

**Enclosure 1: Amendments & Additions in Branchless Banking Regulations**

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The following amendments and additions have been introduced in the Branchless Banking Regulations (BBR) issued vide BPRD Circular No. 02 dated March 31, 2008.

**1. Section 4 of the existing BBR requires capturing of Biometric Fingerprint Scan at Agent Location during account opening process.**

The existing requirement of obtaining biometric fingerprint scan at the time of opening Branchless Banking (BB) Account at the agent location has been withdrawn.

**2. Section 4 of the existing BBR defines certain requirements and limits on Level "1" BB Accounts.**

The revised requirements for opening a Level 1 Account at agent location and its features shall include:

**Requirements/Conditions**

- i. Original CNIC of the customer (to be checked by the agent).
- ii. Copy of the CNIC or legible image of customer's original CNIC (at least front side)
- iii. Digital photo of the customer.
- iv. Physical Account Opening Form.
- v. Copy of signed Account Opening Form to be given to the customer.
- vi. Confirmation of customer's cell phone number.
- vii. Verification of customer's photo, signature and at least one of the two unique particulars against the NADRA's database and by follow up with to the customer.
- viii. Allowing three deposits and one withdrawal transaction during account opening/activation process.

**Process of Account Opening**

***A) Agent of FI shall ensure that the following minimum requirements have been met:***

- i. Filling up and signing physical Account Opening Form including terms & conditions by the customer at the agent location.
- ii. Provide signed copy of Account Opening Form including terms & conditions (with salient features written in Urdu) to the customer.
- iii. Check original CNIC of customer, take copy of CNIC *or* capture legible image of customer's original CNIC (at least front side) and mark the form "Original CNIC Seen".
- iv. Capture the customer's live digital photo at the time of account opening.
- v. Collect initial deposit for account opening and provide proof of transaction to customer.
- vi. Transfer of all data to FIs either through surface mail or electronically (scanned copies).
- vii. FI may allow a Level "1" customer to carry out only one deposit and one withdrawal transaction during account opening at the agent location. Subsequently, two additional deposit transactions may also be allowed to the customer before his/her account is fully activated.

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### **B) FI shall be responsible for the following activities:**

- i. Verify the customer's CNIC particulars from NADRA, including photograph, signature and at least one of the following two fields of unique information not disclosed on CNIC and Account Opening Form:
  - (a) Mother's maiden name OR
  - (b) Place of birth etc.
- ii. FIs shall confirm either from PTA or the customer that the given cell number of the customer is registered in his/her name.
- iii. Appropriate action may be taken including blocking of the account if any information of the customer is found incorrect.
- iv. Further transactions will be allowed after due verifications from NADRA and customer.
- v. Maintain physical record of customer account opening data and verification of documents.

### **C) Services:**

All services permissible under existing Branchless Banking Regulations shall be available to Level "1" account holders.

### **D) Transaction & maximum balance limits applicable on Level "1" Accounts:**

The following transaction and maximum balance limits shall be applicable:

Daily Limit	Monthly Limit	Annual Limit	Maximum Balance Limit
Rs. 25,000	Rs. 60,000	Rs.500,000	No Limit

### **3. Introduction of new Level "0" Branchless Banking (BB) Account.**

This new category of Level "0" BB Account will provide flexibility to the Agent and the Financial Institution (FI) for opening of basic BB accounts while rationalizing the Know Your Customer (KYC) requirements in line with the transaction limits. Here, instead of sending the physical Account Opening Form and copy of customer's CNIC to the FI for further processing, the branchless banking agents are allowed to send the Digital Account Opening Form, customer's digital photo and an image of customer's CNIC to the FI electronically.

The minimum requirements for opening of Level "0" Account at the agent location & its features shall include the following:

#### **Requirements/Conditions**

- i. Original CNIC of the customer (to be checked by the agent).
- ii. Legible image of customer's original CNIC (at least front side).
- iii. Digital photo of the customer.
- iv. Transfer of customer's data electronically to the FI.
- v. Giving copy of Terms & Condition to the customer.
- vi. Verification of customer's particulars with NADRA.
- vii. Allowing one deposit and one withdrawal transaction during account opening.

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### **Process of Account Opening**

**A) Agent of FI shall ensure that the following minimum requirements have been met:**

- i. Fill up digital Account Opening Form covering basic personal information of the customer.
- ii. Check original CNIC and capture its legible image (at least front side) through scanner or digital camera etc.
- iii. Capture customer's live digital photo at the time of account opening
- iv. Collect initial deposit for account opening and provide proof of transaction to customer.
- v. Provide signed terms & conditions' form to the customer (with salient features written in Urdu) and obtain a signed acknowledgement receipt from the customer after completing the account opening process.
- vi. Transfer customer's data electronically to the FI.
- vii. FI may allow Level "0" customer to carry out only one deposit and one withdrawal transaction during account opening.

