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NATIONAL BANK OF ETHIOPIA
ADDIS ABABA

Ref: V/G/FIS/003/2020

Date: March 31, 2020

To:

- All banks
- All microfinance institutions
Addis Ababa

Subject: Use of Agents Directive No. FIS/02/2020

Please find attached the Directive under caption for your information and implementation.

Sincerely yours,

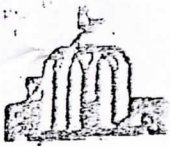

Solomon Desta
Vice Governor
Financial Institutions
Supervision



CC.

- H.E the Governor
- V/Governors
- Senior Advisor
- Advisors
- All Directorates

National Bank of Ethiopia



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NATIONAL BANK OF ETHIOPIA
ADDIS ABABA

LICENSING AND SUPERVISION OF THE BUSINESS OF FINANCIAL
INSTITUTIONS

Use of Agents Directive No. FIS /02/2020

Whereas, use of alternative financial service delivery channels such as agents has significant contribution to deepening financial service accessibility to the wider section of the un-banked and under banked population at an affordable price;

Whereas, there is a need to encourage financial institutions to use agents in the provision of banking services so as to reduce the cost of financial services and to foster financial institution's accessibility and depth;

Whereas, it is necessary to define activities which can be carried out by an agent; provide a framework to offer agency business service and; set minimum standards of customer protection and risk management to be adhered in the conduct of agency business service;

Whereas, the National Bank of Ethiopia is responsible to ensure that financial institutions are delivering agency business service without compromising the safety and soundness of the financial system of the country;

Now, therefore; in accordance with article 2 (2g) and 65 (2) of the Banking Business Proclamation No. 592/2008 as amended by Banking (Amended) Proclamation No.1159/2019, article 3 (2m) and 34 (2) of the Microfinance Business Proclamation No.626/2009 as amended by Microfinance Business (Amendment) Proclamation No.1164/2019, and Articles 10 (5) and 37(2) of the National Payment Proclamation No. 718/2011, the National Bank of Ethiopia has issued this Directive.



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PART I - GENERAL PROVISIONS

1. Short title

This Directive may be cited as “Use of Agents Directive No. FIS/02/2020”

2. Definitions

For the purpose of this Directive, unless the context requires otherwise:

- (1) “**Account**” means any account operated, or managed by a financial institution and which belongs to the customer;
- (2) “**Agency contract**” means a contract concluded between a financial institution, and another person, the agent; to enable an agent provide agency business service to a customer in the name and on behalf of the financial institution in a manner as specified in this Directive and other relevant laws;
- (3) “**Agent**” means a person contracted by a financial institution to facilitate provision of agency business service in the name and on behalf of a financial institution in a manner specified in this Directive and other relevant other relevant laws;
- (4) “**agency business service**” means provision of financial service to customers by an agent in the name and on behalf of a financial institution as prescribed in this Directive;
- (5) “**Bank**” means a company licensed by the National Bank to undertake banking business or a bank owned by the government;
- (6) “**Certificate of agency**” means power of attorney or appointment letter given by financial institution to an agent that facilitates provision of agency business service on its behalf as evidence of conclusion of agency contract;
- (7) “**Cash in**” means the process by which a user exchanges cash for electronic value. Cash-in transactions usually result in increase in the users’ electronic money account balance;
- (8) “**Cash out**” means the process by which a user exchanges electronic value for cash. Cash-out transactions usually result in a decrease in the users’ electronic money account balance;





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- (9) **“Credit reference bureau”** means the work unit established under the National Bank to carry out duties and responsibilities stipulated under establishment and operation of credit reference bureau Directive No. CRB/02/2019 ;
- (10) **“Electronic account”** means an account that belongs to a user but held with financial institutions for the use of electronic money;
- (11) **“Electronic money”** means a monetary value presented by a claim on its issuer. It has the following attributes: (i) issued up on receipt of Ethiopian Birr, (ii) it is accepted as a means of payment by persons other than the issuer, (iii) it has equal value with other electronic money issued in Ethiopian Birr, (iv) stored on an electronic device;
- (12) **“Electronic device”** means device including computer, tablet, point of sale, automated teller machine, TV, mobile phone (with mobile network and or internet), chip, pre-paid card, credit card, debit card, stored value product/device, and other similar electronic device used to undertake electronic money and related financial products and services;
- (13) **“Financial institution”** means a bank or a micro-finance institution licensed by the National Bank. For the purpose of this directive, payment instrument issuers and postal services other than banks and microfinance institutions that provide electronic money related financial services using agents as per the relevant payment instrument issuer directive of the National Bank shall be considered as financial institution;
- (14) **“Micro-finance institution”** means a company licensed by the National Bank to engage in micro-financing business;
- (15) **“mobile money”** means a type of electronic money that is transferred electronically using mobile networks and subscriber identification module (SIM)-enabled devices, like mobile phones;
- (16) **“Mini bank statement”** means a statement with the last five (5) transactions on the customer account;





