



## **BANK OF PAPUA NEW GUINEA**

### **DIRECTIVE ON AGENTS 03/2019**

#### **CHAPTER I**

#### **GENERAL PROVISIONS**

##### **Article 1**

In this Directive definitions mean the following:

1. “Agent” means an entity that has been contracted by an Institution to provide services on behalf of such Institution in its name and on its behalf;
2. “Agent financial services business” means the business carried out by an agent on behalf of an Institution as permitted under this Directive;
3. “Agent Network Manager (ANM)” is an Agent appointed to manage a number of Agents and possibly provide to them specific services, in accordance with contractual terms between the ANM and the Institution;
4. “Electronic receipt” means receipt by i) electronic mail messages, ii) personal message center at the Institution’s web site, iii) SMS text message or any other electronic device the Institution mentions in the contract with the agent;
5. “Institution” means a commercial bank, payment service provider, including remittance service provider or issuer of electronic money, whose meaning is ascribed to them under the relevant laws or Directives;
6. “Outlet” means a place of business of the agent directly responsible to the head office, used for carrying out a commercial activity of the agent, but does not include a mobile unit;
7. “Outsourcing” means use of a third party to perform material activities related to the use of agents on a continuing basis that would normally be undertaken by the Institution and that may or may not constitute agent financial services business;
8. “Real time” means the electronic processing of transactional data instantaneously upon data entry or receipt of a command; and
9. “Third party service provider” means the entity that is undertaking the outsourced activity on behalf of the Institution.

##### **Article 2**

This Directive is intended to:

- a. Increase financial services outreach and to promote financial inclusion to the un-banked and under-banked population without putting at risk the safety and soundness of the financial system; and
- b. Encourage licensed institutions to use agents in the provision of their services so as to reduce the cost of financial services and to foster financial inclusion, reach and depth.

## **CHAPTER II**

### **AGENTS NETWORK SCHEME APPROVAL**

#### **Part One**

#### **Approval Process**

##### **Article 3**

- (1) Institutions seeking to conduct services by way of agents shall submit an application for approval of their agency network scheme to the Central Bank.
- (2) The application sub paragraph (1) shall be carried out in the form and manner specified in this Directive and its implementing measures.
- (3) Subsequent approval of each Agent by the Central Bank is not required, unless this decides otherwise as for specific categories of agents, such as ANM. However, the Central Bank shall be able to make random controls to verify in respect of Institutions of its rules on agents.

##### **Article 4**

- (1) The application in Article 3 shall be accompanied by the following information:
  - a. Proposed number of agents per province over a three year period;
  - b. Services to be provided through agents;
  - c. Model contracts;
  - d. Policies and procedures for agents, including:
    1. Policy and procedures for agent due diligence (ADD);
    2. Anti-money Laundering/Counter Terrorist Financing (AML/CTF) policies and procedures; and
    3. Operational policy and procedures.
  - e. Description of the technology to be used;
  - f. A risk assessment report of the operations to be performed through the agents, including the mitigating measures to be adopted in order to control the risks identified, in accordance with risk management policies currently in force and this Directive;
  - g. Internal audit report regarding the adaptation of internal controls performed in readiness for agent financial services business; and
  - h. A declaration by the chief executive officer of the Institution or a duly designated senior officer confirming that the Institution has carried out the suitability assessment of the proposed agents and that they have been found to have met the minimum qualifications set out in this Directive.
- (2) In addition to the above information, the applicant shall submit:
  - a. The delivery channel strategy of the Institution and how agents fit in this strategy; and
  - b. Details on how it intends to oversee agents especially those which are far from any of its branches;
  - c. A feasibility study of the global view of future operations and development of the agent business for a minimum period of three years from the date of the application including:
    1. Geographical and economic service areas of the proposed agents;
    2. An estimate of the total population and economically active population of the areas where the agent will operate;

3. Analysis of the relevant market over the past two years, along with an estimate of the proposed agents' volumes/transactions in the Institution's delivery channel strategy;
  4. Description of the agent management structure to be used by the Institution; and
  5. Financial projections on the share of the proposed agents in the Institution's business.
- d. A business strategy for agent financial services.
- (3) The duly completed application, including the information specified in paragraph (1) and (2) and all supporting documents shall be submitted to Central Bank.

