



Bangladesh Bank
(Central Bank of Bangladesh)
Head Office
Motijheel, Dhaka-1000
Bangladesh

Department of Currency Management
and Payment Systems
(Payment Systems Division)

DCMPS (PSD) Circular Letter no.11

Date:20 /12/2011

Managing Directors/ Chief Executive Officers
All Commercial Banks

Dear Sirs,

Amendment of Guidelines on Mobile Financial Services for the Banks.

Attention is drawn to [DCMPS Circular No-08](#) dated September 22, 2011 on the captioned subject.

This is to inform you that some amendments are made in the mentioned guidelines. All scheduled banks of the country are now advised to download the amended guidelines from the website of Bangladesh Bank. The address of the website is:

www.bb.org.bd

Please acknowledge receipt.

Yours faithfully

-sd/-

(A.K.M Fazlur Rahman)
Deputy General Manager
Phone: 7123443

Guidelines on Mobile Financial Services (MFS) for the Banks

1.0 Introduction

The banking industry of Bangladesh has shown tremendous growth in volume and complexity over the recent years. Despite making significant improvements in all the areas relating to financial viability, profitability, innovation and competitiveness, there are concerns that banks have not been able to include vast segment of the population, especially the underprivileged sections and rural people into the fold of basic banking services.

On the other hand, rapid growth of mobile phone users and wider range of the coverage of Mobile Network **Operators (MNOs)** has made their delivery channel an important tool-of-the-trade for extending banking services to the unbanked/banked population.

In order to ensure the access of unbanked people by taking advantage of countrywide mobile network coverage, Bangladesh Bank has brought out these operating guidelines for adoption by the commercial banks of Bangladesh.

2.0 Issuance

Bangladesh Bank is issuing this guidelines as per the Article 7A(e) of Bangladesh Bank Order, 1972 and Section 4 of Bangladesh Payment and Settlement Systems Regulations, 2009.

3.0 Purpose

The purpose of these Guidelines is to:

- I. Provide regulatory framework for the Mobile Financial Services [MFSs] which will create an enabling environment for innovations in financial services;
- II. Minimize the usage of cash and its associated costs;
- III. Ensure compliance with Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) standards set by AML/CFT rules, regulations, guidelines and instruction issued by Bangladesh Bank; and
- IV. Promote accessibility to formal financial services especially to the poor and unbanked population at an affordable cost.

4.0 Scope

The guidelines shall apply to the scheduled commercial banks and their subsidiaries operating in Bangladesh.

5.0 Mobile Financial Services

Bangladesh Bank may allow the following Mobile Financial Services (in broad categories) -

- I. Disbursement of inward foreign remittances,
- II. Cash in /out using mobile account through agents/Bank branches/ ATMs/Mobile Operator's outlets.
- III. Person to Business Payments - e.g. a. utility bill payments, b. merchant payments
- IV. Business to Person Payments e.g. salary disbursement, dividend and refund warrant payments, vendor payments, etc.
- V. Government to Person Payments e.g. elderly allowances. Freedom-fighter allowances, subsidies, etc.
- VI. Person to Government Payments e.g. tax, levy payments.
- VII. Person to Person Payments (One registered mobile Account to another registered mobile account).
- VIII. Other payments like microfinance, overdrawn facility, insurance premium, DPS, etc.

6.0 Permissible Models

Depending on the operation, responsibility and relationship(s) **among** banks, MNOs, Solution Providers and customers mainly two types of mobile financial services (Bank led and Non Bank led) are followed worldwide.

From legal and regulatory perspective, only the bank-led model will be allowed to operate.

The bank-led model shall offer an alternative to conventional branch-based banking to unbanked population through appointed agents facilitated by the MNOs/Solution Providers.

Customer account, termed "Mobile Account" will rest with the bank and will be accessible through customers' mobile device.

Mobile Account will be a non-chequing limited purpose account.

7.0 Regulatory Issues

7.1 Approval from Bangladesh Bank

1. Without having approval from Bangladesh Bank no bank is allowed to do such business.
2. Banks willing to provide Mobile Financial Services shall seek prior approval from Bangladesh Bank, with full details of the services including tentative implementation schedule.
3. Banks shall have to submit agreement(s)/MOU(s) containing Service Level Agreement (SLA) signed between banks and their partners/agents before launching the product.
4. The Cash Points/Agents shall have to be selected by the bank and a list of the Cash Points/ Agents with their names and addresses shall have to be submitted to the Department of Currency Management and Payment System (DCMPS), Bangladesh Bank and will be updated on monthly basis.
5. At any point of time, the relevant balance in bank book shall be equal to the virtual balance of all registered mobile accounts shown in the system. Banks will be the custodian of individual customers' deposits.
6. The inward foreign remittance (credited to Nostro **Accounts** of Banks) transfer arrangement through designated Cash Points/Agents will be used **only** for delivery in local currency.
7. The platform should not be used for cross border **outward remittance** of funds without prior approval from Bangladesh Bank.
8. Bangladesh Bank may withhold, suspend or cancel **approval for providing MFS services** if it considers any action by any of the parties involved in the system detrimental to the public interest.

