

2017

Prudential Guidelines for Agent Banking Operation in Bangladesh

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Bangladesh Bank



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Prudential Guidelines for Agent Banking Operation in Bangladesh

In exercise of the powers conferred to Bangladesh Bank in Section 45 of the Bank-Company Act, 1991 (Act no. XIV of 1991), the following guidelines are hereby made:

PART I: PRELIMINARY

1. Short Title

These guidelines may be called as the “Prudential Guidelines for Agent Banking Operation in Bangladesh”.

2. Interpretations

As used in these Guidelines, the following terms shall have the meanings indicated below unless the context clearly indicates otherwise:

- 2.1. “Agent” means master agent, and/or unit agent.
- 2.2. “Agent Banking” means the business of providing banking services through agent’s network.
- 2.3. “Agent Banking Outlet” means an entity which will work independently as unit agent or under the supervision of a master agent and run the agent banking activities in a specific location at the customer end point.
- 2.4. “Bank” means a bank-company as per section ৫(৭) of the Bank-Company Act, 1991.
- 2.5. “Banking Services” means services that a bank may offer as per section ৫(৩) and ৭ of the Bank-Company Act, 1991.
- 2.6. “Juristic Person” shall refer to an entity (other than a natural person) created by law as a legal entity having distinct identity, legal personality, duties and rights.
- 2.7. “Master Agent” means an entity having branch offices or outlets, either owned or otherwise engaged legally by it, that has been contracted by a bank to provide the services in a manner specified in the Guidelines.
- 2.8. “Outlet” means an agent banking outlet.
- 2.9. “Support Service Provider” means an entity contracted by a bank for providing technological solutions and/or other support services (Liquidity Management, Transportation and Security) to its agent banking services.
- 2.10. “Unit Agent” means an entity that has been contracted by a bank to provide the banking services in a single agent banking outlet in a manner specified in these Guidelines.
- 2.11. Other terms used in these Guidelines will assume the same meaning as in the Bank-Company Act, 1991.

3. Application

The Guidelines shall apply to the banks and any other entities engaged in agent banking in Bangladesh.

PART II: STATEMENT OF POLICY

4. Purpose

Agent banking is a system of providing limited scale banking services to the underserved population through engaged agents under a valid agency agreement, rather than a teller/cashier. Bangladesh Bank has decided to promote this complimentary channel to reach out to the unbanked and underserved segments of the society as well as existing bank customers with a range of banking services especially to geographically dispersed locations. With a view to ensuring the safety, security and soundness of the proposed delivery channel, “Prudential Guidelines for Agent Banking Operations in Bangladesh” have been framed by Bangladesh Bank to facilitate banks to engage in agent banking. The purposes of these Guidelines include:

- 4.1. Establish agents as a channel for delivering banking services in a cost effective manner;
- 4.2. Outline activities which can be carried out by an agent as well as provide a framework for offering branchless banking services;
- 4.3. Increase outreach of the banking services and promote financial inclusion within a safe and sound financial system environment; and
- 4.4. Serve as a set of minimum standards of data and network security, customer protection and risk management to be adhered to the branchless banking services.

PART III: AGENT BANKING OPERATION APPROVAL PROCESS

5. Engagement in Agent Banking Activity

- 5.1. Banks willing to offer banking services through agent banking operation shall obtain prior approval from Bangladesh Bank. Banks also have to take prior approval for new agents and agent banking outlets separately. Banks shall ensure that all policies and procedures relating to its agent banking activity are in place.
- 5.2. Banks having license for Islamic Shariah based banking services will be allowed to provide Islamic Shariah based banking services through their agent network.
- 5.3. Bangladesh Bank will assess the bank's overall performance as well as specific performance, evaluate the bank's capacity to conduct agent banking, financial inclusion priorities and do due diligence before giving the approval.
- 5.4. Banks shall commence its agent banking operation within 3 (three) months of getting approval from Bangladesh Bank. Bangladesh Bank, considering the application of the bank, if any, may extend the commencement time for another 3 (three) months. Banks shall notify commencement of services to Banking Regulation and Policy Department (BRPD) and Financial Inclusion Department (FID) of Bangladesh Bank.

6. Letter of Application

Banks intending to start agent banking operation shall conduct a prior study and shall apply for approval (as per Annexure-A) to General Manager, Banking Regulation and Policy Department (BRPD), Bangladesh Bank, Head Office, Dhaka in its letter head pad along with Annexure-B & C. While applying for approval of new agents and/or agent banking outlets, banks shall furnish data about the proposed agents/outlets (as per Annexure-C), on business performance (Annexure-D) and expansion plans on agent banking and facts describing the status of compliance of the instructions of these Guidelines.

7. Documents Required

Following documents and reports are to be submitted along with the application:

- 7.1. A report assessing the risks associated with agent banking operation and the measures to be adopted to mitigate the risks;
- 7.2. A report containing the opinion of an independent audit team regarding the adaptation of internal control policy for agent banking operation;
- 7.3. A tentative implementation schedule with full details of the services; and
- 7.4. Policy for agent banking operation approved by the board of directors of the applicant bank. The policy should address the following areas:
 - 7.4.1. Policies related to agent selection, management and training; as well as monitoring operations, compliance, conduct and quality of the services provided;
 - 7.4.2. Customer due diligence, customer protection measures including regularly initiated mass awareness and financial education strategies;

