



COVID-19: Time to Invoke the Clause on Roaming Agents

As per State Bank of Pakistan's (SBP) *Framework for Branchless Banking Agent Acquisition and Management*¹ ("BB Agent Framework"), roaming agents are allowed in case of calamity, disaster and Government to Person (G2P) payments. Clause 9.10(a) of the BB Agent Framework is reproduced as follows:

"FIs shall develop comprehensive mechanism for ongoing supervision and monitoring of their agents. Therefore, it shall be the responsibility of FIs to ensure that:

- a. *Agents do not perform BB related services on a location other than the one mentioned in the SLA. However, as stated above, the FIs shall prepare their own policies on relocation of agent or use of roaming agents in case of calamity, disaster and Government to Person (G2P) payments etc."*

Proposal

1. In accordance with this allowance, financial institutions (FIs) may share their plans on the relocation of their agents and use of roaming agents during COVID-19. As the Framework allows for roaming agents under specific circumstances, the SBP, in order to provide clarity to FIs, may invoke clause 9.10(a) of the BB Agent Framework. In line with SBP/BPRD Circular No. 10 of 2020 titled *Measures to Combat COVID 19 Pandemic – Branchless Banking Operations* the clause may stay in effect until 30th September, 2020². Under these unusual circumstances, the BB agent network needs to be leveraged and enhanced by FIs to maintain liquidity at alternate delivery channels (ADCs) and to disburse funds, especially to the elderly, people with special needs, and women at their doorsteps.
2. Branchless banking agent services, including roaming agents, should also be declared essential services to allow provision of ubiquitous BB services during the period of travel restrictions due to lockdown across the country. While SBP has already issued a circular (No. 6 of 2020) titled *Measures for Availability and Continuity of Financial Services – COVID-19*, which encourages banks to provide uninterrupted financial services through ADCs, and key payments and settlement system partners such as NIFT, 1Link, NCCPL and CDC, the circular does not specifically mention BB agents. Specific mention of BB agent network will encourage FIs to review their *modus operandi* in respect of these networks, which can be crucial for cash-out, especially for individuals without bank accounts and populations in rural areas where bank branches are not conveniently located.
3. During COVID-19, the *Ehsaas* Emergency Cash Programme³ provides an excellent opportunity for the financial inclusion of the poor and unbanked. Under this program, 12 million vulnerable families will be provided PKR 12,000 per family with a total budget of PKR 144 billion. Bank accounts of the beneficiaries, which are being verified by NADRA, may be opened and the funds can be disbursed directly into their account. People with mobility issues such as the elderly, differently abled persons with special needs, and women will require special arrangements for opening of bank accounts and delivery of banking services at their doorstep. Branchless banking services and roaming agents could play a critical role in disbursement of financial assistance to this vulnerable section of society at their doorstep.

The Cabinet has waived off 24% advance income tax on commission of BB agents to incentivize them to work with the *Ehsaas* Emergency Cash Programme. Provinces may also waive off the 14/16% GST on services on the same to further incentivize them⁴.

¹ SBP's Framework for Branchless Banking Agent Acquisition and Management <http://www.sbp.org.pk/bprd/2016/C6-Annx-A.pdf>

² BPRD Circular Letter No. 10 of 2020. <http://www.sbp.org.pk/bprd/2020/CL10.htm>. Relevant clauses at Annex-I

³ <https://www.pass.gov.pk/Detail/f90ce1f7-083a-4d85-b3e8-60f75ba0d788>

⁴ <https://twitter.com/SaniaNishtar/status/1250053819179978752>

Author

Fahad Khan Niazi
Policy Lead,
Karandaaz Pakistan

Context

In view of the emerging situation from the novel Coronavirus pandemic (COVID-19), SBP has already advised banks, development finance institutions (DFIs) and microfinance banks (MFBs) to adopt various measures to help fight the spread of COVID-19 and to ensure availability of uninterrupted financial services. These entities have been advised to make arrangements to provide uninterrupted financial services through alternate delivery channels (ADCs), reassess Business Continuity Plans (BCPs) in the existing situation to develop suitable remedial plans, reach out to key payment and settlement system partners to ensure continued availability of services, and establish a senior level committee to ensure timely risk mitigation in a rapidly evolving situation⁵.

