

Confidential

NPCI/2021-22/AePS/003

27th October 2021

To,

All Members of AePS Network

Dear Madam / Sir,

Sub: Advisory on Best Practices for limiting fraud liability

NPCI has been sharing recommendations and best practices in regards to BC on-boarding, training, monitoring with the member banks, through working groups and steering committee meetings. NPCI through this advisory wish to comprehensively document some of the best practices and salient points from the RBI guidelines for the attention of the members.

RBI Guidelines for Business Correspondents, salient points for reiteration:

As elucidated in the RBI Circular - RBI/2010-11/217 DBOD.No.BL.BC.43 /22.01.009/2010-11 dated 28th September'10 all acquiring Banks to have a Board approved policy for engaging with Business correspondents (BC). The banks are required to follow this circular in its entirety. However, few salient points are being called out for the purpose of reiteration:

- Section 3 of the circular calls out "While a BC can be a BC for more than one bank, at the point of customer interface, a retail outlet or a sub-agent of a BC shall represent and provide banking services of only one bank". Acquiring banks will be fully responsible for the actions of the BCs and their retail outlets / sub agents".
- Section 5 of the circular calls out "KYC and AML procedures, as laid down in the Master Circular DBOD.AML.BC. No.2/ 14.01.001/ 2010-11 dated July 1, 2010, and subsequent circulars on the subject should be followed in all cases. Ensuring compliance with KYC and AML norms under the BC model continues to be the responsibility of banks".
- Section 11 of the circular calls out "The banks should carry out a detailed review of the performance of various BCs engaged by them at least once in a year and they should monitor the activities of BCs through their Controlling Offices and also through various fora under Lead Bank Scheme). The internal control mechanism in the bank should include a visit to BCs and interface with customers at periodical intervals."
- Section 12 sub section (vi) calls out "The banks should develop suitable training modules in the local language(s) in order to provide proper attitudinal orientation and skills to the BCs/sub-agents".
- Section 14 of the circular calls out "
 - Financial literacy and customer education should form an important part of the business strategy and should form part of the commitment by banks adopting the BC model.
 - Banks may scale up their efforts substantially towards educating their clientele in their respective vernacular languages regarding the benefits of banking habit.
 - Information regarding BCs engaged by banks may be placed on the respective banks' websites.
 - The Annual Report of the banks should also include the progress in respect of extending banking services through the BC model and the initiatives taken by banks in this regard.
 - The banks may also use print and electronic media (including in the vernacular language) to give wide publicity about implementation of the BC model by them.

Best Practices & Recommendation in line with industry standards:

a) Business Correspondents – Acquiring Bank

- Physical / Background verification to be conducted, this should include his/her residence and work place verification.
- Be a resident at the same location for at least 3 years.
- Acquiring Banks / Corporate BC's to underwrite minimum criteria in terms of financial stability, security deposits & associated risks of instability or legalities thoroughly before onboarding a partner/agent.
- AML/KYC/CFT checks & ensure that there is no criminal record or complaints on the agent/BC. Aadhaar eKYC or Video KYC is done for onboarding of BC Agents.
- To ensure adequate checks on the BC whether he/she is already on-boarded for the same services with other acquirer banks
- To ensure that BC is not already part of the negative registry shared by NPCI to the member banks
- To ensure that name of Acquiring bank and logo is prominently shown at BC Agent's service point, BC Agent's Portal, banking application and SMS text of all transactional messages
- To ensure that name of Corporate BC and logo is prominently shown at BC Agents point, BC Agent's Portal and Banking application
- To ensure that Bank's Do's and Don'ts are prominently displayed at BC Agent's service point, BC Agent's Portal along with "Schedule of Charges" and "Customer Grievances Redressal Policy" with display of Customer Complaint portal of the Corporate BC. t
- To facilitate quick identification of bad agents for investigations and incorporation in negative registry.
- To maintain vigil at the time of conduct of transaction to prevent fraudulent transactions including but not limited to fake biometrics and to engage in an ongoing manner with the acquiring partner for training & feedback.

b) Issuing Bank

- To define limits / velocity controls basis the target customer's and periodically review the same basis the frauds / trends.
- To engage in customer engagement & awareness on the product usage / precautionary measures.
- New trends / suspicious patterns witnessed to be immediately alerted to NPCI.
- To report frauds timely & follow the guidelines / procedures elucidated in the liability shift.

This is applicable for all business correspondents engaging in Card + PIN and Biometric transactions.

Please make note of the above and disseminate the information contained therein to all relevant stakeholders within your organization.

For any queries or clarifications, please contact, aeps@npci.org.in

Yours Sincerely,

Sd/-

Kunal Kalawatia

Chief Products