

Risks in Agent Network Management

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Agent Network Models

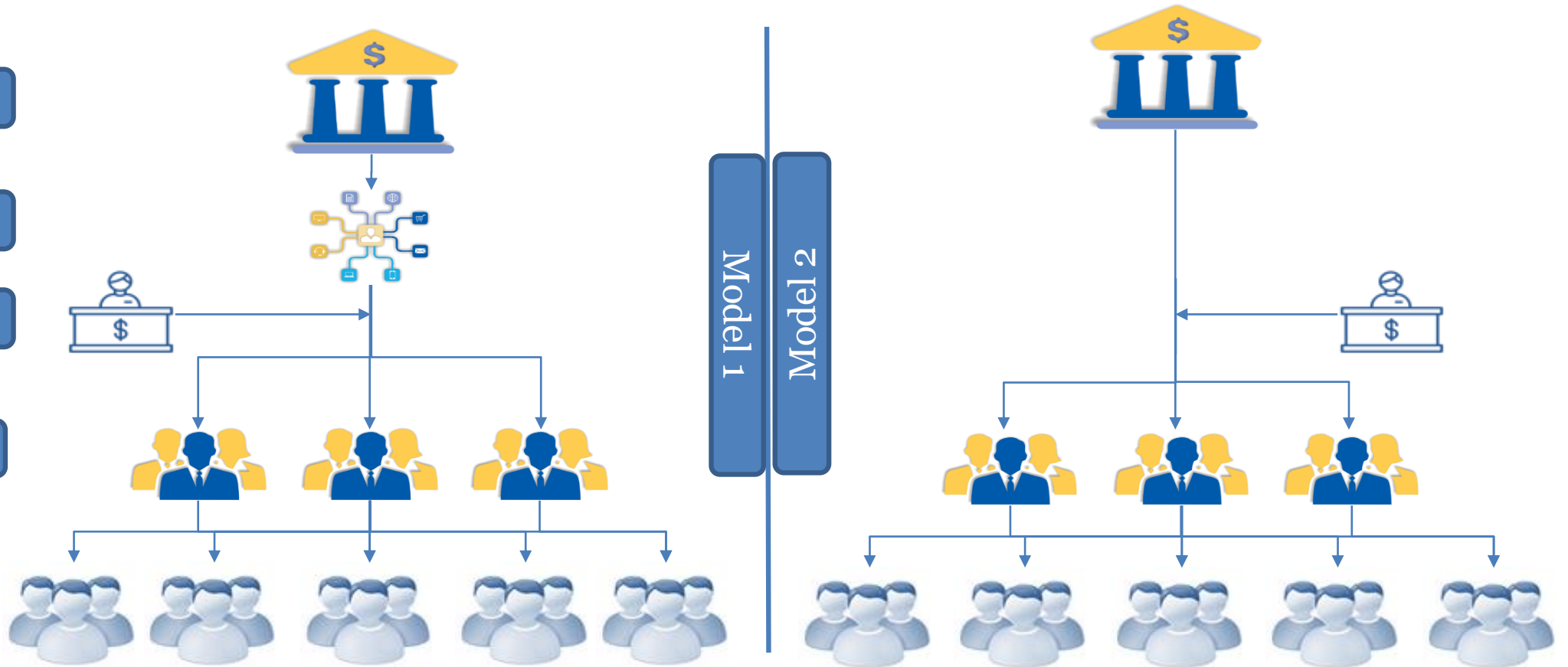
DFS Provider

Master Agent

Super Agent

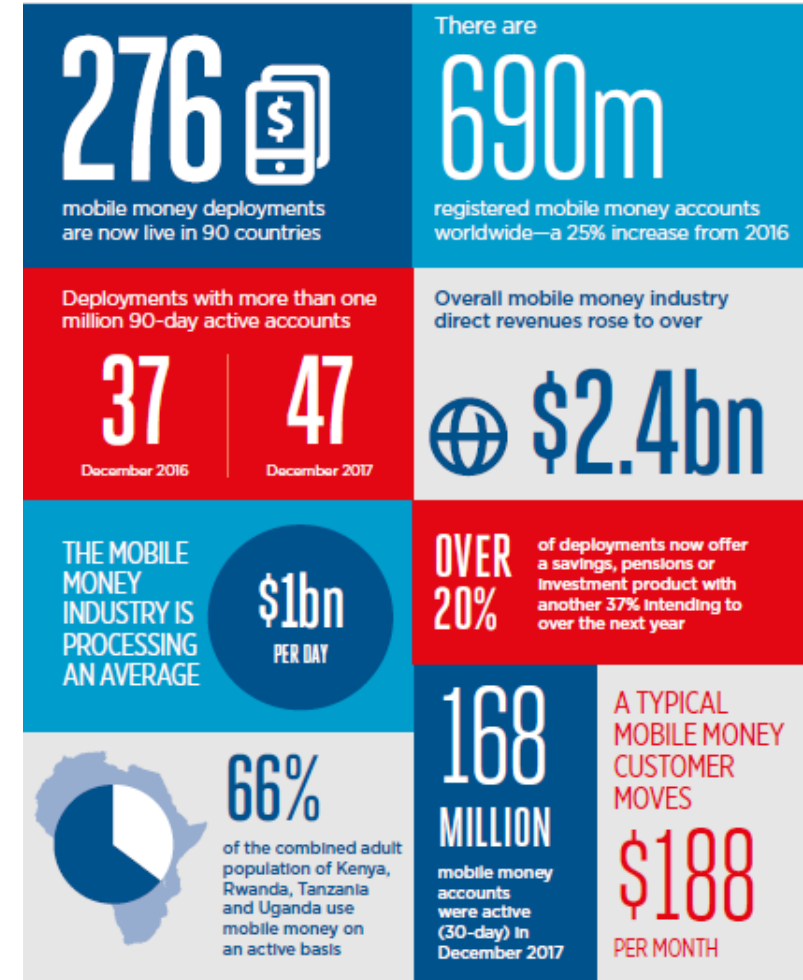
Agents

Customers



Why Agents are Key for DFS and Digital FI?

- ▶ **Access:** Providing local, convenient access for basic transactions (CICO)
- ▶ **Low cost:** Providing affordable transactions, reducing time and transport costs
- ▶ **Extended reach:** Providing transactions far from traditional branch infrastructure
- ▶ **Proven methodology:** Providing transactions through a proven and now trusted methodology

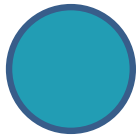


Source: GSMA SOTIR 2017

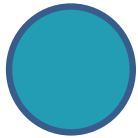
Risks in Agent Networks



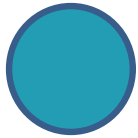
Types of Risks



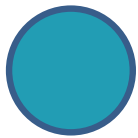
Regulatory



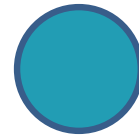
Technology



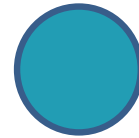
Agent Support



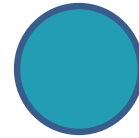
Fraud



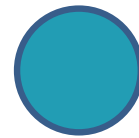
Liquidity



Reputational

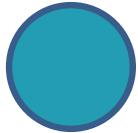


Financial

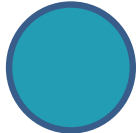


Privacy

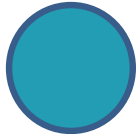
Regulatory Risks



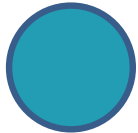
Know your customer (KYC)