### **Article 5**

- (1) Upon receipt of the application form together with the required documents, the Central Bank will appraise the application.
- (2) The Institution may be requested to submit such additional information as the Central Bank may deem necessary.
- (3) Where the Central Bank is satisfied that all application requirements have been met by an Institution, the Central Bank may, within thirty days from the date of submission of the complete application, approve the application with or without conditions and communicate its approval to the Institution in writing.
- (4) Where the Central Bank declines to approve the application or any part thereof, the Central Bank may within thirty days from the date of submission of the complete application communicate its refusal to the Institution in writing and shall state the reasons for its refusal.
- (5) An Applicant whose application has been declined in accordance with paragraph (4) may resubmit the application upon fulfillment of the conditions communicated by the Central Bank.

### **Article 6**

- (1) No agent shall relocate, transfer or close its premises without the prior written consent of the Institution.
- (2) Notice of intention to relocate, transfer or close agent premises shall be served on the Institution at least thirty days or such shorter or longer period as may be agreed upon in the contract.
- (3) Within thirty days prior to relocation or closure of agent premises, the Institution shall notify it to the Central Bank.

## **Part Two**

### **Eligible Entities**

#### **Article 7**

- (1) A corporate entity intending to be appointed as an agent shall:
  - a. Possess a business license or permit for a lawful commercial activity for at least eighteen months immediately preceding the date of the application to become an agent and such commercial activity must be ongoing;
  - b. Not contravene any written law, the parent statute, memorandum and articles of association or other constitutive document or objects of the entity by its carrying out of agent financial services business; and

- c. If it is an entity which is subject to any regulatory authority under any written law or is a public entity, obtain the consent of the regulatory authority or the appropriate oversight body or authority prior to being appointed an agent.
- (2) An individual intending to be appointed as an agent shall provide the Institution with the documentation required by this Directive for proper agent due diligence (ADD). If necessary, the Institution may require additional information.

### **Article 8**

- (1) Any Outlet of an entity whose operations or activities are managed, controlled, supervised or is subject to the direction of the head office of the entity and has no separate legal existence from that of the head office of the entity shall be deemed to be part of the entity for purposes of Agent due diligence by the Institution.
- (2) Any act or omission of an Outlet of an entity shall be deemed to be the act or omission of the entity.
- (3) An entity is precluded to be contracted as an agent of an Institution in case such entity is controlled by a manager of the said Institution or by a manager of an entity that controls the said Institution.
- (4) The preclusion established in paragraph (3) does not apply to the situation in which the manager also controls the contracting Institution.

### **Article 9**

- (1) An Institution shall, for initial and ongoing assessment of an entity to be appointed as an agent, vet and satisfy itself as to the suitability of the proposed entity through clear and well documented agent suitability policies and procedures and shall establish that:
  - a. The entity has an existing, well established commercial activity which has been operational for at least eighteen months immediately preceding the date of the suitability assessment;
  - b. The entity has not been classified as a deficient, doubtful or non-performing borrower by an Institution in the last eighteen months preceding the date of signing the contract. That status shall be maintained for the duration of the contract; and
  - c. The entity possesses appropriate physical infrastructure and human resources to be able to provide the services with the adequate degree of efficiency and security.
- (2) Any entity that seeks to be appointed as an agent by an Institution shall furnish the Institution with the information as agreed in the contract between the agent and the Institution and any other information as the Institution may request.
- (3) The Institution shall endeavor to obtain accurate information from the entity and its officers or employees and shall not represent to the Central Bank that it was misled by the entity or its officers.
- (4) Any entity which or whose proprietors, partners, officers or employees furnish an Institution with false or inaccurate information shall be disqualified from conducting agent financial services business.
- (5) Every Institution shall sensitize its agents on the provisions of this Directive and the obligation to comply with its requirements.
- (6) The Institution shall keep confidential and in safe custody the information provided by the agent and shall produce it as and when required by the Central Bank.

## **Article 10**

- (1) Institutions shall be responsible for having clear, well documented ADD policies and procedures to mitigate risks.
- (2) ADD procedures shall at a minimum contain:
  - a. Definition of agent selection criteria;
  - b. Initial due diligence;
  - c. Regular due diligence checks to be performed at specified intervals;
  - d. A list of early warning signals;
  - e. Roles and responsibilities of various functions in the Institution with regard to agent management; and
  - f. Corrective actions to ensure proactive agent management.
- (3) Institutions shall ensure that proper AML/CTF monitoring processes exist for agent financial services business. The necessary actions to be taken by agents in this regard should be communicated to the agents and the agents' compliance monitored.

