



# **Code of Conduct** for **Business Correspondents:** **Responsible Agent Management**



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## Acronyms

ABC	:	Agent Business Correspondent
ATM	:	Automated Teller Machines
BCFI	:	Business Correspondent Federation of India
BC	:	Business Correspondent
BFSI	:	Banks and Financial Services Institutions (banks, insurance, pension, mutual funds)
CBC	:	Corporate Business Correspondent
CBS	:	Core Banking Solutions
COC	:	Code of Conduct
CSP	:	Customer Service Provider
e-KYC	:	Electronic Know Your Customer
GRM	:	Grievance Redressal Mechanism
HR	:	Human Resources
ICT	:	Information and Communication Technology
ID Card	:	Identity Card
IFC	:	International Finance Corporation
IRDA	:	Insurance Regulatory Development of India
KYC	:	Know Your Customer
MFI	:	Microfinance Institution
MIS	:	Management Information Systems
NPCI	:	National Payments Corporation of India
PIN	:	Personal Identification Number
PFRDA	:	Pension Fund Regulatory and Development Authority
PPI	:	Pre-Paid Instruments
PoA	:	Proof of Address
PoI	:	Proof of Identity
RBI	:	Reserve Bank of India
SIDBI	:	Small Industries Development Bank of India
SMS	:	Short Message Service
SOP	:	Standard Operating Procedure
TAT	:	Turn Around Time
UIDAI	:	Unique Identification Authority of India

# Definitions of Terms

## Specific Terms

**Corporate Business Correspondents (CBCs):** CBCs are companies that offer access to decentralized distribution systems, thereby allowing the companies such as banks that hire them to expand their outreach and offer a range of banking services in a more economical way. Financial institutions typically work with third-party CBCs when business volumes do not support the viability of expanding their own operations (i.e. expansion of their branch network). For better understanding, BCFI has classified CBCs into 4 categories:<sup>3</sup>

1. **Basic Banking CBCs**
2. **Pre-Paid Instruments (PPI) CBCs**
3. **Microfinance Institution (MFI) CBCs/ Business Facilitator**
4. **Telco CBCs**

Those categories are not mutually exclusive and in practice, CBCs may fall under multiple categories.

**Agent Business Correspondents (ABCs):** ABCs are retail agents that work on behalf of CBCs as the last mile touch point for customers where they facilitate the actual transactions. ABCs can take a variety of forms depending on the CBC category including retailers, retail outlets such as Kirana shops, MFI staff or even Telco operators. In both rural and urban areas, ABCs manage physical outlets that are fully equipped with IT infrastructure to open accounts, make cash deposits and withdrawal (cash-in and cash-out transactions) and transfer funds. These services are typically delivered through ICT devices (handheld device/mobile phone) that are seamlessly integrated with the bank's Core Banking Solution (CBS) via biometric authentication and/or by swiping a Rupay ATM/ Debit card with a PIN.<sup>4</sup> ABCs are also known as Customer Service Points (CSP) but for simplicity's sake are referred to here as ABCs.

**Principal:** Principals are the companies that hire CBCs to expand their network and service provision. They can be BFSIs (Banks and Financial Services Institutions viz. insurance, pension, and mutual funds), NBFCs (Non-Banking Finance Companies), cooperative societies or even insurance companies. Principals are required by law to take full responsibility for the CBCs and ABCs that they engage.

## General Terms

- **Bundling:** Bundling refers to the mandatory purchase of a product or service that is linked to the purchase of another product or service.
- **Real Time Data:** Data or information that is delivered immediately after a transaction. There is no buffer or delay in the timeliness of the information provided.
- **Customer Service Point (CSP):** The touch point or point of contact where customers and businesses engage to exchange information, provide services and/or handle transactions. CSPs are referred to as ABCs in this Code.
- **Code of Conduct:** An identified set of institutional and operational practices to be followed by a business, organization or industry. It is overarching and thus includes values, professional conduct, and standards of performance and touches nearly all systems and departments.
- **Customer Charter:** A customer facing document that is aimed at communicating their rights at the CSP. It lays out expectations for how ABCs should treat customers.<sup>5</sup>

<sup>3</sup>Refer to Annexure 1 for more information.

<sup>4</sup>RBI releases Discussion Paper on Engagement of 'for-profit' Companies as Business Correspondents (BCs). Available at: [https://www.rbi.org.in/scripts/BS\\_PressReleaseDisplay.aspx?prid=22919](https://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=22919)

<sup>5</sup>See Annexure 2 for an example Customer Charter

# SECTION I: INSTITUTIONAL LEVEL

*(Customer-Oriented Governance; Internal Audit; Engagement and Training; Suitable Product Design)*

## I.1. CUSTOMER-ORIENTED GOVERNANCE

*The CBC Board of Directors shall formulate and monitor adherence to the Code of Conduct. They should be adequately sensitive towards consumer protection. The Board of Directors shall formulate robust internal control systems and ensure external assessment of customer protection practices from time to time.*

1. **CBC's Board is responsible for approving a comprehensive COC:** The Board or Governing Body of the CBC is responsible for approving the Code of Conduct which covers policies that address customer protection, including Human Resources, Grievance Redressal Mechanism (GRM) and Product Delivery Protocol.
2. **CBC's Board ensures effective implementation of the COC:** The Board or Governing Body of the CBC should periodically review standard operating procedures (SOPs) and business models to ensure that they are customer centric. The Board or Governing Body of the CBC should ensure that the industry Code of Conduct is endorsed, that their organizational COC aligns with industry COC and a plan of action including financial/human resources are allocated to ensure effective implementation of the COC.
3. **CBC's internal control system ensures adherence to customer protection policies:** CBCs shall formulate an internal control system which includes oversight of adherence to customer protection policies. It shall also have oversight over mechanisms for responding to ABCs and/or customer complaints as well as monitoring the implementation of this Code of Conduct.
4. **CBC's Board monitors effectiveness of complaints resolution mechanism:** The Board or Governing Body of the CBC shall monitor whether the complaint resolution policy is in place and effective. Specifically, it shall monitor whether senior management reviews reports on a regular basis, whether action is taken to resolve complaints and whether there are learnings or adjustments made to ABC processes, product or services as a result of complaints.
5. **CBC's Board commissions a regular external assessment of COC:** The Board or Governing Body of the CBC will commission an assessment of customer protection practices, to be carried out every two years, to identify and address gaps.

## I. 2. INTERNAL AUDIT

*CBCs shall set up adequate monitoring mechanisms to ensure the effective implementation of the Code of Conduct internally and among ABCs.*

1. **CBCs audit policy includes staff and ABC monitoring of customer related standard operating procedures:** CBCs shall have an audit policy, approved by the Board of Directors, which includes systems to monitor its staff and ABCs, and both on-site and off-site monitoring, occurring at least quarterly. SOPs should detail that CBC staff makes periodic visits to ABCs to ensure service quality. The monitoring should focus on customer grievances, complaints closures, fraud, data security and confidentiality. In case of any infringement, punitive actions should be disengaged by the CBC as per approved policies.

2. **CBCs to institute strong fraud detection mechanisms to monitor ABCs:** CBCs shall have strong fraud detection mechanisms and data analytics capabilities. CBCs should regularly monitor transaction audit trail that shows the transaction history at each ABC location. CBCs should have business rules for pattern recognition, acceptable levels of velocity and value of transactions, by ABC, within time periods, in place. If the velocity is exceeded or expected values are exceeded, the CBC should immediately flag the ABC as a suspected fraudulent actor and take necessary remedial steps against the ABC.
3. **CBCs to have clear mechanisms for monitoring agents:** CBCs should have clearly defined separation of duties and a maker/checker system in place for sensitive operations such as engagements of agents, managing liquidity pools of agents and monitoring cash balances of agents.
4. **Effective monitoring systems by CBCs to ensure adherence to policies by CBC staff and ABCs:** The CBC shall have effective monitoring systems in place that checks the conduct of CBC staff and/or ABCs against policies. If problems arise, the CBC must proactively engage with the CBC staff and/or ABC to find a resolution. CBC shall monitor agent and customer dormancy periodically and apply corrective measures.<sup>6</sup>
5. **CBCs notify customers of change in location of ABCs using different channels:** In case that an ABC moves to a different location, the CBC shall post a notice at the previous location for customers' information. There should be a mechanism for customers to check the authenticity of agents through help line or SMS.

