



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Agent Banking Exposure Draft

Applicable to:

1. Licensed banks
2. Licensed Islamic banks
3. Prescribed development financial institutions

As part of the objective to further enhance the roles and effectiveness of agent banking channel, Bank Negara Malaysia (the Bank) is reviewing the regulatory policy on agent banking. This exposure draft sets out the proposed revision of the agent banking regulatory framework to better serve the needs of all segments of society to achieve the Bank's financial inclusion objectives. The proposals in this exposure draft aim to:

- (i) Enhance the role and effectiveness of agent banks in complementing the current financial accessibility landscape, in the transition towards digitalisation of financial services;
- (ii) Ensure sustainability of agent banking services; and
- (iii) Encourage use of financial services, especially by the rural and underserved segments.

The Bank invites written feedback on the proposals in this exposure draft, including suggestions on areas to be clarified and alternative proposals that the Bank should consider. The written feedback should be supported with clear rationale, accompanying evidence or appropriate illustrations to facilitate an effective review of this exposure draft.

Responses must be submitted by **31 August 2021** to:

Pengarah,
Jabatan Kewangan Pembangunan dan Rangkuman Kewangan
Bank Negara Malaysia
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Electronic submission is encouraged. Submissions received may be made public unless confidentiality is specifically requested for the whole or part of the submission.

In the course of preparing your feedback, you may direct any query to the following officers at 03-26988044 or via email -

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PART A OVERVIEW

1 Introduction

- 1.1** To promote a more inclusive financial sector, Bank Negara Malaysia (the Bank) is introducing a revised regulatory framework for agent banking. In view of agent banking's continuous role as an important financial services delivery channel, the policy revisions in this policy document aim to enhance convenient accessibility and outreach of quality, affordable basic financial services, and to increase usage of financial products for all members of society, including the unserved and underserved segments. Agent banking also facilitates the transition towards digitalisation through the use of digital financial services to benefit the communities.
- 1.2** The agent banking initiative thus far has enabled financial institutions to reach out to the unserved and underserved segments of the population, particularly to those in rural areas, in a more cost-efficient manner. However, delivery via this channel, if not appropriately managed, can potentially increase the risk profile of financial institutions as a result of dependency on third parties, and thus may be disadvantageous to consumers. Financial institutions, therefore, must effectively manage the risks associated with agent banking through the adoption of sound and prudent risk management practices.
- 1.3** This policy document aims to facilitate the implementation of agent banking in a reliable, safe and sustainable manner whilst safeguarding the interest of consumers.
- 1.4** This policy document outlines the minimum requirements on financial institutions in implementing agent banking services. Financial institutions are ultimately responsible and accountable for all agent banking activities.

2 Applicability

- 2.1** This policy document is applicable to all financial institutions as defined in paragraph 6.2.

3 Legal provisions

- 3.1** The requirements in this policy document are specified pursuant to:
- (a) sections 25, 47, 123, 134, 143 and 266 of the Financial Services Act 2013 (FSA);
 - (b) sections 22, 57, 135, 146, 155 and 277 of the Islamic Financial Services Act 2013 (IFSA);
 - (c) section 41, 42C(1), 116, 120(1)(h) and 126 of the Development Financial Institutions Act 2002 (DFIA); and
 - (d) section 16 of the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA).

4 Effective date

- 4.1** This policy document comes into effect on [the issuance date of the final policy document].

5 Related Policy Documents

This policy document must be read together with other relevant legal instruments, policy documents, guidelines or circulars that have been issued by the Bank.

6 Interpretation

6.1 The terms and expressions used in this policy document shall have the same meanings assigned to them in the FSA, IFSA, DFIA and AMLA, as the case may be, unless otherwise defined in this policy document.

6.2 For the purpose of this policy document-

“S” denotes a standard, an obligation, a requirement, specification, direction, condition and any interpretative, supplement and transitional provisions that must be complied with. Non-compliance may result in enforcement actions;

“G” denotes guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;

“agent” refers to a third party entity appointed by a participating financial institution to provide at the minimum, the services of accepting deposits and facilitating withdrawal of funds by customers on behalf of the participating financial institution;

“agent banking” refers to the provision of financial services which at the minimum, includes the services of accepting deposits and facilitating withdrawal of funds by customers, by a participating financial institution through agent. The agent banking arrangement is established through an agency agreement between financial institutions and agents;

“agent mobile unit” refers to mobile unit, in the form of vehicle deployed by a participating financial institution in collaboration with its agent(s) to provide at the minimum, services of accepting deposits and facilitating withdrawal of funds by customers on behalf of the participating financial institution;

“digital bank” refers to-

- (a) a person licensed under section 10 of the FSA to carry on digital banking business; or
- (b) a person licensed under section 10 of the IFSA to carry on Islamic digital banking business,

in accordance with the Policy Document on *Licensing Framework for Digital Banks* issued on 31 December 2020;

“financial access point” refers to a physical place of banking business that provides the minimum services of accepting deposits and facilitating withdrawals of funds by customers, and includes a financial institution’s branch, electronic terminal, or an appointed agent;

“financial institution” refers to the following:

- (a) a licensed bank under the FSA (including a licensed digital bank);
- (b) a licensed Islamic banks under the IFSA (including a licensed Islamic digital bank); and
- (c) a prescribed institution under the DFIA;

“Participating Financial Institution” or **“PFI”** refers to a financial institution which has been approved by the Bank to provide financial services through an agent banking arrangement;

“independent sole proprietor agent” refers to a small and independent business registered as a sole proprietor, which is appointed by financial institutions to provide agent banking services. Such business is not franchised nor form part of a chain store network;

“sub-agent” refers to an entity which is appointed and managed by an agent to provide agent banking services and which does not have a direct contractual relationship with the financial institution;

“unserved segment” or “underserved segment” refers to a group of individuals or businesses whose needs for financial products and services are not adequately served or met, as determined in accordance with the guiding principles in Appendix 1.

