



## **CENTRAL BANK OF NIGERIA**

# **GUIDELINES FOR THE REGULATION OF AGENT BANKING AND AGENT BANKING RELATIONSHIPS IN NIGERIA**

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## **GUIDELINES FOR THE REGULATION OF AGENT BANKING AND AGENT BANKING RELATIONSHIPS**

### **A. Preamble**

In exercise of the powers conferred on the Bank by Section 2 (d) of the Central Bank of Nigeria Act, 2007 and Section 57 (2) of the Banks and Other Financial Institutions Act (BOFIA), Laws of the Federation of Nigeria, 2004 to issue guidelines for the maintenance of adequate and reasonable financial services to the public, the Central Bank of Nigeria (CBN) hereby issues the following guidelines for the regulation of Agent Banking and Agent Banking Relationships in Nigeria.

### **B. Objectives**

The objectives of the guidelines are to:

- provide minimum standards and requirements for agent banking operations;
- enhance financial inclusion; and
- provide for agent banking as a delivery channel for offering banking services in a cost effective manner.

## **1. DEFINITIONS**

### **Agent Banking**

Agent banking is the provision of financial services to customers by a third party (agent) on behalf of a licensed deposit taking financial institution and/or mobile money operator (principal).

### **Principal**

For the purposes of this document the principal shall at all times be a deposit taking Financial Institution and/or Mobile Money Operator (MMO).

### **Agent**

An agent is an entity that is engaged by a financial institution to provide specific financial services on its behalf using the agent's premises.

### **Associate**

For the purpose of this guidelines; an associate of an FI may be an employee (current or former), his/her relations, including spouse, parent, children or any person with a pecuniary interest with the Financial Institution (FI).

### **Premises**

The physical location or place used by the agent to conduct business.

### **Financial Institution (FI)**

For the purposes of this document a financial institution shall be any institution licensed by the CBN to accept deposits and conduct banking or other financial services as defined by BOFIA and the licensed Mobile Money Operators

### **Third Party Service Providers**

These shall mean parties other than the principal and agent who are in contract with either the principal or agent specifically relating to the existing agent banking relationship.

### **Agent Banking Database**

This shall mean the database of all approved agent banking relationships, locations, agents and principal that exist in the country.

### **Super-Agent**

A super-agent is an agent that has been contracted by the principal and thereafter may subcontract other agents in a network while retaining overall responsibility for the agency relationship.

### **Sole Agent**

A Sole agent is an agent who does not delegate powers to other agents but assumes agency relationship/responsibility by himself.

### **Sub-Agent**

A sub-agent is a person to whom some or all aspects of the agent banking have been delegated by a Super-Agent.

### **Bank-led model**

The Bank led model is a general agency arrangement where only a bank may act as a principal in forming agent banking relationships.

### **Non-bank led model**

The non-bank led model of agent banking is a general agency arrangement where parties other than banks may act as principal in forming agent banking relationships.

### **AML/CFT**

This means Anti-Money Laundering and Combating Financing Terrorism

### **KYC**

Know Your Customer

### **Proprietor and Partner**

A “proprietor” or “partner” under this Guideline shall, in respect of other unincorporated entities include reference to persons and their titles as they are known or referred to under those unincorporated entities.

### **Receipts**

For purposes of this document, receipts shall include all forms of durable and verifiable acknowledgements including, paper, email and SMS.

### **Real Time Transactions**

This means the processing of instructions on an individual basis at the time they are received rather than at some later time.

## **2. APPLICATION AND APPROVAL REQUIREMENTS**

Any financial institution that wishes to engage in agent banking shall submit an application for approval to the CBN. The application shall clearly state the extent of agent banking activities and responsibilities of the relevant parties.

The application shall be submitted to the Office of the Director, Banking & Payments System Department, CBN, Abuja. All applicants shall supply information to the CBN as may be required from time to time.