### **I. 3. ENGAGEMENT AND TRAINING**

*Customer's treatment and experience is largely dependent on the quality of services provided by ABCs.*

*Hence it is critical for CBC and Principal to select ABCs with appropriate credentials, and train them well.*

1. **CBCs HR Policy to include selection, training, empowerment and disengagement details for ABCs:** CBCs shall have a human resource policy that covers selection process, precautions to avoid wrong selection, on-boarding, training, empowerment and disengagement of ABCs. The human resource policy shall clearly state the CBC's responsibility and the ABC's responsibility with regards to training and empowerment.
2. **ABC selection, on-boarding and training to comply with RBI regulations:** ABC selection, on-boarding and training must follow specified norms of the Principal and or CBC as well as comply with the rules and regulations of RBI.<sup>7</sup> A standardized checklist must be developed to evaluate ABC credentials. CBCs shall not engage agents of another CBC without proper reference checks and clearance. It is highly advisable to perform police verification and credit check of the incoming agent. Reference check from local community and bank should be a part of the selection procedure.

<sup>6</sup>ABC Dormancy – herein defined as 90 days without a transaction, such as account opening, cash in or cash out.

<sup>7</sup>Refer to Section 15 (i) in the Master Circular Available here:

[https://rbi.org.in/Scripts/BS\\_ViewMasCirculardetails.aspx?id=7379](https://rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=7379)

3. **Contracts between CBC and ABCs must be standardized and meet Principal's requirement:** The contract between the CBC and the ABC shall clearly state the CBC's responsibility and the ABC's responsibility with regards to their respective roles. Contracts between the CBC and ABCs must meet the Principal and the CBC's requirements, be standardized and written in simple, plain language.
4. **CBCs to issue branded ID cards to ABCs to ensure identification by customers:** CBCs must issue ID cards to ABCs that display the brand of both the Principal and the CBC. ABCs must carry their ID cards at all times when they interact with customers, so that they can be easily identified.
5. **In case of ABC's disengagement, CBCs should follow disengagement process and notify customers in timely manner:** The need to disengage an ABC may arise due to the ABC's desire to discontinue or by dismissal of the relationship by CBC. Factors for dismissal/designment could include fraudulent behavior, inadequate compliance or chronic violation of policies. If the ABC does not address problems identified by the CBC in a satisfactory manner, the CBC shall follow an orderly disengagement process and notify customers immediately to avoid further issues.
6. **CBCs shall have training policy and systems to ensure effective implementation:** CBCs shall have a training policy and put in place systems, training tools, mechanisms and budgets for effective implementation of training policy. On-the-job training is critical to ensure the desired outcomes. Periodic refreshers and product orientations should be a part of the policy.
7. **CBCs must provide formal on-boarding and refresher trainings on Code of Conduct:** CBCs must provide their staff and ABCs with a formal training in suitable vernacular language. On-boarding training programs should include both standardized and customized training modules on the behaviour, functions and code of conduct, tailored to the services offered by the CBC. Need-based refresher trainings must be conducted when modifications are made to systems, processes and products. Refresher trainings must also be conducted if systemic complaints indicate specific weaknesses in the system. After each training module, a test (with a pass or fail result) must be conducted to assess the abilities of the ABCs. In case of a 'fail' result, CBCs shall need to conduct additional refresher trainings.
8. **Field staff of CBCs must be provided with standardized on-boarding materials to ensure consistent understanding by ABCs:** CBCs must provide their field staff with standardized on-boarding materials (e.g. script, leaflets, videos, e-tools where possible) to ensure that there is a consistent understanding by ABCs of their benefits and commissions.<sup>8</sup> A test (with a pass or fail result) to assess the abilities of the field staff must be conducted after each training module has been delivered; in the case of failure, CBC staff should undergo additional training.
9. **CBCs are encouraged to share reasons for disengagement of ABCs with BCFI:** If ABCs are disengaged due to fraud, inadequate customer protection or chronic quality of service issues, CBCs are encouraged to share this information with the BCFI. This is for the purpose of strengthening the overall quality of ABCs and the sector.

<sup>8</sup>For an example of an e-learning tool see AMFB in Nigeria - [https://youtu.be/0FRaX\\_pj4co](https://youtu.be/0FRaX_pj4co)

#### **I. 4. SUITABLE PRODUCT DESIGN**

*Wherever possible, CBCs and ABCs shall contribute to product design with the Principal to ensure that the products are suitable for target customers.*

- 1. CBCs to encourage Principal to consult them for product design and pricing and also encourage ABCs to provide product-specific feedbacks:** CBCs shall encourage Principals to consult with them in product design and pricing. CBCs, given their connection to the field as well as the feedback they get from ABCs, can supply valuable information to Principals for more customer-centric product development. This should lead to a greater uptake of products and services, and contribute towards the viability and sustainability of all parties involved (Principal, CBC, and ABC). CBCs should encourage ABCs to provide feedback to them to inform better product design, through the complaints and feedback mechanism.
- 2. Insurance products need to be analysed by CBCs before accepting for distribution:** CBCs shall critically analyse insurance products before accepting for distribution, including data such as the product uptake, claims ratio, claims rejection, renewal rate, coverage ratio, complaints ratio, average time for claims settlements, reasons for lapses in coverage, and/or claims from insurance products to determine the value of insurance product to its customers.



## SECTION II: OPERATIONAL LEVEL

(Fair and Respectful Treatment of Customers; Suitable Product Delivery; Transparency with Customers; Privacy, Security and Use of Customer Data; Customer Complaints Resolution and Feedback; Customer Awareness)

### II. 1. FAIR AND RESPECTFUL TREATMENT OF CUSTOMERS

ABCs should treat customers fairly and respectfully. Customers should be treated without discrimination. CBCs shall adopt and implement policies that address values and standards of ethical professional conduct and ensure that ABCs strictly adhere to the same.

- CBCs have an adequate Human Resource (HR) policy that incorporates values and standards of ethical professional conduct:** CBCs shall have a human resource policy that incorporates values and standards of ethical professional conduct, for both CBC staff and ABCs. This would also include clear “Do's and Don'ts” for ABCs, especially with regard to customer treatment.<sup>9</sup> The policy shall also include a clause for non-discriminatory behaviour against customers irrespective of Protected Categories including: caste, ethnicity, gender, age, disability, political affiliation, sexualorientation, caste and religion. There shall be clear sanctions for violations of the HR policy for both CBC staff and ABCs. The CBC human resource policy and the contract between the CBC and the ABC shall clearly state the CBC's responsibility and the ABC's responsibilities with regards to fair and respectful treatment of customers.<sup>10</sup>
- CBCs train staff and ABCs adequately on the human resource policy:** CBCs shall set up adequate training mechanisms to ensure that both staff and ABCs understand the aforementioned components of the HR Policy, the importance of following it, and the consequences of not following it.
- CBCs should monitor the implementation of the human resource policy and impose sanctions:** CBCs shall set up adequate monitoring mechanisms to ensure that the HR Policy is adhered to in letter and spirit both at the CBC and ABC levels. This will also ensure that CBC staff and ABCs are informed of penalties or dis-incentives for non-compliance, and these are enforced if and when needed. CBCs should adopt a "zero tolerance" policy with respect to customer care and services. ABCs found to be violating the policies should be subjected to disciplinary action and, if need be, disengaged. Disengagement and handover process should be clearly laid down in an SOP.
- CBCs and ABCs should display the Code of Conduct to create customer awareness:** CBCs and ABCs shall display the Code of Conduct in a prominent location. CBCs and ABCs shall create awareness amongst staff and customers about their duty/right to raise complaints using appropriate channels.

