

Guidelines on Agent Banking for the Banks

1.0 Introduction

Agent Banking means providing limited scale banking and financial services to the underserved population through engaged agents under a valid agency agreement, rather than a teller/ cashier. It is the owner of an outlet who conducts banking transactions on behalf of a bank. Globally these retailers are being increasingly utilized as important distribution channels for financial inclusion. Bangladesh Bank has also decided to promote this complimentary channel to reach to the poor segment of the society as well as existing bank customer with a range of financial services specially to geographically dispersed locations.

With a view to ensuring the safety, security and soundness of the proposed delivery channel Agent Banking Guidelines have been framed by the Bangladesh Bank to permit banks to be engaged in agent banking.

2.0 Authority

Bangladesh Bank is issuing this guidelines as per authority conferred to it by Article 7A(e) of Bangladesh Bank Order, 1972, Section 45 of Bank Company Act, 1991 and Section 4 of Bangladesh Payment and Settlement Systems Regulations, 2009.

3.0 Purpose

The purposes of these guidelines are to:

- I) Provide regulatory framework for Agent Banking which will create an enabling environment for offering safe financial services to the new target group.
- II) Ensure compliance with Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) standards set by AML/CFT rules, regulations, guidelines and instructions issued by Bangladesh Bank.

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4.0 Agent Banking Services

4.1 The following services will be covered under Agent Banking:

- I. Collection of small value cash deposits and cash withdrawals (ceiling should be determined by BB from time to time);
- II. Inward foreign remittance disbursement;
- III. Facilitating small value loan disbursement and recovery of loans, installments;
- IV. Facilitating utility bill payment ;
- V. Cash payment under social safety net programme of the Government ;
- VI. Facilitating fund transfer(ceiling should be determined by BB from time to time);
- VII. Balance inquiry; Guidelines on Agent Banking for the banks

- 2 -

- VIII. Collection and processing of forms/documents in relation to account opening, loan application, credit and debit card application from public;;
- IX. Post sanction monitoring of loans and advances and follow up of loan recovery.
- X. Receiving of clearing cheque.
- XI. Other functions like collection of insurance premium including micro insurance etc

4.2 An Agent must provide, as a minimum, cash deposit and cash withdrawal services. The agent's activities would be within normal course of banking business of the scheduled banks but conducted at places other than bank premises/ ATM booths.

Agent must provide services in the designated business premises.

4.3. Agents are not allowed to provide the following services on behalf of the banks:

- I. Giving final approval of opening of bank accounts and issuance of bank cards/cheques;
- II. Dealing with loan/ financial appraisal
- III. Encashment of cheques and
- IV. Dealing in Foreign currency.

5.0 Eligible Entities

The Banks may engage the following persons/ entities as their Agent:

- I. NGO■MFI's regulated by Micro credit Regulatory Authority of Bangladesh;
- II. Other registered NGOs;
- III. Cooperative Societies formed and controlled/ supervised under Cooperative Society Act,2001;
- IV. Post Offices;
- V. Courier and Mailing Service Companies registered under Ministry of Posts &Telecommunications ;
- VI. Companies registered under 'The Companies Act, 1994';
- VII. Agents of Mobile Network Operators;
- VIII. Offices of rural and urban local Government institutions;
- IX. Union Information and Service Centre (UISC);
- X. Educated Individuals capable to handle IT based financial services, agents of insurance companies, owners of pharmacies, chain shops and petrol pumps/ gas stations.

6.0 Agent Banking Model

6.1 An agent can act as agent of more than one bank at a time but at the customer end point a retail outlet or sub agent of an agent shall represent and offer banking services of only for a single bank. The written agreement between bank and the agent should be carefully defined and legally vetted. The agreement should also contain clauses related to confidentiality/safety/ soundness and accuracy of all the Guidelines on Agent Banking for the banks

- 3 -

transactions as well. Full financial disclosure, transparency and accountability of the agent must be ensured.

6.2 The bank shall assign one of its branches/offices to be responsible for the agent operating in the designated area of the branch.

6.3 The agents are to be equipped with IT device like point of sale (POS) with biometric features capturing and reading facilities, card reader, mobile phone, barcode scanner to scan bills for bill payment transactions, Personal Identification Number (PIN) pads and may have Personal Computers (PCs) that are to be connected with their bank's server using a personal dialup or other data connections. Clients may use magnetic stripe bank card or mobile phone to access their bank account.

