

Attachment 1: FAQs for Policy Document on Agent Banking

Question/Suggestion	Answer
PARAGRAPH 5: RELATED POLICY DOCUMENTS	
<p>1. Is agent banking governed by the Policy Document on Introduction of New Products?</p>	<p>No, agent banking is not governed under the Policy Document on Introduction of New Products.</p>
<p>2. Are financial institutions required to comply with other policy documents, guidelines or circulars?</p>	<p>Yes, the policy document on Agent Banking (the Policy Document) must be read together with other relevant policy documents, guidelines or circulars that have been issued by the Bank, including but not limited to, the following:</p> <ul style="list-style-type: none"> i. Risk Governance; ii. Guidelines on Management of IT Environment (GPIS 1); iii. Guidelines on Data Management and MIS Framework / Guidelines Data Management and MIS Framework for Development Financial Institutions; iv. Guidelines on Business Continuity Management (Revised); v. Credit Card / Credit Card-i; vi. Debit Card / Debit Card-i; vii. Guidelines on the Provision of Electronic Banking (e-banking) Services by Financial Institutions; viii. Guideline on Electronic Money (E-Money); ix. Guidelines on Basic Banking Services / Guidelines on Basic Banking Services for Islamic Banking Institutions / Guidelines on Basic Banking Services for Development Financial Institutions; x. Guidelines on Imposition of Fees and Charges on Financial Products and Services; xi. Guidelines on Product Transparency and Disclosure; xii. Complaints Handling; xiii. Disclosure of Customer Documents or Information / Disclosure of Customer Documents or Information by Development Financial Institutions; xiv. Guidelines on Outsourcing of Banking Operations / Guidelines on Outsourcing of Islamic Banking Operations / Guidelines on Outsourcing for Development Financial Institutions; xv. Operational Risk Reporting Requirement - Operational Risk Integrated Online Network (ORION); and xvi. Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) - Banking and Deposit-Taking Institutions (Sector 1).

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Question/Suggestion	Answer
<p>3. In event of inconsistency between the Policy Document on Agent Banking and other policy documents, guidelines or circulars, which takes precedence?</p>	<p>The Policy Document on Agent Banking takes precedence.</p> <p>Nevertheless, financial institutions are encouraged to highlight specific clauses of such nature to Bank Negara Malaysia (the Bank) if in doubt.</p>
<p>PARAGRAPH 8: AGENT BANKING SERVICES</p>	
<p>4. What are the services that can be carried out by the agents appointed under the Policy Document?</p>	<p>Agents of financial institutions appointed under the Policy Document (appointed agents) must at a minimum provide the services of accepting deposits and facilitating withdrawal of funds by customers.</p> <p>Financial institutions are encouraged to provide additional banking services through appointed agents as stated under paragraph 8.4(iii) to 8.4(vi) of the Policy Document. Although appointed agents may provide the service of facilitating opening of saving accounts for Malaysian citizens on behalf of financial institutions, the decision to approve customer's application for the opening of saving accounts and issuance of Automated Teller Machine (ATM)/debit cards must be performed by financial institutions.</p>
<p>5. Are financial institutions allowed to appoint agents to conduct loan/financing repayments only or services other than explicitly stated under paragraph 8.4 only? Will appointment of these agents be governed by the Policy Document?</p>	<p>Only financial institutions with agents that provide the services of at least accepting deposits and facilitating withdrawal of funds are governed by this Policy Document.</p> <p>Financial institutions with agents not meeting these criteria or providing services other than stipulated by this Policy Document are subjected to other applicable policy documents, guidelines or circulars that have been issued by the Bank (E.g.: Guidelines on Outsourcing of Banking Operations).</p>
<p>6. Agent banking are limited to underserved areas only. Can agent banking be conducted in other areas? What is the source of the list of underserved areas</p>	<p>Financial institutions can only appoint agents in underserved areas as the objective of the Policy Document is to enhance safe and convenience accessibility and usage of banking services in the underserved areas.</p> <p>Underserved areas (as listed in Appendix 1¹ of the Policy Document) are identified based on mukims with population of</p>

¹ Based on the mapping exercise conducted by the Bank on existing banking access points as at end March 2015 to mukims with >2,000 population (as identified by Department of Statistics, Malaysia in 2010) and DUNs in Sabah (as per the latest classified by Suruhanjaya Pilihanraya Malaysia in 2003). The list will be reviewed and updated in 2020.

