law of Liberia, 1972).

All fines/seized amounts in relation to currency/BNI border declarations are paid into a transitory account held by the CBL (§3.3.1, Regulation Dealing with the Cross-Border Transportation of Currency and Bearer Negotiable Instruments 2016 (CBR)).

Weighting and Conclusion

Liberia has legislative measures in place to confiscate all types of property following conviction. Competent authorities have powers to identify, trace and evaluate property which may be subject to confiscation. There are measures in place to freeze property believed to be proceeds, or instrumentalities of crime, or terrorist property. However, there is no explicit provision allows Liberia to freeze property, identified prior to prosecution, without prior notice to the holder of the property. This is a moderate shortcoming that may result in the dissipation of some assets and frustrate the recovery of the proceeds of crime. **R. 4 is rated Partially Complaint**

Recommendation 5 - Terrorist financing offence

The first MER rated Liberia NC on Special Recommendation II due to the absence of a legal or regulatory framework to deal with TF. Most agencies that are likely to be involved in the implementation of the CFT Bill, when passed into law, were not aware of the threats of TF and their role under the Bill.

Criterion 5.1 - Liberia has criminalised TF in accordance with Article 2 of the TF Convention. A person or entity commits the TF offence if he/she purposely or knowingly, and directly or indirectly provides or collects funds or assets, however acquired or attempts to do so with the intention that the said funds or assets should be used or in the knowledge that the said funds are to be used in whole or in part to (a) carry out a terrorist act, attempted terrorist act, participation in a terrorist act or in offences ancillary to terrorist act; (b) facilitate that person's activities to terrorists acts or membership in a terrorist organisation; (c) fund a known or suspected terrorist for any purpose whatsoever; and (d) fund a terrorist group or terrorist organisation (§15.2.3(1), AML/CFT Act). Terrorist acts and terrorist organisations are defined to include those committed or based outside Liberia (§3(17) and (19), ATA). The definition of terrorist act does not include acts intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict. However, this is not considered a deficiency as the definition covers all persons and conflicts.

Criterion 5.2

5.2a - The offence of TF extends to any person or body corporate, or other legal entity that purposely or knowingly, directly or indirectly, provides or collects funds or assets, or attempt to do so, with the intention that they should be used or in the knowledge that they are to be used in whole or in part ; a) in order to carry out a terrorist act; b) by a terrorist to facilitate that person's activities related to terrorist acts, membership in a terrorist organisation or for any purpose whatsoever; or (c) by a terrorist organisation (§15.2.3(1), AML/CFT Act).

5.^{2bis} A person commits an offence of TF if he or she purposely, or knowingly facilitates the travel of a terrorist or facilitate the travel of another who has directly or indirectly demonstrated or indicated a desire to participate in a terrorist act abroad or to fight to join a known or unknown terrorist group or to

participate in a terrorist act in any of its facets (“the financing of a foreign terrorist fighter”) (§15.54.08, LATA). The financing of a foreign terrorist fighter for the purpose of planning or providing or receiving terrorist training is not criminalised.

Criterion 5.3 The TF offence extends to the provision and collection of funds or assets “however acquired” (§15.2.3(1), AML/CFT Act). This means that the funds or other assets may be from legitimate or illegitimate source.

Criterion 5.4 – The TF offence is not dependent on whether the funds or assets were used to carry out or attempt a terrorist act(s); or that they be linked to a specific terrorist act(s)(see c.5.1).

Criterion 5.5 It is possible for the intent and knowledge required to prove the terrorist financing offence to be inferred from objective factual circumstances (§15.2.3(5), AML/CFT Act and Chapter 15.54.12, LATA).

Criterion 5.6 The available penalties for natural persons for all types of TF offences under are minimum of ten years and a maximum of 20 years imprisonment (§15.2.3(6), AML/CFT Act The court may also order a minimum fine of USD25,000 or its Liberian dollar equivalent, up to a maximum which, in the discretion of the court should be sufficient to mitigate or ameliorate the damage caused and/or to compensate victims of the said terrorist-related offence. The court can also order the confiscation and forfeiture of terrorist property and any action which in the discretion of the court shall be sufficient, proportionate and dissuasive to the further commission of offences involving terrorist acts (§14.54.24(8), LATA). These sanctions are considered dissuasive but not proportionate. In addition, the use of discretionary powers can lead to arbitrariness and abuse of human rights.

Criterion 5.7 Criminal liability and sanctions related to the TF offence applies to legal persons. Legal persons are punishable by a minimum fine of US\$25000 or its Liberian dollar equivalent, up to a maximum which, in the discretion of the court should be sufficient to mitigate or ameliorate the damage caused and/or to compensate victims of the said terrorist-related offence; confiscation and forfeiture of terrorist property; closure and winding up of the convicted organisation or company and forbidding the company or organisation from reincorporating or reorganising under any other name; and any action which in the discretion of the court shall be sufficient, proportionate and dissuasive to the further commission of offences involving terrorist acts (§14.54.24(8), LATA). These sanctions are considered dissuasive but not proportionate. In addition, the use of discretionary powers can lead to arbitrariness. Also, the Act does not specify officers of the legal persons who can be held accountable.

Criterion 5.8 is A person or entity commits the offence of TF if he/she/it: (a) aids, abets, counsels, or procures the commission of a TF offence; (b) incites a person to commit a TF offence; (c) attempts to conspire to commit a TF offence; or (d) assists an offender or conceals the commission of a TF offence (§15.2.3(3), AML/CFT Act). The linking of ancillary offences to terrorist act is a gap in the implementation of this criterion.

Criterion 5.9 - TF offences are designated as ML predicate offences (§. 15.2.2, AML/CFT Act).

Criterion 5.10 Section 3 Para 17 of the Anti-Terrorism Act defines ‘terrorist act’ to mean any act or threat of action or omission, within the meaning of Counter Terrorism Convention whether committed inside or outside Liberia. A combined reading of Chapter 14.54.24 and Section 3 (17) of Liberia’s Anti-Terrorism Act provide clarity that one will be guilty of the offence of TF whether the terrorist act took place in Liberia or outside of Liberia.

Weighting and Conclusion

Liberia's definition of TF that covers, to a large extent, the elements required by the TF Convention and the main criteria of the Recommendation. However, there are some deficiencies regarding the financing of a foreign terrorist fighter for the purpose of planning or providing or receiving terrorist training; the proportionality of sanctions against natural and legal persons convicted of the TF offence; and criminal liability of officers of convicted legal persons. **R. 5 is rated PC.**

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

Special Recommendation III was rated NC in the 2011 MER of Liberia. The report noted the absence of a legal or regulatory framework on freezing and, where appropriate, seizing under the relevant UN Resolutions. Liberia has enacted the Targeted Sanctions against Terrorist Act, 2017 (TSTA) and the Regulation on Targeted Financial Sanctions against Terrorists, 2019 (RTFST) to address the identified deficiencies.

Criterion 6.1 - In relation to designations pursuant to United Nations Security Council resolutions 1267/1989 (Al Qaida) and 1988 sanctions regimes ("Sanctions Regimes):

- (a) The Attorney-General (A-G) is the authority responsible for proposing persons or entities to the 1267/1989 and 1988 Sanctions Committees for designation (§4(f), RTFST).
- (b) Liberia does not have a clear mechanism(s) for identifying targets for 1267/1989 and 1988 designations is not clear. Section 5(1)(e) of the TSTA provides that "in executing his/her function under this Act, the Attorney General shall be assisted by the Counter Terrorism Advisory Committee (CTAC), whose function is detailed in this Act. However, the functions of the CTAC, as spelt out in section 5(2)(b) of the TSTA do not include the identification of targets for designation by the relevant UN Sanctions Committee. Also, while section 6(a) of the RTFST requires the A-G to file an application to the relevant UN Sanctions Committee for designation of an individual, group or organisation in accordance with and based on the criteria set in the relevant UNSCRs when the A-G gathers sufficient evidence to support the designation, neither the TSTA nor the RTFST provide for the source(s) the information.
- (c) The evidentiary standard of proof required in Liberia for designation is 'reasonable belief'. There is no express provision indicating that such (proposals for) designations should not be conditional upon the existence of a criminal proceeding.
- (d) There is no provision or evidence demonstrating that Liberia will or does follow the procedures and (in case of UN Sanctions Regimes) standard forms for listing as adopted by the relevant committee.
- (e) There is no provision or evidence that Liberia will or does provide as much relevant information as possible on the proposed name, statement of case which contains as much information on the basis for the listing, and (in the case of proposing names to the 1267/1989 Committee) specify whether the country's status as a designating state should be known.

Criterion 6.2 - Liberia implements UNSCR 1373 through the TSTA and RTFST.

(a) The Attorney General is the competent authority with the responsibility for designating persons or entities that meet the specific criteria for designation, as set forth under UNSCR 1373; as put forward either on the country's own motion or, after examining and giving effect to, if appropriate, the request of another country (§4(a)(i), RTFST).

(b) - When deciding whether an individual, group or organisation is to be designated, the Attorney General is required to take into consideration information about any individual, group or organisation who has or is suspected of meeting the designation criteria or any relevant communication from a government or the UNSC or the Counter Terrorism Advisory Committee (CTAC) or other domestic competent authorities before making such determinations (§4(a)(i), RTFST). In addition, there is a specific provision that "when considering the recommendations of the CTAC, the Attorney General must review said recommendations, confirm same or specifically delineate his/her objection or.....". However, the two legal instruments do not explicitly designate a mechanism(s) for identifying targets for designation, based on the criteria set out in UNSCR 1373. The functions of the CTAC as set forth in section 5(2)(b) of the TSTA do not cover such responsibility.

(c) When receiving a request from a third country, section 4(h) of the RTFST stipulates that "[a] decision to list an individual, group or organisation by the Attorney General may be takenand be made without delay". The Attorney General must take into consideration information about any target, or relevant communication from a foreign government, the UNSC, the CTAC or other domestic competent authorities (§ 4(a)(ii), RTFST). The requirement to make a determination without delay is discretionary, and the term "without delay" is not defined. Also, there is no practical example of how Liberia has implemented this requirement. Considering Liberia's risk and context, this constitutes a minor deficiency.

(d) The evidentiary standard of proof when deciding to make a designation is "reasonable belief" (§5(1)(b), TFSA). A decision to designate an individual, group or organisation by the Attorney General may be taken in the absence of a criminal investigation or criminal prosecution against the individual, group or organisation (§4(h), RTFST).

(e) There is no provision or evidence that when requesting another country to give effect to the actions initiated under the freezing mechanism Liberia would or provides as much identifying information, and specific information supporting the designation, as possible.

Criterion 6.3

- (a) There are no legal authorities and procedures or mechanisms to collect or solicit information to identify persons and entities that, based on reasonable grounds, or a reasonable basis to suspect or believe meet the criteria designation.
- (b) A decision to list an individual, group or organisation by the Attorney General may be made without prior notice to the target (§4(h), RTFST).

Criterion 6.4 Liberia's system for implementing TF-related TFS is not adequately designed to operate without delay. Under sections 3(c) and 5(b) of the Regulations on Targeted Financial Sanctions against Terrorist (RTFST), a designation of an individual, group or organisation by the United Nations Security Council, its Committees or Liberia has immediate application on the date the email is sent by the FIA, and has the immediate effect of imposing the obligation of the freezing of assets and funds. Upon issuance of the UN Sanctions List, FIA must obtain the List from the Liberian Permanent Mission via the Minister of Foreign Affairs by email or any other form of transmission of message through electronic communication networks, followed by a hard copy (§3, TFSTA). The FIA is also empowered to directly obtain the UN List through the official channels of the UN such as the UN website and other official source (§3(a), RTFST). Transmission of the UN and domestic Lists by the FIA must occur immediately

upon receipt of the List, and within a matter of hours and without delay after the FIA has obtained the List via email from the Ministry of Foreign Affairs or directly from the UN website (for UN designations) and immediately and without delay after designation by the Attorney-General (for domestic designations) (§§3(b) and 5(a), RTFST). However, under section 16 of the RTFST, the obligation to freeze, both in relation to UNSCRs 1267 and 1373, arise immediately and without delay upon designation by the UN or Liberia. The existence of these parallel provisions regarding the timing of freezing obligations creates confusion as persons and entities obliged to implement freezing measures may rely on section 3(c) of the RTFST which could impact the implementation of TF-TFS without delay.

Criterion 6.5 The applicable processes for the freezing of funds or other assets are provided under the TFSA and the TFSR. Supervisory and regulatory bodies and the FIA are responsible for implementing and enforcing TFS (§18(a), TFSR & §15.3.27(1), AML/CFT Act) in accordance with the following standards and procedures:

- (a) All natural and legal persons within Liberia are required to freeze without delay and without prior notice the funds or other assets of designated persons and entities (§ 3(d), 5(c), 16(b) and 17, RTFST). “
- (b) According to section 2(h) of the RTFST, “Economic Resources for the purposes of section 4(2)(e) and section(1)(k) of the [TFSA] shall include oil, oil products, modular refineries and related material, other natural resources, and any other assets which are not funds, which may be used to obtain funds, goods or other assets”. The types of funds or other assets to be frozen include (i) funds or other assets directly or indirectly owned or controlled by the designated persons; (ii) funds or other assets partly owned or controlled by designated persons; (iii) the funds or other assets directly or indirectly derived or generated from funds or other assets owned or controlled by designated persons; as well as (iv) funds or other assets directly or indirectly belonging to persons acting on behalf of designated persons, groups or organisations (§4(3)(d), TFSA). “Person” means “a natural or legal person” (§3(10), TSATA).
- (c) Nationals or any persons and entities within Liberia are not prohibited from making any funds or other assets, economic resources, or financial or other related services, available, directly or indirectly, wholly or jointly, for the benefit of designated persons and entities; entities owned or controlled, directly or indirectly, by designated persons or entities; and persons and entities acting on behalf of, or at the direction of, designated persons or entities, unless licensed, authorised or otherwise notified in accordance with the relevant UNSCRs.
- (d) The FIA’s email and website, as well as the Government Gazette constitute the mechanisms for communicating designations to the financial sector and the DNFBPs upon taking such action and providing guidance to financial institutions and other persons or entities, including DNFBPs, that may be holding targeted funds or other assets, on their obligations in taking action under freezing mechanisms. Upon receipt of the UN Sanctions List the FIA must immediately and without delay, circulate the List to all FIs and DNFBPs by email, and post a digital link of the most recent List on its website (§4(3)(a), TSATA). For UNSCR 1373, upon designation, the FIA is required to immediately and without delay, circulate the Sanctions Lists to Compliance Officers or heads of all FIs and DNFBPs by way of email and hard copy and also post the List on the FIA website (§5(a), RTFST). The RTFST issued by the FIA provides guidance to reporting entities on their freezing obligations in relation to persons on the UN and domestic lists (§5(5)(g), TFSA). The TSATA and relevant laws are published on the FIA’s website and accessible to the public, including FIs and DNFBPs.
- (e) Upon freezing funds or other assets subject to a designation or freezing order exists, FIs and

DNFBPs must immediately to inform the FIA – by telephone or email followed by a hard copy – of funds or assets frozen and the status of the customer (whether existing or former). The reporting obligation applies to transactions and attempted transactions (§16(b), TSTA). Reporting entities must immediately provide the FIA, the relevant supervisory authority and the Attorney General particulars of the funds or other assets frozen and actions taken to ensure that the funds and other assets frozen are not disposed of or dealt with pursuant to the prohibition provisions in the TFSA (§16(c)(ii), TFSR).

- (f) Reporting entities, individuals, groups or organisations or any person are protected against criminal, administrative or civil liability resulting from the freezing of funds or the refusal to make funds or other assets available or provide financial services, where such act is carried out in good faith and for the purpose of complying with the provisions of the TSTA or the RTFST (§23, TFSR).

Criterion 6.6 Liberia has publicly known procedures to delist and unfreeze the funds or other assets of persons and entities which do not, or no longer meet the criteria for designations. The procedures include:

- (a) In relation to UN 1267/1989 and 1988 designations, delisting requests must follow the procedures established by the UN Security Council for the purpose of delisting (§4(4), TSTA).
- (b) The Attorney-General can revoke a designation made under UNSCR 1373 prior to its expiry if the grounds for designation no longer apply (§7, RTFST). Also, a person, group or organisation designated under UNSCR 1373 may file a written application to the Attorney General for delisting. The application must be accompanied with all the necessary evidence and documentation to support the application (§12, RTFST). The CTAC has the responsibility to consider delisting requests (§5(2)(b), TSTA).
- (c) With regard to designation pursuant to UNSCR 1373, a designated person or entity can appeal to the competent court of the jurisdiction and the right to appeal the designation is open for a period of 30 days (§5(2), TSTA).
- (d) **(Met Met)** Section §4(4) of the TSTA stipulates that “[a]ny internationally designated individual, group or organisation desirous of rebutting, challenging or contesting his/her/its inclusion on the List shall utilise procedures established by the United Nations Security Council for purposes of delisting”. This provision applies to designations made pursuant to UNSCR 1988, and will facilitate review by the 1988 Committee in accordance with any applicable guidelines or procedures adopted by the 1988 Committee, including those of the Focal Point mechanism established under UNSCR 1730.
- (e) Section §4(4) of the TSTA stipulates that “[a]ny internationally designated individual, group or organisation desirous of rebutting, challenging or contesting his/her/its inclusion on the List shall utilise procedures established by the United Nations Security Council for purposes of delisting”. This provision informs designated persons or entities of the availability of the United Nations Office of the Ombudsperson, pursuant to UNSCRs 1904, 1989, and 2083 to accept delisting petitions related to designations on the Al-Qaida Sanctions List.
- (f) Liberia has procedures to unfreeze the funds or other assets of designated persons or entities with the same or similar name as designated persons or entities who are inadvertently affected by a freezing mechanism (that is, a false positive), upon verification that the person or entity involved is not a designated person or entity (§11, RTFST).

- (g) Liberia has mechanisms, including the website of the FIA, to communicate the de-listing to the financial sector and the DNFBPs for consequential unfreezing of linked assets or other economic resources. Where delisting occurs via the UN process, the same shall be immediately noted and publicly disclosed by all the relevant competent authorities under the TSTA (the Attorney General, FIA, supervisors, etc) (§4(4), TSTA and §12(b) and (c), RTFST). In relation to designations under UNSCR 1373, the FIA is required to inform, by email and letter, the FIs and DNFBPs to immediately, and without delay unfreeze the funds or other assets owned by the concerned individual, group or organisation with similar name as the designee (§11(b), RTFST). There is no requirement for the FIA to communicate these de-listings immediately after the de-listings occur. Also, communication does not cover de-listings under circumstances where the country believes the designee no longer meets the criteria for designation. These deficiencies are considered to be minor shortcomings. In arriving at this conclusion, more is given to the measures related to communication of de-listings under the UN Sanctions Regimes.

Criterion 6.7 For freezing measures applied to persons designated under the UN Sanctions Regimes and by Liberia pursuant to UNSCR 1373, procedures are in place to allow access to frozen funds and other assets for basic or extraordinary expenses in line with the UNSCRs 1452/2003, 1373 or such other relevant UNSCRs. The relevant expenses are specified in Regulations (§13, TFSR).

Weighting and Conclusion

The legislative framework on TF TFS has moderate shortcomings. The legislative steps be taken to give effect to UN designations do not guarantee implementation without delay within the meaning prescribed by the FATF. While the obligation to freeze extends to all natural and legal persons within Liberia, there are conflicting provisions regarding when this obligation arises. There is no general requirement that prohibits natural and legal persons from making available funds or other assets to designated persons and entities. R.6 is rated PC.

Recommendation 7 - Targeted Financial Sanctions Related to Proliferation

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

Criteria 7.1 -7.5 - Liberia has not adopted legislation or measures and procedures to implement TFS to comply with UNSCR regarding the prevention, suppression and disruption of proliferation of WMD and its financing.

Weighting and Conclusion

Liberia does not meet any of the requirements of this Recommendation. **R. 7 is rated NC.**

Recommendation 8 – Non-Profit Organizations (NPOs)

Special Recommendation V111 was rated NC in the 2011 MER of Liberia. The domestic laws relating to non-profit organisations had not been reviewed to assess their effectiveness for purposes of TF. There was no process in place to ensure timely information on the features or activities of NPO's. also, no mechanism existed to prevent NPO's from being used as conduits for TF and provisions on contents of Articles of Incorporation of NPOs did not expressly require details of identity of persons who own or control activities such as board members or trustees. Further, Liberia lacked requirement for NPO's to maintain appropriate records of domestic and international transactions, as well as sanctions for

violations by NPOs. Although the 2022 risk assessment did not specifically identify the sub-set of NPOs at risk of TF abuse, as required by the FATF standards, the inclusion of TF threats and vulnerabilities and the categorization of all registered NPOs into 12 activity areas provide a starting basis for the development of risk understanding of the sector.

