



CENTRAL BANK OF NIGERIA

**REGULATORY FRAMEWORK FOR
AGENT BANKING IN NIGERIA**

MARCH 2023

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PART A: AGENT BANKING RELATIONSHIPS

1.0 INTRODUCTION

In exercise of the powers conferred on the Bank by Section 2 (d) of the Central Bank of Nigeria Act, 2007 and Section 57 (2) of the Banks and Other Financial Institutions Act (BOFIA), Laws of the Federation of Nigeria, 2004 to issue guidelines for the maintenance of adequate and reasonable financial services to the public, the Central Bank of Nigeria (CBN) hereby issues the Guidelines for Agent Banking in Nigeria to regulate the operation of agent banking in the country.

Agent banking refers to the use of third parties for the provision of banking and other financial services to the public. It enables banks and other financial institutions extend their services to locations where they may not have physical presence. The agent banking initiative in Nigeria has proved to be a viable tool for achievement of the financial inclusion targets set for the country.

Over the years, the agent banking initiative has resulted in the ubiquity of financial services agents across Nigeria, resulting in a significant and growing portion of financial transactions being conducted through the agents. This has necessitated the review of agent banking regulations to streamline activities in agent banking while ensuring that appropriate risk mitigation measures are taken by stakeholders.

2.0 SCOPE

The Guidelines cover the operations of agent banking as well as the licensing of super agents, in Nigeria.

3.0 OBJECTIVES

These Guidelines provide minimum standards and requirements for the operation of agent banking in Nigeria, as well as the roles and responsibilities for stakeholders involved in agent banking in Nigeria.

The objectives of the Guidelines are to:

- Provide minimum standards and requirements for agent banking operations;
- Enhance financial inclusion; and
- Provide for agent banking as a delivery channel for offering banking services in a cost-effective manner.

4.0 APPLICATION AND APPROVAL REQUIREMENTS

Any CBN licensed financial institution who wishes to engage in agent banking shall apply to the CBN for approval. The application shall clearly state the extent of agent banking activities and responsibilities of the relevant parties under the agent banking relationship.

The application shall be submitted to the Director of the appropriate regulatory Department of the CBN.

Applicants shall supply the following information to the CBN in support of the application:

- a. Name of the applicant
- b. Postal and email addresses
- c. Business Address
- d. Telephone number
- e. Company Registration Number/certificate

4.1 Documentary Requirements

All applications for agent banking shall be accompanied with the following:

- i. Board approval.
- ii. A document that shall outline the strategy of the FI including current and potential engagements, geographical spread of the proposed agents and benefits to be derived.
- iii. Qualifying criteria for engaging agents showing outreach, competence, integrity, etc.
- iv. Service Level Agreements (SLAs) and Agent Banking Contracts between principal and agents.
- v. Risk management, KYC and AML/CFT/CPF, internal control, operational procedures and any other policy and procedures relevant to the management of agent banking arrangements.
- vi. Brief description of the agent banking relationship.
- vii. Risk Management processes instituted for the agent banking activities.
- viii. Technical requirements for carrying out services under the agent banking relationship.
- ix. Feasibility study for the development of the agent business for a minimum period for five years.
- x. Other documents as may be required by the CBN from time to time.

4.2 Agent Structure

The responsibility for the selection of agents shall lie solely with the FI, subject to the following allowable agent structures:

- i. Super-Agents: These are agent networks licensed by CBN that shall establish a collection of outlets or franchise within its wide network of outlets that shall be under its supervision and control.
- ii. Sole-Agent: A sole agent is an agent who does not delegate powers to other agents but shall assume the agent banking relationship/responsibility by himself.
- iii. Sub-Agents: These are networks of agents that shall be under the direct control of a super-agent or agent as may be provided in the agent banking contract.

4.3 Information Requirements for Agent Structure

FIs shall clearly state the agent structure adopted and provide the following information:

- i. Name(s) of agent(s).
- ii. Physical location(s) of agents,
- iii. Postal address, Telephone numbers
- iv. Terms of engagement, itemizing all commercial activities the agent is currently engaged in and all proposed responsibilities.

4.3.1 Update of Agent Information

FIs shall require all agents to submit updated information annually or as soon as any change occurs.

4.4 Renewal of Engagement

Licensed institutions shall renew all agent agreements at least biennially, except otherwise approved by the Bank.

4.5 Monitoring of Agent Banking Relationships

The CBN shall, regularly monitor FI/agent relationships as well as compliance with relevant regulations. Where the need arises or in response to specific issues, the CBN shall conduct monitoring visits to any agent.

4.6 Disclosure of Significant Share Ownership

In the case of super agents, the CBN shall require full disclosure on persons or entities that control 10 per cent or more of the share capital or has powers to exercise significant influence over the management.