## **Article 11**

- (1) In assessing the suitability as agent of an entity, the Institution shall have regard to inter alia:
  - a. Negative information in possession of credit reference bureaus or gathered from other sources;
  - b. Negative information in possession of credit reference bureaus or gathered from other sources;
  - c. Any criminal record in matters relating to finance, fraud, honesty or integrity;
  - d. Reputation;
  - e. Business or work experience;
  - f. Sources of funds;
  - g. The business track record of the entity in the last three years where applicable;
  - h. The conduct of trade with persons and entities disallowed by United Nations or by any courts of justice; and
  - i. Any other matter which negatively or positively impacts on the person.

## **Part III**

### **Permissible Activities**

## **Article 12**

- (1) An agent may provide any of the following financial services as may be specifically agreed between it and the Institution:
  - a. Opening of basic accounts;
  - b. Cash deposit and cash withdrawals;
  - c. Cash disbursement and cash repayment of loans;
  - d. Cash payment of bills;
  - e. Cash payment of retirement and social benefits;
  - f. Cash payment of salaries;
  - g. Transfer of funds (including international remittances and P2P domestic transfers);
  - h. Balance enquiry;

- i. Generation and issuance of mini bank statements;
  - j. Collection of documents in relation to account opening, loan application, credit and debit card application, including ADD for AML/CTF purposes;
  - k. Collection of debit and credit cards;
  - l. Agent mobile phone services;
  - m. Collection of bank mail/correspondence for customers;
  - n. Financial education of customers;
  - o. Agent sub-contracting, provided the Institution is ultimately responsible for the services rendered; and
  - p. Any other activity as Central Bank may prescribe.
- (2) The Institution shall be responsible to determine, based on agent risk assessment, which services a particular agent should provide.
- (3) Institutions shall establish limits for the provision of services agreed upon with the agents.
- (4) The limits must 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 the conduct of agent financial services business.
- (5) Institutions shall set limits for each agent and where applicable, for each type of transaction.
- (6) In allowing agents to carrying out CDD, the Institution shall set limits:
- a. For specific type of accounts; and/or
  - b. In the number of customer transactions

### **Article 13**

- (1) An agent shall not:
- a. Operate or carry out an electronic transaction when there is communication failure in the system;
  - b. Carry out a transaction when a transactional receipt or acknowledgement cannot be generated;
  - c. Charge any fees directly to the customers;
  - d. Carry out agent financial services business when, in the opinion of the Institution the initial commercial activity has ceased or is significantly diminished. The commercial activity should be viable and able to financially support the agent financial services business;
  - e. Offer any type of guarantee in favor of any Institution or customer;
  - f. Offer financial services on its own account (provide on its own account financial services similar to those provided by it under an agency contract);
  - g. Continue with the agency business when it has a proven criminal record involving fraud, dishonesty, integrity or any other financial impropriety;
  - h. Provide, render or hold itself out to be providing or rendering any financial service which is not specifically permitted in the contract;
  - i. 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;
  - j. Undertake cheque deposit and encashment of cheques;
  - k. Transact in foreign currency;
  - l. Provide cash advances; and
  - m. Be run or managed by an Institution's employee or its associate.
- (2) An Institution may in the contract specify other activities which the agent is prohibited from undertaking.

## **CHAPTER III**

### **AGENCY CONTRACT**

#### **Part I**

#### **Minimum Content and Termination**

##### **Article 14**

- (1) An Institution shall enter into a written contract with an agent for the provision on its behalf of any of the services specified in this Directive.
- (2) Any contract entered into between an Institution and an agent shall comply with this Directive and any other law in force.

