



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

24 May 2018

BANKING ACT DIRECTIONS

No. 02 of 2018

APPOINTMENT OF AGENTS OF LICENSED BANKS

In terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended, the Monetary Board has implemented the following Directions for the appointment of agents of licensed commercial banks (LCBs) and licensed specialised banks (LSBs) with the objectives of ensuring effective agent oversight, risk management and consumer protection.

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|----------------|---|
| 1. Empowerment | 1.1 In terms of Sections 46(1) and 76J(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any LCB and LSB, respectively, regarding the manner in which any aspect of the business of such bank or banks is to be conducted. |
| | 1.2 In terms of Sections 12(1)(a) and 76(D)(4) of the Banking Act and Directions issued under Section 76J(1), the Monetary Board approval is required for an LCB and an LSB to open/close an agency or to effect a change in the location of any existing place of business. |
| 2. Definitions | 2.1 An LCB or an LSB will hereinafter be referred to as a licensed bank. |
| | 2.2 Agent/sub-agent is an entity selected by a licensed bank according to its internal policies and approved by the Central Bank of Sri Lanka (CBSL) to provide limited banking business on behalf of the licensed bank as permitted under these Directions. |
| | 2.3 Agent/sub-agent banking business is limited banking business as permitted under Direction 6 of these Directions, carried out by an agent/sub-agent on behalf of a licensed bank. |
| | 2.4 Agent/sub-agent is referred to as “agent” and agent/sub- |



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agent banking business is referred to as “agent banking business” unless otherwise specifically stated.

3. Approval of CBSL 3.1 Before implementing agent banking business, a licensed bank shall submit its request including the following information to CBSL for evaluating the request for approval.
- (i) Approval of the Board of Directors of the licensed bank for the implementation of agent banking business.
 - (ii) A confirmation from the Board of Directors of the licensed bank that the following policies/procedures on agent banking business are in place
 - (a) Board approved agent selection policy and risk management framework;
 - (b) consumer protection mechanism;
 - (c) agent management, control and monitoring mechanism; and
 - (d) operating procedures and manuals.
 - (iii) Certifications by the Chief Executive Officer that the appointment of agents is in accordance with the licensed bank’s Board approved agent selection policy and financial viability of the selected agents.
 - (iv) The details of agents (shall include at a minimum):
 - (a) name of the agent;
 - (b) proposed agent banking business;
 - (c) business registration number;
 - (d) registered address and contact details (including postal address if different from the registered address);
 - (e) core business activity;



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- (f) other business activities;
 - (g) limits per agent/per customer/per day;
 - (h) details of the Board of Directors/partners/owners of the agent including names and National Identity Card numbers (not applicable for sub agent); and
 - (i) any other information as requested by CBSL.
- 3.2 The licensed bank is required to obtain prior approval of CBSL for (i) any new appointment of agents (ii) any discontinuation of approved agents (iii) additions to the outlets of approved agents (iv) change of location of approved agents (v) any amendments to approved agent banking business. In exceptional circumstances based on justifiable reasons, a licensed bank may temporarily suspend any of its agents after applying for approval to CBSL until such time the approval of CBSL is granted for discontinuation.
- 3.3 A licensed bank shall submit its request for approval on appointment of agents within the first ten working days of a quarter.
4. Responsibilities of the Licensed Bank
- 4.1 The Board of Directors of a licensed bank shall:
- (i) ensure the adherence to these Directions on both agent/sub-agent banking business.
 - (ii) ensure necessary provisions are available in the agreement entered into with an agent by the licensed bank and the agreement entered into with a sub-agent by an agent for compliance with these Directions.
 - (iii) formulate policies, procedures and guidelines on conducting agent banking business;



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- (iv) ensure the agents have adequate resources and expertise to perform the agent banking business;
- (v) ensure that all risks associated with agent banking business are identified, documented, mitigated, managed and reviewed regularly;
- (vi) establish systems for consumer protection and complaint measures and relief mechanism for agent banking business;
- (vii) monitor the activities carried out by agents and accepting the responsibility for all actions and omissions of the licensed bank's agents while performing duties on behalf of the licensed bank; and
- (viii) ensure adherence to Know Your Customer (KYC) and Customer Due Diligence (CDD) rules, rules on combatting money laundering and terrorist financing activities and licensed bank's internal rules, policies and procedures in this respect.

4.2 In addition, a licensed bank shall:

- (i) make an explicit, informed and documented decision on the use of agents for the provision of agent banking business to its customers;
- (ii) assess agents biannually on their viability and make informed decisions on the continuation of agents;
- (iii) provide agents with operational manuals as needed and ensure proper provision of agent banking business to customers; and
- (iv) maintain an updated list of agents/database of agents appointed with all relevant details including the



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below at a minimal and publish the same in the web-site of the licensed bank:

- (a) name of the agent;
- (b) business registration number;
- (c) physical location/address of the agent;
- (d) contact number of the agent; and
- (e) agent banking business offered on behalf of the licensed bank.