- 7.4.3. Infrastructure to support agent banking including system and technological requirements;
- 7.4.4. Internal controls and monitoring to ensure compliance with relevant legislation and regulatory requirements;
- 7.4.5. Business Continuity Plan (BCP) and contingency arrangements, with specific timeframe, to ensure continuity of agent banking services in the event of disruption;
- 7.4.6. Internal audit and monitoring manual for agent banking operation as approved by the board of directors;
- 7.4.7. Business plan for agent banking operation as approved by the board of directors;
- 7.4.8. Detailed information (organizational history, financial strength, IT infrastructure, management structure, planned geographical and economic service areas) of agents;
- 7.4.9. Draft of agreement(s) between bank and agent. The draft must be vetted by the legal retainer of the bank;
- 7.4.10. Anti-Money Laundering/Combating Financing of Terrorism policies and procedures;
- 7.4.11. Agent training manual;
- 7.4.12. Proposed financial literacy and education activities by the banks; and
- 7.4.13. A feasibility study of the global view of future operations and development of the agent banking operation for a minimum period of 3 (three) years from the date of the application including:
 - 7.4.13.1. Geographical and economic service areas of the proposed agents;
 - 7.4.13.2. Total population and economically active population of the areas where they will operate;
 - 7.4.13.3. Analysis of the relevant market over the past 2 (two) years, along with an estimate of the proposed agents' volume of transactions in the banks' delivery channel strategy;
 - 7.4.13.4. Financial projections on the share of the proposed agents in the banks' business; and
 - 7.4.13.5. Security management manual for agent premises:

Provided that 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 or contradicts any Law/Regulation of the country.

Banks that are currently conducting agent banking operation with approval from Bangladesh Bank shall also prepare/update the documents stated herein and submit a copy to BRPD within 6 (six) months of the issuance of these Guidelines.

PART IV: AGENCY CONTRACT AND PERMISSIBLE ACTIVITIES

8. Establishment of Agency Relationship

- 8.1. Banks may provide banking services through an agent.
- 8.2. Banks shall enter into a contract in writing with each juristic person for the provision on its behalf of any banking services specified in these Guidelines and issue a letter of approval for conducting agent banking.
- 8.3. Any contract entered into between a bank and an agent shall comply with these Guidelines and any other relevant laws in force.

9. Structure of Agent Banking

Banks should structure its agent banking services according to its business strategies following any one or combination of the following structures:

- 9.1. **Master Agent-Agent Banking Outlet:** In this structure banks may enter into contract with an entity having multiple branch offices or outlets, either owned or otherwise engaged legally by it, willing to operate agent banking services in the branch offices or outlets as Master Agent as described in Clause 10 of these Guidelines;
- 9.2. **Unit Agent:** Banks may enter into contract with eligible entity willing to provide banking services exclusively in one outlet only. Unit agent(s) must fulfil the criteria as described in Clause 10 of these Guidelines; and
- 9.3. **Support Service Provider:** An entity contracted by banks for providing technological solutions and/or other support services to its agent banking operation.

10. Eligibility for an Entity to become an Agent

10.1. An entity should fulfil the following conditions to be eligible for entering into contract with banks:

- 10.1.1. It should be a juristic person;
- 10.1.2. Agent banking shall not be in ultra vires to the parent, statute, memorandum and articles of association or other constitutive document or objects of the juristic person; and
- 10.1.3. The agent, in the case of a proprietorship, or the agent's directors, significant shareholders, and/or senior officers, as the case may be, is fit and proper.

10.2. Eligibility for Master Agent:

- 10.2.1. It shall be an entity having multiple branch offices or outlets, either owned or otherwise engaged legally by it.
- 10.2.2. If the entity is a private sector organization, it shall possess a business license or permit for any lawful business activity.
- 10.2.3. The owner or manager of the entity or the juristic person shall possess at least 1 (one) year of experience in the related field.
- 10.2.4. It shall be carrying out the business activity on ongoing basis.

- 10.2.5. It shall possess managerial, financial and technical expertise for managing agent banking outlets in addition to its regular operations.
- 10.2.6. It shall have willingness and capacity to invest in managing liquidity, risk management, security management and continuous capacity development of agent banking outlets of a bank.
- 10.2.7. The agent banking outlet must have at least 2 (two) persons (a manager and a teller) with required managerial and financial expertise for this purpose and 1 (one) counter for cash transaction.
- 10.2.8. In cases where the master agent provides agent banking services through third party outlets, which are engaged legally, the outlets and outlet owners/managers shall fulfil the eligibility criteria for unit agent.

10.3. Eligibility for Unit Agent:

- 10.3.1. It shall be an entity having valid business license or permit for any lawful business.
- 10.3.2. The owner or manager of the entity or the juristic person shall possess at least 1 (one) year of experience in the related field.
- 10.3.3. It shall be carrying out the business activity on ongoing basis.
- 10.3.4. It shall possess managerial, financial and technical expertise for managing agent banking outlet of a bank in addition to its regular operations.
- 10.3.5. It shall have willingness and capacity to invest in managing liquidity, risk management, security management and continuous capacity development.
- 10.3.6. The unit agent must have at least 2 (two) persons (a manager and a teller) for this purpose and 1 (one) counter for cash transaction.

10.4. Eligibility for Support Service Provider:

- 10.4.1. It shall have a valid business license or permit for any lawful business.
- 10.4.2. It shall be carrying out the business activity on ongoing basis.
- 10.4.3. It shall possess managerial, financial and technical expertise for managing the support service(s) it is contracted for.
- 10.4.4. It shall possess at least 1 (one) year of experience in the related field.
- 10.4.5. Selection of support service provider should follow the outsourcing guidelines of Bangladesh Bank.

11. Non Eligibility

- 11.1. Bank related persons as defined in section ২৬৭ of the Bank-Company Act, 1991. Bank officials will not be eligible to become an agent in the same bank within 1 (one) year of his/her retirement or resignation.
- 11.2. Defaulters with any bank or financial institution.
- 11.3. Bankrupts.
- 11.4. Convicted by a court of law, up to 3 (three) years after completion of sentences or penalties.
- 11.5. Under investigation for any criminal charges.
- 11.6. Under investigation or convicted of money laundering or terrorist financing activities.

