



**GUIDELINES ON AGENT BANKING FOR
BANKING INSTITUTIONS, 2013**

BANK OF TANZANIA

ARRANGEMENT OF GUIDELINES

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PART I
PRELIMINARY

1. These guidelines may be cited as the Guidelines on Agent Banking for Banking Institutions, 2013 and are made under Section 71 of the Banking and Financial Institutions Act, 2006.

2. These guidelines shall apply to all banking institutions and their agents.

3. In these Guidelines, unless the context otherwise requires:

“**Act**” means the Banking and Financial Institutions Act, 2006;

“**agent**” means a person contracted by an approved banking institution to carry out agent banking business on behalf of the approved banking institution in the manner specified in these Guidelines;

“**agent banking**” means the business of providing banking services to the customers of a banking institution on behalf of the banking institution under a valid agency agreement as prescribed in these Guidelines;

“**approved banking institution**” means a banking institution that has been authorized by the Bank to carry out agent banking business;

“**Bank**” means the Bank of Tanzania;

“**bank**” and “**banking business**” have the meaning ascribed to them in the Act;

“**banking institution**” means a bank or financial institution;

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

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

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

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

PART II
OBJECTIVES

4. The objectives of these Guidelines are:
- (a) to provide for agent banking as a delivery channel for offering banking services in a cost-effective manner; and
 - (b) to provide for a framework for conducting agent banking business.

PART III
APPROVAL PROCESS AND PERMISSIBLE ACTIVITIES

5. Approval Process

- 5.1. A banking institution may conduct banking business through an agent.
- 5.2. A banking institution seeking to conduct agent banking business shall apply and obtain prior written approval of the Bank before commencing business.
- 5.3. The application for conducting agent banking business shall be accompanied by the documents listed in the Schedule.
- 5.4. Within thirty days following the receipt of an application to engage in agent banking or, where further information has been required, after receipt of such information, the Bank shall either approve or reject the application.
- 5.5. Where an application is rejected, the Bank shall provide the banking institution a written explanation of the grounds upon which the rejection is based.

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

6. Permissible Activities

- 6.1. An approved banking institution may engage in any or all of the following activities, through an agent:-
 - (a) cash deposit and cash withdrawal;
 - (b) facilitating cash disbursement and repayment of loans
 - (c) cash payment of utility bills;
 - (d) cash payment of retirement and social benefits;
 - (e) transfer of funds;
 - (f) balance inquiry;
 - (g) generation and issuance of mini bank statements;
 - (h) collection of documents in relation to account opening, loan application, credit and debit card application; and
 - (i) any other activity as the Bank may approve.
- 6.2. An approved banking institution shall determine, based on agent risk assessment, which permissible activities a particular agent should provide.
- 6.3. An agent shall not carry out transactions in currencies other than Tanzanian shillings.

PART IV
AGENCY RELATIONSHIP

7. Agent Due Diligence Requirements

- 7.1. An approved banking institution shall put in place a clear, well documented Agent Due Diligence policy and procedures.
- 7.2. The agent due diligence policy and procedures shall, at minimum, contain the following:-
- (a) new agent take-on procedures;
 - (b) agent types and minimum agent selection criteria for each type;
 - (c) initial due diligence and regular due diligence checks to be performed at specified intervals;
 - (d) a list of early warning signals and corrective actions to ensure proactive agent management; and
 - (e) roles and responsibilities of various functions in the approved banking institution with respect to agent management.
- 7.3. An approved banking institution shall ensure that an agent is well established, having good reputation and enjoying the confidence of the community.

8. Agent Eligibility

- 8.1. A person intending to be appointed as an agent is required to have operated a lawful commercial activity for at least two years preceding the date of the application to become an agent and such commercial activity must be ongoing.
- 8.2. The following persons shall be eligible for appointment as an agent:-
- (a) limited liability company;
 - (b) sole proprietorship;
 - (c) partnership;

- (d) society;
- (e) cooperative society;
- (f) parastatal corporation;
- (g) trust;
- (h) government entity;
- (i) faith-based organisation;
- (j) educational institution; and
- (k) non-governmental organization.

8.3. Where an agent to be contracted is a regulated entity, an approved banking institution shall ensure that the agent complies with laws under which the said entity operates.

9. Treatment of an Entity and its Outlets

9.1. Any 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 legal existence separate from that of the Head Office of the entity shall be deemed to be part of the entity for purposes of an application to be appointed as an agent. A branch of an entity shall be treated as its outlet.

