



**GUIDELINES ON AGENT BANKING FOR BANKS
AND FINANCIAL INSTITUTIONS, 2017**

BANK OF TANZANIA

ARRANGEMENT OF GUIDELINES

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PART I

PRELIMINARY

- Citation 1. These guidelines may be cited as the Guidelines on Agent Banking for Banks and Financial Institutions, 2017 and are made under Section 71 of the Banking and Financial Institutions Act, 2006.
- Application 2. These guidelines shall apply to all banks and financial institutions and their agents.
- Interpretation 3. In these Guidelines, unless the context requires otherwise –
- “ **Act**” means the Banking and Financial Institutions Act, 2006;
 - “**agent**” means a person contracted by an approved bank or financial institutions to carry out agent banking business on behalf of the approved bank or financial institution in the manner specified in these Guidelines;
 - “**agent banking**” means the business of providing banking services to the customers of a bank or financial institution on behalf of that particular bank or financial institution under a valid agency agreement as prescribed in these Guidelines;
 - “**approved bank and or financial institution**” *means a bank or financial institution that has been authorized by the Bank to carry out agent banking business;*
 - “**Associate**” means an employee or any person with a pecuniary interest in the bank or financial institution
 - “**Bank**” means the Bank of Tanzania;
 - “**bank**” and “**banking business**” have the meaning ascribed to them in the Act;
 - “**director**” has the meaning ascribed to it in the Act;

“**entity**” has the meaning ascribed to it in the Act;

“**financial institution**” has the same meaning ascribed to it in the Act;

“**Person**” has the meaning ascribed to it in the Act.

PART II

OBJECTIVES

The objectives of these Guidelines are;

4. (a) to provide for agent banking as a delivery channel for offering banking services in a cost-effective manner; and
- (b) to provide for a framework for conducting agent banking business.

PART III

APPROVAL PROCESS AND PERMISSIBLE ACTIVITIES

Approval process

5. 5.1 A bank or financial institution may conduct banking business through an agent.
- 5.2 A bank or financial institution seeking to conduct agent banking business shall apply and obtain prior written approval of the Bank before commencing business.
- 5.3 The application for conducting agent banking business shall be accompanied by the documents listed in the Schedule.
- 5.4 Within thirty days following the receipt of an application to engage in agent banking or, where further information has been required, after receipt of such information, the Bank shall either approve or reject the application.

- 5.5 Where an application is rejected, the Bank shall provide the bank or financial institution a written explanation of the grounds upon which the rejection is based.
- 5.6 The Bank shall approve an application when it is satisfied that the bank or financial institution has complied with all requirements for conducting agent banking business.
- 5.7 The Bank may, in any case where it grants its approval, impose such terms and conditions as it may deem appropriate.
- 5.8 A bank or financial institution whose application has been rejected may re-apply, if the deficiencies that formed the basis for rejection of the initial application or subsequent review have been corrected or otherwise addressed.
- 5.9 When reviewing the application for a bank or financial institution to engage in agent banking, the Bank shall conduct an investigation to satisfy itself as to:-
 - (a) the adequacy of its capital ;
 - (b) record of earning capabilities;
 - (c) adequacy of risk management practices; and
 - (d) track record of adherence to relevant laws, regulations, circulars and directives.

Permissible
Activities

6. 6.1 An approved bank or financial institution may engage in any or all of the following activities, through an agent:-
 - (a) cash deposit and cash withdrawal;
 - (b) facilitating cash disbursement and repayment of loans
 - (c) cash payment of utility bills;
 - (d) cash payment of retirement and social benefits;
 - (e) transfer of funds;

- (f) balance inquiry;
 - (g) generation and issuance of mini bank statements;
 - (h) collection of documents in relation to account opening, loan application, credit and debit card application;
 - (i) facilitation in account opening;
 - (j) Collection of bank mail/correspondence for customers; and
 - (k) Any other activity as the Bank may approve.
- 6.2. An approved bank or financial institution shall determine, based on agent risk assessment, which permissible activities a particular agent should provide.
- 6.3. An agent shall not carry out transactions in currencies other than Tanzanian shillings.