Criterion 8.1

- (a) An analysis of NPOs was conducted with the objectives to assess (i) the legal framework for NPOs; (ii) the effectiveness of the regulatory framework; (iii) the AML/CFT compliance regime for NPOs; and (iv) the TF risk level of NPOs. The assessment defines the term ‘NPO’ to encompass a broad range of voluntary organisations such as associations, societies, foundations, political parties and religious bodies, which fall within the FATF’s definition of NPOs. This risk assessment was conducted through face-to-face interviews with relevant stakeholders to obtain real-time information which was not readily available; open and closed-ended questionnaires distributed to various stakeholders within the NPO sector, data received from the NGO unit at the MFDP and interviews with some NPOs to verify data provided. Out of the 725 NPOs listed as of November 2021 in the database of the NPO Unit at the MFDP (601 national and 124 international NPOs), Liberia selected a sample of 24 (16 domestic and eight (8) international) NPOs for TF risk analysis. Notwithstanding, Liberia concluded that (i) international NPOs have inherent TF risk based on their ability to send and receive funds overseas; and (ii) TF vulnerabilities in the NPO sector and the TF risk in the NPO sector is high, this conclusion is however not supported by any assessment other than they are international NPOs. The AT commended Liberia effort to assess the NPO sector including identifying their thematic areas and sizes, it is step in the right direction. However, it is important to highlight that failure of the assessment to focus among other things, on the identification of NPOs at risk of TF abuse is a major deficiency noted. On this basis, assessors concluded that the exercise conducted is not sufficient to comply with the requirements of this sub-criterion.
- (b) Failure to do a comprehensive assessment that identify and separate NPOs at risk of TF abuse creates a gap as identified above. Therefore, Liberia has not identified the nature of threats posed by terrorist entities to NPOs which are at risk as well as how terrorist actors can or abuse those NPOs.
- (c) The existing NPOs Risk Assessment analyses targets structural, registration, and existing mitigating measures, including the adequacy of the legal and institutional frameworks for all NPOs in Liberia. A critical point to note is that the inability to achieve the fundamental point of assessing the risk of TF – abuse, and identifying the NPOs at-risk of TF-abuse make it impossible to establish existence of adequate risk assessment.
- (d) In the absence of identification of at risk NPOs, there has not been any periodic risk assessment of the sector to determine its potential vulnerabilities to terrorist activities to ensure effective implementation of necessary monitoring and supervisory measures to mitigate identified risks.

Criterion 8.2

- (a) Liberia relies on the Associations Law of Liberia, 1977 (amended in 2020), the AML/CFT Act and the NPO/NGO circular to ensure accountability, integrity and public confidence in the administration. NPOs are required to register with the LBR and are subject to measures applicable to legal persons. These include the filing articles of incorporation with the LBR or the Ministry of Foreign Affairs; providing information on the number of directors constituting the initial board of directors and if the initial directors are to be named in the articles of incorporation, the names and addresses of the persons who are to serve as directors until the first annual meeting of the members or until their successors shall be elected and qualify; having registered agents; Tax Identification Numbers for all

officers and members and the filing of annual returns and audited financial statements to the LRA. There are measures in place to ensure NPOs maintain current information regarding their activities. NPOs are also obliged to put in place AML/CFT programmes and file STRs to the FIU of Liberia. The measures taken are not targeted at NPOs at risk of TF abuse. In addition, the designation of NPOs as DNFBPs and being subjected to the full range of AML/CFT requirements is inconsistent with the FATF Standards.

(b) A number of nationwide awareness creation and sensitization programmes on AML/CFT obligations have been organised and executed for a cross-section of the NPO sector involving many participants including religious leaders. However, the programmes did not target the donor community and the potential vulnerabilities of NPOs to TF abuse and TF risk, and the measures that NPOs can take to protect themselves against such abuse.

(c) Liberian competent authorities are yet to identify NPOs at TF risk and work with these entities to develop and refine best practice to address TF risks and vulnerabilities and thus protect them from TF abuse.

(d) Although Liberia AML/CFT regime may have broadly encouraged transactions to be channelled through recognised financial institutions, therefore, NPOs are encouraged to conduct their transactions through regulated financial channels.

Criterion 8.3 The framework for supervision and monitoring of NPOs is not applicable as there has not been a usable assessment of the sector to determine the at-risk NPOs that risk-based measures should apply to in addressing terrorist financing abuse.

Criterion 8.4

(a) Liberia has not provided any record of monitoring NPOs for compliance with the requirements of Recommendation 8. Instead, it stated that a proposed law would provide for the requirement for monitoring NPOs. It, however, acknowledged that progress had been made in requesting online registration NPOs towards having a comprehensive database that should facilitate effective monitoring and supervision of NPOs.

(b) The legal framework for monitoring NPOs in Liberia is not comprehensive. There are broad provisions on the application of administrative and other forms of sanctions in the 2018 NPOs circular and other AML/CFT legislation, as seen in sections 3, 15, 29 & 30 of the AML/CFT Act. These provisions are not specific to NPOs but to all reporting entities. Considering that NPOs are not DNFBPs under the FATF Standards, the specific application of effective, proportionate, and dissuasive sanctions for the violation by NPOs or persons acting on behalf of NPO may not necessarily apply under the prevailing circumstances.

Criterion 8.5

(a) CFT activities are based on a collaborative and information-sharing approach, especially between the FIA, Police, and the NSA. For instance, although investigations did not reveal any TF, the School case which led to deportation of the suspects was an operation jointly conducted by the NSA, Police and the FIA. However, this is not demonstrated in relation to NPOs. Information about NPOs is not concisely and comprehensively available, and cooperation and coordination of NPOs-related information are unavailable.

(b) As described in c.8.5(a), Liberia has some investigative expertise and capability to examine NPOs suspected of either being exploited by, or actively supporting terrorist activity or terrorist organisation.

(c) Administrative and management (including financial and programmatic information) of all NPOs may be obtained during the course of an investigation.

(d) The FIA is the mechanism for ensuring the reporting of suspicion or reasonable grounds of suspicion of involvement or abuse of a particular NPO for fundraising by terrorist organisations, among others.

Criterion 8.6 Liberia has processes and procedures in place for responding to requests made under UNSCR1267. Though, Liberia has a mechanism of coordination between the Ministry of Finance and Development and FIA through the NGO Coordinating Unit of the ministry, efforts are not focused on at risk NPOs.

Weighting and conclusion.

Liberia's NPO sector comprises domestic and also international entities. Liberia has not identified the specific NPOs at risks nor undertaken steps on a targeted basis to higher risk NPOs. In addition, NPOs have been designated as DNFBPs and subjected to the full range of AML/CFT requirements, which is inconsistent with the requirements of FATF standards. Overall, actions undertaken by Liberia in compliance with R.8 for registered and international NPOs are negligible. **R. 8 is rated NC.**

Recommendation 9 – Financial institution secrecy laws

Liberia was rated PC with former R4 in its 1st MER. Key deficiencies identified were that the Prevention of Money laundering Law (PMML) did not provide for data protection, it also fell short of measures against possible misuse of information by LEAs and the absence of expressed provision for information sharing.

Criterion 9.1 –

Access to confidential information by competent authorities and FIs

Any secrecy or confidential provisions or restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provisions applicable to an FI or any director, partner, officer, principal or employee is overridden for purposes of complying with obligations under the AML/CFT Act. The obligations under the Act include sharing of information with all competent authorities as well as between FIs for the purpose of the implementation of R.13, 16 and 17 (AML/CFT Act, §15.3.19). The powers of the CBL, FIA and competent investigative/prosecutorial authorities also explicitly provide them access to all information held by the FI in the conduct of their functions (AML/CFT Act, §15.3.28 and §15.4.3 and FIA Act, S.67.3(1)).

Sharing of confidential information between competent domestic and foreign authorities

The FIA and the CBL can share with domestic and international competent authorities, information to which it has access, which includes information held by FIs to which no secrecy provision can apply as per the above-referenced provision (FIA Act, §67.3 and §67.4 and AML/CFT Act, §15.3.28 (g)). However, Liberia has not demonstrated that other competent authorities have similar powers.

Weighting and Conclusion

There is a blanket provision lifting any secrecy or confidentiality provisions applicable to FIs for the purpose of the implementation of AML/CFT obligations. This information is therefore accessible by all competent authorities. However, it is unclear if law enforcement authorities can share this information with other competent authorities. **R.9 is rated LC.**

Recommendation 10 – Customer due diligence

Liberia was rated NC with the former R.5 in its 1st MER. The key technical deficiencies were the absence of requirement in law or regulation prohibiting FIs from opening anonymous accounts or maintain accounts in fictitious names, Lack of CDD requirements For NBFIs and DNFbps, KYC/CDD regulation failed to specify when CDD is required; enhanced Due diligence for High-Risk customers, business relationship or transaction. It failed to address existing customers and failure to satisfactorily complete CDD. There were no requirements either in law or other enforceable means requirements relating to verification of authority of person acting on behalf of customers that are legal persons. No requirement for FIs to scrutinize transactions undertaken throughout the relationship and to review records maintained on relationship to ensure its relevance as required by ongoing due diligence. Overall, the country demonstrated during the first round of MER that there was little implementation of CDD.

Criterion 10.1 – FIs are prohibited from keeping anonymous accounts or accounts in obviously fictitious names (AML/CFT Act 2019, §15.3.2 (1) and §15.3.18 (1)).

Criterion 10.2 - FIs are required to undertake CDD measures when (AML/CFT Act 2019, §15.3.2 (2)):

- (a) establishing a business relationship;
- (b) when carrying out occasional transactions equal to or above a threshold that is yet to be prescribed by the regulator. However, money remitters and mobile money service providers are not allowed to conduct occasional transactions above US\$ 2,500 and US\$ 1,000 respectively which limits to some extent the scope of the deficiency (2022 Amended money remittance regulation, S.18.0; 2014 Mobile Money Regulation, S.15);
- (c) when executing wire transfers that are wire transfers in the circumstances covered by Recommendation 16 and its Interpretive Note (AML/CFT Regulation, S.3.10);
- (d) whenever there is a suspicion of ML/TF;
- (e) when there are any doubts about the veracity or adequacy of information of previously obtained customer identification information.

Criterion 10.3 - FIs are required to identify the customer (whether permanent or occasional, and whether natural or legal person or legal arrangement) and verify that customer's identity using reliable, independent source documents, data or information (AML/CFT Act, §15.1.4 (9) and §15.3.2 (3)(a)).

Criterion 10.4 - FIs are required to verify that any person purporting to act on behalf of the customer is so authorised, and identify and verify the identity of that person (AML/CFT Act, §15.3.2 (3)(a)(iii)).

Criterion 10.5 - FIs are required to identify the beneficial owner and take reasonable measures to verify the identity of the beneficial owner, using the reliable, independent source documents, data or information, such that the FI is satisfied that it knows who the beneficial owner is (AML/CFT Act, §15.3.2 (3)(a)(v)). The definition of beneficial owners is aligned with the FATF definition (AML/CFT Act, §15.1.4 (5)).

Criterion 10.6 - FIs are required to understand and obtain information on the purpose and intended nature of the business relationship (AML/CFT Act, §15.3.2 (3)(a)(iv)).

Criterion 10.7 - FIs are required to conduct ongoing due diligence on the business relationship, including:

- (a) Scrutinising transactions undertaken throughout the course of the business relationship to ensure that any transaction being conducted is consistent with the FI's knowledge of the customer, the customer's business and risk profile, including where necessary, the source of funds and;
- (b) However, there is no obligation to conduct ongoing due diligence to ensure that the information collected is kept up-to-date and relevant by undertaking review of existing records, particularly for higher risk categories of customers.

Criterion 10.8 - FIs are required to collect information on the management structure of the legal person and arrangement what could amount to information allowing to understand the customer's ownership and control structure. However, there are no explicit obligations to understand the ownership and control structure or understand the nature of the customer's business (AML/CFT Act, §15.3.2 (3)(a)(ii)).

Criterion 10.9 - For customers that are legal persons or legal arrangements, FIs are required to identify the customer and verify its identity through the following information (AML/CFT Act, §15.3.2 (3)(a)(ii)):

- (a) name, legal form and proof of existence;
- (b) Provisions governing the authority to bind the legal person or legal arrangement, as well as names of any director or other person holding a senior management position; and
- (c) address of the registered office or principal place of business.

Criterion 10.10 - For customers that are legal persons, the FIs are required to obtain and take reasonable measures to verify the identity of the beneficial owners through the following information (AML/CFT Act, §15.3.2 (3)(a)(vi)(A)):

- (a) the identity of any natural person(s) who ultimately owns or controls, directly or indirectly, a percentage threshold – that has yet to be determined by regulation – of shares, voting rights or ownership interests.
- (b) If there are doubts under (a) as to whether the person(s) with controlling ownership interest is the beneficial owner(s), or where no natural person is identified under (a), the identity of the natural person(s) exercising ultimate effective control over the legal person through over means;
- (c) Where no natural person is identified under (a) or (b), the identity of the natural person(s) who hold the position of senior managing official.

Criterion 10.11 - For customers that are legal arrangements, the FI is required to identify and take reasonable measures to verify the identity of beneficial owners through the following information (AML/CFT Act, §15.3.2 (3)(a)(vi)(B)):

- (a) for trusts, the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust (including through a chain of control/ownership);
- (b) for other types of legal arrangements, the identity of persons in equivalent or similar positions.

Criterion 10.12 - In addition to the CDD measures for customer and beneficial owner, FIs are required to undertake the following measures as soon as the beneficiaries of a life insurance policies or other related insurance policies are identified or designated (AML/CFT Act, §15.3.2 (3)(C)):

- (a) for beneficiaries that are identified as specifically named natural or legal persons or legal arrangements, take the name of that person;
- (b) for beneficiaries that are designated by characteristics or class, or by other means obtain sufficient information concerning the beneficiaries to satisfy that the FI will be able to establish the identity of the beneficiary at the time of pay-out;
- (c) in all cases, verify the identity of the beneficiaries at the time of pay-out.

Criterion 10.13 - FIs are required to implement enhanced due diligence measures when risk is higher (AML/CFT Act, §15.3.4 (2)) but there are no obligations for FIs to include the beneficiary of a life insurance policy as a risk factor in determining if enhanced due diligence measures should be applied.

Criterion 10.14 - FIs must identify the customer and Beneficial Owner when establishing a business relationship or when carrying out transactions for occasional customers as per C.10.2. However, there is no specific provision relating to timing for verification of identity of customers and beneficial owners.

Criterion 10.15 - In line with the absence of clear obligation regarding the moment at which a verification of the identity of the customer must be conducted (see C.10.14), there is also no specific provision relating to conditions under which a customer may utilise the business relationship prior to verification.

Criterion 10.16 - FI are required to apply CDD requirements to existing customers (AML/CFT Act, §15.3.2 (5)). Those measures need to be applied on the basis of risk, but there is no specific obligation to consider when CDD measures have previously been undertaken and the adequacy of data obtained.

Criterion 10.17 - FIs are required to perform enhanced due diligence measures where the ML/TF risks are higher (AML/CFT Act, §15.3.4 (2)).

Criterion 10.18 - FIs are only permitted to apply simplified due diligence measures where lower risks have been identified, through a documented risk assessment by the FI which should, amongst others, consider the results of national risk assessments (AML/CFT Act, §15.3.5 (1)). The simplified measures should be commensurate with the lower risk factors. FIs cannot apply simplified measures when there is a suspicion of ML/TF or when the customer has a business relationship with or in countries not applying sufficient AML/CFT measures or listed by the FATF or the FIA as being high risks (AML/CFT Act, §15.3.5 (3)). While there is no explicit obligation to consider other higher risk scenarios in prohibiting simplified due diligence measures, the risk assessment and other specific obligations that apply to higher risk scenarios mostly cover the requirements of this criteria.

Criterion 10.19 - Where a FI is unable to comply with CDD measures (AML/CFT Act, §15.3.6 (1) and (2)):

- (a) it has to refrain from opening the account, commencing a business relationship or carrying out the transaction or it should terminate the business relationship.
- (b) In such cases, it has to consider filing an STR with the FIA.

Criterion 10.20 - There is no provision requiring FIs not to apply CDD if there is a risk of tipping-off the customer, and in that case, report a STR.

Weighting and Conclusion

The revision of the AML/CFT Act in 2022 establishes strong basis for CDD requirements. However, there are a number of deficiencies which affects the strength of the obligations, notably the fact that thresholds for the conduct of CDD have yet to be established for certain types of transactions or to set the ownership percentage for the identification of the beneficial owner of legal persons. The lack of obligation to conduct ongoing due diligence to ensure that information collected is up-to-date or to conduct a review of existing record for higher risk customers is also negatively affecting compliance. The timing of the verification of the identity of the customer when establishing a new business relationship is not specified and there are no provision allowing FIs not to conduct CDD when there is a risk of tipping-off. Finally, the absence of obligation to understand the nature of the business of legal persons and arrangements is also considered as affecting the level of compliance. **R.10 is rated PC.**

Recommendation 11 – Record-keeping

Liberia was rated PC with R10 in its last MER. The main technical deficiencies were the lack of requirements in Prevention of Money laundering law (PMLL) for FIs AML to ensure that all customers and their transaction records and information are available on a timely basis to domestic competent authorities upon request, failure on the part of FIs to implement record keeping requirements and the absence of evidence to demonstrate supervision for compliance with recording keeping.

Criterion 11.1 – FIs are required to maintain all records on domestic and international transactions for at least 7 years from the date of the execution of a transaction (AML/CFT Act, §15.3.16 (2)(d)).

Criterion 11.2 – FIs are required to keep all records obtained through CDD measures, account files and business correspondence and results of any analysis undertaken for at least 7 years after the termination of a business relationship or the execution of an occasional transaction (AML/CFT Act, §15.3.16 (2)(a), (b) and (c)).

Criterion 11.3 – FIs are required to keep and maintain documents and records in such a way that it shall be sufficient to reconstruct such information for use as evidence (AML/CFT Act, §15.3.16 (4)).

Criterion 11.4 – FIs are required to maintain documents and records in such a way that it can be made readily available to competent authorities upon appropriate authority (AML/CFT Act, §15.3.16 (5)).

Weighting and Conclusion

Liberia meets all the requirements. **R.11 is rated C.**

Recommendation 12 – Politically exposed persons

Liberia was rated NC with R.6 in its 1st MER. The deficiencies identified relate to requirement for dealing with PEP not addressed in the law, no requirement to establish source of wealth and source of funds of customers and beneficial owners, no requirement to conduct enhanced monitoring of relationship with PEP and the lack of specific provisions regarding seeking senior management approval before establishing business relationship with PEPs.

Criterion 12.1 –

In relation to foreign PEPs, in addition to performing the CDD measures required under Recommendation 10, FIs are required to (AML/CFT Act, §15.3.7 (1)(a)):

- (a) have a risk management system to determine whether a new or existing customer or beneficial owner is a PEP;
- (b) obtain senior management approval before establishing (or continuing, for existing customers) such business relationships;
- (c) take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as PEPs; and
- (d) conduct enhanced ongoing monitoring on that relationship.

However, the EDD for PEP regulation of 2019 authorises FIs to apply a risk-based approach to the implementation of the PEP specific measures once a customer ceases to be a PEP. This risk-based approach is however not compliant with the requirements of Rec. 12 (EDD for PEP regulation 2019, S. 2.12).

Foreign PEP is defined as per the definition provided for by the FATF Glossary.

Criterion 12.2 – In relation to domestic PEPs or persons who have been entrusted with a prominent function by an international organisation, in addition to performing the CDD measures required under Recommendation 10, FIs are required to apply the same measures as for foreign PEPs (see C.12.1) (AML/CFT Act, §15.3.7 (1)(b)). The implementation of the measures can be risk-based in the case that the PEP is no longer entrusted with a prominent function which is in keeping with C.12.2 (b) (EDD for PEP regulation 2019, S. 2.12).

Domestic PEP and persons who have been entrusted with a prominent function by an international organisation is defined as per the definition provided for by the FATF Glossary.

Criterion 12.3 – There is no requirement to identify family members or close associates of PEPs other than when the PEP is a client and the former have authority or benefit from the transactions. The identification of family member of PEPs and close associate therefore is only required if the PEP is itself a customer (EDD for PEP regulation 2019, S. 2.3.5). The measures to be put in place in this case are too restrictive to cover the requirement of C.12.1 and C.12.2. In addition, the regulation offers multiple definition of close associates, some of which are too restrictive to be in line with the meaning of Rec. 12 (e.g., refer to “widely and publicly known to maintain an unusual close relationship” or “in a position to conduct substantial domestic and international financial transactions on behalf of the PEP”) (EDD for PEP regulation 2019, S. 1.3.1, 1.4.2 and 2.3.5).

Criterion 12.4 – In relation to life insurance policies, FIs are required to take reasonable measures to determine whether the beneficiaries and/or, where required, the beneficial owner of the beneficiary, are PEPs. This should occur, at the latest, at the time of the payout. Where higher risks are identified, financial institutions should be required to inform senior management before the payout of the policy proceeds, to conduct enhanced scrutiny on the whole business relationship with the policyholder, and to consider making a suspicious transaction report (AML/CFT Act, §15.3.7 (2) and EDD for PEP regulation 2019, S. 2.3.6).

