

Client Protection in Business Correspondent Model



Keeping clients first
in microfinance

Client Protection in the Business Correspondent (BC) Model

Contents

1. Introduction.....	3
2. Characteristics of the BC Model	5
2.1 Structure of the BC model.....	5
2.2 Evolution of the BC Model	6
2.3 Two main BC models: credit-led and savings-led.....	7
Table 1: Steps in the lending process and the function of the BC in the credit-led model.....	8
Table 2: Steps in the saving process and the function of the BC in the savings-led model	9
3. Embedding Client protection in the credit-led and savings-led BC models.....	9
Table 3: Client Protection in the Credit-led BC model.....	10
Table 4: Client protection in the Savings-Led BC model.....	14

1. Introduction

With the enthusiasm of banks coupled with support from the Government of India, the Business Correspondent (BC) model has come into prominence in recent years¹ and the focus has shifted to BCs to drive financial inclusion to expand outreach. While the BC model de-risks some of the MFI operations, there is a level of complexity involved since it is an epitome of a partnership model, requiring partnership between diverse stakeholders operating in unusual geographic areas. In this tool, Smart Campaign has made an attempt to capture some of the standardized processes of the BC Model (saving led and credit led) and integrate client protection principles into its key processes.

The BC model² was introduced in 2006 with the Reserve Bank of India's directive³ that envisaged financial inclusion driven by technology. The RBI circular allowed banks to engage intermediaries in the form of BCs to reach-out to underserved clients. According to regulations, BCs are permitted to carry out transactions on behalf of the bank as agents. The eligibility criterion for BCs was initially restricted to organisations such as NGO-MFIs and other non-profits entities. However, these guidelines have since been reviewed and as described in a circular⁴, RBI has allowed individuals and Not for-profit NGOs to operate as BCs and more recently have also permitted Non-Deposit taking Non Banking Finance Companies (NBFCs) to act as Business Correspondents (BCs) to banks⁵.

The Business Correspondent model has reached significant scale with number of BCs engaged by banks having reached 221,341 as of March 2013⁶. Recently post the Nachiket Mor Committee Report⁷ and RBI directive on, 'Financial Inclusion on Extension of Banking Services, 2014'⁸ the BC model has gained further momentum. However, the fundamental aspects of consumer protection are not adequately covered in the BC model⁹, and hence risks around over indebtedness, product design, client treatment and transparency remain significantly high. These risks sometimes are more pronounced in case of semi-literate or illiterate clients as the model itself is complex. The increasing number of deployments, clients, and agents makes it imperative to focus on putting in mechanisms in place that protect the clients, agents and the bank as such from mitigating client risks.

¹ The Chairman of Prime Minister's Economic Advisory Council Dr. C. Rangarajan says "Banks are in the best position to lead financial inclusion. They have just got more teeth from the business Correspondent model and a sharper focus on self-help groups" Read more at <http://forbesindia.com/printcontent/19262>

² Along with Business Correspondents (BCs), RBI permits another set of intermediaries for financial inclusion – Business Facilitators (BFs). While BCs are permitted to act as agents of the banks to carry out transactions, BFs can only play a facilitation role (for example, identification of clients, solicit proposals, facilitate the transactions etc). When an organisation is working as BC and BF for a bank, in such cases the staff (who will act as agents) will perform both activities for the bank. This tool considers such cases when the organization has both BC and BF agreements with the bank, and in this tool the two terms have been used interchangeably.

³ Financial Inclusion by Extension of Banking Services - Use of Business Facilitators and Correspondents, [RBI/2005-06/288. DBOD.No.BL.BC. 58/22.01.001/2005-2006](http://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?id=8955)

⁴ Financial Inclusion by Extension of Banking Services – Use of Business Correspondents (BCs) [RBI/2010-11/217 DBOD.No.BL.BC.43 /22.01.009/ 2010-11](http://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?id=8955)

⁵ http://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?id=8955

⁶ Reserve Bank of India Publications, 2012 and 2013.

⁷ <http://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/CFS070114RFL.pdf>

⁸ RBI/2013-14/653 DBOD.No.BAPD.BC.122 /22.01.009/2013-14

⁹ Policy Brief # 7 : Is the Business Correspondent Model in Policy Paralysis? Puneet Chopra, Manoj Sharma and Mukesh Sadana, September 2012

If client protection risks are not addressed in the BC model the market may suffer from:

- Loss of consumer trust and low uptake of the products and services offered;
- Inability to make the business case for agents and for the sector as a whole;
- Negative media attention; and ultimately,
- Inability to achieve financial inclusion goals.