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<p>provided in the Policy Document?</p>	<p>more than 2,000 or in the case of Sabah, Dewan Undangan Negeri (DUNs), which have no more than five access points.</p> <p>From the total of 470 mukims/DUNs listed in Appendix 1, there are 33 mukims with no access to banking services (unserved areas). Financial institutions are encouraged to appoint agents in these mukims:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #cccccc;">State</th> <th style="background-color: #cccccc;">District</th> <th style="background-color: #cccccc;">No</th> <th style="background-color: #cccccc;">Mukim</th> </tr> </thead> <tbody> <tr> <td rowspan="5" style="text-align: center; vertical-align: middle;">JOHOR</td> <td>BATU PAHAT</td> <td style="text-align: center;">1</td> <td>CHAAH BAHRU</td> </tr> <tr> <td>KLUANG</td> <td style="text-align: center;">2</td> <td>MACHAP</td> </tr> <tr> <td>LEDANG</td> <td style="text-align: center;">3</td> <td>KUNDANG</td> </tr> <tr> <td rowspan="2">MERSING</td> <td></td> <td style="text-align: center;">4</td> <td>TENGLU</td> </tr> <tr> <td></td> <td style="text-align: center;">5</td> <td>TRIANG</td> </tr> <tr> <td></td> <td>PONTIAN</td> <td style="text-align: center;">6</td> <td>AIR MASIN</td> </tr> <tr> <td rowspan="4" style="text-align: center; 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<p>7. Are financial institutions allowed to appoint/relocate agents in mukim/DUN in Sabah which currently have</p>	<p>Total number of access points in a mukim/DUN may increase over time but the list of underserved areas is specified clearly under Appendix 1 of the Policy Document which will be effective for a period of five years (2015-2020). Thus, during these five-year periods, financial institutions are allowed to</p>																																																																																																																	

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<p>more than five access points in total (bank branches, mobile units, bank agents)?</p>	<p>appoint/relocate agents in any of the mukims/DUNs as listed in Appendix 1.</p>
<p>8. Real-time processing is too costly. Can an alternative system or mechanism which is equally efficient be used to replace real-time processing? In the case of contingency, is it allowed to facilitate banking transaction on an offline mode?</p>	<p>All transactions must be conducted via on-line real-time system to ensure effective verification of transactions in an efficient manner to protect the interest of the customers. Banking transactions cannot be conducted on an offline mode even in cases of contingencies.</p>
<p>9. Is there a deposit/withdrawal limit at agents?</p>	<p>Financial institutions are required to establish appropriate deposit limits for their agents as required in Section 8.8 of the Policy Document.</p> <p>However, the withdrawal limit at agents shall not exceed the following thresholds:</p> <ul style="list-style-type: none"> • Aggregate of RM1,000 per customer account per day at independent sole proprietor agents²; and • Aggregate of RM5,000 per customer account per day at agents other than sole proprietor agents³. <p>In the case of savings accounts which are opened at agent but pending completion of 'Know Your Customer' (KYC) are subjected to lower withdrawal limits of not exceeding RM500 per day and aggregate of RM3,000 per month.</p>
<p>10. What is the type of account allowed to be opened at agent?</p>	<p>Only personal savings account with the following features and services is allowed:</p> <ul style="list-style-type: none"> • Minimum initial deposit of not exceeding RM20. • 'Know Your Customer' is required to be completed within 2 months. Otherwise, access to the saving account by account holder shall be blocked automatically by the financial institution. • Pending completion of 'Know Your Customer', the account shall be valid up to two months during which it is subjected to the following limitations:

² Examples are stand-alone convenience and grocery stores, bookstores, telecommunication agents, restaurants, and stationery shops

