

AGENT BANKING GUIDELINE

PART I PRELIMINARY

1.1 **Title** – Agent Banking Guideline.

1.2 **Authorisation** - This Guideline is issued under Section 33(4) of the Banking Act, which empowers the Central Bank of Kenya to issue guidelines to be adhered to by institutions in order to maintain a stable and efficient banking and financial system.

1.3 **Application** - This Guideline applies to the conduct of agent banking business.

1.4 Definitions

“Agent” means a legal entity that has been contracted by an institution and approved by the Central Bank to provide the services of the institution on behalf of the institution in the manner specified in this Guideline;

“Institution” means a bank, financial institution or mortgage finance company as defined under the Banking Act.

Other terms used in this Guideline are as defined in the Banking Act.

PART II STATEMENT OF POLICY

2.1 **Purpose** - The purpose of this Guideline is;

- i) To provide for agent banking as a delivery channel for offering banking services in a cost effective manner.
- ii) To outline activities which can be carried out by an agent and to provide a framework for offering agent banking services.
- iii) To increase the financial services outreach and to promote financial inclusion to the un-banked and under-banked population without risking the safety and soundness of the banking system.
- iv) To serve as a set of minimum standards of data & network security, customer protection and risk management to be adhered to in the conduct of agent banking.

2.2 **Scope** -This Guideline applies to banking services as prescribed in this Guideline.

2.3 **Responsibility** – The Board of Directors of each institution shall be responsible for formulating policies, procedures and guidelines which ensure that;

- i) Credible agents are identified.
- ii) Risks associated with agent banking are properly identified, documented and mitigated.
- iii) Agent activities are constantly monitored to ensure compliance with the Banking Act, this Guideline and the agency contract.

It is the responsibility of the Board of Directors of each institution to ensure compliance with this Guideline.

PART III REGULATION AND APPROVAL PROCESS

3.1 Preliminary activities

In order to begin providing services through agents, an institution shall conduct a prior study and shall compile the following reports;

- i) A report assessing the risks associated with operations to be performed through agents and the measures to be adopted to mitigate the risks.
- ii) A report containing the opinion of the Internal Audit Function regarding the adaptation of internal controls for agent banking business.

3.2 Approval of an agent

Every institution seeking to conduct banking business through an agent shall seek and obtain the prior approval of the Central Bank.

3.3 Forwarding of Application

3.3.1 The applicant will complete “Application for the approval of annual agent network” form together with the supporting documents in the First Schedule. The form(s) for completion have been prepared as part of this Guideline and hard copies may be obtained from the Bank Supervision Department, Central Bank of Kenya or may be accessed on www.centralbank.go.ke.

3.3.2 All applications duly completed including the information specified in this Part should be submitted to the Director, Bank Supervision Department, Central Bank of Kenya, P.O. Box 60000-00200, Nairobi, with the appropriate application fee, a bankers cheque of Kshs. 5,000/= per application payable to the Central Bank of Kenya.

3.4 Information required

3.4.1 Every applicant shall submit the following information to the Central Bank at the beginning of each year.

- i) The number of proposed agents per province. Application for agent network approvals shall be on annual basis.
- ii) Agent Due Diligence Policy and Procedures.
- iii) The services to be provided through agents.
- iv) A copy of the draft standard agency contract detailing amongst other things the functions or activities to be performed, the respective responsibilities of the institution and its agents and a confidentiality clause on banking information.
- v) The policies and procedures applicable to the provision of services through agents, as well as a description of the technology to be used.
- vi) 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 provisions currently in force and this Guideline.
- vii) Internal audit report regarding the adaptation of internal controls performed in readiness for agent banking business.
- viii) AML/CFT policies and procedures.
- ix) Agent training manual.
- x) Financial education manual.

3.4.2 In addition to the above information, the applicant shall submit;

- i) The institution's delivery channel strategy and how agents fit in this strategy.
- ii) 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:
 - a) The geographical and economic service areas of the proposed agents.
 - b) Total population and economically active population of the areas where they 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 institution's delivery channel strategy.
 - d) Description of the agent management structure to be used by the institution.
 - e) Financial projections on the share of the proposed agents in the institution's business.
 - f) Security measures to be adopted for agent premises.

- iii) A business strategy for agent banking.

3.5 Processing of Application

- 3.5.1 Upon receipt of the application form together with the required documents, the Central Bank of Kenya will appraise the application.
- 3.5.2 The institution may be requested to submit such additional information as the Central Bank may deem necessary.

3.6 Central Bank Approval

- 3.6.1 Where the Central Bank is satisfied that all requirements have been met, the Central Bank will approve the application with or without conditions. This approval shall be communicated to the institution in writing.
- 3.6.2 Where the Central Bank declines to approve the application or any part thereof, the Central Bank shall communicate its refusal to the institution in writing and shall state the reasons for its refusal.
- 3.6.3 Where an institution seeks to appoint specific legal entities as agents pursuant to the approval granted under Clause 3.6.1, the institution shall notify the Central Bank of the proposed agents at least seven days before commencement of the agent banking business. The notification and agent information shall be set out in Form (2a) and Form 2(b) of the First Schedule.
- 3.6.4 The notification shall be accompanied by the following information:
 - i) The names of the proposed agents.
 - ii) Physical locations, GPS co-ordinates, postal addresses and telephone numbers of the proposed agents.
 - iii) A description of the commercial activities the proposed agents have been carrying on for the last two years immediately preceding the date of the application.
 - iv) Any variation in the terms and conditions of the standard contract which is specific to a particular agent.
 - v) The banking services to be provided by each agent and the limits to which they will be subject.
 - vi) A declaration by the Chief Executive Officer of the institution confirming that the institution has carried out the suitability assessment of the proposed agents and their officers and they have been found to have met the minimum qualifications set out in this Guideline. The Declaration shall be made in accordance with the Second Schedule.