In view of this, the main objective of this tool is to address some of the client related risks inherent in the BC model by:

“Providing guidelines around client protection in, Saving and Credit led Business Correspondent Models”.

1.1 Methodology for Tool Development

The BC tool has been developed with inputs from a diverse set of players including practitioners¹, banks, microfinance institutions and technology provider in India, like IFC, GIZ, Grameen Foundation, Micro Save, Ratnakar Bank, Swadhaar and Eko Technologies. These players came together with the Smart Campaign, in a workshop to develop the BC tool. Participating institutions shared their models, business processes and then Campaign led the discussion to understand the client related risks and created a comprehensive framework, with good practices around the credit and savings processes. The Smart Campaign has also referenced some good practices from in-depth assessment of Ratnakar Bank’s BC model and Smart Campaign’s tools namely, Smart Savings: Client Protection in the Savings Process¹⁰ and Smart Lending: Client Protection in the Group Lending Process¹¹.

1.2 Constraints of the Tool

The Campaign recognizes that the landscape of BC models is diverse and it is not possible for us to capture the complexity of all models in this tool and hence for simplicity we have restricted this tool to two simple models one, Credit led BC Model and two Saving led BC Model. Also, throughout the mapping process we have used BC and CSP (Customer Service Point) interchangeably because BC models can be structured in different ways wherein, BC can either interact directly with the client or use sub-agent like a CSP (Customer Service Point) depending on the arrangement with the Bank it is collaborating with. Further, this tool attempts to set in a process of helping various participants implement pro client practices within their respective BC model but, is not an end in itself. The Smart Campaign will be developing DFS (Digital Financial Services) standards and indicators shortly to help initiate standardization for effective implementation.

¹⁰ <http://www.smartcampaign.org/tools-a-resources/286-2011-01-27-17-36-14>

¹¹ <http://www.smartcampaign.org/tools-a-resources/461-smart-lending-client-protection-in-the-group-lending-process>