11.7. Under investigation of the Anti-Corruption Commission.

12. Eligible Entities

The following juristic persons are eligible to act as banking agents:

- 12.1. MFIs regulated by Microcredit Regulatory Authority of Bangladesh;
- 12.2. NGOs registered with Social Welfare Directorate;
- 12.3. Societies registered under the Societies Registration Act, 1860;
- 12.4. Cooperative Societies formed and controlled/supervised under the Cooperative Society Act, 2001;
- 12.5. Government offices having branch/unit offices;
- 12.6. Courier and mailing service companies registered under Ministry of Posts & Telecommunications;
- 12.7. Companies registered under the Companies Act, 1994;
- 12.8. Agents of mobile network operators that fulfils the eligibility criteria as laid down in these Guidelines;
- 12.9. Local government institutions;
- 12.10. Union Digital Centre (UDC);
- 12.11. Agents of insurance companies that fulfil the eligibility criteria as laid down in these Guidelines;
- 12.12. Any business entity having trade licenses from eligible authorities that fulfils the eligibility criteria as laid down in these Guidelines; and
- 12.13. Any other entity which Bangladesh Bank may prescribe or authorize.

13. Consent of Regulatory or Controlling Authority

Any juristic person, who 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 as an agent.

14. Permissible Activities of an Agent

An agent may provide any of the following services as may be specifically agreed between it and the bank:

- 14.1. Cash deposit and cash withdrawal;
- 14.2. Inward foreign remittance disbursement;
- 14.3. Disbursement and repayment of loans;
- 14.4. Collections of bills/utility bills;
- 14.5. Collection of insurance premium;
- 14.6. Payment of retirement and social benefits;
- 14.7. Payment of salaries;
- 14.8. Transfer of funds;
- 14.9. Balance enquiry;
- 14.10. Generation and issuance of mini bank statements;
- 14.11. Collection of documents in relation to accounts;
- 14.12. Collect account opening forms, loan application forms, credit and debit card applications;

- 14.13. Monitoring and recovery of loans and advances sanctioned by the bank; and
- 14.14. Any other activity as Bangladesh Bank may prescribe from time to time.

15. Prohibited Activities

An agent shall not:

- 15.1. Enter into agent banking contract with more than one bank.
- 15.2. Operate or carry out an electronic transaction when there is communication failure/error in the system;
- 15.3. Carry out a transaction when a transactional receipt or acknowledgement cannot be generated;
- 15.4. Charge customers directly any fee beyond banks' prescribed fees;
- 15.5. Offer any type of guarantee in favor of any customer;
- 15.6. Offer banking services on its own accord (provide banking services on its own account similar to those provided by it under an agency contract) or offer services that the principal is not authorized to offer;
- 15.7. Continue with the agency business when it has a criminal record or disciplinary case involving fraud, dishonesty or any other financial impropriety;
- 15.8. Provide, render or hold itself out to be providing or rendering any financial service which is not specifically permitted in the contract;
- 15.9. 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;
- 15.10. Make debit or credit transactions using cheque;
- 15.11. Transact in foreign currency;
- 15.12. Representing the bank in any means to a third party without written consent from the bank; and
- 15.13. Be run or managed by a bank's employee or its associate.

16. Mandatory Provisions for Contract

Every contract between a bank and an agent shall at a minimum, contain the following information:

- 16.1. Roles, responsibilities and liabilities of the agent while providing agent banking services to the clients;
- 16.2. Specific banking services to be rendered by the agent;
- 16.3. Rights, expectations, responsibilities and liabilities of both parties;
- 16.4. Measures to mitigate the financial risks associated with agent banking services (limits of customer transactions, cash management, cash security, security of agent premises insurance policies);
- 16.5. Provision that Bangladesh Bank shall have free, full and timely access to the internal systems, documents, reports, records, staff and premises of the agent and shall exercise such powers as it may deem necessary;
- 16.6. Provision that banks shall have free, full and timely access to the internal systems, documents, reports, records, staff and premises of its own agents and shall exercise such powers as it may deem necessary;
- 16.7. Provision for penalty in case of violation of contract by either party;

- 16.8. Anti-Money Laundering/Combating Financing of Terrorism requirements;
- 16.9. Provision to deliver transaction support documents by the agent;
- 16.10. A statement that all information or data that the agent collects in relation to agent banking services, whether from the customers, the bank or from other sources, is the property of the bank;
- 16.11. Prohibition from charging the customer any fees, charges and commission beyond prescribed by banks;
- 16.12. Business hours of the agent;
- 16.13. Suitable limits on cash holding by the agent and also limits on individual customer payments and receipts;
- 16.14. Confidentiality of customer and user information;
- 16.15. Technical description of electronic devices;
- 16.16. Fees, charges and commission schedule for agent;
- 16.17. State 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 shall be shifted to the bank at regular pre-specified intervals for bank's safe-keeping;
- 16.18. 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;
- 16.19. State that the agent will not close any outlet for any period of time without prior approval of the concerned bank. In case agent wants to discontinue the operation of outlet(s), the agreement must ensure that the concerned bank get a formal notice before 3 (three) months or such shorter period as may be agreed upon. Banks should respond appropriately within 30 (thirty) working days of receipt of such a notice and take necessary actions to ensure uninterrupted banking services;
- 16.20. Duties and liabilities of the agent with respect to its employees distinct from the employees of the bank;
- 16.21. A framework for changing the terms of the contract and stipulations for default and termination of the contract;
- 16.22. Business continuity plan for the agent in the event of accident, death or legal restriction;
- 16.23. Procedure and compensation plan for both bank and agent if any party decide to discontinue its agent banking activities; and
- 16.24. State that agent shall follow these Guidelines.