7 Policy document superseded

- 7.1** This policy document supersedes the Policy Document on *Agent Banking* issued on 30 April 2015 and the Bank’s letter on *Specifications relating to the Policy Document on Agent Banking* dated 27 April 2020.

PART B POLICY REQUIREMENTS

8 Agent Banking Services

Location of agents

- S 8.1** PFIs shall appoint agent(s) in mukims, or in the case of Sabah, Dewan Undangan Negeri (DUNs), that fulfil the following criteria:
- (a) Have no more than five financial access points; or
 - (b) Are served by agent(s) only.

An up-to-date list of areas that fulfil the criteria specified in this paragraph will be shared by the Bank with the PFIs on a half-yearly basis, and such list shall remain effective for the period of six months. Financial institutions may also request from the Bank the latest list by emailing to GIS@bnm.gov.my.

- S 8.2** PFIs (including licensed digital banks) may appoint agents in areas other than those specified in paragraph 8.1, subject to complying with the following requirements:
- (a) Ensure that the appointment of agents supports financial inclusion objectives of serving the needs of unserved or underserved segments. PFIs may refer to the guiding principles specified in Appendix 1;
 - (b) Submit a notification to the Bank with the information as set out in paragraph 13.2; and
 - (c) Conduct periodic ex-post evaluation to assess whether the appointment of agents meets the intended financial inclusion objectives in accordance with paragraphs 9.4 and 14.1(d).

- S 8.3** With respect to a PFI that is a licensed digital bank, its agents that are appointed in accordance to paragraph 8.2 are only allowed to conduct the services of accepting deposits and facilitating withdrawal of funds, in line with paragraph 17.5 of the Licensing Framework for Digital Banks issued on 31 December 2020¹.

¹ Licensed digital banks are required to offer services wholly or almost wholly through digital or electronic means. Reliance on agent, if any, to reach out to the unserved and/or underserved segments shall be minimal and shall not serve as a primary channel for transacting with customers

- S 8.4** PFIs shall ensure that all transactions by their agents are conducted within the business premise of the agents (in-premise) or at the designated locations of the agent mobile units.

Agent mobile units

- S 8.5** PFIs shall establish a business model with adequate controls for safe deployment of agent mobile units to support the financial inclusion objective and protect consumers' interests. At the minimum, PFIs that deploy agent mobile units to provide agent banking services shall-
- (a) establish internal criteria for the selection of mobile units, which shall include the following:
 - (i) The agent has experience in operating mobile units;
 - (ii) The mobile unit is equipped with security system and manned, at minimum, by two persons; and
 - (iii) The mobile unit has fixed routes and regular schedules (time and day). At least one of the routes of a particular mobile unit must include locations in areas that fulfil the criteria stipulated in paragraph 8.1 or serving the unserved and underserved segments; and
 - (b) comply with the requirements specified in paragraphs 8.15, 11.3, 12.3, 13.3 and other relevant requirements stipulated under paragraphs 9 and 10 of this policy document.

Compulsory and prohibited services

- S 8.6** PFIs shall ensure that their agents, at a minimum, provide the services of accepting deposits and facilitating the withdrawal of funds.
- S 8.7** PFIs shall ensure that their agents do not undertake the following services on their behalf:
- (a) Issuance of Automated Teller Machine (ATM)/debit cards²; and
 - (b) Conducting loan/financing appraisal.

² This does not include distribution of the ATM/debit cards issued by the PFIs, which may be conducted by the agent

Other services

- G 8.8** In addition to the services specified under paragraph 8.6, other banking services that agents may provide on behalf of the PFIs under this policy document are as follows:
- (b) Facilitating fund transfers;
 - (c) Facilitating opening of savings accounts for all Malaysian citizens, and permanent residents aged above 18 with chip-based Malaysian National Registration Identification Cards;
 - (d) Facilitating loan/financing, credit card and charge card repayments;
 - (e) Facilitating bill payments; and
 - (f) Facilitating the distribution and/or activation of cards or access to online banking.
- G 8.9** To expand network reach for the benefit of customers, PFIs may provide interoperable financial services³ at their agents such as Instant Transfer (IBFT), DuitNow and interbank cash withdrawal.
- S 8.10** If a PFI engages agents to facilitate the opening of three types of savings accounts as specified in Appendix 2, the PFI must take into consideration the PFIs' overall business strategies, risk appetite, and capacity, as well as the capability of the agents prior to such engagement. Such consideration includes the requirements specified in paragraph 12.2 and an initial deposit not exceeding RM20⁴. The decision to approve the customer's application for the opening of any type of savings account must be made by the PFI.
- G 8.11** In addition to the services specified under paragraphs 8.6, 8.8 and 8.9, PFIs may allow their agents to provide the following additional services under the PFIs' commercial arrangements with affiliated entities or strategic partners (e.g. licensed insurers and licensed takaful operators, licensed money services business operators or approved e-money issuers):

³ Financial services where the issuer and the acquirer are not the same financial institution

⁴ Based on the Guidelines on Basic Banking Services issued on 29 June 2007

- (a) Conducting or facilitating money services business such as money changing and remittance⁵;
 - (b) Facilitating insurance or takaful related services as a *Perlindungan Tenang* partner; and
 - (c) Facilitating e-money cash-in and/or cash-out transactions.
- S 8.12** The provision of such additional services under paragraph 8.11 shall be in accordance with the relevant standards and guidance issued by the Bank.
- S 8.13** PFIs that allow their agents to provide additional services on behalf of an affiliated entity or a strategic partner under paragraph 8.11 must ensure the following:
- (a) The relevant requirements specified in paragraphs 8.15, 10.1.3 and 11.2 as well as other relevant laws, policy documents, guidelines, specifications or circulars are complied with; and
 - (b) The affiliated entities or strategic partners has obtained the relevant approval of the Bank, where required, to distribute its products or offer its services through agents of PFIs⁶.
- S 8.14** PFIs must collectively address any risks that may arise when their agents represent multiple PFIs or when the agents provide additional services stipulated in paragraph 8.11, and come to an arrangement such that the PFIs and another party (other PFIs, affiliated entities or strategic partners) are aware of their own roles, responsibilities and accountabilities in relation to the sharing of agents.