³ Examples are Pos Malaysia outlets, petrol stations and co-operatives

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	<ul style="list-style-type: none"> - Accessible through agent banking channel only; - Inter-bank fund transfers are not allowed; - For recipient of Government to Person (G2P) payments, including Bantuan Rakyat 1 Malaysia 4.0 (BR1M), funds are allowed to be transferred into the account; - An individual is only allowed to open one new savings account with a financial institution through an agent; and - Withdrawal limits of not exceeding RM500 per day and aggregate of RM3,000 per month.
<p>11. Can agents provide services at booths or during campaigns/ fairs, as long as requirements are met?</p>	<p>No, all transactions must be conducted within the business premise of the appointed agent to protect the interest of the customers, and customers must be informed clearly of this requirement. This is to curb fraudulent activities.</p>
<p>12. Is exclusivity permitted for agents?</p>	<p>Exclusivity is allowed based on mutual agreement of both the agent and the financial institution. Financial institutions are encouraged to use systems that allow open access (e.g. connected with MEPS platform or any other platforms) or leverage on other financial institutions' system/infrastructure subject to terms and conditions agreed by both financial institutions (e.g. responsibilities, accountabilities, liabilities, charges).</p>
<p>13. Can financial institutions propose for no interest on a deposit account?</p>	<p>For existing customers of financial institutions, current structure of interest payable to customers applies. Financial institutions are encouraged to promote basic savings accounts as per the Guidelines on Basic Banking Services / Guidelines on Basic Banking Services for Islamic Banking Institutions / Guidelines on Basic Banking Services for Development Financial Institutions in underserved areas via agents.</p>
PARAGRAPH 9: AGENT BANKING OVERSIGHT & GOVERNANCE	
<p>14. Can an independent party conduct the review instead of Internal Audit? What is the frequency of the review?</p>	<p>The review must be conducted by financial institutions' Internal Audit. Outsourcing the review to an independent party is not allowed as per Guidelines on Outsourcing of Banking Operations. Financial institutions must submit a review on agent banking six months after implementation. Frequency of subsequent reviews shall be determined by financial institutions.</p>

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<p>15. Can Board-level committees (e.g. Risk Management Committee of the Board) be defined as the Board?</p>	<p>Yes, Board-level or Board-delegated committees can be defined as the Board. Consistent with other practices, the accountability on any agent banking issues still lies with the Board of Directors.</p>
<p>PARAGRAPH 10: AGENT MANAGEMENT</p>	
<p>16. Agent selection - What are the type of agents that can be appointed by financial institutions? Are NGOs allowed to be agents?</p>	<p>Financial institutions can appoint any agent that meets financial institutions' own internal selection criteria as the financial institutions are ultimately accountable for any misconduct of its agents. Financial institutions' selection process and criteria for agents must at the minimum meet the criteria listed in paragraph 10.1.2 of the Policy Document, and may include the minimum establishment tenure of an agent.</p> <p>As per paragraph 10.1.2 of the Policy Document, financial institutions must select agents that have a business licence, permanent business premise and established core business.</p>
<p>17. How many agents are allowed per financial institution?</p>	<p>There is no limit to the number of agents that financial institutions can appoint, provided that all agents are in the unserved and underserved mukims/DUNs identified under Appendix 1 of the Policy Document. Financial institutions must prove that adequate supervision and monitoring of the agents are in place upon application to the Bank.</p>
<p>18. Can agents be allowed to conduct complex transactions to widen the range of services that could be enjoyed by customers? Can a tiering of agent mechanism be introduced for this purpose?</p>	<p>Yes. The selection of the type of agents and services are the responsibility of the financial institutions, subject to the minimum criteria stipulated in the Policy Document. Financial institutions need to establish their own internal selection criteria for agents which may include a tiering mechanism of agents in relation to services that can be provided.</p>
<p>19. Are agents required to possess a licence by the Bank? If yes, what is the fee amount?</p>	<p>No, agents are not required to obtain licence from the Bank. It is the responsibility of financial institutions to authorise the appointment of agents via an agency agreement and ensure the agents appointed are capable to render the services.</p>
<p>20. What are the operational and security requirements for agents? (e.g. paid-up</p>	<p>It is the responsibility of financial institutions to establish own operational and security requirements for agents, including establishing internal paid-up capital and physical</p>

