



Banking Supervision Policy Statement No.18

Agent Banking Guideline

**NOTICE TO COMMERCIAL BANKS
LICENSED UNDER THE BANKING ACT 1995**

PART I: PRELIMINARY

1. Introduction

- 1.1. This Notice, issued under section 14(3) of the Banking Act 1995 outlines the minimum guidelines on Agent Banking by Commercial Banks for the reliable and sustainable provision and extension of financial services to communities¹ where there is no Commercial Bank presence and Commercial Banking services are difficult to access.
- 1.2. The minimum guideline for Agent Banking is designed to support inclusive development in Fiji through Financial Inclusion, and has been adapted from international best practices of Monetary Authorities and Central Banks² engaged in supervising Branchless and Agent Banking in their countries.
- 1.3. This guideline is aligned to the Reserve Bank of Fiji's missions of (i) *enhancing our role in the development of the economy*, and (ii) *developing an internationally reputable financial system*.
- 1.4. Principles from the CGAP³'s publications on Branchless and Agent Banking were also considered.

2. Objectives of this Policy

- 2.1. To provide minimum guidelines for Commercial Banks when appointing Agents to represent them in the areas and communities where there are no reliable, safe and sustainable access to Commercial Banking services.
- 2.2. To specify the responsibilities of Commercial Banks, and the permitted Agent Banking activities.
- 2.3. To provide minimum standards of risk management, customer protection and disclosure in Agent Banking.

PART II: REQUIREMENTS OF THE POLICY

3. Governance

- 3.1. The Board of Directors of the Commercial Bank or proxy will be responsible for formulating policies/procedures/guidelines that:
 - a. Describes how the Commercial Bank will conduct its Agent Banking services.
 - b. Ensures that all risks associated with Agent Banking are identified and mitigated.
 - c. Specifies the consumer protection and redress system for Agent Banking.
 - d. Ensure that Agent Banking activities are monitored and adheres to this minimum guideline and the Commercial Banks internal rules, policies and procedures in this respect.
- 3.2. Copies of the policies/procedures/guidelines must be submitted to the Reserve Bank within 30 days of being approved or reviewed by the Board of Directors of the Commercial Bank.

¹ Particularly the communities in the remote rural and maritime areas of Fiji.

² Adapted from the Central Bank of Kenya's, and Bank Negara Malaysia's guidelines on Agent Banking.

³ The Concerned Group to Assist the Poor.

4. Key Responsibilities of the Commercial Bank

4.1. The Commercial Banks shall:

- a. Be liable for the actions or omissions of its Agent related to Agent Banking services or matters connected therewith, as agreed to in their contracts with Agents.
- b. Make an explicit, informed and documented decision on the use of Agents for the provision of banking services to its customers.
- c. Maintain an effective system of internal control and oversight of the Agent's activities or functions.
- d. Ensure that proper controls are incorporated into its system so that all relevant compliance issues are noted and fully addressed, particularly the identification, assessment, monitoring and reporting on the Commercial Bank's compliance.
- e. Ensure that it has proper security control policies to safeguard the information, communication and technology systems and data from both internal and external threats.
- f. Be responsible for assessing the adequacy of controls of outsourced activities by taking appropriate direct or third party audits as mandated under relevant outsourcing agreements.
- g. Incorporate risk-based review of critical Agent Banking processes to ensure that the policies, rules, regulations and operational guidelines are followed.
- h. Provide Agents with operation manuals and risk management policy documents as needed to ensure proper provision of services to customers.

4.2. In managing risks the Commercial Banks shall:

- a. Pay special attention to credit risk, operational risk, legal risk, liquidity risk, reputation risk and compliance with rules for combating money laundering and financing of terrorism.
- b. Undertake due assessment of Agent's credit worthiness and set limit structures for Agent's various activities commensurate with this assessment.
- c. Devise product programs, procedure manuals and customer limit structures keeping in mind the implications for operational and liquidity risks for Agents.
- d. Recognized wireless or electronic Banking related risks and manage it in a prudent manner according to the fundamental characteristics and challenges of electronic Banking services.
- e. Properly identify and mitigate technology risks regarding information and data security in wireless networks.
- f. Develop a business continuity management plan to mitigate any significant disruption, discontinuity or gaps in Agents' functions.
- g. Put in place appropriate product and operations manuals, accounting procedures and systems and for designing necessary forms/stationary to be used by the Agents.
- h. Have in place systems and personnel to adequately monitor and control Agent Banking operations on an ongoing basis.