7.2 Opening of Mobile Accounts

Banks must ensure that a 'Mobile Account' has been opened for each customer seeking to avail Mobile Financial Services with all the required documents (as per KYC form of Annexure 1).

7.3 Transaction Limit

Bangladesh Bank will fix the transaction limit as well as overall cap (per customer/ per month) for Person to Person Payments as and when needed.

7.4 Charge for the Services

For these products and services Banks may fix up charges which will be under Bangladesh Bank oversight.

7.5 Interest/Profit

Banks shall pay **interest/profit** on the deposits lying with the customers' mobile accounts.

7.6 Anti-Money Laundering Compliance

1. Banks and its partners shall have to comply with the prevailing Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) related laws, regulations and guidelines issued by Bangladesh Bank from time to time.
2. Banks shall have to use a new 'Know Your Customer (KYC)' format as given in Annex I. The Bank will be responsible for authenticity of the KYC of all the customers.
3. Banks shall have to follow full KYC format issued by Anti Money Laundering Department (AMLDD) of Bangladesh Bank for the cash points/agents/partners.
4. Banks shall ensure that suspect transactions can be isolated for subsequent investigation. Banks shall develop an IT based automated system to identify suspicious activity/transaction report (STR/SAR) before introducing the services.
5. Banks shall immediately report to Anti-Money Laundering Department of Bangladesh Bank regarding any suspicious, unusual or doubtful transactions likely to be related to money laundering or terrorist financing activities.

7.7 Risk Mitigation

1. Banks shall be responsible for mitigation of all kinds of risks such as liquidity risk, operational risks, fraud risks including money laundering and terrorist financing risks. Technical risks should be covered by the solution provider.
2. The banks bear all the liabilities that arise from improper action on the part of their subsidiaries/cash points/agents/partners.

7.8 Record Retention

MFS transaction-records must be retained for six (06) years from the origination date of the entry. The Participating Bank(s) must, if requested by its customer, or the Receiving Bank(s), provide the requester with a printout or reproduction of the information relating to the transaction. Banks should also be capable of reproducing the MFS transaction-records for later reference, whether by transmission, printing, or otherwise.

8.0 Selection of Partners/Agents

It is the bank's responsibility to identify, contract, educate, equip and monitor activities of the agents on a regular basis. There must be clear, well documented Agent Selection Policy and Procedures. The agreement signed between the banks and the agents will primarily include business hours of the cash points/agents, standard of performance, fees permissible by Bangladesh Bank, customer service, dispute resolution procedure and proper signage. Those who have country-wide branch network such as NGOs, the MNOs or Govt. Postal Department may act as partner/agent. Banks should publish list as well as addresses of cash points/agents/partners in their website.

The following issues should be taken into account for selection of partners/agents:

1. Competence to implement and support the proposed activity ;
2. Financial soundness;
3. Ability to meet commitments under adverse conditions;
4. Business reputation;
5. Security and internal control, audit coverage, reporting and monitoring environment;

9.0 Oversight Issues

Banks shall have to follow rules, regulations, guidelines and instructions issued by Bangladesh Bank from time to time and preserve records as per Annex II, III, IV and V for Bangladesh Bank oversight.

10.0 Security Issues

1. Banks shall have to follow the Guidelines on ICT Security for Scheduled Banks and Financial Institutions, 2010 issued by the Bangladesh Bank and ICT Act, 2006 to address the security issues of Mobile Financial Services.
2. The following properties need to be addressed to offer a secure infrastructure for financial transactions using mobile technology:
 - a. **Confidentiality:** Property that ensures transaction information cannot be viewed by unauthorized persons.
 - b. **Integrity:** Property that the transaction information remains intact during transmission and cannot be altered.
 - c. **Authorization:** Property that the authentic user has proper permission to perform the particular transaction. It ensures how the system decides what the user can do.
 - d. **Non-repudiation:** Property that the particular transaction initiated by a user cannot be denied by him/her later.
3. All the transactions must be authenticated by the account holders using their respective Personal Identification Number (PIN) or similar other secured mechanism. To facilitate the mobile financial services, the said PIN may be issued and authenticated by the bank maintaining proper protection and security features.
4. The banks should ensure that a proper process is put in place to identify the customer when the service is being enabled.
5. A second factor of authentication should be built-in for additional security as chosen by the bank.