⁵ For avoidance of doubt, an agent may carry on money services business on behalf of a PFI or a licensed money services business operator under the Money Services Business Act 2011, subject to the relevant approvals from the Bank

⁶ For avoidance of doubt-

- (a) approved e-money issuers that leverage on agents is subject to an approval from the Bank for the introduction of new products, services or variation under its e-money scheme that results in any material change in its risk profile or impacts the terms and conditions of any prior approval granted by the Bank; and
- (b) appointment of agents as *Perlindungan Tenang* partners by licensed insurers and licensed takaful operators is subject to the Bank's approval

Transactions of agent banking

- S 8.15** PFIs shall ensure that all transactions by their agents, whether in-premise or at the agent mobile units, are conducted online and on real-time basis.
- S 8.16** PFIs are required to establish an appropriate daily cash withdrawal limit for customers who use agent banking services. The limits must be established based on assessment of the liquidity position of the agents and shall not exceed the following thresholds:
- (a) Aggregate of RM1,000 per customer account per day at independent sole proprietor agents⁷; and
 - (b) Aggregate of RM5,000 per customer account per day at agents other than sole proprietor agents⁸.
- G 8.17** PFIs are encouraged to promote the adoption of electronic payment transactions at their agents among their customers instead of using cash or cheques.

System/infrastructure of agent banking

- S 8.18** PFIs shall ensure robustness, reliability and security of systems to support agent banking activities and are subject to operational requirements as stipulated in paragraph 12.
- G 8.19** PFIs are encouraged to use infrastructure that allows open access (i.e. interoperable infrastructure) which can cater or be opened to systems operated by other financial institutions, as one agent may represent multiple PFIs.

Fees and charges

- S 8.20** PFIs shall ensure that any fees and charges imposed on their customers are in compliance with the relevant policy documents, guidelines or circulars issued by the Bank.

⁷ Examples are stand-alone convenience and grocery stores, bookstores, telecommunication agents, restaurants and stationery shops

⁸ Examples are Pos Malaysia outlets, petrol stations and co-operatives

9 Agent Banking Oversight and Governance

- S 9.1** PFIs are responsible and accountable for the effective and continuous management of risks arising from the agent banking arrangements, including financial, legal, reputational, operational, technological, compliance and money laundering, terrorism financing and proliferation financing risks, as PFIs are required to ensure that agent banking is conducted in a reliable, safe and efficient manner. A sound control environment for agent banking arrangements must be developed with the appropriate governance processes firmly established, namely the operational management or business line, the risk management and control functions, and internal audit, each with clearly specified roles for this purpose that complements and mutually reinforce each other.
- S 9.2** The Board of Directors (BOD) is responsible for approving a financial institution's agent banking strategy, internal controls and risk management policies including the following:
- (a) Policies relating to agent selection, management, monitoring, operations, compliance, conduct and service quality;
 - (b) Consumer protection measures, including awareness and education strategies;
 - (c) Infrastructure to support agent banking including system and technology requirements;
 - (d) Controls and monitoring to ensure compliance with relevant legislation and regulatory requirements; and
 - (e) Business Continuity Plan (BCP) and contingency arrangements to ensure continuity of agent banking services in the event of disruption.
- S 9.3** The senior management must establish clear internal policies and procedures regarding agent banking and risk strategy, including on risk limits for agent banking and implement appropriate systems for agent banking to manage financial and non-financial risks to which customers and the PFI are exposed. Senior management must also establish adequate management oversight

mechanisms to continuously assess, monitor and manage risks and issues associated with agent banking arrangements and mobile units.

- S 9.4** The internal audit function of PFIs must conduct periodic independent reviews on agent banking arrangements to ensure compliance with the requirements of this policy document and agent banking risk policies and procedures of PFIs, and to ensure the integrity of management information reports and system on agent banking activities. These periodic independent reviews shall include the evaluation of the adequacy of the PFI's internal control environment and risk management practices in ensuring effective control over agent banking activities (including agent mobile units) and compliance with the requirement of paragraph 8.2(a). Such reviews shall also provide recommendations to improve the effectiveness of the risk management framework.
- G 9.5** In the event the agent banking arrangement is found to deviate from the objective of financial inclusion (e.g. agents appointed are not serving the unserved and underserved segments) or genuine complaints made against PFIs or their agent(s) are left unrectified, the Bank may take appropriate actions against the PFIs, including prohibiting PFIs from providing financial services through agent banking arrangements.

10 Agent Management

10.1 Agent Selection

- S** 10.1.1 PFIs must establish an internal selection criteria to ensure that the agents appointed are responsible and capable of discharging their duties.
- S** 10.1.2 The minimum selection process and criteria that must be considered are as follows:

- (a) Selected agent has a business licence⁹, permanent business premises and established core business. PFIs are prohibited from appointing businesses whose sole business activity is agent banking; and
- (b) Conducting assessment and due diligence (Know-Your-Agent) on the business owner and business operations, which include:
 - (i) probity, personal qualities and reputation of the business owner;
 - (ii) financial position and credit profile of the business and the business owner;
 - (iii) knowledge, capability and competency to conduct agent banking services at an acceptable quality; and
 - (iv) ability of the agent to control operational risks related to agent banking, particularly for agents representing multiple financial institutions.