PART IV

AGENCY RELATIONSHIP

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| Agent Due Diligence Requirements | 7. | 7.1 An approved bank or financial institution shall put in place a clear, well documented Agent Due Diligence policy and procedures. |
| | 7.2 | The agent due diligence policy and procedures shall, at minimum, contain the following:- |
| | | (a) new agent take-on procedures; |
| | | (b) agent types and minimum agent selection criteria for each type; |
| | | (c) initial due diligence and regular due diligence checks to be performed at specified intervals; |
| | | (d) a list of early warning signals and corrective actions to ensure proactive agent management; and |

(e) roles and responsibilities of various functions in the Approved bank or financial institution with respect to agent management.

7.3 An approved bank or financial institution shall ensure that an agent is well established, having good reputation and enjoying the confidence of the community.

Agent Eligibility

8. 8.1 A person intending to be appointed as an agent is required to have operated a lawful commercial activity or any other activity that may be permitted by the Bank for at least eighteen months preceding the date of the application to become an agent and such commercial or other activity must be ongoing;

8.2 The following persons shall be eligible for appointment as an agent:-

(a) limited liability company;

(b) sole proprietorship;

(c) partnership;

(d) Saving and Credit Cooperative society;

(e) cooperative society;

(f) parastatal corporation;

(g) trust;

(h) faith-based organization;

(i) educational institution;

(j) Non-governmental organization; and

(k) Any other entities as may be approved by the Bank

8.4 Where an agent to be contracted is a regulated entity, an approved bank or financial institution shall ensure that the

agent complies with laws under which the said entity operates.

Treatment of 9. 9.1 Any outlet of an entity whose operations or activities are Entity and its 9.1 Any outlet of an entity whose operations or activities are Outlets managed, controlled, supervised or is subject to the direction of the Head Office of the entity and has no legal existence separate from that of the Head Office of the entity shall be deemed to be part of the entity for purposes of an application to be appointed as an agent. A branch of an entity shall be treated as its outlet; and

9.2 Any act or omission of an outlet shall be deemed to be the act or omission of the entity;

Agency 10. 10.1 An approved bank or financial institution shall enter into a Agreement written agreement with an agent for the provision of permissible activities on its behalf as specified in these Guidelines.

10.2 An agency agreement entered into between an approved bank or financial institution and an agent shall comply with these Guidelines and other relevant laws.

10.3 An agency agreement shall, at minimum:-

(a) define the rights, expectations and responsibilities of both parties;

(b) set the fees or revenue sharing structure, and the scope of work to be performed by the agent;

(c) state that the agent banking services shall be subject to regulatory review and that the Bank shall be granted full

and timely access to internal systems, documents, reports, records and staff of the agent;

- (d) state that the agent shall 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 bank or financial institution;
- (e) specify that the agent must ensure safe-keeping of all relevant records, data and documents or files for at least five years; or alternately, such records, data, and documents or files are shifted to the bank or financial institution at regular pre-specified intervals which will then ensure safekeeping for at least five years;
- (f) state that all information/data that the agent collects in relation to agent banking services, whether from the customers or the bank or financial institution or from other sources, is the property of the bank or financial institution, and the bank or financial institution will be provided with copies of related working papers/files it deems necessary;
- (g) specify that the agent and its employees are bound to confidentiality of all customer transactions they engage in or facilitate.
- (h) establish a protocol for changing the terms of the service contract and stipulations for default and termination of the contract;
- (i) mention suitable limits on cash transactions and balances;
- (j) state that the bank or financial institution is responsible to the customer for acts of omission and commission of the agent; and
- (k) State the requirement that the transactions are accounted for and reflected in the bank's books by end of day.