- vii) A bankers cheque of Kshs. 5,000/= per agent payable to the Central Bank of Kenya, being the approval fees.

3.6.5 Upon receipt of all information and the approval fees, the Central Bank shall issue a commencement letter to the applicant permitting the legal entities specified in the commencement letter to provide, on behalf of the institution, banking services specified in the letter.

3.7 Annual renewal approval fees

3.7.2 An application for the renewal of agent network approvals shall be accompanied by the information set out in Clause 3.4 of this Guideline.

3.7.3 The annual renewal approval fees of Kshs. 5,000/= shall be paid within three months before the end of the current financial year. The financial year for agent banking business shall be the same as that of the institution.

3.7.4 Any institution that fails to pay the annual renewal approval fees within the prescribed period shall pay double the annual renewal approval fees, if payment is made within ninety days after the end of the financial year.

3.7.5 If an institution fails to pay the prescribed fees within ninety days after the end of the financial year, its agent renewal approval application shall be declined.

PART IV AGENCY CONTRACT AND PERMISSIBLE ACTIVITIES

4.1 Establishment of agency relationship

4.1.1 An institution may conduct banking business through an agent.

4.1.2 An institution shall enter into a written contract with a legal entity for the provision on its behalf of any of the banking services specified in this Guideline.

4.1.3 Any contract entered into between an institution and an agent shall comply with this Guideline and any other law in force.

4.2 Who can be an agent

4.2.1 An agent;

- i) Shall be a legal entity;

- ii) Shall possess a business licence or permit for any lawful commercial activity;
- iii) The commercial activity must have been carried on under a valid business licence or permit for at least two years immediately preceding the date of the application to become an agent and

iv) The commercial activity must be ongoing.

4.2.2 Agent banking business shall not be ultra vires the parent statute, memorandum and articles of association or other constitutive document or objects of the legal entity.

4.2.3 The following legal entities are eligible to act as banking agents;

- i) Natural persons who through their own facilities or those of third parties deal with the public.
- ii) Post offices.
- iii) Shops.
- iv) Non-bank financial institutions like SACCOS and microfinance institutions, etc.
- v) Pharmacies.
- vi) Supermarkets.
- vii) Petrol stations.
- viii) Telecommunication companies.
- ix) Communication centres.
- x) Courier companies.
- xi) Security companies.
- xii) Wholesale distributors.
- xiii) Any other entity which the Central Bank may prescribe.

4.2.4 Any legal entity which 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 an agent.

4.3 Permissible activities of an agent

4.3.1 An agent may provide any of the following banking services as may be specifically agreed between it and the institution.

- i) Deposit and withdrawal.
- ii) Disbursement and repayment of loans.
- iii) Payment of bills.
- iv) Payment of retirement and social benefits.
- v) Payment of salaries.
- vi) Transfer of funds.
- vii) Balance enquiry.
- viii) Generation and issuance of mini bank statements.

- ix) Collection of documents in relation to account opening, loan application, credit and debit card application.
- x) Mobile phone airtime top up.
- xi) Cheque book request.
- xii) Any other activity as the Central Bank may prescribe.

4.3.2 It is the responsibility of the institution to determine, based on agent risk assessment , which services a particular agent should provide.

4.4 Prohibited activities

4.4.1 An agent shall not;

- i) Operate or carry out an electronic transaction when there is communication failure in the system.
- ii) Carry out a transaction when a transactional receipt or acknowledgement cannot be generated.
- iii) Charge any fees directly to the customers.
- iv) Carry out agent banking business when 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.
- v) Offer any type of guarantee in favour of any customer.
- vi) Offer banking services on its own accord (provide on its own account banking services similar to those provided by it under an agency contract).
- vii) Continue with the agency business when it has a criminal record or disciplinary case involving fraud, dishonesty or any other financial impropriety.
- viii) Provide, render or hold itself out to be providing or rendering any banking service which is not specifically permitted in the contract.
- ix) 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.
- x) Undertake cheque deposit and encashment of cheques.
- xi) Transact in foreign currency.
- xii) Be run or managed by an institution's employee or its associate.

4.4.2 An institution may in the contract document specify other activities which the agent is prohibited from undertaking.

4.5 Mandatory provisions to be included in the contract

4.5.1 Every contract between an institution and an agent shall contain as a minimum, the following information;

- i) 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 authorised in the contract insofar as they relate to banking services or matters connected therewith.
- ii) Specific banking services to be rendered by the agent.
- iii) The rights, expectations, responsibilities and liabilities of both parties.
- iv) Measures to mitigate the financial risks associated with agent banking services (limits, customer transactions, cash management, cash security, security of agent premises, insurance policies, etc).
- v) The Central 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.
- vi) AML/CFT requirements.
- vii) Duty by the agent to deliver transaction support documents.
- viii) A statement that all information or data that the agent collects in relation to agent banking services, whether from the customers, the institution or from other sources, is the property of the institution.
- ix) Prohibition from charging the customer any fees.
- x) Business hours of the agent.
- xi) Suitable limits on cash holding by the agent and also limits on individual customer payments and receipts.
- xii) Confidentiality of customer and user information.
- xiii) Technical description of electronic devices.
- xiv) Differentiation of services offered by one agent for different institutions.
- xv) Remuneration for the agent.
- xvi) Specify that the agent shall at all times ensure safe-keeping of all relevant records, data, documents or files or alternately, such records, data, documents or files are shifted to the institution at regular pre-specified intervals for institution's safe-keeping.
- xvii) Duties and liabilities of the agent with respect to its employees distinct from the employees of the institution.
- xviii) A framework for changing the terms of the contract and stipulations for default and termination of the contract.