Overcharging customers

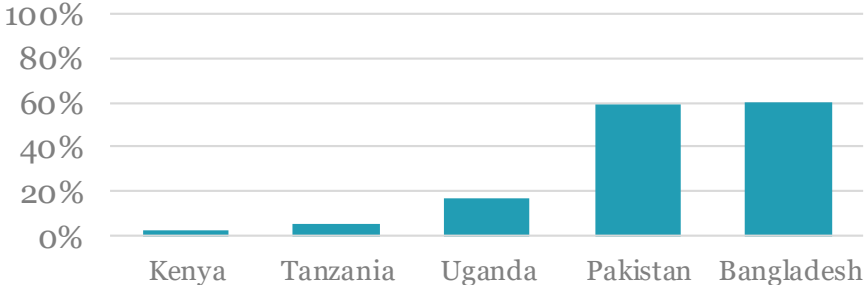


Over the counter transactions

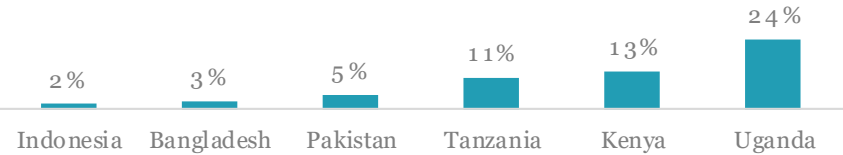


Anti money laundering (AML) and CFT

Percentage of customers who report using OTC



% of customers who reported agent overcharging



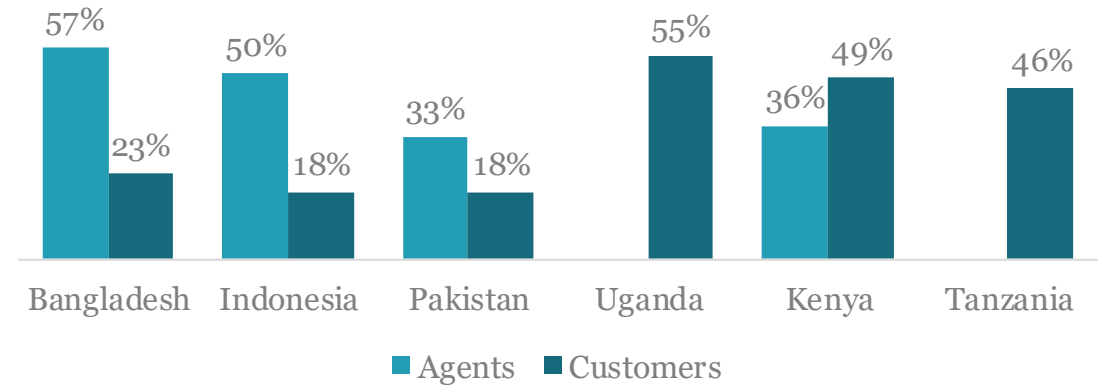
Source: FII Wave IV Data

Technology Risks



- Server Downtime
- Device Failure
- Device Maintenance
- PIN security

% of agents and customers experiencing downtime