5.0 MINIMUM REQUIREMENTS OF AGENT BANKING CONTRACT

The agent banking contract to be executed between the principal and agent/super agent shall contain the following, at the minimum:

- i. Reference to the FI's full liability with respect to customers, and it shall clearly specify the obligations of both the FI and the agent.
- ii. The principal's responsibility for the onboarding of all agents to its agent banking platform and its duty to approve all agents' sign-up.
- iii. All activities that the agent shall be enabled to conduct on its behalf or limitations on any such activities in the SLA, in line with the permissible activities for agent banking.
- iv. Explicit statement of all fees and charges in respect of the agent banking arrangement.
- v. Explicit statement of responsibility for payment of expenses (directly or indirectly) relating to the activities of the agent banking arrangement.
- vi. Explicit statement of responsibility for provision of infrastructure and procurement of third-party service providers, including SLA for service provision.
- vii. Dispute resolution clauses.
- viii. Explicit statement that agents shall not be allowed to charge any fees directly to customers. The details of remuneration for the agent shall be specified in the contract between the agent and the principal.
- ix. Measures to mitigate risks associated with agent banking services to include, at the minimum, limits on customer transactions, cash management, cash security, security of agent premises and insurance policies.
- x. Explicit statement that FIs and their agents shall fully comply with AML/CFT/CPF and KYC requirements.
- xi. A statement that all information or data that the agent collects in relation to agent banking services, whether from the customers, the FIs or from other sources, is the property of the FI and such information shall be kept confidential.
- xii. Remedial action available to the parties in the event of failure to discharge stipulated obligations.
- xiii. Agent's business hours.
- xiv. Set limits on cash holding by the agent and limits on individual customer withdrawal and lodgment in line with the cashless policy of the CBN.
- xv. Confidentiality of customer and user information.
- xvi. Technical description of electronic devices.
- xxi. Remuneration for the agent and charges for agent banking services.

- xxii. Specify that the agent shall at all times ensure safe-keeping of all relevant records, data, documents, or files or alternately, such records, data, documents, or files are moved to the institution at regular pre-agreed intervals.
- xxiii. A statement to the effect that employees of an agent shall not be treated as employees of the institution and the rights and duties of employees of the agent shall be agreed upon between the institution and the agent.
- xxiv. A provision for changing the terms of the contract and stipulations for default and determination of the contract.
- xxv. A transition clause on the rights and obligations of the parties upon termination or cessation of the agent banking contract.

The FI and the agent may provide for other terms and conditions that they consider necessary for the agent banking business.

5.1 Responsibility of FIs Regarding Agents Actions and Omissions

The FI shall be responsible for all actions or omissions of its agent notwithstanding anything contained in the contract to the contrary, provided they relate to agent banking services or matters connected therein.

5.1.1 The agent shall be under obligation to deliver transaction support documents to the principal.

5.2 CBN Oversight of Agents

The CBN shall have free, full, unfettered, and timely access to the internal systems, documents, reports, records, staff and premises of the agent in so far as the agent banking business is concerned and shall exercise such powers as it may deem necessary.

6.0 ESTABLISHMENT OF AGENT BANKING RELATIONSHIPS

In establishing agent banking relationships between FIs and agents, the following shall apply:

- i. FIs shall be required to comply with the CBN AML/CFT/CPF Regulations and carry out due diligence on prospective agents before establishing a relationship.
- ii. The CBN shall prescribe the extent of such agent banking relationships and scope of activities.
- iii. FIs shall have due diligence policies and regulations that define initial agent engagement, regular monitoring and supervisory checks, trigger points and corrective measures.

- iv. FIs shall specify the permissible activities agent may undertake within each agent category taking into consideration permissible activities under this Framework.
- v. FIs shall define minimum standards for selection and approval procedure for each agent category.
- vi. Any FI that wishes to vary the terms of its earlier agreement as approved by the CBN, shall be required to submit a new request for CBN consideration.
- vii. All agent banking contracts between FIs and agents shall comply with this Regulatory framework and any other extant laws and regulations.

6.1 Agent Eligibility

Individuals and entities who wish to act as agents of FIs shall be required to meet the following eligibility conditions:

- i. The agent must have been in legitimate commercial activity for at least twelve (12) months immediately preceding the date of the application to become an agent.
- ii. An entity shall not be eligible for appointment as an agent if the carrying out of agent banking business by the entity shall contravene any written law, regulation or the objects of the entity.
- iii. The following entities shall be eligible for appointment as agents under this Regulations:
 - a. Limited liability companies,
 - b. Sole proprietorships,
 - c. Partnerships,
 - d. Cooperative Societies,
 - e. Public entities,
 - f. Educational institutions
 - g. Trusts and
 - h. Any other entity, which the CBN may prescribe.
- iv. Any entity, which is faith-based or not-for-profit, a non-governmental organization, an educational institution, bureau-de-change, or any other entity which, under any applicable law is not allowed to carry on profit-making business shall not engage in agent banking as an agent.
- v. Any entity, which is subject to any regulatory authority under any written law or is a public entity, shall obtain the consent of the regulatory authority or the appropriate oversight body or authority prior to being appointed an agent.

7.0 ASSESSMENT OF AGENTS

7.1 Suitability Assessment of An Agent

A. Before the appointment of an agent, the FI shall ensure that the entity has:

- i. A verifiable physical location by the FI.
- ii. Not been classified as a non-performing borrower by any FI in the last 12 months preceding the date of signing the contract (such information having been obtained from licensed Credit Bureau). The performing status shall be maintained for the duration of the agency.
- iii. Appropriate physical infrastructure and human resources to provide the services required.
- iv. For purposes of carrying out an assessment under this clause, the proposed agent shall complete an agent assessment form.