17. Termination of Agency Contract

In addition to the provisions for termination of the agency contract as may be set out in the contract, a bank shall terminate an agency contract if an agent

- 17.1. carries on agent banking operation when its commercial activity has been ceased;
- 17.2. convict of a criminal offence involving fraud, dishonesty or other financial impropriety;
- 17.3. is being dissolved or wound up through court or otherwise;
- 17.4. sustains a financial loss or damage to such a degree as to make it impossible for the agent to gain its financial soundness within 3 (three) months from the date of the loss or damage;

- 17.5. transfers, relocates or closes its place of agent banking operation without prior written consent of the bank;
- 17.6. fails to hold or renew a valid business license;
- 17.7. violates any such provision of these Guidelines as may, in the opinion of the bank warrant termination of the agency relationship;
- 17.8. is suspected of involvement in money laundering/financing of terrorism activities;
- 17.9. is under sanctions from the primary regulator;
- 17.10. transfers a part of the ownership to any non eligible person as stated therein Clause 11;
- 17.11. violates any of the provisions of these Guidelines; and
- 17.12. deliberately furnishes a bank with fraudulent or materially false information.

PART V: RESPONSIBILITIES OF BANK

18. Key Roles and Responsibilities

- 18.1. The ultimate responsibility for agent banking lies with the banks. Banks shall endeavour to obtain accurate information from the juristic person and its officers and shall not represent to Bangladesh Bank that it was misled by the juristic person or its officers.
- 18.2. Banks shall be responsible for monitoring and controlling of the agent and for providing active oversight of the agent's activities or functions.
- 18.3. Banks shall pay close attention to concentration risk while granting agent banking outlets to master agent.
- 18.4. Banks shall arrange regular training program for both agents and related bank officials and provide operations manuals and necessary forms/stationery to facilitate branchless banking.
- 18.5. Every bank shall sensitize its agents on the provisions of these Guidelines.

19. Board of Directors

- 19.1. The board of directors of the bank shall be responsible for approving the bank's agent banking operation strategy and relevant policies.
- 19.2. The board of directors shall be expected to take an explicit, informed and documented strategic decision as to whether and how the bank will provide agent banking services to its customers.
- 19.3. The board of directors shall ensure that the bank has security control policies to safeguard the information, communication and technology systems and data from both internal and external threats.
- 19.4. The board of directors of the bank shall be responsible for approving its own internal audit and monitoring manual for agent banking operation.
- 19.5. The board of directors of the bank shall be responsible for approving its own Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) policies and procedures.
- 19.6. It is the responsibility of the board of directors of each bank to ensure compliance with these Guidelines.
- 19.7. Policies regarding operational limits shall be approved by the board of directors of the bank.

20. Management

- 20.1. The management of the bank shall be responsible for developing and implementing agent banking strategy and establishing an effective agent banking services management oversight.
- 20.2. Management oversight encompasses the review and approval of the key aspects of the bank's security control programs and processes, and to implement security control policies and infrastructure.

- 20.3. Management shall ensure effective oversight which should include a comprehensive process for identifying, managing and mitigating risks associated with reliance on third parties.
- 20.4. Management shall establish a separate business unit for managing agent banking services with appropriate structure, authority and budget.
- 20.5. Management must ensure that the scope and coverage of the internal audit function has been expanded to be commensurate with the increased complexity and risks inherent in branchless banking activities and the audit department shall be staffed with personnel having sufficient technical expertise to perform the expanded role.
- 20.6. Management shall take steps to ensure that their bank has updated and modified where necessary, its existing risk management policies and processes to cover its current or planned agent banking services.
- 20.7. Banks shall integrate the agent banking applications with the main banking systems as a part of the overall risk management appropriate for all agent banking activities.
- 20.8. Management shall provide sufficient training for agents to adequately perform the operations and provide the services agreed upon, including relating to the proper identification of customers, customer service, confidentiality of the information, banking secrecy, cash security, record keeping and financial education.
- 20.9. Management shall ensure that operations of an agent including cash in possession of the agent and cash in transit is adequately insured.
- 20.10. Management shall ensure continuity of banking services to its clients in the event of suspension or closure of an outlet. There shall be no gap in rendering services in the event of suspension or closure.

21. Compliance Function

The bank's compliance function shall ensure that controls are incorporated into the system so that all relevant compliance issues are fully addressed, particularly the identification, assessment, monitoring and reporting on the bank's compliance risk.

22. Internal Audit

- 22.1. Bank's internal auditors shall be responsible for assessing adherence to the policies, rules, regulations and operational guidelines.
- 22.2. Internal auditors need to incorporate risk-based review of critical agent banking processes to ensure that the policies, rules, regulations and the operational guidelines are followed and should escalate significant exceptions to the audit committee of the board of directors.
- 22.3. Internal auditors 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.

23. Risk Management

- 23.1. Banks should 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.

- 23.2. Agent's credit worthiness should be assessed and proper limit structure for agent's various activities commensurate with this assessment should be in place.
- 23.3. All product programs, procedure manuals and customer limit structures should be devised keeping in mind the implications for operational risk and liquidity risk for agents.
- 23.4. Wireless or electronic banking related risks should be recognized, addressed and managed by the banks in a prudent manner according to the fundamental characteristics and challenges of electronic banking services.
- 23.5. Technology risks regarding information and data security in wireless networks should be properly identified and addressed.
- 23.6. A business continuity plan should be developed to mitigate any significant disruption, discontinuity or gap in agent's function.
- 23.7. Banks shall be responsible for putting in place appropriate product and operations manuals, accounting procedures and systems and for designing necessary forms/stationary to be used by the agents.
- 23.8. Banks shall arrange proper training before and during the agent banking operation.