11.0 Interoperability

1. Banks may link their mobile financial services with those of other banks for the convenience of the users.
2. Mobile account may be linked with customer's bank account (if any).

12.0 Customer/Employee Education and Awareness

Banks shall take appropriate measures (may issue proper guidelines for dealing with customer service and customer education) to raise awareness and educate their customers and employees for using Mobile Financial Services.

13.0 Complaints and Grievance Redressal Procedure

1. Banks shall be held responsible to protect consumer rights and dispute resolution. Banks may address dispute resolution with the assistance of selected partners/agents.
2. Banks shall have to disclose the risks, responsibilities and liabilities of the customers on their websites and/or through printed material. Customers must be made aware of the risks prior to sign up.
3. Bilateral contracts drawn up between the payee and payee's bank, the participating banks and service providers should clearly define the rights and obligations of each party.
4. The grievance handling procedure including the compensation policy should be disclosed.
5. Whenever any consumer is dissatisfied by the action of the bank, the consumer can register complaint with Bangladesh Bank to mediate the dispute. In that case decision from Bangladesh Bank will be final.

Annex - I

KYC Profile Form

1. Name of the Client :
2. Father's Name :
3. Mother's Name :
4. Date of Birth :
5. Occupation :
6. Official Address (If available) :
7. Present Address :
8. Permanent Address :
9. Mobile No. :
10. Purpose of Transaction :
11. Bank Account Information (If available)
 - a. Bank Name
 - b. Branch
 - c. Account No.
12. Introducer Information
 - a. Name
 - b. Address
 - c. Occupation
 - d. Mobile no.
13. Attachment (Any of the under mentioned)
 - a. Copy of National ID Card
 - b. Copy of Citizenship Certificate
 - c. Copy of Driving License/ Passport etc.

PHOTOGRAPH
(Passport size)

Prepared by

Approved by

Annex - II

Monthly Report of Mobile Financial Services of Inward Foreign Remittances

Name of the Bank :

Date :

(Tk. 20,000 and above)

| Sl. No. | Name of the Remitter | Amount Sent | Name of the Beneficiary | Amount Disbursed |
|---------|----------------------|-------------|-------------------------|------------------|
| 1. | | | | |
| 2. | | | | |
| 3. | | | | |

N.B. : Remittance less than Tk. 20,000 shall have to be reported on consolidated basis mentioning total number and amount of remittance.

Annex - III

Monthly Report of Person to Business Mobile Financial Transactions

Name of the Bank :
Date :

(Tk. 20,000 and above)

| Sl. No. | Mobile Account No. of the Payer | Name of the Payer | Mobile Account No. of the Business Organization | Name of the Business Organization | Amount Transferred |
|---------|---------------------------------|-------------------|---|-----------------------------------|--------------------|
| 1. | | | | | |
| 2. | | | | | |
| 3. | | | | | |

N.B. : Transaction amount less than Tk. 20,000 shall have to be reported on consolidated basis mentioning total number and amount.

Annex - IV

Monthly Report of Business to Person Mobile Financial Transactions

Name of the Bank :
Date :

(Tk. 20,000 and above)

| Sl. No. | Name of the Business Organization | Numbers of the Beneficiary | Amount Disbursed |
|---------|-----------------------------------|----------------------------|------------------|
| 1. | | | |
| 2. | | | |
| 3. | | | |

N.B. : Transaction amount less than Tk. 20,000 shall have to be reported on consolidated basis mentioning total number and amount.

Annex - V

Monthly Report of Person to Person Mobile Financial Transactions

Name of the Bank :
Date :

(Tk. 20,000 and above)

| Sl. No. | Mobile Account No. of the Sender | Name of the Sender | Source of Income of the Sender | Relationship with recipient | Mobile Account No. of the Receiver | Name of the Receiver | Purpose of the transaction | Amount Transferred |
|---------|----------------------------------|--------------------|--------------------------------|-----------------------------|------------------------------------|----------------------|----------------------------|--------------------|
| 1. | | | | | | | | |
| 2. | | | | | | | | |
| 3. | | | | | | | | |

N.B. : Transaction amount less than Tk. 20,000 shall have to be reported on consolidated basis mentioning total number and amount.