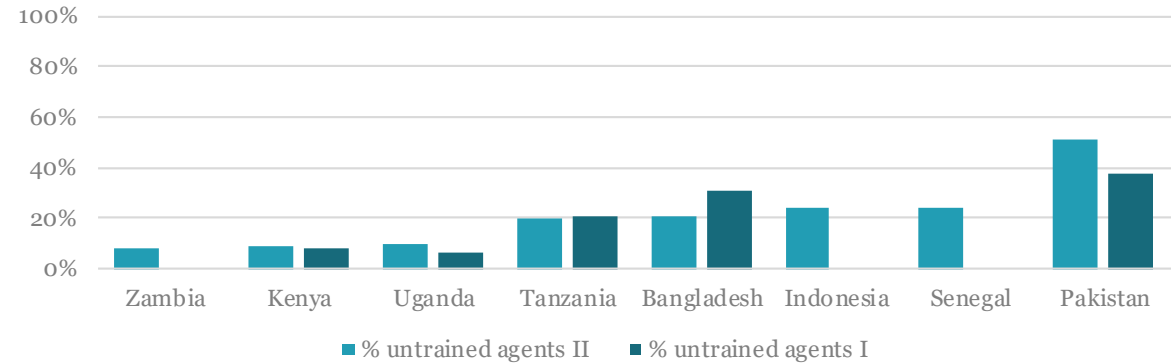


Agent Support Risks

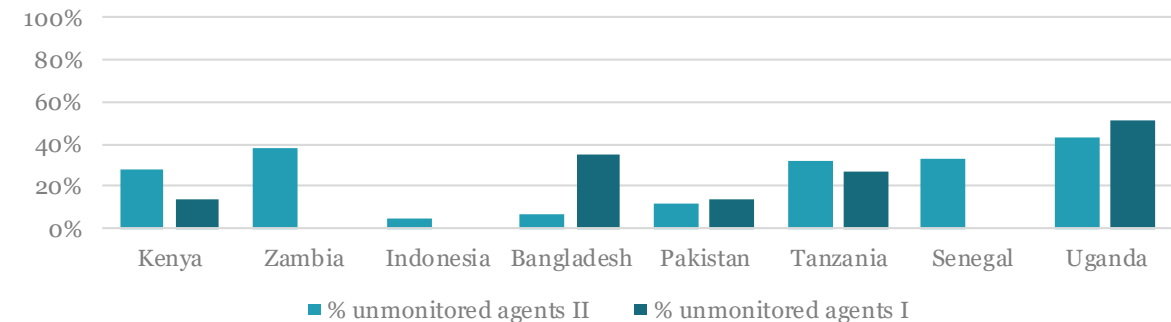
Agent Support Risks

- Lack of training
- Lack of appropriate monitoring
- Unaware of call centre/ support functions

% of agents who have not received initial training



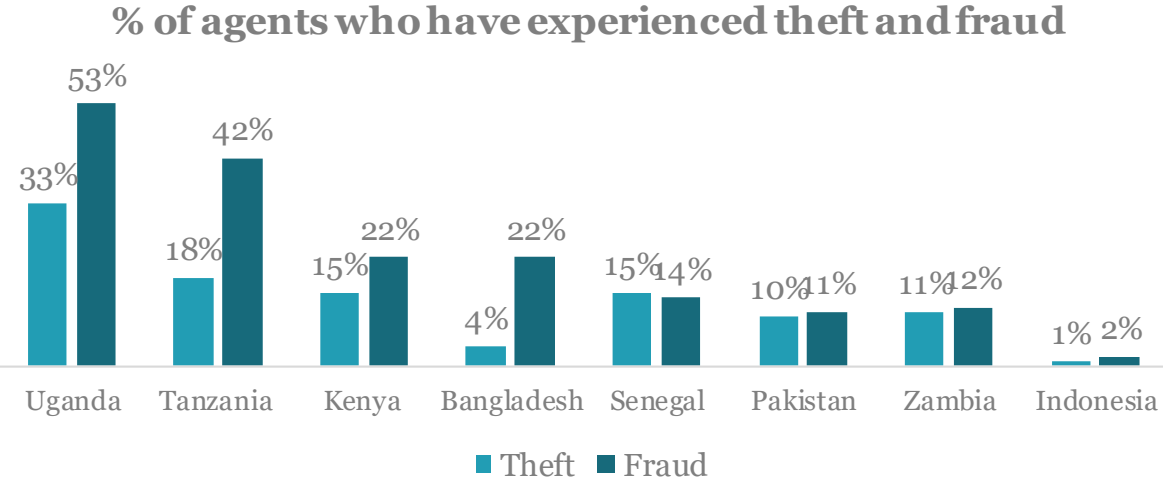
% of agents who never receive support visits



Fraud Risks



- Fake KYC
- Theft
- Fraud by Agents/
Customer/ Staff
- Illegal service provisioning
- Counterfeit money