24. Customer Due Diligence

A bank shall carry out risk based customer due diligence to ensure that requirements of AML/CFT are not compromised. The Know Your Customer (KYC) requirements, transactional limits and minimum technological security requirements that are applicable to each level of account will be subject of the review process by Bangladesh Bank at the time of seeking approvals to engage in agent banking activities. The factors to consider may include:

- 24.1. KYC requirements;
- 24.2. Transactional limits per day, month and year (limits commensurate with customer's profile);
- 24.3. Maximum balance limits on debit and credit;
- 24.4. Minimum technological security requirements; and
- 24.5. Two factor authentication (TFA) i.e., use of a photo ID, Personal identification Number (PIN) or any other secret code or message during transactions.

25. Transaction Processing System

Banks engaged in agent banking shall ensure that its transaction processing system is capable of

- 25.1. imposing limits to avoid any breach;
- 25.2. sending alerts to the users if they are close to the limit;
- 25.3. identifying irregular or suspicious transactions and generate reports;
- 25.4. handling real time transactions; and
- 25.5. communicating transaction confirmation to the clients in a suitable manner.

26. Agent Due Diligence

- 26.1. Efficient agent due diligence procedures must exist to mitigate risks.
- 26.2. Banks shall have in place clear, well documented agent due diligence policy and procedures.
- 26.3. These procedures, at minimum, should contain methods of identifying potential agents. Initial due diligence and regular due diligence checks shall be performed at specified intervals and a list of early warning signals and corrective actions shall be taken to ensure proactive agent management.
- 26.4. Agent due diligence should clearly specify roles and responsibilities of various functions in the bank with regard to agent management.
- 26.5. Minimum agent selection criteria should be defined.
- 26.6. Banks should ensure that agents are well established, enjoying good reputation and have the confidence of the populace in their areas of operation.
- 26.7. Prior to engaging an entity as an agent, a bank shall assess the moral, business and professional suitability of the juristic person's directors, significant shareholders, proprietors and/or senior officers as the case may be.
- 26.8. Banks shall have in place AML/CFT monitoring processes exist for agent banking. The necessary actions to be taken by agents in this regard should be communicated among them. The agents' compliance should be monitored.

27. Operational Limits

- 27.1. Banks shall establish limits for the provision of services agreed upon with the agent.
- 27.2. Banks shall establish limits within which agent shall operate.
- 27.3. Agent shall open current account(s) with the bank and deposit such amounts as agreed between bank and agent. Initial limits should not be less than BDT 2.00 lakh per agent banking outlet. Such limits shall be revised based on demand and transaction profile of the agent.
- 27.4. Agent shall be responsible for refilling the account(s) to the agreed level of minimum balance as frequently as agreed, however, not less than at least twice a month; once at the half way through the month and the other at the end of the month.
- 27.5. Banks may also extend credit facility to the agent for meeting unexpected transaction needs, which shall not be more than 100% of the agent's deposit limit with the bank.

27.6. In general, the maximum number and volume of transactions for client at agent banking outlet should not exceed the limits specified in the following table:

Amount in Lakh BDT

Daily Number of Transactions and Amount Limit						
Nature of Accounts	Cash Deposit		Cash Withdrawal		Transfer/BEFTN/ Inter-bank/Intra-bank	
	No. of transactions	Total Volume	No. of transactions	Total Volume	No. of transactions	Total Volume
Current Account	4	6.00	2	5.00	4	15.00
Savings Account	2	4.00	2	3.00	2	5.00
Special Notice Deposit (SND)	4	6.00	2	3.00	4	10.00

27.7. Transactions beyond the established limits may also be carried but this shall require at least 1 (one) working day prior notice to the bank through the agent.

27.8. In special cases, when a client has need for regular banking transactions exceeding the limits of clause 27.6, banks may set an increased limit for that client with due approval from the Managing Director/Chief Executive Officer of the bank. The increase must be prudent, rational and must accord the merit of the account and client and transaction category based on customer due diligence, client needs and associated risks. Within 30 (thirty) days of such increase of transaction limit, the bank shall inform FID of Bangladesh Bank in writing along with the rationale of such increase with related information of client transactions of at least last 1 (one) month.

28. Fees, Charges and Commission

28.1. Banks shall establish a fees, charges and commission structure for the agent banking services. Such structure shall specify fees, charges and commission payable to agent for each services category.

28.2. Banks shall ensure that agent collects fees, charges and commission payable to the bank as specified in the schedule of charges only.

28.3. Any deductions from customers' account must be informed by sending SMS to customers' registered mobile number.

PART VI: ASSESSMENT OF AGENTS

29. Assessment Criteria of an Agent

A bank shall, before contracting an entity as its agent, satisfy itself as to the suitability of the juristic person and shall establish that it fulfils the eligibility criteria and does not possess any of the non-eligibility conditions.

30. Information Required from Agents

Any juristic person that seeks to be appointed as an agent by a bank shall furnish the bank with the following information:

- 30.1. The name of the juristic person proposed to be an agent;
- 30.2. The certificate of incorporation/certificate of registration/trade license of the juristic person for any lawful commercial activity carried on by the juristic person;
- 30.3. A description of the activities the owner, manager of the entity and the juristic person have been carrying on for the last one year immediately preceding the date of the application;
- 30.4. Physical location, postal address and telephone numbers of the juristic person and its working hours;
- 30.5. Evidence of availability of funds to cover agent operations including deposits and withdrawals by customers;
- 30.6. Sources of funds;
- 30.7. A report from the Credit Information Bureau;
- 30.8. Any criminal record or disciplinary action;
- 30.9. Reference letter from at least two people of good social standing hailing from the same locality as the person and who has known the person for at least 3 (three) years;
- 30.10. Tax certificate; and
- 30.11. Any other relevant information that impacts the person.