6.4 Identification of customers shall be done through a PIN/ biometrics.

6.5 In the customer end the transaction should be operating through ICT devices that are continuously and uninterruptedly integrated to the systems developed by banks. The figures of the transactions must be reflected in 'Core Banking Solution' (CBS) of the bank. The transactions should be executed on real time basis. No transactions can be performed in case of communication failure. At the end point the customer will get instant confirmation of their transaction through visual basis

(screen based like SMS) and paper based (debit or credit slip) also.

6.6 The bank shall brand agent banking business in such a clear manner so that the customer can realize that the agent is providing services on behalf of the bank.

6.7 The agent of the concerned bank should deposit a fixed amount of money or should have a credit limit with the bank and upto that level the agent can make transactions with the clients. If any transaction is tried beyond that level, system will automatically stop the transaction.

7.0 Regulatory Issues

1. Without having approval from Bangladesh Bank no bank shall be allowed to undertake agent banking business.
 2. Banks willing to launch Agent Banking Business shall seek prior approval from Bangladesh Bank, with full details of the services including tentative implementation schedule.
 3. Transaction currency will be taka only.
 4. Banks shall have to submit copies of agreement(s)/MOU(s) signed between banks and their agents to Bangladesh Bank before launching the product.
 5. The agents shall be selected by the bank and a list of the agents with their names and addresses shall have to be submitted to the Green Banking and CSR Department, Bangladesh Bank and will be updated on monthly basis including changes, additions and deletions, if any. Guidelines on Agent Banking for the banks
- 4 -
6. The inward foreign remittance (credited to Nostro Accounts of Banks) transfer arrangement through designated agents will be used only for delivery in local currency.
 7. The system should not be used for any cross border outward remittance of funds
 8. Banks shall submit overall report on agent banking annually to its Board as well as to Bangladesh Bank
 9. Bangladesh Bank may withhold, suspend or cancel approval for providing agent banking services if it considers any action by any of the parties involved in the system is detrimental to the public interest.
 10. Bangladesh Bank can amend the guidelines as and when required.

8.0 Charge for the Services

Customers should not be charged directly by the agents for providing services to them. Bank shall pay reasonable fee/ commission to their agents. However, bank may charge commission/ fee/charge as applicable to its customers.

9.0 Anti Money Laundering Compliance

1. Banks and its partners shall have to comply with the prevailing Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) related laws, regulations and guidelines issued by Bangladesh Bank from time to time.
2. Banks shall have to follow KYC format issued by Bangladesh Financial Intelligence Unit (BFIU) of Bangladesh Bank for the agents and customers. Banks will be responsible for authenticity of the KYC of all the customers and agents.
3. Banks shall ensure that suspected transactions can be isolated for subsequent investigation. Banks shall develop an IT based automated system to identify suspicious activity/transaction report (STR/SAR) before introducing the services.
4. Banks shall immediately report to Anti-Money Laundering Department of Bangladesh Bank regarding any suspicious, unusual or doubtful transactions likely to be related to money laundering or terrorist financing activities.

10.0 Risk Mitigation

1. Banks shall be responsible for mitigation of all kinds of risks such as liquidity,

operational, fraud, cheating including money laundering and terrorist financing risks. Technical risks should be covered by the solution provider.

2. The banks must bear all the liabilities that arise from any improper action on the part of their engaged agents.

11.0 Technical Aspects and Data Security:

It is anticipated that the technology currently available is able to provide adequate security for transmitting information from agent to bank's end. The bank will develop mechanism that enables the agent to report any transaction as and when it occurs.

However Banks need to establish internal policies, procedures, systems and controls to support agent banking at all stages, consistent with the Bangladesh Bank Guidelines on

ICT security for Scheduled Banks and Financial Institutions. In establishing systems and Guidelines on Agent Banking for the

- 5 -

infrastructures to support agent banking banks have to ensure the systems comply with the following minimum requirements:

i) IT infrastructure-

a) able to support real time processing;

b) able to provide a secured network including end to end encryption; and

c) should be robust in managing infrastructure capacity to support agent banking services and

d) at the end point, devices should not store the sensitive customer information e.g. PIN/ Password/ Biometrics etc.

ii) Agent Banking Application:

a) able to support host validation for PIN/Password/ biometrics authentication;

b) able to provide device authentication during session activation and transaction processing at host level;

c) has availability of limit management features for agents. customer transaction and other limit requirements;

d) has transaction and system audit trail;

e) able to provide auto reversal features for incomplete transactions, transactions acknowledgement and receipting;

f) able to support time out features; and

g) able to display sufficient error message to customer and able to handle error processing.