4.5.2 The institution and the agent may provide for other terms as they may consider necessary for the better carrying out of the agent banking business.

4.6 Termination of agency contract

4.6.1 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;

- i) Carries on agent banking business when the commercial activity has ceased.
- ii) Is guilty of a criminal offence involving fraud, dishonesty or other financial impropriety.

- iii) Sustains a financial loss or damage to such a degree as to make it impossible for the agent to gain its financial soundness within three months from the date of the loss or damage.
- iv) Is being dissolved or wound up through court or otherwise.
- v) In the case of a natural person dies or becomes mentally incapacitated.
- vi) Transfers, relocates or closes its place of agent banking business without prior written consent of the institution.
- vii) Fails to hold or renew a valid business licence.
- viii) Violates any such provision of this Guideline as may, in the opinion of the institution warrant termination of the agency relationship.

4.6.2 Termination under Clause 4.6.1 of this Guideline may be initiated by the institution or the Central Bank. The institution shall ensure that an agent does not continue with agent banking business when it is affected by any of the provisions of Clause 4.6.1 of this Guideline.

PART V RESPONSIBILITIES

5.1 Key Roles & Responsibilities

5.1.1 The ultimate responsibility for agent banking lies with the institution.

5.1.2 The institution shall remain responsible for maintaining an effective system of internal control and for providing active oversight of the agent's activities or functions.

5.1.3 The institution shall provide agents with such operations manuals and risk management policy documents as are needed to ensure proper provision of services to customers.

5.1.4 Within the institution;

- i) The Board of Directors is responsible for strategic decisions.
- ii) The senior management is responsible for effective oversight.
- iii) The compliance and audit function is responsible for ensuring soundness of internal controls and adherence to rules, regulations, policies and operational guidelines.

5.2 Board of Directors

5.2.1 The institution's Board of Directors is responsible for approving the institution's agent banking business strategy and relevant policies.

- 5.2.2 The Board of Directors is expected to take an explicit, informed and documented strategic decision as to whether and how the institution is to provide agent banking services to its customers.
- 5.2.3 The Board of Directors shall ensure that the institution has proper security control policies to safeguard the information, communication and technology systems and data from both internal and external threats.

5.3 Senior Management

- 5.3.1 The institution's senior management is responsible for developing and implementing agent banking strategy and for establishing an effective management oversight over agent banking services.
- 5.3.2 Effective management oversight encompasses the review and approval of the key aspects of the institution's security control programs and processes, and to implement security control policies and infrastructure.
- 5.3.3 Effective management oversight also includes a comprehensive process for managing risks associated with reliance on third parties.
- 5.3.4 The Senior 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 agent banking activities and the audit department is staffed with personnel having sufficient technical expertise to perform the expanded role.
- 5.3.5 It is incumbent upon the institution's senior management to take steps to ensure that their institution has updated and modified where necessary, its existing risk management policies and processes to cover its current or planned agent banking services.
- 5.3.6 The integration of agent banking applications with the main banking systems implies an integrated risk management approach for all banking activities.
- 5.3.7 The institution's senior management shall provide agents with sufficient training for them 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.
- 5.3.8 The senior management shall ensure that operations of an agent including cash in possession of the agent and cash on transit is adequately insured. This responsibility extends only to the agent banking business.

5.4 Compliance Function

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

5.5 Internal Audit

- 5.5.1 The institution's Internal Auditors are responsible for ensuring adherence to the policies, rules, regulations and operational guidelines.
- 5.5.2 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.
- 5.5.3 Internal Auditors are also 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.

5.6 Risk Management

- i) Institutions 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.
- ii) Proper assessment of agent's credit worthiness and proper limit structure for agent's various activities commensurate with this assessment should be in place.
- iii) 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.
- iv) Wireless or electronic banking related risks should be recognized, addressed and managed by institutions in a prudent manner according to the fundamental characteristics and challenges of electronic banking services.
- v) Technology risks regarding information and data security in wireless networks should be properly identified and addressed.
- vi) A contingency plan should be developed to mitigate any significant disruption, discontinuity or gap in agent's function.

- vii) The institution 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.

5.7 Customer due diligence

5.7.1 Institutions shall carry out customer due diligence to ensure that requirements of AML/CFT are not compromised.

5.7.2 The factors to consider include;

- i) KYC requirements.
- ii) Transactional limits per day, month and year (limits commensurate with customer's profile)
- iii) Maximum balance limits on debit and credit.
- iv) Minimum technological security requirements.
- v) Two factor authentication. Use of an ID, PIN or any other secret code, secret number or message during transactions.

5.7.3 An institution shall ensure that its transaction processing system is capable of:

- i) Imposing limits to avoid any breach.
- ii) Sending alerts to the users if they are close to a limit.
- iii) Identifying abnormal or suspicious transactions and to report these transactions to the institution for further necessary action.

5.8 Agent due diligence

- i) Efficient and foolproof Agent Due Diligence (ADD) procedures must exist to mitigate risks.
- ii) Institutions are responsible for having clear, well documented Agent Due Diligence policy and procedures.
- iii) These procedures, at minimum, should contain methods of identifying potential agents, initial due diligence and regular due diligence checks to be performed at specified intervals and a list of early warning signals and corrective actions to ensure proactive agent management.
- iv) Agent Due Diligence should clearly specify roles and responsibilities of various functions in the institution with regard to agent management.
- v) Minimum agent selection criteria should be defined.