B. Prior to the appointment as an agent under the provisions of this Regulations, any entity that seeks to be appointed as an agent by a financial institution shall furnish the FI with the following information as applicable:

- i. Name of the proposed agent;
- ii. Certificate of incorporation or business registration, where applicable;
- iii. Description of the commercial activity the entity has been carrying on for the last twelve months immediately preceding the date of the application;
- iv. Valid business licence or permit for any regulated commercial activity carried on by the entity for at least twelve months prior to the date of the application;
- v. Audited financial statements for the last two years where applicable;
- vi. Tax clearance certificate;
- vii. Physical location, postal address and telephone numbers of the entity and its working hours;
- viii. Evidence of availability of funds to cover agent operations including deposits,
- ix. BVN of signatories to the entity's account(s),
- x. NIN and/or TIN, as applicable,
- xi. Any other information the FI may require.

7.1.1 The FI shall keep all information provided by the agent safe and confidential in line with extant record retention regulation and shall make this information available to the CBN on request.

7.1.2 The FI shall endeavor to obtain accurate information from the entity and its officers or employees.

- 7.1.3** Any entity, which or whose proprietors, partners, officers, or employees furnish an FI with false or inaccurate information, shall be disqualified from conducting agent banking business.

7.2 Suitability of Prospective Agents

In assessing the suitability of an agent, the following shall apply:

- i. FIs shall assess the moral, business and professional suitability of the prospective entity including promoters, directors, partners and management .
- ii. The prospective agent shall complete applicable agent appraisal form.
- iii. In assessing the suitability of a prospective agent, the FI shall have regard to the following:
 - a. Adverse information obtained from a credit bureau or other credible sources.
 - b. Any criminal record relating to financial matters, fraud, or dishonesty.
 - c. Reputation (based on references from at least two people of good social standing living in the same locality as the person and who have known the person for at least three years).
 - d. Business or work experience.
 - e. Sources of funds.
 - f. The business track record of the prospective agent.
 - g. Any other information that may negatively or positively impact on the prospective agent.

7.3 Agent Due Diligence

In conducting agent due diligence, FIs shall:

- i. Establish efficient and thorough Agent Due Diligence procedures to mitigate risks.
- ii. Institute clear, well documented Agent Due Diligence policies and procedures. Minimum contents shall include, methods of identifying potential agents, initial due diligence, and regular due diligence checks to be performed at specified intervals and check list of early warning signals and corrective actions to ensure proactive agent management.
- iii. Clearly specify in the Agent Due Diligence procedures and policies, roles/responsibilities of functions/departments within the FI with regards to agent management.
- iv. Ensure that agents are well established, reputable and have the confidence of the market.

- v. Ensure that proper AML/CFT/CPF monitoring processes exist for agent banking. The necessary actions to be taken by agents in this regard shall be communicated to the agents and the agents' compliance monitored.

7.3.1 Due Diligence shall also include:

- a. Verification of legal status of the Agent.
- b. Verification of address or location of all prospective agents.
- c. Establishing that there are no relationships with the FIs that may be detrimental to the agent banking relationship.
- d. Verification of the adequacy of the prospective agent's resources for agent banking.
- e. Any other measures deemed necessary by the FI.

8.0 ROLES & RESPONSIBILITIES OF THE FINANCIAL INSTITUTION

The FI shall:

- i. Have a board approval and CBN approval for agency banking.
- ii. Develop appropriate agent banking documents, policies, forms, contracts, SLAs, criteria, agent appointment letters, etc. for agency banking.
- iii. Be wholly responsible and liable for all actions or omissions of its agent. This responsibility shall extend to actions of the agent even if not authorized in the contract so long as they relate to agent banking services or matters connected therewith.
- iv. Maintain effective oversight of the agent's activities and ensure that appropriate controls are incorporated into its system in order to assure compliance with relevant regulations.
- v. Assess the adequacy of controls of outsourced activities through regular audits.
- vi. Formulate and implement policies and procedures to safeguard the information, communication and technology systems and data from threats.
- vii. Provide agents with such regulations/manuals and risk management policy documents as shall be needed for rendering services to customers efficiently.
- viii. Include a risk-based review of critical agent banking processes to ensure that the policies, rules, regulations are adhered to.

- ix. Be responsible for selecting credible agents with suitable/convenient outlets.
- x. Be responsible for the management and mitigation of risk associated with the engagement of agents to provide financial services on their behalf.
- xi. Provide basic financial education to customers and agents. The FI must annually train its agents, including on AML/CFT/CPF issues.
- xii. Conduct a regular and periodic review of agents transactions and activities.

8.1 Management of Agent Banking Business

The FI shall:

- i. Develop and implement an agent banking strategy and establish an effective oversight over agent banking services.
- ii. Ensure effective management oversight, which shall encompass the review and approval of key aspects of its security control programs, processes, policies and infrastructure.
- iii. Have a comprehensive process/framework for managing risks associated with reliance on third parties.
- iv. Ensure the expansion of the scope of the bank's internal audit function to address the increased complexity and risks inherent in agent banking activities and ensure appropriate staffing of the audit department with personnel possessing the right skills.
- v. Take steps to update and modify, where necessary, its existing risk management policies and practices to cover current or planned agent banking services.
- vi. Take steps to ensure the integration of agent banking applications with the main banking systems to achieve an integrated risk management approach for all banking activities.
- vii. Train agents to enable them adequately perform operations and provide the services agreed upon, including training relating to the proper identification of customers, customer service, confidentiality of information, record keeping and financial education.
- viii. Ensure that separate accounts are maintained for agent transactions and avoid comingling with the other transaction of the agents.
- ix. Ensure that each agent maintains a record of all transactions at the agent location in line with extant data retention regulations.

