

# **GUIDELINE ON THE APPOINTMENT AND OPERATIONS OF THIRD PARTY AGENTS BY DEPOSIT TAKING MICROFINANCE INSTITUTIONS (DTMs) - CBK/DTM/MFG/ I**

## **PART I            PRELIMINARY**

- 1.1 Title** – Guideline on the Appointment and Operations of Third Party Agents by Deposit Taking Microfinance Institutions (DTMs).
- 1.2 Authorisation** - This Guideline is issued under Sections 2 and 48(2A) of the Microfinance Act, which empower the Central Bank of Kenya to issue guidelines to be adhered to by institutions in order to maintain a stable and efficient deposit taking microfinance system.
- 1.3 Application** - This Guideline applies to deposit taking microfinance institutions and their duly appointed agents.

### **1.4 Definitions**

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

“Agent deposit taking microfinance business” for purposes of this Guideline means the provision of deposit taking microfinance services by agents as prescribed in this Guideline.

“Agent outlet” means an agent’s place of business directly responsible to the Head Office, used for carrying out a commercial activity of the agent but does not include a mobile unit.

“Deposit Taking Microfinance institution and DTM” can be used interchangeably and has the meaning assigned to it under the Microfinance Act.

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

“Third party” means an entity other than the institution or the Central Bank.

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

### **1.5 Purpose**

The purpose of this Guideline is:

- i) To prescribe the manner in which third parties may be contracted by an institution to provide deposit taking microfinance business on behalf of the institution;
- ii) To enable DTMs to carry out deposit taking microfinance business through agents as a delivery channel in a cost effective manner;

- iii) To outline activities which can be carried out by an agent and to provide a framework for offering agent deposit taking microfinance services;
- iv) To provide a set of minimum standards of data and network security, customer protection and risk management to be adhered to by DTMs and agents in the conduct of deposit taking microfinance business.

## **I.6 Statement of policy**

This Guideline is intended to:

- i) Increase financial services outreach and to promote financial inclusion to the un-banked and under-banked population without risking the safety and soundness of the financial system; and,
- ii) Enable DTMs to use agents in the provision of financial services so as to reduce the cost of such services.

## **I.7 Scope**

This Guideline provides a clear framework for the conduct of deposit taking microfinance business by agents.

## **I.8 Responsibility**

**I.8.1** The Board of Directors of a DTM shall be responsible for formulating policies, procedures and guidelines which ensure that:

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

**I.8.2** The Board of Directors shall ensure compliance with this Guideline.

# **PART II REGULATION AND APPROVAL PROCESS**

## **2.1 Approval of Agents**

**2.1.1** A DTM may conduct deposit taking microfinance business through an agent.

**2.1.2** Every DTM seeking to conduct deposit taking microfinance business through an agent shall apply and obtain the prior written approval of the Central Bank before commencing the agent deposit taking microfinance business.

**2.1.3** The approval of applications for agents by the Central Bank shall be carried out in two phases as provided for in this Guideline and will include:

- i) Agent network approval, and
- ii) Specific agent approval.

2.1.4 An application for specific agent approval may be submitted to the Central Bank simultaneously with an application for agent network approval in the form and manner specified in this Guideline.

## **2.2 Application for agent network approval**

2.2.1 A DTM intending to engage an agent in deposit taking microfinance business shall prior to such engagement apply to the Central Bank for agent network approval.

2.2.2 The application for agent network approval shall be made only once.

2.2.3 The application for agent network approval shall be in the manner set out in Form I of the First Schedule of this Guideline and shall be accompanied by the supporting documents outlined in Clause 2.3.1 and 2.3.2. The application form may be obtained from the Bank Supervision Department, Central Bank of Kenya or may be accessed from the Central Bank of Kenya website at [www.centralbank.go.ke](http://www.centralbank.go.ke).

2.2.4 The duly completed application form including the information specified in this Part and all supporting documents shall be submitted to the Director, Bank Supervision Department, Central Bank of Kenya, P.O. Box 60000-00200, Nairobi. The application shall be accompanied with a bankers cheque of Kshs. 5,000/= payable to the Central Bank of Kenya, being the application fees.

## **2.3 Information required for agent network approval**

2.3.1 Every applicant seeking to engage an agent shall, on a one off basis, submit the following information to the Central Bank:

- i) The proposed number of agents per County over a three year period;
- ii) The policies and procedures on:
  - a) agent due diligence;
  - b) agent operations including provision of services;
  - c) technology to be used;
  - d) risk management;
  - e) anti-money laundering/ counter financing of terrorism (AML/CFT).
- iii) The proposed services to be provided through agents;
- iv) A copy of the draft standard agency contract detailing amongst other things the items specified in Clause 4.6 of this Guideline provided that where the terms of the draft standard contract are later to be varied by the institution shall submit the proposed variations to the Central Bank for approval;

- v) A risk assessment report of the services to be offered to be performed through the agents including the mitigating measures to be adopted in order to control the risks identified;
- vi) Internal audit report regarding the adaptation of internal controls performed in readiness for establishment of agents.

2.3.2 In addition to the above information, the Applicant shall submit:

- i) The institution's business strategy covering the delivery channel and how agents fit in this strategy;
- ii) A business case for the future operations and development of agents. At a minimum, the business case should contain the following information:
  - a) The geographical and economic service areas of the proposed agents;
  - b) Overview of the market to be served;
  - c) Description of the agent management structure to be used by the institution;
  - d) Financial projections of the proposed agents' business.

## **2.4 Processing of applications for agent network approval**

2.4.1 Upon receipt of the application, the Central Bank of Kenya will appraise it for completeness.

2.4.2 The institution may be requested to submit such additional information as the Central Bank may deem necessary.

## **2.5 Approval of agent network**

2.5.1 Where the Central Bank is satisfied that all application requirements have been met by an institution, the Central Bank may, within thirty days from the date of submission of the complete application, approve the application with or without conditions and communicate its approval to the institution in writing.

2.5.2 Where the Central Bank declines to approve the application or any part thereof, the Central Bank may within thirty days from the date of submission of the complete application communicate its refusal to the institution in writing and shall state the reasons for its refusal.

2.5.3 An Applicant whose application has been declined in accordance with Clause 2.5.2 may resubmit the application upon fulfilment of the conditions communicated by the Central Bank.