Weighting and Conclusion

Obligations towards PEPs are clearly established, however there are some limitations with respect to i) the possibility of not implementing R.12 obligations on foreign PEP who are no longer entrusted with a prominent public function when the risk is low as well as ii) the identification of family members and close associates as the definition is too restrictive and measures only apply when the customer is a PEP as opposed to when the family member or the close associate is the customer. Given the risk and context, in particular the corruption challenges identified under Chapter 1, **R.12 is rated as PC**.

Recommendation 13 – Correspondent banking

Liberia was rated NC with former R.7 in the 2011 MER. The main technical deficiencies were the failure to address issue of correspondent banking in law; no requirements to get information about respondent’s business and no requirement to assess respondent’s AML/CFT. No requirement for FI to satisfy itself that normal CDD obligations are conducted by respondent where payable through-accounts are maintained and to provide relevant customer identification data upon request.

Criterion 13.1 – In relation to cross-border correspondent banking relationships and other similar relationships, FIs are required to (AML/CFT Act, §15.3.8 (1)):

- a) gather sufficient information about a respondent institution to understand the nature of its business, and determine its reputation and the quality of supervision it is subject to and whether it has been investigated or subject to regulatory action;
- b) assess the respondent institution’s AML/CFT controls;

- c) obtain approval from senior management before establishing new correspondent relationships; and
- d) clearly understand the respective AML/CFT responsibilities of each institution.

Criterion 13.2 – With respect to “payable-through accounts”, FIs are required to satisfy themselves that the respondent bank has performed CDD obligations on its customers that have direct access to the accounts of the correspondent bank and is able to provide relevant customer due diligence information to the reporting entity upon request (AML/CFT Act, §15.3.8 (1)(e)).

Criterion 13.3 – FIs are prohibited from entering any business relations with correspondent banks that are shell banks, executing any transactions for or through a shell bank or permitting its accounts to be used by a shell bank (AML/CFT Act, §15.3.17 (1) and CBL AML/CFT regulation, S. 3.1.11.1). However, there are no obligations for FIs to satisfy themselves that respondent financial institutions do not permit their accounts to be used by shell banks.

Weighting and Conclusion

Specific obligations with respect to the establishment and management of correspondent banking relationship are mostly in place, except for the obligation to ensure that the respondent bank does not permit its accounts to be used by shell banks. **R.13 is rated LC.**

Recommendation 14 – Money or value transfer services

Liberia was rated NC on former SR.VI in its 1st MER due to the absence of effective implementation of requirements of money laundering regulations by CBL couple with no guidelines for the implementation of measures on MVTS and non-application of sanctions.

Criterion 14.1 – MVTS providers, except those already licensed as banks, FX bureaus (category A) or MMSPs, are required to be licensed by the CBL to operate in Liberia (CBL regulation no CBL/RSD/003/2022, S. 5(3)). Only legal persons can be MVTS providers.

Criterion 14.2 – It is illegal to operate financial service business including MVTS in Liberia without a license (Section 3(1) of New Financial Institutions Act, 2019. Any person doing banking business or rendering non-bank financial institution services without a license shall be liable to pay a fine of not less than Five Hundred Thousand (L\$500,000) Liberian Dollars, and; (a) the business may be closed down by the Central Bank, if the violation is a lack of valid license or lack of license. Whilst S. 31 of the Mobile Money Regulation NO. CBL/RSD/003/2014 states that any Authorised Institution violating these regulations shall be subjected to the appropriate supervisory sanctions, including but not limited to restriction on further expansion of Mobile Money Services, a fine of at least L\$200,000 for each violation or each day of the violation, suspension and dismissal of staff found to be responsible for flagrant violation of these regulations and/or other related directives of the Central Bank of Liberia and/or in an extreme case, revocation of the operational license of the authorised institution.

There is some evidence that CBL and LEA have taken action to identify natural or legal persons that carry out MVTS without registration, however there is little evidence of a sustained and co-ordinated process between CBL and other competent authorities to identify such entities.

Criterion 14.3 – MVTS providers are subject to monitoring for AML/CFT compliance by the CBL (AML/CFT regulation, S.4.0; FIA Act, §67.3.17; CBL Act, §6(h); CBL regulation no CBL/RSD/003/2022, S.28).

Criterion 14.4 – Except for FX bureaus, MVTS (banks, remittance service providers and MMSP) can conduct their business through an agent (Regulation No. CBL/RSD/0034/202216, section 21(1)).

MMSPs are required to maintain a list of their agents on their website and share the list with the CBL every month (Mobile money Regulations NO. CBL/RSD/003/2014, section 25). Banks must publish and maintain up-to-date the list of their agents (Agent banking regulation, Section 23(3)). Remittance service providers that are not banks or MMSPs are not required to maintain a list of their agents or register them with the CBL.

Criterion 14.5 – MMSP, remittance service providers and banks are required to monitor the activities of their agents and train them on their AML/CFT policies, procedures and obligations. (mobile money regulation, §24; agent banking regulation §24; remittance service providers regulation, §21(3); AML/CFT Act, §15.3.12(2)(c))

Weighting and Conclusion

Liberia meets most of the requirements with gaps noted in the requirements for standalone remittance service providers to maintain a list of their agents and for the identification and sanctioning of natural and legal persons carrying out MVTS without a license. While some campaigns have been conducted, there is little evidence of a sustained and co-ordinated process between CBL, LEA and other competent authorities to identify such entities and apply proportionate and dissuasive sanctions on them. **R.14 is rated LC.**

Recommendation 15 – New technologies

Liberia was rated NC with respect to R.8 in its 1st MER. The main technical deficiencies were the lack of specific details in law to accompany a payment by post or other electronic means, no policies and procedures in place regarding risk associated with non-face to face transactions, and non-implementation of the law across the entire financial sector.

Criterion 15.1 – FIs are required to assess ML/TF risks that may arise in relation to the development of new products and new business practices including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products (AML/CFT Act, §15.3.10 and CBL AML/CFT regulation, S.2.9.1). However, Liberia has not assessed the ML/TF risks related to new technologies, delivery mechanisms, products and practices.

Criterion 15.2 – FIs are required to:

- a) Undertake a risk assessment prior to the launch or use of such products, practices and technologies; and
- b) take appropriate measures to manage and mitigate the risks (AML/CFT Act, §15.3.1 (6) and CBL AML/CFT regulation, S.2.9.2).

Criterion 15.3

- a) Liberia has not carried out any assessment of risks posed by VA or VASPs.
- b) Liberia has taken some measures to address risks related to VA and VASP activities. After noting some illegal VASP activities, the CBL issued a press release recalling that no VASP have been licensed and called on FIs not to facilitate any VA-related business and transactions. It also conducted a survey amongst banks and insurance companies to gather information on the use of VA and the level of preparedness of the sector to welcome VASPs.
- c) VASPs are required to take appropriate steps to identify, assess, manage and mitigate their ML/TF risks as required by criteria 1.10 and 1.11 (AML/CFT Act, §15.3.1). This is applicable to all VASP activities as defined by the FATF Standards.

Criterion 15.4 VASPs are required to be licensed or registered but implementing legislation has not been adopted to define the parameters of the licensing process and the measures to be taken to prevent criminals or their associates from holding, or being the BO of, a significant or controlling interest, or holding a management function in, a VASP.

Criterion 15.5 No mechanism is in place to identify unlicensed operations of VASPs in the country.

Criterion 15.6

- a) VASPs are subject, at a minimum, to the supervision of the FIA as the FIA Act confers broad supervisory responsibility to the FIA on all reporting entities, including VASPs (FIA Act, §67.3 (13) and (14)).
- b) The FIA has adequate powers to supervise and ensure compliance by VASPs with requirements to combat ML/TF, including the authority to conduct inspections and compel the production of information. However, it is unclear whether it has the power to impose all types of sanctions, in particular those that relates to the license of the VASP (see R.28).

Criterion 15.7 (N/A) There are no licensed VASP operating in the country.

Criterion 15.8 In line with R.35:

- a) There is a range of proportionate and dissuasive civil and administrative sanctions available to deal with VASPs that fail to comply with AML/CFT requirements. However, the criminal sanctions are disproportionate (see R.35).
- b) Sanctions are not applicable to directors and senior management.

Criterion 15.9 With respect to preventive measures, VASPs are required to comply with the requirements set out in R.10 to 21, subject to the following qualifications:

- a) R.10 – the threshold for CDD on occasional transactions has not been defined and all other deficiencies identified under R.10 equally applies to VASP.
- b) R.16 – the requirements applicable to FIs do not apply to VASPs

In addition, all the deficiencies identified under R 13, 18, 19 applies in the same way to VASPs. For R.12, VASPs obligation are in line with R.12.1 and 12.2, but not 12.3 as there no requirements to identify family members and close associates of PEPs. For R.14, there are no obligations applicable to VASP in the case they use agents. For R.15 (new technologies), VASPs are required to take the same measures as FIs described above and are therefore compliant. There are no obligations in place for VASPs to comply with R.20 and R.21.

Criterion 15.10 This requirement is not addressed by Liberia.

Criterion 15.11 The FIA can share information on ML/TF/PF without limit to the sector, including VASPs. However, Liberia did not share information about the compliance with this criterion for other competent authorities.

Weighting and Conclusion

FIs are required to assess and address the risk related to new technologies, but Liberia has not conducted itself a risk assessment of new technologies. Liberia has taken steps to regulate VASPs, although there

are significant gaps with respect to STR obligation and wire transfers. That said, the licensing framework has yet to be established and Liberia has therefore not yet effectively allowed market entry. There are no measures in place to identify unlicensed activities, but the CBL has conducted a survey to gather information on market penetration and the readiness of the financial sector to welcome a new player. **R.15 is NC.**

Recommendation 16 – Wire transfers

Liberia was rated PC with former SR VII. The primary deficiencies identified in the 1st MER were that there was no express provision in law, regulations or guidelines with respect to wire transfers and compliance with the required obligations. There are no procedures in place for monitoring of compliance with rules and regulations implementing SR VII, and no effective implementation of wire transfer rules.

Criterion 16.1 – FIs are required to ensure that all cross-border wire transfers of US\$ 1 000 or more are always accompanied by the following information and that this information is accurate (AML/CFT Act, §15.3.11 (1) and CBL AML/CFT Regulation, S. 3.10.1):

a) on the originator: (i) full name; (ii) account number or, in the absence of an account, a unique reference number; (iii) address or national identity number or date and place of birth.

b) on the beneficiary: (i) name; and (ii) account number where such an account is used to process the transactions. If there are no account used, there is no obligation to use a unique transaction reference number which allows the traceability of the transaction.

Criterion 16.2 – The CBL has yet to issue regulation with respect to the handling of batch files.

Criterion 16.3 – The CBL has yet to issue regulations with respect to the handling cross-border wire transfers under the designated threshold.

Criterion 16.4 – The CBL has yet to issue regulations with respect to the handling cross-border wire transfers under the designated threshold.

Criterion 16.5 – For domestic wire transfers, FIs are required to ensure that the information accompanying the wire transfer includes originator information as indicated for cross-border wire transfers but not the beneficiary (CBL AML/CFT Regulation, S. 3.10.1).

Criterion 16.6 – The CBL has yet to issue a regulation regarding the handling of domestic wire transfers.

Criterion 16.7 – Section 15.3.11(2)(b) of AML/CFT Preventive Measures Proceeds of Crimes Act 2019 provides that a Financial Institution generating a wire transfer shall ensure that all originator and beneficiary information is kept. More specifically, for the information that relates to the originator, meaning the customer of the FI, the specific requirements of R.11 apply. For the information related to the beneficiary, the record keeping obligation is not specified in line with R.11. For example, the period for which the record needs to be kept is not specified.

Criterion 16.8 – Section 15.3.11 (2) (c) (c) of AML/CFT Preventive Measures Proceeds of Crimes Act, 2019 states that no wire transfer should be executed that does not comply with the requirements specific under the AML/CFT Act, 2021.

Criterion 16.9 – For cross-border wire transfers, intermediary FIs are required to ensure that all originator and beneficiary information that accompanies a wire transfer is retained with it (AML/CFT Act, §15.3.11(3)(a) and CBL AML/CFT Regulation, S. 3.10.2).

Criterion 16.10 – FIs processing an intermediary element of a wire transfer are required to ensure that all originator and beneficiary information that accompanies a wire transfer be retained with it and where technical limitations prevent the required originator or beneficiary information accompanying a cross-border wire transfer from remaining with it a related domestic wire transfer, keep a record for at least seven years from the day of the transaction of all the information received from the ordering or other intermediary financial institution (AML/CFT Act, §15.3.11(3)(b)).

Criterion 16.11 – Intermediary FIs are required to take reasonable measures to identify cross-border wire transfers that lack originator and beneficiary information (AML/CFT Act, §15.3.11(3)(c)).

Criterion 16.12 Intermediary FI are required to apply risk-based policies and procedures to determine whether to execute, reject or suspend such a cross-border wire transfer and appropriate follow up action when identifying a cross-border wire transfer that lacks required information on the originator and beneficiary (AML/CFT Act, §15.3.11(3)(c)).

Criterion 16.13 Beneficiary FI are required to take reasonable measures to identify cross-border wire transfers that lack originator and beneficiary information (AML/CFT Act, §15.3.11(4)(b)).

Criterion 16.14– Beneficiary FIs are required to verify the identity of the beneficiary of a wire transfer and keep this information as per R.11 but as it relates to their customers (AML/CFT Act, §15.3.11(4)(a)).

Criterion 16.15 Beneficiary FIs are required to take reasonable measures to identify cross-border wire transfers that lack originator and beneficiary information; and apply risk-based policies and procedures to determine whether to execute, reject or suspend such a cross-border wire transfer and appropriate follow up action (AML/CFT Act, §15.3.11(4)(b)).

Criterion 16.16 MVTs are required to comply with the requirements of Rec. 16 in the same way as other FIs (CBL AML/CFT Regulation, S.1.1 and AML/CFT Act, S.15.1). However, the deficiencies identified in C.16.1 to 16.15 equally applies to them.

Criterion 16.17 Whilst there is a general requirement for reporting entities to file suspicious transactions, there is no specific obligation for MVTS providers controlling both the ordering and beneficiary side to take into account all the information from both sides in order to determine whether an STR has to be filed and file an STR in any country affected by the suspicious wire transfer and make relevant transaction information available to the FIA.

Criterion 16.18 Liberia has not taken any measures to ensure that, in the context of processing wire transfers, FIs comply with obligations set out in the relevant UNSCRs relating to TF.

Weighting and Conclusion

The CBL has yet to issue regulation with respect to domestic wire transfers and transfers above the designated threshold and expand the record keeping obligations. There is also no obligation on the MVTS that controls both sides of the transaction to take into account all information in order to determine whether an STR has to be filed. **R.16 is rated PC.**

Recommendation 17 – Reliance on third parties

Liberia was rated PC with former R9 in the first-Round Mutual evaluation. The main technical deficiencies identified were that there was no provision in law, regulations or other enforceable means placing ultimate responsibility on FIs relying on a third party for identification and

verification of identity of customers. There is no procedure in place for monitoring of compliance with requirements of R9 where FIs rely on third party for CDD, or to confirm that FIs do not rely on third party for CDD.

Criterion 17.1 – FIs may rely on third-party FIs and DNFBPs to undertake customer due diligence procedures related to identification of the customer and beneficial owner and understanding of the nature of the business. The ultimate responsibility for CDD measures remains this the FI relying on the third party which is required to (AML/CFT Act, §15.3.9 (1), (2) and (5)):

- a) ensure that it receives all information obtained by the third party as soon as practicable;
- b) ensure that copies of documents obtained are either provided by the third party or can be obtain immediately upon request;
- c) ensure that the third party is subject to adequate AML/CFT regulation, supervision or monitoring and has customer due diligence and record keeping measures in place that are consistent with the national obligations.

Criterion 17.2 – Authorities may require FI to take particular measures with respect to countries that represent a higher risk (see R.19). FIs are also required to consider the ML/TF risk associated with the country in which the third party is based prior to entering into a relationship with a third party (AML/CFT Act, §15.3.9 (4)).

Criterion 17.3 – For FIs relying on a third party that is part of the same financial group, supervisory authorities may consider that the requirements of the criteria above are met when (AML/CFT Act, §15.3.9 (6)):

- a) the group applies CDD and record-keeping requirements, in line with R.10 to 12, and programmes against ML/TF in accordance with national obligations;
- b) the implementation of those CDD and record-keeping requirements and AML/CFT programmes is supervised at a group level by a competent supervisory authority; and
- c) any higher country risk is adequately mitigated by the group’s AML/CFT policies.

Weighting and Conclusion

Liberia meets all the requirements. **R.17 is rated C.**

Recommendation 18 – Internal controls and foreign branches and subsidiaries

In the first round Mutual Evaluation, Liberia was rated PC on R.15 (internal controls) and NC on R.22 (foreign branches and subsidiaries). Deficiencies related to the ratings include: there was no requirement for FIs to ensure that Compliance Officer has timely access to customer data and other CDD information, there was no requirement in the PMLL for FIs to maintain adequately resourced independent audit function and the Law fails to provide requirements for foreign branches or subsidiaries.

Criterion 18.1 – FIs are required to implement AML/CFT programmes, which have regard to the ML/TF risks and the size of the business and which include the following internal policies, procedures and controls (AML/CFT Act, §15.3.12 (1) and (2); CBL AML/CFT Regulation, S. 2.3; STR Regulation for FIs, S. 2.2.1):

- (a) Designation of a compliance officer at management level;
- (b) Screening procedures to ensure high standards when hiring employees;
- (c) ongoing employee training on AML/CFT; and
- (d) independent audit function to test the AML/CFT program.

Criterion 18.2 – Financial groups are required to implement group-wide programmes against ML/TF, applicable to their foreign branches and majority-owned subsidiaries which include (AML/CFT Act, §15.3.13 (1), (2), (3)) :

(a) policies and procedures for sharing information within the group for the purposes of AML/CFT.

(b) powers for the group-level compliance, audit and AML/CFT functions to request and be provided customer's account and transaction information from branches and subsidiaries as necessary to fulfil their functions. However, this does not extend explicitly to information and analysis of transactions or activities which appear unusual. There is also not explicit requirement that branches and subsidiaries receive such information from group-level functions when relevant and appropriate to risk management.

(c) adequate safeguarding on the confidentiality and use of the shared information, but not specific safeguards to prevent tipping-off.

Those requirements related to group-wide programs however do not extend to the obligations mentioned under C.18.1 and do not cover domestic subsidiaries and branches of financial group.

Criterion 18.3 – FI are required to impose on their foreign branches and majority-owned subsidiaries to implement AML/CFT measures consistent with the home country requirements to the extent that the host country allows it. If the host country does not permit the implementation of AML/CFT measures equivalent to that of the home country, the FI should inform its supervisor and apply appropriate additional measures to manage the ML/TF risks (AML/CFT Act, §15.3.13 (4)).

Weighting and Conclusion

There are clear obligations for FIs to adopt internal control measures. However, there are minor shortcomings with respect to group-wide AML/CFT programmes for financial groups which do not cover all requirements provided for under C.18.1 and do not apply to domestic branches and subsidiaries. **R.18 is rated LC.**

Recommendation 19 – Higher-risk countries

Liberia was rated NC on R.21 in its 1st MER. The main deficiencies identified include the absences of express requirement in law or other enforceable means for FIs to give special attention to business relationships and transactions linked to high-risk countries. The lack of effective measures to monitor effective implementation of requirements with R21.

Criterion 19.1 – FIs are required to implement enhanced due diligence measures to business relationships and transactions with customers, beneficial owners, or FIs from countries for which this is called for by the FATF. (AML/CFT Act, § 15.3.14 (1)).

Criterion 19.2 – The FIA or the supervisory authorities can require reporting entities to impose counter measures on transactions associated with countries or geographic regions that are identified as being a high-risk Money Laundering or Terrorist Financing jurisdictions by the FIA or the supervisory authority or international organizations including the Financial Action Task Force (AML/CFT Act, § 15.3.14(3)).

Criterion 19.3 – There are no mechanism or specific requirement in place in Liberia to inform FIs of concerns about weaknesses in the AML/CFT systems of other countries.

Weighting and Conclusion

There are obligations to apply enhanced due diligence or counter measures to higher risk countries. However, there is no measure in place to ensure FIs are advised of concerns about weaknesses in the AML/CFT systems of other countries. **R.19 is rated LC.**

Recommendation 20 – Reporting of suspicious transaction

In its 1st MER, Liberia was rated NC on R.13 and SRIV respectively. The major shortcomings identified in the MER were: the Absence of direct mandatory obligation for FIs to report to the FIU when they suspect or have reasonable ground to suspect that funds are proceeds of criminal activity; no provisions in law requiring the reporting of suspicious transactions and attempted transactions regardless of the amount. Terrorist financing not criminalised in Liberia and not all predicate offences of money laundering were criminalised.

Criterion 20.1 – FIs are required to submit an STR to the FIA as soon as possible but no later than three (3) days to the FIA if they suspect or have reasonable grounds to suspect that any funds, property or transaction is related to, intended for use in, or linked in any other way to ML or its predicate offences, proceeds of crime, or terrorism, terrorist acts or terrorist organisations, or is to be used for terrorism, terrorist acts or terrorists organisations or those who finance terrorism (AML/CFT Act, §15.3.20 (1)(a)). However, deficiencies mentioned under R.3 and 5 limit the scope of what would constitute the basis of suspicion, notably by the fact that crimes committed abroad are not considered predicate offences in Liberia and the financing of foreign terrorist fights is not criminalized.