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- (17) **“National Bank”** means the National Bank of Ethiopia;
- (18) **“Outlet”** means a place of business of an agent directly responsible to the head office of the agent, used for carrying out a commercial activity of the agent, but does not include a mobile unit;
- (19) **“Over-the-counter transaction”** means a transaction that occurs when a sender or a receiver do not use their own electronic account instead transact in cash with an agent who executes the transactions on their behalf;
- (20) **“payment instrument”** means any instrument whether tangible or intangible that enables a person to make payments or transfers and includes electronic money and stored value cards;
- (21) **“Payment instrument issuer”** means a person authorized or licensed by the National Bank to issue payment instrument against receipt of funds;
- (22) **“Person”** means natural or juridical person;
- (23) **“Premises”** means the physical location or place used by the agent to conduct banking business as per this Directive;
- (24) **“Real time”** means the electronic processing of transactional data instantaneously upon data entry or receipt of a command;
- (25) **“Receipt”** means a written document in paper or electronic form like electronic mail messages, personal message center at a financial institution’s web site, SMS text message, or any other electronic device acknowledging that something of value has been transferred from one party to another as a result of conducting agent service;
- (26) **“Super-agent”** is a legal person which has an overarching agreement with a financial institution to contract and manage sub-agents (including outlets) that provide agent service to customers on behalf of a financial institution. The super-agent enters into contract with the sub-agent for the provision of agent service on behalf of a financial institution. The super-agent may or may not, in addition to this management capacity, serve the financial institution in an agent capacity through



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- (27) agent points staffed by the super-agent itself, in which case any and all rules pertaining to agents apply;
- (28) “**Sub-agent**” is an entity contracted by the super-agent of a financial institution for the provision of agent service on behalf of a financial institution;
- (29) “**user**” means a person who has an electronic money account or uses an electronic money service;
- (30) Any expression in the masculine gender includes the feminine.

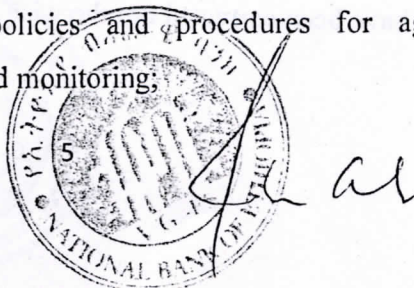
3. Scope of the Directive

This Directive shall apply to a Bank, Micro Finance institution, Payment Instrument Issuer and their agents (including super and sub agents) that provide agent service within the geographical boundary of Federal Democratic Republic of Ethiopia.

PART II—APPLICATION AND APPROVAL PROCESS

4. Application for use of agents

- (1) Any financial institution may not engage in agent banking services without prior written approval of the National Bank.
- (2) A financial institution that intends to use agents for the provision of agency business service shall submit written application as per the details provided under Annex I of this Directive to the National Bank.
- (3) A financial institution shall get prior written approval from the National Bank on the types of services to be provided by agents.
- (4) The application under sub-Article 4(1) of this directive shall be accompanied by at least the following documents having detailed and comprehensive information:
 - a. value propositions of using agents;
 - b. organizational structure, policies and procedures for agent recruitment, management, governance and monitoring;





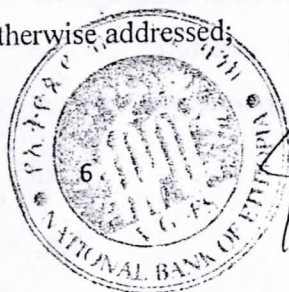
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- c. operational work flow and processes involving agents;
- d. agent business distribution and expansion plan at least for three years;
- e. intended services and products to be provided by agent;
- f. agent due diligence and eligibility criteria;
- g. sample agency contract;
- h. outsourcing arrangement and corresponding contract related to use agents;
- i. technology to be applied for the agency business service;
- j. risk identification and mitigation framework;
- k. applicable internal control policies and procedures on the use of agents;
- l. know your customer policies and procedures;
- m. AML/CFT policies and procedures related to the agency banking service;
- n. manner and application of super-agent arrangement (if any);
- o. detailed agent remuneration policy and guideline on products and services; and
- p. any other relevant information requested by the National Bank as needed.

5. Approval process

- (1) The National Bank, upon receipt of the application and all required information as specified under article (4) of this Directive, shall either approve or decline the application or any part thereof within 30 days, and shall communicate same in writing to the financial institution.
- (2) The National Bank, where it grants its approval to the financial institution, may impose such terms and conditions as it may deem appropriate.
- (3) Where the National Bank rejects the application or any part thereof, it shall provide the applicant with a written explanation of the ground upon which the rejection is based;
- (4) A financial institution whose application has been rejected may re-apply, if the deficiencies that formed the basis for rejection of the initial application or subsequent review have been corrected or otherwise addressed;





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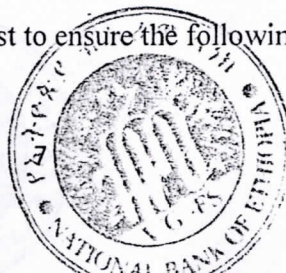
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- (5) Notwithstanding the provisions stated herein above, the National Bank on sufficient grounds including violation of the provisions stated in this Directive by concerned financial institution or in anticipation of any perceived or actual risk occurring in relation to the service may suspend or withdraw the approval and call the service off.
- (6) Banking Supervision, Micro finance Supervision and Payment and Settlement System Directorates of the National Bank shall duly receive and process use of agent service applications of banks, microfinance institutions and payment instrument issuers (other than banks and microfinance institutions), respectively.

