

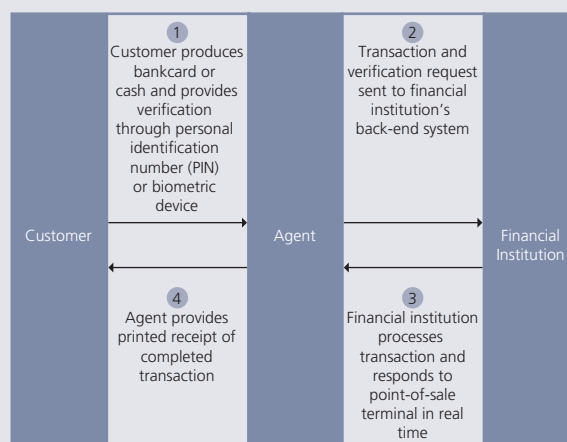
Agent Banking: Advancing Malaysia's Financial Inclusion Agenda

Over this recent decade, Malaysia has made significant strides in pursuing the financial inclusion agenda. The articulation of the Bank's primary function to promote a sound, progressive and inclusive financial sector in the Central Bank of Malaysia Act 2009 further reinforced the Bank's strategic focus on driving financial inclusion policies. To date, 92% of the total adult population has formal savings accounts¹ and all 144 districts in Malaysia are served by at least one financial access point². Malaysia is also highly ranked in several of the international financial inclusion rankings³.

As one of the key initiatives under the Financial Sector Blueprint 2011-2020, the introduction of agent banking by the Bank in 2012 will further contribute to the financial inclusion agenda by enhancing accessibility to quality and affordable financial services, particularly in the underserved and remote areas. Agent banking is the provision of banking services by a licensed financial institution to customers through a third-party agent, such as retail outlets and post offices. By substantially lowering the cost of providing banking services, and making it easier for individuals to access banking facilities in an environment they are familiar with, agent banking channels can help bridge commercial and inclusion imperatives, especially for high-volume, low-value accounts. Diagram 1 illustrates the conduct of deposit and withdrawal transactions through an agent bank on a real-time basis.

Diagram 1

Real-Time Deposit and Withdrawal Transactions through an Agent Bank



Note : For deposit and withdrawal transactions, both agent and customer must have an account with the financial institution

Agent Banking Regulatory Framework

Agent banking in Malaysia operates within a regulatory framework that promotes the professional conduct of agents, and safeguards the security and integrity of agent banking transactions. Central to the framework is the proper authorisation and oversight of agent banks by financial institutions, and the provision of adequate information to consumers about how to protect their financial transactions conducted through agent banks. These matters are dealt within the Guidelines on Agent Banking issued by the Bank in 2012 as summarised in Table 1.

¹ Financial Inclusion Demand-Side Survey, Bank Negara Malaysia, 2011.

² Financial access points are channels where the basic financial services of deposits and withdrawals can be performed, which include financial institutions' branches, mobile units and agents.

³ 1st since 2008 for 'Getting Credit' (Doing Business Report, World Bank, 2008-2012); 8th out of 144 countries on 'Ease of Access to Loans' (The Global Competitiveness Report, World Economic Forum, 2012).

Table 1

Key Features of the Guidelines on Agent Banking

Agent appointment and monitoring process	<ul style="list-style-type: none"> • Only legally-established non-bank entities with fixed business premises can be contractually appointed as agents. • Agents must be financially sound and have the knowledge and competency to conduct banking services on behalf of the financial institutions. • Financial institutions must establish a management oversight mechanism to monitor agent conduct and ensure that associated risks are managed effectively.
Provision of basic banking services offered	<ul style="list-style-type: none"> • Agents can accept deposits, facilitate withdrawals, perform fund transfers, and facilitate bill payments and financing repayments. • The opening of bank accounts, money-changing services and appraisals of financing applications must continue to be performed only by financial institutions to ensure compliance with 'know-your-customer', customer suitability and responsible financing requirements.
Safeguards to promote secure transactions	<ul style="list-style-type: none"> • Transactions are conducted on a real-time basis at the agent's business premise. • Financial institutions must have in place robust infrastructure to support agent banking facilities, including a minimum 2-factor authentication system for agent banking transactions.
Consumer awareness and protection	<ul style="list-style-type: none"> • Details of authorised agents must be published and updated on the financial institution's website. • Financial institutions must implement measures to ensure customers are adequately informed of their rights and responsibilities, which includes mechanisms to verify authorised agents, a dispute resolution and redress mechanism, and efforts to educate customers on agent banking. • The national agent banking logo (Diagram 2) must be prominently displayed together with the financial institution's logo, at the business premise of agents to facilitate easy identification of authorised agents by consumers.