Criterion 20.2 – FIs are required to report all suspicious transactions, including attempted transactions, regardless of the amount of the transaction (AML/CFT Act, §15.3.20 (1)(c)). Deficiencies mentioned under R.3 and 5 also have a cascading effect on this criterion.

Weighting and Conclusion

Liberia meets all the requirements, but deficiencies under R.3 and 5 have a cascading effect which is considered having a minor impact on compliance. **R.20 is rated LC.**

Recommendation 21 – Tipping-off and confidentiality

In the last MER, Liberia was rated PC on R14. The technical deficiencies identified in the report were: Persons benefitting from protection against criminal, civil or administrative liability are not clearly defined, there is no provisions on whether the protection will be available even if the person who reported did not know what the underlying criminal conduct was, regardless of whether illegal activity occurred. There is no provision to ensure that the names and personal details of staff of FIs who make STRs are kept confidential by the FIA.

Criterion 21.1 – FIs or any director, partner, officer, principal or employee thereof is protected from, and not be subject to any criminal, civil, administrative or other liability or sanctions for

breach of any banking, professional, customer, business entity or organization, business or other secrecy, confidential provisions or restriction on disclosure of information imposed by contract or by any legislative, regulatory or administrative provision, if they report their suspicions in good faith to the FIA, even if they did not know precisely what the underlying criminal activity was, and regardless of whether the illegal activity actually occurred (AML/CFT Act, § 15.3.22(1) and § 15.3.23 (1) (a) (b)).

Criterion 21.2 – There is a prohibition on any person to disclose information contained in an STR or information provided to the FIA (AML/CFT Act, § 15.3.24(1)(d)). However, there is no prohibition to disclose the fact that an STR has been filed with the FIA. It is not possible to assess the impact on R.18 as there are no provision requiring the exchange of information pertaining to STRs or analysis of transactions between FIs of the same group.

Weighting and Conclusion

There are provisions to protect the reporting of suspicions in good faith to the FIA and prevent the disclosure of information contained in an STR. However, there is no prohibition on the disclosure of the fact that an STR has been filed. **R21 is rated LC.**

Recommendation 22 – DNFBPs: Customer due diligence

In the last MER, Liberia was rated NC on R12. The technical deficiencies identified in the report were: No AML/CFT obligation applicable to DNFBPs and there is no supervisory authority with mandate to regulate, supervise and monitor DNFBPs against money laundering and terrorist financing.

Criterion 22.1 – All DNFBPs need to implement the CDD requirements (AML/CFT Act, S.15.3.2). There are no requirements prescribing the transaction threshold or specific activities involving Casinos, Real estate agents, Dealers in precious metals and stones, Lawyers, notaries, other independent legal professionals and accountants, Trust and company service providers for compliance with CDD requirement which appears to create additional restrictions going above the requirements of the Standards without justification based on risk identified. For real estate agents, lawyers, notaries, TCSPs, the type of transaction that require CDD is in line with the criterion. The deficiencies identified under R10 also have an impact on the compliance with this criterion.

Criterion 22.2 – DNFBPs in Liberia are subject to the same record-keeping requirements as FIs which are in line with the standard (AML/CFT Act, S.15.3.16). (See R.11 for details)

Criterion 22.3 – DNFBPs in Liberia are required to comply with the same requirements regarding PEPs as FIs under the AML/CFT Act (see analysis in R.12) and as such, the shortcoming identified under R.12 also apply.

Criterion 22.4 – DNFBPs in Liberia are required to comply with the same requirements on new technologies as FIs (see analysis in R.15).

Criterion 22.5 – DNFBPs in Liberia are required to comply with the same requirements regarding the reliance on third-parties as FIs (see analysis in R.17).

Weighting and Conclusion

Liberia exhibits some deficiencies with respect to requirements in R22. In particular, deficiencies relating to R10, and R12 which are considered moderate shortcomings given the weight of C.24.1 requirements on this recommendation as well as the importance of the risks related corruption. **R.22 is rated PC.**

Recommendation 23 – DNFBPs: Other measures

Liberia was rated PC with former R4 in its 1st MER. Key deficiencies identified were that the Prevention of Money laundering Law (PMML) did not provide for data protection, it also fell short of measures against possible misuse of information by LEAs and the absence of expressed provision for information sharing.

Criterion 23.1 – The requirements to report suspicious transactions set out in R.20 apply to all DNFBPs subject to the following qualifications (AML/CFT Act, §15.3.20 (1)(a)):

- a) Lawyers, notaries, other independent legal professional and accountants – when, on behalf of, or for, a client, they engage in a financial transaction associated with an activity specified by the FIA. However, those activities have not been specified. They are however excluded from the STR reporting obligation if the information was obtained in circumstance where they are subject to professional secrecy, such as when the information is obtained through the process of ascertaining the legal position of the client or in performing their task of defending or representing that client in judicial, administrative or mediation proceedings (AML/CFT Act, §15.3.20 (1)(d) and (e))
- b) For DPMS, the threshold has not been determined (AML/CFT Act, §15.3.20 (1)(f)).
- c) For TCSPs, when on behalf or for a client, they engage in a transaction in relation to the activities described in criterion 22.1(e) (AML/CFT Act, §15.3.20 (1)(a)).

The minor shortcoming identified under R.20 regarding the cascading effect of R.3 and 5 on the STR obligation.

Criterion 23.2 – DNFBPs are subject to the same requirements for internal controls as FIs. The deficiency of R.18 equally applies to them.

Criterion 23.3 – – DNFBPs are subject to the same requirements as FIs regarding high-risk countries. The deficiency of R.19 equally applies to them.

Criterion 23.4 – - DNFBPs are subject to the same requirements as FIs regarding tipping off and confidentiality requirements. The deficiency of R.21 equally applies to them.

Weighting and Conclusion

The threshold for the STR reporting obligation for DPMS has not been determined. The deficiencies identified for FIs under R.18, R.19, R.20 and R.21 equally applies to R.23. **R.23 is rated LC.**

Recommendation 24 – Transparency and beneficial ownership of Legal Persons

The first MER rated Liberia NC for this recommendation. There were inadequacies due to the lack of: measures for adequate, accurate and timely information on beneficial ownership; and no national registry existed for recording of the required ownership and control details for all companies and other legal persons registered in Liberia. There was no mechanism in place to verify the identity of owners for AML/CFT purposes; and nor appropriate measures to prevent the misuse of bearer shares in ML schemes.

Criterion 24.1

- a) Liberian legislation identifies and describes the different types, forms and basic features of legal persons in the country, and the processes for their creation (the Association Law (Ch.4 of BCA). The legislation, other laws and information of more relevance to the finance sector are also available to the public via the MOCI website.
- b) Processes for their creation of legal persons and mechanisms for obtaining and maintaining basic and BO information on legal entities are established in the same texts, in the Association BCA (§8.1.4, BCA).

Criterion 24.2 - Liberia has not assessed the ML and TF risk associated with all types of legal persons created in Liberia.

Basic Information

Criterion 24.3 - Registration information on all legal persons must include: company name; proof of incorporation; address of the registered office; basic regulating powers; Legal form and status; and list of directors. The forms and types of the legal persons, including classes of shares and voting rights of members Ch.4 §4.3-4.4 of BCA.

All companies and businesses must be registered by LBR which records company's or business' name, address of its headquarters, list of members/ owner and article of association or bylaws containing detail information on operation (Ch4. §4.2-4.9 BCA).¹¹⁸ All foreign maritime entities must be registered by LISCR which record companies name, address of its headquarters and list of directors. (Ch 13 §13.1-13.3 of BCA). The MoFA maintains records of companies' names incorporated by them in an alphabetical order, (Ch 12 §12.1-12.12 of BCA).

Upon registration, NPOs must submit the articles of incorporation which set forth: the name of corporation, duration and the purpose for which its incorporated, The registered address of the corporation in Liberia and the name and address of its registered agent; list of initial board of directors and their address (Ch.21 §21.4, BCA).

Corporative Societies must register with Ministry of Agriculture (MoA) which records and provides the societies': name, registered office, type and function, membership and voting rules, and name and address of members (Ch.42 §42.3-42.4 of the BCA).

The information on registration of legal persons carried out by the respective agencies is publicly available.

Criterion 24.4 - All companies keep records of article of incorporation, complete books, records of account, minutes of meeting within their registered office, containing the information mentioned in Criterion 24.3.(Ch.8 § 8.-2 of BCA). This information is also, notified to the registry through filings of such information, (Ch.8 § 8.-6 of BCA). Similar obligations do not apply to Not-For-Profit Corporations.

Regarding shareholder or member information:

- *For Domestic corporations*, keep records of the names and addresses of all registered shareholders, the number and class of shares held by each and the dates when they respectively

¹¹⁸ The Liberia Revenue Code as (Amended) 2020 requires legal persons to register for the purpose of taxation.

became the owners of record thereof including maintaining of record of issue bearer shares and certificates issued in bearer form, including the number, class and dates of issuance of such certificates. (§§8.2 (1)(2) and 14.3.5(c) BCA). A resident domestic corporation must keep the records in the Republic of Liberia (§§8.1.4 and 14.3.5 (c), BCA). Although corporations are not required to notify the company registry regarding the location of the information, the Registrar or Deputy Registrar can request from any domestic corporation any records kept on shareholders (§§8.1.8 and 14.3.5 BCA).

- *For Foreign corporations*, keep records of the names and addresses of all registered shareholders, the number and class of shares held by each and the dates when they respectively became the owners of record thereof including maintaining of record of issue bearer shares and certificates issued in bearer form, including the number, class and dates of issuance of such certificates (Ch.12 §12.10 BCA). However, foreign maritime entities are not obliged to keep similar information.
- *For partnerships*, every domestic limited partnership and foreign partnership authorised to do business in Liberia must keep records containing the names and addresses of all partners and any beneficial owners of the limited partnership; the percentage of the partner's holding or interest held in the limited partnership and the dates of ownership thereof; and certificates of ownership of a partner, if any, including the percentage and dates of issuance of such records or certificates. A resident domestic limited partnership must keep the records in the Republic of Liberia (§31.38(c), Associations Law). Although partnerships are not required to notify the company registry regarding the location of the information, the Registrar or Deputy Registrar can request from any domestic limited partnership any records kept on partners and owners (§31.38(2), Associations Law).
- *For cooperative societies*, information about the members must be kept and registered by a Registrar of Corporative Societies in MoA (§42.10, BCA).

Criterion 24.5 - – All companies (including corporations and limited partnerships) are required to notify the Registrar MoFA of any change or amendment of the articles of incorporation, including change of shareholders and registered office. Upon filing of the articles of amendment with the Registrar of MoFA, the amendment become effective as of the filing date stated thereon and the article of incorporation is deemed amended (§9.6, BCA).

Amendment of bylaws of cooperative societies become valid upon satisfaction of the amendment's compliance with the relevant provisions of the BCA and issuance of a certificate by the MoA (§42(12), BCA). The MoFA must be notified of any change of name or address of a society (§42(13), BCA). However, there are concerns in terms of how such notification is done, because verification measures of accuracy of information during and after formation and registration are inadequate.

Beneficial Ownership Information

Criterion 24.6 All legal persons including company registries (LBR and MOFA) and registered agents are required to maintain, in Liberia, complete and accurate information on beneficial ownership for a minimum of five years (§8.1(2), (4) & (6), BCA). The definition of “beneficial owner” is consistent with the FATF’s definition and applies to all forms of legal persons (§1.2(c), BCA). Based on section 4.4 (k) of the BCA Amendment Act 2018, the LISCR started collecting BO information of offshore and Maritime companies. LISCR verifies BO information, but the verification process appears to be inadequate. The LEITI also collect BO information of some of the companies operating in the extractive industry (§3.0 LEITI Act, 2009), but it does not verify such information. Moreso, the LBR and MOFA

are yet to start implementing the BO regime in accordance with the BCA Amendment Act 2018.

FIs and DNFBPs must hold documentation and information relating to the identification and verification of their customers' BOs, and be able to justify to the supervisory authorities that the steps taken to determine the BO comply with the obligations laid down for transactions (§3, AML/CFT Guideline for FIs in Liberia).¹¹⁹ However, implementation of CDD and verification process to identify BO is a challenge for some FIs and most DNFBPs, including lawyers and accountants. Generally, the measures to ensure that legal persons obtain and keep accurate and up-to-date information on their beneficial ownerships appears inadequate.

Criterion 24.7 - - Liberia has mechanism to obtain and maintain accurate and up-to-date BO information of the offshore companies and companies operating in the extractive industry. LISCR has a software that regularly flag the status of update of companies' information incorporated in its system. The AML/CFT Act requires FIs and DNFBPs to exercise due diligence and ensure that all records, data and CDD information, including BO information collected are up to date in accordance with section 15.3.16(2) (a-b) of AML/CFT Act. However, there is no specific guidance on when BO information must be updated, and verification of registers is mostly ad hoc. Also, it is not clear to what extent the Liberian authorities are monitoring and enforcing the obligations on companies to investigate and obtain BO information and accurate and up-to-date changes to the status of beneficial owners.

Criterion 24.8 (a), (b) and (c) - For entities registered to do business in Liberia, failure to declare their BO may be sanctioned, by including the imposition of fines, withdrawal of good standing, revocation of the entity's license to operate, and dissolution, as the Registrar shall determine to be appropriate (s 8.1 of BCA (amendment 2020)).

The business entities are required to provide complete and accurate accounting records, including records of and information on ownership of shares or interest in corporations including disclosure of BO information (§8.1, BCA (amendment 2020)).

- FIs and DNFBPs are subject to AML/CFT guidelines which require them to perform CDD when establishing business relationships including establishing the true nature and purpose of the business, beneficial ownership information which has to be up-to-date and accurate. However, it is not clear to what extent companies co-operate with competent authorities to the fullest possibly, in determining beneficial owners.

Criterion 24.9 - -The retention period for the majority of the documents mentioned in Criteria 24.3 and 24.4 up to five years. The FIs and DNFBPs must keep the documents of their clients, including and identification documents and those relating to transactions carried out by them for ten (10) years after termination of business relationship or from the date of transaction in the case of an attempt or execution of a transaction or of an occasional transaction (section 15.3.16.(2) (a-b) of AML/CFT Act). However, this requirement is not extended to NGOs, foundation and associations.

Other Requirements

Criterion 24.10 - - Competent authorities, including LEAs can access basic and beneficial ownership information of legal entities from LISCR, LEITI (s 8.1 of BCA (amendment 2020)), FIs and DNFBPs (§9, AML/CFT Guideline). Regarding domestic companies, NGOs and foundation and association only basic information is available as MOFA and LBR have not started the collection of BO information during the incorporation and registration of legal persons. Also, BO information is not accessible in a timely manner.

¹¹⁹ The Regulations define "beneficial owner" to mean the natural person(s) who exercise ultimate effective control over a legal person (para. 1.3.1).

Criterion 24.11 - Liberia legislation prohibited the offshore companies to issue bearer shares (§5(1), 5(8)(2), BCA). But domestic companies are allowed to issue bearer shares. Also, there are no adequate measures to prohibit converting them into registered shares/ share warrants, or immobilising both bearer shares and share warrant into registered shares, or requiring the control of shareholders to notify their companies to update their records.

Criterion 24.12 - Liberia recognises nominee shares (§7(11)(6) and 14.1.1, BCA). Nominee shareholders are required to disclose to the company registry that they are nominees, and the identity of the person who nominated them. They are licensed and required to retain records of who has nominated them. Also, nominee directors and any intermediary holding registered securities as a nominee is required to provide information about the identity of the owner of the securities at the request of the issuing company (s8.1 of BCA as Amended)

Criterion 24.13 - There are provisions that deal with the failure to provide basic and beneficial ownership information at the time of incorporation. Failure to provide such basic or BO information is punishable by fines of L\$1000.00 or withdrawal of good standing, revocation of the entity's license to operate, and dissolution, as the Registrar shall determine to be appropriate. For failure to keep record and report to the Registrar is also, a fine of L\$1000.00, (S 8.1 as amended). However, there is no applicable fine for NGOs, foundations and associations for breached of similar obligations.

Criterion 24.14 - Liberia, to some extent, can provide international cooperation in relation to basic and beneficial ownership information; on the basis set in recommendation 37 and 40.

- a) - Liberia authorities can facilitate access to basic information held by company registries. However, Liberia did not demonstrate experience in the rapid provision of international cooperation, including the exchange of basic information of legal persons.
- b) The competent law enforcement authorities, including the FIA and supervisory authorities have the right to access information held by the MOFA, LBR, and LISCRA and may share, upon request or on their own initiative, these details with the competent authorities of foreign jurisdictions who require these for the purpose of intelligence, investigation, etc. Liberian authorities can exchange information on shareholders through a variety of channels, including MLA and police-to-police assistance (see R.37 and R.40). The FIA and LEAs have power to receive requests on behalf of foreign counterparts for the investigation of ML/TF of foreign counterparts.
- c) The FIA and LEAs have investigative powers to obtain BO information on behalf of their foreign counterparts (§17, CPL).

Criterion 24.15 - - Competent authorities are not required to monitor the quality of assistance received from foreign countries in response to requests for basic and beneficial ownership information. As noted under IO.2, the Liberian authorities did not demonstrate experience with exchanging relevant information on legal persons.

Weighting and Conclusion

The moderate shortcoming in law have been noted in the analysis of this Recommendation and there is generally unsatisfactory regulatory measures for ensuring that there is adequate, accurate and updated BO information (as defined by the FATF), which can be obtained or accessed by competent authorities in a timely manner. Liberia has not assessed the ML/TF risk associated with all types of legal persons created and operating in the country. Consequently, LEAs and other competent authorities cannot

rapidly provide international co-operation in relation to BO information limit the country's ability to share information with foreign counterparts. Given the limited access of BO information from domestic companies and other legal entities, the gaps for this sector are weighted heavily. **R.24 is rated PC.**

Recommendation 25 Transparency and Beneficial Ownership of Legal arrangements

In its first MER, Liberia was rated NC with the former R.34 under these requirements. The First MER noted the absence of requirements for trust service providers to obtain, verify and retain records of the details of the trust or other similar legal arrangements and effective mechanisms to assist competent authorities to have access in a timely fashion to adequate, accurate and current information on the beneficial ownership and control of legal arrangements, and in particular the settlor, the trustee, and the beneficiaries of express trusts. The issues regarding effectiveness are discussed under IO.5.

Criterion 25.1 - Liberia's trusts regime is expressly enacted into law under the Association law (Ch 50.1 s 50. 3 of BCA) which requires identification of the settlor, trustees and beneficiary in the deed instrument creating the trust. The trust is registered by the registrar of deed who will issue a certificate stating the particulars of the trust in the certificate.

- (a) - The Liberian trust law requires that trusts keep and maintain records of trustees, and to obtain and hold adequate, accurate and current information on the identity of settlor, a protector, if any. Trusts are also, required to keep and maintain records on all beneficiaries, or the identity of any natural person exercising ultimate effective control over the trust (s 50.12 of BCA).
- (b) - Liberia law did not provide any obligation for trustees to hold basic information on other regulated agents of, and service providers to, the trust, including investment advisors or managers, accountants, and tax advisors. However, the trustees are subjected to filling of successive annual return which stated particulars and confirm the accuracy of information contain in the return. (s 50.7 of BCA)
- (c) - The FIs and DNFBPs are obliged to keep and maintain records for five years from the date of termination of the relationship with the customer (§2.9, AML/CFT Regulations for FIs (AML/CFT/RFI)). Professional staff acting as trustees working in FIs are subject to the FI obligations when dealing with clients and this obligation applies to their role as trustee.

Criterion 25.2 - - Liberia has taken some measures to ensure that the information held in accordance with this requirement is accurate, as current as possible, and is updated in a timely manner.

Trustees and administrator of any trust are explicitly require to keep information of all registered trusts for competent authorities to access on a timely manner (s50.12-13 of the BCA).

The AML/CFT/P law requires FIs and DNFBPs to keep CDD information on customers including trustees. This requirement includes disclosing their financial status when establishing business relationship or conducting occasional transactions above the threshold.

Criterion 25.3 - There are no statutory or regulatory provisions that expressly require trustees to declare their status to financial institutions and DNFBPs when forming a business relationship or carrying out an occasional transaction above the threshold. Notwithstanding, the AML/CFT act requires FIs and DNFBPs to collect and maintain CDD information on customers including trustees. This requirement includes disclosing their financial status when establishing business relationship or conducting occasional transactions above the threshold.

Criterion 25.4 - - There is no legal or regulatory provision that prevents legal arrangements from providing the competent authorities with any information or providing FIs or DNFBPs with information on beneficial owners and assets held or managed as part of the business relationship.