Bank shall keep the information provided under this part in safe custody and shall furnish this information to Bangladesh Bank whenever required.

31. Supervision of Agents

- 31.1. Bank shall establish a policy to monitor and supervise agent's activities.
- 31.2. Bank must have detailed information on the number and volume of transactions carried out for each type of services provided by the agents and monitor effective compliance.
- 31.3. Bank shall implement measures to control operating risk, including clause(s) in the contract establishing the liabilities of the agent vis-à-vis the bank.
- 31.4. Periodic physical visits by bank's staff or authorized persons are necessary to ensure that agents operate strictly within the requirements of the law, guidelines and the contract.

31.5. Notwithstanding the responsibility imposed on bank to monitor and supervise their agents, Bangladesh Bank may at any time exercise its regulatory and supervisory powers and may request for such data or information and may carry out such inspection as it deems necessary.

32. Publication of Agents' List and Outlets Location

Bank shall publish the list of all its agents and outlets in a conspicuous place within its branches or agent banking offices (as the case may be), website and such other publications as it may deem appropriate. The list shall be disseminated to agents and shall be made available in agent premises. The list should be updated on regular basis.

PART VII: AGENT OPERATIONS

33. Agent Banking Priority

33.1. Location

- 33.1.1. To establish agent banking services outlet, banks shall give priority to areas where bank branches or other forms of formal banking services access points are not available.
- 33.1.2. Banks shall give preference to such places for establishing new agent banking outlets where there is no bank branch or agent point within 1 (one) km radius (with an exception of agent on UDC). While giving permission for new outlet Bangladesh Bank will give preference to such places.
- 33.1.3. Banks shall give priority to remote rural areas, chars, islands and other geographical areas with limited accessibility. Agent banking outlet should be distributed equitably among various districts with preference to districts with less financial access points. Bangladesh Bank will monitor this while granting permission to open agent outlet.
- 33.1.4. Banks should maintain a minimum ratio of 3:1 for rural and urban agent banking outlets.
- 33.1.5. The metropolitan areas, city corporations and municipalities classified as 'ক' will be defined as 'Urban' areas and municipalities classified as 'খ', 'গ' and all unions will be defined as 'Rural' areas.

33.2. Agent

- 33.2.1. Banks should actively promote established small businessmen fulfilling required criteria for a unit agent.
- 33.2.2. Banks should actively promote to eligible women entrepreneurs fulfilling required criteria for a unit agent.
- 33.2.3. Banks should actively promote employing women officials in the agent outlet for facilitating acquisition of rural women clients.

33.3. Clients

- 33.3.1. Banks shall put emphasis in its agent banking policies to prioritize low income households, cottage, micro and small businesses without access to formal banking services in the priority areas for opening new accounts.
- 33.3.2. Banks shall ensure that regular clients can avail the transaction facility at agent banking outlet provided that they have fulfilled the transaction requirements.
- 33.3.3. Agent banking clients shall be entitled to regular banking services at the branches of the bank provided that they have fulfilled the enhanced due diligence.

34. Business Hours for Agent Banking

Usual business hours for agent banking outlets should be regular banking hours announced by Bangladesh Bank from time to time. Transactions should remain for the whole duration of business hours. However, if a bank is satisfied with the security and risk issues, it may allow agent outlets to remain open as it decides.

35. Relocation, Transfer and Closure of Agent Premises

- 35.1. No agent shall relocate, transfer or close its agent banking outlet without the prior written consent of the bank.
- 35.2. Agent should serve notice of intention to relocate, transfer or close agent banking outlet on the bank 3 (three) months or such shorter period as may be agreed in the contract.
- 35.3. Banks should give its opinion to the concerned agent within 30 (thirty) working days or such shorter period of receipt of such notice as may be agreed in the contract.
- 35.4. Banks shall arrange replacement of agent banking outlet in the event of closure.
- 35.5. Failure to provide notice or unauthorized relocation or closure of agent banking outlet would be treated as violation of contract and subjected to penalty as would be agreed in the contract.
- 35.6. Within 14 (fourteen) working days of relocation or closure of agent banking outlet, the bank shall inform BRPD with a copy to FID of Bangladesh Bank in writing. The report shall also include the immediate initiative of the bank to replace the agent outlet for avoiding interruption of services.

PART VIII: TECHNOLOGY OF SETTLEMENT OF TRANSACTIONS

36. Real Time Transactions

All transactions involving deposit, withdrawal, payment, remittances or transfer of cash from or to an account shall be real time.

37. Technical Requirements for Operating Systems of the Agent Banking

37.1. Technical Aspects and Data Security

With a view to establishing sound systems and vigorous infrastructure to support agent banking, banks have to ensure the compliance with the following minimum requirements:

37.1.1. IT infrastructure must be,

- 37.1.1.1. able to support real-time processing;
- 37.1.1.2. able to provide a secured network including end-to-end encryption;
- 37.1.1.3. robust in managing structural capacity to support agent banking services; and
- 37.1.1.4. capable of monitoring, detecting and combating cybercrimes and other possible threats.

37.1.2. Payment Acceptance Devices (PAD) must be,

- 37.1.2.1. able to support minimum TFA/two-step verification for agent and customer registration;
- 37.1.2.2. able to support the requirement of end-to-end encryption based on industry standards algorithm (from end-point devices i.e. PAD to host system); and
- 37.1.2.3. at the end point, device should not store the sensitive customer information like PIN/password/biometrics etc.