PART III - APPOINTMENT OF AGENT

6. Agent due diligence and eligibility

- 1) A financial institution shall establish efficient, clear, well documented and comprehensive agent due diligence policies and procedures for initial and ongoing assessment of agents in a manner that mitigates risks. In case a financial institution intends to use super-agent model, it shall specifically establish and prepare effective agent due diligence and management procedure specific to use of super-agents.
- 2) The agent due diligence policies and procedures shall clearly specify the roles and responsibilities of the different organizational functions of the financial institution.
- 3) A financial institution shall undertake customer due diligence and ensure that its agents fully comply with the requirements of all relevant laws on prevention and suppression of money laundering and financing of terrorism and also meet other eligibility criteria as stated in this Directive.
- 4) Notwithstanding sub-article 6 (1), a financial institution shall conduct an initial agent due diligence for new agents at least to ensure the following:



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- a. an agent shall be a person including a cooperative engaged in any commercial activity and have a permanent address;
 - b. an agent shall have a valid business license (for entities that require license) or is engaged in any commercial activity;
 - c. an agent shall have no criminal record in matters related to finance or fraud;
 - d. an agent shall have no negative record in the credit reference bureau (if the agent is registered with the bureau);
 - e. the agent shall have an ongoing business;
 - f. the agent shall have the necessary funds, and readiness to carry on the agency business service efficiently and safely;
 - g. the agent shall have good integrity and reputation among the community; and
 - h. any other matter which negatively or positively impact on the person.
- 5) A financial institution shall validate, capture and maintain at least the following information and documents related to the agent:
- a. name of the agent;
 - b. valid business license (for entities that require license) or support letter from an appropriate government body explaining or permitting engagement in agent service (if there is any limitation);
 - c. physical location, GPS coordinates (if any), postal address (if any) and telephone number;
 - d. the agency agreement or contract;
- 6) A financial institution, before recruiting an agent, shall assess and scrutinize the reliability of the information provided by the agent.
- 7) A financial institution shall check and verify whether or not a person intending to be an agent is prohibited from carrying on profit-making business under any applicable law.





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- 8) A financial institution shall ensure compliance of its agent with the provisions of this Directive and other relevant laws.

7. Mode of business conduct for an agent

- (1) A person who seeks to be appointed as an agent of a financial institution to perform electronic money related financial service shall open electronic account and deposit a minimum balance determined by the financial institution.
- (2) An agent may not deliver cash in transaction beyond its electronic account balance, which is opened as per sub article (1) of this Article.
- (3) Notwithstanding sub article (2) of this Article, a bank or a microfinance institution may arrange a standing credit facility for an agent whenever there is liquidity shortage as per agency and loan contract. Under such circumstance, the agent shall fulfill the financial institution's internal lending requirements.
- (4) All agency business service transactions involving deposit, withdrawal, payment or transfer of cash from or to an account shall be on a real time basis, and this shall be ensured by a financial institution.

8. Use of third party service providers /outsourcing/

Through a written agreement, a financial institution may sub contract and outsource to another person for the purpose of carrying out services like, agent recruitment and networking, agent training, agent management, marketing and branding, to third parties on its name and behalf.





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PART IV- AGENCY CONTRACT

9. Formation

- (1) A financial institution shall enter into a written contractual agreement with an agent who wishes to engage in the provision of one or all permissible services as specified in this Directive in a written form in line with all relevant laws in force and shall contain at least provisions that are specified under **Annex II** of this Directive;
- (2) The contract between the financial institution and the agent shall be prepared at least in English and any other local language that the agent understands;
- (3) The financial institution shall provide certificate of agency to an agent which at least contains:
 - a) name, logo, stamp and location of financial institution,
 - b) name and address of an agent,
 - c) reference to an agency contract for which it is evidence,
 - d) place where an agent is empowered to act as an agent,
 - e) signature of authorized person within the financial institution,
 - f) date to start operation, and
 - g) identification number of an agent.
- (4) In branding an agent, financial institution and/ or an agent shall avoid use of words like bank, microfinance, financial intermediary, microfinance bank or any other word that might suggest the agent by itself is a financial institution.

10. Termination of Agency Contract

- (1) Without prejudice to grounds of termination stipulated under other relevant laws in force and the contract itself, an agency contract shall be terminated, if an agent:
 - a. has ceased main commercial activity;
 - b. is guilty of a criminal offence involving fraud, dishonesty or other financial impropriety;



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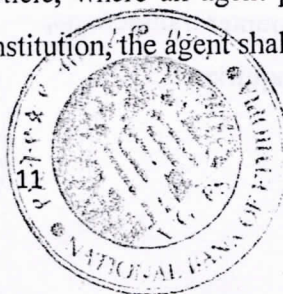
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- c. sustains a financial loss or damage to such a degree which, in the opinion of the financial institution, makes it impossible for the agent to gain its financial soundness within three months from the date of the loss or damage;
 - d. is being dissolved or wound up through court or otherwise;
 - e. dies or becomes mentally incapacitated, in case of a natural person;
 - f. relocates or closes its premises without the prior written consent of the financial institution;
 - g. violates any provision of this Directive which warrants termination of agency relationship, in the opinion of the financial institution or the National Bank.
- (2) Financial institution, however, may terminate a contract with an agent at any time.
- (3) All logos and promotional materials used for promotion of agency business service shall be removed from the premises of the agent upon termination of the agency contract.
- (4) The financial institution shall ensure that an agent does not continue with agency business service when it is affected by any of the provisions of sub-article (1) of this article.
- (5) The financial institution shall notify National Bank in writing every quarter termination of the contract; demonstrating name of agent, location of agent, notices of termination to general public, reason and date of termination.
- (6) Upon termination, without prejudice to other laws in force, rights and obligations of financial institution and agent shall be settled in accordance with transition clause under agency contract.