- vi) Institutions should ensure that agents are well established, enjoying good reputation and have the confidence of the populace in their areas of operation.
- vii) Institutions should ensure that proper AML/CFT monitoring processes exist for agent banking. The necessary actions to be taken by agents in this regard should be communicated to the agents. The agents' compliance should be monitored.

5.9 Operational/transactional limits.

- i) The institution shall establish limits for the provision of services agreed upon in conjunction with the agents.
- ii) The limits must be prudent and bear a relation to the volume of cash moved by the agent and the risks associated with the place of conducting agent banking business.
- iii) The said limits shall be set for each agent and where applicable, for each type of transaction.

PART VI ASSESSMENT OF AGENTS

6.1 Suitability Assessment of an agent

6.1.1 An institution shall, before seeking the Central Bank's approval of a legal entity to be contracted as an agent, satisfy itself as to the suitability of the legal entity and shall establish that;

- i) The legal entity has a well established commercial activity which has been operational for at least two years immediately preceding the date of suitability assessment.
- ii) The entity has not been classified as a deficient, doubtful or non-performing borrower in the financial system under the rules in force at the time the agent contract is to be signed. That status must be maintained for the duration of the contract.
- iii) The entity possesses appropriate physical infrastructure and human resources to be able to provide the services with the necessary degree of security.
- iv) The agent in the case of a natural person or the agent's directors, significant shareholders, proprietors and/or senior officers, as the case may be, are morally and professionally qualified in terms of the parameters set out in this Guideline.
- v) The prescribed form is set out in the Form 4 of the First Schedule to this Guideline.

6.1.2 Any legal entity that seeks to be appointed as an agent by an institution shall furnish the institution with the following information;

- i) The name of the legal entity proposed to be an agent.
- ii) The certificate of incorporation or certificate of registration of the legal entity.
- iii) A description of the commercial activity the legal entity has been carrying on for the last two years immediately preceding the date of the application.
- iv) Valid business licences or permits for any lawful commercial activity carried on by the legal entity for at least two years prior to the date of the application.
- v) A certificate of good conduct in the case of a natural person.
- vi) Physical location, GPS co-ordinates, postal address and telephone numbers of the legal entity and its working hours.
- vii) Evidence of availability of funds to cover agent operations including deposits and withdrawals by customers.

6.1.3 The institution shall keep in safe custody the information provided under this Part and shall produce it as and when the Central Bank directs its production.

6.1.4 The institution shall endeavour to obtain accurate information from the legal entity and its officers and shall not represent to the Central Bank that it was misled by the legal entity or its officers.

6.1.5 Any entity which or whose director, significant shareholder, proprietor or senior officer as the case may be, furnishes an institution with false or inaccurate information under this Part shall be disqualified forthwith from conducting agent banking business.

6.1.6 Every institution shall sensitize its agents on the provisions of this Guideline and the obligation to comply with its requirements.

6.2.1 Moral and professional suitability of individuals, directors, significant shareholders, proprietors and/or senior officers of legal entities proposed to be agents.

6.2.1 Prior to engaging an entity as an agent, an institution shall assess the moral, business and professional suitability of the individual proposed to be an agent or the legal entity's directors, significant shareholders, proprietors and/or senior officers as the case may be.

6.2.2 Every person seeking to become an agent and every person, being a director, proprietor, significant shareholder or senior officer of a legal entity shall furnish the institution with the following information for purposes of suitability assessment;

- i) Certificate of good conduct.
- ii) Financial affairs for the last two years.
- iii) A duly completed appraisal form for the individual. The prescribed form is set out in the Form 5 of the First Schedule to this Guideline.

- iv) Any other information as the institution may request.
- 6.2.3 In assessing the suitability of a director, significant shareholder, proprietor and/or senior officer of a legal entity or any other person, the institution shall have regard to inter alia:
- i) Negative information in possession of credit reference bureaus or gathered from other sources. In the case of information being obtained from a credit reference bureau, it shall be the responsibility of the director, significant shareholder, proprietor and/or senior officer to obtain the information directly from the credit reference bureau.
 - ii) Any criminal record or disciplinary action.
 - iii) Reputation (based on references 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 three years).
 - iv) Business or work experience.
 - v) Ability to identify risks.
 - vi) Sources of funds.
 - vii) The business track record of the legal entity in the last three years.
 - viii) Any other matter which negatively or positively impacts on the person.

6.3 Supervision of agents

- i) The responsibility to monitor or supervise agent activities rests with the institution.
- ii) The institution must have information on the number and volume of transactions carried out for each type of service by each agent and monitor effective compliance with limits and other prudential measures established in each case.
- iii) The institution shall implement measures to control operating risk, including clause(s) in the contract establishing the liabilities of the agent *vis-à-vis* the institution.
- iv) Periodic physical visits by institution's staff or authorised persons are necessary to ensure that agents operate strictly within the requirements of the law, guidelines and the contract.
- v) Notwithstanding the responsibility imposed on institutions to monitor and supervise their agents, the Central Bank may at any time it deems fit exercise its regulatory and supervisory powers under section 27, 28 and 32 of the Banking Act and may request for such data or information and may carry out such inspection as it deems necessary.

6.4 Publication of list of agents and locations.

The institution shall publish the list of all its agents in a conspicuous place within its branches, website and such other publications as it may deem appropriate. The list may be disseminated to agents and may be displayed in agent premises.

PART VII AGENT OPERATIONS

7.1 Non-exclusivity

- i) No contract between an institution and an agent shall be exclusive.
- ii) One agent may provide services to multiple institutions provided that the agent has separate agent banking contracts with each institution and provided further that the agent can competently and safely manage transactions for different institutions.

