



**GOVERNOR**

Dili, 20 February 2015

Chief Executive Officers  
All banks operating in Timor-Leste

**Circular Letter 14/2015: Guidelines on the Use of Agents in Branchless Banking**

Banco Central de Timor-Leste, as part of its initiative to promote financial inclusion in Timor-Leste, has developed Guidelines on the Use of Agents in Branchless Banking.

The Guidelines provide minimum standards and requirements for Banks and include a framework for the protection of Banks' customers. Compliance with these Guidelines is mandatory for all Banks and Other Deposit Taking Institutions that wish to undertake agent banking business in Timor-Leste.

The Central Bank will monitor compliance with the minimum requirements established in the Guidelines and may request information from both Principals and Agents at any time, carry out impromptu or scheduled inspections of the books and premises of Agents, and take such subsequent action as it may deem necessary.

The Guidelines are annexed for your information.

Sincerely yours,

**Abraão de Vasconcelos**

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# **GUIDELINES ON THE USE OF AGENTS IN BRANCHLESS BANKING**

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# **GUIDELINES ON THE USE OF AGENTS IN BRANCHLESS BANKING**

Branchless Banking technologies using agency arrangements can assist in overcoming the barriers associated with accessing traditional banking services and provide affordable and accessible methods for using banking services throughout Timor-Leste. Such access provides particular benefits for people living in rural areas of the country. In this manner, Branchless and Agent Banking can assist in improving financial inclusion and developing Timor-Leste's financial system with broad benefits for the country's economic development.

Furthermore, taking into consideration that Branchless or Agent Banking means providing banking services to customers through an Agent engaged by a Bank, regulation is required to address risks that arise through the delivery of those services. Specialised regulation will ensure the safety and soundness of the Branchless and Agent Banking arrangements for all parties involved: the Bank, Agent and customers. A specialised regulatory framework will mandate minimum standards of risk management, customer protection and disclosure in Agent Banking. It will serve to expand financial inclusion in Timor-Leste.

## **CHAPTER I GENERAL PROVISIONS**

### **Article 1**

#### **Definitions**

In these Guidelines, unless otherwise stated, the terms below shall have the following meaning:

- a). "Agent" means an individual or other legal entity that has been contracted by a Bank to provide services on behalf of the Bank in the manner specified in these Guidelines;
- b). "Agent Banking" means the business carried out by an Agent on behalf of a Bank as permitted under these Guidelines. For the purpose of the present Guidelines, Agent Banking is a subset of Branchless Banking;
- c). "Bank" means a financial institution providing banking services that is licensed and supervised by the Banco Central de Timor-Leste under the Organic Law of the Banco Central de Timor-Leste, and subject to the UNTAET Regulation 2000/8 on Bank Licensing and Supervision;
- d). "Bank-Agent Contract" refers to the contract that operates between the Bank and Agent. The minimum requirements of this contract are contained in Article 8 of these Guidelines;
- e). "Board of Directors" or "Directors" of a Bank means either the board of directors and directors of a locally-incorporated Bank or the local management and managers of a branch in Timor-Leste of a foreign incorporated Bank;
- f). "Branchless Banking" is the delivery of financial services outside of traditional Bank branches through the use of Agents or information and telecommunications technologies;
- g). "Electronic Money" means electronically, including magnetically or in any other tangible or intangible device (such as a SIM card or software), stored monetary value as represented by a claim on the issuer, which is issued on receipt of funds for the purpose of making payment transactions and which is accepted as a means of payment by persons other than the issuer;
- h). "Know Your Customer" (KYC) means a process of performing activities related to Customer Due Diligence (CDD) in order to identify customers and ascertain relevant information in order to do financial business with them;

- i). “Mobile money” or an “m-wallet” is Electronic Money accessed through a mobile phone;
- j). “PIN” or “Personal Identification Number” is an identification number used to gain access to a banking system through an identification token;
- k). “Real time” means the electronic processing of transactional data upon data entry or receipt of a command;
- l). “SIM” or “Subscriber Identification Module” is a data storage device for mobile phones;

## **Article 2**

### **Scope**

These Guidelines apply to all Banks licensed under the UNTAET Regulation 2000/8 on Bank Licensing and Supervision and Other Deposit Taking Institutions established pursuant to Public Instruction 06/2010, individuals and other entities providing Agent Banking services as defined in these Guidelines.