##### **Article 15**

- (1) Every contract between an Institution and an agent shall contain as a minimum, the following information:
  - a. The Institution is wholly responsible and liable for all actions or omissions of the agent. This responsibility extends to actions of the agent even if not authorized in the contract so long as they relate to financial services or matters connected therewith;
  - b. Specific financial 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 financial services including, limits, customer transactions, cash management, cash security, security of agent premises and insurance policies;
  - e. The Central Bank 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 agency financial services business is concerned and shall exercise such powers as it may deem necessary;
  - f. AML/CTF requirements pursuant to the AML/CTF Act 2015 and any rules and Directives that may be issued under this act;
  - g. Duty by the agent to deliver transaction support documents;
  - h. A statement that all information or data that the agent collects in relation to agent financial services, whether from the customers, the Institution or from other sources, is the property of the Institution;
  - i. Adequate oversight safeguards for the Institution to address instances of noncompliance by the agent with the stipulated obligations;
  - j. Prohibition from charging the customer any fees;
  - k. Business hours of the agent;
  - l. Suitable limits on account opening;
  - m. Suitable limits on cash holding by the agent and also limits on individual customer payments and receipts;
  - n. Confidentiality of customer and user information;
  - o. Technical description of electronic devices and services;
  - p. Differentiation of services offered by one agent for different Institutions;

- q. Remuneration for the agent;
  - r. Specify that all transactions carried out by the agent shall be accounted for and shown in the books of the Institution by the end of the next working day for Institution's safe-keeping;
  - s. 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;
  - t. A framework for changing the terms of the contract and stipulations for default and termination of the contract and in particular the circumstances under which an agent can terminate a contract;
  - u. A statement that the Central Bank can at any time terminate the contract in the exercise of its powers under the National Payment Systems Act 2013, this Directive or any other law; and
  - v. A transition clause on the rights and obligations of the Institution and the agent upon termination or cessation of the agency contract.
- (2) The Institution and the agent may provide for other terms as they may mutually consider necessary for the better carrying out of the agent financial services business.

### **Article 16**

- (1) In addition to the provisions for termination of the agency contract as may be set out in the contract, an agency contract shall be terminated if an agent:
- a. Carries on agent financial services business when the agent's principal commercial activity has ceased;
  - b. Is guilty of a criminal offence involving fraud, dishonesty or other financial impropriety;
  - c. Sustains a financial loss or damage to such a degree which, in the opinion of the Institution, makes it impossible for the agent to gain its financial soundness within three months from the date of the loss or damage;
  - d. Is being dissolved or wound up through court or otherwise;
  - e. In case of a sole proprietor or individual, dies or becomes mentally incapacitated;
  - f. Transfers, relocates or closes its place of agent financial services business without the prior written consent of the Institution;
  - g. Fails to hold or renew a valid business license; and
  - h. Violates any provision of this Directive which may, in the opinion of the Institution, warrant termination of the agency relationship.
- (2) Termination under paragraph (1) of this Directive may be initiated by the Institution or the Central Bank. The Institution shall ensure that an agent does not continue with agent financial services business when it is affected by any of the provisions of paragraph (1) of this Directive.
- (3) Where an agency contract is terminated, the Institution shall cause a notice of the termination to be published within the locality of the premises where the agent was operating or in any other way or manner so as to inform the general public of the cessation of the agency contract.

## **Part II**

### **Exclusivity**

#### **Article 17**



- (1) An agent can be an agent for more than one Institution, provided that the agent has separate contracts for the provision of such services with each Institution and provided further that the agent has the capacity to manage the transactions for the different Institutions.
- (2) An Institution seeking to contract an entity which has already been contracted by another Institution shall assess the capacity of the agent to manage transactions for different Institutions. Due regard shall be taken to the space, technological capacity and adequacy of funds or float of the agent.