## **2.6 Application for approval of specific agents**

2.6.1 Where an institution seeks to appoint specific entities as agents pursuant to the approval granted under Clause 2.5.1, the institution shall apply to the Central Bank for the approval of the specific agents.

2.6.2 The application for specific agent approval shall be accompanied by the following information:

- i) The full 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 twelve months 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 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 or a duly designated senior officer confirming that the institution has carried out the suitability assessment of the proposed agents 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. 1,000/= per agent or agent outlet payable to the Central Bank of Kenya, being the approval fees.

2.6.3 An institution may in one application apply for the approval of several entities as its agents and may make one declaration for all the entities as regards their suitability assessment. Institutions are encouraged to make applications for the approval of agents in bulk.

2.6.4 An institution may however at any time in the course of the year apply for the approval of a specific agent or agents.

2.6.5 The application and agent information shall be set out in Form 2(a) and Form 2(b) of the First Schedule.

## **2.7 Central Bank approval of specific agents**

2.7.1 Upon receipt of the complete application and all information required together with the approval fees, the Central Bank may within thirty days from the date of receipt of the duly completed application either approve or decline the specified agent with or without conditions and shall give reasons in writing to the Applicant in the event of a declined application.

- 2.7.2 Where the Central Bank approves any agent, the Central Bank shall issue an approval letter to the applicant permitting the approved agent to provide, on behalf of the institution, deposit taking microfinance services as specified in the letter.
- 2.7.3 Where the Central Bank declines to approve an application, it may impose conditions to be complied with by the institution before its application can be resubmitted for approval.
- 2.7.4 An application which has been declined by the Central Bank may be resubmitted for consideration once the institution complies with all conditions imposed by the Central Bank for the approval of the application.
- 2.7.5 The Central Bank may approve an application which has previously been declined if the Central Bank is satisfied that the institution has complied with all conditions imposed by the Central Bank for the approval of the application.
- 2.7.6 An agent approval granted by the Central Bank shall, unless earlier revoked, be valid up to 31 December of the year in which it was approved.

## **2.8 Annual renewal of specific agent approval**

- 2.8.1 An institution may by an application to the Central Bank renew the approval of a specific agent.
- 2.8.2 The application shall be in Forms 2(a) and (b) of the First Schedule and shall be accompanied by any changes to the information submitted to the Central Bank under Clause 2.6.2 of this Guideline together with annual renewal fees of Kshs. 1,000/= per agent or agent outlet. Provided that the declaration required under Clause 2.6.2(vi) of this Guideline shall not be necessary for an application under this paragraph to renew a specific agent approval.
- 2.8.3 The annual renewal fees shall be paid within three months before the end of the current financial year.
- 2.8.4 Any institution that fails to pay the annual renewal fees within the prescribed period shall pay double the annual renewal fees if payment is made within ninety days after the end of the financial year.
- 2.8.5 If an institution fails to pay the prescribed fees within ninety days after the end of the financial year, its agent renewal application shall be declined.
- 2.8.6 The financial year for agent deposit taking microfinance business shall be the same as that of the institution.

## **PART III            ASSESSMENT OF AGENTS**

### **3.1 Suitability assessment of an agent**

3.1.1 An institution shall, before seeking the Central Bank's approval of an entity to be contracted as an agent, vet and satisfy itself as to the suitability of the proposed entity and shall establish that:

- i) The entity has an existing well established commercial activity which has been operational for at least twelve months immediately preceding the date of the suitability assessment;
- ii) The entity has not been classified as a deficient, doubtful or non-performing borrower by an institution in the last twelve months preceding the date of signing the contract. That status shall 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 efficiency and security;
- iv) For purposes of carrying out an assessment under this Part, the proposed agent shall complete Form 3 of the First Schedule.

3.1.2 Prior to the appointment as an agent under this Guideline, any entity that seeks to be appointed as an agent by an institution shall furnish the institution with the following information as applicable:

- i) The name of the entity proposed to be an agent.;
- ii) The certificate of incorporation, certificate of registration of the business name of the entity or partnership deed, whichever is applicable;
- iii) A description of the commercial activity the entity has been carrying on for the last twelve months immediately preceding the date of the application;
- iv) Valid business licence or permit for any lawful commercial activity carried on by the entity for at least twelve months prior to the date of the application;
- v) Audited financial statements for corporate entities or certified financial affairs in the case of sole proprietors or partnerships for the last twelve months immediately preceding the date of suitability assessment;
- vi) In the case of a sole proprietor or a partnership, a certificate of good conduct or a letter of recommendation from the local chief, local registered religious leader or a regulated financial institution where the proposed agent holds an account;
- vii) Physical location, GPS co-ordinates, postal address and telephone numbers of the entity and its working hours;
- viii) Evidence of availability of funds to cover agent operations including deposits and withdrawals by customers; and
- ix) Any other information as the institution may request.

3.1.3 The institution shall keep confidential and in safe custody the information provided under this Part and shall produce it as and when required by the Central Bank.

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

3.1.5 Any entity which or whose proprietors, partners, officers or employees furnish an institution with false or inaccurate information under this Part shall be disqualified from conducting agent deposit taking microfinance business.

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

### **3.2 Moral and professional suitability of sole proprietors, partners and officers of a corporate entity**

3.2.1 Prior to engaging an entity as an agent, an institution shall assess the moral, business and professional suitability of the sole proprietor or partners of an entity proposed to be appointed as an agent.

3.2.2 In the case of a corporate entity, the institution shall assess the moral, business and professional suitability of the Chief Executive Officer and the officer in charge of or responsible for agent deposit taking microfinance business operations of the entity.

3.2.3 The persons mentioned in Clauses 3.2.1 and 3.2.2 shall, for the purpose of suitability assessment under this Part, furnish the institution with a duly completed appraisal form being Form 4 of the First Schedule to this Guideline.

3.2.4 An institution may at any time, in addition to the persons to be vetted under this Part, require a director, shareholder, sole proprietor, partner, manager or any other officer or employee of an entity to be vetted in accordance with this Guideline if, in the opinion of the institution, the vetting of that person is necessary for the purposes of agent deposit taking microfinance business or operations. All suitability assessment requirements under this Part shall apply to such person with such modification as the circumstances may, in each particular case require.