11. Agent Exclusivity

- (1) An agent shall not be exclusive agent of a financial institution in the area specified under the agency contract.
- (2) Subject to sub-article (1) of this Article, where an agent provides agency business service for more than one financial institution, the agent shall:



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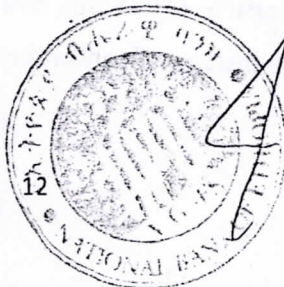
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- a. have separate agency contracts for the provision of such services with each financial institution;
 - b. have the capacity to manage the transactions for the different financial institutions; and
 - c. be transparent for the customer on behalf of the financial institution on whose behalf he is acting for any specific activity.
- (3) Subject to sub-article (2) of this Article, a financial institution seeking to contract an agent which has already been contracted by another financial institution to carry out agency business service shall assess the capacity of the agent to manage transactions for different financial institutions in terms of space, technological capacity and adequacy of funds of the agent.

PART V. - PERMISSIBLE AND PROHIBITED ACTIVITIES

12. Permissible activities

- (1) Subject to written approval by the National Bank and prior valid agency contract and without contradiction to any of the provisions stated under “Licensing and Authorization of Payment Instrument Issuers Directive No ONPS/01/2020”, an agent may provide:
- a. opening of an electronic account,
 - b. cash in and cash out service,
 - c. cash disbursement of loan approved by a bank or microfinance institution and repayment of loans in cash,
 - d. payment of bills and services, salaries, social benefits and any other domestic payments,
 - e. local money transfers,
 - f. over the counter transactions,
 - g. balance enquiries,





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- h. generation and issuance of electronic mini bank statements, (for bank and microfinance agents)
- i. collection of documents in relation to account opening, loan application, credit and debit card application, including customer due diligence for anti-money laundering (AML) or counter-financing terrorism (CFT) purposes,
- j. collection of obligations via debit and credit cards,
- k. cheque book requests (for agents of banks and microfinance institutions),
- l. cheque book collection by customers (for agents of banks and microfinance institutions),
- m. collection of mail/correspondence for customers,
- n. financial education of customers, and/or
- o. any other similar activities that may be approved by the National Bank.

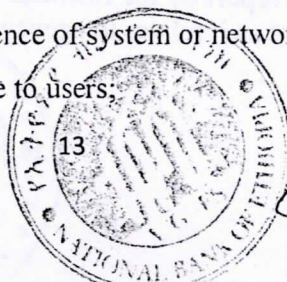
13. Limit on agency business service

- (1) Based on duly performed risk assessment, a financial institution shall be responsible to determine the type of services to be provided by each agent and such services shall be duly stated in the agency contract.
- (2) A financial institution shall establish limits for each transaction agreed upon with the agents.
- (3) The limits under sub-article 2 of this Article shall be prudent and consistent with electronic account limit provided under "Licensing and Authorization of Payment Instrument Issuers Directive No ONPS/01/2020".

14. Prohibitions

A financial institution shall ensure that an agent may not:

- 1. undertake agency business service beyond its designated geographical area;
- 2. undertake transactions in the absence of system or network connectivity;
- 3. deny issuance of receipt or advice to users;



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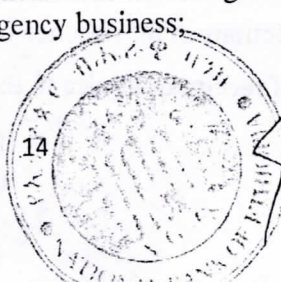
4. undertake transactions when issuance of receipt or advice is not possible;
5. charge or collect any fees from users directly;
6. open regular accounts, grant loans, or carry out any appraisal function for purposes of opening an account or granting of a loan or any other facility except as may be permitted by any other written law to which the agent is subject;
7. undertake cheque deposit and encashment of cheque;
8. transact in foreign currency;
9. impose separate terms and conditions apart from those provided by the financial institution;
10. perform against or beyond the agency contract; and
11. undertake other activities that are prohibited by the National Bank.

15. Use of Super-Agent

16.1 Subject to written approval by the National Bank, a financial institution may deploy an agency structure that includes use of super-agent (with sub-agent) or direct agent structure or a combination of both modalities based on its preference.

16.2 A financial institution, prior to appointing a super-agent for the purpose of provision of agency business service, shall secure and dully assess the following information:

- a) identification information of the super-agent and its business organization, including names of legal and natural persons as well as ID and business registration numbers;
- b) physical location, GPS co-ordinates (if any), postal address, and telephone numbers of the head office and any sub offices of the super-agent;
- c) description of the commercial activities the super-agent has been carrying on for the last 12 months immediately preceding the date of application;
- d) super-agent's own agent due diligence (ADD) policy and new agent take on procedures;
- f) copy of the standard agency agreement under which the super-agent contracts agents on behalf of the financial institution;
- g) due diligence report by the financial institution regarding the internal controls of the super-agent as it relates to agency business;





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- h) anti-money laundering/countering financing of terrorism (AML/CFT) policies and procedures of the super-agent as they relate to agency business, including but not limited to know-your-customer (KYC) procedures at account opening;
- i) agent operational policies and procedures, notably including those around monitoring and enforcing compliance by agents with all requirements originating in these directives;
- j) services to be provided by the super-agent and the limits to which it will be subject;
- k) incentive structure for agents managed by the super-agent associated with every service provided, including the agent fee/revenue sharing structure.