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<p>capital, physical security requirements, cash holding limit)</p>	<p>security requirements, and agent cash holding limit. In other countries, financial institutions have a mechanism to supply liquidity to the agents, which include frequency of trips to banks and security measures (e.g. insurance cover) for such trips.</p>
<p>21. What is the minimum business hours of agents?</p>	<p>There is no minimum business hours of agents imposed by the Bank. It is up to the financial institutions to determine the appropriate business hours of agents. Typically, in other countries, business hours of agents are longer than that of financial institutions which provide convenience to the customers to conduct banking transactions after office hours.</p>
<p>22. Can financial institutions sign a contract with the master agent only (for large chain network agents)? Are financial institutions allowed to enter into strategic collaboration with a company that is a technology provider, who has a contractual relationship with the agent? How about agent banking outlet owned and managed by individual business owner, but supervised by franchise owner?</p>	<p>In order to ensure compliance with the requirement in paragraph 10.2.4(i) of the Policy Document, financial institutions are required to:</p> <ul style="list-style-type: none"> • Sign individual agreements with all individual business owner (e.g. Petronas station dealers) which are supervised by master agent (e.g. franchise owner, Petronas Dagangan Berhad); or • Have a contractual relationship with a technology provider. <p>Branches or staffs of a master agent (e.g. Pos Malaysia outlets) are exempted from this requirement if the master agent (e.g. Pos Malaysia Berhad) has signed an agreement with the financial institution.</p> <p>In any case, financial institutions will be held liable and accountable for any misconduct of its agents. Hence, financial institutions must ensure that all agents and master agents are aware of their accountabilities, responsibilities and terms of termination and are well informed on the dispute resolution mechanism.</p>
<p>23. Who sets the commission rate, the Bank or financial institutions? Can the agent commission be fixed across all agents of all financial institutions?</p>	<p>The commission rate for agents is set by financial institutions, and not by the Bank. The Bank has no objection if financial institutions wish to establish a fixed commission rate for all agents. In other countries, financial institutions adopt commission structure that is tiered based on type of services provided by the agents. Higher commission are paid to agents for transactions which generate higher revenue to the financial institutions.</p>

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<p>24. Can transaction vouchers be kept at agent's premises for a specific period of time until sent to respective financial institution's storage location? Or is the image capturing of transaction vouchers and supporting documents is considered sufficient?</p>	<p>Documents are required to be kept for a period of 6 years from the date an account has been closed or the transaction has been completed or terminated consistent with the requirements of Section 17 of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (Act 613). The transaction vouchers must be sent to the FIs ultimately for storage and retention. There has been some concerns expressed by the Law Enforcement agencies and the Prosecutors on the usage of the image of documents as evidence which may not be permissible as evidence in court. Thus, the best practice is for financial institutions to keep and retain the original documents of transactions and establish an appropriate mechanism to collect the transaction vouchers at agents.</p>
<p>25. What is an example of a 3-level verification mechanism by agents?</p>	<p>An accepted 3-level verification mechanism by agents for cash withdrawals is a chip-based card (What you have), a PIN/password authenticated by the host (What you know), and manual identity card verification. Any other mechanisms proposed by financial institutions could be considered if effective. Financial institutions are encouraged to use biometric as a means for strong verification of customers (Who you are).</p>
<p>26. Can agents be properly certified/licensed, self-regulated and made responsible for their own conduct, akin to insurance agents? Can standard terms of termination of agents be adopted by all financial institutions? Licensed agents should display a standard 'Agent Charter' at their premises.</p>	<p>The Bank has no objection if the industry wishes to establish and implement a self-regulating mechanism for banking agents, similar to insurance agents, or develop a standard 'Agent Charter' or termination terms. A standard 'Agent Charter' or termination terms can only be adopted by all agents if all financial institutions agree to a certain level of service delivery expected from agents. In any case, financial institutions will still be held accountable for any misconduct of its agents, and is responsible to compensate customers in the event any dispute occurs.</p>
<p>PARAGRAPH 11: CUSTOMER PROTECTION, AWARENESS & EDUCATION</p>	
<p>27. Can the financial institutions promote and append a standardised "Do's and Don'ts" on agent banking at agent's premises?</p>	<p>The suggested minimum content of the "Do's and Don'ts" on agent banking is as per Appendix I of this document. Financial institutions are free to customise or add on where necessary.</p>