- Non-exclusivity of agency agreement
11. 11.1 A contract between a bank or financial institution and an agent shall not be exclusive.
- 11.2 An agent may provide agent banking services for multiple banks and/ or financial institutions provided that:-
- (a) a separate contract for the provision of agent banking services with each bank or financial institution is in place; and
 - (b) The agent has the capacity to manage the transactions for the different institutions;
- 11.3 A bank or financial institution seeking to contract a person who has already been contracted by another bank or financial institution to carry out agent banking shall assess the capacity of the agent to manage transactions for different institutions in terms of space, technological capacity and adequacy of funds or float of the agent.
- Agent Selection
12. 12.1 An approved bank or financial institution shall select capable and reliable agents by establishing internal selection criteria to ensure that the agents are able to discharge duties responsibly.
- 12.2 An approved bank or financial institution shall not appoint a person whose sole activity is agent banking.
- 12.3 The minimum selection criteria to be considered are:-
- (a) Possession of a valid business license.
 - (b) Operating at a permanent business premises;
 - (c) established commercial activity or such other activity which has been in existence for at least eighteen months as evidenced by business license and/ or other registration certificates;
 - (d) Whether the person has not been classified as a nonperforming borrower by any bank and or financial

institution and that status shall be maintained for the duration of the agency agreement.

- (e) Possession of appropriate physical infrastructure and human resources to be able to provide the services with the necessary degree of efficiency and security;
- (f) Minimum information that should be collected for each prospective agent include:
 - (i) Name of the person proposed to be an agent;
 - (ii) Certificate of Incorporation or Business Registration where relevant;
 - (iii) Profile of owners including their experience and education background;
 - (iv) Description of the Commercial activity carried by the person for the past eighteen months in terms of short profile;
 - (v) A copy of valid business license or permit for any regulated entity where applicable;
 - (vi) Physical location, postal address and telephone numbers of the prospective agent.

12.4 An approved bank or financial institution shall conduct assessment and due diligence (Know-Your-Agent) on the business owner and business operations, which include:

- (a) integrity, personal qualities and reputation of the business owner;
- (b) financial position and credit profile of the business and the owner;
- (c) knowledge, capability and competency to conduct agent banking services at an acceptable quality; and

- (d) ability of the agent to control operational risks related to agent banking, particularly for agents representing multiple approved banks or financial institutions;
- (a) (e) the ability of the person to comply with the requirements of these Guidelines

PART V

OVERSIGHT AND GOVERNANCE

Key
Responsibilities

13. 13.1 An approved bank or financial institution shall be solely 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 agency agreement so long as they relate to agent banking services or matters connected therewith.
- 13.2 The Board of Directors of an approved bank or financial institution shall be responsible for proper management of the risks associated with agent banking business. In exercising its responsibilities, the Board of Directors shall:-
- (a) review and approve agent banking strategy and the risk management policies for agent banking;
 - (b) review management reports demonstrating compliance with the approved risk-management policies and regulatory requirements for agent banking;
 - (c) ensure that person(s) responsible for administering the risk management policies for agent banking possess the quality and competency required;
 - (d) ensure that the internal audit function regularly reviews agent banking operations to assess compliance with internal controls and risk management;
 - (e) take an explicit, informed and documented strategic decision as to whether and how the bank or financial

institution is to provide agent banking services to their customers; and

- (f) ensure that the bank or financial institution has proper security control policies to safeguard its systems and data from both internal and external threats.

13.3 Senior management shall be responsible for implementing agent banking strategy and policies as approved by the board. In exercising its responsibilities, senior management shall:-

- (a) review and approve aspects of the security control program and process;
- (b) establish a process for managing risks associated with increased complexity of and reliance on outsourcing relationships and third-party dependencies to perform agent banking functions; and
- (a) Update and modify existing risk management policies and processes to cover current or planned agent banking business.

Internal Audit 14. 14.1 An approved bank or financial institution shall ensure that the scope and coverage of internal audit reviews are commensurate with the increased complexity and risks inherent in agent banking activities and the audit function has been staffed with personnel having sufficient technical expertise to perform the expanded role; and

14.2 Internal audit function shall review agent banking operations to ensure that the regulations, policies, procedures, and the operational guidelines are followed and shall escalate significant exceptions to the Audit Committee of the Board of Directors.