Diagram 2: National Agent Banking Logo

Impact of Agent Banking

The agent banking initiative has already produced promising results. Three financial institutions, namely Malayan Banking Berhad, RHB Bank Berhad and Bank Simpanan Nasional have a combined agent network of 4,120 agents as at end-December 2012, which includes post offices, petrol stations, retail outlets and telecommunication agents (Chart 1). Bank Simpanan Nasional has announced plans to further expand their agent banking network to 5,000 agents in rural areas nationwide by 2014.

Since its implementation in 2012, a geographical mapping exercise by the Bank found that 75% out of 837 *mukims* (sub-districts) with a population of more than 2,000 have at least one financial access point, a significant increase from only 46% in 2011 (Diagram 3). This is expected to increase further to 90% by the end of 2014. The total number of transactions conducted through agent banks since the introduction of agent banking has exceeded three million, with a total value of more than RM446 million. Compared with branches, financial institutions reported that agent banking channels delivered cost savings in terms of set-up costs of more than 80%, while agents have also benefitted from the increased customer flow to their business premises.

Chart 1

Agent Banking by Type of Agent

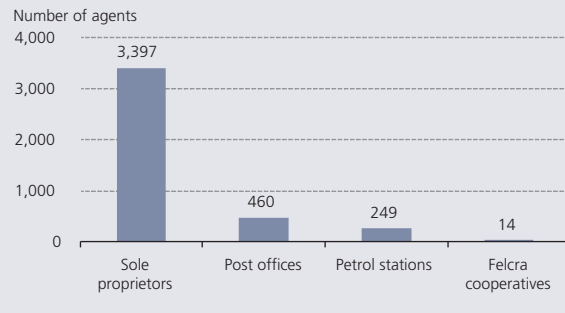
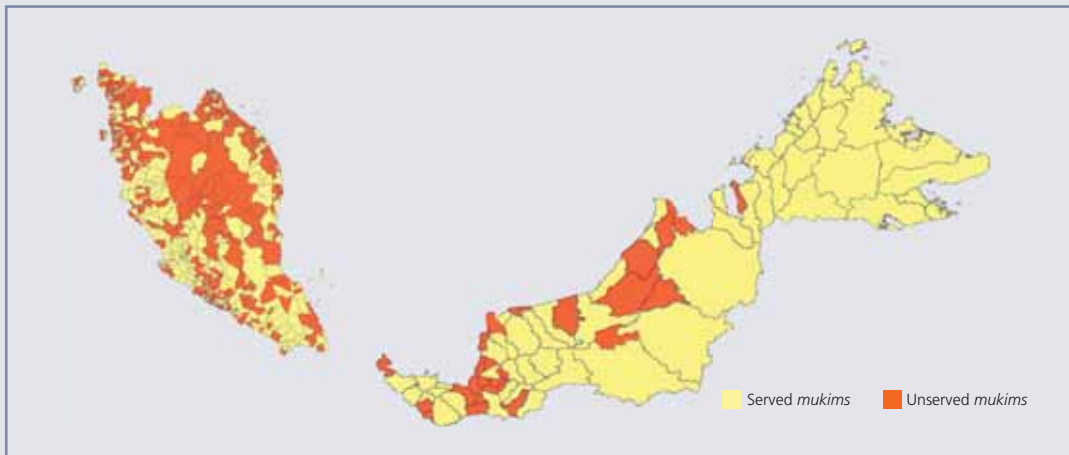


Diagram 3

Access to Basic Financial Services

Before the introduction of agent banking



After the introduction of agent banking