7.2 Relocation, transfer and closure of agent premises

- i) No agent shall relocate, transfer or close its agent banking premises without the prior written consent of the institution.
- ii) Notice of intention to relocate, transfer or close agent banking premises shall be served on the institution at least twenty one days or such shorter or longer period as may be agreed in the contract.
- iii) Within seven (7) calendar days prior to relocation or closure of agent premises, the institution shall apply to the Central Bank for approval and shall forward to the Central Bank the name and other information of the agent seeking to relocate, transfer or close its premises. The application shall be in the prescribed form and in accordance with Form 3 of the First Schedule.

PART VIII SETTLEMENT OF TRANSACTIONS AND THE TECHNOLOGY

8.1 Real time transactions.

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

8.2 Technical requirements for the operating systems of the agent.

8.2.1 To ensure that agent banking transactions are carried out with devices which are technically fit, institutions are required to ensure that the equipment is able to;

- i) Transmit transaction information in code.

- ii) Carry out electronic transactions on real time basis.
- iii) Allow handling under different user profiles for administration, maintenance and operation.
- iv) Process different transactions from different institutions using different codes. The equipment should have interoperability function/solution.
- v) Reverse incomplete transactions due to error, system failure, power outage or other defects.
- vi) Process or generate durable transactional documents or receipts.
- vii) Automatically log off an agent once the agent exhausts its daily cash limit or tries to perform an illegal or unauthorised transaction.
- viii) Generate an audit trail.

8.2.2 The institution shall at all times monitor the safety, security and efficiency of the equipment being used to prevent any tampering or manipulation by any person.

8.3 Data and Network security Concerns

Institutions shall put in place systems that specifically address;

- i) Physical security of infrastructure.
- ii) Availability of services.
- iii) Data confidentiality and integrity.
- iv) Encryption of PIN and electronic transactions.
- v) Customer accountability and non-repudiation on transactions.
- vi) Error messaging and exception handling.

8.4 Use of Third-Party Technology Service Providers

- i) An institution may enter into a written contract with a technology service provider for the provision of the equipment or technology platform to be used for agent banking.
- ii) An institution may provide its own technology platform or may through a written contract, use the platform of a third party to provide agent banking services.
- iii) Any technology platform provider who seeks to provide or render agent banking services shall enter into an agency contract with the institution for that purpose.
- iv) The institution shall remain liable for the agent banking services even where a third party technology service provider is contracted.

PART IX AML/KYC

9.1 AML/KYC requirements.

- i) Institutions must sensitize agents on anti-money laundering (AML) and combating of financing of terrorism (CFT) requirements.
- ii) Institutions should ensure that agents:
 - a) Identify customers with at least two characters like IDs, PINs, passwords, ATM card, secret code or secret message while performing any transaction requiring identification.
 - b) Report to the institution all suspicious activities within twenty four hours.
 - c) Transact agent banking business strictly as per the transactional limits prescribed by the institution.

PART X CONSUMER PROTECTION

10.1 Consumer protection measures.

10.1.1 Appropriate consumer protection against risks of fraud, loss of privacy and loss of service is needed for establishing trust among consumers as trust is the single most necessary ingredient for growth of agent banking.

10.1.2 It is therefore necessary for institutions to put systems in place which provide sufficient protection and confidence to consumers of agent banking services.

10.2 Minimum requirements

As a minimum, the following requirements must be complied with at all times.

- i) The institution 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.
- ii) The agents should issue receipts for all transactions. The institution should provide the equipment to generate a receipt or acknowledgement.
- iii) 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.

- iv) A channel for communication of customer complaint to the institution should be provided. The institution shall provide a toll free telephone line for lodging complaints by 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 banking business.
- v) The institution shall have a proper complaints redressal mechanism and shall ensure proper communication of its complaints redressal set up to the customers.
- vi) 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.
- vii) The agent shall have signs, clearly visible to the public, indicating clearly that it is a provider of services of the institution with which it has an agency contract. The agent shall not represent to the public that it is a bank, financial institution or mortgage finance company.
- viii) Use of secure system that ensures customer information confidentiality.
- ix) The customer should be made aware of the fact that he or she is not supposed to store PIN and other critical information on mobile phones or share this with other parties.
- x) An institution may establish contact centres to facilitate easy communication between a customer and the institution.

10.3 Disclosures

10.3.1 An agent shall disclose to the customers;

- i) The name of the institution it is working for and shall display in a conspicuous place within the premises the institution's logo.
- ii) A list of banking services offered by the agent.
- iii) A notice to the effect that if the electronic system is down, no transaction shall be carried out.
- iv) A notice to the effect that services shall be provided subject to availability of funds.
- v) The list of charges or fees applicable for each service which are payable to the institution by the customers.

- vi) A copy of the approval/commencement letter from the Central Bank.
- vii) The toll free telephone line through which customers can contact the institution.
- viii) The name, telephone numbers and location of the institution's branch to which the agent reports its agent activities.

10.3.2 These disclosures shall be displayed in a conspicuous place on agent premises.

10.3.3 An agent shall provide on request by a customer a copy of the appointment letter from the institution, a copy of the banking license of the institution and the current license for the commercial activity being undertaken by the agent. These documents should therefore be readily available in the agent banking premises.

10.4 Publicity/Co-branding.

Institutions 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 suggesting that the agent is itself an institution is prohibited.

10.4 Financial education

Institutions shall carry out financial education of their agents, customers and about their agent banking business to the public.