- S** 10.1.3 For the provision of the additional services specified under paragraph 8.11, PFIs must ensure that there are internal policies and procedures in place to assess the suitability and feasibility of these agents in offering such services.

10.2 Agent Conduct

- S** 10.2.1 PFIs must conduct training to enhance the competency of agents before any agent banking activity is conducted, which encompasses at the minimum:
- (a) products and services offered by the PFI;
 - (b) rules on data privacy and secrecy, and the protection of confidentiality of customer information and information belonging to PFIs;
 - (c) fraud detection mechanisms (including identification of counterfeit money) and procedures;

⁹ Where business licence is not required, an agent registered with relevant authorities and bodies can be considered

- (d) Money Laundering/Terrorism Financing (ML/TF) risks and the relevant mitigating and responding procedures, including customer due diligence (CDD);
- (e) red flags and triggers of suspicious activities, including mule accounts;
- (f) identification of fake/counterfeit identification documents and the relevant mitigating and responding procedures;
- (g) equipment operation and troubleshooting; and
- (h) complaints handling.

S 10.2.2 PFIs must enter into an agency agreement with their appointed agents for effective oversight over the affairs and conduct of the agents.

S 10.2.3 The agency agreement must clearly specify the rights, responsibilities and expectations of all parties and must be signed by the relevant parties prior to the formalisation of the agency agreement and the commencement of any agent banking services. At minimum, the agency agreement shall incorporate provisions that address:

- (a) the appointment of a business entity as the PFI's agent;
- (b) a clearly defined scope of financial services;
- (c) responsibilities of agents which include:
 - (i) professional and ethical behaviour of agents to customers, among others:
 - (A) exercise of due diligence/due care and responsibility when conducting transactions for customers, which include conducting three levels of verification¹⁰ for withdrawal and fund transfer transactions;
 - (B) exercise of high professional ethics including not conducting any prohibited activities as specified under paragraph (d) below; and
 - (C) exercise of customer protection measures by providing proof of transactions to customers, facilitating

¹⁰ This may include verification via NRIC, Personal Identification Number (PIN) of ATM/debit card and biometric authentication

- channelling of complaints by public to PFIs and disclosing mandatory information as specified under paragraph 11.1(g);
- (ii) compliance with all applicable legislations, regulatory requirements and internal policies of the PFI that shall include compliance with, among others, the secrecy provision pursuant to section 133 of the FSA, section 145 of the IFSA and section 119 of the DFIA and relevant anti-money laundering, countering financing of terrorism and targeted financial sanctions (AML/CFT and TFS) requirements;
 - (iii) exercise of due care of the agent banking systems and devices, including physical security and security access to the systems and devices;
 - (iv) maintenance of appropriate records and documentations and proof of transactions to facilitate supervision and verification by the PFIs;
 - (v) reporting requirements necessary to enable PFIs to effectively monitor the performance of the agent in a timely manner, and reporting of events that may materially affect the efficiency of service delivery;
 - (vi) allow access by the Bank upon receiving a written notification from the PFI for the Bank to carry out an examination (including on-site inspections) or investigation on the agent's premises/ agent mobile units and to co-operate whenever the Bank requires information from the agent; and
- (d) description of prohibited activities of agents, which include among others:
- (i) banking services as stipulated in paragraph 8.7;
 - (ii) conducting transactions outside the business premises¹¹;
 - (iii) facilitating banking transactions on an offline mode or on manual basis;

¹¹ Except for agent mobile units that complied with the requirements stipulated in paragraph 8.5

- (iv) soliciting personal details from customers not necessary for the agent to perform the transaction, including certain account information and Personal Identification Number (PIN) of customers;
 - (v) providing cash advances;
 - (vi) appointing another party/sub-agents to provide agent banking services on their behalf; and
 - (vii) charging customers for its agent banking services, in addition to the charges imposed by PFIs;
- (e) consent by the agent to share its personal information to the relevant authorities, including the Bank, and any subsequent disclosure by such authorities for any non-compliance of the Personal Data Protection Act 2010, laws administered by the Bank, as well as any applicable legislations, regulations and the agency agreement;
- (f) agreed commission to be received by agents for conducting services on behalf of PFIs;
- (g) mechanisms for resolving disputes which include recourse of the respective parties, procedures and period for resolution, indemnities, obligations of the respective parties in the event of a dispute and applicable laws and jurisdictions under which disputes will be settled;
- (h) terms and events of termination of the agent under appropriate circumstances which may include failure to meet the conditions imposed in the agreement including agents that remain dormant or inactive after a certain period, or in the event of changes in the corporate form or ownership of the agents; and
- (i) time frame for the provision of the services which may include an option for the PFI to renew the terms of service if desired. PFIs are also required to regularly review the agency agreement to reflect market standards and regulatory changes.

- S** 10.2.4 PFIs must ensure that the agency agreement does not contain any clause that would prevent a PFI from modifying or terminating an agent banking or mobile unit arrangement pursuant to a directive of the Bank. Based on the Bank's supervisory review of the risks related to agent banking, the Bank may also direct a PFI to modify or terminate any agent banking or mobile unit arrangement in the interest of the PFI or its customers and creditors.

10.3 Monitoring of Agent

- S** 10.3.1 PFIs must develop and implement adequate procedures to monitor and control agent banking and mobile unit arrangements to ensure that the services delivered are in the manner as expected and in accordance with the terms of the agreement, and that associated risks are being effectively managed. For this purpose, PFIs must establish an efficient and effective system and ensure the availability of adequate expertise, resources and tools to support the monitoring of performance and operation of the agent banking and mobile unit arrangements.
- S** 10.3.2 PFIs must ensure that the monitoring function shall include at minimum the following areas:
- (a) The maintenance of an up-to-date central record of all agent banking arrangements as well as agent mobile unit's routes and schedules (day and time) that is readily accessible for review by the Board and senior management of the PFI and to be shared with the Bank;
 - (b) The monitoring and handling of complaints against agents and agent mobile units received from the public; and
 - (c) Periodic assessment and regular reporting of agent banking and mobile unit arrangements to the PFI's senior management and Board, which shall include review of the services conducted by agents in-premise and agent mobile units, the effectiveness of the risk management framework including ML/TF risk and the cost benefit analysis in continuing the arrangements. Any adverse

developments relating to agent banking mobile units and activities including the facilitation of opening of savings accounts at the agents shall be brought to the attention of the Board and senior management in a timely manner.