Criterion 25.5 –Competent authorities, and in particular LEAs and the FIA can obtain relevant information held by trustees, and other parties, including FI and DNFBPs, regarding trusts created in, or operating in the country including information on the residence of the trustee and any assets held or managed by a FI or DNFBP. Law enforcement authorities have information and inspection powers which provide for access information held by FIs and DNFBPs on the beneficial ownership of a trust, its assets, and the residence of its trustees.

Criterion 25.6 - – Liberia authorities largely provide rapid international co-operation relating to information on trusts and other legal arrangements, on the basis set out in Recommendations 37 and 40: the Ministry of Justice (MoJ) and the FIA can share basic information held by registries, and other competent authorities via MLA (see Ch.§ 9.5 section 2 of the MLA Act, 2012) which requires the MOJ to facilitate speedy access to basic information to foreign competent authorities upon receiving a request. Competent authorities (including the FIU, MoJ and LEAs) can domestically exchange available information on the trusts or other legal arrangements that are operating in Liberia.

Competent authorities in Liberia have the necessary powers to exercise domestically available investigative framework to obtain information from trusts, including beneficial ownership information, on behalf of foreign counterparts via MLA or police-to-police cooperation. Within the framework of MLA, Liberia may provide, through diplomatic channels, basic corporate and BO information based on request from foreign authorities. The MOJ who receives MLA requests from foreign authorities via the MOFA can either execute or transmit it to the FIA or other appropriate authorities for execution (cap 9.5 s.2 of MLAA.). On that basis, it cannot be said that the information will be provided rapidly upon request by domestic competent authorities and/or foreign counterparts.

Criterion 25.7 - – Fiduciaries, trustees and administrators are criminally liable for misuse and misappropriation of fiduciary and trusted properties (Ch15 § 15.56 and § 15.81, of the Penal Code). The punishment for misuse is imprisonment of five years as an offence of a first degree felony (Ch 50 §50.8) and for misappropriation is imprisonment to be fixed by the court at no more than one year;(Ch.50 §50.7 of the Penal Code). However, the obligation does not extend to maintain accurate and up-to-date information on the trust, as the criminal sanction is limited to theft.

Criteria 25.8 – There is no prescribed criminal, civil or administrative sanctions on trustees' failure to grant to competent authorities' timely access to information regarding the trust referred to in criterion 25.1. Trustees are not under any obligation to ensure that they obtain and hold adequate, accurate, and current information on the identity of the settlor, trustees, beneficiaries or any other natural person exercising ultimate effective control over the trust.

Weighting and Conclusion

The obligations in law on trustees to obtain and hold adequate, accurate and current information on the identity of regulated agents of the trust, service providers, a protector, etc, or the identity of any natural person exercising ultimate effective control over the trust is limited. The obligations to keep accurate and up-to-date information only applies to FIs and DNFBPs. Some of the professional trustees are not required to keep and maintain information on the identity of the settlor and beneficiary for at least five years after their involvement when the trust ceases.. **R. 25 is rated PC.**

Recommendation 26 – Regulation and supervision of financial institutions

Liberia was rated NC with requirements of the Recommendation (formerly R.23) in its first MER in 2011. The deficiencies identified in the MER are: All FIs are not subject to adequate AML/CFT regulation and supervision; supervisors do not monitor compliance with FATF Recommendations; there is no designated competent authority in the PMLL to ensure adequate compliance with FATF Requirements by FIs; with the exception of banks, measures to ensure that criminals do not own or control FIs are not implemented to other FIs; there are a host of unlicensed or unregistered MFIs and dealers in foreign exchange; and Money transfer service or currency changing service providers are not monitored for compliance with AML/CFT measures. The CBL is not effectively enforcing compliance with the STR reporting regulation.

Criterion 26.1 – The FIA and the CBL are responsible for regulating and supervising FIs' compliance with AML/CFT requirements (AML/CFT Act, §15.3.17; FIA Act, §67.3.17; CBL Act, §6(h)). Although in practice the CBL is the main supervisor, the FIA is mandated to carry out supervision activities by itself or in collaboration with the CBL (FIA Act, §67.3.17 and §67.3.14).

Criterion 26.2 – All Core Principles FIs are required to be licensed (NFIA 1999, §3(1); Insurance Act 2013, §3.1 and 4.1; Securities Market Act 2016, §27.1). All other FIs also need to be registered or licensed (NBCOs Regulation No. CBL/RSD/001/2021, §5.0; Amended regulations for the licensing and supervision of foreign exchange bureaux, §2.0 (ii); Mobile Money Regulations 2014, §6; Money Remittance Regulations 2016, §2.1). Liberia prohibits the establishment and continued operation of shell banks (AML/CFT Act, §15.3.17)

Criterion 26.3 –

The laws of Liberia does not explicitly define “Fit and Proper” however, the S.8.0 of the regulation concerning licensing of insurance companies and changes in ownership and management 2016 (issued pursuant to the Insurance Act) states that “in determining whether a person is fit and proper, a licensed insurer shall have particular regard, (a) in relation to a significant owner, to (i) the person’s honesty and integrity; and (ii) the person’s financial soundness; and (b) in relation to a director, senior manager, key functionary or auditor, to (i) the person’s honesty and integrity; and (ii) the person’s competence to perform the duties and carry out the responsibilities that the person has, or will have if appointed.

The CBL’s licensing regime includes fit and proper assessment for banks and some NBFIs. In the case of banks and MFIs, it is unclear whether the legislation requires a fit and proper assessment for all managers. Except for insurance companies, the securities market sector and to some extent, credit unions, there is no requirement to conduct fit and proper when there is a change of shareholder or manager. There is also no legal or regulatory requirement to ensure that shareholders or managers remain fit and proper on a continuous basis, except for the securities market sector. Finally, there are no legal or regulatory measures to ensure fitness of BOs. More precisely:

- *Banks and MFIs providing banking services* are required to provide detailed information on the background, qualifications, experience and financial means of each shareholder holding at least 5% of the capital stock and the character of the management (NFIA 1999, §4(1)(i) and §4(3)(a)). However, it is unclear who is designated by the term

“management”. There is also no requirement to ensure fitness of BOs and no obligation to notify the CBL of changes of shareholder or manager.

- *For foreign exchange bureaux*, the same licensing conditions as banks apply (NFIA, §8(1)). Sectorial legislation clarifies that the fit and proper criteria (honesty, integrity, reputation) apply to applicants, promoters, directors and management (Amended Regulations for The Licensing and Supervision of Foreign Exchange Bureaux, §4.0). Any change of shareholder, director or senior staff must be notified to the CBL, but there is no requirement for the conduct of fit and proper control after the license has been granted (Amended Regulations for The Licensing and Supervision of Foreign Exchange Bureaux, §6.0). There is no obligation to control the fitness of BOs.
- *For mobile money service providers, remittance service providers, non-bank MFIs, finance companies and mortgage companies*, the same licensing conditions as banks apply (NFIA, §8(2)). Sectorial legislation clarifies that the directors and officers (CEO and any person in a management role who directly reports to the CEO) need to be fit and proper (Regulation for licensing and supervision of Money Remittance Entities, §8(1)(a); Mobile Money Regulation, §6(iii); NBCO regulation, §9(1)(i)). There is no requirement to ensure fitness of BOs and no obligation to notify the CBL of changes of shareholder or manager.
- *For Insurance companies*, the same licensing conditions as banks apply (NFIA, §8(1)). Sectorial legislation clarifies that the fit and proper criteria apply to all significant owners, directors, senior managers and key functionaries (Insurance Act 2013 §4.3 and §12.4). Before there is a change of significant ownership, directors, senior management or key functionary, the CBL must give its approval and conduct fit and proper control (Insurance Act 2013 §5.2 and §5.4). There is no obligation to control the fitness of BOs.
- *For the securities market sector*, application for any form of license is subject to fit and proper control on the applicant, owners of the applicant and those exercising control functions (board members, CEO, financial controller, directors, owners or any other person who de facto exercises control) (Securities Market Act, §28.2). They all must meet the fit and proper requirement on a continuous basis (Securities Market Act, §28.3). Any change to the shareholders (10% or more of voting rights) is subject to approval by the Commission who ensures that the person is fit and proper (Securities Market Act, §40.2). There is no obligation to control the fitness of BOs.
- *For Credit Unions*, the same licensing conditions as banks apply (NFIA, §8(2)). Sectorial legislation clarifies that the fit and proper criteria apply to all directors and officers (Regulations for the licensing and supervision of Credit Unions, Part III (6)). Before there is a change of directors or senior management, the CBL must give its approval and conduct fit and proper control (Regulations for the licensing and supervision of Credit Unions, Part VI(7)), but this requirement does not extend to change of shareholders. There is no obligation to control the fitness of BOs.
- *For financial leasing companies, RCFIs and VSLA*, no information regarding licensing requirements was provided.

The CBL issued an overarching guideline for conducting fit and proper assessment for shareholders, directors, CEOs and any person performing a senior management function. The Guidelines defines ‘Fit and Proper’ by stating that “A person is considered to be fit and proper if he or she has good character, is competent, honest, is financially sound, reputable, reliable and discharges or is likely to discharge his/her responsibilities fairly.” However, the guideline is not a legal or regulatory measure as required by the criterion (see Core Issue 3.1).

Criterion 26.4

- a) The CBL supervises all the Core Principles FIs. There is a legal and regulatory framework for the regulation and supervision of banks, insurance and securities sector but the supervisor has not demonstrated that these regulations are in line with the Core Principles, where relevant for AML/CFT, including the application of consolidated group supervision for AML/CFT purposes.
- b) The CBL regulates and supervises all other FIs, but this is limited with regards to the ML/TF risks in the sector. However, money remitters and foreign exchange bureaux are at a minimum subject to monitoring for compliance with AML/CFT requirements.

Criterion 26.5 –

The CBL is required to adopt a risk-based approach to AML/CFT/CPF supervision of all entities under its supervisory purview (AML/CFT Act, S.15.3.27(2)).

With respect to banks, the CBL issued an RBS Policy Framework in 2019 and developed Risk Matrix Questionnaire for banks. The CBL AML/CFT examination Manual for banks states that compliance examinations schedule, shall be developed annually, using the risk-based approach. The CBL has developed annual supervision workplan and conducted risk assessment of the banking sector.

- a) The frequency and intensity of on-site supervision of banks, takes into account the ML/TF risks and the policies, internal controls and procedures associated with the supervisor’s assessment of the risk profile of the institutions or group
- b) the frequency or intensity of supervision varies according to the ML/TF risks present in the country (as assessed by the NRA); and
- c) the frequency or intensity of supervision is based on the characteristics of the FIs or groups, in particular the diversity and number of FIs and the degree of discretion allowed to them under the risk-based approach.

With respect to all other FIs, there is no risk-based approach that informs the frequency and intensity of on-site and off-site supervision.

Criterion 26.6 – The CBL reviews the assessment of the ML/TF risk profile of banks annually however, it does not review it when there are major events or developments in the management and operations of the financial institution. The CBL does not produce individual risk profiles for FIs other than banks. The risk of non-compliance by FIs is not assessed.

Weighting and Conclusion

Liberia has designated the FIA and CBL to monitor FI's compliance with AML/CFT requirements. All FIs are required to be licensed and some legal and regulatory measures are in place to prevent criminals from holding significant or controlling interest in FIs, but they do not extend to BOs and most are only implemented at the time of licensing. Liberia regulates and supervises FIs but it is unclear to what extent this is in line with Core Principles, including with respect to group supervision. The frequency and intensity of on-site supervision for banks is informed by risk. For all other FIs, including for heavily weighted sectors, supervision is not based on ML/TF risk. **R.26 is rated PC.**

Recommendation 27 – Powers of supervisors

In its 2011 MER, Liberia was rated PC with the requirements of this Recommendation (formerly R.29). The main technical deficiencies were that there is little or no monitoring of banks for compliance with FATF Recommendations and that there is no monitoring of NBFIs for compliance with AML/CFT measures.

Criterion 27.1 – The CBL and FIA have powers to supervise or monitor and ensure compliance with AML/CFT requirements by FIs (AML/CFT Act, §13.7.2; FIA Act, §67.3, CBL Act, §6(q); AML/CFT Regulations, §4.0).

Criterion 27.2 – The CBL and FIA have the authority to conduct inspections of FIs (AML/CFT Act, §15.3.28, FIA Act, §67.3.14, Insurance Act, §10.2). Also, the FIA is authorised to conduct AML/CFT inspection of reporting entities to ensure that they are complying fully with AML/CFT reporting requirements (FIA Act, §67.3.14). These inspections could be carried out alone or jointly.

Criterion 27.3 – The CBL and FIA have the power to compel FIs to provide any necessary information, documents, books, records even if they are stored outside their building (AML/CFT Act, §15.3.28(1)(e)). They can also collect information and data from FIs relevant to regulating and supervising them for AML/CFT compliance (AML/CFT Act, §15.3.28(1)(c)).

Criterion 27.4 – The CBL and FIA are authorised to impose a range of civil and administrative sanctions upon any FI as an entity or individual persons in line with R.35 for failure to comply with AML/CFT requirements (AML/CFT Act, §13.3.29; AML/CFT Regulations, §5.0). Sanctions imposed by the FIA can be in addition to sanctions imposed by the CBL (FIA Act, §67.3). However, despite having the power under the AML/CFT Act to impose administrative sanctions (mainly fines), the FIA does not have the required power as per the specific sectorial licensing legislation to implement all types of sanctions when it identifies a breach of AML/CFT obligations and can only advise the CBL to impose them (e.g. suspend license, restrict business, remove an officer, revoke license).

Weighting and Conclusion

Supervisors in Liberia have powers to supervise or monitor FIs and ensure compliance with AML/CFT requirements. Also, the supervisors have the authority to conduct AML/CFT inspections of FIs and compel production of information relevant to monitoring compliance with the AML/CFT requirement. However, the sanctioning power of the FIA appears to be limited to the imposition of fines. **R.27 is rated LC.**

Recommendation 28 – Regulation and supervision of DNFBPs

In its 2011 MER, Liberia was rated NC with requirements of the Recommendation (formerly R.24). The shortcomings identified are absence of designated AML/CFT supervisors for DNFBPs. Also, there is lack of awareness of the existing risk factors in the DNFBP sector therefore the authority has not made resources available to develop AML/CFT supervision.

Criterion 28.1 –

- (a) Casinos are required to obtain a license to operate (NLA 2014, §24.1), but internet and ship-based casinos are not included in the definition of casinos in the NLA Act. Despite not having a direct prohibition for online and ship-based casinos, the NLA Regulation stipulates that casinos shall conduct their business only in approved locations. It is an offence to operate a casino without a license, subject to a fine of \$US 2500 and/or imprisonment for one year or more (NLA Act, §40.1(i) and §40.2).
- (b) The NLA is in charge of licensing casinos and conducting fit and proper controls (NLA Act, §7 and §25). Although Fit and Proper is not explicitly defined in the National Lottery Act or Lottery Regulations, the fit and proper controls are conducted on the directors, partners, trustees, executive officers, secretaries, any other officers determined by the NLA to be associated or connected with the ownership, administration or management of the operations or business of the casino to confirm their suitability (Gaming regulation 001, §2.3.4). However, the fit and proper requirement is mainly on financial capacity, knowledge and experience and does not cover assessment of character (including criminal background check). The Regulation qualifies BOs as ownership of twenty percent (20%) or more of an interest in the company and they are required to be of good repute, having regard to character, honesty and integrity. However, the fit and proper assessment is not conducted on individuals exercising control of other forms than capital control and the criteria for testing the suitability of character, honesty and integrity were not provided in the Regulation.
- (c) The FIA is responsible for monitoring compliance of casinos with AML/CFT requirements (FIA Act, §67.3(3)(15) to (17)). While not creating a deficiency as the FIA already supervises this sector, the AT noted that the AML Act also designates the NLA as an AML/CFT supervisor but there is absence of clarity related to these powers and whether the NLA Act would need to be revised to make this responsibility effective.

Criterion 28.2 – The FIA is responsible for monitoring and ensuring compliance of DNFBPs with AML/CFT requirements (FIA Act 2021, §67.3.17). While the authorities indicated that sectoral licensing authorities of regulated DNFBPs have been designated as AML/CFT supervisors along with the FIA, the AML/CFT Act does not clearly designate them, and it is unclear whether the relevant sectoral regulation need to be amended to give effect to the supervisory responsibility. However, given that there is at least one supervisor clearly designated, there is no deficiency noted.

Criterion 28.3 – Despite the FIA being designated as the monitoring authority, none of the DNFBPs are subject to a monitoring system to ensure AML/CFT compliance.

Criterion 28.4 –

- (a) The FIA has adequate powers to monitor AML/CFT compliance, including conducting onsite inspections and compelling the production of necessary documents and

information (AML/CFT Act, §15.3.28). While the AML/CFT Act provides the same type of powers to prudential supervisors, it is unclear if this applies to supervisors of DNFBPs and whether those powers need to be transposed in sectoral statutory legislation to be implementable.

- (b) There are limited measures in place to prevent criminals or their associates from controlling or holding management function in some DNFBPs:
- *Lawyers*, they are required to abide by a Code of Moral, but there are no measures to specifically determine whether they are criminals or associated with criminals at the time of being sworn in or subsequently.
 - *Real estate agents, TCSP and DPMS (those that are not part of the extractive sector production chain)* are not subject to a licensing regime that would prevent criminal or their associated from accessing those professions.
 - *For DPMS that are part of the extractive sector*, some licensing measures are in place for the different actors of the extractive chain which includes identification of licensee, and requirements for technical skills, experience and financial resources. However, the requirements does not include fit and proper assessment especially with regards to character (including criminal background check).
 - *Notaries* are appointed by the President, but there are no formal measures to determine whether the nominee could be a criminal or associated with criminals at the time of their nomination or subsequently.
 - *For accountants*, a professional association – the LICPA – has established processes for accreditation of its members, which to some limited extent prevents criminals from being professionally accredited.
- (c) The FIA is empowered to impose the sanctions in line with Rec. 35. However, for some administrative sanctions, the FIA needs to refer to the sectoral/licensing authority for implementation of the sanction (e.g. suspend license, restrict business, remove an officer, revoke license) who is not bound to act on the recommendation of the FIA. The AML/CFT Act empowers the sectoral authorities to impose sanctions in line with R.35, however it is unclear if sectoral statutory legislation needs to be amended to give effect to this sanctioning power.

Criterion 28.5 – The FIA and all supervisory authorities are required to adopt a risk-based approach to AML/CFT supervision (S.15.3.27 (2) of AML/CFT Act 2021). However, there are no supervision framework in place for any DNFBP sector and sectoral risk assessments were not conducted.

Weighting and Conclusion

The FIA is empowered to monitor compliance of DNFBPs with AML/CFT laws and regulations. However, the FIA does not conduct AML/CFT monitoring on a risk-sensitive basis and has limited powers to sanction breach of AML/CFT compliance. The market entry controls for all DNFBPs are limited and the majority do not include measures to prevent criminals from being owners or BOs. **R.28 is rated PC.**

Recommendation 29 - Financial intelligence units

Liberia was rated NC with the former R.26 in its first MER. The main deficiencies related to no law, including the Prevention of Money Laundering Law of January 2002, provides for the establishment of a Financial Intelligence Unit in Liberia, there was general lack of awareness by FIs and DNFBPs on reporting obligation and no guidance to the reporting entities on how to generate and submit STRs, no efforts to enforce compliance by the authority, there was no guidance on the operations of the FIU, including on issues relating to confidentiality and protection of information reported to FIU and there was no publications on the activities of the FIU, including statistics, typologies and trends of ML/FT as required.

Criterion 29.1 – Section 67.2(1)(3) of the FIA Act, 2021 establishes the Financial Intelligence Agency (FIA) as the central agency in Liberia with the responsibility for receipt and analysis of suspicious transactions reports and other information relevant to ML, associated predicate offenses, TF, proliferation financing and proceeds of crime, and dissemination of the results of the analysis to any relevant competent authority.

Criterion 29.2 –

- (a) STRs - The FIA is the central agency for the receipt of STRs from reporting entities (s67.2(1) of the FIA Act; s15.3.20(1)(a) s15.3.21(1) of the AML/TF/PM &POC Act).
- (b) Other disclosures - In addition to STRs, the FIA has mandate to receive cash transactions reports (CTRs) from reporting entities (s 67.2(1) of the FIA Act; s15.3.21(1) of the AML/TF/PM &POC Act), and cross border declarations (Section 3.3.4 of the Regulation Dealing with Cross Border Transportation of Currency and Bearer Negotiable Instruments, 2016).

Criterion 29.3 –

- (a) Sections 67.2 (2); 67.3(3)(a) of the FIA Act empower the FIA to request for additional information from any reporting institution related to ML, TF, financing proliferation, associated predicate offences and proceeds of crime or any other information necessary for the performance of its duties or functions.
- (b) The FIA can access a widest range of public information (financial, administrative, and law enforcement information), and non-public or commercially available information as deemed necessary to undertake its functions using the powers specified in s67.3(1)(6) of the FIA Act.