PART XI REPORTING REQUIREMENTS AND CENTRAL BANK OVERSIGHT

11.1 Submission of data and statistical returns to the Central Bank.

Every institution shall, at the end of every calendar month and not later than the 10th day of the next month, submit to the Central Bank as prescribed in the Fifth, Sixth and Seventh Schedules, data and other information on agent operations including information on;

- i) Nature, value, volume and geographical distribution of operations or transactions.
- ii) Incidents of fraud, theft or robbery.
- iii) Customer complaints.
- iv) Remedial measures taken to address customer complaints.

11.2 Reporting

- i) The institution shall forward to the Central Bank not later than 31st March of each year and in the prescribed form set out in the Third Schedule, an annual report on its agent banking operations including the names, number and other information on agent operations for the previous year.
- ii) The institution shall also submit to the Central Bank on a quarterly basis a report on the names and number of agents operating in the previous quarter. The requisite reporting form is as per the Fourth Schedule.

11.3 Powers of the Central Bank over agents.

Notwithstanding any other power conferred on the Central Bank by the Banking Act, the Prudential Guidelines and any regulations, the Central Bank shall have power to;

- i) Request for any information from any agent at any time as the Central Bank may deem necessary;
- ii) Carry out impromptu or scheduled inspection of the books and premises of the agent;
- iii) Direct an agent to take such action or desist from such conduct as the Central Bank may find necessary;
- iv) Direct the termination of the agency contract and closure of the agency business as it may find necessary;
- v) Direct the institution to take such action or measures against or on behalf of the agent as the Central Bank may find appropriate;
- vi) Direct the institution to take such remedial action arising from the conduct of an agent as it may deem fit.

PART XII REMEDIAL MEASURES AND ADMINISTRATIVE SANCTIONS

12.1 Remedial measures

If an institution or its agent fails to comply with this Guideline, the Central Bank may pursue any or all corrective actions against the institution as provided under Sections 33 and 34 of the Banking Act.

12.2 Administrative sanctions

In addition to the use of Remedial measures noted in 12.1 above, the Central Bank may pursue any or all of the following administrative sanctions against an institution, its board of directors, officers or agents:

- i) Prohibition from engaging in any further agent banking business;
- ii) Prohibition from contracting new agents;
- iii) Revocation of agent approval;
- iv) Termination of agency contract;
- v) Withholding corporate approvals.

PART XIII AMENDMENT OF THE GUIDELINE

13.1 The Central Bank may at any time amend, delete, vary, add or change any provision of this Guideline and such amendment, deletion, variation, addition or change shall become effective from the date of notification to the institutions by the Central Bank.

13.2 Such notification may be effected through a circular, directive, notice, letter or other means communicating the intention of the Central Bank to the institutions generally.

EFFECTIVE DATE

14.1 **Effective date:** The effective date of this Guideline shall be advise by the Central Bank.

Enquires

Enquiries on any aspect of this Guideline should be referred to:

Director,
Bank Supervision Department
Central Bank of Kenya
P.O. Box 60000, 00200
Nairobi

TEL. No. 2860000 e-mail: fin@centralbank.go.ke

SCHEDULES

FIRST SCHEDULE

FORM 1: APPLICATION FOR THE APPROVAL OF ANNUAL AGENT NETWORK

(Ref: Clause 3.3.1)

PART I: GENERAL INFORMATION

- 1. Name of institution
- 2. Contact information
 - a) Postal address and telephone numbers.....
.....
.....
 - b) Physical address: - L.R NO Building
Street
Province, District, Division, Town, City

PART II: PROPOSED AGENT NETWORK INFORMATION

- 3. Regional agent network information

	Names of the Provinces	Number of agents
1.		
2.		
3.		
4.		

- 4. Services to be rendered through agents
- 5. Proposed date of commencing operations

Name:

(Chief Executive Officer)

Signed:

Dated at this Day of..... 20.....

Note: This application must be accompanied by all the relevant documents and requirements here below, as detailed in Clauses 3.4.1 and 3.4.2 of the Guidelines.

- a. A copy of draft standard agency contract
- b. Agent Due Diligence Policy and Procedures
- c. Policies and Procedures on the provision of services through Agents
- d. Risk Assessment Report on proposed Agent Operations
- e. Internal audit report
- f. Agent Training Manual
- g. Financial Education Manual
- h. Feasibility Study
- i. Business and Delivery Channels Strategies
- j. Application fee: Bankers Cheque of KSh. 5000/= payable to the Central Bank of Kenya

FORM 2(a): NOTIFICATION TO APPOINT AN AGENT

(Ref: Clause 3.6.4)

PART I: GENERAL INFORMATION

1. Name of institution
2. Contact information
 - c) Postal address and telephone numbers.....
.....
.....
 - d) Physical address: - L.R NO Building
Street
Province, District, Division, Town, City

PART II: AGENT INFORMATION

3. Please provide the information required in Form 2(b)
4. If there is a variation in the standard contract specific to a particular agent, provide the details

5. DECLARATION

I, the undersigned, declare that to the best of my knowledge and belief, the information contained herein is complete and accurate.

Name:
(Chief Executive Officer)

Signed:

Dated at this Day of..... 20.....

WITNESSED BEFORE ME:

SIGNED..... (Witness)

COMMISSIONER FOR OATHS/ MAGISTRATE

Note: *This application must be accompanied by all the relevant documents and requirements here below, as detailed in Clause 3.6.3 of the Guidelines.*

- a. Declaration by Chief Executive Officer confirming that the institution has carried out a suitability assessment of proposed agents and the persons required to be assessed. (ref. Second Schedule)
- b. Approval fee: Bankers Cheque of KSh. 5000/= per agent payable to the Central Bank of Kenya

FORM 2(b): INFORMATION FOR THE APPROVAL OF AGENT

(Re: Clause 3.6.3)

Institution:

Financial Year:

Date:

	Name of proposed agent	Postal Add.	Tel. No.	Physical / Geographical Location					Commercial activity	Banking Services and Limits	Estimated Date for Start of Operations	Working Hours	Branch Responsible
				Building and Street	Division and District	Province and Town	Constituency	GPS Co-ordinates					
1.													
2.													
3.													
4.													
5.													
6.													
7.													
8.													
9.													
10.													