37.1.3. Agent Banking Application/Software must be,

- 37.1.3.1. able to support host validation for PIN/password/biometrics authentication;
- 37.1.3.2. able to provide device authentication during session activation and transaction processing at host level; and
- 37.1.3.3. capable to have limit management feature for agents, customers, transactions and other limit requirements.

37.1.4. Others features of the agent banking systems should include the following:

- 37.1.4.1. Allow handling under different user profiles for administration, maintenance and operation;
- 37.1.4.2. The system should have interoperability functions/solution;
- 37.1.4.3. Reverse incomplete transactions due to error, system failure, power outage or other defects;

- 37.1.4.4. Process or generate durable transactional documents or receipts;
- 37.1.4.5. Automatically log off an agent once the agent exhausts its daily cash limit or tries to perform an illegal or unauthorized transaction;
- 37.1.4.6. The bank/support service provider shall at all times monitor the safety, security and efficiency of the equipment being used to prevent any tampering or manipulation by any person;
- 37.1.4.7. The bank/support service provider shall regularly inspect the equipment and certify their soundness; and
- 37.1.4.8. Access to client information by agents should be restricted to a level that would only require for completing a transaction.

PART IX: AML/CFT & KYC

38. AML/CFT Requirements

- 38.1. Banks and its agents shall have to comply with the prevailing AML/CFT related laws, regulations and guidelines issued by Bangladesh Financial Intelligence Unit (BFIU) from time to time.
- 38.2. Banks shall have to follow KYC format issued by BFIU for the agent and customer. Banks will be responsible for authenticity of the KYC of all the customers and agents.
- 38.3. Banks shall ensure that suspected transactions can be isolated for subsequent investigation. Banks shall develop an IT based automated system and integrate the same with its agent banking system to generate suspicious transaction report (STR) and suspicious activity report (SAR) before introducing the services.
- 38.4. Banks shall immediately report to BFIU regarding any suspicious, unusual or doubtful transactions likely to be related to money laundering or terrorist financing activities.
- 38.5. Banks shall ensure that agents:
 - 38.5.1. Identify customers with at least two characters like ID, PIN, password, ATM card, secret code or secret message while performing any transaction requiring identification; and
 - 38.5.2. Conduct agent banking strictly as per the transactional limits prescribed by the bank and the regulations.

PART X: CUSTOMER PROTECTION

39. Customer Protection Measures

- 39.1. Banks shall establish appropriate customer protection measures in its agent banking policy against risks of fraud, loss of privacy and loss of service for establishing trust among customers.
- 39.2. Banks shall put in place systems which provide sufficient protection and confidence to customers.

40. Minimum Requirements

As a minimum, the following requirements must be complied with and be incorporated into the agent banking policy of the bank:

- 40.1. Banks shall possess mechanisms that enable its customers or users to appropriately identify the agent and it shall make information available about the services it provides through such agents;
- 40.2. The agents shall issue system generated receipts and SMS notifications for all transactions;
- 40.3. Where an agent acts as a receiver and deliverer of documents, an acknowledgement should be provided for all documents received or delivered by the agent to or from the customer;
- 40.4. A channel for communication of customer complaint to the bank should be established. The bank shall provide a toll free telephone line/call centre for lodging complaints by customers. The customers can also use this telephone line/call centre to verify with the bank, the authenticity and identity of the agent, its physical location and the validity of its agent banking operation;
- 40.5. The bank shall have a proper complaint redress mechanism and shall ensure proper communication of its complaints redress mechanism to the customers;
- 40.6. All customer complaints shall be addressed within a reasonable time and in any case not later than 7 (seven) days from the date of reporting or lodging the complaint. Banks should generate a report on monthly basis on complaints registered and redressed;
- 40.7. The agent shall have signs, clearly visible to the public, indicating that it is a provider of services of the bank with which it has an agency contract;
- 40.8. The agent shall not represent to the public that it is a licensed financial institution;
- 40.9. Use secure system that ensures customer information confidentiality;
- 40.10. Banks shall ensure that at agent business premises and in any communication to the clients, agent should display/communicate the hotline and other complaint registering methods for lodging complaints to the Customer Interest Protection Centre (CIPC) of Bangladesh Bank;
- 40.11. Banks shall have a business continuity plan to ensure uninterrupted services to the customers in case of failure or termination of agents; and

40.12. When a contract between the bank and the agent is terminated, bank shall issue a notice of the termination to be published within the locality where the agent was operating its business. The notice should also include the name and location of the agent outlet replacing the earlier one.

41. Disclosure

An agent shall disclose to the customers:

- 41.1. A copy of the current license for the business activities being undertaken by the agent;
- 41.2. A copy of the approval letter from the bank;
- 41.3. The name of the bank it is working for;
- 41.4. A list of banking services offered by the agent;
- 41.5. A notice to the effect that if the electronic system is down, no transaction shall be carried out;
- 41.6. A notice to the effect that services shall be provided subject to availability of funds;
- 41.7. The list of charges or fees applicable for each service which are payable to the bank by the customers;
- 41.8. A dedicated call centre through which customers can contact the bank. The name, telephone numbers and location of the bank's branches/offices to which the agent reports its agent activities; and
- 41.9. At agent business premises and in any communication to the clients agent should display/communicate the hotline and other complaints registering methods for lodging complaints to the CIPC of Bangladesh Bank.

42. Publicity/Co-branding

- 42.1. Banks may choose to brand their agent network under any brand name. However, use of protected words like bank, financial institution, financial intermediary or their derivatives or any other word indicating that the agent is itself a bank is prohibited.
- 42.2. Banks 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.