Risk Management 15. 15.1 An approved bank or financial institution shall ensure a risk management framework is in place through:-

- (a) developing a risk-management programme for agent banking that reflects institution's agent banking strategy and policies;
- (b) paying special attention to operational, liquidity, strategic and compliance risks;
- (c) undertaking agent's due diligence and set limit structures for agent's various activities commensurate with the assessment;
- (d) devising product programs, procedure manuals and customer limit structures taking into account the implications for operational and liquidity risks for agents;
- (e) recognizing, addressing and managing wireless or electronic banking related risks in a prudent manner according to the fundamental characteristics and challenges of electronic banking services;
- (f) identifying and mitigating technology risks regarding information and data security;
- (g) developing a business continuity management plan to mitigate any significant disruption, discontinuity or gaps in agents' functions;
- (h) developing lines of communication to ensure timely dissemination of agent banking policies and procedures and other relevant information to all individuals involved in the process;
- (i) reporting to the board, or to a committee of the board, on the operation and effectiveness of the agent banking arrangements, as comprehensively and frequently as required by the board; and
- (j) Provision of a communication channel to the agents aiming at a timely clarification on products and services and other relevant information.

15.2 An approved bank or financial institution shall put in place appropriate product and operations manuals, accounting procedures and systems to be used by the agents.

15.3 An approved bank or financial institution shall have in place systems and personnel to adequately monitor and control agent banking operations on an ongoing basis.

PART VI

OPERATIONAL REQUIREMENTS

Designated
Branches,
Periodic Visits
and Branding

16. 16.1 An approved bank or financial institution shall designate particular branches to be responsible for agents operating in their respective branch localities.

16.2 An approved bank or financial institution shall carry out periodic physical visits to ensure that agents operate strictly within the requirements of the law, guidelines and the agent agreement

16.3 An approved bank or financial institution shall design marketing and visual publicity for agents so that it is clear to the customer that the service is being provided on behalf of a bank or financial institution.

16.4 The marketing and visual publicity shall be designed such that customers and the general public can easily distinguish bank branches and agent's outlets.

Technical,
Data and
Security
Requirements

17. 17.1 An approved bank or financial institution shall ensure that agent banking transactions are carried out with devices which are capable of:-

(a) transmitting transaction information over secure data channels;

(b) carrying out electronic transactions on real time basis;

(c) allowing handling of transactions under different user

- (d) profiles for administration, maintenance and operation;
- (e) reversing incomplete transactions due to error, system
- (f) failure, power outage or other defects;
- (g) processing and generating transactional documents or receipts including electronic receipts or acknowledgements through short message services;
- (h) allowing automatic log off of an agent once the agent exhausts his daily cash limit or tries to perform an illegal or unauthorized transaction; and
- (i) generating an audit trail.

17.2 To ensure integrity of agent banking services, an approved bank or financial institution shall, at all times, monitor safety, security and efficiency of the devices being used.

17.3 An approved bank or financial institution shall put in place systems that, at minimum, address the following issues:-

- (a) physical and logical security of infrastructure;
- (b) availability of services;
- (c) data confidentiality and integrity;
- (d) Encryption of Personal Identification Number and electronic transactions.
- (e) customer accountability and non-repudiation of transactions; and
- (f) Error messaging and exception handling.

17.4 An agent shall not transact banking business in the event of failure of the communication system used in processing transactions.

17.5 In order to conduct any transaction or service on behalf of the bank or financial institution, the agent shall exclusively use the patterns/standards, operational norms, forms and any material defined by the bank or financial institution

related to the products and services supplied by the institution.

Publication of List of Agents and locations 18. 18.1 The bank or financial institution shall publish an updated list of all its agents in its website and such other publications as it may deem appropriate. The publication containing the list of its agents shall be disseminated to all its branches and may also be disseminated to its agents.

18.2 The list of agents referred at 18.1 shall include, at minimum:

- (a) Business name;
- (b) Address;
- (c) Global Positioning System (GPS); and
- (d) Services provided by the agent.

Relocation and Closure of Business 19. 19.1 An approved bank or financial institution shall ensure that an agent does not relocate or close its agent banking business without notifying and obtaining prior written consent of the approved bank or financial institution.

19.2 Notice of intention to relocate or close agent banking business shall be served on the approved bank or financial institution at least thirty days prior to relocation or closure.