16. RESPONSIBILITIES OF PARTIES

1. Financial Institution

A financial institution, among others, shall be responsible for:

- a. establishing a dedicated unit at head office level directly responsible for coordinating and facilitating the overall activities of the agency business service.
- b. ensuring that all user transactions made by agents shall be in real time and show effect both on the electronic accounts of the user and the agent as per the limits;
- c. any act or omission of the agent related to agency business service; even if such liability is not included in the contract;
- d. put in place a mechanism to manage, monitor and coordinate agents and the agency business service;
- e. marketing of the services and branding of the agent premises;
- f. providing various trainings, like operation, Know Your Customer requirements, AML/CFT, user handling;
- g. ensuring the fulfillment of customer due diligence and related requirements;
- h. designating branches or sub-branches to be responsible for the agents operating in the locality of the respective branches or sub-branches or may designate divisions to be responsible for particular agents (where applicable).





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- i. terminating its relationship with an agent that fails to comply with this Directive or any other operating conditions specified by the National Bank.

2. Agent

An agent shall be responsible at least for:

- a. maintaining adequate balance in its electronic account to undertake electronic money related financial service involving cash in and cash out transactions;
- b. handling user transactions against prefunded electronic accounts;
- c. putting the certificate of agency in a conspicuous place in its premises;
- d. proper and fair handling of users;
- e. observance of provisions issued for Know Your Customer and limits stated under the Directive issued for the "Licensing and Authorization of Payment Instrument Issuers Directive No ONPS/01/2020"; and
- f. any other matter expected from an agent.

PART VI - RISK MANAGEMENT

17. Risk management

(1) A financial institution shall ensure that a risk management framework is put in place to deliver agency business service properly, through:

- a. developing a risk-management program for agency business service that reflects the institution's agency business service strategies, policies and procedures;
- b. paying special attention to operational, liquidity, strategic, legal and ensuring of compliance with anti-money laundering and counter-financing terrorism (AML/CFT) laws;
- c. devising product programs, procedure manuals and customer limit structures taking into account the implications on operational and liquidity risks for agents;





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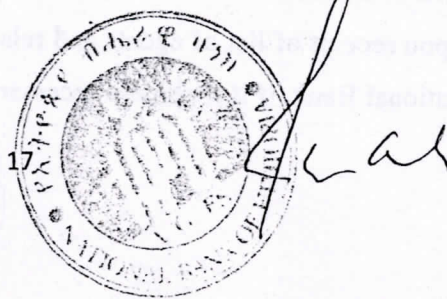
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- d. monitoring the safety, security and efficiency of the electronic equipment being used by the agents, including the IT platform, to prevent any tampering or manipulation by any person;
 - e. developing a business continuity management plan to mitigate any significant disruption, discontinuity or gaps in agents' functions; and
 - f. developing lines of communication to ensure timely dissemination of agent services policies and procedures and other relevant information to all individuals involved in the process.
- (2) A financial institution shall put in place appropriate product and operational manuals, accounting procedures and systems to be used by the agents.
- (3) A financial institution shall put in place systems and personnel to adequately monitor and control agency business service operations on an ongoing basis.
- (4) A financial institution shall review agency business service operations to ensure that the National Bank directives, and own policies and procedures are followed.
- (5) A financial institution shall ensure that proper anti-money laundering (AML) and/or counter-financing terrorism (CFT) monitoring processes exist for agency business service; and
- (6) A financial institution shall provide agents with sufficient trainings: including those relating to the proper identification of customers, customer service, anti-money laundering (AML) and/or counter-financing terrorism (CFT) confidentiality of the information, cash security, record keeping and financial education; to enable the agents to perform the operations and provide the services agreed upon, adequately.

PART VII – SUPERVISION OF AGENT

18. Supervision by the financial institution

- (1) A financial institution shall be responsible for monitoring and supervising the activities of agents;





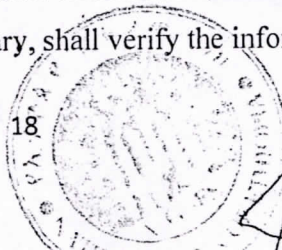
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- (2) A financial institution shall have information on the volume and value of transactions carried out for each type of service by each agent.
- (3) A financial institution shall monitor effective compliance of agents with already set limits and establish other prudential measures in each case.
- (4) A financial institution shall implement measures to control operational risks, including having clause(s) in the contract governing the liabilities of the agent.
- (5) A financial institution shall take all other measures including on-site visits by its staff to ensure that agents operate strictly within the requirements of the law, this Directive and the contract.

19. Supervision by the National Bank

- (1) Notwithstanding article 19 of this Directive, the National Bank shall have the power to:
 - a. request for any information from any agent at any time, when it deems necessary;
 - b. carry out impromptu or scheduled examination of the books and premises of the agent;
 - c. direct a financial institution to order its agent to take such action or desist from such conduct, as it finds necessary;
 - d. order a financial institution to terminate its agency contract and close the agency business, when it finds it necessary;
 - e. direct a financial institution to take such remedial actions or measures against or on behalf of an agent as the National Bank may find it appropriate.
- (2) The National Bank may consider, any action or other proceeding against the financial institution, the extent to which it had established and maintained policies or procedures for compliance; including policies, procedures, or other appropriate oversight measures designed to assure compliance by an agent acting on behalf of such financial institution.
- (3) Upon receipt of list of agents and related information from a financial institution, the National Bank, if it considers necessary, shall verify the information provided to it.