## **Article 3**

### **Prohibitions**

Unless otherwise authorised by BCTL, Agents are prohibited from performing the following activities:

- a). Promote or advertise any financial or banking products or services other than those allowed in these Guidelines;
- b). Promote or advertise any Agent Banking services or products without entering into a Bank-Agent Contract with that Bank;
- c). Undertake any financial activities other than the permissible Agent Banking activities described in these Guidelines.

## **Article 4**

### **Agent Structure and Permissible Activities**

1. Agents may be classified as an Agent or as a Primary Agent. The activities of each type of Agent are described as follows:
  - a). An Agent is authorized to perform the following activities:
    - i. Balance enquiry;
    - ii. Deposit and withdrawal;
    - iii. Payment of bills;
    - iv. Payment of retirement and other social benefits;
    - v. Payment to merchants for goods and services with debits to the account of the consumer;
    - vi. Collection of mail/correspondence for the Bank or for the Bank’s customers;
  - b). A Principal Agent is authorized to perform all of the activities outlined in the previous sub-paragraph and the following activities:
    - i. Transfer of funds;
    - ii. Repayment of loans made by the Bank;
    - iii. Generation and issuance of simplified Bank statements;
    - iv. Collection of documents in relation to account opening, loan application, and debit card application;
    - v. Issuance of debit cards;
    - vi. Cheque book request;
    - vii. Cheque book collection by customers;
    - viii. Collection of mail/correspondence for the Bank or for the Bank’s customers;

2. No Agent shall engage in activities that exceed those specifically authorized by the Bank in its agreement.
3. The BCTL may from time to time determine the types of agents and each of their activities.

## **CHAPTER II**

### **REQUIREMENTS OF A BANK UNDERTAKING AGENT BANKING**

#### **Article 5**

##### **Key Responsibilities of a Bank**

1. The Board of Directors of a Bank shall be responsible for formulating policies, procedures or guidelines that:
  - a). Regulate how the Bank conducts Agent Banking services;
  - b). Ensure that the key risks associated with Agent Banking, which are listed in paragraph 2.h).i. below, are identified and mitigated;
  - c). Specify the consumer protection and redress system for Agent Banking; and
  - d). Ensure that Agent Banking activities are monitored and that the Agent adheres to the Bank's internal rules, policies and/or procedures in this respect.
2. Banks that undertake Agent Banking shall:
  - a). Be liable for all actions or omissions of an Agent relating to Agent Banking services or related matters. This liability shall be stated and agreed in the Bank's contract with the Agent;
  - b). Make an explicit, informed and documented decision to use an Agent to provide Agent Banking services, and the choice of each Agent;
  - c). Maintain an effective system of internal control and oversight of the Agent's activities or functions;
  - d). Ensure that proper system controls are incorporated so that all relevant compliance issues are fully addressed, particularly the identification, assessment, monitoring and reporting on the Bank's compliance with these Guidelines;
  - e). Ensure the Bank has proper security control policies, procedures and protection to safeguard the information, communication and technology systems and data from both internal and external threats;
  - f). Be responsible for assessing the adequacy of controls of outsourced activities by mandating appropriate direct or third-party audits under relevant outsourcing agreements;
  - g). Incorporate risk-based reviews of critical Agent Banking processes to ensure that the Agent follows the Bank's Agent Banking policies, rules, regulations and operational guidelines; and
  - h). Provide the Agent with operations manuals and risk management policy documents as needed to ensure proper provision of services to customers. In managing risks the Bank shall:
    - i. pay special attention to credit risk, operational risk, legal risk, liquidity risk, reputation risk and compliance with rules for combating money laundering and the financing of terrorism;
    - ii. undertake due assessments of an Agent's creditworthiness and set limits for Agent activities commensurate with this assessment;
    - iii. devise product programs, procedure manuals and customer limit structures keeping in mind the implications for operational and liquidity risks for an Agent;
    - iv. recognise telecommunications or electronic banking-related risks and manage these risks in a prudent manner according to the fundamental characteristics and challenges of electronic banking services;
    - v. properly identify and mitigate technology risks regarding information and data security networks;

- vi. develop a business continuity management plan to mitigate any significant disruption, discontinuity or gaps in an Agent's functions;
- vii. put in place appropriate product and operations manuals, accounting procedures and systems and design necessary forms/stationery to be used by an Agent; and
- viii. have in place systems and personnel to adequately monitor and control Agent Banking operations on an ongoing basis.