3.2.5 In assessing the suitability of a corporate entity, a sole proprietor, a partnership or officers of a corporate entity, the institution shall have regard to inter alia:

- i) Report obtained from a Credit Reference Bureau, where the institution deems it necessary;
- ii) Any criminal record in matters relating to finance, fraud, honesty or integrity;
- 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) Sources of funds;

- vi) The business track record of the entity;
  - vii) Any other matter which negatively or positively impacts on the person.
- 3.2.6 Any entity whose proprietors, partners or officers have been or any individual, who has been vetted by the Central Bank under any other written law, may be exempted from vetting under this Guideline.
- 3.2.7 Reference to “proprietor” or “partner” under this Guideline shall, in respect of other unincorporated entities include reference to persons and their titles as they are known or referred to under those unincorporated entities.

## **PART IV AGENCY CONTRACT AND PERMISSIBLE ACTIVITIES**

### **4.1 Establishment of agency relationship**

- 4.1.1 An institution shall enter into a written contract with an entity for the provision on its behalf of any of the deposit taking microfinance services specified in this Guideline.
- 4.1.2 Any contract entered into between an institution and an agent shall comply with this Guideline and any other law in force.

### **4.2 Agent eligibility**

- 4.2.1 An entity intending to be appointed as an agent shall possess a business licence or permit for a lawful commercial activity for at least twelve months immediately preceding the date of the application to become an agent and such commercial activity must be ongoing.
- 4.2.2 An entity shall not be eligible for appointment as an agent if the carrying out of agent deposit taking microfinance business by the entity shall contravene any written law, the parent statute, memorandum and articles of association or other constitutive document or objects of the entity.
- 4.2.3 The following entities shall be eligible for appointment as agents under this Guideline:
  - i) Limited liability companies;
  - ii) Sole proprietorships;
  - iii) Partnerships;
  - iv) Societies;
  - v) Cooperative societies;
  - vi) State corporations;
  - vii) Trusts;
  - viii) Public entities;
  - ix) Any other entity which the Central Bank may prescribe.

4.2.4 Any entity which, under any applicable law or its constitution, by-laws, memorandum and articles of association or any other constitutive documents, is not allowed to carry on profit-making business shall not engage in agent deposit taking microfinance business.

4.2.5 Any 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 Treatment of an entity and its agent outlets**

4.3.1 Any agent outlet of an entity whose operations or activities are managed, controlled, supervised or is subject to the direction of the Head Office of the entity and has no separate legal existence from that of the Head Office of the entity shall be deemed to be part of the entity for purposes of an application to be appointed as an agent.

4.3.2 Any act or omission of an agent outlet of an entity shall be deemed to be the act or omission of the entity.

4.3.3 An institution which seeks to contract an entity and its outlets as agents shall pay to the Central Bank Kshs. 1,000/= per outlet as agent approval fees.

4.3.4 Where an agent with outlets opens a new outlet, the institution shall, prior to the commencement of agent deposit taking microfinance business in the new outlet, apply for approval by the Central Bank as provided for under this Guideline and shall pay the prescribed agent approval fees of Kshs. 1,000/= per outlet.

4.3.5 An application for the approval of an agent outlet shall be made in Form 2(b) of the First Schedule.

4.3.6 Any approval granted under this clause shall be communicated to the institution by the Central Bank within thirty days from the date of receipt of the complete application.

4.3.7 Annual renewal fees shall be paid per agent outlet as per the Schedule on Fees.

#### **4.4 Permissible activities of an agent**

4.4.1 An agent may provide any of the following deposit taking microfinance services as may be specifically agreed between it and the institution:

- i) Cash deposit and cash withdrawal;
- ii) Cash disbursement and cash repayment of loans;
- iii) Cash payment of bills;
- iv) Cash payment of retirement and social benefits;

- v) Cash payment of salaries;
- vi) Transfer of funds;
- vii) Balance enquiry;
- viii) Generation and issuance of mini account statements;
- ix) Collection of documents in relation to account opening, loan application and debit card application;
- x) Collection of debit cards;
- xi) Agent mobile phone deposit taking microfinance services;
- xii) Collection of the institution's mail/correspondence for customers;
- xiii) Any other activity as the Central Bank may prescribe.

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

4.4.3 All monetary transactions conducted through an agent shall be denominated in Kenya shillings.

4.4.4 Deposit taking microfinance business through agents and agent outlets shall only be carried out in Kenya.

## **4.5 Prohibited activities**

4.5.1 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 deposit taking microfinance 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 deposit taking microfinance business;
- v) Offer any type of guarantee in favour of any institution or customer;
- vi) Offer deposit taking microfinance services on its own accord (provide on its own account deposit taking microfinance services similar to those provided by it under an agency contract);
- vii) Continue with the agency business when it has a proven criminal record involving fraud, dishonesty, integrity or any other financial impropriety;
- viii) Provide, render or hold itself out to be providing or rendering any deposit taking microfinance 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 except as may be permitted by any other written law to which the agent is subject;
- x) Undertake cheque deposit and encashment of cheques;

- xi) Transact in foreign currency;
- xii) Provide cash advances;
- xiii) Subcontract another entity to carry out agent deposit taking microfinance business on its behalf.

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

4.5.3 Anything done by an agent under the authority of any other written law shall not be deemed to have contravened the provisions of this Guideline merely because it is a prohibited activity or is inconsistent with a provision of this Guideline.