As per the BB Agent Framework, roaming agents are allowed in case of a calamity, disaster and for G2P payments⁶. However, as no proposals in this regard have been forthcoming, FIs may require clear instructions from SBP that roaming agents are allowed during COVID-19.

As of December 2019, it is estimated that around 190,000 *active* branchless banking (BB) agents out of a total of 437,182 BB agents were serving 24.5 million *active* BB accounts⁷. There are a total of 46 million BB accounts that can be used to provide financial services and disburse G2P payments under the *Ehsaas* Emergency Cash Programme. SBP's initiatives to combat COVID-19 have also prioritized digital financial services (DFS), including the waiver of fees (inter and intra bank fund transfer (IBFT) fees). Relief and response schemes recently introduced by the Federal and Provincial governments will also require availability of all delivery channels to enable easy collection of these funds by beneficiaries.

Roaming agents will address the mobility and social interaction limitations faced, especially by the elderly, people with special needs and women to access financial services. Use of roaming agents would also be critical for efficient delivery/encashment of G2P payments to the aforementioned marginalized segments of society at their doorstep. Due to COVID-19, travel restrictions and partial lockdown have been imposed across the country, with only essential service provision being allowed at present. While this includes banking services, special instructions regarding the operations of BB agents are also required.

In 2019 Karandaaz Pakistan launched a pilot project with FINCA, "SimSim Women Community Mobilizer". The pilot explored the use of eight women community leaders in Haripur, Khyber Pakhtunkhwa as Roaming SimSim Agents (RSAs). The RSAs were to reach out to low income, economically active women in peri urban/rural areas to promote and enable financial inclusion. Special permission was granted by SBP to FINCA to conduct the pilot project. The initial findings from the pilot indicate that the female RSAs were successful in onboarding women and use of at least one use case, the ROSCAs—rotating saving and credit associations.

A total of 471 accounts were opened by the RSAs, with a gender split of 380 female and 91 male account holders. Of the total, 468 account holders were new to digital channels. In addition, 68% of the accounts were active after nine months of opening of first account, with customers successfully completing at least three unique transactions each month.

Before the COVID-19 pandemic started, Karandaaz through its series of Policy Briefs⁸ proposed to allow roaming agents to utilize innovative ADCs, such as captains of ride-hailing services (Careem, Uber, Bykea, etc.) and riders of e-commerce logistic players as BB agents in normal circumstances. This provision could also enable the utilization of Pakistan Post's postmen as roaming agents to extend greater outreach to unserved and underserved rural areas. Postmen already provide services at the doorstep for Pakistan Post's own money transfer service; for other BB players this service cannot be provided at the doorstep but only at a pre-specified premises of Pakistan Post.

Postmen, being government employees, pose a lower risk of fraud. Given the widespread network of postal services, roaming agents would also be helpful in mitigating some of the access barriers for women and improve outreach to rural communities where ICT infrastructure is inadequate.

⁵ BPRD Circular Letter No. 06 of 2020 Measures for Availability and Continuity of Financial Services — COVID-19 <http://www.sbp.org.pk/bprd/2020/CL6.htm>

⁶ Section 9.10 (a) of framework for BB Agent Acquisition and management <http://www.sbp.org.pk/bprd/2016/C6-Annx-A.pdf>

⁷ SBP Branchless Banking Statistics (Oct-Dec 2019) <http://www.sbp.org.pk/acd/branchless/Stats/BBSQtr-Oct-Dec-2019.pdf>

⁸ Karandaaz Pakistan. Policy Brief series.