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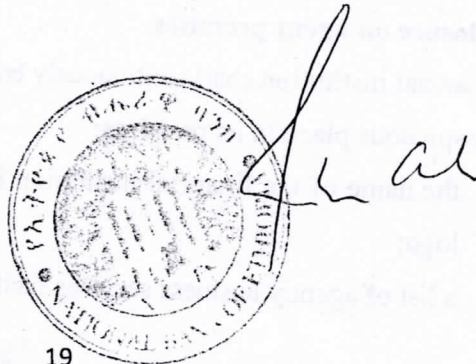
If the National Bank is not satisfied with the fitness and propriety of the agent, it shall require the financial institution to immediately discontinue the agency relation and terminate any agreement entered with such agent.

- (4) Without prejudice to applicability of other relevant laws, where the financial institution fails to comply with this Directive, the National Bank may pursue any or all of the following administrative sanctions against the financial institution:
- a. prohibition from engaging in any further agency business service;
 - b. prohibition from contracting new agents;
 - c. termination of agency contract.;
 - d. revocation of agency business service approval; or
 - e. imposing financial penalties.

PART VIII - CONSUMER AWARENESS AND DISCLOSURE

20. Disclosure and publication of list of agents and their location

- (1) A financial institution shall maintain, publish on its webpage and make public at head office level overall agency business service and related information.
- (2) A financial institution shall maintain and publish an updated list of all agents, their respective locations and related information, products and services offered, fee structure and other publications that may deem appropriate on its website at least on a monthly basis.
- (3) A financial institution shall make public, information related to an agent available through a nearby branch or sub-branch designated to regulate a specific agent (for bank and microfinance agents).





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21. Relocation and closure of agent premises

- (1) No agent shall relocate, transfer or close its agency business service premises without the 30 days prior written notification of the financial institution.
- (2) A financial institution shall require the agent to affix on the agent's business premises the date of intended relocation or closure.

22. Measures to inform customers of their rights and responsibilities

- (1) A financial institution shall implement measures to ensure customers are adequately informed of their rights and responsibilities, which include mechanisms to verify appointed agents, a dispute resolution and redressal mechanism, and efforts to educate customers on agency business service.
- (2) More specifically, a financial institution shall:
 - a. provide dedicated customer care telephone numbers to lodge complaints by its customers. The customers/agents may also use these telephone numbers to verify with the financial institution, the authenticity and identity of the agent, its physical location and the validity of its agency business service;
 - b. establish complaints redressal mechanism and ensure proper communication of this mechanism to their customers;
 - c. ensure that all customer complaints are resolved within a reasonable time but no later than seven (7) business days from the date of reporting or lodging the complaint with the financial institution; and
 - d. keep record of all customer complaints and how such complaints are redressed.

23. Disclosure on agent premises

- (1) A financial institution shall continuously ensure that an agent discloses to its customers in a conspicuous place in its premises:
 - a. the name of the financial institution it is working for and the financial institution's logo;
 - b. a list of agency business services facilitated by the agent;



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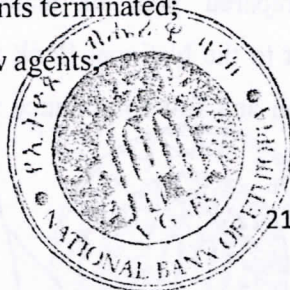
- c. a written notice to the effect that if the electronic system is down, no transaction shall be carried out;
- d. the list of charges or fees applicable for each service which are payable to the financial institution by the customers;
- e. the name, telephone numbers and location of the financial institution's branch or sub-branch to which the agent reports its activities; and
- f. certificate of agency from the financial institution.

24. Customer protection

A financial institution shall put in place adequate policies and procedures to address customer protection and complaint redressal issue and implement same in line with the provision of this Directive and other relevant financial service consumer protection laws and National Bank directives.

25. Reporting

- (1) A financial institution shall immediately report to the National Bank and other pertinent authorities any suspected or confirmed cases of fraud, major security breaches, any material service interruptions or other significant issues it knows or reasonably expected to know;
- (2) A financial institution shall submit to the National Bank, at the end of every quarter of a financial year and not later than thirty (30) days of the next quarter, information on agency business operations, in accordance with the prescribed form under **Annex III** of this Directive, including but not limited to:
 - a. number of agents;
 - b. number of agents terminated;
 - c. number of new agents;



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- d. number of agents who relocated their premises;
- e. type, value, volume and geographical distribution of operations or transactions;
- f. customer complaints;
- g. remedial measures taken to address customer complaints;
- h. details of training and awareness creation sessions conducted; and
- i. any other information required by the National Bank.

PART IX— MISCELLANEOUS

26. Systems and security requirements

- 1) In relation with its agency business service, a financial institution shall put in place:
 - a. an appropriate and tested system;
 - b. a system which fully supports agent identification, management, accounting, internal control, reporting and related activities;
 - c. an effective agent tracking mechanism; and
 - d. a complete audit trail for all agent transactions.
- 2) All agency business-related transactions shall only be made against a prefunded electronic money account of the agent, electronically and in real time.

27. Transitory provisions

- (1) A financial institution that has been authorized by the National Bank to engage in the provision of agency business service before the effective date of this Directive shall prepare and submit to the National Bank plan of action on its compliance with the provisions of the Directive within sixty (60) calendar days from the effective date of the Directive. The period covered for implementation of plan of actions shall not exceed six (6) months from the effective date of the Directive.
- (2) A financial institution that has prepared plan of action on the basis of the aforementioned provision shall submit to the National Bank written confirmation as to the proper execution of the action plan and full compliance with the provisions stated hereinabove.





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28. Repealed and inapplicable laws

(1) No directive, circular or practice shall be applicable in so far as it is inconsistent with respect to matters provided for by this Directive.