19.3 An approved bank or financial institution shall ensure that a notice of not less than fourteen (14) days is provided to customers in the event of relocation or closure of agent business of a specific agent.

19.4 The notice of intended relocation or closure shall be conspicuously affixed on the agent's business premises and it shall state the date the relocation or closure shall take effect.

AML/CFT Requirements 20. 20.1 In the conduct of agent banking business, an approved bank or financial institution shall comply with all applicable

Anti-Money Laundering and Combating Financing of Terrorism laws and requirements.

20.2 An approved bank or financial institution should ensure that agents:-

- (a) Identify customers with at least two factor authentications like IDs, PINs, passwords, ATM card, secret code or secret message while performing any transaction requiring identification;
- (b) Report within twenty four hours all suspicious activities that come to their knowledge; and
- (c) Transact agent banking business strictly as per the transactional limits prescribed by the institution.

20.3 An approved bank or financial institution shall train its agents on Anti-Money Laundering (AML) and Combating of Financing of Terrorism (CFT) requirements.

20.4 An approved bank or financial institution shall be responsible to ensure that an agent complies with legal and regulatory requirements, including customer protection and data privacy.

PART VII GENERAL PROVISIONS

Prohibitions 21. 21.1 An agent shall not:-

- (a) sub-contract agent banking business;
- (b) charge any fees directly to the customers;
- (c) offer guarantee to bank clients;
- (d) accept, issue or otherwise deal in cheque transactions;

- (e) offer any financial services without an agency agreement with a bank or financial institution;
- (f) operate or carry out an electronic transaction when there is communication failure in the system;
- (g) carry out a transaction when a transactional receipt or acknowledgement cannot be generated;
- (h) carry out agent banking 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 banking business;
- (i) offer banking services on its own accord (provide on its own account banking services similar to those provided by it under an agency contract);
- (j) continue with the agency business when it has a proven criminal record involving fraud, dishonesty, integrity or any other financial impropriety;
- (k) provide, render or hold itself out to be providing or rendering any banking service which is not specifically permitted in the contract;
- (l) open accounts, grant loans or advances 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;
- (m) be run or managed by an approved bank or financial institution's employee or its associate.

Complaints
Redressal
System

22. 22.1 An approved bank or financial institution offering agent banking services shall put in place a proper complaints redressal system capable of efficiently and quickly redressing customer complaints.

22.2 The complaints redressal system shall, at minimum, be capable of:-

- (a) receiving and processing customers' complaints at all times, including those received by the agents;
- (b) communicating acknowledgement to customer giving either the redressal or the estimated time for redressal;
- (c) redirecting the complaint to appropriate function for redressal; and
- (d) Keeping track or log of all complaints and give status of every complaint.

22.3 All customer complaints shall be addressed within a reasonable time and in any case not later than thirty days from the date of reporting or lodging the complaint. Approved institutions shall keep separately record of all customer complaints related to agent banking operations and the redress thereof.

22.4 (a) An approved bank or financial institution shall ensure that the complaint redressal mechanism and the relevant contact information including phone numbers or email addresses of the approved bank or financial institution are widely publicized using appropriate communication channels and shall be displayed at a conspicuous place at all branches and agents of the bank or financial institution;

(b) For the purpose of part (a), an approved bank or financial Institution shall put in place a toll-free number that shall be displayed at the agents' premises for customers to express their complaints;

(c) All customer complaints emanating from agent operations shall be identified by a protocol/unique number, which must be informed to the customer.

22.5 The bank or financial institution shall establish, with respect to agent performance, a quality control plan considering, at minimum:

- (a) the management of the complaints from clients and users regarding the services and products provided by the agents;
- (b) the management of frauds incidents;
- (c) the establishment of the procedures and penalties for misconduct of the agents.

Use of Third-Party Service Providers

23.1 An approved bank or financial institution may contract a third party service provider to perform activities relating to agent banking business.

23.2 Activities relating to agent banking that an approved bank or financial institution may contract a third party service provider shall include:-

- (a) technology platform;
- (b) agent selection;
- (c) agent network management;
- (d) agent training;
- (e) equipment provision; and
- (f) Equipment maintenance.