5. Selection of Agents

5.1. Commercial Banks shall be responsible for determining the suitability of an Agent prior to contracting an Agent, and shall as a minimum consider the following selection processes and criteria:

- a. Conducting assessment and due diligence (Know-Your-Agent) on the business owner and business operations, which would include:
 - Probity, personal qualities and reputation of the business owner;
 - Financial position and credit profile of the business and the owner;
 - Knowledge, capability and competency to conduct Agent Banking services at an acceptable quality; and
 - Ability of the agent to control operational risks related to Agent Banking, particularly for agents representing multiple Commercial Banks.

- b. Selecting Agents that have a business licence, permanent business premise and established core business. Commercial Banks are prohibited from appointing businesses whose sole activity is Agent Banking.

5.2. Commercial Banks shall ensure that adequate and accurate information, including requiring additional information, is furnished by Agents to them before appointment.

5.3. The Commercial Bank shall keep confidential and in safe custody the information provided to it by Agents and shall produce it as and when required by the Reserve Bank.

6. Permissible Agent Banking Activities

6.1. The following minimum activities as applicable, can be performed by Agents as agreed to in a contract with the Commercial Banks:

- a. Deposit and withdrawal.
- b. Disbursement and repayment of loans
- c. Payment of bills.
- d. Payment of retirement and social benefits.
- e. Transfer of funds.
- f. Balance enquiry.
- g. Generation and issuance of mini Bank statements.
- h. Collection of documents in relation to account opening, loan application, and debit card application.
- i. Collection of debit cards.
- j. Agent mobile phone banking services.
- k. Cheque book request.
- l. Cheque book collection by customers.
- m. Collection of Commercial Bank mail/correspondence for customers.
- n. Any other activity the Commercial Banks or the Reserve Bank may prescribe.

7. Agents Contract

7.1. Commercial Banks shall submit to the Reserve Bank an endorsed copy of its contract with an Agent, and shall contain the following minimum provisions as applicable:

- a. A Commercial Bank, is liable for the actions or omissions of its Agents related to Agent Banking services or matters connected therewith, as agreed to in their contracts with Agents,
- b. Specific banking services to be rendered by the Agent.
- c. The rights, expectations, responsibilities and liabilities of both parties.
- d. Measures to mitigate risks associated with Agent Banking services including, limits, customer transactions, cash management, cash security, security of Agent premises and insurance policies.
- e. AML/CFT requirements.
- f. Duty by the Agent to deliver transaction support documents.
- g. A statement that all information or data that the Agent collects in relation to Agent Banking services, whether from the customers, the Commercial Bank or from other sources, is the property of the Commercial Bank.
- h. Adequate oversight safeguards for the Commercial Bank to address instances of noncompliance by the Agent with the stipulated obligations.
- i. Prohibition from charging the customer any fees.
- j. Business hours of the Agent.
- k. Suitable limits on cash holding by the Agent and also limits on individual customer payments and receipts.
- l. Confidentiality of customer and user information.
- m. Technical description of electronic devices.
- n. Differentiation of services offered by one Agent for different Commercial Banks.

- o. Remuneration for the Agent.
 - p. 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 shifted to the Commercial Bank at regular pre-specified intervals for Commercial Bank's safe-keeping.
 - q. A statement to the effect that employees of an Agent shall not be treated as employees of the Commercial Bank and the rights and duties of such shall be agreed upon between the Commercial Bank and the Agent.
 - r. A framework for changing the terms of the contract and stipulations for default and termination of the contract and the circumstances under which an Agent can terminate a contract.
 - s. A transition clause on the rights and obligations of the Commercial Bank and the Agent upon termination or cessation of the agency contract.
 - t. Any other activity that may be considered by the Commercial Bank and the Agent necessary for the better carrying out of Agent Banking.
- 7.2. Any contract between a Commercial Bank and an agent or the terms of any Agent Banking Services provided by an agent to a customer shall not attempt to exclude liability of the Commercial Bank to any customer for the acts, omissions or defaults of its Agent.
- 7.3. An Agent may provide services to multiple Commercial Banks and have separate contracts with each Commercial Bank but provided that the Agent has the capacity to manage the transactions for the different Commercial Banks.
- 7.4. A Commercial Bank seeking to contract an Agent which has already been contracted by another Commercial Bank to carry out Agent Banking shall assess the capacity of the Agent to manage transactions for different Commercial Banks. Due regard shall be taken to the space, technological capacity and adequacy of funds or float of the Agent.