5. Risk Management

5.1 The licensed bank shall:

- (i) manage all relevant risks including credit risk, operational risk, legal risk, liquidity risk, reputation risk, technology risk and compliance risk;
- (ii) have in place internal controls, systems and personnel to adequately monitor and control agent banking business on an ongoing basis and adequate oversight to address instances of non-compliance by agents with the stipulated obligations;
- (iii) assess the adequacy of controls by conducting internal audits and through external audits;
- (iv) ensure that agents have proper security control policies to safeguard the information from both internal and external threats;
- (v) ensure any sensitive data pertaining to customers is not stored in any server/system/premises, other than licensed bank's server/system/premises; sensitive data includes but is not limited to customer name, account details, credit/debit card details and all other confidential data;
- (vi) obtain CBSL approval in an exceptional circumstance (applicable only for agents and not for



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sub-agents) with justifiable reasons for not ensuring
(v) above with a certification from a CBSL approved auditor on Information Security Management of the agent related to agent banking business; further, obtain permission from the customer before proceeding with the transaction giving authority to save sensitive data at the selected party;

(vii) undertake due assessment of credit worthiness of agents and set limit structures (day limits, customer limits, agent limits) for agent banking business commensurate with this assessment; and

(viii) develop a business continuity plan to ensure uninterrupted agent banking business to the customers.

**6. Permitted Agent
Banking Business**

6.1 The agent shall provide the following banking products/services only to the existing customers of the licensed bank:

- (i) deposit acceptance;
- (ii) deposit withdrawal;
- (iii) receiving loan repayments;
- (iv) receiving credit card payments;
- (v) facilitating utility bill payments;
- (vi) account balance request;
- (vii) fund transfer within the same licensed bank;
- (viii) disbursement of inward remittances (Direction 9.1(vii) does not apply); and
- (ix) any other activity as approved by CBSL.

6.2 Cash delivery activities handled by a third party on behalf of the licensed bank where such third party meets the



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customers of the licensed bank to collect or deliver cash shall be treated under Direction 6.1(ix). Such activities shall be covered under a comprehensive insurance policy and licensed bank shall be able to claim insurance on any risk covering the entire process of cash collection/delivery and storage at third party vault. Direction 9.1(vii) does not apply for such activities.

7. Selection of Agents

7.1 The licensed bank shall be responsible for determining the suitability of agents prior to contracting agents, and shall as a minimum consider the selection criteria in Direction 7.2.

7.2 The licensed bank shall conduct an assessment and due diligence (Know-Your-Agent) including the following:

- (i) demonstrate integrity and professional standards in its business conduct;
- (ii) possess adequate resources to support effective implementation of anti-money laundering and combating financing of terrorism measures, record keeping, internal controls and consumer protection measures;
- (iii) ensure that the agents have not been involved in any illegal/unethical activities;
- (iv) possess knowledge and competency to conduct high quality agent banking business; and
- (v) demonstrate the ability to control all risks related to agent banking business.

7.3 The licensed bank shall select agents that have a business registration, permanent business premises and an established core business.

7.4 Agents may provide agent banking business to multiple



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licensed banks and have separate contracts with each licensed bank provided that the agents have the capacity to manage transactions for different banks.

7.5 The licensed bank seeking to contract agents which have already been contracted by another licensed bank to carry out agent banking business shall assess the capacity of agents to manage transactions for different banks. CBSL may assess the concentration risk of the selected agents at the time of approval.

7.6 The agreement with the agents shall specifically prohibit them from charging any fee from customers for agent banking business rendered by them on behalf of the licensed bank.

8. Oversight

8.1 CBSL will monitor compliance by the licensed bank with these Directions and may:

- (i) request for any information relevant to any agent from the licensed bank at any time as may be deemed necessary;
- (ii) carry out inspection of the books and premises of agents, if required;
- (iii) direct the termination of the agent contract if deemed necessary;
- (iv) direct the licensed bank to take any action or measure against or on behalf of the agents as appropriate; and/or
- (v) direct the licensed bank to take any remedial action arising from the conduct of agents as it may deem fit.



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9. Consumer Protection

9.1 The licensed bank shall ensure the following:

- (i) preservation of the confidentiality of customer information by the agent;
- (ii) mechanisms are in place for its customers to appropriately identify current list of agents and the agent banking business provided through such agents;
- (iii) educating the public on product features and its terms and conditions;
- (iv) provision of agent banking business in a language preferred by the customer out of three languages, viz., Sinhala, Tamil and English;
- (v) validation of customer data with the core banking system data prior to execution of the transaction where applicable;
- (vi) customers are not unduly induced to buy products/ services of agents;
- (vii) displaying the following at the premises of the agent:
 - (a) the name of the licensed bank it represents and the bank logo;
 - (b) a list of banking business offered by the agent;
 - (c) the dedicated telephone line through which customers can contact the responsible complaint handling officer at the licensed bank; and
 - (d) the name, telephone numbers and location of the licensed bank branch to which the agent reports its agent banking business;
- (viii) all transactions involving receipt and payment of