Information required by the CBN for agent banking licence shall include:

- a. Name of the applicant
- b. Postal Address/email
- c. Business Address
- d. Telephone number
- e. Company Registration Number/certificate
- f. Feasibility Study for the agent relationship

## **2.1 Documentary requirements**

All applications for agent banking shall be addressed to the Director, Banking & Payments System Department, CBN, Abuja and accompanied with the following:

- i. Board Approval
- ii. A document that shall outline the strategy of the FI including current and potential engagements, geographical spread and benefits to be derived
- iii. Qualifying criteria for engaging agents e.g.
  - a. Outreach
  - b. Competence
  - c. Integrity
  - d. Others
- iv. Service Level Agreements (SLAs) and Agent Banking Contract
- v. Risk management, internal control, operational procedures and any other policy and procedures relevant to the management of an agent banking arrangement.
- vi. Proposal for KYC and AML/CFT compliance.

## **2.2 Agent Structure**

The responsibility for the selection of agents lies solely with the FI, subject to the following allowable agent structures:

- i) Super-Agents: These are agent networks that shall establish a collection of outlets or franchise within its wide network of outlets that shall be under its supervision and control.
- ii) Sole-Agent: A sole agent is an agent who does not delegate powers to other agents but shall assume the agent banking relationship/responsibility by himself.
- iii) Sub-Agents: These are networks of agents that shall be under the direct control of a super-agent as may be provided in the agent banking contract.

## **2.3 Information requirements for agent structure**

Within each agent category, the FIs shall clearly state the agent structure adopted. In addition, any structure adopted shall contain among others, the following information:

- i. Name(s) of agent(s).
- ii. Location(s) of activities.
- iii. Terms of engagement, itemizing all commercial activities the agent is currently engaged in and all proposed responsibilities.
- iv. Signed declaration by agents.

FIs shall require all agents to submit updated information annually or as soon as any change occurs.

#### **2.4 Renewal of engagement**

Licensed institutions are advised to renew all agent agreements biennially except otherwise required.

#### **2.5 Monitoring of Agent Banking relationships**

The CBN shall, at least on an annual basis, monitor FI/agent relationships; compliance with laid down guidelines and regulations. Where the need arises or in response to specific issues, the CBN shall conduct monitoring visits to any agent(s).

The approach for monitoring super-agent would differ from other agent types in view of the probable higher risk, liquidity management and consequences of failure. In the case of super agents the CBN shall require full disclosure on persons or entities that control more than 10% or more of the share capital or has powers to exercise significant influence over the management.

### **3. MINIMUM REQUIREMENTS OF AGENT BANKING CONTRACT**

- i. Every agent banking contract shall contain reference to the FIs full liability with respect to customers, and it shall specify the obligation of both the FI and the agent.
- ii. The principal is allowed to use a third party (e.g. a network manager) to manage its agent network. However, all agents sign ups must be approved by the principal.
- iii. FIs shall itemize all activities that the agent shall be conducting on its behalf or limitations on any such activities.
- iv. These may include:
  - a. Account opening, deposits and withdrawals

- b. Fund transfer services
  - c. Bills payments
- v. Fees and all charges in respect of the agent banking shall be explicitly stated in the contract.
- vi. Responsibility for payment of expenses (directly or indirectly) relating to the activities of the agency shall also be explicitly stated.
- vii. Responsibility for provision of infrastructure and procurement of third party service providers including undertaking for service provision shall be explicitly stated.
- viii. All agent banking contracts shall have a dispute resolution clause.
- ix. Agents shall not be permitted to charge any fees directly to customers, and details of remuneration for the agent shall be specified in the contract between the agent and the principal.
- x. Measures to mitigate risks associated with agent banking services to include; limits on customer transactions, cash management, cash security, security of agent premises and insurance policies.
- xi. The FI shall be responsible for all actions or omissions of the agent notwithstanding anything contained in the contract to the contrary; provided they relate to banking services or matters connected therein.
- xii. The CBN shall have free, full, unfettered and timely access to the internal systems, documents, reports, records, staff and premises of the agent in so far as the agent banking business is concerned and shall exercise such powers as it may deem necessary.
- xiii. Compliance with AML/CFT and KYC requirements is mandatory.
- xiv. The agent shall be under obligation to deliver transaction support documents to the principal.
- xv. A statement that all information or data that the agent collects in relation to agent banking services, whether from the customers, the FIs or from other sources, is the property of the FI and such information shall be kept confidential.
- xvi. Remedial action available to the FI in the event of agent failure to discharge its stipulated obligations.
- xvii. Agent's business hours.
- xviii. Suitable limits on cash holding by the agent and also limits on individual customer withdrawal and lodgement.
- xix. Confidentiality of customer and user information.
- xx. Technical description of electronic devices.