### II. 2. SUITABLE PRODUCT DELIVERY

While neither CBCs nor ABCs have control over product design, they decide on how to sell products to customers. CBCs shall put in place adequate measures to prevent misselling to customers, including an appropriate remuneration and incentive system for ABCs that balances customer protection and business needs.

<sup>9</sup>See “Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by banks,” available at <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/73713.PDF>.

<sup>10</sup>See Customer Charter in Annexure 2 as an example.

## II. 2. 1. ALL PRODUCTS

1. **CBCs should have board approved product delivery protocol with clear roles and responsibilities of both ABCs and CBCs:** CBCs shall have product delivery protocol as part of the Code of Conduct that is approved by the Board of Directors, which covers suitable product delivery procedures and ensures that ABCs prudently manage risks of customer harm associated with their sale of financial products and services. The product delivery protocol and the contract between the CBC and the ABC shall clearly state the CBC's responsibility and the ABC's responsibility with regards to suitable product delivery. At a minimum, it should be ensured that:
  - a) **CBCs and ABCs should not bundle products, except as approved by the Principal.**
  - b) **CBCs should develop incentives that do not promote aggressive sales:** CBCs should define aggressive sales and the levels that trigger additional monitoring of ABCs. CBCs should train their staff and ABCs on how not to use aggressive sales techniques and to respect customers' right to refuse product. ABCs should ensure that all products related information is shared with customers and seek customer consent before completing the sale.
  - c) **CBCs should develop incentive system that does not drive inappropriate behaviour of ABCs:** CBCs shall avoid putting in place commission structures that encourage inappropriate practices by ABCs, such as splitting one transaction into multiple transactions or selling products that do not match customer needs. CBCs should closely monitor transactions done by ABCs to identify unusual patterns to check such practices.
  - d) **CBCs should build capacity of ABCs to assess product suitability for customers:** ABCs should evaluate the suitability of products and services to meet customers' needs when making an offer. ABCs should inform customers about product features and benefits, and allow customers to make a decision
  - e) **CBCs should support ABCs for real time transactions:**
    - i. **Real time and denials:** All transactions must be completed in real time. Any transaction denial or offline transaction should be dealt with through clear reprimands if ABCs are found to be responsible.
    - ii. **Cash/float Rebalancing:** The CBC (and the Principal if needed) must put in place a suitable and well-functioning system that ensures timely cash or float rebalancing support to the ABC to ensure continuity of services.
    - iii. **Service outage:** The CBC must notify the ABCs in case systems are down in order to avoid any risks to customers.
  - f) **CBCs should take measures to mitigate risk of theft, fire and loss for ABCs:** The CBCs (and Banks, where applicable) should ensure that risk of theft, fire at outlet or any losses are managed appropriately. Procuring insurance against such risks is highly recommended. This will support continuity of service and strengthen the reputation of the CBC which is outside the control of ABCs.
2. **CBCs should effectively train ABCs on product delivery protocol:** CBCs shall set up adequate training mechanisms to ensure that both staff and ABCs fully understand the product delivery protocol, the importance of following it, and the consequences of not following it.

3. **CBCs should set up adequate monitoring mechanism to enforce adherence to the product delivery protocol:** CBCs shall set up adequate monitoring mechanisms for ABCs to ensure that the product delivery protocol is adhered to.
4. **CBCs should train ABCs to inform and encourage customers to raise concerns related to product delivery through complaint mechanism:** CBCs and ABCs shall have recourse mechanisms to encourage customers to complain through the appropriate channels if they have any product-related concerns.

## II. 2. 2. CREDIT

*For credit, the main guidelines of the Code of Conduct are based on avoiding over indebtedness, full disclosures, and guidelines on the treatment of defaulted customers.<sup>11</sup>*

1. **CBCs should have well defined repayment capacity analysis for customers as per the Principal's credit policy:** CBCs shall have well-defined standardized operating procedures for credit products. CBCs staff shall conduct repayment capacity analysis of customers as per the Principal's credit policy. This should lead to recommendations of loan amounts commensurate with the customers' ability to repay. CBCs shall provide complete customer data to the Principal for facilitating data sharing by them to credit bureaus.
2. **CBCs should encourage cooperation with lenders in same market to avoid unethical competition and ensure quality services:** CBCs should promote cooperation and coordination with other agencies servicing the same customer segments and operating in the same geographies in order to avoid unethical competition and to ensure quality services.
3. **CBCs and ABCs should fully disclose all terms and conditions (as per Principal's policy):** As per the Principals' policy both CBC staff and ABCs should fully disclose all the terms and conditions before disbursement, verbally and through the loan contract, loan card/passbooks and/or loan schedules.
4. **CBCs should have defined Dos and Don'ts process for ABCs in dealing with defaulted customers:** CBCs shall define a clear "Do's' and 'Don'ts" process for dealing with customers in default. CBCs should train ABCs on how to treat defaulted customers at every stage of the process. ABCs should not treat defaulted customers disrespectfully or adopt coercive practices.

### Recommended

5. **CBCs should develop/adopt systems for enrolling customers through Electronic Know Your Customer (e-KYC):** To reduce errors in identifying borrowers in credit bureaus, the Principal, in consultation with the CBCs shall move towards adopting a UIDAI number based e-KYC system for customer enrolment.

## II. 2. 3. SAVINGS

1. **CBCs should notify ABCs of the fees on savings accounts based on permissible limits of Principal:** Fees on savings accounts for either account opening, or transactions must be based on permissible limits of the Principal.

<sup>11</sup>The requirements for the delivery of credit have been drawn directly from the 'Code of Conduct for Credit BCs' drafted by ACCESS-ASSIST and supported by MSDF (Michael and Susan Dell Foundation) to avoid duplication. The Code for Credit BCs was developed through a consultative process of engaging high level Steering Committee and a technical Working Group for guidance and inputs, during September to December 2016. For more on this project see: [http://inclusivefinanceindia.org/images/draft\\_code\\_of\\_conduct\\_credit\\_bc\\_for\\_feedback.pdf](http://inclusivefinanceindia.org/images/draft_code_of_conduct_credit_bc_for_feedback.pdf).

2. **CBCs should ensure that IT system is secured and tamper-proof to avoid fraud:** CBCs should have a documented process in place to avoid fraud related to customer savings. A strong MIS, audit system and quick response mechanism are critical to mitigate misuse of customers' savings by ABCs.

#### Recommended

3. **CBCs should train ABCs to inform customers about savings as collateral:** If savings are used as cash collateral for loans, this should be specified within the customer contract with the Principal. In the case of settling savings against an overdue loan account, customer consent must be obtained before the loan is paid off.

## II. 2. 4. INSURANCE

1. **CBCs should adequately train ABCs on insurance products and their delivery in an appropriate manner:** Given the complexity of insurance products and risk associated with mis-selling, special care must be taken by CBCs to ensure that ABCs are well trained. CBCs shall provide process manuals and checklists to ABCs in order to help them deliver the product to customers in appropriate manner.
2. **CBCs should train ABCs in process of filing claims of customers:** ABCs shall facilitate the collection of relevant documents for filing a claim and send them to the Principal (insurance company) within a pre-specified time. They shall also provide a list of pending documents to customers. ABCs are responsible for coordinating with the insurance agency to ensure that all requirements are fulfilled. CBCs shall ensure that ABC fulfil their responsibilities towards customers adequately, they shall also periodically review the reasons cited for claims rejections and educate ABCs accordingly.
3. **CBCs should appropriately support and monitor ABCs in facilitation of customers' insurance settlement:** ABCs shall facilitate insurance settlements for customers, per the policy documents, in a time frame that does not exceed 3 months if all procedures are fulfilled. In case of rejections, ABCs shall provide clear reasons to the customers. CBCs shall monitor the settlement process and in case of lapses on part of ABCs, CBCs will intervene to take appropriate measures as the case may be.
4. **CBC should train ABCs and monitor the effectiveness of verification of nominee details:** ABC shall ensure that nominee details are filled accurately. This should be verified by CBC audit team on a random basis.<sup>12</sup>

## II. 2. 5. REMITTANCES

1. **CBCs should train ABCs on process of verification of remitter's identity:** The CBC shall ensure that the ABC is equipped to verify the remitter's identity and the beneficiary account. ABCs should fill beneficiary data completely, check the validity of beneficiary account (if such a system is in place), and ensure that the transaction is completed successfully before confirming with the customer.