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- cash to or from an account are encouraged to be on real time; the customer shall be informed of the time lag in case of off-line transactions;
- (ix) issuance of a printed/digital receipt/short message service for all transactions undertaken through agents; and
- (x) compliance with Direction 5 of Banking Act Directions No. 08 of 2011 on Customer Charter of licensed banks (Annex I).
10. Complaint Measures and Relief Mechanism
- 10.1 The licensed bank shall establish a complaint measures and relief mechanism in terms of Direction 6 of Banking Act Directions No. 08 of 2011 on Customer Charter of licensed banks (Annex II) and shall ensure proper communication of this mechanism to customers.
- 10.2 Complaints should only be reported to and maintained at the licensed bank and agents are not permitted to handle any complaints on behalf of the licensed bank.
- 10.3 The licensed bank shall provide dedicated telephone lines for their customers to lodge complaints. Customers can also use this telephone line to verify with the licensed bank, the authenticity and identity of an agent, its physical location and the validity of its agent banking business.
- 10.4 The licensed bank shall ensure safeguarding the interest of the customer, in executing agent banking business via agents, to the extent of facilitating a reversal of an executed transaction, if necessary, under reasonable grounds.
11. CBSL Reporting
- 11.1 The licensed bank shall prepare a report on agent banking business quarterly as in Annex III.



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- 11.2 Such details shall be available to be reported to CBSL on request at any time.
12. Compliance with the Direction
- 12.1 The licensed bank shall commence agent banking business via CBSL approved agents within 6 months from the date of approval. No agents are permitted to commence agent banking business after 6 months from the date of approval.
- 12.2 All licensed banks are required to comply with these Directions on Appointment of Agents. Agents already approved by CBSL shall comply within 6 months from the implementation of these Directions and notify CBSL on compliance.
- 12.3 Licensed banks currently engaged in cash delivery arrangements specified in Direction 6.2 above shall obtain approval of CBSL under these Directions within 6 months. These cash delivery arrangements will not be covered under outsourcing of business operations.
- 12.4 Licensed banks which appoint its group companies as agents shall ensure adherence to these Directions by its group companies.

Dr. Indrajit Coomaraswamy

*Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka*

Extract from Banking Act Directions No. 08 of 2011 on Customer Charter of Licensed Banks

Protection from Agents

“Agents shall refrain from doing any of the following.

- (a) Harassing customers.
- (b) Using abusive debt collection practices.
- (c) Disclosing customer information to others.
- (d) Giving false or misleading information about products/services.
- (e) Unduly influence customers or the general public to buy or get involved in the bank's products/services.
- (f) Engage in getting any security documents signed outside the bank.”

Extract from Banking Act Directions No. 08 of 2011 on Customer Charter of Licensed Banks
Complaint Measures and Relief

“The customers have the right to resolve their complaints with transparency and effectively. In this regard, licensed banks should:

- (a) implement a quick and effective resolution mechanism on disputes between customers and banks by rectifying disputes quickly, handling complaints within a short period, directing to take the complaints forward if the customer is still not satisfied and reversing any charges that applied due to a mistake;
- (b) have in place a written procedure for receiving complaints and steps to be taken to resolve such complaints;
- (c) acknowledge the receipt of any complaint in writing within a reasonably short period of time and inform the complainants of the procedure that will be followed by the bank for the resolution of the complaint and the contact details of the officer/officers handling the complaint;
- (d) facilitate receiving complaints verbally or in writing and the banks shall not insist that complaints be necessarily made only in writing;
- (e) establish a management information system regarding complaints and process of resolution as part of the duties of risk management committee relating to operational risks; and
- (g) advise the customers to seek affordable and efficient recourse through the Financial Ombudsman or in Courts in the event the complaint is not resolved to their satisfaction.”

Report on Agent Banking Business carried out by a Licensed Bank**1. Name of the bank:****2. Details of agents/sub-agents**

	During the quarter		As at quarter end	
	Agents	Sub-agents	Agents	Sub-agents
No. of approvals granted				
No. of agents commenced agent banking business within 6 months of the date of CBSL approval				
No. of agents failed to commence agent banking business within 6 months of the date of CBSL approval				
No. of agents remaining to be commenced agent banking business before CBSL approval lapses				
No. of discontinued agents				

3. Details on operating agents/sub-agents as at the quarter end

- Name
- Business registration number
- Physical location/address
- Contact number
- Agent banking business offered

4. Performance Review

Type	Transactions (during the quarter)	
	No. of transactions	Value (Rs.)
(i) Deposit acceptance		
(ii) Deposit withdrawal		
(iii) Received loan repayments		
(iv) Received credit card payments		
(v) Utility bill payments		
(vi) Account balance inquiries		
(vii) Fund transfers (within same bank)		
(viii) Disbursement of inward remittances		
(ix) Other		
- Cash delivery activities		
- Any other (specify)		

(Bank shall maintain performance review for each agent/sub-agent)

5. Problems encountered:

- Number of problems and specify the issues
- Reason for the problem
- Actions taken (specify)