

State Bank revises Branchless Banking Regulations to bring low income segment of society into financial loop

The State Bank of Pakistan (SBP) has revised/ amended the existing Branchless Banking Regulations for Financial Institutions (FIs), which include commercial, Islamic and microfinance banks for expanding the outreach of branchless banking operations in the country.

These amendments in the Regulations shall be immediately applicable to all potential FIs. Financial Institutions which have already been allowed to offer branchless banking services have been advised to streamline their existing operations/processes as per amended Regulations within six months, and report compliance to SBP, according to BPRD Circular No. 09 of 2011.

According to these amendments, SBP has introduced Level '0' Branchless Banking (BB) Accounts to bring the low income earning segment of society into financial services loop. With the introduction of Level '0' BB Accounts, now, instead of sending the physical Account Opening form and copy of customer's CNIC to the Financial Institution (FI) for further processing, the branchless banking agents have been allowed to send the Digital Account Opening form, customer's digital photo and an image of customer's CNIC to the FI electronically.

The 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.

The following transaction and maximum balance limits on Level "0" Accounts shall be applicable: Daily Limit Rs. 15,000, Monthly Limit Rs. 25,000, Annual Limit Rs. 120,000 and Maximum Balance Limit Rs. 100,000.

Similarly, the transaction limits of Level 1 Branchless Banking Accounts have been reasonably increased to cater to the needs of the customers by rationalizing the Know Your Customer (KYC) requirements. Now, all services permissible under existing Branchless Banking Regulations shall be available to Level "1" account holders.

The transaction and maximum balance limits applicable to Level "1" Accounts will be: Daily Limit Rs. 25,000 (previous limit was Rs 10,000), Monthly Limit Rs. 60,000 (previous limit was Rs 20,000) and Annual Limit Rs.500,000 (previous limit was Rs. 120,000). There will be no Maximum Balance Limit, according to the amendments.

Other salient features of revised/ amended Branchless Banking Regulations are as under:

- All BB account holders shall be allowed to transfer up to Rs. 25,000 per month to non-account holders.
- Financial Institutions (FIs) 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.
- 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 device mechanism for ongoing agent supervision and monitoring.
- The FIs shall formulate standardized guidelines for capturing customers' photograph & image of CNIC at agent locations to prevent impersonation of identity.
- 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.
- The Branchless Banking account holders shall be able to pay their utility bills without exhausting their BB account limits.
- 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.
- 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 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.
- 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.
- 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.
- To ensure the success of the BB initiative, FIs should have a policy of zero tolerance for fraudulent activities.
- 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.