## **Article 6**

### **Transactions, Systems and Technology**

1. Banks shall ensure that all transactions involving deposit, withdrawal, payment or transfer of cash from or to a bank account be made in Real Time.
2. Banks shall ensure that an Agent is able to carry out Real Time transactions covering all Agent operations.
3. To ensure that Agent Banking transactions are carried out with devices which are technically fit for the purpose, Banks are required to ensure that such equipment:
  - a). Transmits transaction information in encrypted code;
  - b). Carries out electronic transactions on a Real Time basis;
  - c). Allows handling under different user profiles for administration, maintenance and operation;
  - d). Reverses incomplete transactions due to error, system failure, power outage or other defects;
  - e). Processes or generates durable transactional documents or receipts. Electronic receipts or acknowledgements such as SMS acknowledgement are permissible;
  - f). Automatically logs off an Agent once the Agent exhausts his daily cash limit or tries to perform an illegal or unauthorised transaction; and
  - g). Generates an audit trail.
4. Banks shall at all times monitor the safety, security and efficiency of the equipment being used to prevent any tampering or manipulation by any person.
5. Banks shall put in place systems that, at a minimum, address the following issues:
  - a). Physical and technological security of infrastructure;
  - b). Maintain availability of services during normal business hours;
  - c). Data confidentiality and integrity;
  - d). Encryption of PIN and electronic transactions;
  - e). Customer accountability and non-repudiation of transactions; and
  - f). Error messaging and exception handling.

## **CHAPTER III**

### **AGENT SELECTION AND APPLICATION PROCESS**

## **Article 7**

### **Agent Selection**

1. Banks shall be responsible for determining the suitability of an Agent prior to contracting the Agent, and shall as a minimum apply the following selection processes and criteria:
  - a). Conducting an assessment and due diligence on the Agent and its operations, which would include:
    - i. probity, personal qualities and reputation of an Agent or an Agent's owner if the Agent is a business;
    - ii. financial position and credit profile of an Agent or an Agent's owner if an Agent is a business;

- iii. knowledge, capability and competency to conduct Agent Banking services at an acceptable quality; and
  - iv. ability of an Agent to control operational risks related to Agent Banking, particularly for Agents representing multiple Banks.
- b). Selecting an Agent that has a business licence, permanent business premises and an established core business;
- c). Banks are prohibited from appointing businesses whose sole activity is Agent Banking.
- 2. Banks shall ensure that adequate and accurate information is furnished by an Agent prior to appointing the person or corporate entity as an Agent.
- 3. Banks shall keep confidential and in safe custody the information provided by an Agent which shall be produced as and when required by the BCTL.
- 4. The Bank must take precautions in the identification, selection, training, and operations of an Agent so that the Agent does not expose the Bank to operational and reputational risk.
- 5. Notwithstanding the above, BCTL may exempt Banks from complying with one or more of the requirements established in this Article.

## **Article 8**

### **Bank-Agent Contract**

1. Banks shall submit to the BCTL a signed copy of each Bank-Agent Contract, which shall contain the following minimum provisions:
  - a). The Bank is liable for the actions or omissions of the Agent, including individuals or entities contracted by the Agent for the performance of the contract, related to Agent Banking services or matters connected therewith;
  - b). A list of the specific banking services to be rendered by the Agent;
  - c). The rights, expectations, liabilities and responsibilities of the parties to the contract;
  - d). Measures to mitigate risks associated with Agent Banking services including limits on customer transactions, and requirements relating to cash management, cash security, security of the Agent's premises and insurance;
  - e). Anti-Money Laundering and Countering the Financing of Terrorism requirements;
  - f). Duty of the Agent to deliver transaction support documents;
  - g). A statement that all information or data the Agent collects in relation to Agent Banking services, whether from the customers, the Bank or other sources, is the property of the Bank;
  - h). Adequate oversight safeguards for the Bank to address instances of noncompliance by the Agent with obligations contained in the Bank-Agent Contract and these Guidelines;
  - i). Prohibition from charging the customer any additional fees not specifically agreed upon in the contract between the Agent and the Bank;
  - j). Business hours of the Agent;
  - k). Suitable limits on cash holding by the Agent and also limits on individual customer payments and receipts;
  - l). Confidentiality of customer and user information, including oversight safeguards to ensure the Agent does not tamper with customers' information including PIN details;
  - m). Technical description of electronic devices;
  - n). Differentiation of services offered by the Agent for different Banks if applicable;
  - o). Remuneration for the Agent;
  - p). 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 shifted to the Bank at regular pre-specified intervals for the Bank's safe-keeping;