- xxi. Remuneration for the agent.
- xxii. Specify that the agent shall at all times ensure safe-keeping of all relevant records, data, documents or files or alternately, such records, data, documents or files are moved to the institution at regular pre-agreed intervals.
- xxiii. A statement to the effect that employees of an agent shall not be treated as employees of the institution and the rights and duties of such shall be agreed upon between the institution and the agent.
- xxiv. A provision for changing the terms of the contract and stipulations for default and determination of the contract.
- xxv. A transition clause on the rights and obligations of the parties upon termination or cessation of the agent banking contract.
- xxvi. The FI and the agent may provide for other terms and conditions that they consider necessary for the agent banking business.

#### **4. ESTABLISHMENT OF AGENT BANKING RELATIONSHIP**

- i. FIs shall be required to carry out its respective due diligence on prospective agents.
- ii. The CBN shall prescribe the extent of such agent banking relationships and scope of activities.
- iii. All FIs shall have due diligence policies and guidelines that define initial agent engagement, regular monitoring and supervisory checks, trigger points and corrective measures.
- iv. FIs shall also specify the permissible activities agent may undertake within each agent category.
- v. FIs shall define minimum standards for selection and approval procedure for each agent category.
- vi. Any FI that wishes to vary the terms of its earlier agreement as approved by the CBN, shall be required to submit a new application.
- vii. All agent banking contract between an FI and an agent shall comply with this Guidelines and any other law in force.

##### **4.1 Agent eligibility**

- i. The entity must have been in legitimate commercial activity for at least twelve (12) months immediately preceding the date of the application to become an agent and the

- business must be a going concern.
- ii. An entity shall not be eligible for appointment as an agent if the carrying out of agent banking business by the entity shall contravene any written law, regulation or the objects of the entity.
  - iii. The following entities shall be eligible for appointment as agents under this Guidelines:
    - i) Limited liability companies.
    - ii) Sole proprietorships.
    - iii) Partnerships.
    - iv) Cooperative Societies.
    - v) Public entities.
    - vi) Trusts.
    - vii) Any other entity, which the CBN may prescribe.
  - viii. Any entity which is faith-based or not-for-profit, a non-governmental organization, an educational institution, bureau-de-change or any other entity which, under any applicable law is not allowed to carry on profit-making business shall not engage in agent banking business.
  - ix. Any entity, which is subject to any regulatory authority under any written law or is a public entity, shall obtain the consent of the regulatory authority or the appropriate oversight body or authority prior to being appointed an agent.

## **5. ASSESSMENT OF AGENTS**

### **5.1 Suitability assessment of an agent**

- A. Before the appointment of an agent the FI shall ensure that the entity has:
  - i. An existing well established commercial activity which has been operational for at least twelve (12) months immediately preceding the date of the suitability assessment.
  - ii. Not been classified as a non-performing borrower by any FI in the last 12 months

preceding the date of signing the contract (such information having been obtained from licensed Credit Bureaux). The performing status shall be maintained for the duration of the agency.

- iii. Appropriate physical infrastructure and human resources to provide the services required.
  - iv. For purposes of carrying out an assessment under this clause, the proposed agent shall complete ***an agent assessment form***.
- B. Prior to the appointment as an agent under the provisions of this Guidelines, any entity that seeks to be appointed as an agent by an institution shall furnish the institution with the following information as applicable:
- i. Name of the entity proposed to be an agent;
  - ii. Certificate of incorporation or business registration;
  - iii. Description of the commercial activity the entity has been carrying on for the last twelve months immediately preceding the date of the application;
  - iv. Valid business licence or permit for any regulated commercial activity carried on by the entity for at least twelve months prior to the date of the application;
  - v. Audited financial statements for the last two years where applicable;
  - vi. Tax clearance certificate;
  - vii. Physical location, postal address and telephone numbers of the entity and its working hours;
  - viii. Evidence of availability of funds to cover agent operations including deposits and withdrawals by customers, and
  - ix. Any other information the FI may require.
  - x. Where a prospective agent is unable to meet the requirements in (i-ix) above, it is not precluded from being a sub-agent, where there is a super-agent structure.
- C. The FI shall keep all information provided by the agent safe and confidential and shall make this information available to the CBN on request.
- D. The FI shall endeavor to obtain accurate information from the entity and its officers or employees.
- E. Any entity which or whose proprietors, partners, officers or employees furnish an FI with false or inaccurate information under this Part shall be disqualified from