(i). Policy and Regulatory Bottlenecks For Digital Financial Services In Pakistan – Findings From Stakeholder Consultations.

<https://karandaaz.com.pk/wp-content/uploads/2019/06/Policy-Brief-New.pdf>

(ii). Branchless Banking Agent Onboarding and KYC.

<https://karandaaz.com.pk/wp-content/uploads/2019/01/policy-brief-final.pdf>

In the long-term, the current scenario could also provide a valuable opportunity to evaluate permission on roaming agents in normal circumstances. Based on the experience, SBP after getting insights from BB players on the use of roaming agents during COVID-19, may decide accordingly for the post-COVID-19 period.

Proposal Summary

Clause 9.10 (a) of BB Agent Framework read with section 2(c) & 2(d) of BPRD circular Letter No. 06 of 2020 dated March 16⁹ may allow FIs to use roaming agent. As per the BB Agent Framework, roaming agents are allowed in case of a calamity, disaster and for G2P payments.¹⁰ FIs may share their plan on relocation of their agents and use of roaming agents during the COVID-19. It is also proposed that the SBP may:

- In order to provide clarity, invoke section 9.10(2) of BB Agent Framework to allow roaming agents in the wake of COVID-19 and for G2P payment disbursements till 30th September, 2020. This would also allow use of innovative ADCs such as ride hailing and logistics companies and postmen of 13,000 post offices of Pakistan Post to provide timely relief and access to financial services at the doorstep, especially, in rural and far flung areas and for those having mobility issues such as the elderly, people with special needs and women¹¹. Continuing use of roaming agents in normal circumstances may be decided in due course.
- Declare Branchless Banking agent services including roaming agents as essential services to allow provision of ubiquitous BB services during period of travel restrictions due to lockdown across the country. It will facilitate BB players in getting exemptions from restrictions imposed by Law Enforcement Agencies (LEAs) in the wake of COVID-19.
- Financially include the beneficiaries of current G2P schemes by disbursing financial assistance of *Ehsaas* Emergency Cash initiative and other provincial relief schemes, duly verified by NADRA, directly into the beneficiaries' accounts. People with mobility issues such as elderly, differently abled persons with special needs and women would require special arrangements for opening of bank accounts and delivery of banking services at their doorstep. BB services and roaming agents would play a critical role in disbursement of financial assistance at the doorstep to this vulnerable section of the society having bona fide mobility issues. Provinces may also provide tax incentives in line with the federal government's waiver of 24% advance income tax on commission of agents for *Ehsaas* related payments.

⁹ BPRD Circular Letter No. 06 of 2020 Measures for Availability and Continuity of Financial Services — COVID-19
<http://www.sbp.org.pk/bprd/2020/CL6.htm>

¹⁰ Section 9.10 (a) of framework for BB Agent Acquisition and management <http://www.sbp.org.pk/bprd/2016/C6-Annx-A.pdf>

¹¹ <http://www.pakpost.gov.pk/about.php>

Annex 1: Relevant Clauses¹²:

1. **Clause 9.10 of “Framework for Branchless Banking Agent Acquisition and Management”¹³ 2016:** “Therefore, it shall be the responsibility of FIs to ensure that:
 - a. Agents do not perform BB related services on a location other than the one mentioned in the SLA. *However, as stated above, the FIs shall prepare their own policies on relocation of agent or use of roaming agents in case of calamity, disaster and Government to Person (G2P) payments etc.*”
2. **BPRD Circular Letter No. 06 of 2020 Measures for Availability and Continuity of Financial Services — COVID-19¹⁴ :**
 - b. Further, make elaborative arrangements to provide uninterrupted financial services through ADCs (e.g. ATMs, online banking, transactions through call centers etc.);
 - c. Reassess Business Continuity Plans (BCPs) in the existing situation and develop suitable remedial plans, including allocation of human and other resources, for their effective implementation;