2. Characteristics of the BC Model

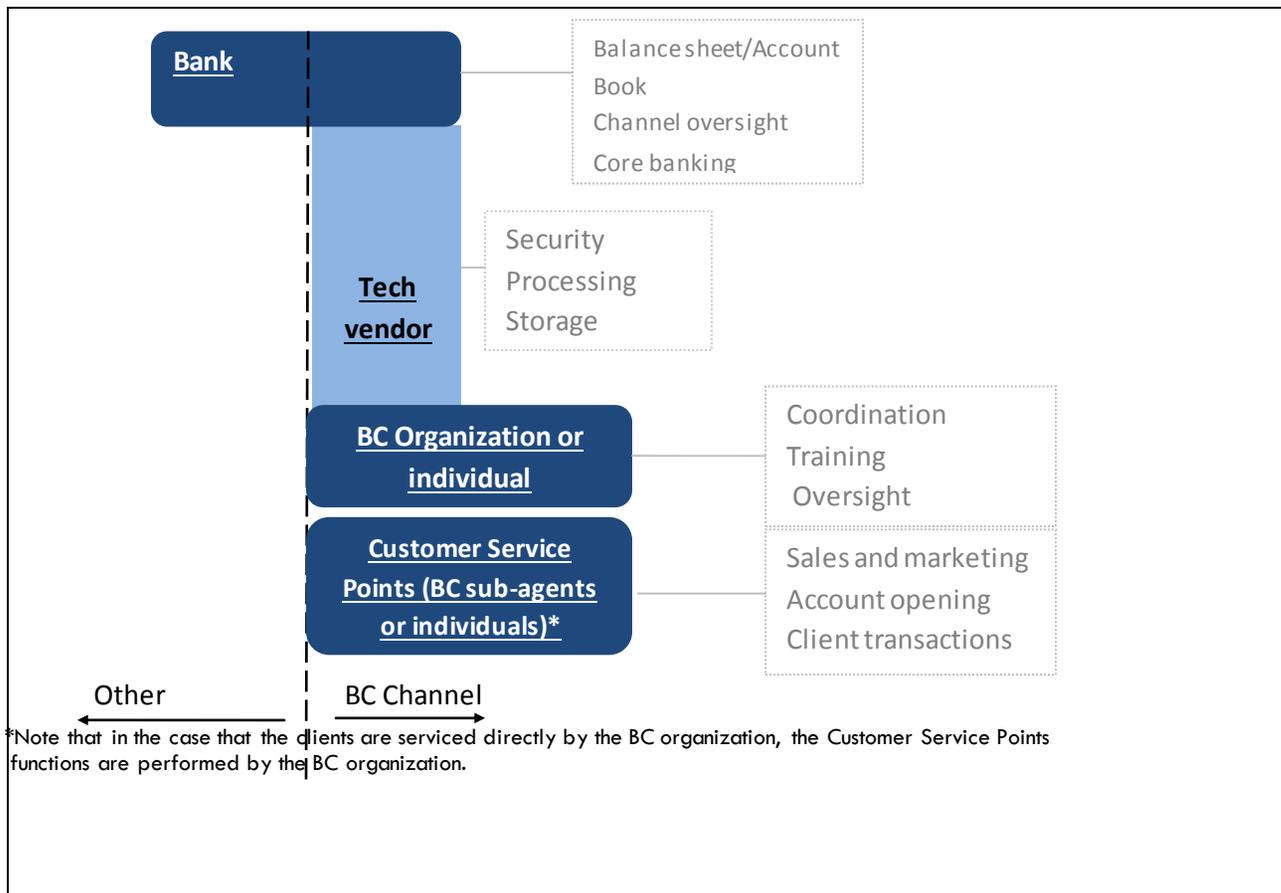
2.1 Structure of the BC model

Before discussing the client protection issues associated with the BC model, we must first understand its structure. With an aim to offer clients convenience and at the same time maintain necessary safeguards, the BC model is at the intersection of informal and formal systems. At the back-end, the BC model is supported by banks while at the front-end, BCs leverage local vendors / merchant establishments serving individuals in the community.

Below are the various stakeholders in the BC model:

- **Banks:** Banks issue the account through core banking and all transactions are on the books of the bank. They also supervise the system and choose all other partners.
- **BCs:** Organizations or individuals (e.g. Cashpor, a section 25 company as organization and a stationary shopkeeper as individual) appointed to represent the bank in conducting various transactions with clients in the field. BCs can service clients directly or through customer service points. The co-ordination, training and complete oversight of customer service staff is undertaken by BCs.
- **Customer Service Points (CSPs):** When BCs are individuals, these also act as CSPs. As stated above, when BCs are organizations, they can service clients directly or through customer service points. When servicing clients through CSP, the BCs identify individuals as sub-agents—typically individuals in the local community such as shopkeepers and local traders/ service providers. Their role is sales, marketing, account opening and client transactions. BCs that service clients directly are responsible for performing these functions as well.
- **Technology providers:** They provide and maintain technology interfaces such as mobile financial services platforms and point-of-sale and smart card systems to the front end users and integrate these systems with the bank's system at the back-end. Technology providers ensure security, processing and storage of data.

Figure 1: Overview of BC Model¹²



2.2 Evolution of the BC Model

During the initial years of the BC model, the thrust of the government policy was financial inclusion through 'no-frills' savings accounts. As government regulations allowed only non-profit institutions to act as BCs until 2010, large-scale BCs were typically non-profits which were set-up by BC

¹² CGAP – Business Correspondents & Facilitators: Pathway to financial inclusion? A policy retreat on BC Model, 2009, organized by CGAP, RBI, Access assist and C.A.B.

technology providers. These non-profits further operated through Customer Service Points (CSPs) appointed at the field level, supported by the technology of their parent organization. The government incentivized the opening of 'no-frills' accounts or zero-balance accounts by providing banks a subsidy for every account opened. The subsidy naturally also trickled down to BCs appointed by the bank. Hence, a huge number of savings accounts were opened in the period since 2006, which reached over 100 Million accounts as of March, 2012.

However, the volume of transactions in this model has been less than satisfactory with a large portion of no-frill accounts turning dormant. Part of this underperformance was due to the unwillingness of financial institutions to offer credit through the BC model. Institutions/ NGOs who wished to offer micro-credit services did so independently, as it was more lucrative to undertake direct lending, rather than as a BC of the bank.

In 2010, the RBI allowed for-profit institutions to also act as BCs. At the same time, due to the Andhra crisis, the availability of funds (both equity and debt) to MFIs became heavily restricted. Further, the RBI imposed strict restrictions on margins and interest rates, making the direct lending model uncertain and unattractive for MFIs. In order to overcome these challenges, some institutions have decided to act as BCs of banks purely for channeling credit. In such cases, these institutions typically administer clients through their staff and do not employ CSPs. Of late in 2014, RBI has come up with the detailed regulation allowing non deposit NBFCs to also act as BCs for the Banks. As this model is still in its formative stage, oversight and involvement of banks tends to be higher in day-to-day operations.