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

10. Agency Agreement

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

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

10.3. An agency agreement shall, at minimum:-

- (a) define the rights, expectations and responsibilities of both parties;
- (b) set the fees or revenue sharing structure, and the scope of work to be performed by the agent;
- (c) state that the agent banking services shall be subject to regulatory review and that the Bank shall be granted full

- and timely access to internal systems, documents, reports, records and staff of the agent;
- (d) state that the agent shall not perform management functions, make management decisions, or act or appear to act in a capacity equivalent to that of a member of management or an employee of the banking institution;
 - (e) specify that the agent must ensure safe-keeping of all relevant records, data and documents or files for at least five years; or alternately, such records, data, and documents or files are shifted to the banking institution at regular pre-specified intervals which will then ensure safe-keeping for at least five years;
 - (f) state that all information/data that the agent collects in relation to agent banking services, whether from the customers or the banking institution or from other sources, is the property of the banking institution, and the banking institution will be provided with copies of related working papers/files it deems necessary;
 - (g) specify that the agent and its employees are bound to confidentiality of all customer transactions they engage in or facilitate.
 - (h) establish a protocol for changing the terms of the service contract and stipulations for default and termination of the contract;
 - (i) mention suitable limits on cash transactions and balances;
 - (j) state that the banking institution is responsible to the customer for acts of omission and commission of the agent; and
 - (k) state the requirement that the transactions are accounted for and reflected in the bank's books by end of day.

11. Non-exclusivity of agency agreement

- 11.1. A contract between a banking institution and an agent shall not be exclusive.
- 11.2. An agent may provide agent banking services for multiple banking institutions provided that:-

- (a) a separate contract for the provision of agent banking services with each banking institution is in place; and
 - (b) the agent has the capacity to manage the transactions for the different institutions.
- 11.3. A banking institution seeking to contract a person who has already been contracted by another banking institution to carry out agent banking shall assess the capacity of the agent to manage transactions for different institutions in terms of space, technological capacity and adequacy of funds or float of the agent.

12. Agent Selection

- 12.1. An approved banking institution shall select capable and reliable agents by establishing internal selection criteria to ensure that the agents are able to discharge duties responsibly.
- 12.2. An approved banking institution shall not appoint a person whose sole activity is agent banking.
- 12.3. The minimum selection criteria to be considered are:-
- (a) possession of a valid business licence;
 - (b) operating at permanent business premises;
 - (c) established core business which has been in existence for at least two years;
 - (d) whether the person has not been classified as a non-performing borrower by any banking institution and that status shall be maintained for the duration of the agency agreement; and
 - (e) possession of appropriate physical infrastructure and human resources to be able to provide the services with the necessary degree of efficiency and security.
- 12.4. An approved banking institution shall conduct assessment and due diligence (Know-Your-Agent) on the business owner and business operations, which include:
- (i) integrity, personal qualities and reputation of the business owner;
 - (ii) financial position and credit profile of the business and the 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 approved banking institutions.
- (v) the ability of the person to comply with the requirements of these Guidelines

PART V
OVERSIGHT AND GOVERNANCE

13. Key Responsibilities

- 13.1. An approved banking institution shall be solely responsible and liable for all actions or omissions of its agent and this responsibility shall extend to actions of the agent even if not authorized in the agency agreement so long as they relate to agent banking services or matters connected therewith.
- 13.2. The Board of Directors of an approved banking institution shall be responsible for proper management of the risks associated with agent banking business. In exercising its responsibilities, the Board of Directors shall:-
 - (a) review and approve agent banking strategy and the risk-management policies for agent banking;
 - (b) review management reports demonstrating compliance with the approved risk-management policies and regulatory requirements for agent banking;
 - (c) ensure that person(s) responsible for administering the risk management policies for agent banking possess the quality and competency required;
 - (d) ensure that the internal audit function regularly reviews agent banking operations to assess compliance with internal controls and risk management;
 - (e) take an explicit, informed and documented strategic decision as to whether and how the banking institution is to provide agent banking services to their customers; and

- (f) ensure that the banking institution has proper security control policies to safeguard its systems and data from both internal and external threats.
- 13.3. Senior management shall be responsible for implementing agent banking strategy and policies as approved by the board. In exercising its responsibilities, senior management shall:-
- (a) review and approve aspects of the security control program and process;
 - (b) establish a process for managing risks associated with increased complexity of and reliance on outsourcing relationships and third-party dependencies to perform agent banking functions; and
 - (c) update and modify existing risk management policies and processes to cover current or planned agent banking business.

14. Internal Audit

- 14.1. An approved banking institution shall ensure that the scope and coverage of internal audit reviews are commensurate with the increased complexity and risks inherent in agent banking activities and the audit function has been staffed with personnel having sufficient technical expertise to perform the expanded role.
- 14.2. Internal audit function shall review agent banking operations to ensure that the regulations, policies, procedures, and the operational guidelines are followed and shall escalate significant exceptions to the Audit Committee of the Board of Directors.