11 Consumer Protection, Awareness & Education

- S 11.1** PFIs shall be fully responsible and accountable for the activities and conduct of their appointed agents, including any complaints against the agents in relation to agent banking services. PFIs shall not disclaim responsibility for the agents' misconduct. PFIs are therefore required to implement appropriate measures to ensure that adequate safeguards for consumer protection and preservation of customer's confidentiality are in place, which include among others, the following areas:
- (a) Display of the national agent banking logo and the logo of the PFI at the agent's business premises or agent mobile unit to signify that it is an appointed agent of a particular PFI;
 - (b) Establish measures to ensure the appointed agents are known to the public and establishment of appropriate mechanisms for customers to verify whether an agent is duly authorised. At the minimum:
 - (i) PFIs must prominently display the contact details of their customer service centre (preferably a toll-free line) at the business premises of the agents or the agent mobile units for the purpose of lodging complaints or to verify the authenticity of the agent; and
 - (ii) PFIs must publish and update the details of authorised agents (e.g. name, address, the period of the appointment) and agent mobile units on their website;
 - (c) Establish a dispute resolution/redress mechanism and a contact centre that operates within the same business hours as the agents, facilitate communication between customers and the PFI and ensure complaints lodged against agents are effectively addressed in line with the

requirements of relevant policy documents, guidelines or circulars that have been issued by the Bank;

- (d) Establish measures to ensure customers' information is protected. PFIs and agents are not allowed to share customers' information with third parties without the prior consent of customers;
- (e) Establish a client charter of agent banking services which includes the commitment of the PFI and the agent to security, privacy policy and confidentiality of data, reliability and quality of services, transparency of products and services, and prompt response for enquiries and complaints;
- (f) PFIs shall put in place an education programme for consumers on agent banking, which may include education on the rights and responsibilities of consumers as well as precautionary measures to be taken when opening savings accounts and transacting with agents; and
- (g) Ensure adequate disclosure of other information by agents at its business premises, which include but not limited to:
 - (i) its appointment as an agent of a PFI and the duration of the appointment; and
 - (ii) the list of services, client charter, fees and charges and daily transaction limits of customers.

S 11.2 PFIs must ensure that agents that facilitate distribution of insurance or takaful as a *Perlindungan Tenang* partner prominently display the contact details of licensed insurers and licensed takaful operators' customer service centres at the premises of the agents or the agent mobile units in order to facilitate any further inquiry on product, lodging of complaint or post-sales services (e.g. nomination, claims).

S 11.3 PFIs that deploy agent mobile units shall-

- (a) create awareness among consumers on availability and schedules (time and day) of the agent mobile unit services, contact details and a rapid response contact point for customers to verify the authenticity of the agent banking mobile units and enable reports to be lodged to the PFI on bogus agents through:

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- (i) direct communication (e.g. notification sent direct to customer mobile number, mobile apps, email or address registered with PFIs); and
 - (ii) indirect communication with customers (e.g. display of information at strategic locations, community awareness programme);
- (b) ensure agent mobile units display the national 'Ejen Bank' (EB) logo and contact details of PFIs' customer service centres for ease of identification and verification; and
- (e) put in place adequate arrangements for the PFIs to effectively supervise the operations of agent mobile units (e.g. regular monitoring of the operations of the agent mobile units by the PFIs, regular reporting by the mobile unit staff to the PFIs, conduct of mystery shopping exercise by PFIs' staff).

PART C OPERATIONAL REQUIREMENTS**12 Infrastructure & Systems Requirement**

- S 12.1** PFIs are required to establish internal policies, procedures, systems and controls to support agent banking at all stages, consistent with the Risk Management in Technology Policy Document. In establishing systems and infrastructure to support agent banking arrangements, PFIs shall ensure the systems comply with the following minimum requirements:
- (a) IT infrastructure**
 - (i) Able to support on-line real-time processing;
 - (ii) Able to provide a secured network including end-to-end encryption;
 - (iii) Robust in managing infrastructure capacity to support agent banking services;
 - (iv) Adequate capacity management and performance monitoring; and
 - (v) Able to provide security and cyber threat incident reports;

 - (b) Payment Acceptance Devices (PAD)**
 - (i) Able to support minimum two-factor authentication¹² for agent and customer registration;
 - (ii) Able to support the requirement of end-to-end encryption based on industry standards algorithm (from end-point devices, i.e. PAD to host system); and
 - (iii) No storage of the sensitive customer info at the end-point devices (PAD), e.g. PIN/Password; and

 - (c) Agent Banking Application**
 - (i) Able to ensure appropriate access control;
 - (ii) Able to support host validation for PIN/Password authentication;
 - (iii) Able to provide device authentication during session activation and transaction processing at host level;

¹² The two-factor authentication may include verification via MyKad and Personal Identification Number (PIN) of ATM/debit card

- (iv) Availability of limit management feature for agents, customers, transactions and other limit requirements;
- (v) Have transactions and system audit trail;
- (vi) Able to provide auto-reversal features for incomplete transactions, transaction acknowledgement and receipting;
- (vii) Support for good password management;
- (viii) Able to support time-out feature;
- (ix) Able to display sufficient error message to customer and able to handle error processing; and
- (x) Adequate patch management process to ensure timely security patches.