<sup>12</sup>Nominee is the person who has right to give a valid discharge to the policy monies in case of the death of the Life Assured. For more information see: <https://www.irdai.gov.in/ADMINCMS/cms/Uploadedfiles/TAC1617/512N292V02.pdf>

2. **CBCs should monitor ABCs handling of failed transactions with the customers:** In case of failed transactions, ABCs shall notify customers of the failure and the need to request a new transfer. If this customer request is not completed within the same working day of the customer's not receiving SMS acknowledging the successful completion of the transaction, the ABC shall strictly follow the process set by the Principal as per NPCI guidelines, and inform customers accordingly. CBCs monitor if ABC follows the set processes.
3. **CBCs should prohibit ABCs from any transactions during a service outage:** In case of service outage, ABCs shall not perform any transactions, and this will be monitored by CBCs.

## II. 2. 6. PENSIONS

1. **CBCs should verify PFRDA guidelines while selecting ABCs:**<sup>13</sup>ABCs engagements and selection criteria are subject to guidelines of the Pension Fund Regulatory and Development Authority (PFRDA). CBCs shall verify those guidelines and determine which ABCs can be registered and allowed to sell pension products. Approved ABCs must display their certificates.
2. **CBCs should train ABCs on pension schemes:** CBCs should develop the process manuals and checklists to-be-provided to ABCs in order to facilitate product delivery. Documentation needs to be in vernacular language.

### Recommended

3. **CBC should ensure that ABCs provide pension customers with a checklist:** At the time of registration, CBC shall ensure that ABCs provide pension customers with a checklist that lays out a schedule of future installments and benefit payout.

## II. 3. TRANSPARENCY WITH CUSTOMERS

*CBCs shall put in place adequate measures to prevent miscommunication to customers. CBCs shall ensure that ABCs and customers are provided clear, sufficient and timely information in a manner and language that they understand and helps them make informed decisions. Transparency includes information on pricing, terms and conditions of all products. CBCs must ensure that all information communicated to the customer is accurate, complete and internally validated.*

1. **CBCs should have board approved transparency policy:** CBCs shall have a transparency policy approved by the Board of Directors, which defines what is expected from ABCs in terms of: a) important information to disclose to customers; b) channels used for disclosure; c) time provided to customers for reconsideration of their decision; d) verification of customer eligibility; and e) provision of adequate account information and transaction receipts. CBCs shall ensure that all information communicated to the customer is accurate, complete and internally validated.
2. **CBCs should train ABCs and provide materials with the key facts documents on product terms, conditions:** CBCs shall provide clear instructions to ABCs in terms of what information they should disclose to customers. These instructions should cover terms, conditions and pricing information. Product specific disclosures by the CBC and ABCs shall contain, at a minimum:

<sup>13</sup>For more information on guidelines see here: <http://www.pfrda.org.in/>

- a) **Credit:** Loan amount and purpose, interest rate calculated on a declining balance method, processing fees and other terms and conditions including pre-payment information. Information on any linked or bundled product such as insurance should also be provided clearly and up front.
  - b) **Savings:** Savings amount and term, fees, interest rate calculations, deposit insurance if any, time of maturity, limitations and fees on withdrawals.
  - c) **Insurance:** Sum assured and insured, total coverage, premium information, nominee requirements, claim process, withdrawal details, riders and flexibilities, the importance of PIN, late payment penalties, riders and flexibilities related to regular payments.
  - d) **Pension:** Corpus amount, frequency of payments, registration fees, withdrawal process and documents needed bonus amount, withdrawal amount and flexibility around it.
  - e) **Remittance:** Limits of remitting amount, fees for remitting as per volume of remits, taxes related to remittances, number of remittances allowed per person in a particular time and speed/timeframe of remitting service.
3. **CBCs should set up disclosure mechanism for communicating to customers in both oral and written form:** Information should be communicated to customers in a manner and language that they understand using variety of disclosure mechanisms, both oral and written. ABCs shall display clear posters and signage's in vernacular language at their location, using CBC/Principal branding as applicable, on pricing and account-opening fees, if any.
  4. **CBCs should train ABCs to follow disclosure norms which include providing adequate time for customers to review products and services:** ABCs should leave adequate time for customers to review product terms and conditions before signing, as well as be available to answer customers' questions. CBCs should ensure that ABCs follow the disclosure norms.
  5. **CBCs should provide ABCs clear instructions related to the verification of customer eligibility:** CBCs shall provide ABCs clear instructions on how to verify the eligibility of customers. CBCs shall provide ABCs with a checklist of PoA (Proof of Address), POI (Proof of Identity) and other KYC documents.<sup>14</sup> ABCs should display a hard copy of the eligibility criteria at a prominent place in vernacular language.
  6. **CBCs should train ABCs to effectively communicate to customers about the account related transactions:** ABCs should communicate to customers, in a timely and accurate fashion, on their account status. ABCs shall provide customers with a valid receipt for each and every payment received. They shall deposit the cash received from customers (cash-in) in the CBC or the Principal's account, as instructed by the CBC.
  7. **CBCs should provide staff and ABCs effective training on the transparency policy:** CBCs shall set up adequate training mechanisms to ensure that both staff and ABCs understand the transparency policy, the importance of following it, and the consequence of not following it.

<sup>14</sup>For more information on such documents visit here: [https://uidai.gov.in/images/commdoc/valid\\_documents\\_list.pdf](https://uidai.gov.in/images/commdoc/valid_documents_list.pdf)

8. **CBC should have adequate monitoring mechanism to enforce the implementation of transparency policy and sanctions:** CBC shall set up adequate monitoring mechanisms to ensure that the transparency policy is adhered to and that these are enforced if and when needed. In particular, CBCs shall actively monitor for instances of overcharging. In case of violations of the aforementioned are identified, appropriate sanctions should be levied on CBC staff and/or ABCs.
9. **CBCs and ABCs should make efforts to create customer awareness about raising complaints related to the transparency policy:** CBCs and ABCs shall have posters at the CBC and ABC location informing customers on how to report complaints, as the situation warrants, to the CBC, the Principal, the BCFI or the Supervisory Authority. ABCs shall inform customers of their rights and responsibilities. This information shall, at a minimum, be displayed prominently by CBCs and ABCs at their physical locations and, if applicable, on their websites. CBCs and ABCs shall encourage customers to complain through the appropriate channels if they do not receive receipts of all transactions or were misled about the terms and conditions of the product. CBCs should ensure that customers know how to check the authenticity of receipts of transactions by the ABC. This could involve a process where the customer makes a phone call to the CBC to confirm that a transaction was attempted and concluded successfully or not.

## **II. 4. PRIVACY, SECURITY AND USE OF CUSTOMER DATA**

*CBCs and ABCs shall ensure that privacy of customer data is respected in accordance with the laws and regulations of individual jurisdictions. Such data should only be used for the purposes specified at the time the information is collected or as permitted by law, unless otherwise agreed to with the customers. CBCs should ensure that customer data is secured.*

1. **CBC should have Board approved customer data privacy policy:** CBCs shall have a clear privacy policy approved by the Board of Directors, which defines what is expected from ABCs in terms of:
  - a) how to protect and use customer data; b) how to return original documents to customers; c) and under what conditions customer data can be shared with third parties. The privacy policy and the contract between CBC and ABC should clearly state the CBC's responsibility and the ABC's responsibility in relation to privacy, security, and use of customer data.
2. **CBCs should provide ABCs with secured technology systems:** CBCs shall provide ABCs with relevant technology that is secured and difficult to intrude, in order to protect both ABCs and customers.
3. **CBCs and ABCs should ensure that customer data are stored in place to maintain confidentiality, security and accuracy of customer's personal, transactional and financial information:** CBCs and ABCs shall protect customers' non-public data. Such data must only be used for the purposes specified and agreed to by the customer or as permitted by law. IT systems should protect confidentiality, security, accuracy and integrity of customers' non-public personal and financial information. ABCs should not disclose customers' non-public data and should help customers safeguard their personal information.
4. **CBCs and ABCs shall return original documents to customers after verification:** CBCs shall inform ABCs to submit customers' documents to them within a stipulated time period. CBCs should inform ABCs of sanctions in case there are lapses in handling customer documents.