15. Risk Management

- 15.1. An approved banking institution shall ensure a risk management framework is in place through:-
- (a) developing a risk-management programme for agent banking that reflects institution's agent banking strategy and policies;
 - (b) paying special attention to operational, liquidity, strategic and compliance risks;

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

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

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

PART VI

OPERATIONAL REQUIREMENTS

16. Designated Branches, Periodic Visits and Branding

- 16.1. An approved banking institution shall designate particular branches to be responsible for agents operating in their respective branch localities.
- 16.2. An approved banking institution shall carry out periodic physical visits to ensure that agents operate strictly within the requirements of the law, guidelines and the agent agreement
- 16.3. An approved banking institution shall design marketing and visual publicity for agents so that it is clear to the customer that the service is being provided on behalf of a banking institution.

17. Technical, Data and Security Requirements

- 17.1. An approved banking institution shall ensure that agent banking transactions are carried out with devices which are capable of:-
 - (a) transmitting transaction information over secure data channels;
 - (b) carrying out electronic transactions on real time basis;
 - (c) allowing handling of transactions under different user profiles for administration, maintenance and operation;
 - (d) reversing incomplete transactions due to error, system failure, power outage or other defects;
 - (e) processing and generating transactional documents or receipts including electronic receipts or acknowledgements through short message services;
 - (f) allowing automatic log off of an agent once the agent exhausts his daily cash limit or tries to perform an illegal or unauthorised transaction; and
 - (g) generating an audit trail.
- 17.2. To ensure integrity of agent banking services, an approved banking institution shall, at all times, monitor safety, security and efficiency of the devices being used.
- 17.3. An approved banking institution shall put in place systems that, at minimum, address the following issues:-
 - (a) physical and logical security of infrastructure;
 - (b) availability of services;
 - (c) data confidentiality and integrity;
 - (d) encryption of Personal Identification Number and electronic transactions.

- (e) customer accountability and non-repudiation of transactions;
and
- (f) error messaging and exception handling.

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

18. Publication of List of Agents and locations

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

19. Relocation and Closure of Business

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

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

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

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

20. AML/CFT Requirements

20.1. In the conduct of agent banking business, an approved banking institution shall comply with all applicable Anti-Money Laundering and Combating Financing of Terrorism laws and requirements.

20.2. An approved banking institutions should ensure that agents:-

- (a) Identify customers with at least two factor authentications like IDs, PINs, passwords, ATM card, secret code or secret message while performing any transaction requiring identification.
 - (b) Report within twenty four hours all suspicious activities that come to their knowledge.
 - (c) Transact agent banking business strictly as per the transactional limits prescribed by the institution.
- 20.3. An approved banking institution shall train its agents on Anti-Money Laundering (AML) and Combating of Financing of Terrorism (CFT) requirements.
- 20.4. An approved banking institution shall be responsible to ensure that an agent complies with legal and regulatory requirements, including customer protection and data privacy.

PART VII

GENERAL PROVISIONS

21. Prohibitions

- 21.1. An agent shall not:-
- (a) sub-contract agent banking business;
 - (b) charge any fees directly to the customers;
 - (c) offer guarantee to bank clients;
 - (d) accept, issue or otherwise deal in cheque transactions;
 - (d) offer any financial services without an agency agreement with a banking institution;
 - (e) operate or carry out an electronic transaction when there is communication failure in the system;
 - (e) carry out a transaction when a transactional receipt or acknowledgement cannot be generated.
 - (f) carry out agent banking business when, in the opinion of the institution the initial commercial activity has ceased or is significantly diminished. The commercial activity should be

viable and able to financially support the agent banking business;

- (g) offer banking services on its own accord (provide on its own account banking services similar to those provided by it under an agency contract);
- (h) continue with the agency business when it has a proven criminal record involving fraud, dishonesty, integrity or any other financial impropriety;
- (i) provide, render or hold itself out to be providing or rendering any banking service which is not specifically permitted in the contract;
- (j) open accounts, grant loans or advances or carry out any appraisal function for purposes of opening an account or granting of a loan or any other facility except as may be permitted by any other written law to which the agent is subject;
- (k) be run or managed by an approved banking institution's employee or its associate.

22. Complaints Redressal System

- 22.1. An approved banking institution offering agent banking services shall put in place a proper complaints redressal system capable of efficiently and quickly redressing customer complaints.
- 22.2. The complaints redressal system shall, at minimum, be capable of:-
 - (a) receiving and processing customers' complaints at all times;
 - (b) communicating acknowledgement to customer giving either the redressal or the estimated time for redressal;
 - (c) redirecting the complaint to appropriate function for redressal; and
 - (d) keeping track or log of all complaints and give status of every complaint.
- 22.3. All customer complaints shall be addressed within a reasonable time and in any case not later than thirty days from the date of

reporting or lodging the complaint. Approved institutions shall keep record of all customer complaints and the redress thereof.