conducting agent banking business.

- F. Every FI shall sensitize its agents on the provisions of this Guidelines and the obligation to comply with its requirements.

## **5.2 MORAL AND PROFESSIONAL SUITABILITY OF A PROSPECTIVE AGENT**

- i. FIs shall assess the moral, business and professional suitability of the sole proprietor or partners proposed to be appointed as agents.
- ii. In the case of a corporate entity, the FI shall assess the moral, business and professional suitability of the chief executive officer and the officer(s) in charge of or responsible for agent banking operations of the entity.
- iii. The persons mentioned in Clauses i and ii shall, for the purpose of suitability assessment under this Part, furnish the FI with a duly completed agent appraisal form for sole proprietor, partner, and corporate entity.
- iv. In assessing the suitability of a corporate entity, sole proprietor, partners or officers of a corporate entity, the FI shall have regard to the following:
  - a. Negative information obtained from Credit Bureaux or other credible sources.
  - b. Any criminal record in matters relating to finance, fraud, honesty or integrity.
  - c. Reputation (based on references from at least two people of good social standing living in the same locality as the person and who have known the person for at least three years).
  - d. Business or work experience.
  - e. Sources of funds.
  - f. The business track record of the entity in the last three years where applicable.
  - g. Any other information that may negatively or positively impact on the prospective agent.

## **5.3 AGENT DUE DILIGENCE**

- i. The FI shall establish efficient and thorough Agent Due Diligence procedures to mitigate risks.
- ii. The FI shall institute clear, well documented Agent Due Diligence policies and procedures. Minimum contents shall include, methods of identifying potential agents, initial due diligence, and regular due diligence checks to be performed at specified intervals and check list of early warning signals and corrective actions to ensure proactive agent management.

- iii. Roles/responsibilities of functions/departments within the FI with regards to agent management shall be clearly specified in the Agent Due Diligence procedures.
- iv. FIs shall ensure that agents are well established, reputable and have the confidence of the market.
- v. FIs shall ensure that proper AML/CFT monitoring processes exist for agent banking. The necessary actions to be taken by agents in this regard shall be communicated to the agents and the agents' compliance monitored. Due Diligence shall also include:
  - a. Verification of legal status of the Agent.
  - b. Verification of address or location of all prospective agents.
  - c. Establishing that there are no relationships with the FIs that may be detrimental to the agent banking relationship.
  - d. Verification of the adequacy of the prospective agents resources for agent banking.
  - e. Any other measures deemed necessary by the FI.

## **6. KEY ROLES & RESPONSIBILITIES OF THE FINANCIAL INSTITUTION**

- i. The FI shall make a clear, informed and documented decision on the use of agents for rendering banking services to its customers.
- ii. Development of an appropriate agent banking contract and appointment of eligible agents based on set out criteria.
- iii. The FI shall be wholly responsible and liable for all actions or omissions of its agent. This responsibility shall extend to actions of the agent even if not authorized in the contract so long as they relate to agent banking services or matters connected therewith.
- iv. Maintenance of an effective oversight of the agent's activities and ensuring that appropriate controls are incorporated into its system in order to assure compliance with relevant regulations.
- v. Assessing the adequacy of controls of outsourced activities through regular audits.
- vi. Formulation and implementation of policies and procedures to safeguard the information, communication and technology systems and data from threats.
- vii. Provide agents with such operational guidelines/manuals and risk management policy documents as shall be needed for rendering services to customers efficiently.
- viii. Inclusion of risk-based review of critical agent banking processes to ensure that the policies, rules, regulations and operational guidelines are adhered to.