8.2 Permissible Activities

The following are permissible activities that can be performed by agents under agent banking arrangements:

- i. Cash deposit and withdrawal within permissible limit.
- ii. Bills payment (utilities, taxes, tenement rates, subscription etc.).
- iii. Funds transfer services (local money value transfer).
- iv. Balance enquiry.
- v. Generation and issuance of mini statement.
- vi. Collection and submission of account opening and other related documentation.
- vii. Agent mobile payments/banking services
- viii. Cash disbursement and cash repayment of loans.
- ix. Cash payment.
- x. Collection of bank mail/correspondence for customers.
- xi. Any other activity as the CBN may from time to time prescribe.
- xii. It shall be the responsibility of the FI to determine, based on agent risk assessment, which services an agent can provide.

8.3 Prohibited Activities

An agent shall not:

- i. Operate or carry out any transaction when there is communication failure with the FI.
- ii. Carry out a transaction where a receipt or acknowledgement cannot be generated.
- iii. Charge customers fees outside regulated fees regime.
- iv. Give any guarantee.
- v. Offer banking services on its own accord.
- vi. Continue with the agency business when it has a proven criminal record involving fraud, dishonesty, or any other financial impropriety.
- vii. Provide, render, or hold itself out to be providing or rendering any banking service which is not specifically permitted in the contract.
- viii. Open accounts, grant loans or carry out any appraisal function for purposes of opening an account or granting of a loan or any other facility except as may be permitted by any other written law to which the agent is subject.

- ix. Undertake cheque deposit and encashment of cheques.
- x. Transact in foreign currency.
- xi. Provide cash advances.
- xii. Be run or managed by FI's employee.
- xiii. Sub-contract another entity to carry out agent banking on its behalf except where there is a super-agent structure in place.
- xiv. FI may in the contract document specify other activities, which the agent is prohibited from undertaking.
- xv. Accept deposit or allow withdrawal above an amount which shall be prescribed, from time to time, by the Bank.
- xvi. Use the wrong option for transactions e.g., Agents shall not use purchase option PoS Terminals for cash in and cash out transactions.

8.4 Operational and Transactional Limits

In setting operational and transactional limits, the following shall apply:

- i. The FI shall establish limits for services agreed upon with agents, in line with extant regulations.
- ii. The limits shall be prudent and bear a relation to the turnover of the agent and the risks associated with the agent's locality for conducting agent-banking business.
- iii. Limits shall be set for each agent and where applicable, for each type of transaction in line with extant regulations.

9.0 EXCLUSIVITY OF AGENTS

There shall be exclusivity of agent banking contracts between FIs and agents.

- i. To encourage enhanced oversight and monitoring of agents by FIs, an agent can provide agent-banking services to only one FI at any given time.
- ii. Agent locations shall be branded by FIs as approved by the CBN.

10.0 SUPERVISION OF AGENTS

Agents shall be supervised to ensure compliance with extant regulations and laws.

10.1 FIs Oversight Responsibilities on Agents

FIs shall:

- i. Be responsible for monitoring and supervising the activities of the agents.

- ii. Have information on the volume and value of transactions carried out for each type of service by each agent.
- iii. Monitor effective compliance with set limits and establish other prudential measures in each case.
- iv. Implement measures to control operational risks, including having clause(s) in the contract establishing the liabilities of the agent.
- v. Take all other measures including onsite visits by the FI's staff or authorized persons to ensure that agents operate strictly within the requirements of the law, regulations and the contract

10.2 CBN Oversight of Agents

Notwithstanding the responsibility of FIs to monitor and supervise their agents, the CBN can at any time request for any information or carry out inspection at agent locations in pursuance of its objectives.

11.0 PUBLICATION OF LIST OF AGENTS AND LOCATIONS

FIs shall publish an updated list of all their agents on their websites and annual reports.

- i. It may publish a comprehensive list of agents on flyers, corporate gifts, and such other publications, as it deems appropriate.
- ii. The publications containing the list of their agents shall be disseminated to all their branches and may also be disseminated to their agents.

12.0 RELOCATION, TRANSFER AND CLOSURE OF AGENT PREMISES

It is the responsibility of the FI to ensure the following:

- i. No agent shall relocate, transfer, or close its agent banking premises without prior notice to the FI.
- ii. FIs shall maintain records of agents and their locations which shall be updated when relocations occur.
- iii. An agent who wishes to relocate from its premises shall notify the FI of its intention to relocate, transfer or close agent banking premises at least thirty days or such other period as may be agreed upon in the contract, a copy of which shall be posted at the agent's premises.
- iv. Within thirty days prior to relocation or closure of agent banking premises, the FI shall notify the CBN and forward the details and reason(s) for relocation, transfer, or closure of premises.
- v. An agent banking contract shall be terminated where;
 - a. The agent has a proven criminal record involving fraud, dishonesty, or any other financial impropriety.
 - b. Violation of the terms of the regulation.

13.0 SETTLEMENT OF TRANSACTIONS AND ICT REQUIREMENTS

To ensure smooth agent banking transactions, the following shall apply.