2.3 Two main BC models: credit-led and savings-led

Business Correspondents have been broadly classified into two models that are:

1. Credit-led Business Correspondent Model
2. Saving led Business Corresponded Model

The steps in the lending or the savings process have been identified along with their function for both models. Each step corresponds to a distinct process and describes different set of interaction between the BC and the client. Tables 1 and 2 list the six steps in the lending process of the **credit-led model** and the six steps in the saving process of the **saving-led model**.

1. Credit-led Business Correspondent Model

Banks lend to clients using an agent like MFI/NGO/Non-deposit taking NBFC with CSP sometimes being a technology provider. We have used the term BC and CSP (Customer Service Point) interchangeably because BC can be structured in different ways such that BC as an agent can either interact directly with the client or use sub-agent like a CSP (Customer Service Point) depending on the arrangement with the Bank it is collaborating with.

Table 1: Steps in the lending process and the function of the BC in the credit-led model

Steps in the lending process	Function of the BC
1. Promotion of the credit product	This typically begins with sensitizing the local community through a financial literacy/ awareness program and building the confidence of community leaders by establishing that the services are being offered by the bank as per the service level agreement (SLA) with the BC. Some marketing collateral (developed by the bank) such as flyers may be distributed.
2. Group Formation	The BC communicates to clients on roles and responsibilities of joint-liability group members, product pricing, and the information sharing and documentation required. This is undertaken entirely by the BC.
3. Credit Appraisal	The BC and the bank jointly evaluate the eligibility of loan applicants by assessing their loan application forms and credit histories. Typically, the bank designs the loan application and the BC is responsible for entering client details in the form and making a recommendation to the bank. The bank verifies the documentation and takes a loan decision based on a credit history verification and data appraisal.
4. Disbursement	The bank approves loans and releases funds to BC for disbursement as per the service level agreement (SLA) with the BC. The BC is responsible for the process of physical cash disbursement/ transfer of funds to client accounts. This is undertaken at a field location or the BC's premises.
5. Repayment	The BC makes collections directly from clients at the centre meetings as per the service level agreement (SLA) with the Bank.
6. Delinquency Management	In case of client delinquency, either the BC or the bank will pursue the client for loan repayment. Typically, the BC is made responsible, but the Bank may choose to oversee the process as per the service level agreement (SLA). In the case of MFIs as BCs, the bank may also stipulate a first loss default guarantee.

2. Saving led Business Correspondent Model

Banks providing service to clients by opening bank account through an agent or intermediary like MFI/NGO/ and a non deposit taking NBFC with CSP sometimes acting as technology provider.

Table 2: Steps in the saving process and the function of the BC in the savings-led model

Steps in the saving process	Function of the BC
1. Promotion	Introducing clients to financial services. Typically begins with sensitizing local community through a financial literacy program and building the confidence of community leaders by establishing that the services are being offered by the bank. Undertaken by CSP with support of BC/ Bank.
2. Account Opening	CSPs collect “Know Your Customer” (KYC) documents and take clients through the application form.
3. Form Processing	The bank manages the process of checking documentation, creating accounts in the software system and dispatching welcome kits (account no, ATM card / check book / accompanying documents) to clients.
4. Deposits	CSPs collect deposits from clients and issue a receipt for the transaction. The transaction is updated in the bank’s records as per the service level agreement (SLA) between the BC and the Bank.
5. Withdrawal	CSPs pay cash withdrawals to clients and to issue a receipt for the transaction. The transaction is updated in the bank’s records as per the service level agreement (SLA) between the BC and the Bank.
6. Balance Update	Banks provide clients with an updated statement on a quarterly basis (per RBI regulation). The physical delivery of the statement can be routed through the CSP or the bank may do so directly.

3. Embedding Client protection in the credit-led and savings-led BC models

The Business Correspondent (BC) model has been an appealing financial inclusion strategy to serve and service excluded segments of the population, especially those living in remote areas. Therefore, it is imperative that banks have appropriate due diligence processes in place to select and monitor their BCs, so that clients are adequately protected.

As the BC model (both credit and savings) is ready to take off in a big way, the Smart Campaign has developed guidelines to help banks and BCs identify and mitigate client protection risks, and operate in a way that protects clients. These guidelines are meant to help the various stakeholders in the BC model meet adequate standards of client protection.¹³ The applicability of client protection principles at each step is highlighted. For each of the steps in the credit-led and savings-led model (listed in Tables 3 and 4), the tables below tool describes:

- how banks and BCs can integrate good client protection practice in its policies, and procedures;
- which Client Protection Principles (CPPs) apply; and

¹³ The seven client protection principles are: Appropriate Product Design and Delivery, Prevention of Over-Indebtedness, Transparency, Responsible Pricing, Fair and Respectful Treatment of Clients, Privacy of Client Data and Mechanisms for Complaint Resolution. For more details please refer to www.smartcampaign.org

- the technological interventions necessary to support adequate client protection.