5. **CBCs should have adequate training on data privacy for both staff and ABCs:** CBCs shall set up adequate training mechanisms to ensure that both staff and ABCs understand the privacy policy, the importance of following it, and the consequence of not following it.
6. **CBCs and ABCs should set up a strong monitoring mechanism to enforce adherence to data privacy policy:** CBCs shall set up adequate monitoring mechanisms to ensure that the privacy policy is adhered to, that CBC staff and ABCs are informed of penalties or dis-incentives for non-compliance, and that these are enforced if and when needed.
7. **CBCs and ABCs should inform customers about confidentiality of their data and the requirement of written consent before sharing of any personal information:** ABCs shall inform customers that their original documents will be returned to them. ABCs shall inform customers that their personal information will not be sold to a third party for selling other financial products. CBCs and ABCs shall encourage customers to complain through the appropriate channels if their data is shared without their permission.

## II.5. CUSTOMER COMPLAINTS RESOLUTION AND FEEDBACK

*CBCs and ABCs shall put in place timely and responsive mechanisms for customer complaints and problem resolution. These should be active and effective.<sup>15</sup>*

1. **CBCs should have Board approved GRM policy and process in place to receive and resolve customer complaints:** CBCs shall have a clearly stated GRM, approved by the Board of Directors which includes a) the use of multiple channels for customers to make complaints; and b) the ability for customers to complain to different points in the value chain. The GRM policy shall also cover the mechanism for ABCs to complain about CBC staff. All complaints (whether from the ABC or from the customer) should be handled in a timely fashion, and there should be an escalation process to handle urgent complaints. The GRM and the contract between the CBC and the ABC shall clearly state CBC's responsibility and the ABC's responsibility in the complaints resolution and feedback process.
2. **CBCs should have multiple channels for customers and/or ABCs to complain:** Customers shall be able to complain through different means (e.g. phone, email, complaints box, etc.). ABCs should promptly address or escalate customers' complaints that come to them. Customers shall also be able to complain at different levels: to the ABC, the CBC, and the Principal, the BCFI or the Supervisory authority. ABCs shall be able to complain to the CBC, the Principal or BCFI. CBCs should also setup a whistle-blower help line to enable customers report suspected fraudulent behaviour by ABCs.
3. **CBCs should define TAT for complaints resolution and communicate to customers:** CBCs shall establish a reasonable time frame for resolving each complaint and ensure that all complaints are addressed in an equitable and objective manner. Upon completion of any complaint investigation, CBCs shall immediately communicate the resolution to the ABC and/or the customer and clearly explain the basis of the decision.

<sup>15</sup>Active and effective: Complaint resolution mechanisms are actively used by customers and CBCs/Principal should ensure that customer feedbacks are used to make changes in policy, products or service delivery.



4. **CBCs should put in place an escalation matrix to ensure that complaints are handled efficiently:** Upon completion of any complaint investigation, CBCs shall immediately communicate its resolution to the ABC and/or customer and clearly explain the basis of the decision. In case complaints are not resolved satisfactorily, CBCs shall inform ABCs and/or customers of the procedure to appeal or to further pursue the complaint to the BCFI or Supervisory Authority, depending on the case. CBCs shall instruct ABCs to do all of the above for customer complaints that come to them.
5. **CBCs should have dedicated staff for customer complaints:** CBCs shall put in place a help desk or customer care team to receive the complaints and oversee the implementation of all aforementioned processes for handling ABC and/or customer complaints and feedback. Customer Care/ Help desk team should strictly follow the laid down procedures and time lines as specified in Grievance Redressal Mechanism policy.
6. **CBCs should provide adequate training on GRM for both staffs and ABCs:** CBCs shall set up adequate training mechanisms to ensure that both staff and ABCs understand GRM, the importance of following it, and the consequence of not following it.
7. **CBCs should have adequate monitoring mechanism to enforce adherence to GRM and sanctions:** CBCs shall set up adequate monitoring mechanisms to ensure that the GRM is adhered to, that CBC staff and ABCs are informed of penalties or dis-incentives for non-compliance, and that these are enforced if and when needed.
8. **CBCs and ABCs should have multiple channels to inform customers about the GRM/Complaint mechanism:** CBCs and ABCs shall actively inform ABCs and customers, respectively, about the processes for making a complaint or providing feedback, and encourage customers to complain through the appropriate channels if there are violation of any their rights. This information shall, at a minimum, be displayed prominently by CBCs and ABCs at their physical locations and, if applicable, on their websites.

#### **Recommended**

9. **CBCs and ABCs should provide a tracking number to the customers for each complaint logged:** CBCs shall provide customers a tracking number as soon as a complaint is lodged, and instruct ABCs to do the same for complaints that come to them. The complaint number can be used by customers to follow up on their complaint and check its status.

## **II. 6. CUSTOMER AWARENESS**

*CBCs and ABCs should effectively inform customers of their rights and responsibilities, and encourage customers to exert these rights.*

1. **CBCs and ABCs should display Code of Conduct in prominent locations:** CBCs should display the Code of Conduct in prominent location such that the CBC staff and ABCs can refer to it on regular basis.<sup>16</sup> ABCs should also display a Customer Charter at their outlets, preferably in vernacular language, to help customers understand their overall rights under the Code. CBCs and ABCs shall encourage staff and customers, respectively, to complain through the appropriate channels if there is a violation of the Code of Conduct.

<sup>16</sup>As an example, see the Customer Charter in Annexure 2

2. **CBCs and ABCs promote and enforce suitable product delivery:** CBCs and ABCs shall have well laid down recourse mechanisms in place to encourage customers to complain through the appropriate channels if they face aggressive sales behaviour or misdemeanour.
3. **CBCs and ABCs should take adequate steps to ensure customer's understanding about the transaction process and the complaint mechanism:** CBCs and ABCs shall have posters at their respective locations clearly and legibly informing customers on their rights and how to report complaints to the CBC and/or the Principal, BCFI or Supervisory Authority. CBCs and ABCs shall encourage customers to complain through the appropriate channels if they have any grievance regarding the service offered by ABCs or CBC staff. CBCs should ensure that customers know how to check the authenticity of receipts of transactions given out by the ABC. This could involve a process where the customer makes a phone call to the CBC help desk to confirm that a transaction was attempted and concluded successfully or not.
4. **CBCs and ABCs should inform customers about their rights in data privacy, security and usage:** ABCs should return original documents to customer's right after verification. ABCs shall inform customers that their personal information will not be sold to a third party for selling other financial products unless after a written consent is procured.
5. **CBCs should proactively inform customers the list of disengaged ABCs:** CBCs shall inform customerz about ABCs that have been dis-engaged from the network. CBC should ensure that customers can verify the authenticity of ABCs before initiating transactions at any ABC. This method of checking the ABC can be in the form of a phone call, SMS or other notification in response to a customer checking the status of an ABC.
6. **CBCs and ABCs should inform clients about their rights to complain, how to submit a complaint and use the whistle-blower helpline:** CBCs and ABCs shall actively inform ABCs and customers, respectively, about the processes for making a complaint or providing feedback, and encourage customers to complain through the appropriate channels if there are a violation of any their rights. This information shall, at a minimum, be displayed prominently by CBCs and ABCs at their physical locations and, if applicable, on their websites.
7. **CBCs should ensure that ABCs inform customers of their rights and responsibilities as detailed in Code of Conduct:** ABCs shall inform customers of their rights, as detailed in the Code of Conduct, through tools such as the Customer Charter like right to be treated fairly and respectfully; right to be informed about product terms and conditions, before and after the sale; right to receive receipts for all transactions; right to know how their non-public data is used, and be asked to give consent before it is shared with third parties and right to complain and/or provide feedback. ABCs shall also inform customers of their responsibilities including to: secure their private information; provide truthful data about current debts in order to adequately calculate capacity to repay.