13.1 Real Time Transactions

To ensure real time transactions, the FI shall:

- i. Ensure that all transactions carried out within the agent banking are done on a real time basis.
- ii. Deploy technology that facilitates instant payment to the end users account and
- iii. Provide its agents with settlement positions for reconciliation of transactions.

13.2 Minimum ICT Requirements

The technology implemented by the FI for agent banking shall comply with relevant industry ICT standards.

FIs shall ensure that:

- i. Transaction information is transmitted in a secure manner.
- ii. The technology deployed comprises a set of interoperable infrastructure modules that work seamlessly with other payments infrastructure.
- iii. There shall be end-to-end connection between FIs and their agents.
- iv. Customers get immediate value for successful transactions.
- v. Payment instructions are instantly executed. In the event of failure of communication during a transaction, immediate reversal shall be mandatory.
- vi. Generation of durable receipts or acknowledgements for successful transactions.
- vii. Automatically deny an agent exceeding the daily limit allowed or performing unauthorised transactions.
- viii. Audit trail is maintained to support internal control functions, dispute resolution and regulatory oversight.
- ix. All settlement information details are preserved for a minimum period of 5-years.
- x. Adequate measures be put in place to mitigate all the risks that could arise from the deployment and use of its agency banking IT architecture.
- xi. Generate reports as maybe required from time to time.
- xii. Alerts received by the customer for agent banking transactions shall identify the agent's name,
- xiii. Minimum of Two factor authentication per customer per transaction

13.3 Data and Network Security Requirements

FIs shall put in place systems that specifically, and at the minimum, address the following issues:

- i. Physical and logical security of infrastructure;
- ii. Availability of services;
- iii. Data confidentiality and integrity;
- iv. Encryption of PIN and electronic transactions;
- v. Customer accountability and non-repudiation of transactions; and
- vi. Error messaging and exception handling.

14.0 THIRD-PARTY SERVICE PROVIDERS

FIs can engage third-party service providers, with duly executed contracts, for technology platforms, agent selection, agent network management and agent training, **PROVIDED** that, such contracts shall not constitute agent banking relationship.

14.1 Responsibility of FIs in Respect of Third-Party Service Providers

- i. The FI shall be responsible for the agent banking business even where a third-party service provider is contracted to provide the services specified above.
- ii. The FI shall ensure compliance of both the agent and third-party service provider with the standards and requirements of the agent banking regulations.

14.2 Conversion of Third Party Service Provider to Agent or Super Agent

Any third-party service provider, who seeks to render agent banking in addition to providing the above services, shall be required to follow the due process for operating as an agent or super agent.

15.0 RISK MANAGEMENT

FIs shall have responsibility to develop and implement risk management policies and procedures for agent banking activities.

15.1 Specific Risk Management Requirements

FIs shall:

- i. Be responsible for monitoring and supervising the activities of their agents.
- ii. Have information on the numbers and volumes of transactions carried out for each type of service by each agent.
- iii. Monitor effective compliance with set limits and establish other prudential measures in each case.

- iv. Implement measures to control risks in operations, including having clause(s) in the contract establishing liabilities/responsibilities of agents.
- v. Ensure periodic physical oversight visits by the principal's staff or authorised persons to ensure that agents operate strictly within the requirements of the law, regulations, and the agent banking contract.
- vi. Pay special attention to credit risk, operational risk, legal risk, liquidity risk, reputation risk and compliance with rules for combating money laundering, financing of terrorism and proliferation financing.
- vii. Comply with Nigeria Data Protection Regulation (NDPR) and other extant data protection laws and regulations.
- viii. Conduct due assessment of agent's credit worthiness and set limit structures for agent's various activities commensurate with this assessment.
- ix. Have product programs, procedure manuals and customer transaction limits, while considering implications for operational and liquidity risks for agents.
- x. Ensure that risks related to electronic banking as well as information and data security risks, in respect of agent banking, shall be managed by the FI in a prudent manner.
- xi. Have a business continuity plan which accommodate agent banking operations to mitigate any significant disruption, discontinuity or gaps.
- xii. Institute systems and personnel to adequately monitor and control agent banking operations on an ongoing basis.

15.2 CBN Oversight Duties

Notwithstanding the responsibility on FIs to monitor and supervise their agents, the CBN may at any time, exercise regulatory and supervisory powers under BOFIA and CBN Act and may request for such data or information or carry out such inspection as it deems necessary.

16.0 MONEY LAUNDERING PREVENTION

FIs and their agents shall ensure full compliance with extant laws and regulations on the combatting of ML/TF/PF.

16.1 Customer Due Diligence

FIs shall conduct due diligence on customers to ensure that the requirements of Anti-Money Laundering/Combating the Financing of Terrorism/ Proliferation financing (AML/CFT/CPF) are adhered to.

16.1.1. Factors to consider in conducting effective customer due diligence include:

- i. Know Your Customer (KYC) and Customer Due Diligence (CDD) requirements.
- ii. Daily transaction limits.

- iii. Minimum IT security requirements.
- iv. Authentication of each customer's transaction.

16.2 AML/CFT/CPF Requirements

FIs shall train their agents on anti-money laundering (AML) and combating of financing of terrorism (CFT) countering proliferation financing (CPF) requirements.