43. Financial Literacy and Education

Banks shall carry out appropriate financial education programs aiming their officials, agents, customers and commoners in a regular basis using appropriate channel, media and content. Banks may also provide information on their products and services along with discussion on the general financial literacy.

PART XI: REPORTING REQUIREMENTS AND SUPERVISORY OVERSIGHT

44. Submission of Data and Statistical Returns to Bangladesh Bank

Every bank shall, at the end of every quarter, submit to Bangladesh Bank, data and other information on agent operations including information on nature, value, volume and geographical distribution of operations or transactions.

45. Reporting

- 45.1. Banks shall submit a quarterly report (both soft and hard copy) on agent banking activities within 15 (fifteen) working days after the end of each quarter as per Annexure-D to FID.
- 45.2. Banks shall submit an annual report on its agent banking operation including the names, number and other information on agent operations for the preceding year to FID not later than 15th February of each year.

46. Regulatory Power over Agents

Notwithstanding any other power conferred on Bangladesh Bank by the Bank-Company Act, 1991 and these Guidelines, Bangladesh Bank shall have power to the following sanctions as and when it deems fit:

- 46.1. Seek any information from any agent at any time;
- 46.2. Carry out inspection of the books of the agent banking operation and premises of the agent;
- 46.3. Direct an agent to take such action or desist from such conduct as Bangladesh Bank may find necessary;
- 46.4. Direct the termination of the agency contract to banks;
- 46.5. Direct the banks to take such action or measures against or on behalf of the agent as Bangladesh Bank may find appropriate; and
- 46.6. Direct the banks to take such remedial action arising from the conduct of an agent.

PART XII: REMEDIAL MEASURES AND ADMINISTRATIVE SANCTIONS

47. Remedial Measures

Where a bank or its agent fails to comply with these Guidelines, Bangladesh Bank may pursue any or all corrective actions against the bank as provided under the Bank-Company Act, 1991 and any other applicable laws and regulations.

48. Administrative Sanctions

In addition, the Bangladesh Bank may pursue any or all of the following administrative sanctions against a bank, its board of directors, officers or agents:

- 48.1. Prohibition from engaging in any further agent banking operation;
- 48.2. Prohibition from contracting new agents;
- 48.3. Revocation of agent approval; and
- 48.4. Termination of agency contract.

PART XIII: AMENDMENT OF THE GUIDELINES

Bangladesh Bank may amend these Guidelines when it deems necessary.

PART XIV: ANNEXURES

Annexure-A: Application for the approval of Agent Banking Operation

Date: DD/MM/YYYY

General Manager
Banking Regulation and Policy Department
Bangladesh Bank
Head Office
Motijheel, Dhaka-1000.

Dear Sir,

Approval of Agent Banking Operation

We hereby apply for the approval of agent banking operation of our bank.

2. We have prepared and our Board of Directors have duly approved all related policies, reports, feasibility study, documents and systems for agent banking operation as per the Bangladesh Bank guidelines.

3. We have selected (name of proposed agent) as preliminary agent(s) for our agent banking operation. We do confirm that the proposed agent(s) is (are) not agent(s) of any other bank or has(have) not entered into a contract for the purpose.

4. We have attached herewith the following documents required as per the Bangladesh Bank guidelines:

- a. (Name of document 1)
- b. (Name of document 2)
- c. (Name of document 3)
- d. (Name of document --)
- e. -----

5. We confirm that all information outlined in this letter and the enclosed annexures are true and correct.

Yours Faithfully,

Signature of Managing Director/ Chief Executive Officer/Head of Country Operation
(Name)
(Designation)
(Direct Phone No)
(E-mail)
(Fax)

Annexure-B: Information of Agent Banking Department

- 1. Name of the Bank :
- 2. Title and the address of the Department for Agent Banking :
- 3. Details of Head of the Department :

Signature :

Name :

Designation :

Cell phone :

Direct Land phone :

E –mail :

Fax No :

Annexure-C: Information of Agent

Name of the Bank:

As on:

Agent Sl no.	Name of Agent	Type of Agent (Master/Unit)	Agent Address and contact number	Date of Bank Approval	Nature of Business	Experience (Year)	Outlet Sl no.	Address of outlet	Name and contact number of Owner/ Manager of Outlet	Date of Bank Approval	Opening date of Outlet	Comment (if any)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)

Signature :

Name :

Designation :

Cell phone :

Direct Land phone :

E –mail :

Annexure-D: Information of Agent Banking Operation

Name of the Bank:

Name of the Quarter:

Agent type (1)	No. of Agents			No. of Outlets			No. of Accounts							
	Urban (2)	Rural (3)	Total (4)= (2) + (3)	Urban (5)	Rural (6)	Total (7)= (5) + (6)	Urban (8)	Rural (9)	Male (10)	Female (11)	Current (12)	Saving (13)	Others (14)	Total (15)=(8)+(9) =(10)+(11) = (12)+(13)+(14)
Master														
Unit														
Total														

Amount of Deposits (BDT in Lac)								Amount of Lending					Inward remittance (BDT in Lac)			Comment (if any) (31)
Urban (16)	Rural (17)	Male (18)	Female (19)	Current (20)	Saving (21)	Others (22)	Total (23) =(16)+(17) =(18)+(19) = (20)+(21)+(22)	Urban (24)	Rural (25)	Male (26)	Female (27)	Total (28) =(24)+(25) =(26)+(27)	Urban (29)	Rural (30)	Total (31)= (29) + (30)	

Signature :

Name :

Designation :

Cell phone :

Direct Land phone :

E –mail :