# Annexure I

## Types of Business Correspondence Models (CBC)

Type of Corporate Business Correspondent	Description	Illustrative Examples
<b>1. Basic Banking &amp; Payments CBC</b>	Describes companies that rely on retail agents and a technology platform to service bank customers with basic services such as account opening, cash-in, cash-out, fund transfer etc., or to serve as payment service points for basic services such as utility, mobile talk time, remittance etc.	FINO A Little World Transerv Suvidhaa Beam GI Technologies
<b>2. Pre-Paid Instruments (PPI) CBC</b>	Describes BCs that use prepaid payment instruments to facilitate the purchase of goods and services from specified merchants. The value stored on such instruments represents the value paid by the holder, whether by cash, by debit to a bank account, or by credit card.	Oxigen: pre-paid cash cards called 'OxiCash Cards' Eko - Eko Wallet ITZCASH - ItzCash eWallet
<b>3.MFI -/Business Facilitator CBC</b>	Describes Micro Finance Institutions (MFIs) that make available their processes and existing branch network to companies to distribute their products and services.	Basix Sub-K Swadhaar SagGraha NOCPL
<b>4. Telco CBC</b>	Describes Telco providers that make available their existing operators and mobile customer outlets to companies to distribute their products and services.	Airtel Vodafone Reliance



## **MY PROMISE TO CUSTOMER**

### **I promise you that**

1. I will adopt and strictly follow the BC Code of Conduct.
2. I will treat all my customers fairly and respectfully, without discrimination.
3. I will be honest and transparent in all my transactions.
4. I will ensure to provide complete and accurate information to customers regarding all products and services.
5. I will ensure that customers are provided products which are suitable and appropriate for them.
6. I will strive to promote awareness among the customers about their rights and responsibilities and also to enable them to understand the available financial products and services.
7. I will abide by the laws, rules and regulations governing my business, as laid down by the Government, Regulators, Banks, Insurance Companies, Pension Firms and Mutual Funds and the Corporate Business Correspondents.
8. I will ensure that customers are informed about the available grievance redressal mechanisms; will also ensure that customers' grievances are attended to and resolved promptly.
9. I will ensure that customer KYC information is kept secure and confidential as if my own, and only used for necessary purposes as agreed upon by the customer.
10. I will communicate the customer account status and any changes in the terms and conditions of the product/services in a timely and accurate fashion.
11. I will ensure that customers receive receipt for each and every transaction.

**If you are not satisfied with my service, please call:**

**CBC: 1800 xxx xxx**

**Bank/Financial Institution: xxxx xxx xxx**

**BCFI: 011-40517003**



# Code of Conduct for Business Correspondents Operating in India

## INSTITUTIONAL

### I.1. CUSTOMER-ORIENTED GOVERNANCE

*The CBC Board of Directors must formulate and monitor adherence to the Code of Conduct. They should be adequately sensitive towards consumer protection. The Board of Directors shall formulate robust internal control systems and ensure external assessment of customer protection practices from time to time.*

### I. 2. INTERNAL AUDIT

*CBCs shall set up adequate monitoring mechanisms to ensure the effective implementation of the Code of Conduct internally and amongst ABCs.*

### I. 3. ENGAGEMENT AND TRAINING

*Customer's treatment and experience is largely dependent on the quality of services provided by ABCs. Hence it is critical for CBC and Principal to select ABCs with appropriate credentials, and train them well.*

### I. 4. SUITABLE PRODUCT DESIGN

*Wherever possible, CBCs and ABCs shall contribute to product design with the Principal to ensure that the products are suitable for target customers.*

## OPERATIONAL

### II.1 FAIR AND RESPECTFUL TREATMENT OF CUSTOMERS

*ABCs should treat customers fairly and respectfully. Customers should be treated without discrimination. CBCs shall adopt and implement policies that address values and standards of ethical professional conduct ensure that ABCs strictly adhere to the same.*

### II. 2. SUITABLE PRODUCT DELIVERY

*While neither CBCs nor ABCs have control over product design, they decide on how to sell products to customers. CBCs shall put in place adequate measures to prevent miss-selling to customers, including an appropriate remuneration and incentive system for ABCs that balances customer protection and business needs.*

### II. 3. TRANSPARENCY WITH CUSTOMERS

*CBCs shall put in place adequate measures to prevent miscommunication to customers. CBCs shall ensure that ABCs and customers are provided clear, sufficient and timely information in a manner and language that they understand and helps them make informed decisions. Transparency includes information on pricing, terms and conditions of all products. CBCs must ensure that all information communicated to the customer is accurate, complete and internally validated.*

### II. 4. PRIVACY, SECURITY AND USE OF CUSTOMER DATA

*CBCs shall ensure that privacy of customer data is respected in accordance with the laws and regulations of individual jurisdictions. Such data should only be used for the purposes specified at the time the information is collected or as permitted by law, unless otherwise agreed to with the customers. CBCs should ensure that customer data is secured.*

## **II.5. CUSTOMER COMPLAINTS RESOLUTION AND FEEDBACK**

*CBCs and ABCs shall put in place timely and responsive mechanisms for customer complaints and problem resolution. These should be active and effective.<sup>1</sup>*

## **II. 6. CUSTOMER AWARENESS**

*CBCs shall support ABCs to effectively inform customers of their rights and responsibilities and encourage customers to exert these rights.*

Last Updated – November 10th 2017

<sup>1</sup>Active and effective: Complaint resolution mechanism must be actively used by customers and CBCs/Principal should ensure that customers' feedbacks are used to make changes in policy, product or service delivery.

**Code of Conduct for Delivery of Credit  
through Business Correspondents (Ver  
2)**

**January 2017**



## Code of conduct for Delivery of Credit through Business

### Correspondents (Ver 2) January 2017

All agencies engaged in delivery of microcredit as Corporate Business Correspondents (CBCs)/Agents of banks or other financial institutions (FIs) are required to follow all regulatory norms as well as consumer protection practices laid down by the government, the regulators and the Principal (partner banks/FIs) in both letter and spirit. The code of conduct (CoC) lays down these and some additional requirements to enhance and improve sector practices that banks/FIs should endorse and require their BCs to follow for more responsible, transparent and client centric services. The code of conduct is to be followed by all BC (organizations and individuals) that deliver **microcredit** services as agents on behalf of banks/FI regardless of their legal form and delivery model.

#### **APPLICATION OF THE CODE:**

This code applies to the following activities undertaken by BCs/BFs on behalf of banks/FIs:

1. Facilitating credit services to clients, individually or in groups.
2. Recovery of credit provided to clients and mobilization of small value savings
3. Formation of any type of community collectives including self-help groups (SHG), joint liability groups (JLGs) and their federations.