## **CHAPTER IV**

### **RESPONSIBILITIES**

#### **Part I**

#### **Responsibilities of the Institution**

##### **Article 18**

- (1) The Institution shall be responsible and liable for all actions or omissions of its agent and this responsibility shall extend to actions of the agent even if not authorized in the contract so long as they relate to agent financial services or matters connected.
- (2) The Institution shall be liable for agent compliance with AML/CTF measures.
- (3) The Institution may designate branches to be responsible for the agents operating in the locality of the respective branches or may designate divisions to be responsible for particular agents, or may appoint ANMs in charge of management of a number of Agents and possibly providing specific services to them (such as provision of liquidity).
- (4) The Institution shall be expected to make an explicit, informed and documented decision on the use of agents for the provision of financial services to its customers.
- (5) The Institution shall maintain an effective system of internal control and oversight of the agent's activities or functions.
- (6) The Institution shall ensure that proper controls are incorporated into its system so that all relevant compliance issues are noted and fully addressed, including the identification, assessment, monitoring and reporting on the Institution's compliance.
- (7) The Institution shall ensure that it has proper security control policies to safeguard the information, communication and technology systems and data from both internal and external threats.
- (8) The Institution shall also be responsible for assessing the adequacy of controls of outsourced activities by taking appropriate direct or third party audits of the same as mandated under relevant outsourcing agreements.
- (9) The Institution shall incorporate risk-based review of critical agent processes to ensure that the policies, rules, Directives and operational guidelines are followed.
- (10) The Institution shall provide agents with such operations manuals and risk management policy documents as shall be needed to ensure proper provision of services to customers.

##### **Article 19**

- (1) The Board of Directors of each Institution shall be responsible for formulating policies, procedures and guidelines which ensure that:
  - a. Credible agents are identified; and
  - b. Risks associated with agent business are properly identified, documented and mitigated;
  - c. Agent activities are constantly monitored to ensure compliance with this Directive and the agency contract.
- (2) It is the responsibility of the Board of Directors of each Institution to ensure compliance with this Directive.

## **Part II**

### **Risk Management and Compliance with AML/CTF Rules**

#### **Article 20**

- (1) The Institution shall be responsible for developing and implementing an agent's strategy for establishing an effective management oversight over agent financial services.
- (2) Effective management oversight shall include:
  - a. The review and approval of key aspects of the Institution's security control programs and processes and security control policies and infrastructure; and
  - b. A comprehensive process for managing risks associated with reliance on third parties.
- (3) The Institution shall ensure that the scope and coverage of its internal audit function is expanded to commensurate with the increased complexity and risks inherent in agent financial activities and that the audit department is appropriately staffed with personnel having sufficient technical expertise to perform the expanded role.
- (4) The integration of agent applications with the main financial systems shall require an integrated risk management approach for all financial activities.
- (5) The Institution shall ensure that it has updated and modified where necessary, its existing risk management policies and processes to cover its current or planned agent financial services.
- (6) The Institution shall provide agents with sufficient training to enable the agents to adequately perform the operations and provide the services agreed upon, including training relating to the proper identification of customers, customer service, and confidentiality of the information, cash security, record keeping, legal compliance and financial education.

#### **Article 21**

- (1) The Institution shall pay particular attention to credit risk, operational risk, legal risk, liquidity risk, reputation risk and compliance with rules for AML/CTF.
- (2) To manage the risks mentioned in paragraph (1), the Institution shall:
  - a. Undertake due assessment of credit worthiness of the agent and set limit structures for the various activities of the agent commensurate with this assessment;
  - b. Put in place appropriate product and operations manuals, accounting procedures and systems and design the necessary forms/stationary to be used by the agents keeping in mind the implications for operational and liquidity risks for agents;
  - c. Recognize, address and manage wireless or electronic products related risks in a prudent manner according to the fundamental characteristics and challenges of electronic financial services;

- d. Properly identify and mitigate technology risks regarding information and data security in wireless networks;
  - e. Develop a business continuity plan to mitigate any significant disruption, discontinuity or gaps in agents' functions;
  - f. Have in place systems and personnel to adequately monitor and control agent operations on an ongoing basis; and
  - g. Shall implement measures to control operating risks, including having clause(s) in the contract establishing the liabilities of the agent vis-à-vis the Institution.
- (3) Periodic physical visits by the internal control mechanism in the Institution shall be necessary to ensure that agents operate strictly within the requirements of the law, this Directive and the contract.

## **Article 22**

- (1) Institutions shall ensure that Agents or ANMs carry out, within the limits established in the agency contract, CDD.
- (2) The factors to consider include:
  - a. Know Your Customer (KYC) requirements;
  - b. Transactional limits per day, month and year limits commensurate with customer's profile;
  - c. Maximum balance limits on debit and credit;
  - d. Minimum technological security requirements; and
  - e. Two factor authentication per customer per transaction.
- (3) In carrying out CDD, agents and AMNs shall comply with all applicable AML/CTF laws and requirements of Papua New Guinea.