S 12.2 PFIs that engage agents to facilitate the opening of savings accounts are also required to comply with the following:

- (a) Ensure the agents facilitated the verification of customers' identity using MyKad and biometric authentications through on-line real-time system;
- (b) The customers' information must be screened against relevant databases, including but not limited to United Nation (UN) Sanctions List¹³ and Ministry of Home Affairs (MOHA) Sanctions List;
- (c) Ensure an effective monitoring of transactions supported by a robust surveillance system that is able to trigger suspicious transactions based on the profile of customers transacting through the agent banking channel. PFIs shall continuously review the capability of AML/CFT surveillance system to ensure the effectiveness of parameters set based on transactional and behavioural patterns of the agent banking customers;
- (d) Conduct CDD on its customers immediately upon receiving the application for opening an account from a customer;
- (e) For 'Limited Savings Account', pending completion of 'Customer Due Diligence' processes at bank branches, accounts opened at agents must comply with the following conditions:
 - (i) Adhere to the requirements as set out in paragraph 8.10 and Appendix 2; and

¹³ This refers to individuals and entities sanctioned under the United Nations Security Council Resolutions (UNSCRs) 1267 and its successor Resolutions (Al-Qaida Sanction List) and UNSCR 1988

- (ii) Access to the accounts through agent banking channel shall only be valid up to two months from account opening and shall be blocked automatically if the customer fails to visit the bank branch for face-to-face CDD process-
- (f) For 'Restricted Savings Account' and 'Standard Savings Account', the status of savings accounts shall be tagged as 'permanent' once the CDD process is completed, which include transmission of CDD information via an online real-time system by agents and successful verification of customers' identities by PFIs.
 - (i) PFIs shall be fully responsible and accountable for ensuring that CDD processes are satisfactorily conducted on customers by the agents; and
 - (ii) For potential customers where the CDD could not be conducted satisfactorily at agents, PFIs are required to contact the customer directly to complete the CDD processes either by requesting the customer to visit the nearest bank branch or via online channel/platform;
- (g) An individual is allowed to open only one new savings account with a PFI through an agent; and
- (h) Strengthen the on-going monitoring of customers and the transactions undertaken.

S 12.3 PFIs that deploy agent banking mobile units are required to put in place the following mechanisms:

- (a) Transaction security controls¹⁴ for agent banking transactions conducted by customer at the mobile units, particularly for deposit, withdrawal, cash-in and/or cash-out transactions; and
- (b) Rapid response contact point for customers to verify the authenticity of the agent banking mobile units and enable complaints/report lodging on bogus mobile units.

¹⁴ For example, transaction authentication and transaction notifications are to be sent direct to customers' mobile phones registered with financial institutions

13 Application/Notification Procedures

- S 13.1** Before implementing agent banking for the first time, financial institutions are required to submit an application for approval from the Bank, which must include the information listed in **Appendix 3** together with a written proposal to undertake agent banking.
- S 13.2** For appointment of agents in areas other than those specified in paragraph 8.1, PFIs shall submit a notification to the Bank at least one month prior to the commencement date of the appointment with the following information:
- (a) Proposed locations of the agents in accordance with the format as set out in Appendix 4; and
 - (b) Justifications that the appointment of agents in the identified locations support financial inclusion objectives.
- S 13.3** PFIs that intend to deploy agent mobile units shall submit a notification to the Bank¹⁵ at least one month prior to the commencement date of the deployment together with the following information:
- (a) Attestation on adequacy of controls in place to deal with all risks associated with the deployment of agent mobile units; and
 - (b) Details of potential agent mobile units in accordance with the format as set out in Appendix 5.
- S 13.4** The introduction of new savings accounts with salient features as outlined in Appendix 2 is subject to the existing requirements under the Policy Document on Introduction of New Products.
- S 13.5** In relation to the offering of Restricted and Standard Savings Accounts, PFIs are required to:

¹⁵ Notification is required where the PFI leverages on an agents to run mobile units for the first time, or where there is a material change in its arrangements for the agent-run mobile units.

- (a) obtain approval and/or endorsement from the senior management and/or the BOD, Shariah Committee (for Shariah-compliant product) and other approving authorities within the financial institution as appropriate;
- (b) make readily available the relevant documentation relating to the savings accounts for review by the PFI's oversight and internal control functions and the Bank. The documents shall include, amongst others:
 - (i) detailed product description, including its features, structure, target market or customers, and distribution channel; and
 - (ii) assessment of risks, including mitigation of potential inherent risks arising from the facilitation of services by agents and the corresponding attestation by the PFI;
- (c) ensure that there is a structured mechanism in place to identify agents that are capable to facilitate the opening of account and on-boarding of customers. PFIs must ensure that there are adequate infrastructure and technology support available and provided to the agents to facilitate a smooth and efficient opening of account service.

S 13.6 Any application or prior notification required under this policy document is to be submitted to the following department:

- (a) For **domestic banking group**:

Jabatan Penyeliaan Konglomerat Kewangan (JP1)
Tingkat 9, Blok A
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur

- (b) For **locally incorporated foreign banks, standalone Islamic banks and prescribed development financial institutions**:

Jabatan Penyeliaan Perbankan (JP2)
Tingkat 5, Blok A
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur

14 Reporting Requirements

- S 14.1** PFIs are required to provide the following information to the Bank:
- (a) Monthly report on the number and amount of transactions for each of the services provided through agent banking and mobile unit arrangements no later than one month from the reporting month in accordance with the format as set out in Appendix 6 to Jabatan Kewangan Pembangunan dan Rangkuman Kewangan (DFINC);
 - (b) Monthly report on details of agents whereby police reports have been lodged by the PFIs no later than two weeks from the reporting month in accordance with the format as set out in Appendix 7 to DFINC;
 - (c) Quarterly report on list of agents to Jabatan Pengurusan Data dan Statistik (JPS); and
 - (d) Report on periodic independent review of agent banking services and mobile units by internal audit of PFIs to JP1 (for domestic banking group) or JP2 (for locally incorporated foreign banks, standalone Islamic banks and prescribed development financial institutions) upon the Bank's request.
- G 14.2** The Bank may require the PFIs to provide other information on agent banking arrangement from time to time on need basis.