#### **4.6 Mandatory provisions to be included in the contract between an institution and an agent**

4.6.1 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 so long as they relate to DTM services or matters connected therewith;
- ii) Specific deposit taking microfinance services to be rendered by the agent;
- iii) The rights, expectations, responsibilities and liabilities of both parties;
- iv) Measures to mitigate risks associated with agent deposit taking microfinance business including, limits, customer transactions, cash management, cash security, security of agent premises and insurance policies;
- v) The Central Bank shall have free, full, unfettered and timely access to the internal systems, documents, reports, records, staff and premises of the agent in so far as the agency deposit taking microfinance business is concerned 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 deposit taking microfinance services, whether from the customers, the institution or from other sources, is the property of the institution;
- ix) Adequate oversight safeguards for the institution to address instances of non-compliance by the agent with the stipulated obligations;
- x) Prohibition from charging the customer any fees;
- xi) Business hours of the agent;
- xii) Suitable limits on cash holding by the agent and also limits on individual customer payments and receipts;
- xiii) Confidentiality of customer and user information;
- xiv) Technical description of electronic devices;
- xv) Differentiation of services offered by one agent for different institutions;
- xvi) Remuneration for the agent;

- xvii) 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 the institution's safe-keeping;
- xviii) A statement to the effect that employees of an agent shall not be treated as employees of the institution and the rights and duties of such shall be agreed upon between the institution and the agent;
- xix) A framework for changing the terms of the contract and stipulations for default and termination of the contract and in particular the circumstances under which an agent can terminate a contract;
- xx) A statement that the Central Bank can at any time terminate the contract in the exercise of its powers under the Microfinance Act, this Guideline or any other law;
- xxi) A transition clause on the rights and obligations of the institution and the agent upon termination or cessation of the agency contract;
- xxii) A requirement for the institution's prior approval to be obtained when an agent is seeking to transfer the agency business.

4.6.2 The institution and the agent may provide for other terms as they may mutually consider necessary for the better carrying out of the agent deposit taking microfinance business.

#### **4.7 Termination of agency contract**

4.7.1 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 deposit taking microfinance business when the agent's principal 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 which, in the opinion of the institution, makes it impossible for the agent to gain its financial soundness within three months from the date of the loss or damage;
- iv) Is being dissolved or wound up through court or otherwise;
- v) In case of a sole proprietor, dies or becomes mentally incapacitated;
- vi) Transfers, relocates or closes its place of agent deposit taking microfinance business without the prior written consent of the institution;
- vii) Fails to hold or renew a valid business licence;
- viii) Violates any provision of this Guideline as may, in the opinion of the institution, warrant termination of the agency relationship.

4.7.2 Termination under Clause 4.7.1 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 deposit taking microfinance business when it is affected by any of the provisions of Clause 4.7.1 of this Guideline.

- 4.7.3 Where an agency contract is terminated, the institution shall cause a notice of the termination to be published within the locality of the premises where the agent was operating or in any other way or manner so as to inform the general public of the cessation of the agency contract.

## **PART V RESPONSIBILITIES**

### **5.1 Key roles & responsibilities of the institution**

- 5.1.1 The institution is wholly responsible and liable for all actions or omissions of its agent and this responsibility shall extend to actions of the agent even if not authorised in the contract so long as they relate to agent deposit taking microfinance business or matters connected therewith.
- 5.1.2 The institution shall be expected to make an explicit, informed and documented decision on the use of agents for the provision of deposit taking microfinance services to its customers.
- 5.1.3 The institution shall maintain an effective system of internal control and oversight of the agent's activities or functions.
- 5.1.4 The institution shall ensure that proper controls are incorporated into its system so that all relevant compliance issues are noted and fully addressed, particularly the identification, assessment, monitoring and reporting on the institution's compliance.
- 5.1.5 The institution shall ensure that it has proper security control policies to safeguard the information, communication and technology systems and data from both internal and external threats.
- 5.1.6 The institution shall also be responsible for assessing the adequacy of controls of outsourced activities by taking appropriate direct or third party audits of the same as mandated under relevant outsourcing agreements.
- 5.1.7 The institution shall incorporate risk-based review of critical agent deposit taking microfinance processes to ensure that the policies, rules, regulations and operational guidelines are followed.
- 5.1.8 The institution shall provide agents with such operation manuals and risk management policy documents as shall be needed to ensure proper provision of services to customers.

### **5.2 Management of agent deposit taking microfinance business**

- 5.2.1 The institution shall be responsible for developing and implementing agent deposit taking microfinance strategy and for establishing an effective management oversight over agent deposit taking microfinance services.

- 5.2.2 Effective management oversight shall encompass the review and approval of key aspects of the institution's security control programs and processes and security control policies and infrastructure.
- 5.2.3 Effective management oversight shall also include a comprehensive process for managing risks associated with reliance on third parties.
- 5.2.4 The institution shall ensure that the scope and coverage of its internal audit function is expanded to be commensurate with the increased complexity and risks inherent in agent deposit taking microfinance activities and that the audit department is appropriately staffed with personnel having sufficient technical expertise to perform the expanded role.
- 5.2.5 It shall be incumbent upon the institution to take steps to ensure that it has updated and modified where necessary, its existing risk management policies and processes to cover its current or planned agent deposit taking microfinance services.
- 5.2.6 The integration of agent deposit taking microfinance applications with the main deposit taking microfinance systems shall require an integrated risk management approach for all deposit taking microfinance activities.
- 5.2.7 The institution shall provide agents with sufficient training to enable the agents adequately perform the operations and provide the services agreed upon, including training relating to the proper identification of customers, customer service, confidentiality of the information, cash security, record keeping and financial education.

### **5.3 Risk Management**

- 5.3.1 Institutions shall 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.
- 5.3.2 Institutions should undertake due assessment of the agent's credit worthiness and set limit structures for agent's various activities commensurate with this assessment.
- 5.3.3 Product programs, procedure manuals and customer limit structures should be devised keeping in mind the implications for operational and liquidity risks for agents.
- 5.3.4 Risks relating to wireless or electronic transactions shall be recognized, addressed and managed by institutions in a prudent manner according to the fundamental characteristics and challenges of electronic transactions
- 5.3.5 Technology risks regarding information and data security in wireless networks shall be properly identified and mitigated.

5.3.6 A business continuity management plan shall be developed to mitigate any significant disruption, discontinuity or gaps in agents' functions.

5.3.7 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.

5.3.8 The institution shall have in place systems and personnel to adequately monitor and control agent deposit taking microfinance operations on an ongoing basis.

#### **5.4 Customer due diligence**

5.4.1 Institutions shall carry out Customer Due Diligence (CDD) to ensure that requirements of Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) are not compromised.

5.4.2 The factors to consider include:

- i) Know Your Customer (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 like IDs, PINs, passwords, ATM card, secret code or secret message, among others per customer per transaction.

