

CENTRAL BANK OF SOLOMON ISLANDS
Financial Market Supervision Department

Practice Guidance Note. 1
Use of Cash Agents in Solomon Islands

Applicability

1. This Practice Guidance Note is applicable to commercial banks and credit institutions licensed¹ by the Central Bank of Solomon Islands (CBSI).

Background

2. Using cash agents provides affordable and accessible methods for using financial services throughout Solomon Islands. This benefits those living in remote regions and improves financial inclusion and the development of Solomon Islands' financial system with wider benefits for the country's economic development.
3. In accordance with its functions to promote a "safe, sound and efficient payment system" and to "promote financial inclusion", CBSI is issuing this Practice Guidance Note for financial institutions using cash agents. Financial institutions are responsible for ensuring their agents' activities comply with the intent of this Practice Guidance Note. Financial institutions are requested to notify CBSI of any difficulties in compliance with the Practice Guidance Note so that difficulty can be discussed, understood and resolved.

Purpose of Practice Guidance Note

4. The objective of this Practice Guidance Note is to provide financial institutions with a policy framework which supports innovation in the market but represents a standardised approach to monitoring and supervising how institutions mitigate risks and safeguard customers and agents where institutions are using cash agents.

Responsibilities of a Financial Institution

5. Each financial institution shall be responsible for how its agents are selected, trained, managed and monitored.
6. Each financial institution is responsible for determining the suitability of its agents prior to contracting the agents and must conduct appropriate due diligence on agents and agents' operations.
7. Training involves ensuring agents understand the services they can offer and their duties in offering these services, in particular Know Your Customer compliance. Financial institutions are responsible for ensuring their agents' activities comply with the *Solomon Islands Financial Intelligence Unit – Guideline No. 1 2013: Money Laundering and Proceeds of Crime Act*.
8. Managing agents involves identifying, assessing and mitigating the risks associated with agents' activities.
9. Each financial institution is liable for all actions or omissions of its agent related to its agent services. It is expected that this liability is stated and agreed in the contractual agreement between the financial institution and its agent.

Agent Activities

10. The following activities can be performed by an agent:

¹ For the purposes of this Practice Guidance Note, we use the term "financial institutions" to refer to commercial banks and credit institutions operating in Solomon Islands.

- a) Deposit and withdrawal;
- b) Repayment of loans made by the Financial Institution;
- c) Payment of bills;
- d) Payment of retirement and other social benefits;
- e) Transfer of funds;
- f) Balance enquiry;
- g) Generation and issuance of receipts/statements;
- h) Collection of documents in relation to account opening, loan application, and debit card application;
- i) Issuance of debit cards; and
- j) Other activities as approved by CBSI in response to a request from a financial institution, or as prescribed by CBSI in consultation with financial institutions.

Financial Institution-Agent Contract Requirements

- 11. Financial institutions shall submit to CBSI a copy of the standard templates used for contracts with agents, and also the contract template used to engage any third party who may identify and manage agents on behalf of the financial institution.

Consumer Protection Requirements

- 12. Financial institutions are responsible for ensuring cash agent services comply with the minimum guidelines set down in PG-09 "Complaints Management-AUG2014". Financial institutions need to ensure their agents can direct customers to the appropriate contact point for lodging complaints with the financial institution.

Disclosure Requirements

- 13. Financial institutions are responsible for ensuring cash agent services comply with the minimum guidelines set down in PG-08, "Disclosure on Interest Rates, Fees and Charges". Further to the disclosure requirements outlined in PG-08, for financial institutions using cash agents those financial institutions are responsible for ensuring their agents are provided with appropriate marketing materials which clearly explains, in plain English, the interest rates, fees and other charges on the specific products which the agent is able to offer the customer.

Pre-Contractual Conduct

- 14. Those financial institutions using cash agents need to ensure their agents are aware of the Pre-Contractual Conduct outlined in PG-08, "Disclosure on Interest Rates, Fees and Charges". Financial institutions need to ensure their agents receive regular training on how to conduct pre-contractual discussions with customers, specifically as it relates to the products which the agents are able to offer customers.

Contractual Requirements

- 15. Those financial institutions using cash agents need to ensure their agents are aware of the Contractual Requirements outlined in PG-08, "Disclosure on Interest Rates, Fees and Charges".

Notification Requirements

16. Financial institutions using cash agents are asked to submit to CBSI, no later than thirty (30) days following the end of each calendar quarter, a list of its current agents, indicating the number of new agent appointments, terminations and active agents for that past quarter. Financial institutions must include the definition of 'active' on this notification list.

Reporting Requirements

17. Data to be collected on agent activities will be streamlined with data collected by CBSI's Financial Inclusion Unit (FIU) and managed using a central collection point.

Effective Date

18. The effective date of this standard is August 1, 2017

Issued this 26th day of June, 2017



Governor Denton Rarawa
Central Bank of Solomon Islands