## **CHAPTER V**

### **SETTLEMENT OF TRANSACTIONS AND THE TECHNOLOGY**

#### **Article 23**

- (1) All transactions involving deposit, withdrawal, payment or transfer of cash from or to an account shall be conducted in real time.
- (2) Institutions shall ensure that agents are able to carry out real time transactions.

#### **Article 24**

- (1) Institutions shall at all times monitor the safety, security and efficiency of the equipment being used by the agents, including the IT platform, to prevent any tampering or manipulation by any person.

## **CHAPTER VI**

### **OUTSOURCING**

#### **Article 25**

- (1) An Institution may enter into a written contract with a Third party service provider for the provision of the following services in respect of its agent financial services business:
  - a. Cash handling;
  - b. Maintenance of Point of Sale (POS);
  - c. Technology platform;
  - d. Agent selection;
  - e. Agent network management;
  - f. Agent training;
  - g. Equipment provision; and
  - h. Equipment maintenance.

## **Article 26**

- (1) Third-party providers shall be:
  - a. Specialized third-parties who contract with the Institution for outsourced agent management services, but who do not operate as agents themselves, or
  - b. Large retailers (such as grocery chains) or other entities with a large, proprietary outlet network who sign a single agency agreement with the Institution and who then manage agent functions at each of their retail outlets, or
  - c. Third parties (such as Mobile Network Operators (MNOs)) who sign a single agency agreement with the Institution, but who then subcontract other legal entities or individuals as agents.
- (2) The provision of any of the services specified in Article 26 by a Third party service provider constitutes agent financial activities business, except if the third party provider falls under the category sub paragraph (1)a.
- (3) Any Third party service provider, who, in addition to providing the services specified in paragraph (1), seeks to provide or render agent financial services as specified in this Directive, shall fulfill the requirements for agent financial services business and enter into an agency contract with the Institution for that purpose.
- (4) The third-party providers assume liability for their sub-agents and indemnify the Institutions for the Institution payments made as a result of agent liability. The Institution shall remain ultimately liable for the agent financial services business even where a Third party service provider is contracted to provide the services specified in Article 25 of this Directive.
- (5) A Third party service provider is permitted to perform CDD, provided that:
  - a. The Institution remains ultimately responsible for such third-party compliance with applicable AML/CTF requirements;
  - b. CDD information is made available to the Institution upon request without delay; and
  - c. The third-party provider is regulated and supervised.

## **CHAPTER VII**

### **ANTI-MONEY LAUNDERING AND COMBATING TERRORISM FINANCING (AML/CTF)**

#### **Article 27**

- (1) Institutions shall train their agents on AML/CTF requirements.
- (2) Institutions shall ensure that agents:

- a. Identify customers with at least two factor authentications like IDs, PINs, passwords, ATM card, biometric, secret code or secret message while performing any transaction requiring identification;
  - b. Report to the Institution within twenty four hours, all suspicious activities that come to the agent's knowledge; and
  - c. Transact agent financial services business strictly as per the transactional limits prescribed by the Institution.
- (3) In the fulfillment of AML/CTF requirements, Institutions and the agent or agent managers shall comply with the requirements of all AML/CTF relevant laws and Directives.

## **CHAPTER VIII**

### **CONSUMER PROTECTION**

#### **Article 28**

As trust is the single most important ingredient for growth of agent financial services business, appropriate consumer protection systems against risks of fraud, loss of privacy and loss of service shall be put in place by Institutions for purposes of establishing trust among consumers of agent services.

#### **Article 29**

- (1) As a minimum, the following requirements shall be complied with at all times:
- a. The Institution shall establish:
    1. Mechanisms that enable their customers or users to appropriately identify their agents and the services provided through such agents. In particular, the Institution shall publish an updated list of all their agents in their websites and such other publications monthly or as they may deem appropriate. The publications containing the list of their agents shall be disseminated to all their branches and may also be disseminated to their agents;
    2. A channel for communication of customer complaints, such as dedicated customer care telephone lines for lodging complaints by their customers. The customers can also use this telephone line to verify with the Institution, the authenticity and identity of the agent, its physical location and the validity of its agent financial services business; and
    3. A complaints redress mechanism, ensuring proper communication of this mechanism to its customers. All customer complaints shall be addressed within a reasonable time and in any case not later than seven days from the date of reporting or lodging the complaint with the Institution. Institutions shall keep record of all customer complaints and how such complaints are redressed.
  - b. Agents shall issue receipts for all transactions undertaken through them. Institutions 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, to be either stored or printed according to contractual terms;
  - 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. In case an entity is engaged as agent by more than one Institution, it shall be ensured that the customer database and account details are kept separate and there is no comingling of data