16.2.1 FIs shall ensure that:

- i. Customers are identified with at least any of the following: Government issued IDs (International Passport, Driver's licence, Voter's Card, National Identification Number), PINs, passwords, payment card, secret code or secret message while performing any transaction requiring identification.
- ii. Agents report to the FI within twenty four hours, all suspicious activities that come to the agent's knowledge.
- iii. Agent conduct agent banking transactions strictly in line with transaction limits set by the FI.

16.2.2 In fulfillment of AML/CFT/CPF requirements, FIs and their agents shall comply with the requirements of the Money Laundering (Prohibition) Act, 2022 and Financing of Terrorism (Prevention & Prohibition) Act 2022 and relevant extant AML/CFT/CPF regulations.

17.0 CONSUMER PROTECTION MEASURES

FIs shall establish appropriate consumer protection mechanisms to protect customers against risks of fraud, data privacy breaches and general loss of service, as well as dispute resolution mechanisms in line with extant laws and regulations.

17.1 Minimum Consumer Protection Requirements

The following minimum requirements shall be complied with, at all times:

17.1.1 FIs shall:

- i. Establish mechanisms that will enable their customers and users identify their agents and the services provided by such agents;
- ii. Provide their agents with necessary tools that enable generation of durable receipts or acknowledgements for transactions carried out through agents. In this regard, electronic receipts or acknowledgements are permissible.
- iii. Provide a channel for communication of customer/agent complaints to it;
- iv. Provide dedicated customer care telephone numbers for lodging complaints by customers. The customers/agents can also use this telephone numbers to verify

with the FI, the authenticity and identity of the agent, its physical location, and the validity of its agent banking business;

- v. Establish complaints redress mechanism and ensure proper communication of this mechanism to agents and customers;
- vi. Ensure that all customer complaints in respect of its agent banking operations are resolved within a reasonable time and not later than fourteen (14) days from the date of reporting or lodging the complaint with the FI.
- vii. Keep record of all customer complaints and how such complaints were resolved;
- viii. In the provision of agent banking services, use secure systems that ensure customer information confidentiality;
- ix. That the customers are made aware of the fact that, they shall not carelessly store PIN and other critical information or share such information with other parties including agents; and
- x. Establish contact centers to facilitate communication between a customer and the FI.
- xi. Establish dispute resolution mechanisms to resolve disputes between it and agents/customers in line with extant regulations and laws.

17.1.2 Agents shall:

- i. Issue receipts for all transactions undertaken through them.
- ii. Provide an acknowledgement for all documents received or delivered by the agent to or from the customer, where an agent acts as a receiver and deliverer of documents.
- iii. Have signs that are clearly visible to the public indicating that it is a provider of services of the FI with which it has an agency contract. The agent shall not, however, represent to the public that it is an FI.

17.2 Disclosures at Agent Locations

Agents shall display:

- i. The name and logo of the FIs it is representing in a conspicuous manner.
- ii. Agent banking services offered.
- iii. A notice to the effect that services shall be provided subject to availability of funds.
- iv. Charges or fees applicable for each service to the FI, which shall be in line with the CBN Guide to charges for Banks and Other Financial Institutions in Nigeria.
- v. The dedicated telephone number(s) through which customers/agents can contact the FI.
- vi. The name, telephone numbers and location of the institution's branch to which the agent reports its agent activities.

17.2.1 On request by a customer, an agent shall show a copy of the approval letter issued by the Central Bank of Nigeria to the FI approving agent banking operations, a copy of its appointment letter as agent by the FI and the current license for the commercial activity being undertaken by the agent, where applicable. These documents should be readily available in the agent banking premises.

18.0 BRANDING AND ADVERTISEMENT

FIs that provide agent banking services shall be required to comply with the following:

- i. FIs may choose to brand their agent banking service under any brand name.
- ii. Notwithstanding the provisions of 16.0 (i), use of protected words like “bank”, “finance”, “financial institution”, “financial intermediary” or their derivatives or any other word suggesting that the agent is itself an FI is prohibited.
- iii. In advertising its agent banking service, the FI shall not in any form misrepresent the agent as a financial institution or mislead the public as to the services available at the agent’s premises.
- iv. An agent shall not brand its premises in a manner that may suggest that it is a financial institution.
- v. An agent shall display its principal’s name and logo in a conspicuous manner and ensure where there is more than one principal the names and logos shall be similarly displayed.

19.0 SUBMISSION OF STATUTORY RETURNS

FIs shall render monthly returns to the CBN on the following, not later than the 10th day of the following month:

- i) Nature, value, and volume of transactions;
- ii) Incidents of fraud, theft, or robbery; and
- iii) Nature and number of customer complaints and remedial measures taken.
- iv) Periodic and/or other reports as may be required by the CBN from time to time.

19.1 Annual Reporting

FIs shall include in its annual reports and accounts in the prescribed form, summary of activities of agent banking operations.

20.0 POWERS OF THE CBN

The CBN shall have power to:

- i. Request for information from agents at any time as it may deem necessary;
- ii. Carry out spot or scheduled inspection of the books and premises of agents;
- iii. Direct an agent to take actions or desist conducts that the CBN may deem necessary for the safety and soundness of the financial system;

- iv. Direct the termination of the agency contract between an agent and FIs;
- v. Direct the FI to take such actions against or on behalf of the agent, as the CBN may find appropriate;
- vi. Direct the FI to take such remedial action arising from the conduct of an agent as it may deem fit.