- q). A statement to the effect that employees of an Agent are not employees of the Bank and the rights and duties of an Agent's employees shall be agreed upon between the Bank and the Agent;
  - r). A framework for the following:
    - i. varying the terms of the contract;
    - ii. stipulations as to what constitutes a default giving rise to the right to terminate the contract; and
    - iii. the circumstances under which the Agent and the Bank can terminate the contract;
  - s). A transition clause on the rights and obligations of the Bank and the Agent upon termination or cessation of the contract;
  - t). A statement that the Agent Banking services provided are subject to regulatory review and that the BCTL inspecting officers shall be granted full and timely access to internal systems, documents, reports, records and to interview staff of the Agent;
  - u). Assigning all or part of the contract between the Agent and the Bank to third parties shall be prohibited; and
  - v). Any other activity that may be considered by the Bank and the Agent necessary for the better carrying out of Agent Banking.
2. Any contract between the Bank and the Agent or the terms of any Agent Banking services provided by the Agent to a customer shall not attempt to exclude the liability of the Bank for the acts, omissions or defaults of the Agent.
  3. An Agent may provide services to multiple Banks and have separate contracts with each Bank provided the Agent has the capacity to manage the transactions for the different Banks.
  4. A Bank seeking to contract an Agent which has already been contracted by another Bank to carry out Agent Banking shall assess the capacity of the Agent to manage transactions for each Bank. Due regard shall be taken to the space, technological capacity and adequacy of the funds or float of the Agent.
  5. Notwithstanding the provisions established in previous paragraphs, a Bank can enter into an exclusive contract with an Agent if approved to do so by BCTL.

## **Article 9**

### **Application Process**

1. Banks that wish to undertake Agent Banking business shall submit to the BCTL the following minimum information:
  - a). The Bank's policies on Agent Banking, risk management framework, Agent selection and management, consumer protection, control and monitoring systems and standard operating procedures and manuals as necessary as required in paragraph 1 of Article 5 of these Guidelines.
  - b). The draft Bank-Agent Contract.
2. Banks shall not commence Agent Banking business before the BCTL approves the documents referred to in the previous paragraph.
3. The BCTL may, at its own discretion, exempt an activity or service from the requirements of these Guidelines.
4. Banks are required to submit, without delay, copy of each signed Contract with an Agent to the BCTL.

## **CHAPTER IV**

### **TRANSPARENCY AND REPORTING**

**Article 10**  
**Consumer Protection**

To ensure appropriate consumer protection against risks of fraud, loss of privacy and loss of service, the following minimum requirements shall be complied with:

- a). The Bank shall establish mechanisms that will enable the customer to appropriately identify an Agent and the services provided by that Agent;
- b). The Agent shall issue receipts for all Agent Banking transactions. The Bank shall provide its Agents with equipment that generates receipts or acknowledgements for transactions carried out by an Agent. In this regard, electronic receipts or acknowledgements are permissible;
- c). Where the Agent receives and delivers documents, an acknowledgement shall be provided for all documents received or delivered by the Agent from or to the customer;
- d). A channel for communication of customer complaints to the Bank shall be provided. The Bank shall provide dedicated customer care telephone lines, or other electronic communication facilities for lodging customer complaints. Customers can also use this telephone line or other electronic communication facilities to verify with the Bank the identity and authority of the Agent, its physical location and the validity of the Agent Banking business;
- e). The Bank shall establish complaint redress mechanisms and shall ensure customers are fully informed about these mechanisms;
- f). All customer complaints shall be addressed within a reasonable time and in any case not later than five business days from the date of lodgement with the Bank. The Bank shall keep records of all customer complaints and how such complaints are addressed;
- g). The Bank will be required to submit reports regarding customer complaints and redress of the same to the BCTL at regular intervals as prescribed by BCTL;
- h). The Agent shall be provided with standardised signs indicating that the Agent is a provider of services for the Bank under an agency contract. The Agent shall ensure such signs are clearly visible to the public at all times in their place of business;
- i). The Agent shall not make representations to the public that the Agent is a Bank;
- j). In the provision of Agent Banking services, the Bank shall use secure systems that ensure the confidentiality of customer information;
- k). The Agent shall not conduct transactions when the online system linking the Agent to the Bank's system is down or otherwise not functioning; and
- l). The Bank shall supply the Agent with signs informing customers to take care handling and storing PINs and to not share their PIN or other financial information with other parties including the Agent. The Agent shall ensure such signs are clearly visible to the public at all times in their place of business.