- ix. Selecting credible agents with suitable/convenient outlets.
- x. Management and mitigation of risk associated with the engagement of agents to provide financial services on their behalf.
- xi. The provision of basic financial education to customers and agents. The FI must periodically train its agents.

## **6.1 MANAGEMENT OF AGENT BANKING BUSINESS**

- i. The FI shall develop and implement an agent banking strategy and establish an effective oversight over agent banking services.
- ii. The FI shall ensure effective management oversight, which shall encompass the review and approval of key aspects of its security control programs, processes, policies and infrastructure.
- iii. There shall be a comprehensive process/framework for managing risks associated with reliance on third parties.
- iv. The FI shall ensure the expansion of the scope of the bank's internal audit function to address the increased complexity and risks inherent in agent banking activities and ensure appropriate staffing of the audit department with personnel possessing the right skills.
- v. The FI shall take steps to update and modify, where necessary, its existing risk management policies and practices to cover current or planned agent banking services.
- vi. The FI shall take steps to ensure the integration of agent banking applications with the main banking systems so as to achieve an integrated risk management approach for all banking activities.
- vii. The FI shall train agents to enable them adequately perform operations and provide the services agreed upon, including training relating to the proper identification of customers, customer service, confidentiality of information, record keeping and financial education.

## **6.2 PERMISSIBLE ACTIVITIES**

- i. Cash deposit and withdrawal.
- ii. Bills payment (utilities, taxes, tenement rates, subscription etc.).
- iii. Payment of salaries.
- iv. Funds transfer services (local money value transfer).
- v. Balance enquiry.
- vi. Generation and issuance of mini statement.

- vii. Collection and submission of account opening and other related documentation.
- viii. Agent mobile payments/banking services
- ix. Cash disbursement and cash repayment of loans.
- x. Cash payment of retirement benefits.
- xi. Cheque book request and collection
- xii. Collection of bank mail/correspondence for customers.
- xiii. Any other activity as the CBN may from time to time prescribe.
- xiv. It shall be the responsibility of the FI to determine, based on agent risk assessment, which services a particular agent may provide.

### **6.3 PROHIBITED ACTIVITIES**

An agent shall not:

- i. Operate or carry out any transaction when there is communication failure with the FI.
- ii. Carry out a transaction where a receipt or acknowledgement cannot be generated.
- iii. Charge the customer any fee.
- iv. Give any guarantee.
- v. Offer banking services on its own accord.
- vi. Continue with the agency business when it has a proven criminal record involving fraud, dishonesty, integrity or any other financial impropriety.
- vii. Provide, render or hold itself out to be providing or rendering any banking service which is not specifically permitted in the contract.
- viii. Open accounts, grant loans or carry out any appraisal function for purposes of opening an account or granting of a loan or any other facility except as may be permitted by any other written law to which the agent is subject.
- ix. Undertake cheque deposit and encashment of cheques.
- x. Transact in foreign currency.
- xi. Provide cash advances.
- xii. Be run or managed by an FI's employee or its associate.
- xiii. Sub-contract another entity to carry out agent banking on its behalf except where there is a super-agent structure in place.
- xiv. FI may in the contract document specify other activities, which the agent is prohibited from undertaking.

#### **6.4 OPERATIONAL AND TRANSACTIONAL LIMITS**

- i. The FI shall establish limits for services agreed upon with agents.
- ii. The limits shall be prudent and bear a relation to the volume of cash moved by the agent and the risks associated with the agent's locality for conducting agent-banking business.
- iii. Limits shall be set for each agent and where applicable, for each type of transaction.

#### **7. RULES ON EXCLUSIVITY OF AGENTS**

- i. There shall be no exclusivity of agent banking contracts between FIs and agents.
- ii. An agent may provide agent-banking services to as many FIs as it can accommodate at any given time.
- iii. The capacity of the agent to accommodate more FIs shall be determined by the additional/incoming FI.