FORM 3: RELOCATION OR CLOSURE OF AGENT PREMISES

(Ref: Clause 7.2(iii))

PART I: GENERAL INFORMATION

1. Name of institution
2. Contact information
 - a) Postal address and telephone numbers.....
.....
.....
 - b) Physical address: - L.R NO Building
Street
Province, District, Division, Town, City, Constituency
3. Previous branch responsible for the agent including its locations and addresses
.....

PART II: RELOCATION OF AGENT

4. Name of the agent(s) to be relocated
.....
5. Location of the current place(s) of business
 - a) Postal address and telephone numbers.....
 - b) Physical address: - L.R NO Building
Street/ Village
Province, District, Division, Town, City, Constituency
 - c) GPS coordinates
 - d) Services currently offered by the agent
6. State reasons necessitating relocation of agent(s)
.....

7. Proposed location(s) of the agent(s).....
 - a) Postal address and telephone numbers.....
 - b) Physical address: - L.R NO Building
Street/ Village
Province, District, Division, Town, City, Constituency
 - c) GPS coordinates
8. Is/Are the premise(s) suitable? Explain.....
9. Banking services to be provided by the agent relocating and limits it will be subject to
10. If there is a variation in the terms or conditions in the standard contract specific to the particular agent relocating, provide the details
11. Proposed date of commencing operations in the new location.....
12. Working Hours
13. Proposed branch responsible for the agent relocating including its location and addresses

PART III: CLOSURE OF AGENT

1. Current location of the agent(s) proposed to be closed -
 - a) Postal address and telephone numbers.....
 - b) Physical address: - L.R NO Building
Street/ Village
Province, District, Division, Town, City
 - c) GPS coordinates
 - d) Services currently offered by the agent
2. Specify type of closure, whether permanent or temporary.....

If temporary closure, specify the proposed dates for closure and opening

.....

3. State reasons necessitating closure of agency

.....

Name:

(Chief Executive Officer)

Signed:

Dated at this Day of..... 20.....

FORM 4: AGENT APPRAISAL FORM

{Ref: Clause 6.1.1(v)}

- 1. Name of proposed Agent
- 2. Type of Business/ Commercial Activity (state the type of business activity being carried out by the agent)
.....
- 3. Number of years the agent has conducted or carried out the commercial activity
.....
- 4. Location of the place(s) of business

 - a) Postal address and telephone numbers.....
 - b) Physical address: - L.R NO Building
 - Street/ Village
 - Province, District, Division, Town, City
 - c) GPS coordinates

- 5. Date of incorporation/ registration and certificate/ business permit number
.....
- 6. Other Identification (PIN) number
- 7. Particulars of owner(s) (directors/ partners/ proprietors)

Name	Designation	Nationality	Date of Birth	ID. Number	Address

- 8. Number and Names of Related Business Outlets
- 9. Names of Banker(s)
.....

10. **DECLARATION**

I/ We, the undersigned, declare that to the best of our knowledge and belief, the information contained herein and

any attachments is complete and accurate.

a) Owner (Proprietor/ Partner/ Director)

(Name and Designation).....

Signature..... Date.....

b) Owner (Partner/ Director) or Witness

(Name and Designation).....

Signature.....Date.....

Note: This application must be accompanied by all the relevant documents and requirements here below, as detailed in Clause 6.1.2 of the Guidelines.

11. Provide the following supporting documentation:

- a. Copy of Certificate of Incorporation, Certificate of Registration or equivalent
- b. A brief description of commercial activity for at least 2 years
- c. Copy of Valid Business Licence or permit for at least 2 years
- d. A certificate of good conduct in the case of a natural person
- e. Evidence of availability of funds
- f. Any other information the institution may require

FORM 5: AGENT APPRAISAL FORM FOR DIRECTORS, PROPRIETORS AND/ OR SENIOR OFFICERS {Ref: Clause 6.2.2(iii)}

GENERAL INFORMATION

- 1. Name of Proposed Agent
- 2. Type of Business/ Commercial Activity (state the type of business activity being carried out by the agent)

PERSONAL INFORMATION

- 3. Surname.....
- 4. Other Names.....
- 5. Previous Names (if any) by which you have been known:
- 6. Year and Place of birth:
- 7. Identification Card number and date of issue.....
- 8. Personal Identification Number
- 9. Postal address, code and telephone number(s).....
- 10. Physical address
- 11. Educational Qualifications and Occupation
- 12. Business/ Work Experience
- 12. Name of Banker(s)
- 13. Borrowings

Name of borrower	Name of lending institution	Type of loan	Date of loan	Amount of loan	Current Outstanding balance	Performance Status	Other Remarks

14. Sources of Funds

- a)
- b)
- c)

(Provide a sworn declaration that the sources of funds are not from proceeds of crime).

ADDITIONAL INFORMATION

15. Have you at any time been convicted of any criminal offence?

.....

If so, give particulars of the court in which you were convicted, the offence, the penalty imposed and the date of conviction

16. Have you ever been dismissed from any office or employment or been subject to disciplinary proceedings or action by any professional authority, body or persons?

.....

If so give particulars.....

17. Have you ever been held liable by a court, in any country, for any fraud or other misconduct?

.....