8. Consumer Protection

- 8.1. To ensure appropriate consumer protection against risks of fraud, loss of privacy and loss of service the following minimum requirements shall be complied with:
- a. Commercial Banks shall establish mechanisms that will enable their customers or users to appropriately identify their agents and the services provided through such agents.
 - b. Agents shall issue receipts for all transactions undertaken through them. Commercial Banks shall provide their Agents with equipment that generate receipts or acknowledgements for transactions carried out through Agents. In this regard, electronic receipts or acknowledgements are permissible.
 - c. 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.
 - d. A channel for communication of customer complaints to the Commercial Bank shall be provided. Commercial Banks shall provide dedicated customer care telephone lines for lodging complaints by their customers. Customers can also use this telephone line to verify with the Commercial Bank, the authenticity and identity of the Agent, its physical location and the validity of its Agent Banking business.
 - e. Commercial Banks shall establish complaints redress mechanism and shall ensure proper communication of this mechanism to their customers.
 - f. All customer complaints shall be addressed within a reasonable time and in any case not later than thirty days from the date of reporting or lodging the complaint with the Commercial Bank. Commercial Banks shall keep record of all customer complaints and how such complaints are redressed.
 - g. An Agent shall have standardised signs that are clearly visible to the public indicating that it is a provider of services of the Commercial Bank with which it has an agency contract. The Agent shall not however represent to the public that it is a Commercial Bank.
 - h. In the provision of Agent Banking services, Commercial Banks shall use secure systems that ensure customer information confidentiality.

- i. The customer should be made aware of the fact that he is not supposed to carelessly store his PIN and other critical information or share such information with other parties including Agents.
- j. A Commercial Bank to establish contact centres to facilitate easy communication between a customer and the Commercial Bank.

9. Disclosure

9.1. Commercial Banks Agents shall clearly display at their premises the following:

- a. The name of the Commercial Banks it represents and the Commercial Banks logo.
- b. A list of banking services offered by the Agent.
- c. A clear written notice to the effect that if the electronic system is down, no transaction shall be carried out.
- d. A written notice to the effect that services shall be provided subject to availability of funds.
- e. The list of charges or fees applicable for each service which are payable to the Commercial Banks by the customers.
- f. The dedicated telephone line through which customers can contact the Commercial Banks.
- g. The name, telephone numbers and location of the Commercial Banks branch to which the Agent reports its Agent activities.

PART III: OPERATIONAL REQUIREMENTS

10. Transactions, Systems and Technology

- 10.1. All transactions involving deposit, withdrawal, payment or transfer of cash from or to an account shall be real time where network connectivity is not limited.
- 10.2. Commercial Banks shall ensure that Agents are able to carry out real time transactions in all Agents operations where network connectivity is not limited.
- 10.3. Commercial Banks shall also develop suitable offline operational processes for its Agents where there is limited network connectivity in its areas of operations.
- 10.4. To ensure that Agent Banking transactions are carried out with devices which are technically fit, Commercial Banks are required to ensure that such equipment is able to:
 - a. Transmit transaction information in code.
 - b. Carry out electronic transactions on real time basis.
 - c. Allow handling under different user profiles for administration, maintenance and operation.
 - d. Reverse incomplete transactions due to error, system failure, power outage or other defects.
 - e. Process or generate durable transactional documents or receipts. Electronic receipts or acknowledgements such as SMS acknowledgement are permissible.
 - f. Automatically log off an agent once the agent exhausts his daily cash limit or tries to perform an illegal or unauthorised transaction.
 - g. Generate an audit trail.
- 10.5. Commercial Banks shall at all time monitor the safety, security and efficiency of the equipment being used to prevent any tampering or manipulation by any person.
- 10.6. Commercial Banks shall put in place systems that at a minimum address the following issues:
 - a. Physical and logical security of infrastructure.