#### **8. SUPERVISION OF AGENTS**

- i. FIs shall be responsible for monitoring and supervising the activities of the agents.
- ii. FIs shall have information on the volume and value of transactions carried out for each type of service by each agent.
- iii. FIs shall monitor effective compliance with set limits and establish other prudential measures in each case.
- iv. FIs shall implement measures to control operational risks, including having clause(s) in the contract establishing the liabilities of the agent.
- v. FIs shall take all other measures including onsite visits by the FI's staff or authorized persons to ensure that agents operate strictly within the requirements of the law, guidelines and the contract.
- vi. Notwithstanding the responsibility by the FIs to monitor and supervise their agents, the CBN may at any time request for any information or carry out inspection as it deems necessary.

#### **9. PUBLICATION OF LIST OF AGENTS AND LOCATIONS**

- i. FI shall publish an updated list of all their agents on their websites and annual reports. In addition to this, it may publish a comprehensive list of agents on flyers, corporate gifts and such other publications, as it deems appropriate.

- ii. The publications containing the list of their agents shall be disseminated to all their branches and may also be disseminated to their agents.

## **10. RELOCATION, TRANSFER AND CLOSURE OF AGENT PREMISES**

It is the responsibility of the FI to ensure the following:

- i. No agent shall relocate, transfer or close its agent banking premises without prior notice to the FI.
- ii. Notice of intention to relocate, transfer or close agent banking premises shall be served on the FI at least thirty days or such other period as may be agreed upon in the contract, a copy of which shall be posted at the agents premises.
- iii. Within thirty days prior to relocation or closure of agent banking premises, the FI shall notify the CBN and forward the details and reason(s) for relocation, transfer or closure of premises.

## **11. SETTLEMENT OF TRANSACTIONS AND THE TECHNOLOGY REQUIREMENTS**

### **11.1 Real time transactions**

To ensure real time transactions, the FI shall:

- i. Ensure that all transactions carried out within the agent banking are done on a real time basis.
- ii. Deploy technology that facilitates instant payment to the end users account.
- iii. Provide its agents with settlement positions for reconciliation of transactions.

### **11.2 Minimum IT requirements for the operation of agent banking**

The technology implemented by the FI for agent banking shall comply with the industry standard technology in terms of hardware and software. The FI shall ensure that:

- i. Transaction information is transmitted in a secure manner.
- ii. The technology deployed comprises a set of interoperable infrastructure modules that work seamlessly. There shall be an end-to-end connection from the FI to the agent.
- iii. Customers get immediate value for successful transactions
- iv. Payment instructions are instantly executed. In the event of failure of communication during a transaction, immediate reversal shall be mandatory.
- v. Generation of receipts or durable acknowledgements for successful transactions.

- vi. Automatically deny an agent exceeding the daily limit allowed or performing unauthorized transactions.
- vii. Audit trail is maintained and made available on request.
- viii. All settlement information details are preserved for a minimum period of 5-years.
- ix. The FI shall put in place adequate measures to mitigate all the risks that could arise from the deployment and use of its agency banking IT architecture.

### **11.3 DATA AND NETWORK SECURITY REQUIREMENTS**

FIs shall put in place systems that specifically and at a minimum address the following issues:

- i. Physical and logical security of infrastructure.
- ii. Availability of services.
- iii. Data confidentiality and integrity.
- iv. Encryption of PIN and electronic transactions.
- v. Customer accountability and non-repudiation of transactions
- vi. Error messaging and exception handling.

### **12. THIRD-PARTY SERVICE PROVIDERS**

- i. The FI may enter into a written contract with a third party service provider for the following:
  - a. Technology platform
  - b. Agent selection
  - c. Agent network management
  - d. Agent training
  - e. Equipment provision
  - f. Equipment maintenance

It must be noted however, that such contracts shall not constitute agent banking.

- ii. Any third party service provider, who seeks to render agent banking in addition to providing the above services, shall be required to follow the application process for agent banking services as specified in this Guidelines.
- iii. The FI shall be responsible for the agent banking business even where a third party service provider is contracted to provide the services specified above.
- iv. The FI shall ensure compliance of both the agent and third party service provider with the standards and requirements of the agent banking guideline.