23.3 An approved bank or financial institution shall comply with the Outsourcing Guidelines for Banks and Financial Institutions issued by the Bank when dealing with service providers.

23.4 A proper service level agreement shall be put in place for all third-party service arrangements;

23.5 A third-party service provider shall not perform activities that are attributed to agent banking unless he signs separate agreement with an approved bank or financial institution to become an agent as provided in Guideline number 10 of these Guidelines.

Powers of the Bank 24. 24.1 The Bank may exercise its regulatory powers with respect to any agent of a bank or financial institution whenever the Bank determines that it is necessary.

24.2 The Bank shall have powers to:-

- (a) request for any information from any agent at any time as the Bank may deem necessary;
- (b) carry out unplanned 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 Bank may determine necessary;
- (d) terminate the agency agreement and close the agency business as it may find necessary;
- (e) direct the bank or financial institution to take such action or measures against or on behalf of the agent as the Bank may find appropriate; and
- (a) (f) direct the bank or financial institution to take such remedial action arising from the conduct of an agent as it may deem fit.

PART VIII

REPORTING REQUIREMENTS

- 25. An approved bank or financial institution shall report its agent banking activities to the Bank in the form and frequency prescribed by the Bank.
- 26. Where an approved bank or financial institution fails to submit any return as required under these Guidelines, it shall be liable to a penalty of one million shillings for every day in which the failure continues.

27. Where an approved bank or financial institution makes a misrepresentation of information on any of the returns, it shall be liable to a civil money penalty imposed under guideline number 28 or other sanctions as prescribed under these Guidelines.

PART IX

ADMINISTRATIVE SANCTIONS

28. Without prejudice to the other penalties and actions prescribed by the Act, the Bank may impose one or more of the following sanctions where any of the provisions herein are contravened:-
- (a) civil money penalty on the bank or financial institution and/ or directors, officers or employees responsible for non-compliance in such amounts as may be determined by the Bank;
 - (b) prohibition from engaging any further in the agent banking business;
 - (c) prohibition from contracting new agents;
 - (d) order termination of agency contract;
 - (e) suspension of access to the credit facilities of the Bank;
 - (f) suspension of lending and investment operations;
 - (g) suspension of capital expenditure;
 - (h) suspension of the privilege to accept new deposits;
 - (i) suspension from office of the defaulting director, officer or employee;
 - (j) disqualification from holding any position or office in any bank or financial institution in Tanzania; and
 - (k) revocation of banking license;

PART X

AMENDMENTS OF THE GUIDELINES

29. The Bank may at any time amend, delete, vary, add or change any provision of these Guidelines and such amendment, deletion, variation, addition or change shall become effective from the date of notification to banks and financial institutions by the Bank.
30. Such notification may be effected through a circular, directive, notice, letter or other means communicating the amendments to bank or financial institution generally.

SCHEDULE [Made under Guideline 5]

Checklist of Documents to be submitted for Agent Banking Approval Application

1. The bank or financial institution's agent due diligence policy and procedures.
2. The services to be provided through agents.
3. A copy of the draft standard agency agreement detailing amongst other things the items specified in guideline number 10 of these Guidelines.
4. The policies and procedures applicable to the provision of services through agents, as well as a description of the technology to be used.
5. A risk assessment report of the operations to be performed through the agents including mitigating measures to be adopted in order to control the risks identified, in accordance with the bank or financial institution's risk management policies and these Guidelines.
6. Anti-Money Laundering/Combating Financing of Terrorism policies and procedures relating to agent banking business.
7. Agent operational policies and procedures.

8. A feasibility study of future operations and development of the agent banking business for a minimum period of three years from the date of the application including:-
- a) The proposed number of agents and their locations over a three year period;
 - b) Estimate of total population and economically active population of the areas where the agent will operate;
 - c) Analysis of the relevant market over the past two (2) years, along with an estimate of the proposed agents' volumes/transactions in the bank or financial institution's delivery channel strategy;
 - d) Description of the agent management structure to be used by the bank or financial institution; and
 - e) Financial projections on the share of the proposed agents in the bank or financial institution's business.