Criterion 29.4 –

- (a) – The FIA conducts operational analysis based on the information it receives from reporting entities and other sources of information, including from publicly available sources to pursue proceeds of crime and TF. Section 67.3 (9) of the FIA Act requires the FIA to conduct operational analysis. This analysis is performed by analysts at the FIA in cases, where information on suspicion of ML/TF is filed by the reporting entities, in cases where such information is received from international information exchange channels, as well as in cases of when “data mining” is performed and suspicion of money laundering or terrorism financing is identified. The results of such analysis are disseminated to relevant competent authorities.
- (b) -Section 67.3 (9) of the FIA Act empowers the FIA to conduct strategic analysis. As at the time of the on-site visit, the Agency has conducted strategic analysis on the theme of personal accounts for business purposes.

Criterion 29.5 – Section 67.3(10) of the FIA Act gives legal basis for the FIA to disseminate financial intelligence and other information related to criminal proceeds and TF to LEAs and other competent authorities, spontaneously and upon request. The FIA has adopted and used secure mechanisms and procedures to protect and disseminate information and results of its analysis.

Criterion 29.6 –

- (a) – Section 67.7(2) provides that information received, requested, processed, held, or disseminated by the FIA should be securely protected and disseminated or disclosed only in accordance with agreed procedures, policies, or MoUs. The FIA has an Information Communication Technology (ICT) Usage and Security Policy which govern the security and confidentiality of information its holds including requirements for handling, storage, dissemination, and protection of information. In addition, the FIA’s Operational Procedures on Analysis specifically addresses the handling of information, including mandating that the Director General authorizes any information leaving the FIA.
- (b) – Para 4.2 of the Employee Handbook of the FIA requires employees/ Staff of the FIA to be subjected to background checks/security screening before assuming office. Similarly, the appointment process of the Director General of the FIA includes security screening before approval by the Parliament. In addition, Section 67. 7(1) of the FIA Act prohibits disclosure of information during and after the employ of the FIA and provide sanctions for non-compliance. The Operational Procedure of the FIA sets out the procedures for handling both incoming and outgoing confidential information. Staff generally understand their responsibilities of handling and disseminating sensitive and confidential information. The office of the Director General is the central point by which information may be received and disseminated from the FIA.
- (c) – The FIA is located in a secure location with restricted access to the premises and network resources. The FIA premises have adequate physical security measures, including perimeter fence, security guards to control entry and exit to the premise, and CCTV surveillance. Personalised access privileges to the databases of the FIA are used to implement differentiated access to confidential information so that employees can only use those components of the system that are relevant to their official duties. Access to IT systems and databases is restricted.

Criterion 29.7 –

- (a) - Section 67.2(4) of the FIA Act establishes the FIA as an independent and autonomous agency and have the authority to carry out its functions freely, including the autonomous authority to analyse, request and disseminate information. The responsibility of day-to-day administration of the affairs of the FIA is vested with the Director General, (s.67.5(5) of the FIA Act). Section 67.5(3)(4) of the FIA Act address the appointment and termination of the Director General. Appointment is made by the President based on professional and technical competence, and upon meeting fit and proper requirements stipulated in the FIA Act. The IMC provides an oversight function for FIA but this is limited to administrative roles, including approval of budget (s67.5(7) of the FIA Act).
- (b) - Sections 67.3(11), 67.4(2)(a) of the FIA Act empower the FIA to make arrangements and engage independently with other national authorities and foreign counterparts as it considers appropriate. These have enabled the FIA to sign MoUs with some domestic competent authorities and fourteen (14) international agreements with its foreign counterparts.

- (c) - The FIA is not located within the structure of another authority. Section 67.2 of the FIA Act establishes the FIA as an independent and autonomous agency with clear functions set out in s.67.3 of the Act.
- (d) - The FIA Act empowers the Agency to have the independent operational authority to acquire and to deploy the necessary human resources needed to carry out its functions. Funding for the FIA is mainly from the Government (s.67.6(1)(a) of the FIA Act). The FIA budget is first approved by the IMC (s67.5(7) of the FIA Act). The FIA is able to spend its budget without interference (s67.6(2) of the FIA Act). The Director General of the FIA can select persons who are qualified to perform FIA tasks including analysis. He can determine personnel allocation and assignment periods at the FIA. These mechanisms safeguard the FIA operational independence.

Criterion 29.8 – The FIA has filed in its application for the Egmont Group Membership and is fully committed to the process. It is working with its sponsors (Nigeria and Ghana) in this regard.

Weighting and Conclusion

Liberia meets all the requirements. **R.29 is rated C.**

Recommendation 30 – Responsibilities of law enforcement and investigative authorities

The first MER rated Liberia PC on the former R. 27. The Assessors found overlapping LEA mandates regarding the investigation of offences and no specific designations to investigate ML/TF. There were also effectiveness issues which are now addressed under IO.7.

Criterion 30.1 – The National AML/CFT and Proliferation Strategy and Action Plan 2022 – 2025 refers to a wide range of authorities as being responsible for investigating ML, associated predicate offences and TF (LNP, LDEA, LRA, TCU, NSA, LIS, LACC).

The LACC is an independent commission in Government responsible for investigating and prosecuting all acts of corruption discovered or reported to have occurred in the public, private and civil society sectors of Liberia (§5(2) (a-d) and (j)), (New LACCA)¹²⁰

The Liberia Drug Enforcement Agency (LDEA), established as a semi-autonomous agency under the Ministry of Justice, is responsible for investigating alleged drug offences (§22.104, Liberia Drug Enforcement Act, 2014 (LDEAA)).

The LNP, established as a semi-autonomous agency under the Ministry of Justice, has powers to prevent and deter crime, conduct investigations, and enforce laws with which the police are directly charged, including the Penal Law of Liberia or other criminal laws (§22.72(a)(i) and (xiv), Liberia National Police

¹²⁰ "Acts of corruption" is defined as bribery, unlawful rewarding of public servants, unlawful compensation for assistance in government matters, trading in public office and political endorsement (as those offences are defined in Chapter 12, Subchapter D of the Penal Law); official oppression, unlawful disclosure of confidential information, speculation or wagering on official action or information (as those offences are defined in Chapter 12, Subchapter E of the Penal Law); and theft of property, theft of services, misapplication of entrusted property, defrauding of secured creditors, issuance or passing of bad cheques, forgery or counterfeiting, facilitation of counterfeiting, obtaining or using deceptive writings, fraud on the internal revenue, misuse of public money or record, theft and/or illegal disbursement and expenditure of public money, possession, distribution, transportation and / or use of tools and materials for counterfeiting purposes, banker receiving unauthorized deposit of public money, individually unauthorizedly making deposit of public money (as those offences are defined by Chapter 15, Subchapter D, Subchapter E and Subchapter F of the Penal Law) and any other economic and financial offences, which may hereafter be defined and enacted into law (Part-II, New LACCA).

Act, 2015 (LNPA).

Criterion 30.2- – Law enforcement investigators of predicate offences are authorised to pursue ML/TF offences. (see criterion 30.1). However, the gap identified in relation to c.3.6 has an adverse impact on the rating for this criterion. Considering Liberia's risk and context, this deficiency is considered a moderate shortcoming in the implementation of this criterion.

Criterion 30.3 – The FIA can request any additional information from reporting entities, LEAs, supervisory authorities, public agencies and other relevant persons in order to conduct preliminary investigations (§ 67.3(3), FIAA).

The MoJ, LACC and the FIA can apply for Freezing Orders (§15.4.1 AML/CFT Act 2021.).

The MoJ and the LACC can apply for Customer Information Records and Monitoring Orders (§15.4.3 & 15.4.4 AML/CFT Act 2021.)

Criterion 30.4 - Customs has law enforcement powers in relation to offences committed against customs and tax legislation of Liberia, and carry out other activities for the protection of the revenue and prevention and detection of offences (§17-B, Revenue Code of Liberia).

Criterion 30.5 The LACC is mandated to investigate ML/TF (see criterion 30.1). The LACC can apply for customer information records and monitoring orders to identify and trace assets (§15.4.3 and 15.4.4 AML/CFT Act 2022) and freezing orders (§15.4.1 AML/CFT Act 2022.)

Weighting and Conclusion

LEAs are designated to investigate ML, associated predicate offences and TF. The MOJ, FIA, and the LACC can apply for court orders to identify, trace and freeze property that may become subject to confiscation or is suspected of being proceeds of crime. However, LEAs lack powers to investigate foreign predicates. This deficiency is considered a moderate shortcoming in the implementation of this Recommendation. **R. 30 is PC.**

Recommendation 31 - Powers of law enforcement and investigative authorities

The first MER rated Liberia PC on former R. 28. LEAs had no direct power to subpoena documents but relied on a court order to access relevant information and show evidence of an ongoing case before relevant information could be released. There were also effectiveness issues which are now addressed under IO.7.

Criterion 31.1 – Competent authorities in Liberia can access documents and information when investigating ML, associated predicate offences and TF:

(a). -The MoJ and LACC can apply to court for an order requiring a financial institution to provide customer information records (§15.4.3 (1) AML/CFT Act 2021). §17.3 Criminal Procedure Law empowers a prosecuting attorney to apply for a subpoena to compel the production of books or documents.

S. 15.3.28 (1) (e) empowers supervisory agency such as the FIA to compel reporting entities to provide any necessary information documents, books, records and take copies of documents and files, even if they are stored outside their buildings. S. 15.3.28 (g) of the same Act requires supervisory authorities to

cooperate and share information with other supervisory authorities, competent authorities or any foreign supervisory or competent authority concerned with combating money laundering or terrorism financing or predicate offences.

On the other hand, s. 17.3. of the Criminal Procedure Law on Subpoenas, empowers prosecuting attorney to compel production of records, books, documents or other things based on application and court orders.

S. 14.1. of the Civil Procedure Law of Liberia states that subpoena duces tecum requires the production of books, documents, or other things. Every subpoena shall be issued under the signature of the judge or clerk and the seal of the court, shall state the name of the court and the title of the action, and shall command the person to whom it is directed to attend and produce the books, documents, or other things designated or to do both at a time and place therein specified.

(b) - A Magistrate, justice of the peace, or any other judicial officer can issue a warrant to search persons or premises (§11.1-11.2, CPL).

Section 15.4.5 (1) AML/CFT Act 2021 allows a prosecuting authority to apply for a search warrant allowing the entry, search and seize any property or document specified in the warrant.

The Liberia Immigration Service can search an aircraft, vessels, vehicles, railways and other means of transportation suspected to be in violation of immigration law (Part II 22.112 (b) (ix), Immigration Service Act, 2012).

(c) – Competent authorities can take witness statements. Witnesses can be compelled, by subpoena, to give testimony (§ 17.1 & 17.3, CPL).

(d) – Search warrants allow for the seizure of property (see c.31.1 (b)).

Criterion 31.2 §9.9 (3) On a reciprocal basis, the MoJ may grant requests of a foreign jurisdiction to allow for the appropriate use of investigative techniques (for example, controlled delivery, electronic or other forms of surveillance and undercover operations) within Liberia (§9.9(3), MLAA). However, Liberian competent authorities are not authorised, by law, to conduct undercover operations, intercept communications, access computer systems or use controlled delivery to further domestic investigations.

Criterion 31.3

(a) – The FIA can request any additional information from reporting entities, (§67.3 (3) FIAA), this will include whether natural or legal persons hold accounts. The MoJ and LACC can apply to court for an order requiring a financial institution to provide customer information records (§15.4.3 (1) AML/CFT Act 2021).

S. 15.3.2 of AML/CFT Act on customer due diligence requirements provides the mechanisms through which supervisors identify, in a timely manner, whether natural or legal persons hold or control accounts.

(b) – The FIA can request additional information without notice to the asset owner. Applications for an order requiring a financial institution to provide customer information records can be made ex parte (§15.4.3 (1) AML/CFT Act 2021).

Under the Provisional Remedies for Proceeds of Crime Act 2012 (§7.122) on freezing order. It is heard ex parte based on an application to the court, not to the knowledge of the owner. When the application is granted, then, the law provides that the owner is notified; that is, after freezing of assets.

S. 7.122 (2) on notice, states that within thirty (30) days of granting of a property Freezing Order or such

other period as the court may direct, notice of the order shall be served on all persons known by the competent authority to have interest in the property affected by the order, and such other persons as the court may direct.

Criterion 31.4 – Where the FIA has reasonable grounds to suspect that information would be relevant to an investigation, actual or suspected, for money laundering, terrorist financing, proliferation of weapons of mass destruction, associated predicate offenses and proceeds of crime, a dissemination can be made to law enforcement, prosecutorial or supervisory authorities spontaneously or upon request (§67.2 (3) FIAA).

The FIA also has MoUs with other competent authorities including LACC, LDEA, NSA and LNP that allow them to ask for information held by the FIA/FIA.

Weighting and Conclusion

Competent authorities have a number of powers which can be used to obtain records from financial institutions, DNFBPs and other natural and legal persons. No legislation authorises LEAs to use undercover operations, intercept communications, access computer systems or controlled delivery to investigate crimes. These are moderate deficiencies and impede Liberian authorities' ability to tackle ML/TF and the highest risk predicate offences of corruption & bribery and the illicit trafficking in narcotics. **R. 31 is rated PC.**

Recommendation 32 – Cash Couriers

The first MER rated Liberia NC for former SR. IX. Authorities did not have the power to stop or restrain currency/BNI in cases of false declaration or suspicion of ML/TF or to request further information regarding the funds or their intended use. Assessors found a lack of coordination between authorities, no measures to safeguard information from the declaration system and a lack of effective, proportionate and dissuasive sanctions against those making a false declaration.

Criterion 32.1 – Liberia has a declaration system for incoming and outgoing cross border transportation of currency and BNI (§1442, Liberia Revenue Code). The system is implemented through the CBR and applies to travellers, mail and cargo.

Criterion 32.2 – All persons entering or exiting Liberia by land, sea or air with currency or BNI exceeding US\$ 10,000, are required to submit a truthful written declaration to the LRA (§1.3.1 & 2.2.1, CBR).

Criterion 32.3 – (N/A) Liberia operates a declaration system for all travellers.

Criterion 32.4 – Where LRA officers suspect a breach of the requirement to declare currency or BNI, travellers are obliged to provide information or documentation to determine the legitimacy of the origin and/or method of acquisition of the funds (§2.2.3, CBR). The obligation does not extend to the intended use of the currency/BNI.

Criterion 32.5 – There is no specific criminal offence for making a false declaration. However, person making a false declaration commits the offence of making a false statement in governmental matters (§12:31(2), Penal Law, first degree misdemeanour), punishable by up to one year imprisonment.

A person making a false declaration is subject to a fine of one-third of the undeclared amount (§3.2.1, CBR). The criminal penalty and fine and considered to be proportionate and dissuasive.

Additionally, this matter is addressed under the Penal Law of Liberia, the controlling law on crimes and punishment. The offense of false declaration is punishable under the Liberian Penal Code (Perjury). Chapter 12 Subchapter B, 12.30 & 12.31 – (Perjury and other falsification in official matters) of the Liberia Penal Code.

Criterion 32.6 – The CBR obligates the LRA to make copies of declarations available to the FIA within three working days and records of fines/seizures within five working days. It is also required to grant the FIA access to all data and databases arising from cross border declarations (§3.3.4 & 3.3.5 CBR).

Criterion 32.7 – The LRA is required to maintain a database of declaration forms and grant access to the CBL (§3.3.4, CBR). Where a person has not declared or under-declared currency or is suspected of engaging in criminal offences, ML or TF, the person is forwarded to the LNP for further investigation (§3.2.3, CBR). The 2018 MOU between the LRA and FIA provides for information sharing and collaboration during investigations. Should officers from the Bureau of Immigration and Naturalization (BIN) or other LEAs intercept persons in violation of the CBR, they shall be forwarded to the LRA for interrogation (§3.2.6, CBR).

Criterion 32.8 –

- a) The LRA can seize currency/BNI where there is a suspicion of ML, TF, or predicate offences. Funds remain seized until the conclusion of the investigation or prosecution (§§ 3.2.2 and 3.2.3, CBR). This detention period is reasonable and sufficient to prevent dissipation of the currency/BNI.
- b) Where a false declaration is detected, a fine of one-third of the undeclared amount is issued. The traveller may be refunded the remaining two-thirds of the undeclared currency/BNI if able to demonstrate that the undeclared funds were obtained through legitimate means. If unable to do so, the full amount is seized and the subject forwarded to the LNP for investigation. The funds remain seized until the conclusion of the investigation (§3.2.2 & 3.2.3, CBR).

Criterion 32.9 – Foreign States can request copies of Government records via MLA (§9.9.2, MLACMA). To facilitate cooperation, the LRA maintains a database of:

- (a) *Declaration exceeding the prescribed threshold*; The LRA must maintain a database of completed Customs Declaration Forms (§3.3.4, CBR);
- (b) *False declaration*; Fines are issued for each false declaration. The LRA must maintain a database of all fines, seizures and referrals for criminal violations (§3.3.6, CBR); and
- (c) *Suspicion of ML/TF*; Suspicions of ML/TF referred to the LNP (§3.2.3, CBR). The LRA must maintain a database of all referrals for criminal violations (§3.3.6, CBR).

Criterion 32.10 It is a criminal offence (second-degree felony) for current and past employees of the FIA to reveal or misuse information by held by the FIA (§67.7(3), FIAA). The FIAA also stipulates that information received, requested and disseminated must be securely protected in accordance with agreed policies (§67.7(2), FIAA). The Code of Conduct, 2014, obliges public officials and Government employees to use sensitive and confidential information only in the performance of duties (s6.1). Sanctions, for breaching the Code include dismissal (s.15.1). Liberia does restrict the repatriation of profits or other legitimate earnings and advises against construing anything in the CBR as introducing or exercising exchange control or repatriation of proceed of legitimate earnings (§2.1, CBR).

Section 3.3 (4) of the Regulation dealing with Cross Border Transportation of Currency and Bearer

Negotiable Instruments – Sanctions Reporting Obligations. More, the Liberia Revenue Authority (LRA) has a Code of Ethics addressing C.32.10. Also, s.6.1 and 15.1 of Code of Conduct of Liberia.

Criterion 32.11 –

a) Controlling the international movements of currency/BNI also tackles the commission of predicate crimes (such as corruption & bribery and illicit trafficking of narcotics). ML/TF are punishable as first-degree felonies offences (§15.2.1 AML/CFT Act 202) carrying a maximum of ten years imprisonment (§50.5, Penal Law). In relation to the grading of other serious offences, this criminal sanction is considered proportionate and dissuasive.

b) Following a conviction of ML/TF or predicate offences, the proceeds or instrumentalities of the offence may be confiscated (§ 7.120(2), PRPCA).

Weighting and Conclusion

Liberia's declaration system and regulations meet the requirements of R. 32 to a large extent. Travellers are obliged to provide information regarding the derivation of currency/BNI, but this does not extend to the intended use for funds. This deficiency is particularly relevant to the offence of TF but is considered minor due to Liberia's low TF risk. R. 32 is rated LC.

Recommendation 33 – Statistics

Liberia was rated NC with the former R.32 in its first MER due to the following underlying deficiencies: there is general lack of statistics on issues related to AML/CFT, not much work has been done by almost all the competent authorities on the implementation of the AML/FT Act, it is difficult to assess the effectiveness and efficiency of the AML/CFT regime in the country given the lack of statistics across all the sectors, assessors were unable to obtain Statistics on cases prosecuted or investigated on money laundering, terrorist financing and assets confiscated and forfeited.

Criterion 33.1 –

- (a) – *STRs, received and disseminated* – The Liberia FIA maintains statistics on the number of STRs received and analysed, and disseminations made to competent authorities.
- (b) – *ML/TF investigations, prosecutions and convictions* – The relevant competent authorities independently maintain statistics on ML investigations, prosecutions and convictions. There are no prosecutions and convictions for TF but the same method for maintaining statistics applies. Overall, the statistics are not maintained in a sufficiently comprehensive manner.
- (c) – *Property frozen; seized and confiscated* – Liberia maintains statistics on property frozen, seized or confiscated by ML/TF and predicate offences. However, these are not kept in a coordinated and comprehensive manner to enable Liberia to monitor the effectiveness and efficiency of its asset recovery regime.
- (d) – *MLA or other international requests for co-operation made and received* – Statistics provided on outgoing and incoming requests on MLA and extradition are not sufficiently maintained in a comprehensive manner to enable Liberia to monitor the effectiveness and efficiency of its AML/CFT regime. The FIA maintains records of its international requests both made and received. However, there appears to no mechanisms for maintaining information by other competent authorities (supervisors, LEAs etc) on requests made and received for other forms of international co-operation as no statistics were provided in this regard.

Weighting and Conclusion

Liberia maintains some statistics on matters relevant to the effectiveness and efficiency of the AML/CFT system. However, other than the FIA, statistics are not maintained in a sufficiently comprehensive manner across other relevant authorities. In general, the statistical system is not well developed and statistics provided are not systematically collated and comprehensively maintained. On the whole, the country does not maintain comprehensive statistics on matters relevant to the effectiveness and efficiency of their AML/CFT systems. **R.33 is rated PC.**

Recommendation 34 – Guidance and Feedback

In its first MER, Liberia was rated NC with the former R.25. The main deficiencies relate to the lack of guidelines to DNFBPs on STR submissions, absence of a formal feedback and training to especially DNFBPs, and there was no effort to implement the provisions of Recommendation 25 by Liberian authorities.