Table 3: Client Protection in the Credit-led BC model

Service Point (SP)	Promotion SP1	Group Formation SP2	Credit Appraisal SP3
<p>Good Client Protection Policies</p>	<p>Bank:</p> <ul style="list-style-type: none"> - Ensure that the selection of clients is defined - Develop a realistic BC selection criteria based on expansion policy, clear market entry strategy and parameters for selection of given area to commence BC operations after taking into consideration market saturation. - Disclose all pricing and product details (terms, conditions, fees and interest rates) to BC partners and in print form to clients. - Provide guidelines to BCs on target segment, process to be adopted for client acquisition with timelines and meet regulatory requirements. - Internal audit needs to review staff interaction with clients for fair practices and compliance with client promotion, credit appraisal and recruitment. - Code of Conduct of Bank spells out values and standard required by all staff and prohibits aggressive sales and sanctions unethical behavior. <p>BC:</p> <ul style="list-style-type: none"> - Develop clear policy describing the process to initiate client acquisition in a given area. - Develop clear policy on credit appraisal in order to determine whether the clients can absorb and repay the loans being offered. - Policy for communicating bank loan terms to end clients which include, product pricing and terms and conditions. 		

Good Client Protection Practices

Bank :

- Monitor growth targets of BC's field staff to ensure that they are realistic and meet industry standards.
- Bank staff is not pressurized to cross sell other bank products and clients have sufficient time to take decisions.
- Bank staff conducts random checks of promotion process of BCs.

BC:

Communicate the following product information to clients, using language and methods that clients can understand:

- Product offering – terms and conditions.
- Bundled products – utility, features and linkages between savings and credit products.
- Pricing details, including interest rates as APR, processing fees etc.
- Eligibility for enrollment and documents to be submitted.
- Joint Liability Group concept.
- Role of BC in facilitating bank transactions.
- No additional fee is payable than those levied by the bank.
- The avenues available for grievance redressal.
- BCs protect client data as per the bank's privacy policy.
- Ensure that the BC submit all the KYC documents to the bank.

Bank :

- Conduct random checks of group formation process.
- Ensure that BC abides by all policy norms.

BC:

Communicate the following product information to clients, using language and methods that clients can understand:

- Client/ group member responsibilities to all members.
- Loan appraisal process and terms: guidelines for selection of group members based on over-indebtedness, occupation and income level.
- Responsibilities of different stakeholders (bank/ BC/ CSP) and timelines for entire credit processes such as, from group meeting to repayment and the closure of loan.
- Steps to be taken in case of non-repayment by a group member, quarrels between the group and complaints from clients.
- Credit bureau checks and other client data sharing arrangements (if any).
- Educate groups on consequences of over indebtedness.
- Explain the process of loan recovery in case of delinquency.

Bank :

- Design loan application forms with household cash flows and household surplus.
- Regular or random review of loan application forms, to determine credit worthiness of prospective new and old clients.
- Ensure that appraisal focuses on review of household surplus ratios as determined by policy.
- Ensure that collateral policy of bank is clearly communicated and followed by BC.

BC:

- Ensure group participation in loan approval process.
- Conduct clients capacity to pay analysis based on a calculation of client's assets, liabilities and household surplus.
- Collect data on other loans clients may have, through home visit, credit bureau checks or informal exchange.
- Explain to groups about credit bureau checks.
- Determine debt guidelines on the basis of geographic area, business sector and other relevant factors.
- Consider limits on amount clients must pay when a group member is in default. This could be a percentage of the original loan amount.
- Conduct loan utilization check.
- If loan is rejected, inform client(s) as to the reason(s).

Technological intervention

- Compatibility of IT or MIS system to conduct Credit Bureau checks.