### **13. RISK MANAGEMENT**

- i. FIs shall be responsible for monitoring and supervising the activities of their agents.
- ii. FIs shall have information on the numbers and volumes of transactions carried out for each type of service by each agent.
- iii. FIs shall monitor effective compliance with set limits and establish other prudential measures in each case.
- iv. FIs shall implement measures to control operating risks, including having clause(s) in the contract establishing the liabilities of the agent.
- v. Periodic physical visits by institution's staff or authorized persons shall be necessary to ensure that agents operate strictly within the requirements of the law, guidelines and the contract.
- vi. FIs shall pay special attention to credit risk, operational risk, legal risk, liquidity risk, reputation risk and compliance with rules for combating money laundering and financing terrorism.
- vii. FIs shall conduct due assessment of agent's credit worthiness and set limit structures for agent's various activities commensurate with this assessment.
- viii. Product programs, procedure manuals and customer transaction limits shall be devised keeping in mind implications for operational and liquidity risks for agents.
- ix. Wireless or electronic banking related risks as well as information and data security risks shall be managed by the FI in a prudent manner.
- x. A business continuity management plan of FI shall accommodate Agent Banking Operations to mitigate any significant disruption, discontinuity or gaps in agent's functions.
- xi. FIs shall put in place appropriate product and operations manuals, accounting procedures and systems and design appropriate forms/stationery to be used by the agent.
- xii. Institute systems and personnel to adequately monitor and control agent banking operations on an ongoing basis.
- xiii. **Notwithstanding the responsibility on FIs to monitor and supervise their agents, the CBN may at any time, exercise regulatory and supervisory powers under BOFIA and CBN Act (as amended) and may request for such data or information or carry out such inspection as it deems necessary.**

## **14 MONEY LAUNDERING**

### **14.1 Customer due diligence**

FIs are required to conduct due diligence on customers to ensure that the requirements of Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) are adhered to.

Factors to consider include:

- Know Your Customer (KYC) requirements.
- Daily and transaction limits.
- Minimum IT security requirements.
- Authentication of each customer's transaction.

### **14.2 Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Requirements**

FIs shall train their agents on anti-money laundering (AML) and combating of financing of terrorism (CFT) requirements.

FIs shall ensure:

- i. Customers are identified with at least any of the following; IDs, PINs, passwords, payment card, secret code or secret message while performing any transaction requiring identification.
- ii. Agents report to the FI within twenty four (24) hours, all suspicious activities that come to the agent's knowledge.
- iii. Agent conducts banking business strictly within the transaction limits prescribed by the FI.

In the fulfillment of AML/CFT requirements, institutions shall comply with the requirements of the Money Laundering (Prohibition) Act, 2011 and Financing of Terrorism (Prohibition) Act 2011.

## **15. CONSUMER PROTECTION MEASURES**

Appropriate consumer protection systems against risks of fraud, loss of privacy and loss of service shall be put in place by FIs for purposes of establishing trust among consumers of agent banking services.

## **15.1 Minimum requirements**

The following requirements shall be complied with at all times:

- i. FIs shall establish mechanisms that will enable their customers or users to appropriately identify their agents and the services provided through such agents.
- ii. Agents shall issue receipts for all transactions undertaken through them. FIs shall provide their agents with necessary tools that enable generation of receipts or acknowledgements for transactions carried out through agents. In this regard, electronic receipts or acknowledgements are permissible.
- iii. Where an agent acts as a receiver and deliverer of documents, an acknowledgement shall be provided for all documents received or delivered by the agent to or from the customer.
- iv. A channel for communication of customer/agent complaints to the FIs shall be provided. FIs shall provide dedicated customer care telephone numbers for lodging complaints by their customers. The customers/agents can also use this telephone numbers to verify with the FI, the authenticity and identity of the agent, its physical location and the validity of its agent banking business.
- v. FIs shall establish complaints redress mechanism and shall ensure proper communication of this mechanism to their customers.
- vi. All customer complaints shall be resolved within a reasonable time and not later than fourteen (14) days from the date of reporting or lodging the complaint with the FI. FIs shall keep record of all customer complaints and how such complaints are redressed.
- vii. An agent shall have signs that are clearly visible to the public indicating that it is a provider of services of the FI with which it has an agency contract. The agent shall not however represent to the public that it is an FI.
- viii. In the provision of agent banking services, FIs shall use secure systems that ensure customer information confidentiality.
- ix. The customer shall be made aware of the fact that he shall not carelessly store PIN and other critical information or share such information with other parties including agents.
- x. FIs shall establish contact centres to facilitate communication between a customer and the FI.