- b. Availability of services.
- c. Data confidentiality and integrity.
- d. Encryption of PIN and electronic transactions.
- e. Customer accountability and non-repudiation on transactions.
- f. Error messaging and exception handling.

11. Application Process

11.1. Before implementing Agent Banking, Commercial Banks shall submit to the Reserve Bank the following minimum information:

- a. Board approved policies on Agent Banking, risk management framework, agent selection and management, consumer protection, control and monitoring system and standard operating procedures and manuals as necessary.
- b. Contract between the Commercial Bank and Agent.
- c. The details of potential Agents as in Appendix 1.

11.2. The Reserve bank may, at its own discretion, exempt an activity or service from the requirements of this policy.

PART IV: REPORTING, OVERSIGHT AND IMPLEMENTATION ARRANGEMENTS

12. Reporting

12.1. Commercial Banks shall, at the end of every quarter and not later than 10 working days of the following month, submit to the Reserve Bank a return as prescribed in Appendix 2, information on nature, value, volume and geographical distribution of operations or transactions.

13. Oversight

13.1. The Reserve Bank will monitor compliance by the Commercial Banks with the minimum requirements of this guideline and shall:

- a. Request for any information from any Agent at any time as the Reserve Bank may deem necessary.
- b. Carry out impromptu or scheduled inspection of the books and premises of the Agent.
- c. Direct an Agent to take such action or desist from such conduct as the Reserve Bank may find necessary.
- d. Direct the termination of the Agency contract and closure of the Agency business as it may find necessary.
- e. Direct the Commercial Bank to take such action or measures against or on behalf of the Agent as the Reserve Bank may find appropriate.
- f. Direct the Commercial Bank to take such remedial action arising from the conduct of an Agent as it may deem fit.

13.2. Should a Commercial Bank fail to comply with the requirements of this guideline in undertaking Agent Banking the Reserve Bank shall carry out the necessary corrective actions as provided for under the Banking Act 1995.

14. Implementation Arrangements

14.1. This notice applies to all the Commercial Banks licensed under the Banking Act 1995 and becomes effective on 1 January, 2013.

Reserve Bank of Fiji
1 January 2013

SCHEDULE 1

Interpretation-

- 1) Any term or expression used in this Notice that is not defined in this Notice:
 - a. which is defined in the Act, shall, unless the context otherwise requires, have the meaning given to it by the Act;
 - b. which is not defined in the Act and which is defined in any of the Reserve Bank of Fiji Policy Statements shall, unless the context otherwise requires, have the meaning given to it by those policy statements; and
 - c. Which is not defined in the Act or in any of the Reserve Bank of Fiji Policy Statements shall, unless the context otherwise requires, be interpreted in accordance with generally accepted accounting practice.

- 2) In this Notice, unless the context otherwise requires:

‘Agent’ means an organisation that has been contracted by a Commercial Bank for reward to provide the services on behalf of the Commercial Bank in the manner specified in this Guideline.

‘Agent Banking’ means the business carried out by an Agent on behalf of a Commercial Bank as permitted under this guideline.

‘Bank’ has the meaning ascribed to it under the Banking Act 1995.

‘Financial Inclusion’ means the delivery of appropriate financial services at affordable costs to disadvantaged and low income segments of society.

‘Real time’ means the electronic processing of transactional data instantaneously upon data entry or receipt of a command.

‘Reserve Bank’ means the Reserve Bank of Fiji.

Appendix 1

RESERVE BANK OF FIJI



Agent Details
(Ref Clause 11.1 c)

Commercial Bank:

Financial Year:

Date:

	Name of Proposed Agent	Business Registration Num.	Postal Add.	Name of Owner	Tel. No.	Physical / Geographical Location			Commercial activity	Banking Services and Limits	Date of Operations	Working Hours
						Building & Street	Division or District	Province & Town				
1.												
2.												
3.												
4.												

All participating Commercial Banks are required to update the following report on an as and when basis to the Reserve Bank of Fiji.

 Name and Designation

 Signature of Authorised Officer