**Article 11**  
**Disclosure**

1. Banks shall publish an updated list of all their agents on their websites and annual reports. In addition to this, it may publish a comprehensive list of agents on flyers, corporate gifts and such other publications as it deems appropriate.
2. The Agent shall clearly display at its premises the following, in at least one official language of Timor-Leste, in a prominent location and in a visible and clear manner:
  - a). The name of the Bank and the Bank's logo;
  - b). A list of banking services offered by the Agent;
  - c). A clear written notice that outlines the following:
    - i. if the electronic system is down, no transactions shall be carried out; and
    - ii. services shall be provided subject to availability of funds.

- d). The list of charges or fees applicable for each service and payable to the Bank by the customers;
- e). The dedicated telephone line or the other electronic communication facilities through which customers can contact the Bank; and
- f). The name, telephone numbers and location of the Bank branch to which the Agent reports Agent activities.

## **Article 12**

### **Reporting**

1. Banks shall, not later than 10 (ten) business days after the end of every month, submit to the BCTL a report as prescribed in Appendix 1 with information on the nature, value, volume and geographical distribution of the operations and transactions of its Agents.
2. Banks shall submit to BCTL, together with the report referred to in the previous paragraph, a list or an updated list of Agents engaged by the Bank as prescribed in Appendix 2.

## **CHAPTER V**

### **FINAL PROVISIONS**

## **Article 13**

### **Remedial Measures and Administrative Sanctions**

1. The BCTL may take actions or impose administrative penalties set forth in this Article with respect to a Bank or an Agent if it determines that the Bank or its Board of Directors or the Agent has committed an infraction consisting of a violation of one or more of the following:
  - a). A provision of the present Guidelines or of any Regulation, Instruction, Guideline or Order issued by the BCTL;
  - b). Any condition, restriction or provision of an authorisation issued by BCTL under these Guidelines;
  - c). Any provision set forth in Law n° 17/2011 of 28 December on the Legal Regime to Prevent and Combat Money Laundering and the Financing of Terrorism.
2. Following a determination prescribed in the previous paragraph, the BCTL may take one or more of the following actions:
  - a). Prohibition from engaging in any further Agent Banking business;
  - b). Prohibition from contracting new Agents;
  - c). Order immediate termination of an Agent Banking contract;
  - d). Financial penalties as provided in the applicable laws.

## **Article 14**

### **Dispute Resolution**

Any dispute regarding the execution or interpretation of these Guidelines shall be referred to the Governor of the Banco Central de Timor-Leste for decision.

**Agent Monthly Transaction Report**  
**Nature, Number, Value, and Geographical Distribution**

Bank: \_\_\_\_\_

Reporting Period: \_\_\_\_\_

		Municipals													
	District Transactions	Aileu	Ainaro	Baucau	Bobonaro	Covalima	Dili	Ermera	Lautem	Liquiça	Manatuto	Oecusse	Viqueque	Atauro	Total
Number of Transactions															
1.	Cash deposits														
2.	Cash withdrawals														
3.	Repayment of loans by the bank														
4.	Payment of bills														
5.	Payment of Government benefits														
6.	Transfer of funds														
Value of Transactions (USD)															
	District Transactions	Aileu	Ainaro	Baucau	Bobonaro	Covalima	Dili	Ermera	Lautem	Liquiça	Manatuto	Oecusse	Viqueque	Atauro	Total
1.	Cash deposits														
2.	Cash withdrawals														
3.	Repayment of loans by the bank														
4.	Payment of bills														
5.	Payment of Government benefits														
6.	Transfer of funds														

Date of submission

Name and position

Signature of Authorising Officer

**Agent Particulars**

Bank: \_\_\_\_\_

Reporting Period: \_\_\_\_\_

No	Name of Agent	Business Registration Number	Complete Address*)	Name of Owner	Contact Details**) Telephone Number	Commercial Activity	Banking Services and Scope of Authority	Date of Operations	Business Hours

Note: \*) Include detail physical/geographical location

\*\*) Include Mobile phone number and email address, if any

Date of submission

Name and position

Signature of Authorising Officer