20.1 Remedial Measures

The CBN shall take corrective actions against FIs or their agents as appropriate, if they fail to comply with extant laws and regulations.

21.0 SANCTIONS

In addition to the use of remedial measures in section 18, the CBN shall take any or all of the following sanctions against an FI, its board of directors, officers, or agents to address observed contraventions of this Framework:

- i. Prohibition from engaging in any further agent banking business;
- ii. Prohibition from contracting new agents;
- iii. Revocation of agent banking approval;
- iv. Termination of agent banking contract;
- v. Withholding Corporate approvals;
- vi. Financial Penalties.

PART B: SUPER AGENTS

22.0 APPLICATION AND APPROVAL REQUIREMENTS

Any institution that wishes to be licensed as a Super-Agent shall submit an application for approval to the CBN. The application shall be submitted to the Director, Payments System Management Department, Central Bank of Nigeria, Abuja.

22.1 Documentary Requirements

All applicants shall supply information to the CBN as may be required from time to time.

23.0 ELIGIBILITY FOR A SUPER-AGENT LICENCE

An applicant for super agent licence shall:

- i. Have a minimum Shareholders' Fund, unimpaired by losses of N50 million;
- ii. Obtain a reference letter from a Financial Institution (FI) as part of its documentation for licence; and
- iii. Have a minimum of 50 agents.

23.1 Documentary Requirements

All applications for super-agent licence shall be accompanied with the following:

- i. Board Approval
- ii. Certificate of Incorporation
- iii. The company's profile and functional contact e-mails, telephone numbers, office, and postal addresses
- iv. Memorandum & Articles of Association
- v. Shareholding structure
- vi. Allotment of shares
- vii. Of Directors
- viii. Curriculum Vitae of Board and Management
- ix. Organogram
- x. Feasibility report
- xi. Information Technology Policy
- xii. Enterprise Risk Management Framework
- xiii. Contingency and Disaster Recovery Plan (Business Continuity Programme)
- xiv. A document that shall outline the strategy of the shared agent network including current and potential engagements, geographical spread, and benefits to be derived
- xv. Qualifying criteria for engaging agents e.g., Outreach, Competence, Integrity, Others
- xvi. Draft Service Level Agreements (SLAs) with sub-agents and FI Agent Banking Contract

- xvii. Risk management, internal control, operational procedures and any other policy and procedures relevant to the management of an agent banking arrangement.
- xviii. Procedures for KYC and AML/CFT compliance
- xix. Fraud detection plan and standard of care
- xx. Consumer protection policy and procedure

24.0 RESPONSIBILITIES OF SUPER AGENTS

Super-Agents shall:

- i. Be responsible for developing agent network.
- ii. Be responsible for monitoring and supervising activities of agents.
- iii. Have information, on agent transaction volume, value, types and other agent transaction information, available to the principal.
- iv. Monitor effective compliance with set limits and establish other prudential measures in each case.
- v. Take other measures, to ensure that agents operate strictly within the requirements of the law, guidelines and the contract, such as onsite visits.
- vi. Notwithstanding the responsibility by the Super-Agent to monitor and supervise their agents, the CBN may at any time request for any information or carry out inspection on the activities of the agents as the CBN deems necessary.

25.0 RENEWAL OF ENGAGEMENT

Operating licence of Super Agents shall be renewed as maybe determined by CBN from time to time.

26.0 PLATFORMS AND INTEROPERABILITY

In carrying out its activities, super agents shall ensure the following:

26.1 Platforms

- i. The National Central Switch and other licensed switching companies shall provide the switching infrastructure to enable inter-scheme transactions at agent locations.
- ii. Platforms used by super agents for their operations shall be for the management and monitoring of the activities of their agents only, and shall not hold electronic money value, whereas the FI shall provide and operate the mobile money platform and hold electronic money value.
- iii. Cash-in, cash-out (CICO) services for Inter-scheme payments shall be a basic function at all agent locations and other add-on services may be provided.

26.2 Interoperability

Super-Agent's platform shall be enabled to communicate with all its agents and shall have visibility of its agents' transactions through integration with NIBSS.

26.3 Parties to Agent Banking Transactions

The major parties to Agent Banking transactions include:

- i. NIBSS
- ii. Issuer
- iii. Acquirer
- iv. Agent
- v. Super-Agent

27.0 FEES

Applicable fees for Agent Banking transactions shall be in line with The Guide to Charges by Banks, Other Financial and Non-Bank Financial Institutions.

28.0 BRANDING AND ADVERTISEMENT

FIs and super agents are at liberty to advertise their agent banking services including locations where the services can be accessed by the banking public.

28.1 Branding

Super agents and FIs shall comply with the following in branding their agent banking products.

- i. A common logo as prescribed by the Bank shall be adopted by all agents.
- ii. The Super-Agent number assigned by the CBN during licensing shall be conspicuously displayed at its outlets.
- iii. Customers shall be provided a channel (web, SMS, USSD short code, etc.) to validate the Agent Number and address.

28.2 Advertisement

Super agents and FIs shall comply with the following in branding their agent banking products.

- i. All advertisement shall carry the FI logo and made conspicuous at branded agent outlets.
- ii. Advertisement of FI products shall be the responsibility of the FI in conjunction with the Super Agents.
- iii. Primary brand of agent outlet shall remain the responsibility of the super-agent/agent, provided the CBN approved logo is conspicuously displayed.
- iv. Super-Agents could advertise their primary business as well as the availability of FI services.