(2) Without prejudice to provisions of sub-article (2) of this Article, nothing in this Directive shall be construed so as to relieve a financial institution from compliance with the provisions of other relevant laws.

29. Effective date

This Directive shall enter into force on 1st day of April 2020.

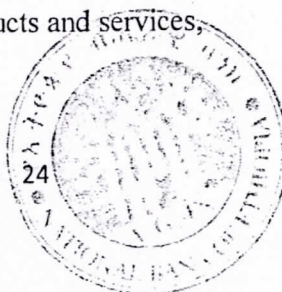


Yinager Dessie (PhD)
Governor

**ANNEX I – INFORMATION TO BE PROVIDED BY THE FINANCIAL INSTITUTION TO
THE NATIONAL BANK FOR APPROVAL**

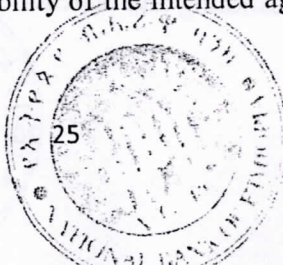
(1) The application to conduct agency business service shall be accompanied by the following information:

- a. copies of model contracts with agent (where applicable);
- b. agent due diligence policies and procedures which contain the following:
 - i. minimum conditions of potential agents selection criteria,
 - ii. initial due diligence, and regular due diligence assessments to be performed at specified intervals,
 - iii. checklist of early warning signals and corrective actions to ensure proactive agent management,
 - iv. roles and responsibilities of departments within the financial institution with regard to agent management shall be clearly specified in the agent due diligence procedures;
- c. customer protection policies and procedures which address at a minimum the following:
 - i. customer identification procedure,
 - ii. a mechanism for the customer to easily identify agents and the services provided through agents,
 - iii. a requirement for agents to issue a standard, uniform and easily identifiable receipts for all transactions undertaken through them,
 - iv. keeping secrecy and confidentiality of customers' information,
 - v. requirements for mandatory disclosures of terms and conditions, risks and responsibilities of the customers and service providers,
 - vi. information such as standard logo/brand, list of products and services, copy of certificate of agency, service charges, updated list and address of agent network, mobile number of the agent, displayed in the premises of the agent in a visible manner,
 - vii. transparency in pricing products and services,

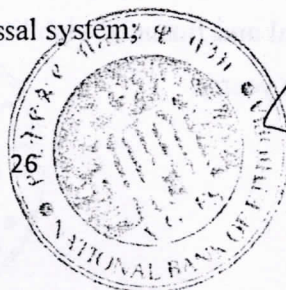


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- viii. at least the last five (5) transactions conducted by a customer on the system itself online stored and availed by a financial institution,
 - ix. a help desk, dedicated customer care telephone lines, and disclosure of the details of the help desk,
 - x. notification of customers on the timeframe and the circumstances in which any stop-payment instructions could be accepted,
 - xi. recording/registering all customer complaints and how such complaints are redressed, and
 - xii. a reasonable timeframe established within which customer complaints are to be addressed which in any case should not be more than thirty working days from the date of reporting or lodging the complaint;
- d. anti-money laundering/counter-financing terrorism policies and procedures;
- e. a feasibility study of the situational analysis in view of future operations and development of the agency business for a minimum period of three years from the date of the application including:
- i. geographical and economic service areas of the agents,
 - ii. estimate of total population and economically active population of the areas where the agent will operate,
 - iii. analysis of the relevant market over the past two years, along with an estimate of the proposed agents' volumes/transactions in the financial institution's delivery channel strategy,
 - iv. description of the agent management structure to be used by the financial institution,
 - v. the financial institution's projections on the share of the proposed agents in the financial institution's business;
- f. a business plan/strategy for agency business service that contains at least:
- i. brief analysis of the country's economy with particular focus on the financial system,
 - ii. proposed number of agents per region over a [three year] period,
 - iii. operational and financial viability of the intended agency business service for at least three years,



- iv. pricing strategy including the initial transaction fees and charges that takes into account the sustainability of the agency business service and the affordability of the service to the wider market,
 - v. products and services to be offered, target markets, regional distribution and coverage of the service, and
 - vi. agency arrangement to be used, technology service to be deployed, fee sharing arrangement, stakeholders and their respective role in the delivery of the service, impact of the services in improving financial service accessibility;
- g. operational policies and procedures containing at least:
- i. responsibilities of the board and senior management of the financial institution in relation to the new services,
 - ii. organizational structure of the agency business functions and associated responsibilities,
 - iii. details of products and services to be offered such as product features, fees and charges, and transaction limits for the product,
 - iv. detailed narrative description and work flow diagram of the services to be provided (including registration, account opening; cash in transactions, fund transfer/remittance, cash out procedures),
 - v. accounting procedures and recording of transactions,
 - vi. agent management where applicable,
 - vii. internal control procedures,
 - viii. the delivery channel strategy of the financial institution and how agents are intended to fit in this strategy,
 - ix. details on how the financial institution intends to oversee agents especially those who are far from any of its branches or sub-branches,
 - x. description of the technology intended to be used,
 - xi. penalty matrix that shall be imposed on agents for possible violations of agreement and malpractices,
 - xii. manner of reporting, and
 - xiii. complaint handling and redressal system;



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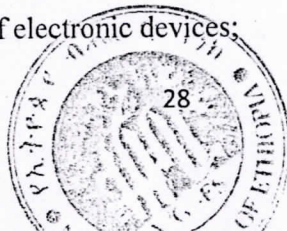
- h. fee structure (pricing) policies and procedures;
- i. risk management policies and procedures containing at least description of the inherent risks such as operational risk,(including reputation risk, and legal risk) and liquidity risk and specific policies, processes and systems which are in place to manage these risks and address risks emanating from customer, agent, technology service provider, mobile network operator and financial institution perspective;
- j. board minutes showing the board of directors of a specific financial institution has reviewed and endorsed agency business service to be provided; and
- k. any other information requested by the National Bank from time to time.