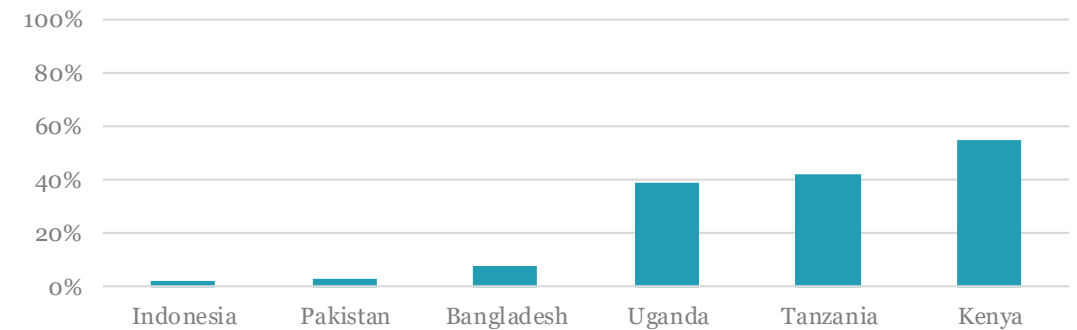


Liquidity Risks

Liquidity Risks

- Cost of rebalancing
- Lack of sufficient e-float/ physical cash
- Inefficient rebalancing points

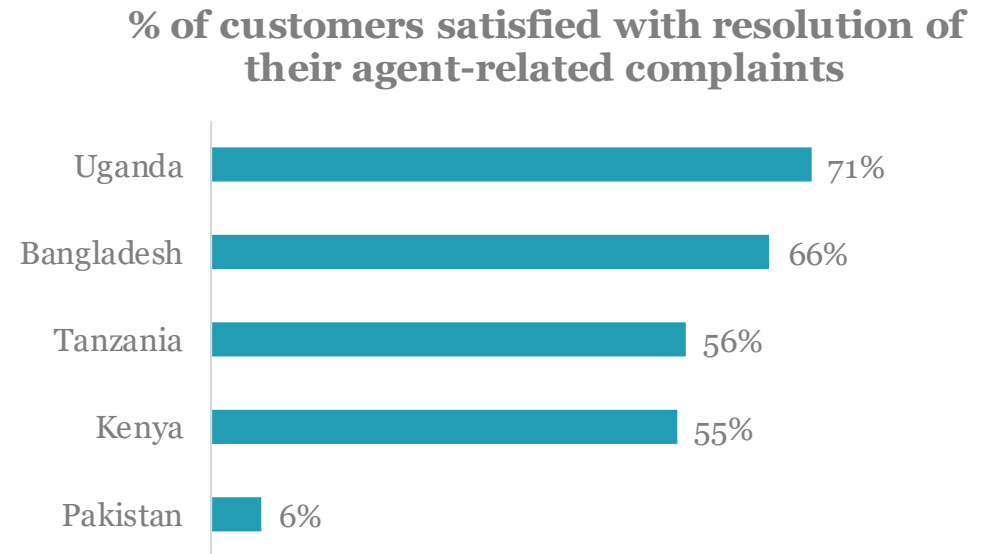
% of customers who have encountered agents without float/cash