29.0 DISPUTE RESOLUTION

FIs and super agents shall ensure the establishment of effective dispute resolution mechanisms to support their agent banking operations.

The following shall apply for effective dispute resolution:

- i. In the event of any transaction failure wherein the funds are in the agent accounts, the period of holding such funds shall not exceed 30 days and shall be reversed to the customer.
- ii. In the event of any transaction failure, notifications with appropriate details about the dispute resolution (including the maximum holding period for the disputed funds), shall be sent to the agent, customer and/or beneficiary.
- iii. In the event of dispute resolution, notifications with appropriate details about the dispute resolution, shall be sent to the agent, customer and/or beneficiary.
- iv. FIs, who engage the services of super agents, shall be responsible for setting up dispute resolution mechanism for their agents to facilitate resolution of customers' complaints, and super agents shall ensure that their agents follow the mechanism established by the principal.
- v. Super-agents shall facilitate the timely resolution of customer related issues in line with stipulated timelines.

30.0 STATUTORY RETURNS

Super-agents shall, render the following monthly returns to the CBN not later than the 10th day of the subsequent month:

- i. Nature, value, and volume of transactions;
- ii. Incidents of fraud, theft, or robbery;
- iii. Nature and number of customer complaints and remedial measures taken;
- iv. Other information on agent operations; and
- v. Any other information the CBN may require from time to time.

30.1 Annual Reporting

Super-agents shall include in its annual reports and accounts, in the prescribed form, all activities of its agent operations.

30.2 Other Statutory Reporting

Super Agents shall be required to submit periodic and/or other reports as may be required from time to time.

31.0 POWERS OF THE CBN OVER SUPER AGENTS

CBN shall:

- i. Request for information from Super Agents at any time as the CBN may deem necessary;
- ii. Carry out spot or scheduled inspection of the books and premises of super agents;
- iii. Direct super agents to take such actions or desist from such conduct as the CBN may find necessary;
- iv. Direct the termination of super agency contract as the CBN may find necessary;
- v. Direct the super agents to take such actions against or on behalf of agents as the CBN may find appropriate;
- vi. Direct the super agents to take such remedial action arising from the conduct of an agent as it may deem fit.

31.1 Sanctions and Penalties

The CBN shall impose appropriate sanctions for any contravention by super agents, including but not limited to:

- i. Prohibition from engaging in any further agent banking business;
- ii. Prohibition from contracting new agents;
- iii. Revocation of agent banking approval;
- iv. Termination of agent banking contract;
- v. Withholding Corporate approvals;
- vi. Financial Penalties.

**PAYMENTS SYSTEM MANAGEMENT DEPARTMENT
MARCH 2023**

Glossary

Agent Banking

Agent banking is the provision of financial services to customers by a third party (Agent) on behalf of a licensed deposit taking financial institution and/or a mobile money operator (Principal).

Agent

An agent is a person, or an entity contracted by a financial institution approved by the Central Bank of Nigeria (Bank) to provide the services of the bank on behalf of the bank, in such manner as may be prescribed by the Bank.

Associate

For the purpose of this regulation, an associate of a financial institution may be an employee (current or former), his/her relations, including spouse, parent, children or any related party with the financial institution.

Bank

In this document the “Bank” refers to the Central Bank of Nigeria.

Financial Institution (FI)

For the purposes of this document, a financial institution shall be any institution licensed by the CBN to accept deposits and conduct banking or other financial services as defined by Banks and Other Financial Institutions Act (BOFIA) 2020 and licensed Mobile Money Operators (MMOs).

Third Party Service Providers

These shall mean parties other than the principal and agent who are in contract with either the principal or agent specifically relating to the existing agent banking relationship.

Agent Banking Database

This refers to a database of all approved agent banking relationships, locations, agents and principal that exist in the country.

Super-Agent

A super-agent is an institution licensed by the CBN to develop and manage agent networks and can be contracted by a principal for the purpose of providing financial services at agent locations.

Sole Agent

A Sole agent is an agent who does not delegate powers to other agents but assumes agency relationship/responsibility by himself.

Sub-Agent

A sub-agent is a person to whom some or all aspects of the agent banking have been delegated by a Super-Agent or agent.

Bank-led model

The Bank led model is a general agency arrangement where only a bank may act as a principal in forming agent banking relationships.

Non-bank led model

The non-bank led model of agent banking is a general agency arrangement where parties other than banks may act as principal in forming agent banking relationships.

AML/CFT/CPF

This means Anti-Money Laundering, Combating Financing Terrorism and Proliferation Financing.

KYC

This means “Know Your Customer”.

Premises

The physical location or place used by the agent to conduct business.

Principal

For the purposes of this document, the principal shall at all times be a deposit taking Financial Institution and/or Mobile Money Operator (MMO).

Proprietor and Partner

A “proprietor” or “partner” under this Regulation shall, in respect of other unincorporated entities include reference to persons and their titles as they are known or referred to under those unincorporated entities.

Receipts

For purposes of this document, receipts shall include all forms of durable and verifiable acknowledgements including, paper, email, and SMS.

Real Time Transactions

This means the processing of instructions on an individual basis at the time they are received rather than at some later time.