**B) FI shall be responsible for the following activities:**

- i. Verify customer's CNIC particulars and his/her photograph from NADRA.
- ii. Appropriate action may be taken including blocking of the account if any information of the customer is found incorrect.
- iii. Further transactions will be allowed after verifications from NADRA and getting confirmation from the customer either through voice call or getting a signed acknowledgement of account opening.
- iv. Maintain digital record of account opening data, customer photo and verification documents which should be possible to print when required.

**C) Services:**

All services permissible under existing Branchless Banking Regulations shall be available to Level "0" account holders.

**D) Transaction & maximum balance limits applicable on Level "0" Accounts:**

The following transaction and maximum balance limits shall be applicable:

Daily Limit	Monthly Limit	Annual Limit	Maximum Balance Limit
Rs. 15,000	Rs. 25,000	Rs. 120,000	Rs. 100,000

**4. A new category of fund transfer from BB accountholder to other persons (non-accountholder)**

All BB accountholders shall be allowed to transfer up to Rs. 25,000 per month to non-account holders. The following conditions shall be applicable on this service for payments exceeding the limits prescribed for Person to Person fund transfer.

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**Requirements/Conditions**

- i. Original CNIC of the beneficiary to be checked by the agent at the time of payment.
- ii. Digital Photo of beneficiary (for payments exceeding Rs. 15,000).
- iii. Image of original CNIC or copy of the CNIC of beneficiary.
- iv. Mobile numbers of remitter and beneficiary.
- v. Attachment of CNIC and mobile number of beneficiary in the system for authenticity of transaction.
- vi. Verification of CNIC of the customers from NADRA randomly.

**Process flow of the transaction**

- i. Senders (account holders) will give required information of beneficiary to agent or may use his mobile wallet account for initiation of the transaction.
- ii. Beneficiaries (Non-account holders) shall produce original CNIC to agent and other necessary information required by FIs to withdraw remitted funds.
- iii. Agent shall capture live digital photo of beneficiary and legible image of his/her CNIC (for payments exceeding Rs. 15,000) & send the same to FIs (physically or electronically).
- iv. Transaction shall be allowed once requisite information is received by FI/Agent.
- v. Agent shall give beneficiary the remittance amount with acknowledgement receipt.
- vi. FI shall carry out NADRA's batch verification of receiver's CNIC (at least three fields: Name, CNIC Number & Father/Spouse Name) and upon confirmation shall register beneficiaries in the system for subsequent transactions.
- vii. The FIs shall link registration of beneficiaries with his/her CNIC and mobile phone number.
- viii. FIs shall blacklist customers for further transactions, if their particulars found incorrect.
- ix. In order to avail other branchless banking services the registered customers shall fulfill remaining requirements of BB Accounts at agent locations.

**5. Person-to-Person fund transfers (Non-account holders)**

To cater the needs of the low income segment of the society including the migratory workers who earn their basic livelihood in urban areas and send back savings to their families residing in far flung remote areas, the Financial Institutions (FI) are allowed to provide Person-to-Person Funds transfer service to customers (senders and receivers) up to the transaction limit of Rs. 15,000 for one customer in a month.

Persons availing this service shall be registered by the FI after due verification process for subsequent transactions. The following conditions shall apply on Person-to-Person Funds transfers:

**Requirements/Conditions**

- i. Original CNIC of remitter and beneficiary to be checked by the agent at the time of transaction.

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- ii. Image of CNIC or copy of the CNIC of remitter and beneficiary to be forwarded to FI (electronically or physically).
- iii. Mobile numbers of remitter and beneficiary.
- iv. Attachment of CNIC and mobile number of customer in the system for authenticity of future transaction.
- v. Random verification of CNIC of the customers from NADRA.

**Process flow of the transaction**

- i. Customers shall produce to agents the original and a photocopy of CNIC, their mobile phone numbers and other necessary information including customer's basic data required by the FI to remit or to withdraw funds.
- ii. Agent shall mark the copy of CNIC as "Original CNIC Seen" and shall send it to the FI or alternatively the agent will capture a legible image of customer's original CNIC through scanner or digital camera.
- iii. The agent shall send the customer data to FI (physically or electronically).
- iv. Transaction shall be allowed once requisite information is received by FI/Agent.
- v. Agent shall accept the amount from the sender to be remitted or give the receiver the remittance amount in return for an acknowledgement receipt.
- vi. FI shall carry out NADRA's batch verification of sender's and receiver's CNIC and upon confirmation shall register senders/beneficiaries in the system for subsequent transactions.
- vii. The FIs shall link registration of beneficiaries with his/her CNIC and mobile phone number.
- viii. FIs shall blacklist customers for further transactions, if the particulars are found incorrect.
- ix. The registered customer shall not be able to avail other branchless banking services.