## **16. DISCLOSURES**

The agent shall display in a conspicuous place on its premises the following:

- i. Name and the logo of the FI.
- ii. Banking services offered.
- iii. A notice to the effect that services shall be provided subject to availability of funds.
- iv. Charges or fees applicable for each service which are payable to the FI by the customers.
- v. The dedicated telephone number(s) through which customers can contact the FI.
- vi. The name, telephone numbers and location of the institution's branch to which the agent reports its agent activities.
- vii. On request by a customer, an agent shall show a copy of the approval letter issued by the Central Bank to the FI, a copy of its appointment letter as agent by the FI and the current license for the commercial activity being undertaken by the agent. These documents should be readily available in the agent banking premises.

## **17. BRANDING AND ADVERTISEMENT**

- i. FIs may choose to brand their agent network service under any brand name. However use of protected words like "bank", "finance", "financial institution", "financial intermediary" or their derivatives or any other word suggesting that the agent is itself an FI is prohibited.
- ii. In advertising its agent service network, the FI shall not in any form misrepresent the agent as a financial institution or mislead the public as to the services available at the agent's premises.
- iii. An agent shall not brand its premises in a manner that may suggest that it is a financial institution.
- iv. An agent shall display its principal's name and logo in a conspicuous manner and ensure where there is more than one principal the names and logos shall be similarly displayed.

## **18. DISPUTE RESOLUTION**

Where a dispute arises between an FI and an agent, it shall be settled as provided below:

- i. The parties shall agree to attempt to settle the disputes amicably within a period of 10 business days.

- ii. If the parties are unable to settle the dispute in accordance with (i) above, they may thereafter refer the dispute to an Arbitral panel as provided under the Arbitration and Conciliation Act, Cap. A18, Laws of the Federation of Nigeria, 2004.

## **19. SUBMISSION OF STATUTORY RETURNS**

FIs shall, at the end of every month and not later than the 10th day of the following month, submit to the CBN, data and other information on agent operations including:

- i) Nature, value and volume of transactions;
- ii) Incidents of fraud, theft or robbery; and
- iii) Nature and number of customer complaints and remedial measures taken.

### **19.1 Annual Reporting**

FIs shall include in its annual reports and accounts in the prescribed form all activities of its agent banking operations.

## **20. POWERS OF THE CBN OVER AGENTS**

In addition to any other power conferred on the CBN, it shall have power to:

- i) Request for information from agents at any time as the CBN may deem necessary;
- ii) Carry out spot or scheduled inspection of the books and premises of the agent;
- iii) Direct an agent to take such actions or desist from such conduct as the CBN may find necessary;
- iv) Direct the termination of the agency contract as the CBN may find necessary;
- v) Direct the FI to take such actions against or on behalf of the agent as the CBN may find appropriate;
- vi) Direct the FI to take such remedial action arising from the conduct of an agent as it may deem fit.

## **21. REMEDIAL MEASURES**

If FI or its agent fails to comply with these Guidelines, the CBN may take any corrective action against the FI or the agent as appropriate.

## **22. SANCTIONS**

In addition to the use of remedial measures in section 21, the CBN may take any or all of the following sanctions against an FI, its board of directors, officers or agents:

- i. Prohibition from engaging in any further agent banking business;
- ii. Prohibition from contracting new agents;
- iii. Revocation of agent banking approval;
- iv. Termination of agent banking contract;
- v. Withholding Corporate approvals;
- vi. Financial Penalties.

## **23. AMENDMENT TO THE GUIDELINES**

These guidelines may be amended by the CBN from time to time in whole or in part as it is deemed necessary.

**BANKING AND PAYMENTS SYSTEM DEPARTMENT**

**FEBRUARY, 2013**