#### **5.5 Agent due diligence**

5.5.1 Efficient and thorough Agent Due Diligence (ADD) procedures shall be put in place to mitigate risks.

5.5.2 Institutions shall be responsible for having clear, well documented Agent Due Diligence policies and procedures.

5.5.3 The Agent Due Diligence procedures shall at a minimum 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.

5.5.4 The Agent Due Diligence procedures shall clearly specify the roles and responsibilities of various functions in the institution with regard to agent management.

5.5.5 The minimum agent selection criteria shall be defined.

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

## **5.6 Operational/transactional limits.**

- 5.6.1 Institutions shall establish limits for the provision of services agreed upon with the agents.
- 5.6.2 The limits must be prudent and bear a relation to the volume of cash moved by the agent and the risks associated with the agent's locality for conducting agent deposit taking microfinance business.
- 5.6.3 Institutions shall set limits for each agent and where applicable, for each type of transaction.

## **PART VI AGENT OPERATIONS**

### **6.1 Non-exclusivity**

- 6.1.1 No contract between an institution and an agent shall be exclusive.
- 6.1.2 An agent may provide deposit taking microfinance services to multiple institutions provided that the agent has separate contracts for the provision of such services with each institution and provided further that the agent has the capacity to manage the transactions for different institutions.
- 6.1.3 An institution seeking to contract an agent which has already been contracted by another institution to carry out agent deposit taking microfinance business shall assess the capacity of the agent to manage transactions for different institutions. Due regard shall be taken to the space, technological capacity and adequacy of funds or float of the agent.

### **6.2 Supervision of agents**

- 6.2.1 Institutions shall be responsible for monitoring and supervising the activities of their agents.
- 6.2.2 Institutions should have information on the numbers and volumes of transactions carried out for each type of service by each agent. They should also monitor effective compliance with set limits and establish other prudential measures in each case.

- 6.2.3 Institutions shall implement measures to control operating risks, including having clause(s) in the contract establishing the liabilities of the agent vis-à-vis the institution.
- 6.2.4 Periodic physical visits by the institution's staff or authorised persons shall be necessary to ensure that agents operate strictly within the requirements of the law, guidelines and the contract.
- 6.2.5 Notwithstanding the responsibility imposed on institutions to monitor and supervise their agents, the Central Bank may at any time, exercise its regulatory and supervisory powers under Section 33 of the Microfinance Act and may request for such data or information or carry out such inspection as it deems necessary.

### **6.3 Publication of list of agents and locations**

- 6.3.1 Institutions shall publish an updated list of all their agents in their websites and such other publications as they may deem appropriate. The publications containing the list of their agents shall be disseminated to all their branches and may also be disseminated to their agents.
- 6.3.2 Institutions shall designate particular branches to be responsible for the agents operating in the locality of the respective branches.

### **6.4 Relocation, transfer and closure of agent premises**

- 6.4.1 No agent shall relocate, transfer or close its premises where it undertakes deposit taking microfinance services without the prior written consent of the institution.
- 6.4.2 Notice of intention to relocate, transfer or close the premises where the agent provides deposit taking microfinance services shall be served on the institution at least thirty days or such shorter or longer period as may be agreed upon in the contract.
- 6.4.3 Within seven days prior to relocation or closure of premises, where an agent undertakes DTM services, the institution shall notify the Central Bank and shall forward to the Central Bank the name and other information of the agent seeking to relocate or close its premises. The notification shall be in accordance with Form 5 of the First Schedule.
- 6.4.4 No transfer of agency business shall be effected without the prior approval of the Central Bank.

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

### **7.1 Real time transactions**

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

7.1.2 Institutions shall ensure that agents are able to carry out real time transactions.

### **7.2 Minimum technical requirements for the operating systems of the agent.**

7.2.1 To ensure that agent deposit taking microfinance transactions are carried out with devices which are technically fit, institutions are required to ensure that such 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) Reverse incomplete transactions due to error, system failure, power outage or other defects;
- v) Process or generate durable transactional documents or receipts. Electronic receipts or acknowledgements such as SMS acknowledgement are permissible;
- vi) Automatically log off an agent once the agent exhausts his daily cash limit or tries to perform an illegal or unauthorised transaction;
- vii) Generate an audit trail.

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

### **7.3 Data and Network Security Concerns**

Institutions shall put in place systems that specifically and at a minimum address the following issues:

- i) Physical and logical 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.

## **7.4 Third-Party Service Providers**

7.4.1 An institution may enter into a written contract with a third party service provider for the provision of the following services in respect of its agent deposit taking microfinance services;

- i) Technology platform;
- ii) Agent selection;
- iii) Agent network management;
- iv) Agent training;
- v) Equipment provision;
- vi) Equipment maintenance.

7.4.2 The provision of any of the services specified in Clause 7.4.1 by a third party service provider will not constitute agent deposit taking microfinance services.

7.4.3 Any third party service provider, who, in addition to providing the services specified in Clause 7.4.1, seeks to provide or render agent deposit taking microfinance services as specified in this Guideline, shall fulfil the requirements for agent deposit taking microfinance services and shall enter into an agency contract with the institution for that purpose.

7.4.4 The institution shall remain liable for the agent deposit taking microfinance services even where a third party service provider is contracted to provide the services specified in Clause 7.4.1 of this Guideline.

## **PART VIII Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)**

8.1 Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) requirements;

8.1.1. Institutions shall train their agents on anti-money laundering (AML) and combating of financing of terrorism (CFT) requirements.

8.1.2. Special attention should be paid to threats that may arise from new technologies that may favour anonymity.

8.1.3. Institutions shall ensure that agents:

- i) Identify customers with at least two factor authentication while performing any transaction requiring identification;
- ii) Report to the institution within twenty four hours, all suspicious activities that come to the agent's knowledge;
- iii) Transact agent deposit taking microfinance business strictly as per the transactional limits prescribed by the institution.

- 8.2 In the fulfilment of AML/CFT requirements, institutions shall comply with the requirements of the Proceeds of Crime and Anti-Money Laundering Act, 2009, Microfinance Act and Microfinance Regulations.