- e. An agent shall have signs that are clearly visible to the public indicating that it is a provider of services of the Institution with which it has an agency contract. The agent shall not however represent to the public that it is an Institution;
- f. In the provision of agent financial services, Institutions shall use secure systems that ensure customer information confidentiality;
- g. 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; and
- h. An Institution may establish contact centers to facilitate easy communication between a customer and the Institution.

### **Article 30**

- (1) An agent shall disclose to its customers in a conspicuous place on the agent's premises:
  - a. The name of the Institution it is working for and the Institution's logo;
  - b. A list of financial services offered by the agent;
  - c. A 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 Institution by the customers; and
  - f. The name, telephone numbers and location of the Institution's branch to which the agent reports its agent activities.
- (2) On request by a customer, an agent shall show a copy of the approval letter issued by the Institution, a copy of the appointment letter from the Institution and the current license for the commercial activity being undertaken by the agent. These documents should be readily available in the agent premises.

### **Article 31**

- (1) Institutions may choose to brand their agent network service under any brand name. However use of protected words like bank, finance, financial Institution, payment Institution, financial intermediary or their derivatives or any other word suggesting that the agent is itself an Institution is prohibited.

### **Article 32**

- (1) Institutions shall carry out sensitization of their agents and customers about their agent financial services business to the public. This shall be through public awareness campaigns, brochures and other programs as the nature of the Institution's products may require.

## **CHAPTER IX**

### **MONITORING**

#### **Article 33**

- (1) The Institution shall be responsible for monitoring the activities of their agents.

- (2) With a view to ensuring adequate monitoring over the operations and activities of the agents by the Institution, every agent is required to be attached to and be under the oversight of a specific Institution branch designated as the base branch.
- (3) The Institution should have information on the numbers and volumes of transactions carried out for each type of service by each agent. They should also monitor effective compliance with set limits and establish other prudential measures in each case.

#### **Article 34**

- (1) Every Institution shall, at the end of every calendar month and not later than the 21<sup>st</sup> day of the next month, submit to the Central Bank data and other information on agent operations including information on:
  - a. Number of agents;
  - b. Number of agents terminated;
  - c. Number of new agents, their name and contact details, as well as reason for termination;
  - d. Nature, value, volume and geographical distribution of operations or transactions;
  - e. Incidents of fraud, theft or robbery;
  - f. Customer complaints;
  - g. Remedial measures taken to address customer complaints; and
  - h. Details of training and awareness sessions conducted.

#### **Article 35**

- (1) Every Institution shall forward to the Central Bank not later than 31<sup>st</sup> March of each year an annual report on its agent operations including the names, number and other information on agent operations for the previous year.

#### **Article 36**

- (1) Notwithstanding the responsibility imposed on Institutions to monitor and supervise their agents, the Central Bank may at any time, exercise its regulatory and supervisory powers relevant legislation and may request for such data or information or carry out such inspection as it deems necessary.

#### **Article 37**

- (1) In addition to any other power conferred on the Central Bank by Article 38, the Central Bank shall have power to:
  - a. Request for any information from any agent at any time as the Central 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 Central 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 Institution to take such action or measures against or on behalf of the agent as the Central Bank may find appropriate; and
  - f. Direct the Institution to take such remedial action arising from the conduct of an agent as it may deem fit.

## **CHAPTER X**

### **REMEDIAL MEASURES AND ADMINISTRATIVE SANCTIONS**

#### **Article 38**

(1) If an Institution fails to comply with this Directive, the Central Bank may pursue any or all corrective actions against the Institution as provided under the National Payment Systems Act 2013.

#### **Article 39**

In addition to the use of remedial measures sub Article 38, Central Bank may pursue any or all of the following administrative sanctions against an Institution, its board of directors, officers or agents:

- a. Prohibition from engaging in any further agent financial services business;
- b. Prohibition from contracting new agents;
- c. Revocation of agent approval;
- d. Termination of agency contract; and
- e. Withholding corporate approvals.