Criterion 34.1 (Partially Met) –

Guidance – Section 15.5.1 (1) of the AML/CFT Act gives the FIA the legal basis to issue Regulations on STR and CTR content, procedures and processes for securing and filing these reports. Section 15.5.1 (3) of the same Act empowers supervisors to issue regulations, guidance, procedures, and mechanisms for the implementation of the obligations under the Act. AML/CFT Regulations, Guidelines and Circulars have been issued by relevant competent authorities to assist in compliance. For instance, the CBL has issued AML/CFT Regulations for FIs, 2017, Regulation on EDD on the Provision of Financial Services to PEPs, 2019 and BO guidelines (2022). Similarly, the FIA has issued Regulation on Suspicious Transaction Reporting for FIs; and in collaboration with Liberia Revenue Authority issued a Regulation Dealing with Cross-Border Transportation of Currency and Bearer Negotiable Instruments, 2016. Regarding DNFBPs, with the exception of the AML/CFT Circular for the Gaming sector jointly issued by the FIA and the National Lottery Authority, there is no indication that the FIA and other DNFBPs supervisors have issued any general or sector specific AML/CFT Guidelines or Regulations for DNFBPs. In 2019, Liberia issued a guideline on Targeted Financial Sanction against Terrorists. The CBL and FIA have provided guidance to FIs during AML/CFT outreach activities or some DNFBPs by the FIA.

Feedback – Section 67.3(21) of the FIA Act permits the FIA to provide feedback on outcomes of its research, studies and typologies, ML/TF indicators and trends. Para 2.5.2 of the Regulation on STRs requires the FIA to provide feedback on outcomes of STR and other information to FIs. The CBL and FIA provides feedback to reporting entities following onsite inspections, other outreach programmes such as training activities. The FIA provides general feedback on the quality of STRs to reporting entities that filed the reports. There is no evidence that other supervisory authorities are providing feedback to reporting institutions under their supervision. In general, there is inadequate provision of feedback especially on patterns and trends of ML/TF to the reporting entities which are essential to improving the understanding and implementation of AML/CFT obligations.

Weighting and Conclusion

Some AML/CFT Guidelines have been issued to financial institutions. These include AML/CFT Regulations for FIs, Regulation on EDD on the Provision of Financial Services to PEPs, and Regulation on Suspicious Transaction Reporting for FIs. With the exception of the AML/CFT Circular for the Gaming sector no general or sector specific AML/CFT Guidelines or Regulations has been issued for DNFBPs. In addition, there is inadequate provision of feedback for reporting entities. **R.34 is rated PC.**

Recommendation 35 – Sanctions

Liberia was rated PC with the requirements of this Recommendation in its first MER. The shortcomings identified related to the lack proportionate sanctions in the PMLL. There were also issues related to the non-application of sanctions against NBFIs, including insurance companies, for non-compliance with AML/CFT requirements; and the lack of statistics evidencing the sanctions provided.

Criterion 35.1 – (Partly met) – Competent authorities can apply a range of administrative sanctions to natural and legal persons for non-compliance with AML/CFT requirements:

Targeted Financial Sanctions (R.6): Regulatory or supervisory authorities can:(i) issue written warnings; (ii) issue an order to comply with specific instructions, including taking corrective action to remedy any deficiencies; (iii) issue an order to provide regular reports on measures taken to address identified violation; (iv) impose a fine in an amount as set out in section 20(b); (v) bar individuals from employment within the relevant sector; (vi) order the reporting entity to cease engaging in certain actions or practices; (vii) restrict the powers of, or remove managers, directors or controlling owners, appoint an ad hoc administrator; (viii) suspend or revoke a business licence; or take other appropriate measures (§20(a), TFSTR). The authorities can also seek the removal of executives, managers, officers and staff responsible for the said violation (§20(f), TFSTR). Section 20(b) empowers these authorities to impose a fine on a reporting entity that violates its AML/CFT reporting obligations under the TFSTR. This means that fines in relation to Recommendation 6 are restricted to failure to report actions taken under freezing mechanisms. In addition, the Regulations does not provide for the specific fines to be imposed, except that they should be dissuasive. This may lead to arbitrariness on the part of the authorities. Overall, the lack of monetary penalties for non-compliance with the requirements of R.6, other than reporting actions taken is considered a minor deficiency in light of other existing penalties.

NPOs (R.8): See criterion 8.4(b).

Preventive Measures and Reporting (R.9-23): Liberia has established a range of administrative sanctions for non-compliance with AML/CFT requirements for preventive measures under Recommendations 9 to 23 (§15.3.29(1), AML/CFT Act). The sanctions include written warnings; requirement for prompt corrective actions within specified timelines; imposition of fines; full or partial restriction on the business, profession or transaction; suspension of registration, permission or licence; revocation of the permission or license or cancellation of registration; removal of an administrator, officer or employee of the reporting entity from office; prohibition of an administrator, officer or employee of the reporting entity from taking part in the management or conduct of the business of the reporting entity, or any other reporting entity, except as permitted by the appropriate supervisory authority; appointment of a person or persons acceptable to the appropriate supervisory authority as administrator of the reporting entity for such term as the order specifies; requiring the entity to implement corrective action to remedy any deficiencies under the AML/CFT Act or relevant procedures issued under this law; prohibition from engaging in certain actions or practices. Supervisory authorities may also impose other appropriate sanctions under prevailing laws if the above-listed sanctions are not sufficient for the violation of the provisions of this Act or regulations, instructions or guidelines (§15.3.29(2)). These sanctions apply to FIs, DNFBPs and VASPs. However, no legislation specifies the range of monetary penalties to be imposed by the relevant authorities for failure to comply with preventive measures. The absence of specific range of monetary penalties may lead to arbitrariness on the part of the authorities.

Criterion 35.2 – The sanctions in Liberia’s legal framework are applicable to FIs, DNFBPS and persons including senior management and directors of the reporting entities. However, the deficiencies identified under c.35.1 have an impact on the conclusion of this criterion.

Weighting and Conclusion

The legal framework for AML/CFT and supervisory guidelines in Liberia provides for a range of administrative sanctions to be applied in cases of non-compliance. However, monetary penalties for R.6 only applies to the failure to report actions taken, and the amounts of fines to be imposed are not specified. In addition, no specific monetary penalties have been provided for failure to implement preventive measures, which could lead to arbitrariness by relevant authorities. **R.35 is rated PC.**

Recommendation 36 International Instruments

The first MER rated Liberia PC with former R35 due to the lack of implementation of the Prevention of Money Laundering Law (PMLL) which was passed in 2002.

Criterion 36.1 –Liberia is a party to all the four conventions mentioned in the FATF standards. Liberia acceded to the Vienna Convention on 16 September 2005, the Palermo Convention on 22 September 2004, the UN Convention against Corruption (the Merida Convention) on 16 September 2005 and the International Convention for the Suppression of the Financing of Terrorism on the 5 March, 2003. Liberia did not make any reservations regarding these Conventions.

Criterion 36.2 Liberia implements the Conventions, including the Merida Convention, on the basis of the relevant provisions in the national legislation as follows:

The relevant provisions of the Vienna and Palermo Conventions are implemented through the AML/CFT Act, the Criminal Code, the Criminal Procedure Code, the LDEAA and the MLAA. The Terrorist Financing Convention is implemented in based on the provision contained in the Liberian Anti-Terrorism Act, 2017, the MLAA.

As regards the Merida Convention, implementation is ensured based on the LACCA, the AML/CFT Act, the FIAA and the MLAA.

Implementation of the procedural side of the UNSCR 1267 and 1373 has been largely developed implemented based on the TFSA and TFSR, but the mechanisms for identifying targets for designations are not clearly spelt out in legislation.

Some deficiencies have been identified in relation to some of the Recommendations. In particular, the ML offence does not extend to foreign predicate offences; TF is not criminalised consistent with the TF Convention; the financing of a foreign terrorist fighter for the purpose of planning or providing or receiving terrorist training is not criminalised; LEAs lack the powers to utilise special investigative techniques to investigate ML unless required within the framework of international cooperation; provisions related to PEPs are restrictive.

Weighting and Conclusion

Liberia has enacted legislation to implement a significant number of the provisions of the relevant international instruments with some deficiencies noted as highlighted under c.36.2. While these deficiencies constitute moderate shortcomings in Liberia's implementation of these international instruments, they have been appropriately weighted in the overall ratings of the relevant Recommendations. **R.36 is rated LC.**

Recommendation 37 Mutual Legal Assistance

The first MER rated Liberia NC with the requirements of the former R.36 and SR V. The shortcomings related to the lack of measures for international cooperation on TF, the sharing of assets confiscated based on international cooperation and clear and efficient processes for the execution of MLA requests. There was an effectiveness issue regarding the timeliness of executing requests.

Criterion 37.1 Liberia has a legal basis for the provision of a wide range of MLA, including powers domestically available to investigate serious offences, ML, all associate predicate offences, terrorism and TF (§9.3, MLAA); take evidence, witness statements or documents or other articles; effect service of judicial documents; execute searches and freezing orders; examine objects and sites; provide originals or certified copies of relevant documents; identify, track or trace tainted property; facilitate the voluntary appearance of fugitives, etc (§9.6(1), MLAA). It may execute MLA request based on reciprocity (§9.3, MLAA). However, competent authorities (e.g., the LNP, LACC and LDEA) have no legal basis to make *ex parte* applications to court for production or disclosure orders. The absence of a legal basis for *ex parte* application for production or disclosure orders could be an obstacle for the authorities to rapidly provide MLA.

Criterion 37.2 MoJ is the central authority for the transmission and execution of MLA requests, (§2, MLAA). There are no processes for the timely prioritisation and execution of requests. The MoJ does not maintain a case management system to monitor the progress of MLA requests.

Criterion 37.3 – MLA is not prohibited or subjected to unreasonable or unduly restrictive conditions. Liberia may refuse to execute a request in cases of absence of dual criminality; non-coercive action and/or matter of *de minimis* (trivial) matters, inconsistency with the provisions of the Constitution, or prejudice to sovereignty, security, essential interest or public order of Liberia or contrary to the legal system of Liberia and/or similar offence which is subjected to investigation, prosecution or judicial proceeding in Liberia. The central authority may also refuse to execute a request if the request is politically motivated and intended for persecution.

Criterion 37.4 – Liberia does not refuse an MLA request on the sole ground that the offence involved a fiscal matter, or secrecy or confidentiality requirement of FI and DNFBPs except for legal professional privileged information (§9.5(3), MLAA).

Criterion 37.5 The MoJ is required to maintain the confidentiality of MLA requests received and not disclose its content outside the necessary agencies or courts unless required and typically only with the consent of the requesting authority. It is a criminal offence to disclose the contents of MLA requests (§9.11, MLAA).

Criterion 37.6 – Despite the dual criminality rule, Liberia may, where consistent with the basic principles of its legal system, render assistance that does not involve coercive actions, unless the request involves matters of a *de minimis* nature or matters for which the cooperation is sought is available under other procedures, and the Attorney-General must provide reasons for the refusal of the MLA request (§9.5(3), MLAA). Although the MLAA does not define what constitutes “matters of a *de minimis* nature”, the law covers serious offences, ML, terrorism, TF and all predicate offences of ML (§9.3, MLAA). In this regard, the application of the *de minimis* provision is not considered a deficiency in Liberia’s implementation of R.37.

Criterion 37.7 – While dual criminality is required for MLA requests, there is no explicit requirement for both countries to place the offence in the same category or denominate the offence by the same terminology for the grant of MLA request. In addition, no case study was provided to demonstrate that

a request will be executed should the occasion arise.

Criterion 37.8

- (a) All of the specific powers required under Recommendation 31 relating to the production, search and seizure of information, documents, or evidence (including financial records) from financial institutions, or other natural or legal persons, and the taking of witness statements available to domestic competent authorities can also be available for use in response to requests for MLA (§§9.6(1) and 9.9(1&2), MLAA).
- (b) Although no law authorises or governs Liberian competent authorities to special investigative techniques in domestic investigations, on reciprocal basis, the MoJ may grant requests to allow for the appropriate use of special investigative techniques of controlled delivery and other special investigative techniques such as electronic or other forms of surveillance and undercover operations within Liberia and allow for the admissibility of evidence derived from the investigation to be established rules of evidence (§9.9(3), MLAA).

Weighting and Conclusion

Liberia has measures in place to respond to MLA requests in criminal matters based on treaties and reciprocity. While criminality is required for MLA request, this can be waived where MLA requests do not involve coercive actions. The absence of provision authorising the use of special investigative techniques for the investigation of ML, associated predicate offences and TF noted under c.31.2 is mitigated by a specific provision in the MLAA authorising the use of such techniques upon request by a foreign jurisdiction. However, the absence of powers for make *ex parte* applications to court for production or disclosure order; procedures for the timely prioritisation and execution of requests and a case management system to monitor the progress on MLA requests; provision regarding the categorisation or denomination of offences in the context of dual criminality constitute moderate deficiencies in the implementation of R.37. In arriving at this conclusion, more weight was given to the lack of legal basis for *ex parte* application and uncertainty regarding the categorisation and denomination of offences. **R.37 is rated PC.**

Recommendation 38 Mutual Legal Assistance: Freezing and Confiscation

The first MER rated Liberia NC with the requirements of the former R.38. The identified deficiencies related to the lack of clear-cut appropriate laws that deal with provisional measures that can be applied to MLA, records for identification, freezing, seizure or confiscation of laundered property, proceeds from or instrumentalities used or intended to be used.

Criterion 38.1- Liberia can take expeditious action in response to requests by foreign countries to identify, freeze, seize or confiscate laundered property, proceeds from, instrumentalities used in or instrumentalities intended for use in ML, predicate offences or TF, or property of corresponding value (§9.6 (1)-(3), MLAA).¹²¹

However, the absence of powers for LEAs to make *ex parte* application to freeze bank account and/or

¹²¹ The MLAA defines proceeds of crime to mean “any property derived directly or indirectly from a serious offence and includes, on a proportional basis, property into which any property derived or realised directly from the offence was later successively converted, transformed or intermingled, as well as income, capital or other economic gains derived or realised from such property at any time since the offence.”

to enter premises, search and seize as well the power to identify, trace, monitor and evaluate property that is subject to confiscation or confiscation of instrumentalities intended for use in the commission of ML, associated predicate offences and TF, as well as the dual criminality rule may impede the country's ability to provide MLA to identify, freeze, seize or confiscate relevant property.

Criterion 38.2 - - There are no legal principles under the laws that permit the provision of legal assistance in cases where requests for co-operation is made on the basis of non-conviction-based confiscation or related provisional measures in circumstances when a perpetrator is unavailable by reason of death, flight, absence, or the perpetrator is unknown. However, the MoJ may, based on reciprocity, assist a foreign country where there is an ongoing investigation or proceeding in the requesting State. Therefore, the MoJ may use investigation techniques to provide assistance to the requesting State (§9.9(2) and (3), MLAA).

Criterion 38.3

- a) The MoJ coordinate on seizure and confiscation with requesting states on basis of agreement, (§9.10, MLA Act).
- b) The management and disposal of confiscated property is entrusted to receivers or trustees appointed and directed by the Court (§7.64(5), PRPCA). In the absence of any specific provision, it is safe to assume that the same provision applies to property confiscated at the request of foreign authorities. However, no provision covers the management and disposal of frozen and seized property.

Criterion 38.4 - The MoJ can, on basis of reciprocity or multilateral arrangement or in the interest of comity, remit in whole or part property confiscated to a requesting state, particularly when confiscation is directly or indirectly a result of coordinated law enforcement actions (§7.13, MLAA).

Weighting and Conclusion

There is no specific provision covering criteria 38.2 which relates to assistance regarding non-conviction based confiscation and inability of competent law enforcement authorities to power to identify, trace, monitor and evaluate property that is subject to confiscation or confiscation of instrumentalities intended for use in the commission of ML and associated predicate offences as well as the requirement for dual criminality are potentially an issues, which may hinder the country's international cooperation in the context of MLA to combat transitional organised crimes. **R. 38 is rated LC.**

Recommendation 39 Extraditions

The first MER rated Liberia **PC** and **NC** on these requirements for ML and TF, respectively. The shortcomings related to the absence of a legal framework for extradition in furtherance of the PMLL and non-criminalisation of TF.

Criterion 39.1 - Liberia, to some extent, can execute extradition request in relation to ML/TF without undue delay:

- (a) – ML and TF offences may give rise to extradition if they are (a) included in the provisions of the applicable extradition agreement, and (b) not political offences (§8.3, CPL).
- (b) -Liberia does not have a case management system to ensure the timely execution of extradition

requests, including prioritization, where appropriate. However, the time between the arrest and surrender of a fugitive to the requesting country is set at one month after the fugitive's committal or within one month after the decision of the court in any *habeas corpus* proceedings pending under the certificate of committal (§8.11, CPL).

- (c) - The conditions laid down by the CPL are those commonly used in extradition cases. Therefore, they are not unreasonable or unduly restrictive.

Criterion 39.2 – Liberia can extradite any person, including its nationals, within the Republic of Liberia who is accused or has been convicted of an extraditable offence within the jurisdiction of a foreign State (§8.1(b), CPL).

Criterion 39.3 There is no express provision in the CPL requires Liberia and the requesting country to country to classify an offence using the same categorisation or terminology to designate it. Extradition is based on the offence included in the provisions of the applicable extradition agreement (§8.3, CPL).

Criterion 39.4 Liberia can provide simplified extradition based on the Agreement on Cooperation in Criminal Matters between the Police of ECOWAS member States which permits the surrender of suspects or fugitives to another member State based on warrants of arrest or court judgments. There is a mechanism for waiving the court proceedings where the person to be extradited consents to the extradition (§8.5, CPL, 2:1.).

Weighting and Conclusion

Liberia meets most of the requirements for extradition. However, the country lacks a case management system, and clear processes for the timely execution of extradition requests, including prioritization where appropriate as required under Recommendation 39. These are considered minor shortcomings **R. 39 is rated LC.**

Recommendation 40: Other forms of international co-operation

The First MER rated Liberia PC with the former R40 NC on SR V. The shortcomings concerned effectiveness issues on inter-agency cooperation on ML and TF matters.

General Principles

Criterion 40.1 – There are various provisions and arrangements that allow competent authorities in Liberia to rapidly exchange a wide range of information regarding ML, associated predicate and TF offences both spontaneously and upon request.

The MOJ and FIA can provide a wide range of international co-operation in relation to ML, associated predicate offences and TF. Timeframes vary depending on the assistance and authority involved, but assistance can generally be provided rapidly (ch 9.5 §2 of MLAA). Section 67.7 of the FIU Act enables the FIA to share information with foreign counterparts to support the investigation of ML/TF. LEAS are able to spontaneously and by request exchange information through international channels, such as INTERPOL However, there is no law that enables the supervisory authorities also have the legal basis to cooperate with their foreign counterparts.

Criterion 40.2 –

- (a) -Competent authorities have lawful authority for providing co-operation, including Liberian law or multilateral or bilateral agreements. The MLAA provide the legal basis for Liberian competent authorities to cooperate in criminal investigation and proceeding related to ML/TF and associate predicate offences. (ch 95 §1-2). The FIA, LACC and LDEA are permitted by law to enter into international arrangements to combat ML, associate predicate offences and TF.
- (b) -Nothing prevents the Liberia competent LEAs from using the most efficient means to co-operate. Relevant authorities such as MOJ and FIA can co-operate directly with their counterparts in accordance with the (ch 9.5 § 1 of MLAA)
- (c) - Competent authorities have access to clear and secure channels and mechanisms to facilitate the transmission and execution of requests for assistance. Co-operation can occur through channels such as West African Police Information System (WAPIS), ARINWA, WACAP and INTERPOL, including counterpart FIUs. LEAs conduct international cooperation through the channels and tools of communication determined under appropriate international agreements, direct channels, and tools within international regional organisations, such as INTERPOL's I-24/7 system used by the Police and WAPIS. However, there is no information available on the secure gateways and mechanisms used by some competent authorities including the LNP.
- (d) -Competent authorities do not have internal guidelines, Standard Operation Procedures or manuals that explicitly set out the prioritisation and timeliness for execution of requests.
- (e) - Documents prepared and kept in official records of government departments and agency are appropriately managed and maintained. MLA request sent to the MoJ by foreign counterparts is privileged and unauthorised disclosure constitutes an offence (§9.11, MLAA). The employees of the FIA are required to keep confidentiality of any information and it is an offence to misuse or disclose such information (§67.13(1) and (2), FIAA).. FIs are subjected to confidentiality of information, and this applies to information and MLA request received from foreign jurisdictions. However, other LEAs such as the LNP, LDEA and LACC do not have a data protection law to ensure the confidentiality of the information received.

Criterion 40.3 – Liberian competent law enforcement authorities did not sign any bilateral or multilateral agreements and MoU with other foreign counterparts to facilitate cooperation with foreign counterparts. However, the Ministry of Justice and FIA can cooperate with their foreign counterparts in relation to ML/TF investigation (Ch 9 §9.5 of MLAA). Other competent authorities can exchange information through international organization networks such as INTERPOL, WAPIS, WACAP and ARINWA.