## **PART IX CONSUMER PROTECTION**

### **9.1 Consumer protection measures**

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

### **9.2 Minimum requirements**

As a minimum, the following requirements shall be complied with at all times:

- i) Institutions shall establish mechanisms that enable their customers or users to appropriately identify their agents and the services provided through such agents;
- ii) Agents shall issue receipts for all transactions undertaken through them. Institutions shall provide their agents with equipment that generates receipts or acknowledgements for transactions carried out through agents. In this regard, electronic receipts or acknowledgements are permissible;
- iii) Where an agent acts as a receiver and deliverer of documents, an acknowledgement shall be provided for all documents received or delivered by the agent to or from the customer;
- iv) A channel for communication of customer complaints to the institution shall be provided. Institutions may provide a telephone line for lodging complaints by their customers. The customers can also use this telephone line to verify with the institution, the authenticity and identity of the agent, its physical location and the validity of its agent deposit taking microfinance business;
- v) Institutions shall establish a complaints redress mechanism and shall ensure proper communication of this mechanism to their 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 with the institution. Institutions shall keep records of all customer complaints and how such complaints are redressed.

- vii) An agent shall have signs that are clearly visible to the public indicating that it is a provider of services of the institution with which it has an agency contract. The agent shall not however represent to the public that it is an institution;
- viii) In the provision of agent deposit taking microfinance services, institutions shall use secure systems that ensure customer information confidentiality;
- ix) The customer should be made aware of the fact that he is not supposed to carelessly store his PIN and other critical information or share such information with other parties including agents;

### **9.3 Disclosures**

9.3.1 An agent shall disclose to the institution's customers in a conspicuous place on the agent's premises:

- i) The name of the institution it is working for and the institution's logo;
- ii) A list of deposit taking microfinance services offered by the agent;
- iii) A written notice to the effect that if the electronic system is down, no transaction shall be carried out;
- iv) A written 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) The dedicated telephone line through which customers can contact the institution;
- vii) The name, telephone numbers and location of the institution's branch to which the agent reports its agent activities.

9.3.2 On request by a customer, an agent shall show a copy of the approval letter issued by the Central Bank, a copy of the appointment letter from the institution and the current license for the commercial activity being undertaken by the agent. These documents should be readily available in the agent deposit taking microfinance premises.

### **9.4 Branding**

9.4.1 Institutions may choose to brand their agent network service under any brand name. However use of protected words like bank, finance, financial institution, financial intermediary, deposit taking microfinance business or their derivatives or any other word suggesting that the agent is itself an institution is prohibited.

### **9.5 Public Awareness and Sensitization**

Institutions shall carry out sensitization of their agents, customers and about their agent deposit taking microfinance business to the public. This shall be through public awareness

campaigns, brochures and other programmes as the nature of the institution's products may require.

## **PART X        REPORTING REQUIREMENTS AND CENTRAL BANK OVERSIGHT**

### **10.1    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 Fourth, Fifth and Sixth 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.

### **10.2    Reporting**

Every institution shall forward to the Central Bank not later than 31<sup>st</sup> March of each year and in the prescribed Form set out in the Third Schedule, an annual report on its agent deposit taking microfinance operations including the names, number and other information on agent operations for the previous year.

### **10.3    Powers of the Central Bank over agents.**

In addition to any other power conferred on the Central Bank by the Central Bank of Kenya Act, Microfinance Act, Regulations, Guidelines or Guidance notes issued under the said legislations, 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, systems 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 XI REMEDIAL MEASURES AND ADMINISTRATIVE SANCTIONS**

### **11.1 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 for under the Microfinance Act.

### **11.2 Administrative sanctions**

In addition to the use of remedial measures referred to in Clause 11.1, 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 deposit taking microfinance business;
- ii) Prohibition from contracting new agents;
- iii) Revocation of agent approval;
- iv) Termination of agency contract;
- v) Withholding of corporate approvals.

## **PART XII AMENDMENT OF THE GUIDELINE**

12.1 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.

12.2 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**

**Effective date:** The effective date of this Guideline shall be 2<sup>nd</sup> January 2012.

### **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 AGENT NETWORK

(Ref: Clause 2.2.3)

##### PART I: GENERAL INFORMATION

1. Name of institution .....
2. Contact information
  - a) Postal address:.....
  - b) Telephone numbers: .....
  - c) Email address:.....  
.....
  - d) Physical address: - L.R NO ..... Building .....  
Street .....  
Town/City .....  
County:.....

##### PART II: PROPOSED AGENT NETWORK INFORMATION

3. Agent network information

|    | Names of the Counties | Number of agents |
|----|-----------------------|------------------|
| 1. |                       |                  |
| 2. |                       |                  |
| 3. |                       |                  |
| 4. |                       |                  |

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

Name: .....

(Chief Executive Officer or Designated Senior Officer)

Signed: .....

Dated at ..... this ..... day of..... 20.....

***Note: The application must be accompanied by all the relevant documents as detailed in Clauses 2.3.1 and 2.3.2 of the Guidelines together with an. application fee of Ksh. 5,000/= payable by Bankers Cheque to the Central Bank of Kenya.***

**FORM 2(a): APPLICATION FOR APPROVAL OF SPECIFIC AGENTS**

*( Ref: Clause 2.6.5)*

**PART I: GENERAL INFORMATION**

1. Name of institution .....

2. Contact information

a) Postal address:.....

b) Telephone numbers: .....

c) Email address:.....

d) Physical address: - L.R NO ..... Building .....

Street .....

Town/City .....

County:.....

**PART II: AGENT INFORMATION**

3. Complete Form 2(b) and attach to this Form.

4. If there is a variation in the standard contract specific to a particular agent, provide the details in the space below.  
An additional leaf may be used if necessary.

Name: .....

*(Chief Executive Officer or Designated Senior Officer)*

Signed: .....