If so, give particulars.....

18. Indicate the names, addresses, telephone numbers and positions of two individuals of good standing who would be able to provide a reference on your personal and professional integrity. The referees must not be related to you, and should have known you for at least three (3) years and are hailing from the same locality as yourself.

- i).
- ii).

19. DECLARATION

I am aware that it is an offence to knowingly or recklessly provide any information, which is false or misleading in connection with an application for an agent banking approval in Kenya. I am also aware that omitting material information intentionally or un-intentionally may lead to rejection of my application.

I certify that the information given above is complete and accurate to the best of my knowledge, and that there are no other facts relevant to this application of which the supervisory authority should be aware. I, also, undertake to make known any changes material to the applications which arise while the application is under consideration.

Name:

Signed:

Dated atthis..... Day of20.....

WITNESSED BEFORE ME:

SIGNED..... (Witness)

COMMISSIONER FOR OATHS/ MAGISTRATE

Note: *This application must be accompanied by all the relevant documents and requirements here below.*

- a. Certificate of good conduct.
- b. Financial Affairs for last two years.
- c. Information obtained from Credit Reference Bureau.
- d. Curriculum vitae detailing educational qualifications, business and work experience.
- e. Copy of IDs or equivalent
- f. Two passport size photos
- g. Any other information the institution may request.

REPUBLIC OF KENYA
IN THE MATTER OF OATHS AND STATUTORY DECLARATIONS ACT
(Cap. 15)

STATUTORY DECLARATION

I, ----- of ----- (insert full name and postal address) in the Republic of Kenya do hereby make oath and solemnly swear as follows:

- 1. THAT I am the deponent herein hence competent to swear this affidavit.
2. THAT I am the Chief Executive Officer of ----- (insert the name of the institution)(hereinafter referred to as the institution).
3. THAT I am the holder of ----- (insert National Registration Card/Identification documentation details).
4. THAT the institution seeks to contract the following legal entity (ies) as an agent(s) for the provision of banking services on behalf of the institution in accordance with the provisions of the Agent Banking Guidelines.
5. THAT the institution has carried out a thorough suitability assessment of the legal entity(ies) and confirms that the legal entity(ies) is/are credible and have met all requirements of the Guidelines on Agent Banking and will be able to satisfactorily provide agent banking services on behalf of the institution.
6. THAT the institution has also carried out a thorough suitability assessment of all persons who, under the Guidelines, are required to be assessed for moral and professional fitness and all have been found to be fit.
7. THAT what is deponed to herein is true to the best of my knowledge, information and belief.

SWORN at ----- by the said ----- (insert name of deponent)
This day of 20

BEFORE ME
A COMMISSIONER FOR OATHS

THIRD SCHEDULE

Clause 11.2(i)

NUMBER OF AGENTS OPERATING IN THE PREVIOUS YEAR (annual)

Institution:

Financial Year:

Start Date:

End Date:

	Name of Agent	Postal and physical address including GPS co-ordinates	Date Opened	Commercial Activity	Services Offered by the agent
1.					
2.					
3.					
4.					
5.					

FOURTH SCHEDULE

Clause 11.2(ii)

NUMBER OF AGENTS CURRENTLY OPERATING (quarterly)

Institution:

Financial Year:

Start Date:

End Date:

	Name of Agent	Postal and physical address including GPS co-ordinates	Date Opened	Commercial Activity	Services Offered by the agent
1.					
2.					
3.					
4.					
5.					

FIFTH SCHEDULE

NATURE, NUMBER, VALUE AND GEOGRAPHICAL DISTRIBUTION OF TRANSACTIONS (Monthly) Clause 11.1

Institution:

Financial Year:

Date:

	Province/Nature of Transactions	Number of Transactions									Value of Transactions									
		Nbi.	Cent.	East.	RV	Nya.	West.	Coast	NE	Total	Nbi	Cent.	East.	RV	Nya.	West.	Coast	NE	Total	
1	Cash Deposits																			
2	Cash Withdrawals																			
3	Disbursement of Loans																			
4	Repayment of Loans																			
5	Payment of Bills																			
6	Payment of Retirement and Social Benefits																			
7	Payment of Salaries																			
8	Transfer of Funds																			

	Province/Nature of Transactions	Number of Transactions									Value of Transactions									
		Nbi.	Cent.	East.	RV	Nya.	West.	Coast	NE	Total	Nbi	Cent.	East.	RV	Nya.	West.	Coast	NE	Total	
9	Mini statement requests																			
1	Account balance enquiries																			
1	Collection of loan applications																			
1	Collection of account opening applications																			
1	Other (Specify)																			
	Total																			

Provinces

- Nbi - Nairobi
- Cent. - Central
- East. - Eastern
- RV - Rift Valley
- Nya. - Nyanza
- West. - Western
- Coast - Coast
- NE - North-Eastern

SIXTH SCHEDULE

Clause 11.1

INCIDENTS OF FRAUD (Monthly)

Institution:

Financial Year:

Start Date:

End Date:

	Nature of Fraud (including attempts)	Name of agent affected	Physical location of agent affected	No. of Incidents	Amount involved (Kshs.)	Date(s) of Occurrence	Steps Taken
1.							
2.							
3.							
4.							
5.							

SEVENTH SCHEDULE

Clause 11.1

CUSTOMER COMPLAINTS AND REMEDIAL ACTIONS (Monthly)

Institution:

Financial Year:

Start Date:

End Date:

	Nature of Complaint	Complainant (Name, Contact information)	Name of agent complained against	Physical location of the agent	Date of Occurrence	Remedial Actions
1.						
2.						
3.						
4.						
5.						