Criterion 40.4 – No law in Liberia prevents the provision of feedback to foreign counterparts. The FIA can provide feedback in a timely manner to competent authorities from which they have received assistance.

Criterion 40.5 (a-d) – Liberia will not refuse to render MLA on a reciprocal basis on ground of bank secrecy, financial secrecy or other similar confidentiality provisions. Liberia will refuse to grant MLA in the absence of dual criminality, where it is consistent with the basic concepts of its legal system. However, this may be waived in non-coercive matters. Liberia may also decline a request if or when the request (a) involve matters of a *de minimis* nature or matters for which the cooperation or assistance sought is available under other procedures; (b) is not made in conformity with the provisions of the MLAA; (c) is likely to prejudice Liberia's sovereignty, security, public order or other national or

essential interests of Liberia; is prohibited by Liberian Law and the action requested with regard to similar offence, had it been subject to investigation, prosecution or judicial proceedings in Liberia; or if it would be contrary to the legal system of Liberia for the request to be granted. The grounds for refusal are not considered unreasonable or unduly restrictive and do not include those set out in (c) and (d) of this criterion.

Criterion 40.6 - Competent authorities, including the FIA, have no internal regulations or laws which ensures that information exchanged by competent authorities is used only for the purpose for, and by the authorities, for which the information was sought or provided unless the requested competent authority has given prior authorisation.

Criterion 40.7 –The The MoJ is required to maintain appropriate confidentiality for any request for cooperation and the information exchanged in relation to MLA request, (§ 9.11 of MLAA). The FIA is also required to keep confidential any information obtained within the scope of its function (§ 67.13, §1 FIAA). The Police exchanges information through the secure INTERPOL platform and WAPIS.

Criterion 40.8 – Liberian competent authorities can conduct inquiries on behalf of foreign counterparts and exchange information, which is domestically obtainable in accordance with the relevant law.

Exchange of Information between FIUs

Criterion 40.9 The Liberian FIA has adequate legal basis for co-operation with foreign FIUs on ML, associated predicate offences and TF, regardless of the nature of the counterpart FIU, be it of an administrative, law enforcement, judicial or other nature (§ 67.3, FIAA).

Criterion 40.10 –The FIA can provide feedback to foreign counterparts and other competent authorities upon request and whenever possible, on the use of information provided, as well as on the outcome of the analysis conducted, based on the information provided § (67.3, FIAA).

Criterion 40.11 – The FIA can exchange:

- (a) information which it can access or obtain directly or indirectly (although the limitations identified in R.29 apply here); and
- (b) other information, which it can obtain or access, directly or indirectly, at the domestic level, subject to reciprocity principle (ch 67.3 (f) of FIA Act).

Exchange of information between financial supervisors

Criterion 40.12 – the FIA is able to cooperate and exchange information with foreign counterparts related to AML/CFT purposes (§ 67.3 (f) of FIA Act). The CBL can exchange information with other foreign financial institution supervisory authorities (§ 20 (3)(d), CBL Act).

Criterion 40.13 –As indicated under Criterion 40.12, the FIA as a financial supervisor can cooperate and are able to exchange information with foreign counterparts. The CBL and other financial supervisors are not enabled to exchange information domestically available, including information held by FIs, in a manner proportionate to their respective needs with foreign counterparts (§ 20 (3)(d), CBL Act).

Criterion 40.14 (a-c) The FIA Act, 2022 allows the FIA as a financial supervisor to cooperate and are able to exchange information with foreign counterparts. The CBL and the FIA have legal basis to cooperate and exchange information with foreign counterparts including share regulatory, prudential and general information, information on business activities, beneficial ownership and fit and properness as well as information relating to internal AML/CFT procedures and policies, CDD, customer files and transactions within their sectors with foreign regulatory counterparts.. Overall, there is no provision that

limits the scope of exchangeable information, and the term “information” is broad and can therefore include regulatory, prudential and AML/CFT-related information.

Criterion 40.15 - Although section 20(3)(d) of CBL Act provides for cooperation between supervisors in the financial sector, it does not explicitly require these authorities to conduct inquiries on behalf of their foreign counterparts, nor that they can facilitate the ability of their foreign counterparts to carry out such measures themselves. The same is with the FIA which has power under the FIA Act ensure cooperation but has not clear provision that permitted to conduct inquiries on behalf of their foreign counterparts or as appropriate, authorise or facilitate the ability of foreign counterparts to conduct inquiries themselves in Liberia, to facilitate effective group supervision.

Criterion 40.16 – Financial supervisors are not required to ensure that they have the prior authorisation of the requested financial supervisor for any dissemination of information exchanged, or use of that information for supervisory and non-supervisory purposes, unless the requesting financial supervisor is under a legal obligation to disclose or report the information, including promptly informing the requested authority of this obligation.

Exchange of information between law enforcement authorities

Criterion 40.17 LEAs can exchange domestically available information with foreign counterparts for intelligence or investigative purposes relating to ML, predicate offending and TF, including the identification and tracing of proceeds and instrumentalities of crime (§9.5, MLAA). Although a foreign competent authority is typically required to make a request through the Ministry of Justice for onward transmission to the appropriate authority in Liberia.

Criterion 40.18 - LEAs can use their powers, including any investigative techniques available in accordance with Liberia’s law, to conduct inquiries and obtain information on behalf of foreign counterparts, (CPL, MLAA, LACCA, LNPA & LDEAA)

Information can be exchanged through police cooperation channels such as the i-24/7 from INTERPOL, which is a global police communication system that connects law enforcement officers in all INTERPOL member countries and enables authorised users to share information globally with their counterparts. The WAPIS is a system of automated national databases that have been integrated on a regional level to facilitate the fight against terrorism and organised crime particularly trafficking in human beings and narcotic and illicit arms trafficking. However, the deficiencies in R. 31 can limit the country’s ability to provide information to foreign counterparts in the investigation of ML, APOs and TF in a timely manner

Criterion 40.19 - Liberian LEAs can form joint investigative teams (JITs) to conduct co-operative investigations with foreign authorities, (MLAA, FIAA, LACCA, LNPA, LDEAA). MOJ is the central coordinating body for investigation of ML, APOs and TF in the context of international cooperation in criminal matters. Liberia does not require bilateral or multilateral arrangements to enable joint investigations but can enter into such agreements if required by other parties, (§9.5 (1), MLAA). The MLAA applies to requests by foreign States not bound by a bilateral or multilateral treaty or convention relating to MLA in criminal matters

Exchange of information between non-counterparts

Criterion 40.20 – The MOJ and the FIA are empowered to exchange information with other international organisations (§9.5(1), MLAA & ^67.2(4)(g),FIAA). There is no legal provision that prevents other authorities from requesting information indirectly to whichever foreign authorities. As in all cooperation, the principle of reciprocity is prerequisite for cooperation. Information can also be exchanged with non-counterparts through FIU-FIU channels (MLAA & FIAA)

Weighting and Conclusion

Competent authorities can provide international cooperation in relation to ML, APOs and TF. There are moderate shortcomings in the cooperation framework, regarding the tracing, monitoring, entry and search, seizure of property that is subject to confiscation, exchange of information with non-counterparts, conducting enquiries on behalf of foreign financial supervisors. The authorities have not signed any bilateral or multilateral agreements and MoU with other foreign counterparts to facilitate cooperation with foreign counterparts. There are no measures in place to ensure that information exchanged by competent authorities, is used only for intended purpose for, and by the authorities, for which the information was sought or provided unless the requested competent authority has given prior authorisation. **R. 40 is rated PC.**

Summary of Technical Compliance – Key Deficiencies

Table 1. Compliance with FATF Recommendations

Recommendations	Rating	Factor(s) underlying the rating
1. Assessing risks & applying a risk-based approach	LC	<ul style="list-style-type: none"> • AML/CFT monitoring / supervision for DNFBPs and other FIs is not on a risk-sensitive basis. • There are some shortcomings in the NRA that impact on the TF risk understanding. • The NRA did not cover legal persons and legal arrangements, virtual assets and VASPs and lacked in-depth analysis of certain areas.
2. National cooperation and coordination	LC	<ul style="list-style-type: none"> • There is no requirement for the national AML/CFT policy to be regularly reviewed.
3. Money laundering offences	PC	<ul style="list-style-type: none"> • The basis for ML conviction is not ascertainable. • The ML does not extend to foreign predicates offence. • The sanctions for ML are not proportionate.
4. Confiscation and provisional measures	PC	<ul style="list-style-type: none"> • No explicit provision allows Liberia to freeze property, identified prior to prosecution, without prior notice to the holder of the property.
5. Terrorist financing offence	PC	<ul style="list-style-type: none"> • The exemption with respect to the criminalization of TF significantly narrows the scope of TF offence in Liberia compared to the TF Convention. • The financing of a foreign terrorist fighter for the purpose of planning or providing or receiving terrorist training is not criminalised. • These sanctions against natural persons are not proportionate.
6. Targeted financial sanctions related to terrorism & TF	PC	<ul style="list-style-type: none"> • The conflicting legislative steps in place could impede the implementation of TF-related TFS without delay. • There are no clear mechanism(s) and procedures for identifying and proposing targets for designation by the relevant UN Sanctions Committee. • There are no measures and procedures for requesting another country to give effect to the actions initiated under the freezing mechanism in relation to UNSCR 1373. • Liberia has no legal authorities and procedures or mechanisms to collect and solicit information to identify targets for designation. • No general requirement prohibits natural and legal persons from making available funds or other assets to designated persons and entities
7. Targeted financial sanctions related to proliferation	NC	<ul style="list-style-type: none"> • There is no legislation, measures or procedures to implement TFS to comply with UNSCR regarding the prevention PF.
8. Non-profit organisations	NC	<ul style="list-style-type: none"> • Liberia has not identified NPOs at-risk of TF abuse and taken targeted measures to address those risks. • NPOs have been designated as DNFBPs and subjected to the full range of AML/CFT requirements.
9. Financial institution secrecy laws	LC	<ul style="list-style-type: none"> • It is unclear if LEAs can share information accessed with other competent authorities

Recommendations	Rating	Factor(s) underlying the rating
10. Customer due diligence	PC	<ul style="list-style-type: none"> • Thresholds for the conduct of CDD have yet to be established for certain types of transactions • There is lack of obligation to conduct ongoing due diligence • The timing of the verification of the identity of the customer when establishing a new business relationship is not specified • There are no provision requiring FIs not to conduct CDD when there is a risk of tipping-off. • There is no obligation to understand the nature of the business of legal persons and arrangements
11. Record keeping	C	<ul style="list-style-type: none"> • Liberia meets all the requirements of R.11
12. Politically exposed persons	PC	<ul style="list-style-type: none"> • There are limitations regarding: <ul style="list-style-type: none"> • (i) the possibility of not implementing R.12 obligations on foreign PEP who are no longer entrusted with a prominent public function when the risk is low, and • (ii) the identification of family members and close associates as the definition is too restrictive and measures only apply when the customer is a PEP as opposed to when the family member or the close associate is the customer
13. Correspondent banking	LC	<ul style="list-style-type: none"> • There is no obligation to ensure that the respondent bank does not permit its accounts to be used by shell banks.
14. Money or value transfer services	LC	<ul style="list-style-type: none"> • There is little evidence of a sustained and co-ordinated process between CBL, LEA and other competent authorities to identify natural and legal persons carrying out MVTS without a license and to apply proportionate and dissuasive sanctions on them. • There is no obligation for standalone remittance service providers to maintain a list of their agents.
15. New technologies	NC	<ul style="list-style-type: none"> • Liberia has not carried out any assessment of risks posed by VA or VASPs • VASPs are required to be licensed or registered but the licensing framework has yet to be established • There are no measures in place to identify unlicensed activities • Requirements of c15.10 and 15.11 are not met
16. Wire transfers	PC	<ul style="list-style-type: none"> • There is also no obligation on the MVTS that controls both sides of the transaction to take into account all information in order to determine whether an STR has to be filed • No measures to ensure that, in the context of processing wire transfers, FIs comply with obligations set out in the relevant UNSCRs relating to TF • CBL has yet to issue a regulation regarding the handling of domestic wire transfers.
17. Reliance on third parties	C	<ul style="list-style-type: none"> • Liberia meets all the requirements of R.17
18. Internal controls and foreign branches and subsidiaries	LC	<ul style="list-style-type: none"> • Group-wide AML/CFT programmes for financial groups do not cover all requirements provided for under C.18.1 and do not apply to domestic branches and subsidiaries
19. Higher-risk countries	LC	<ul style="list-style-type: none"> • There is no measure in place to ensure FIs are advised of concerns about weaknesses in the AML/CFT systems of other countries
20. Reporting of suspicious transaction	LC	<ul style="list-style-type: none"> • The deficiencies under R.3 and 5 impact on this Rec
21. Tipping-off and confidentiality	LC	<ul style="list-style-type: none"> • FIs are not prohibited from the disclosing that an STR has been filed.
22. DNFBPs: Customer due diligence	PC	<ul style="list-style-type: none"> • The deficiencies identified under Recs 10 and 12 impact on this Rec

Recommendations	Rating	Factor(s) underlying the rating
23. DNFBPs: Other measures	LC	<ul style="list-style-type: none"> The threshold for the STR reporting obligation for DPMS has not been determined. The deficiencies identified for FIs under R.18, R.19, R.20 and R.21 impact on this Rec
24. Transparency and beneficial ownership of legal persons	PC	<ul style="list-style-type: none"> Liberia has not conducted a comprehensive assessment of ML/TF risk associated with all types of legal persons There are unsatisfactory measures for ensuring adequate, accurate and updated BO information
25. Transparency and beneficial ownership of legal arrangements	PC	<ul style="list-style-type: none"> The obligations to keep information accurate and up-to-date only applies to FIs and DNFBPs. Some professional trustees are not required to keep and maintain information on the identity of the settlor and beneficiary
26. Regulation and supervision of financial institutions	PC	<ul style="list-style-type: none"> License and some legal and regulatory measures do not extent to BOs The frequency and intensity of on-site supervision for all other FIs, including for heavily weighted sectors is not based on ML/TF risk
27. Powers of supervisors	LC	<ul style="list-style-type: none"> The sanctioning power of the FIA appears to be limited to the imposition of fines
28. Regulation and supervision of DNFBPs	PC	<ul style="list-style-type: none"> Fit and proper requirements on DNFBPs are not adequate or are inexistent. The FIA does not conduct AML/CFT monitoring on a risk-sensitive basis and has limited powers to sanction breach of AML/CFT compliance. The FIA's sanctioning power is limited.
29. Financial intelligence units	C	<ul style="list-style-type: none"> Liberia meets all the requirements of the Recommendation
30. Responsibilities of law enforcement and investigative authorities	PC	<ul style="list-style-type: none"> LEAs lack powers to investigate foreign predicates
31. Powers of law enforcement and investigative authorities	PC	<ul style="list-style-type: none"> There is no legislation authorising LEAs to use undercover operations, intercept communications, access computer systems or use controlled delivery to investigate crimes.
32. Cash couriers	LC	<ul style="list-style-type: none"> Travellers are obliged to provide information regarding the derivation of currency/BNI, but this does not extend to the intended use for funds
33. Statistics	PC	<ul style="list-style-type: none"> Liberia does not maintain comprehensive on matters relevant to the effectiveness of the AML/CFT systems
34. Guidance and feedback	PC	<ul style="list-style-type: none"> Except for the AML/CFT Circular for the Gaming sector no general or sector specific AML/CFT Guidelines or Regulations has been issued for DNFBPs. There is inadequate provision of feedback for reporting entities
35. Sanctions	PC	<ul style="list-style-type: none"> Criminal sanctions are disproportionate
36. International instruments	LC	<ul style="list-style-type: none"> ML does not extend to foreign predicate offences. No freezing without prior notice exists for the pre-prosecution period. TF is not criminalised consistent with the TF Convention. The financing of a foreign terrorist fighter for the purpose of planning or providing or receiving terrorist training is not criminalised. Provisions related to PEPs are restrictive. LEAs are not authorised to use special investigative techniques to investigate ML.
37. Mutual legal assistance	PC	<ul style="list-style-type: none"> There are no powers, in law, to make ex parte applications to court for production or disclosure order.

Recommendations	Rating	Factor(s) underlying the rating
		<ul style="list-style-type: none"> • There are no procedures for the timely prioritisation and execution of requests. • There is no case management system to monitor the progress on MLA requests. • There is provision regarding the categorisation or denomination of offences in the context of dual criminality.
38. Mutual legal assistance: freezing and confiscation	LC	<ul style="list-style-type: none"> • No legal principles under the laws permits the provision of legal assistance in cases where requests for co-operation is made based on non-conviction confiscation or related provisional measures
39. Extradition	LC	<ul style="list-style-type: none"> • There is no case management system, and clear processes for the timely execution of extradition requests
40. Other forms of international cooperation	PC	<ul style="list-style-type: none"> • The authorities have not signed any bilateral or multilateral agreements and MoU with other foreign counterparts to facilitate cooperation with foreign counterparts. • There are no measures in place to ensure that information exchanged by competent authorities, is used only for intended purpose

Glossary of Acronyms

	DEFINITION
AIRRET	Asset Investigation, Restitution and Recovery Team
AML/CFT Act	Anti-Money Laundering, Terrorist Financing, Preventive Measures, and Proceeds of Crime Act, 2021
ARINWA	Asset Recovery Inter-Agency Network for West Africa
AS-AP	National AML/CFT Strategy and Action Plan
BDC	Bureau de Change
BNI	Bearer Negotiable Instrument
BO	Beneficial Ownership
C	Compliant
CBL	Central Bank of Liberia
CBN	Central Bank of Nigeria
CBR	Correspondent Banking Relationship
CDD	Customer Due Diligence
CDR	Customs Declaration Report
CFT	Combating the Financing of Terrorism
CFP	Combating the financing of Proliferation
CSO	Civil Society Organization
CTRs	Currency Transaction Reports
DCT	Data Collection Template
DNFBPs	Designated Non-Financial Businesses and Professions
DPMS	Dealers in Precious Metals and Stones
ECOWAS	Economic Community of West African States
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
FIs	Financial Institutions
FIA	Financial Intelligence Agency
FCWG	Financial Crimes Working Group
FIU	Financial Intelligence Unit
FT	Financing of Terrorism
FX	Foreign Exchange
GAC	General Auditing Commission
GDP	Gross Domestic Product
GIABA	Inter-Governmental Action Group against ML in West Africa
IMC	Inter-Ministerial Committee
IMF	International Monetary Fund
IO	Immediate Outcome
INTERPOL	International Criminal Police Organization
JAITF	Joint Airport Interdiction Task Force
JOC	Joint Operations Centre
KYC	Know your customer
LACC	Liberia Anti-Corruption Commission
LBR	Liberia Business Registry
LC	Largely Compliant
LDEA	Liberia Drugs Enforcement Agency
LEAs	Law Enforcement Agencies
LEITI	Liberia Extractive Industry Transparency Initiative
LIS	Liberia Immigration Service
LISCR	Liberian International Ship and Corporate Registry

LNP	Liberia National Police
LRA	Liberia Revenue Authority
LTD	Limited Liability Companies
MER	Mutual Evaluation Report
MFIs	Microfinance Institutions
ML	Money Laundering
MLA	Mutual Legal Assistance
MLAT	Mutual Legal Assistance Treaty
MOFA	Ministry of Foreign Affairs
MOF	Ministry of Finance
MOJ	Ministry of Justice
MoU	Memorandum of Understanding
MSG	Multi-stakeholders Steering Group
MVTS	Money or Value Transfer Service
NBFIs	Non-Bank Financial Institutions
NC	Non-Compliant
NFIS	National Financial Inclusion Strategy
NGO	Non-Governmental Organization
NLA	National Lottery Authority
NPO	Non-Profit Organization
NRA	National Risk Assessment / National Revenue Authority
NSA	National Security Agency
NSS	National Security Strategy
OFAC	Office of Foreign Assets Control of the US Treasury
OFIs	Other Financial Institutions
PC	Partially Compliant
PEP	Politically Exposed Person
PF	Proliferation Financing
R	Recommendation
RBA	Risk- Based Approach
RBS	Risk- Based Supervision
RMQ	Risk Management Questionnaire
SCDD	Simplified Customer Due Diligence
SRA	Sectoral Risk Assessment
SRB	Self-Regulatory Body
STR	Suspicious Transaction Report
TCU	Transnational Crimes Unit
TCSPs	Trust and companies service providers
TF	Terrorist Financing
TFS	Targeted Financial Sanctions
TIPA	Trafficking in Persons Act
UBO	Ultimate Beneficiary Owner
UNCAC	United Nations Convention against Corruption
UNODC	United Nations Office on Drugs and Crimes
UNSC	United Nations Security Council
UNSCRs	United Nations Security Council Resolutions
US\$	United States Dollars
VA	Virtual Assets
VASPs	Virtual Asset Service Providers
VSLA	Village Savings & Loan Associations
WACAP	West African Network of Central Authorities and Prosecutors



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