APPENDICES

Appendix 1 Guiding principles of unserved and/or underserved segments

Guiding principles of unserved and/or underserved segments	Examples of unserved and/or underserved segments
Limited geographical accessibility to banking services	<ul style="list-style-type: none"> • Communities living in areas with inconvenient accessibility to financial access points: <ul style="list-style-type: none"> – Mukims or DUNs have limited number of financial access points or are served by agent banks only that are not sufficient to meet the needs of the communities. – Long travelling distance to the nearest financial access points. • Hard-to-reach areas with no proper transportation infrastructure or inaccessible via normal mode of transportation.
Low take-up / usage / awareness of products by FIs	<ul style="list-style-type: none"> • Individuals/businesses with no banking account or low usage of banking products. • Individuals/businesses with low awareness/understanding on banking products and services. • Individuals/businesses who are discouraged from visiting bank branches. • Individuals/businesses conducting transactions using informal/illegal platforms.

Guiding principles of unserved and/or underserved segments	Examples of unserved and/or underserved segments
Unable to conduct digital / online banking / mobile transactions	<ul style="list-style-type: none">• Communities who are not technology-savvy.• Communities with disabilities and require assistance to perform financial transactions.• Communities who could not afford to own smartphones / subscribe to internet services.• Communities in areas with poor internet connectivity.

Appendix 2 Salient Features of Savings Accounts and Customer Due Diligence Measures

Type of Savings Account	Status of Account	Features	Account limit	Cash and transaction limits	Process of Account Opening & CDD Requirements
Limited	Temporary <i>(account will be blocked if CDD process is not completed within 2 months at a bank branch)</i> (no bank card)	<ul style="list-style-type: none"> No interbank fund transfer, except for Government-to-Person payment¹⁵ Only 1 account per customer 	(Not applicable)	<ul style="list-style-type: none"> Cash withdrawal limit <ul style="list-style-type: none"> Daily: Up to RM500 Monthly: Up to RM3,000 	1. Agents may act as touchpoints for customer onboarding and transmit information using devices provided by PFIs: <ol style="list-style-type: none"> Identification of 6 data points: <ul style="list-style-type: none"> Full name MyKad number Residential and mailing address Date of birth Nationality Contact number Conduct biometric verification
Restricted	Permanent	<ul style="list-style-type: none"> No interbank fund transfer, except for Government-to-Person payment¹ No internet and mobile banking Use of bank card only for domestic transactions <ul style="list-style-type: none"> No cross-border transfer or payment Only 1 account per customer 	<ul style="list-style-type: none"> Up to RM8,000 	<ul style="list-style-type: none"> Cash withdrawal limit <ul style="list-style-type: none"> Daily: Up to RM500 Monthly: Up to RM3,000 Transactions limit <ul style="list-style-type: none"> Monthly: Up to RM5,000 Annually: Up to RM60,000 	

¹⁵ Examples are Bantuan PRIHATIN Rakyat (BPR) and Bantuan Prihatin Nasional (BPN)

Type of Savings Account	Status of Account	Features	Account limit	Cash and transaction limits	Process of Account Opening & CDD Requirements
					<p>2. For Limited Account: Customers are required to walk-in to bank branch of PFI for the bank to conduct face-to-face CDD in order for the account to be permanent</p> <p>3. For Restricted Account: PFIs to receive information, perform necessary back-end CDD process and notify customer on the status of account opening</p>
Standard	Permanent	<ul style="list-style-type: none"> As per financial institution's existing standard savings account's product 	<ul style="list-style-type: none"> As per financial institution's existing standard savings 	<ul style="list-style-type: none"> Cash withdrawal limit <ul style="list-style-type: none"> Subject to appropriate limit set by financial institution and threshold as stipulated in paragraph 8.16 	<p>1. Agents may act as touchpoints for customer onboarding and transmit information</p>

Type of Savings Account	Status of Account	Features	Account limit	Cash and transaction limits	Process of Account Opening & CDD Requirements
			account's product		using devices provided by PFIs: a) Identification of 9 data points: <ul style="list-style-type: none"> • Full name • MyKad number • Residential and mailing address • Date of birth • Nationality • Contact number • Occupation type • Name of employer or nature of self-employment or nature of business • Purpose of transaction b) Conduct biometric verification

Type of Savings Account	Status of Account	Features	Account limit	Cash and transaction limits	Process of Account Opening & CDD Requirements
					2. PFIs to receive information, perform necessary back-end CDD process and notify customer on the status of account opening

Appendix 3 Checklist on Agent Banking Application

1. Board Endorsement on:
 - (a) Overall implementation plan and business strategy of agent banking;
 - (b) Risk Management framework related to agent banking;
 - (c) Policies related to agent selection, management, monitoring, operations, compliance, conduct and service quality including Standard Operating Procedures (SOP) or User Manual of agent banking and the draft agreement between financial institution and agent, where relevant;
 - (d) Infrastructure to support agent banking implementation and monitoring including systems, resources, expertise, tools and technology;
 - (e) Consumer protection measures, including awareness and education strategies;
 - (f) Business Continuity Plan (BCP) and contingency arrangements to ensure the continuation of the agent banking services in any uncontrolled event that would cause disruption to the agent banking services provided; and
 - (g) Controls and monitoring mechanism/ system to ensure compliance with relevant legislation and regulatory requirements.

Note: All documents shall be made available as and when requested by the Bank.