**6. Agent due diligence in Account Opening and transaction processing**

During the verification of customer data from NADRA, if it is found that the agent has opened any customer account or has processed a funds transfer transaction on the basis of a fake or incorrect information/document, the FIs shall take appropriate penal action including blacklisting of agent or termination of agency agreement. FIs shall devise mechanism for ongoing agent supervision and monitoring.

**7. Guidelines for capturing of customer's photograph and CNIC image.**

The FIs shall formulate standardized guidelines for capturing customers' photograph & image of CNIC at agent locations to prevent impersonation of identity.

**8. Section 4 of existing BBR requires the FIs to maintain throughput (Debit/Credit) on Level "1" transaction limit & maximum balance limit.**

The requirement of throughput limit has been withdrawn on Level "1" BB Accounts. However, throughput requirements shall not be applicable on newly introduced Level "0" Accounts as well.

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**9. Section 3.2 (Permissible Activities) of existing BBR allows that a BB Account can also be used to pay utility bills (e.g. Gas, Electricity, Phone etc.).**

It has been decided that the amount of payment of utility bills shall not be counted as part of existing transaction limits allowed to BB accounts holders. The Branchless Banking account holders therefore shall be able to pay their utility bills without exhausting their BB account limits.

**10. Customer Due Diligence on continuous basis.**

Keeping in view the Level of BB Account, the transaction limits allowed and the Risk Profile of each customer, the FIs' system should be capable of carrying out effective due diligence on a continuous basis.

**11. Section 4 of existing BBR.**

One of the clauses of Section 4 reads as follows:

*"However account-holders should have an option to view at least last 10 transactions using BB channels (e.g. mobile phone) free of cost and they may also demand a printed statement of account (for a period not more than past 12 months) by paying fee as specified by the FI."*

It has been decided to reduce the requirement of sending 10 transactions to 05 transactions and the said clause has been substituted as follows:

*"However, account-holders should have an option to view at least the last 05 transactions using BB channels (e.g. mobile phone) free of cost and they may also demand a printed statement of account (for a period not more than the past 12 months)."*

**12. Section 3.1 (Permissible Models- Many- to-Many Model): The word transaction processing system (TPS) has been used.**

The phrase "Transaction Processing System (TPS)" has been replaced with "Third Party Service Provider (TPSP)". FIs shall enter into arrangement with TPSP after obtaining prior regulatory approvals. FIs' agency agreement with TPSP shall be subject to review by SBP.

**13. Section 3 Permissible Branchless Banking models and activities require that in any one Financial Institution, one customer can have only one Branchless Banking account.**

FIs are allowed to open multiple Level 2 and Level 3 Accounts of the branchless banking customers after due KYC procedure defined for the regular bank account.

**14. Remuneration on Branchless Banking Accounts.**

FIs are allowed to maintain branchless banking customer accounts as remunerative accounts in order to encourage opening of more accounts. FIs shall develop a remuneration mechanism for all Levels of BB accounts.

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**15. Reporting Requirement: Financial data and fraud & forgeries information.**

FIs entering into Branchless Banking shall be required to submit quarterly reports on financial data of BB initiatives to State Bank of Pakistan on a prescribed format and shall also provide on monthly basis, the customers complaints of fraud & forgery incidents and the action taken by FIs.

**16. Section 6.3 of Branchless Banking Regulations regarding Agent Due Diligence.**

To ensure the success of the BB initiative, FIs should have a policy of zero tolerance for fraudulent activities. Upon reporting of a fraudulent activity, the agent transaction capabilities shall be immediately blocked. Upon investigation, if the fraud is established beyond doubt, FI will terminate the agent and initiate appropriate legal or other penal action. FI shall also report fraud instances to SBP immediately. This policy shall also describe the benchmark to make the agent liable for being black listed. It may clearly be mentioned in the said policy that the agent once blacklisted by an FI shall not be able to service any other FI for BB services.

Further, FIs should have a proper policy framework in place on taking penal action against the branchless banking agents in case it is established that the agent is involved in any kind of fraud, forgery, misinformation and misreporting etc.

**17. Section 6.1 Role of Agents: Agent has been restricted to perform certain Branchless Banking activities.**

The BB Agent can perform any or all of the permissible activities allowed in Section 3.2 of Branchless Banking Regulations. The Agency agreement between FI and the agent should specify the BB services to be offered by the agent. The Agent should not be allowed to offer services other than those covered under the agency agreement.

**18. Annual Agent take-on or Agent Expansion Plan.**

FIs shall submit on yearly basis the agent take-on or Agent Expansion Plan, one month in advance for SBP approval. The FIs after obtaining SBP approval for the plan shall start developing agent network and update SBP on monthly basis about the number of agents permitted by FI to offer BB service with name of agents/proprietors, location of business, contact details, date of permission and any other relevant information.