			- IT systems and policies in place to protect client data stored electronically.
Client Protection Principles	<ul style="list-style-type: none"> - Appropriate product design and delivery - Avoidance of over-indebtedness - Transparency - Privacy of Client Data - Mechanism for Complaint Resolution 	<ul style="list-style-type: none"> - Avoidance of over-indebtedness - Transparency - Fair and respectful treatment of clients - Privacy of client data - Mechanism for Complaint Resolution 	<ul style="list-style-type: none"> - Appropriate product design and delivery - Transparency - Avoidance of over-indebtedness - Fair and respectful treatment of clients - Privacy of client data

Step	Disbursement SP4	Repayment SP5	Delinquency Management SP5
Good Client Protection Policies	<p>Bank:</p> <ul style="list-style-type: none"> - Disbursement documents comply with local regulatory requirements. - Staff evaluation includes quality of interaction with clients. - Establish clear responsibilities (for loan officers/staff at BC) delineated in terms of disbursement and collections, including the case of delinquency. - Set policies that clearly emphasize on client complaints being taken seriously, investigated and resolved in a timely manner. - Ensure that incentive structures do not create excessive pressure on BC to ensure 100% collections. - Ensure that Bank Code of Conduct is adhered at field level by BC and clients are treated respectfully. - Ensure that agreement for penalization of BC for PAR is balanced and not excessive. - Engage with BC in developing escalation matrix. <p>BC:</p> <ul style="list-style-type: none"> - Define acknowledgements or receipts to be provided to clients at each stage. - Have a list of unacceptable collection practices (e.g., show no disrespect to clients, etc.) and penalty linked to it. - BC staff is trained on handling complaints. - Clients receive copies/duplicates of any and all signed documents. - Regular sample checks of defaulting clients through an audit process. - Has a staff induction policy in place with details of trainings to be undergone before deployment in field operations. - Defines guidelines for staff treatment of clients. - Has an escalation matrix for collections process with effective supervisory mechanisms. 		
Good Client Protection Practices	Bank:	Bank:	Bank:

	<ul style="list-style-type: none"> - Ensure that the disbursement kit delivered to BC is complete with the loan card, receipts and other documentation. - Ensure consistency in documents used across all BCs. Train all BC staff on key documents. - Promote BC's to educate clients during disbursements. - Internal audit to conduct random checks of disbursement process. <p>BC:</p> <ul style="list-style-type: none"> - Communicate through the contracts reflecting that the bank is wholly responsible for any act of omission or commission on the part of the BC. - Explain all costs. Advise clients not to pay additional fees or commissions to staff, beyond what is explained in disbursement speech. - If group shares liability, explain that group guarantee process and if loans are collateralized then explain the bank collateral policy. - Summarize undertaking responsibility of clients applicable due signing of loan documentation. - Communicate importance of privacy of details printed on loan card. - Acknowledge all transactions with an electronic or physical receipt. 	<ul style="list-style-type: none"> - Regularly monitor repayments and follow-up with BC in case of any anomalies. - Obtain client authorization in case of automatic transfer. - Ensure that BC's monitor portfolio quality regularly. - In case of third party agents banks need to put up their information on website and all branches. <p>BC:</p> <ul style="list-style-type: none"> - Provide a receipt for all transactions. - Inform clients in case of account deductions/ transfer. - Update the banks on collections. - Collect money publicly and transparently. - Ensure internal auditor visits collection meetings. - If third party collection agents, ensure that they adhere to code of conduct. - Prevent fraud/misappropriation, theft by setting cash limits on collections. 	<ul style="list-style-type: none"> - Staff supports BC in case of follow-up with defaulting clients. - Internal audit team to ensure that collection practice is followed as per the escalation matrix. - Bank to emphasize on maintaining decency and decorum while handling overdue collections. - Internal audit to review BC staff and client interaction during management overdue collection visits. <p>BC:</p> <ul style="list-style-type: none"> - Regularly update banks on status of defaulting clients. - Follow escalation matrix –engage with client and group in resolving problem, engage with important stakeholders like center leaders, village leaders. - Prohibit staff and group leaders from use of force, coercion, humiliation etc., - For non willful defaulters consider restructuring with bank staff. - Consider referring clients with repayment difficulties to a counseling center. - Recover practices monitored by branch manager and internal auditor. - Ensure clients understand penalties, additional charges and adjustments.
<p>Technological intervention</p>	<ul style="list-style-type: none"> - Supports detailed amortization schedule, has provision to compute APR/ EIR, has features to provide clients a summary of fees and charges linked to different products. 	<ul style="list-style-type: none"> - Technology ensures very transaction is accompanied with a receipt, provide SMS on debit/ credit to accounts. 	<ul style="list-style-type: none"> - MIS should automatically reflect adjustment of security deposit money if any.
<p>Client Protection</p>	<ul style="list-style-type: none"> - Transparency 	<ul style="list-style-type: none"> - Transparency 	<ul style="list-style-type: none"> - Prevention of over-indebtedness