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

**Note: This application must be accompanied by all the documents detailed in Clause 2.6.2 of the Guideline together with the specific agent approval fee of Kshs. 1000/= per agent or agent outlet payable by Bankers Cheque to the Central Bank of Kenya..**

**FORM 2(b): INFORMATION FOR THE APPROVAL OF SPECIFIC AGENTS AND AGENT OUTLETS**

*(Re: Clauses 2.6.5& 4.3.5)*

**Institution:** .....

**Financial Year:** .....

**Date:** .....

|    | Name of proposed agent / agent outlet | Postal Add. & Email | Tel. No. | Physical / Geographical Location |      |        |                  | Commercial activity | Deposit Taking Microfinance Services | Limits | Estimated Date for Start of Operations | Working Hours | DTM Branch Responsible |
|----|---------------------------------------|---------------------|----------|----------------------------------|------|--------|------------------|---------------------|--------------------------------------|--------|----------------------------------------|---------------|------------------------|
|    |                                       |                     |          | Building and Street              | Town | County | GPS Co-ordinates |                     |                                      |        |                                        |               |                        |
| 1. |                                       |                     |          |                                  |      |        |                  |                     |                                      |        |                                        |               |                        |
| 2. |                                       |                     |          |                                  |      |        |                  |                     |                                      |        |                                        |               |                        |
| 3. |                                       |                     |          |                                  |      |        |                  |                     |                                      |        |                                        |               |                        |
| 4. |                                       |                     |          |                                  |      |        |                  |                     |                                      |        |                                        |               |                        |
| 5. |                                       |                     |          |                                  |      |        |                  |                     |                                      |        |                                        |               |                        |

Name: .....

*(Chief Executive Officer or Designated Senior Officer)*

Signed: .....

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

**FORM 3: AGENT APPRAISAL FORM***{Ref: Clause 3.1.1(iv)}*

1. Name of proposed Agent .....

2. Type of Business/ Commercial Activity (state the type of business activity being carried out by the entity)

.....

3. Number of years the entity 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 .....

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 my/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.....

**WITNESSED BEFORE ME:**

**SIGNED..... (Witness)**

**COMMISSIONER FOR OATHS/ MAGISTRATE**

**Note: This application must be accompanied by all the relevant documents and information here below, as detailed in Clause 3.1.2 of the Guideline.**

11. Provide the following supporting documentation:

- a. Copy of Certificate of Incorporation, Certificate of Registration of business name, or partnership deed whichever is applicable;
  - b. A brief description of commercial activity for the last twelve months;
  - c. Copy of Valid Business Licence or permit for the last twelve months;
  - d. In the case of a sole proprietor or a partnership, a certificate of good conduct or a letter of recommendation from the local chief, local registered religious leader or personal banker;
  - e. Certified copies of audited financial statements for corporate entities or financial affairs in the case of sole proprietors or partnerships for the last twelve months immediately preceding the date of suitability assessment;
  - f. Evidence of availability of funds to cover agent deposit taking microfinance operations.
- Any other information the institution may require.

**FORM 4: AGENT APPRAISAL FORM FOR SOLE PROPRIETOR, PARTNER OR OFFICER OF CORPORATE ENTITY {Ref: Clause 3.2.3}**

**GENERAL INFORMATION**

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

**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 (PIN) .....
9. Postal address, code and telephone number(s).....
10. Physical address .....
11. Relationship with the entity.....
12. Educational Qualifications and Occupation .....
13. Business/ Work Experience .....
14. Name of Banker(s).....

15. Borrowings, if any.

| Name of borrower | Name of lending institution | Type of loan | Date of loan disbursement | Amount of loan | Current Outstanding balance | Performance Status (performing or non-performing) | Other Remarks |
|------------------|-----------------------------|--------------|---------------------------|----------------|-----------------------------|---------------------------------------------------|---------------|
|                  |                             |              |                           |                |                             |                                                   |               |

16. Are the funds to be used for agency business obtained from money laundering activities or any other criminal act?

Yes/No .....

Sources of funds.....

**ADDITIONAL INFORMATION**

17. 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

.....

18. 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.....

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

.....

If so, give particulars.....

20. 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. They should hail from or reside in the same locality as yourself.

- i). .....
- ii). .....

## 21. 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 deposit taking microfinance business 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 institution or supervisory authority should be aware. I also undertake to make known any changes material to the application which may arise while the application is under consideration.

Name: .....

Title/ Designation in the Entity:.....

Signed: .....

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

### WITNESSED BEFORE ME:

SIGNED..... (Witness)

### COMMISSIONER FOR OATHS/ MAGISTRATE

**Note: 1. This application must be accompanied by all the relevant documents and requirements here below:**

- a. Certificate of good conduct or a letter of recommendation from the local chief, local registered religious leader or personal banker; Report obtained from a Credit Reference Bureau, where the institution deems it necessary;
- b. Curriculum vitae detailing educational qualifications, business and work experience;
- c. Copy of IDs or equivalent;
- d. Two passport size photos.
- e. Any other information the institution may request.

**2. This Form may also be filled by any other person whom an institution seeks to vet in terms of Clause 3.2.4 of the Guideline.**

**FORM 5: NOTIFICATION ON RELOCATION OR CLOSURE OF AGENT PREMISES**

*{Ref: Clause 6.4.3}*

**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 .....  
Town/ City/ County .....
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 .....  
Town/ City/ County .....
  - c) GPS coordinates .....
  - d) Services currently offered by the agent (s) .....
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 .....  
 Town/ City/ County .....
  - c) GPS coordinates .....
8. Is/Are the premise(s) suitable? Explain.....
9. Deposit taking microfinance 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 .....  
 Town/ City/ County.....
  - c) GPS coordinates .....
  - d) Services currently offered by the agent(s).....
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 or Designated Senior Officer)*

Signed: .....

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

### **SCHEDULE OF FEES**

*{Ref: Clauses 2.2.4, 2.6.2(vii), 2.8.2 & 4.3.3}*

| <b>NO.</b> | <b>NATURE OF APPLICATION</b>              | <b>FEES</b>                          |
|------------|-------------------------------------------|--------------------------------------|
| 1.         | Agent Network Approval                    | Kshs. 5,000/= per application        |
| 2.         | Specific Agent Approval                   | Kshs. 1000/= per agent/ agent outlet |
| 3.         | Annual renewal of specific agent approval | Kshs. 1000/= per agent/ agent outlet |

**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).

Or

THAT I am a Senior Officer in charge of ----- of ----- *(insert the name of the institution)* (hereinafter referred to as the institution) and duly authorized to make this declaration on its behalf.