Reputational Risks



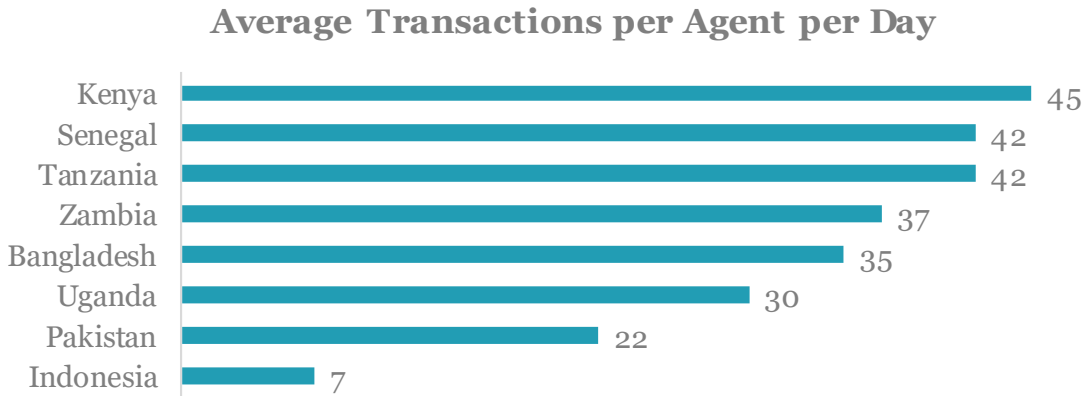
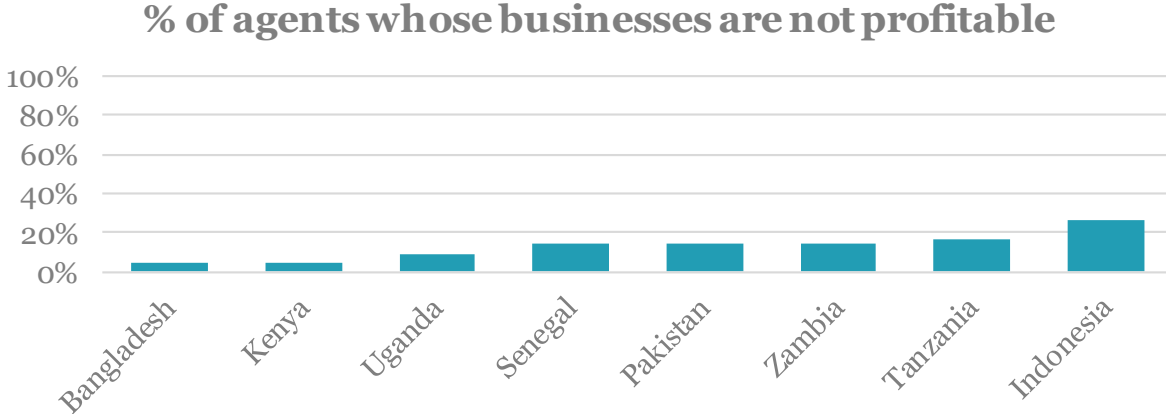
- Lack of defined grievance redressal mechanism
- Transaction errors
- Lack of branding/
customer awareness



Financial Risks



- Lack of customer base
- Lack of business case for agents
- Split transactions
- Account activations for more revenue



Privacy Risks



Privacy
Risks

Data Protection/
Confidentiality

Questions to Make Right Decisions



Questions (1)

Business Model

- ▶ Is the business model and stakeholders' (Agents, Super Agents and Master Agents) roles and responsibilities clearly defined as part of channel strategy?

Regulatory

- ▶ How is the institution monitoring the agents for KYC and AML/CFT?
- ▶ What is the strategy to combat OTC/ AAT?

Technology

- ▶ What is the average server downtime (frequency and severity)?
- ▶ What is the service level agreement for network uptime and device maintenance?

Questions (2)

Agent Support

- ▶ What is the frequency and the agenda for trainings – onboarding, refresher, new product/service etc.?
- ▶ How many transactions failed in the last 12 months?
- ▶ What is the frequency of monitoring visits and focus areas? Is there a report submitted after the monitoring visit with action points? How does the monitoring visit report moves within the institution?
- ▶ Is there any mystery shopping activity undertaken to understand agents' knowledge and agents/customer challenges?

Questions (3)

Fraud

- ▶ What are the trends in fraud by agents/ customers?
- ▶ What are the proactive and reactive controls for fraud?
- ▶ How is fraud liability managed between the provider, agents and customers?

Liquidity Management

- ▶ How is the liquidity management monitored from Head Office?
- ▶ What is the average float maintained by agents?
- ▶ What are the different options available for rebalancing?

Financial

- ▶ What is the average commissions earned by agents in urban, semi-urban and rural areas?