ANNEX II: MINIMUM PROVISIONS TO BE SPECIFIED/ADDRESSED UNDER THE

AGENCY CONTRACT

- (1) The roles and responsibilities and liabilities of both parties;
- (2) Specific agency business service to be provided by the agent;
- (3) The agency business service shall be subject to regulatory review and that the financial institution is fully responsible and liable for all actions or omissions of the agent. This responsibility extends to actions of the agent even if not authorized in the contract so long as they relate to agency business service or matters connected therewith;
- (4) Measures to mitigate risks associated with agency business service including, limits, customer transactions, cash management, cash security, security of agent premises and insurance policies;
- (5) The National Bank shall have full and timely access to the internal systems, documents, reports, records, staff and premises of the agent in so far as the agency business service is concerned and shall exercise such powers as it may deem necessary;
- (6) Compliance with anti-money laundering(AML) or counter-financing terrorism (CFT) requirements;
- (7) Duty by the agent to deliver transaction support documents;
- (8) A statement that all information or data that the agent collects in relation to agency business service, whether from the customers, the financial institution or from other sources, is the property of the financial institution;
- (9) Adequate oversight safeguards for the financial institution to address instances of noncompliance by the agent with the stipulated obligations;
- (10) Prohibition from charging the customer any fees;
- (11) Business hours of the agent;
- (12) Suitable limits on account opening;
- (13) Suitable limits on cash holding by the agent and also limits on individual customer payments and receipts;
- (14) Confidentiality of customer and user information;
- (15) Technical description of electronic devices;



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- (16) Differentiation of services offered by one agent to different financial institutions;
- (17) Specify that all transactions carried out by the agent shall be accounted for and shown in the books of the financial institution by the end of the next working day for the financial institution's safe-keeping;
- (18) A statement to the effect that employees of an agent may not be treated as employees of the financial institution and the rights and duties of such shall be agreed upon between the financial institution and the agent;
- (19) A framework for changing the terms of the contract, stipulations for default and termination of the contract and in particular the circumstances under which both contracting parties can terminate a contract;
- (20) Statements that the National Bank can at any time terminate the contract in the exercise of its powers, duties and responsibilities;
- (21) A transition clause on the rights and obligations of the financial institution and the agent upon termination or cessation of the agency contract;
- (22) Statement that the agent at all times ensures safe keeping of all relevant records, data, documents or files moved to the financial institution at regular pre-arranged interval;
- (23) Remuneration for the agent; the fee and revenue sharing structure and charges;
- (24) The agent obligation to promptly report to the financial institution any suspected or confirmed cases of fraud, major security breaches, any material service interruption or other significant issues;
- (25) Dispute resolution clause; and
- (26) Other terms necessary for the better provision of the agency business service.



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Annex III-QUARTERLY REPORT FORMAT

Name of financial institution.....

Financial year.....

Quarter Ending.....

Table –A-General agency business service report

Total number of active agents

Total number of agents' active outlets.....

Total number of new agents who joined agency service during the period: -----;

Total number of agents that relocated their premises during the period: -----;

Total number of agents who terminated agency business service during the period: -----;

Training and awareness creation sessions conducted during the period including number of days:-----

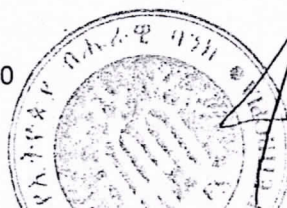
-----;

Cause, type and total number of customer complaints and remedial measures taken to address them: -----

Type and number of incidents of financial impropriety: -----

Challenges encountered during the period and possible solutions to address same: -----

Any other information deemed necessary by the National Bank: -----



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Table-B- Agency business service transaction and agent distribution network report

No	Type	Agency business service facilitated by agents				Active Agents' distribution	
		Volume (number)		Value (Amount in Birr)		Region/City	Number
		During the Quarter	Aggregate/ Cumulative	During the Quarter	Aggregate/ Cumulative		
1	Cash deposit					Addis Ababa	
2	Cash withdrawal					Tigray	
3	Cash disbursement of loan					Afar	
4	Cash repayment of loan					Amhara	
5	Payment of bills					Oromia	
6	Payment of retirement benefit and social benefit					Somali	
7	Transfer of funds					SNNP	
8	Balance/account enquires					Harari	
9	Generation and issuance of mini statement					Benishangul Gumuz	
10	Payment of salaries					Gambela	
						Dire Dawa	

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Approved by.....signature.....stamp.....

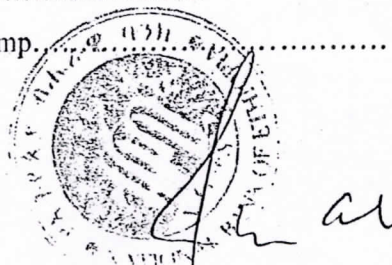


Table-C specific agents' report

Name of financial institution.....

No.	Name of agent	Address				Main commercial activity	Number of outlets	Branch or sub-branch responsible
		Region	Zone/ Sub-city	Kebele	Telephone, fax, e-mail or P.O. Box			
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
...								
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