Principles	- Fair & Respectful treatment of clients	- Fair & Respectful treatment of clients	- Fair & Respectful treatment of clients
	- Privacy of client data	- Complaint Resolution Mechanisms	- Complaint Resolution Mechanisms
	- Complaint Resolution Mechanisms		

Table 4: Client protection in the Savings-Led BC model

Service Point	Promotion SP1	Account Opening SP2	Documentation/ Form Processing SP3
Good Client Protection Policies	<p>Bank:</p> <ul style="list-style-type: none"> - Has a policy and clear guidelines on selection of BCs - Product policy takes into account literacy levels and needs of target clients. - All documentation has pricing details included. - Policy complies with all legal requirements for product offering, marketing of financial services. - Internal auditor checks BC staff interaction with clients for ethical behavior and compliance with recruitment polices. - Staff is trained in data management. - All agreements/contracts with the customers need to clearly specify the banks responsibility to customers for acts of omission or commission by BC¹⁴ - Policy by banks on preservation and protection of the security and confidentiality of customer information in the custody or possession of BC.¹⁵ <p>BCs</p> <ul style="list-style-type: none"> - Well-defined policy on due diligence to be conducted prior to appointing a CSP - Training program on products and processes for all CSPs inducted - Plan for refresher training and monitoring of business. - Policies to train CSPs to communicate with clients in local language, using clear terms that client can understand. - Ensure clear communication to clients about the interest rates and other fees requirement from the Banks. - Usage of printed written material about the banks savings product. - Institution policy dictates how CSPs maintain security and privacy of client data. 		

¹⁴ RBI/2010-11/217, DBOD.No.BL.BC.43 /22.01.009/2010-11

¹⁵ RBI/2010-11/217, DBOD.No.BL.BC.43 /22.01.009/2010-11

- For any query/question direct the client to the toll free number or complaint handling cell.

Good Client Protection Practices	Bank:	BC/ Bank: ¹⁶	BC/Bank
	<ul style="list-style-type: none"> - Bank officials need to introduce the retail outlet/sub-agent of the BC personally to the members of public by in the presence of village elders and government functionaries in a public meeting so that there is no misrepresentation/impersonation (Source : RBI refer footnote, 9) - Provide or design with BCs printed flyers, brochures or pamphlets for sharing with clients and should at the minimum include basic eligibility criteria, contact information of institution, instructions for registering complaints, fees and terms and conditions. - Undertake (directly or through a nominee) a financial literacy/ education campaign. 	<ul style="list-style-type: none"> - Review documentation (KYC) provided by CSP/BC and validates data in the account opening form. - Train CSPs in filling the account opening form and KYC documentation. - Bank needs to satisfy itself about the identity of the person, address, occupation and source of income process. 	<ul style="list-style-type: none"> - Data entry is performed in an accurate manner with security. - KYC and other documentation are stored in a safe and protected environment. - Issue passbooks/ welcome kit with specific terms. - Documents to include compliant feedback contact numbers.
	BC/CSP	CSP/BC¹⁷	CSP/BC
	<ul style="list-style-type: none"> - Appoint CSP based on thorough evaluation and ensure that CSP is aligned to overall mission and vision of the BC and Bank. - Train CSP/BC on points to be emphasized during communication. - Oversee placement and distribution of marketing material in the community. - Clearly describe necessary documentation, eligibility criteria, interest rates, fees for withdrawal; withdrawal limits (minimum and maximum balance, use of client's data communication to CSP/BC). - Encourage clients to raise questions and concerns 	<ul style="list-style-type: none"> - Assist clients in order to ensure that account opening form is completed with accuracy. - Explain clients the use of KYC documents, how client information will be kept private and secure. - Communicate timelines for account activation. - Explain the legal rights and responsibilities of opening an account. - Follow guidelines on SP #1. - Verbally summarize any account documentation, including saving contract and review the summary 	<ul style="list-style-type: none"> - Communicate account information to clients in a timely way. - Deliver savings welcome kit (passbook, receipt of amount deposited etc) and highlights terms of account. - Ensure that all documents are comprehensive and transparent.

¹⁶ BC/Bank -Depending on the model these functions could be performed by either the bank or the BC.

¹⁷ CSP/BC- In some models these functions could either be done at BC level or at CSP level.