12.0 Agent Selection Criteria

Banks willing to launch Agent Banking Business shall formulate an agent banking policy addressing the following issues:

i) Policies related to agent selection, management, monitoring, operations, compliance, conduct and service quality;

ii) Customer protection measures, including awareness and education strategies;

iii) Infrastructure to support agent banking including system and technology requirements;

iv) Controls and monitoring to ensure compliance with relevant legislation and regulatory requirements; and

v) Business Continuity Plan (BCP) and contingency arrangements to ensure continuity of agent banking services in the event of disruption.

The policy should be approved by the Board of Directors under which it can appoint agents. The banks should apply due diligence to select and appoint agents.

The following issues should be taken into consideration for selecting agents:

1. Competence to implement and support the proposed activities;

2. Financial soundness and cash handling capability;
 3. Ability to meet commitments under adverse conditions;
 4. Business reputation;
 5. Ability to offer technology based financial services; Guidelines on Agent Banking for the banks
- 6 -

6. Security and internal control, audit coverage, reporting and monitoring capacity.
7. Loan defaulter or the convicted person can not apply for agencyship.

13.0. Agency Agreement

Banks intending to provide agent banking service must sign service level agreement with the agents. The agreement in addition to other conditions shall at least cover the following issues:

- Define the rights, expectations and responsibilities of the parties entered into agreements;
- Set the scope of fee structure logically and rationally;
- State that this financial services are subject to regulatory review and that Bangladesh Bank inspecting officers shall be granted full and timely access to internal systems, documents, reports, records and interrogate staffs of the Agents;
- State that the agents will not perform management functions, make management decisions, or act or appear to act in a capacity equivalent to that of a member of management or an employee of the banks;
- Specify that the agents must ensure safekeeping of all relevant records, data and documents /files for at least six years; or alternately, such record is shifted to the bank at regular pre-specified intervals which will then ensure safekeeping of these records for at least six years.
- State that all information/data that the agents collect in relation to agent banking services, whether from the customers or the banks or from other sources, is the property of the banks, and banks will be provided with copies of related working papers/files it deems necessary, and any information pertaining to the banks must be kept confidential; and
- Incorporate a condition for changing the terms of the service contract and stipulations for default and termination of the contract.

14.0 Internal Audit and Monitoring

The banks must formulate internal audit policy to monitor and control agents. They should visit the agent's outlets at a regular interval to ensure that the agents are working in accordance with the terms and conditions of the agreement and following the rules, regulations and guidelines issued by the regulators.

Guidelines on Agent Banking for the banks

- 7 -

15.0 Customer Protection

- I. The banks shall offer products and services approved by their Board keeping conformity with the guidelines. The agents should not introduce any financial product or service at their discretion.
- II. There should be clear identification/logo and name of the bank with contact address/telephone number displayed in a visible manner on the premises of the retail agents/ agent's service premises.
- III. The bank shall take necessary steps to ensure that the agents/retail agents/sub agents are known to the public in a specific area. The local branch manager may introduce the agent/retail agent or sub agent to the public, their activities and

limitations in a clear manner.

IV. The fees/charges for offering the services shall be published in the form of a brochure and be available in the outlets of the agents/ retailers or sub agents for client's use and information.

V. The bank shall take necessary steps for creating awareness among the customers (in local language) on agent banking which may contain the rights of the customers and safety measures to make transactions with agents.

VI. The bank shall have a business continuity plan to ensure uninterrupted services to the customers in case of failure or termination of agents.

VII. When a contract between bank and agent is terminated, bank shall issue a notice of the termination to be published within the locality where the agent was operating its business.

VIII. If any agent works on behalf of more than one bank, it shall ensure that there are no amalgamations/overlapping/intermixing in the database of customers of different banks.

IX. Customers may lodge complaints regarding agent banking to Customers' Interests Protection Centre (CIPC) of Bangladesh Bank.

16.0 Dispute Resolution

The bank needs to ensure that adequate measures for customer protection, awareness and dispute resolution are in place. The bank must run a call centre to receive and process disputes 24 hours a day via telephone, SMS, IVR and mail. Each of the disputes received by the centre must be resolved within 3 working days. The bank should ensure that they are sufficiently equipped to keep track/log of all disputes and review status of each disputes and redressal of the same within stipulated time. The bank should widely publicize about the disputes/grievances redressal mechanisms through electronic and print media and will submit reports regarding disputes/grievances and redressal of the same to the Bangladesh Bank at a regular interval.