3. THAT I am the holder of ----- *(insert National Registration Card/Identification documentation details)*.
4. THAT the institution seeks to contract the following entity(ies) as per the attached list as an agent(s) for the provision of deposit taking microfinance services on behalf of the institution in accordance with the provisions of the Microfinance Act and the Guideline on the Appointment and Operations of Third Party Agents by Deposit Taking Microfinance institutions.
5. THAT the institution has carried out a suitability assessment of the entity(ies) and confirms that the entity(ies) is/are credible and have met all requirements of the Guideline on the Appointment and Operations of Third Party Agents by Deposit Taking Microfinance Institutions and will be able to satisfactorily provide agent deposit taking microfinance services on behalf of the institution.
6. THAT the institution has also carried out a thorough suitability assessment of all persons who, under the Guideline, 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 10.2*}

**NUMBER OF AGENTS AND AGENT OUTLETS OPERATING IN THE PREVIOUS YEAR (annual)**

**Institution:** .....

**Financial Year:** .....

**Start Date:** .....

**End Date:** .....

|    | Name of agent/<br>agent outlet | Postal and physical address<br>including GPS co-ordinates | Date opened | Commercial activity | Services offered by the<br>agent/ agent outlet |
|----|--------------------------------|-----------------------------------------------------------|-------------|---------------------|------------------------------------------------|
| 1. |                                |                                                           |             |                     |                                                |
| 2. |                                |                                                           |             |                     |                                                |
| 3. |                                |                                                           |             |                     |                                                |
| 4. |                                |                                                           |             |                     |                                                |
| 5. |                                |                                                           |             |                     |                                                |

## FOURTH SCHEDULE

### NATURE, NUMBER, VALUE AND GEOGRAPHICAL DISTRIBUTION OF TRANSACTIONS (Monthly) {Clause 10.1}

**Institution:** .....

**Financial Year:** .....

**Reporting Period:** .....

| County          | Number of Transactions |   |   |   |   |   |   |   |   |    |    |    |    |    |    | Value of Transactions (Kshs.) |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
|-----------------|------------------------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|-------------------------------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|
|                 | 1                      | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 1                             | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Baringo         |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Bomet           |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Bungoma         |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Busia           |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Elgeyo/Marakwet |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Embu            |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Garissa         |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Homa Bay        |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Isiolo          |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Kajiado         |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Kakamega        |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Kericho         |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Kiambu          |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Kilifi          |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Kirinyaga       |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Kisii           |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Kisumu          |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Kitui           |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Kwale           |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |

| County        | Number of Transactions |   |   |   |   |   |   |   |   |    |    |    |    |    |    | Value of Transactions (Kshs.) |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
|---------------|------------------------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|-------------------------------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|
|               | 1                      | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 1                             | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Laikipia      |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Lamu          |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Machakos      |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Makueni       |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Mandera       |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Marsabit      |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Meru          |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Migori        |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Mombasa       |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Murang’a      |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Nairobi City  |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Nakuru        |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Nandi         |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Narok         |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Nyamira       |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Nyandarua     |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Nyeri         |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Samburu       |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Siaya         |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Taita/ Taveta |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Tana River    |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Tharaka-Nithi |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Trans Nzoia   |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Turkana       |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Uasin Gishu   |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |

| County     | Number of Transactions |   |   |   |   |   |   |   |   |    |    |    |    |    |    | Value of Transactions (Kshs.) |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
|------------|------------------------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|-------------------------------|---|---|---|---|---|---|---|---|----|----|----|----|----|----|
|            | 1                      | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 1                             | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Vihiga     |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| Wajir      |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |
| West Pokot |                        |   |   |   |   |   |   |   |   |    |    |    |    |    |    |                               |   |   |   |   |   |   |   |   |    |    |    |    |    |    |

### **KEY: TRANSACTION CODES**

- 1- Cash Deposits
- 2- Cash Withdrawals
- 3- Cash Disbursement of Loans
- 4- Cash Repayment of Loans
- 5- Payment of Bills
- 6- Payment of Retirement and Social Benefits
- 7- Payment of Salaries
- 8- Transfer of Funds
- 9- Account balance enquiries
- 10- Mini statement requests
- 11- Collection of loan applications forms
- 12- Collection of account opening application forms
- 13- Collection of debit card application forms
- 14- Collection of debit cards
- 15- Other (Specify)

**FIFTH SCHEDULE**{*Clause 10.1*}**INCIDENTS OF FRAUD, THEFT OR ROBBERY (Monthly)****Institution:** .....**Financial Year:** .....**Reporting Period:** .....

|    | Nature of fraud,<br>theft or robbery<br>(including attempts) | Name of agent/<br>agent outlet<br>affected | Physical location<br>of agent/ agent<br>outlet affected | No. of incidents | Amount involved<br>(Kshs.) | Date(s) of<br>occurrence | Steps taken by the<br>institution |
|----|--------------------------------------------------------------|--------------------------------------------|---------------------------------------------------------|------------------|----------------------------|--------------------------|-----------------------------------|
| 1. |                                                              |                                            |                                                         |                  |                            |                          |                                   |
| 2. |                                                              |                                            |                                                         |                  |                            |                          |                                   |
| 3. |                                                              |                                            |                                                         |                  |                            |                          |                                   |
| 4. |                                                              |                                            |                                                         |                  |                            |                          |                                   |
| 5. |                                                              |                                            |                                                         |                  |                            |                          |                                   |

**SIXTH SCHEDULE***{Clause 10.1}***CUSTOMER COMPLAINTS AND REMEDIAL ACTIONS (Monthly)****Institution:** .....**Financial Year:** .....**Reporting Period:** .....

|    | <b>Nature of complaint</b> | <b>Complainant<br/>(Name, Contact<br/>information)</b> | <b>Name of agent/<br/>agent outlet<br/>complained<br/>against</b> | <b>Physical<br/>location of the<br/>agent/ agent<br/>outlet</b> | <b>Date of<br/>Occurrence</b> | <b>Remedial action taken by the<br/>institution</b> |
|----|----------------------------|--------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------|-----------------------------------------------------|
| 1. |                            |                                                        |                                                                   |                                                                 |                               |                                                     |
| 2. |                            |                                                        |                                                                   |                                                                 |                               |                                                     |
| 3. |                            |                                                        |                                                                   |                                                                 |                               |                                                     |
| 4. |                            |                                                        |                                                                   |                                                                 |                               |                                                     |
| 5. |                            |                                                        |                                                                   |                                                                 |                               |                                                     |