#### **DEFINITIONS:**

**Business Correspondent (BC) Organization:** As per definition of RBI, Business Facilitators (BFs) can facilitate credit delivery including the following activities (i) identification of borrowers and fitment of activities; (ii) collection and preliminary processing of loan applications including verification of primary information/data; (iii) creating awareness about savings and other products and education/training and advice on managing money and debt counselling; (iv) processing and submission of applications to banks; (v) promotion and nurturing Self Help Groups/ Joint Liability Groups; (vi) post-sanction monitoring; (vii) monitoring and handholding of Self Help Groups/ Joint Liability Groups/ Credit Groups/ others; and (viii) follow-up for recovery. In addition to services permitted for BFs, BCs are allowed (i) disbursement of small value credit, (ii) recovery of principal / collection of interest (iii) collection of small value deposits (iv) sale of micro insurance/ mutual fund products/ pension products/ other third party products and (v) receipt and delivery of small value remittances/ other payment instruments. **The definition of BCs for the purpose of this Code of Conduct covers facilitation of microcredit on behalf of a Principal (bank/other FI) as BF or as BC operating as a registered entity (and not as individual or informal unregistered body such as SHG/Farmer Club).**

**Principal:** Financial institution regardless of its form (bank/non-banking finance company (NBFC)/ Cooperative Society/others) that engages BC or BF for delivery of microcredit to clients.

**Microcredit** – (As per RBI definition) Provision of credit and other financial services and products of very small amounts not exceeding Rs. 60,000 per borrower for first cycle and Rs. 100,000 for subsequent loan cycle, either directly or indirectly through a SHG/JLG mechanism (including MUDRA loan and Pradhan Mantri Jan-Dhan Yojna overdraft for PMJDY account holders. This is as per the current RBI regulation for NBFC-MFIs for qualifying loan portfolio for MFIs; the Code of Conduct will take into account the new definition as and when the RBI regulations are changed.

## CODE OF CONDUCT

### Section 1: For Business Correspondent Agent (BCA) / Loan Officers/Bank Mitra

#### Communication to Clients

Do's	Don'ts
<ol style="list-style-type: none"> <li>1. Have a prominent co-branded display of all products along with terms and conditions and fees</li> <li>2. Conduct training sessions to clearly communicate all the terms and conditions for all products/services offered to clients in the official regional language or a language understood by them with focus on (i) rate of interest on a reducing balance method charged by the Principal, (ii) processing fee charged by Principal, (iii) total charges recovered for insurance coverage and risks covered as charged by Principal, (iv) total cost to client in terms of Annual Percentage Rate (APR) and (V) Repayment options</li> <li>3. Clients must be informed about the relationship/partnership between BC and the Principal.</li> <li>4. Should communicate and make available details of the Grievance Redressal/Complaints Mechanism, broadly;               <ol style="list-style-type: none"> <li>a. Where a complaint can be made</li> <li>b. How a complaint should be made</li> <li>c. When to expect a reply</li> <li>d. What to do if complaint not resolved (details of escalation of complaints with ombudsman coordinates)</li> </ol> </li> <li>5. Must provide a valid receipt (in the prescribed form by the Principal) for each and every payment received from the borrower and record the payment in the loan passbook/loan card with the client.</li> </ol>	<ol style="list-style-type: none"> <li>1. Must not recommend or mandate alternate products in lieu of delivery of credit. Ex: Force selling Insurance, pension or other products for disbursal of loans</li> <li>2. Shall take special care not to entice customers by offering any incentives or benefits or false hopes beyond the scope of services that the Principal offers</li> </ol>

#### Loan Application and Processing

Do's	Don'ts
<ol style="list-style-type: none"> <li>1. Must conduct the preliminary due diligence as per their Principal's credit policy to assess the need and repayment capacity of client before recommending a loan</li> </ol>	<ol style="list-style-type: none"> <li>1. BCAs must ensure privacy of client data at all times and cannot be shared with any 3<sup>rd</sup> parties unless approved by the Principal</li> <li>2. BCA shall not commit to guaranteed loans</li> </ol>

2. Must ensure to only recommend loans	until the applications go through the
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<p>commensurate with the client's ability to repay</p> <ol style="list-style-type: none"> <li>3. Should clearly indicate time frame for the loan processing/sanctioning and expected date of loan disbursement</li> <li>4. Where a loan is not sanctioned against an application, BC must disclose the Principal's reason/s for rejection in a manner that is clearly understood by the client Ex. Incomplete KYC or Multiple lending or loan limit eligibility exhaustion as per credit bureau information</li> </ol>	<p>Principal's loan appraisal mechanism</p>
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### Client Interaction and Treatment

Do's	Don'ts
<ol style="list-style-type: none"> <li>1. Shall use courteous language, maintain decorum, and be respectful of cultural sensitivities during all interaction with clients</li> <li>2. Must promptly inform the designated officials of the CBC or Principal(as applicable) about grievances of customers without any delay</li> </ol>	<ol style="list-style-type: none"> <li>1. Shall not indulge in any behaviour that suggests any kind of threat or violence</li> <li>2. Shall not contact clients at odd hours, as per the RBI guidelines on loan recovery agents</li> <li>3. Shall not visit clients at inappropriate occasions such as bereavement, sickness, etc., to collect dues</li> <li>4. Shall not demand, collect/recover any commission/service charges or other monies from the customers for services facilitated on behalf of the Principal</li> </ol>

\*link to RBI guidelines on loan recovery agents

## **Section 2: For Institutions /Corporate BCs(CBC)**

### **Core Values**

CBCs, as last mile delivery agents acting on behalf of the Principal, will follow the core values, practices and codes of conduct as prescribed by the Principal. Together, the Principal and the BC, as responsible financial institutions and intermediaries broadly agree to:

1. Promote and strengthen the access to microcredit services in the country by facilitating linkage of low-income clients to the formal financial sector.
2. Build viable, sustainable, and client-centric systems and practices to provide financial services (consistent with regulation) to clients.
3. Promote cooperation and coordination with other agencies servicing the same client segments and operating in the same geographies (including MFIs, other banks and BCs, NBFCs, SHGs/federations, etc.) in order to achieve higher operating standards and avoid unethical competition in order to serve clients better.

In order to adhere to the core values of microfinance, the code of conduct, as mentioned below, must be abided by all institutions providing/facilitating microcredit services on behalf of any financial institution.

### **Code of Conduct**

#### **I Transparency**

<b>Must haves (Non Negotiable)</b>	<ol style="list-style-type: none"><li>1. Have mechanisms to communicate all the terms and conditions for all products/services offered to clients in the official regional language or a language understood by them<ol style="list-style-type: none"><li>A) rate of interest on a reducing balance method charged by the Principal</li><li>B) processing fee charged by Principal</li><li>C) any other charges or fees howsoever described charged by Principal</li><li>D) total charges recovered for insurance coverage and risks covered as charged by Principal</li><li>E) total cost to client in terms of Annual Percentage Rate (APR)</li><li>F) name of the Principal</li><li>G) No additional fees is charged by BC for any service rendered on behalf of Principal</li></ol></li><li>2. Disclose Terms &amp; Conditions during disbursement in writing through the following (as per Principal's policies):<ol style="list-style-type: none"><li>A) Individual sanction and consent letter</li><li>B) Loan card / Passbook/ Loan schedule covering core terms and conditions including charges and fees, details of Grievance Redressal Mechanism, etc</li></ol></li><li>3. Indicate the time limit determined by the Principal within which clients can expect a decision on their application and if sanctioned, the time taken for disbursement of loan</li><li>4. Collect fee on non-credit products/services only with prior declaration to the client and with prior written approval from the Principal</li><li>5. Where a loan is not sanctioned against an application, CBC must disclose the Principal's reason/s for rejection in a manner that is clearly understood by the client.</li><li>6. Information to be communicated to client must be available to staff/BCA in</li></ol>
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	<p>a standardized form in vernacular in order to ensure that complete</p>
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	<p>information is shared at various stages of the loan.</p> <p>7. Staff/BCA should be imparted regular training on client education, both content and communication methodology</p>
<b>Good to have</b>	<ol style="list-style-type: none"> <li>1. Have a prominent co-branded display of all products along with terms and conditions and fees in branches and Customer Service Points</li> <li>2. Place in public domain the assessment reports on code of conduct compliance</li> <li>3. Put the Annual Reports and Annual Financial Statements in public domain (preferably on their websites) immediately after approval of the Board/AGM</li> <li>4. Place in public domain, such as on their website, information on partnerships with various principal agencies and product and pricing information details pertaining to each partnership</li> <li>5. In case of loan rejections due to credit bureaufusal, provide a formal document to client validating the reason in case demanded by the client</li> </ol>