“3. In order to implement the above instructions and take other necessary measures, a senior level committee should be established to ensure that the banks/DFIs/MFBs’ responses towards risks arising out of COVID-19 are robust and adequate.”
3. **BPRD Circular Letter No. 08 of 2020 Measures for Availability and Continuity of Financial Services - COVID-19¹⁵:** “1. All branches/ work places will remain open, throughout Pakistan with bare minimum staff for ensuring the continuity of essential banking services. Under this arrangement, from March 24, 2020, branches/ work places will open (from Monday to Friday) at 10:00 am and close at 4:30 pm till further instructions by SBP”
4. **BPRD Circular Letter No. 10 of 2020 “Measures to Combat COVID 19 Pandemic – Branchless Banking Operations”¹⁶.**
 - a. “Biometric Verification requirement on legacy Branchless Banking Level “1” accounts is extended till September 30, 2020.”
 - b. “Branchless Banking customers can withdraw or deposit cash amount up to Rs. 25,000/- per month from their Level “0” account without Biometric Verification till September 30, 2020. However, two factor authentication is mandatory for cash out transactions.”
 - c. “Daily transaction limit of Branchless Banking Level “0” account is not applicable on payments to trusted merchants (such as schools, hospitals, utility companies, merchants etc.) till September 30, 2020.”
 - f. “AFIs shall not charge their customer on fund transfer (Inter and Intra Bank Fund Transfer) from their Branchless Banking Wallet as already mandated vide PSD Circular No. 02 of 2020 dated March 18, 2020.”

“2. AFIs may onboard Branchless Banking agents through digital channels including portals or Apps subject to following terms and conditions:

 - a. Agent shall be on boarded based on full-fledged KYC and all back-end verifications including verisys. However, AFIs shall maintain database of these accounts and shall conduct Biometric Verification and Business Location visit of these Agents through their authorized representatives till September 30, 2020...
 - b. After September 30, 2020, Biometric Verification and Business Location visit of Agents shall be mandatory prior to opening of these accounts.”

¹² Only relevant clauses of BB Framework and other circulars have been mentioned here.

¹³ SBP’s Framework for Branchless Banking Agent Acquisition and Management
<http://www.sbp.org.pk/bprd/2016/C6-Annx-A.pdf>

¹⁴ SBP’s circular “BPRD Circular Letter No. 06 of 2020 Measures for Availability and Continuity of Financial Services — COVID-19”
<http://www.sbp.org.pk/bprd/2020/CL6.htm>

¹⁵ BPRD Circular Letter No. 08 of 2020 <http://www.sbp.org.pk/bprd/2020/CL8.htm>

¹⁶ BPRD Circular Letter No. 10 of 2020 “Measures to Combat COVID 19 Pandemic – Branchless Banking Operations”
<http://www.sbp.org.pk/bprd/2020/CL10.htm>

About Karandaaz

KARANDAAZ PAKISTAN is a Section 42 company established in August 2014 and focuses on fostering economic growth and creating jobs through financial inclusion of unbanked individuals and unserved enterprises, with a special focus on women and youth. The company has four verticals:

Karandaaz Capital

Provides wholesale structured credit and equity-linked direct capital investments to micro, small and mid-size enterprises (MSMEs) that demonstrate compelling prospects for sustainable business growth and employment generation in Pakistan.



Knowledge Management and Communications

Supports the company's core financial inclusion goal by developing and disseminating evidence based insights and solutions.



Karandaaz Digital

Focuses on expanding the poor's access to digital financial services in Pakistan by working across the ecosystem with all stakeholders.



Karandaaz Innovation

Manages the Innovation Challenge Fund and Women Entrepreneurship Challenge, providing risk capital and grants to partners with the aim to generate innovative solutions in areas of financial inclusion and entrepreneurship.

Karandaaz Pakistan receives funding from the United Kingdom's Department for International Development (DFID) and the Bill & Melinda Gates Foundation (BMGF).

BILL & MELINDA
GATES foundation