	<p>directly to them.</p> <p>CSP:</p> <ul style="list-style-type: none"> - Each CSP to post a signage indicating their status as service providers for the bank, name of the BC, telephone number of the base branch/controlling office of the bank and the Banking Ombudsman and the fees for all services available at the outlet (RBI guideline refer footnote, 9). - Collect documents required for account opening. - Communicate the product information to clients, using language and methods that clients can understand. - Eligibility criteria for availing the products. - CSP should be reminded of client's rights to refuse a saving product. - Interest payable on deposits: with details of term deposits (if applicable). - Transaction limits – by volume and number, and fees for exceeding these limits. - Facilities available – ATM card, cheque book, etc. - How to use the complaint resolution mechanism(s) with Bank and BC. 	<ul style="list-style-type: none"> - information sheet with the client. - Remind client of any fees associated with account activity and minimum account balance requirements. - Explain how to receive confirmation of electronic transactions. - Inform clients on how to contact the BC/Bank if they have questions or make changes to their account. - Verbally review account information before opening account. - Ensure the client is confident to raise any question/query using complaint resolution mechanism. 	
Technological intervention			Inform clients via SMS to confirm account opening.
Client Protection Principles	<ul style="list-style-type: none"> - Appropriate Design and Delivery - Transparency - Complaint Resolution Mechanisms - Fair and respectful treatment of clients. 	<ul style="list-style-type: none"> - Transparency - Privacy of client data - Fair and respectful treatment of clients. - Complaint Resolution Mechanisms 	<ul style="list-style-type: none"> - Transparency - Privacy of client data - Complaint Resolution Mechanisms

Service Point	Deposits SP4	Withdrawal SP5	Balance Update SP6
Good Client Protection Policies	Bank:		

- Direct BC/ CSP to provide 'on-demand' transactional updates to clients.
- Implement a policy on transaction limits (both for deposits and withdrawal) with a specific time period.
- Set clear policies and processes describing accounting closure procedure including additional fees and the time required to liquidate the account.
- Set up suitable limits on cash holding by intermediaries as also on individual customer payment and receipt*
- Set up a policy for a board review of BC's operations at least once every six months.
- Interest rate information must include percentage interest rate; how it is calculated (on the basis of the original deposit or compounded for interest accruals) and how often; the annual percentage yield; whether the interest rate can be changed and, if so, how often.
- Bank policy to determine the account closing procedure, including any additional fees and the time required to liquidate final account balances.
- Banks to constitute Grievance Redressal Machinery for redressing complaints about services rendered by the BCs and give wide publicity about it through electronic and print media. The name and contact number of designated Grievance Redressal Officer of the bank should be made known and widely publicized (RBI refer reference footnote 9)

BC:

- Train all CSPs on the Bank's policies.
- Institute all bank policies into operations of BC.

Good Client Protection Practices

Bank:

- Publicize the name and contact number of designated Grievance Redressal Officer of the bank.

CSP/BC:

- Provide clients with a receipt for each deposit on behalf of the bank.
- Inform client about the transaction limit available for the period.
- Count deposits in front of the client and ask clients to confirm the amount.

CSP:

- Provide clients with a receipt for each withdrawal.
- Inform client about the transaction limit available for the period.
- Verify the identity of the client through use of photo, password, PIN number or other means before paying withdrawals.
- Inform clients if there are any fees for withdrawal.
- Do not pressurize clients to keep account open.
- Ask for reasons for account closure and any grievances.
- Inform clients if the bank will have charges for dormant saving account.

Bank:

- Provide all clients with an updated statement at regular intervals that show total savings and also the total annual cost for maintaining each type of saving account

CSP:

- Provides client with an updated statement of recent transactions and current balance when requested by clients or on a regular basis.
- Ensure that balance is updated on a regular basis.
- Inform the clients how to contact the Bank or BC if they have account related queries.

Technological intervention	- Provide transactional updates to clients via SMS.		
	- Set up call centre for grievance redressal and for reaching out to clients.		
Client Protection Principles	- Transparency	- Transparency and	- Transparency
	- Privacy of Client Data	- Complaint Resolution Mechanisms	- Complaint Resolution Mechanisms
	- Complaint Resolution Mechanisms	- Fair and Respectful Treatment of Clients	- Fair and Respectful Treatment of Clients.
	- Fair and Respectful Treatment of Clients.		

The Smart Campaign hopes that the above guidelines will help all stakeholders to integrate client protection and mitigate client related risks within BC Model to some extent and pave way to more responsible financial inclusion. However, the challenge still remains on the limitation of who and how will we enforce good practices at the BC and CSP levels.

The Campaign is working on developing standards for DFS (Digital Financial Services) and this tool will be updated once the standards are finalized.

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