## II Client Protection

### A. Fair practices

<b>Must have (Non Negotiable)</b>	<ol style="list-style-type: none"> <li>1. Products should not be bundled (Bundling in this context means making purchase of a product or service conditional for provision of another product/service) except as approved by the Principal.</li> </ol>
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### B. Avoiding over-indebtedness

<b>Must have (Non Negotiable)</b>	<ol style="list-style-type: none"> <li>1. Conduct the preliminary due diligence as per their Principal's credit policy to assess the need and repayment capacity of client and must only recommend loan amount commensurate with the client's ability to repay.</li> <li>2. Recommend clients as per the norms stipulated by Principal for client indebtedness and number of lenders</li> <li>3. Have a well-documented Standard Operating Procedure for loan process</li> <li>4. Provide the required/complete client data for facilitating data sharing by banks to Credit Bureaus</li> </ol>
<b>Good to have</b>	<ol style="list-style-type: none"> <li>1. To reduce the errors in identification of borrowers in credit bureau reports, CBC and Principal should move towards adoption of UIDAI number based KYC in a time frame as agreed between Principal and BC</li> </ol>

### C. Appropriate interaction and collection practices

<b>Must haves (Non Negotiable)</b>	<ol style="list-style-type: none"><li>1. Have clearly defined guidelines for employee and agent interactions with clients</li><li>2. Ensure that all staff/BCA and persons acting on behalf of the organization:<ol style="list-style-type: none"><li>A) Use courteous language, maintain decorum, and are respectful of cultural sensitivities during all interaction with clients.</li><li>B) Do not indulge in any behaviour that in any manner would suggest any kind of threat or violence.</li><li>C) Do not contact clients at odd hours, as per the RBI guidelines for loan</li></ol></li></ol>
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	<p>recovery agents.</p> <p>D) Do not visit clients at inappropriate occasions such as bereavement, sickness, etc., to collect dues.</p> <ol style="list-style-type: none"> <li>3. Provide a valid receipt (in whatever form decided by the Principal) for each and every payment received from the borrower and record the payment in the loan passbook/loan card with the client.</li> <li>4. Have a detailed process for dealing with clients, at each stage of default and educate the BCAs/loan officers on how to behave with default clients in an ethical manner</li> <li>5. Not collect shortfalls in collections from employees and their HR policies must categorically denounce this practice. An exception can however be made in cases of frauds by employees.</li> </ol>
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#### D. Feedback/ Grievance Redressal mechanism

<p><b>Must have (Non Negotiable)</b></p>	<ol style="list-style-type: none"> <li>1. Establish dedicated feedback and grievance redressal mechanism at the level of CBC linked to the Principal's grievance redress systems to correct any error and handle/receive complaints speedily and efficiently, in addition to the GRM set up by the Principal</li> <li>2. Designate at least one grievance redressal official to handle complaints and to coordinate with the Principal and make his/her contact numbers easily accessible to clients.</li> <li>3. Inform clients about the existence and purpose of these mechanisms at CBC level and at Principal level and how to access them. These should be prominently displayed in branches/BCA point in vernacular/local language, including: <ol style="list-style-type: none"> <li>a. Where a complaint can be made</li> <li>b. How a complaint should be made</li> <li>c. When to expect a reply</li> <li>d. What to do if complaint not resolved (details of escalation of complaints with ombudsman coordinates)</li> <li>e. Phone number of Grievance Redressal Officer/s</li> </ol> </li> <li>4. Information on grievances received and resolved should be documented by CBC and shared with the Principal at an agreed frequency</li> </ol>
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#### E. Privacy of client information

<p><b>Must have (Non Negotiable)</b></p>	<ol style="list-style-type: none"> <li>1. Keep personal client information strictly confidential and should fully comply with Principal's requirements in this regard.</li> <li>2. Client information may be disclosed to a third party only on instructions of Principal subject to the following conditions: <ol style="list-style-type: none"> <li>A) client has been verbally informed about such disclosure and prior permission has been obtained in writing.</li> <li>B) the party in question has been authorized by the client to obtain client information from the BC.</li> <li>C) it is legally required to do so.</li> </ol> </li> </ol>
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### III Governance

<b>Must haves (Non Negotiable)</b>	<ol style="list-style-type: none"> <li>1. Put in place a transparent and professional governance system and the board must be actively involved in all policy formulations and other important decisions</li> <li>2. Endeavour to induct independent persons to constitute at least 1/3rd of the governing board.</li> <li>3. Ensure transparency in the maintenance of books of accounts and reporting/ presentation and disclosure of financial statements by qualified auditor/s</li> <li>4. Put in best efforts to follow the audit and assurance standards issued by the Institute of Chartered Accountants of India (ICAI)</li> <li>5. Board must approve policies and operating guidelines to treat clients, employees and BCA with fairness and dignity</li> </ol>
<b>Good to have</b>	<ol style="list-style-type: none"> <li>1. Appoint an audit committee of the board with an independent director as Chairperson</li> <li>2. Place before the board of directors, a compliance report indicating the extent of compliance with this code of conduct and the functioning of the grievance redressal mechanism</li> </ol>

#### IV Human Resources

<b>Must haves (Non Negotiable)</b>	<ol style="list-style-type: none"> <li>1. Seek a reference check from the previous employer</li> <li>2. Respond to the reference check request from another BC/MFI within two weeks</li> </ol>
<b>Good to have</b>	<ol style="list-style-type: none"> <li>1. Compensation methods for staff should have more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery</li> <li>2. Not recruit an employee of another CBC/MFI without the relieving letter from the previous CBC/MFI employer. An exception can however be made in instances where the previous employer fails to respond to the reference check request within 30 days.</li> <li>3. Provide such relieving letter to the outgoing employee in case he/she has given proper notice, handed over the charge and settled all the dues towards the BC except in proven cases of fraud or gross misconduct by the employee</li> </ol>

#### V Client education

<b>Good to have</b>	<ol style="list-style-type: none"> <li>1. Have dedicated process to raise clients' awareness of the options, choices and responsibilities vis-à-vis financial products and services available that is aligned to the Principal's requirements.</li> <li>2. Train loan officers/BCAs/Bank Mitras in financial education content and communication methodology</li> </ol>
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## **GENERAL GUIDELINES FOR PRINCIPAL INSTITUTIONS (BANKS/FINANCIAL INSTITUTIONS)**

Principal should endorse the Code of Conduct and include it in the Service Agreements with BCs. The Principal should monitor the compliance of the CoC by BC through its monitoring and auditing processes.

In addition, Principal should put in place systems for the following to support the BCs in following the Code of Conduct.

1. **Grievance Redressal**  
Principal should put in place a structured grievance redressal procedure at the bank with time frame for responding to complaints and role and time frame identified for BC to respond to complaints forwarded. Principal should require BCs to send report on Grievances received at BC level and monitor the resolution and time frame.
2. **Communication and training**  
Principal should provide orientation and training to key staff of BCs on business processes and client protection and code of conduct. Principal should make available standard training and communication materials for BCs to be used for training of clients on products and processes.
3. **Human Resources**  
Principal should deploy adequate and appropriate team for supporting and monitoring of BCs in operations and periodic comprehensive auditing of BCs on compliance to business processes, guidelines and code of conduct.
4. **Avoiding over-indebtedness**  
While the RBI guidelines for NBFC-MFIs are not applicable for lending by banks through BCs, particularly on total indebtedness of clients and number of lenders/loans, it is recommended that banks/NBFCs internally define Board approved policies defining loan eligibility of clients for microfinance loans. Banks may use the RBI regulations for NBFC-MFIs as a template for developing these internal guidelines.
5. **Due diligence for enrolment of new BCs**  
Principal should have a comprehensive checklist and process for due diligence of agencies for BC partnership and include the Code of Conduct within the due diligence framework.



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