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

23. Use of Third-Party Service Providers

- 23.1. An approved banking institution may contract a third party service provider to perform activities relating to agent banking business.
- 23.2. Activities relating to agent banking that an approved banking institution may contract a third party service provider shall include:-
- (a) technology platform;
 - (b) agent selection;
 - (c) agent network management;
 - (d) agent training;
 - (e) equipment provision; and
 - (f) equipment maintenance.
- 23.3. An approved banking institution shall comply with the Outsourcing Guidelines for Banks and Financial Institutions issued by the Bank when dealing with service providers.
- 23.4. A proper service level agreement shall be put in place for all third-party service arrangements.
- 23.5. A third-party service provider shall not perform activities that are attributed to agent banking unless he signs separate agreement with an approved banking institution to become an agent as provided in Guideline number 10 of these Guidelines.

24. Powers of the Bank

- 24.1. The Bank may exercise its regulatory powers with respect to any agent of a banking institution whenever the Bank determines that it is necessary.

- 24.2. The Bank shall have powers to:-
- (a) request for any information from any agent at any time as the Bank may deem necessary;
 - (b) carry out unplanned or scheduled inspection of the books and premises of the agent;
 - (c) direct an agent to take such action or desist from such conduct as the Bank may determine necessary;
 - (d) terminate the agency agreement and close the agency business as it may find necessary;
 - (e) direct the banking institution to take such action or measures against or on behalf of the agent as the Bank may find appropriate; and
 - (f) direct the banking institution to take such remedial action arising from the conduct of an agent as it may deem fit.

PART VIII

REPORTING REQUIREMENTS

- 25.** An approved banking institution shall report its agent banking activities to the Bank in the form and frequency prescribed by the Bank.
- 26.** Where an approved banking institution fails to submit any return as required under these Guidelines, it shall be liable to a penalty of one million shillings for every day in which the failure continues.
- 27.** Where an approved banking institution makes a misrepresentation of information on any of the returns, it shall be liable to a civil money penalty imposed under guideline number 28 or other sanctions as prescribed under these Guidelines.

PART IX

ADMINISTRATIVE SANCTIONS

- 28.** Without prejudice to the other penalties and actions prescribed by the Act, the Bank may impose one or more of the following sanctions where any of the provisions herein are contravened:-
- (a) civil money penalty on the banking institution or directors, officers or employees responsible for non-compliance in such amounts as may be determined by the Bank;
 - (b) prohibition from engaging any further in the agent banking business;

- (c) prohibition from contracting new agents;
- (d) order termination of agency contract;
- (e) suspension of access to the credit facilities of the Bank;
- (f) suspension of lending and investment operations;
- (g) suspension of capital expenditure;
- (h) suspension of the privilege to accept new deposits;
- (i) suspension from office of the defaulting director, officer or employee;
- (j) disqualification from holding any position or office in any banking institution in Tanzania; and
- (k) revocation of banking license.

PART X

AMENDMENT OF THE GUIDELINES

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

These Guidelines shall come into effect on 1st February 2013.

SCHEDULE

[Made under Guideline 5]

CHECKLIST OF DOCUMENTS TO BE SUBMITTED FOR AGENT BANKING APPROVAL APPLICATION

1. The banking institution's agent due diligence policy and procedures.
2. The services to be provided through agents.
3. A copy of the draft standard agency agreement detailing amongst other things the items specified in guideline number 10 of these Guidelines.
4. The policies and procedures applicable to the provision of services through agents, as well as a description of the technology to be used.
5. A risk assessment report of the operations to be performed through the agents including mitigating measures to be adopted in order to control the risks identified, in accordance with the banking institution's risk management policies and these Guidelines.
6. Anti-Money Laundering/Combating Financing of Terrorism policies and procedures relating to agent banking business.
7. Agent operational policies and procedures.
8. A feasibility study of future operations and development of the agent banking business for a minimum period of three years from the date of the application including:-
 - a) The proposed number of agents and their locations over a three year period.
 - b) Estimate of total population and economically active population of the areas where the agent will operate.
 - c) Analysis of the relevant market over the past two (2) years, along with an estimate of the proposed agents' volumes/transactions in the banking institution's delivery channel strategy.
 - d) Description of the agent management structure to be used by the banking institution.
 - e) Financial projections on the share of the proposed agents in the banking institution's business.