For any enquiries and clarifications please contact:

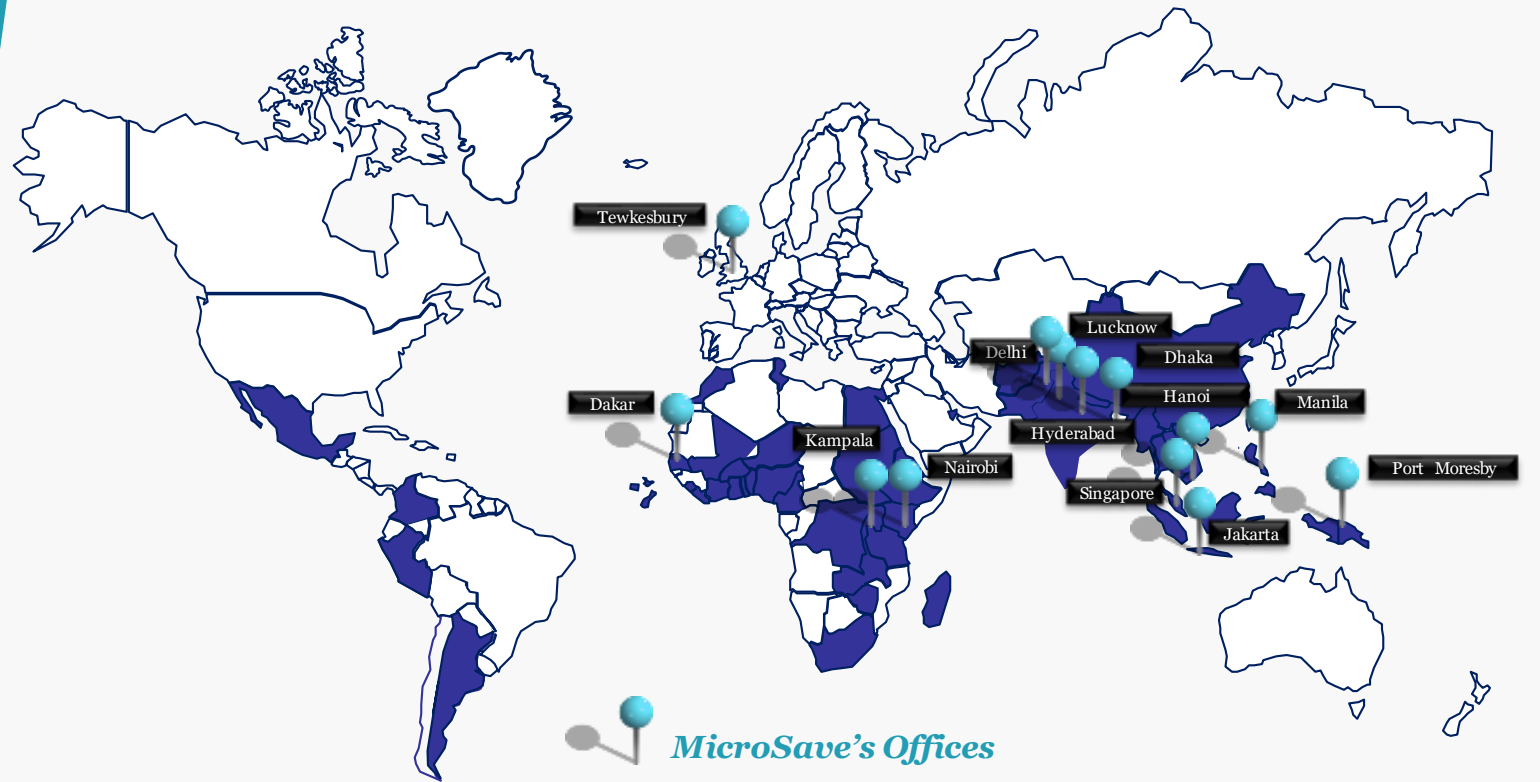
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MicroSave

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