2. Internal Audit's assessment report and sign-off declaring that financial institution has complied with all requirements.
3. Risk Committee sign-off on risk management framework, including identification of all risks associated to agent banking (including technology risk), its impact and mitigating measures to ensure confidentiality, integrity and availability of the system, product or services; detailed explanation on the definition of risk categories and profile; and rationale and justifications for probability of occurrence.
4. Compliance Unit sign-off on specific controls and monitoring mechanism to ensure compliance with relevant legislation and regulatory requirements,

including secrecy provision and ML/TF control measures which include measures tailored to the nature and peculiarities of agent banking transactions.

5. Appendix 4 – List and details of potential agents.
6. Checklist of documents for technology requirement:
 - (a) End-to-end product and process flow depicting the following features:
 - (i) Detailed description on application security and application architecture diagram; and
 - (ii) System security features including encryption standard and protocol used, user and transaction authentication method and PIN control processes (If applicable);
 - (b) Detailed IT and network security infrastructure arrangements depicting external linkages and control checkpoint;
 - (c) List of type, model and version (compare against the market releases) of servers, operating system, application system and PAD devices;
 - (d) Application vendor background information including technical support and experiences in e-payment services;
 - (e) Capacity planning for system supporting the services or product.
 - (f) Pre-implementation audit assessment;
 - (g) Summary report of the User Acceptance Test and penetration test (include findings and mitigation actions);
 - (h) IT outsourcing arrangement (if applicable); and
 - (i) Disaster recovery arrangement.

Note: Financial institutions can outsource hosting of IT infrastructure, however it shall be subject to the Guidelines on Outsourcing of Banking Operations. Financial institutions need to appoint an external third party service provider to review the adequacy of the items listed above in complying with the requirements of Risk Management in Technology Policy Document.
7. Application on the proposed fees and charges that will be passed to customers must comply with the relevant policy documents, guidelines or circulars.

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8. Term sheet on Agent Banking for customers:
- (a) Proposed daily cash withdrawal limit per customer which must comply to the amount stipulated in paragraph 8.16 and Appendix 2;
 - (b) Contact details and operating hours of the complaint management centre of agent banking;
 - (c) Proposed fees and charges that will be imposed on customers;
 - (d) Flow chart of complaint and dispute resolution mechanism of customers, including for different financial institution's customer who transacts via own system and own customers who transacts via different financial institution's system, if applicable;
 - (e) Proposed awareness and education plan and campaign for the public;
 - (f) Client charter of agent banking which shall comply to paragraph 11.1(e);
and
 - (g) Communication strategy to address public and media concerns.

Appendix 4 List and Details of Potential Agents

Business/ company name	Business/ company reg. no.	Owner name	Address (Line 1)	Address (Line 2)	Post- code	City/ Town	Sub- district (Mukim)	District	State	Coord inate	Start date of operation	Contact number	Type of agent	End date of operation

Appendix 5 Details of Potential Agent Mobile Units

Financial Institution Name	Agent ID	Type of mobile units	Mobile units	Routes	Address of routes	Mukim/ DUN (Sabah)	State	GPS Coordinate		Operation Date	Operation Days	Operation Hours	Services
								Lat	Long				
E.g. BANK ABC	E.g. A12342	E.g. Van	E.g. Ejen Bank Bergerak Wilayah 7 - Cawangan Temerloh	E.g. Tapak Kedai, Felda Jenderak Utara			E.g. Pahang	1.22345	101.22345		E.g. Tuesday	E.g. 9.00 am to 3.00 pm	E.g. <ul style="list-style-type: none"> • Deposits to bank account • Cash withdrawals from bank account
				E.g. Tapak Kedai, Felda Bukit Damar			E.g. Pahang	1.32345	101.32345		E.g. Thursday	E.g. 9.00 am to 3.00 pm	E.g. <ul style="list-style-type: none"> • Deposits to bank account • Cash withdrawals from bank account
				E.g. Bangunan Koperasi, Felda Sebertak			E.g. Pahang	1.42345	101.42345		E.g. Friday	E.g. 9.00 am to 3.00 pm	E.g. <ul style="list-style-type: none"> • Deposits to bank account • Cash withdrawals from bank account

Appendix 6 Transaction Statistics

All participating financial institutions are required to submit the following report on a **monthly** basis to Bank Negara Malaysia no later than one month from the reporting month.

REPORT OF MONTH: _____

(i) Opening of savings account transactions during the month

Type of bank accounts	Number of bank accounts opened	Total amount of transactions	Minimum transaction (RM)	Maximum transaction (RM)
Limited Savings Account				
Restricted Savings Account				
Standard Savings Account				

(ii) Active accounts as at end of the month

Type of bank accounts	Number of active accounts ¹⁷
Limited Savings Account	
Restricted Savings Account	
Standard Savings Account	

¹⁷ Total number of saving accounts opened at agent which remained active as at end of the month

(iii) Other transactions during the month

Type of Services	Total amount of transactions (RM)	Number of transactions	Minimum transaction (RM)	Maximum transaction (RM)	Average amount of transaction* (RM)
E.g. Deposits					
E.g. Withdrawals					

Reports must be submitted to:

Jabatan Kewangan Pembangunan dan Rangkuman Kewangan (DFINC),
Tingkat 9, Blok C
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur
Email: GIS@bnm.gov.my

Appendix 7 Agents Against Whom Police Reports Have Been Lodged by Financial Institutions

All participating financial institutions are required to update the following report on a monthly basis no later than two weeks from the reporting month.

REPORT OF MONTH: _____

DETAILS OF AGENTS AS AT END OF THE MONTH

Business/company name	Business/company Reg. no.	Owner(s) name	Identity Card No	PDRM Report Number

Reports must be submitted to:

Jabatan Kewangan Pembangunan dan Rangkuman Kewangan (DFINC),
Tingkat 9, Blok C
Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur
Email: GIS@bnm.gov.my