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PARAGRAPH 12: INFRASTRUCTURE & SYSTEMS REQUIREMENT	
<p>28. Can Bank Negara Malaysia consider providing a grace period prior to the effective date of the Policy Document to ensure smooth implementation at financial institutions' end?</p>	<p>Financial institutions' infrastructure and systems for agent banking is expected to be ready prior to submission of application to Bank Negara Malaysia for approval. Financial institutions have to swiftly address any issue on agent banking that may arise and closely monitor and supervise all operational aspects of agent banking especially in the first 6 months of implementation. The Bank will require a comprehensive assessment report by the financial institution's Internal Audit after six months of the implementation of agent banking.</p>
<p>29. Does end-to-end encryption include agents' Personal Computer (PC), printer etc?</p>	<p>End-to-end encryption is an uninterrupted protection of the confidentiality and integrity of transmitted data by encoding it at its starting point or point of entry of transaction via mobile devices such as mobile phone, Payment Acceptance Devices (PAD), Personal Computer (PC), etc and decoding it at its destination i.e. back office host system. Encryption does not include agents' printers.</p>
<p>30. Can reversal of transactions be manually done by the agent/ teller?</p>	<p>No, the agent banking application must have auto reversal features.</p>
PARAGRAPH 14: REPORTING REQUIREMENTS	
<p>31. What is the submission date of the reports? To whom do financial institutions submit this report to? Is there a dedicated email or personnel?</p>	<p>Financial institutions are required to submit the monthly reports to the Bank as per the following deadlines:</p> <ul style="list-style-type: none"> • Appendix 3 (Transaction Statistics) and Appendix 4 (Agent Details) to be submitted no later than one month from the reporting month (E.g. Report of month April 2015 must be submitted no later than 1 May 2015). • Appendix 5 (Agents Against Whom Police Reports Have Been Lodged by Financial Institutions) to be submitted no later than two weeks from the reporting month (E.g. Report of month April 2015 must be submitted no later than 14 May 2015). <p>Contact details (name, email and telephone no) of the personnel at the Bank for the submission of the monthly reports will be provided in the approval letter.</p>

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APPENDIX 1

Do's	Don'ts
Conduct own transaction	Pass ATM card, share Personal Identification Number (PIN) and disclose account balance to others, including agents
Transact at agent business premise only. Agent's business premise must have financial institution's signage and possess authorised agent certificate	Transact with agents outside agent's business premise
	Share account details or allow third party to misuse your account for illegal transactions
Insist for receipt that is generated from the machine only	Accept the receipt issued manually by agents
Check "customer copy" receipt to ensure receipt amount matches actual transaction conducted before leaving the premise of agent	Allow agent to keep "customer copy" receipt
Keep the transaction receipt (customer copy) as proof of transaction even when transaction appears to have failed before leaving the premise of agent	Undertake transaction when system is down and machine unable to generate receipts
Notify financial institution for any misconduct of agents e.g.: <ul style="list-style-type: none"> • agent charged fees directly to customers • agent imposed unnecessary conditions before conducting transaction (e.g. force purchase, breaking transactions into smaller amount) 	Pay any fees or charges directly to agent
Conduct transaction with authorised agents only <i>(Contact financial institution to verify)</i>	Conduct transaction with unauthorised agents
Call financial institutions directly for enquiries or complaints on agents and transactions (e.g. receipt states successful transaction but does not correspond to bank account)	Delay in notifying financial institution for any dispute on the transaction