Working Group on Standards for Responsible Digital Financial
Meeting Minutes
Topic: Agent Management
(*Tuesday, March 15, 2022*)

Meeting overview: In this meeting, we reviewed the content of the draft standards for responsible agent management and participants shared their ideas on what to add, delete, or refine.

Learn more: Visit the Working Group's webpage to download the latest draft of the standards for responsible digital financial finance, to find content from previous meetings and to see the dates of upcoming meetings, Contact ameliagreenberg@sptfnetwork.org with any questions.

Introduction

- Amelia Greenberg, SPTF's Deputy Director and head of the Responsible Digital Financial Services (DFS) Working Group, began the meeting with a poll to ask participants about their organizations, locations, and levels of expertise related to responsible agent management. The results are as below. Please note that not all webinar participants answered the poll.
  - Q: What is your level of expertise related to responsible agent management?
    - 16% of respondents identified their level of expertise as "Expert"
    - 24% of respondents marked "Moderately experienced"
    - 44% of respondents marked "Some experience but it is relatively small"
    - 16% of respondents marked "Unfamiliar / new to the topic"
  - Q: What is your stakeholder type?
    - 13% Academia / research
    - 26% Consultant
    - 17% FSP
    - 4% International network of FSPs
    - 13% Investor
    - 13% Other
    - 9% Rating or audit agency
    - 4% Regulator / government ministry
  - Q: Where do you live by continent?
    - 22% Asia
    - 39% North America
    - 26% Europe
    - 13% Africa
    - 0% South America
    - 0% Australia

Context: Overview of Cerise + SPTF's work on standards

- Over the past decade, SPTF published and has periodically updated the Universal Standards for Social and Environmental Performance Management ("Universal Standards"), which is a comprehensive guide of best practices to help FSPs put clients and the environment at the center of all decisions. SPTF and CERISE, with input from other stakeholders, have also developed an infrastructure of assessment tools and implementation resources for FSPs.
- With the rise of digital financial services, many of SPTF's stakeholders – including financial service providers, networks, investors, and regulators -- have asked Cerise+SPTF to identify best practices in DFS.

- Creating such DFS standards would:
  - Clarify what it means to have good management practices in DFS.
  - Enhance transparency
  - Encourage good practices to grow
  - Propose concrete solutions to the risks we observe
  - Enable stakeholders to distinguish between providers with a desire to create value for clients versus those focused solely on profits.
  - Facilitate partnerships between responsible providers.
- To develop the standards, SPTF conducted a literature review plus 40+ interviews with a broad cross-section of experts.
- SPTF reviewed the following principles/standards/guidelines that relate to responsible DFS while developing the draft DFS standards:
  - G20 High-Level Principles for Digital Financial Inclusion
  - IFC Guidelines for Responsible Investing in DFS
  - BTCA Guidelines for Responsible Digital Payments
  - GSMA Mobile Money Certification
  - Smart Campaign Digital Credit Standards
  - GOGLA Self-Assessment
- If you are interested in providing feedback, or if you know someone else who should, contact Amelia Greenberg (ameliagreenberg@sptf.info).
- The Universal Standards for SEPM apply to all FSPs including DFS. In the latest iteration of the Universal Standards, we did include some practices specific to the responsible provision of DFS. However, we had not yet identified a comprehensive set of responsible DFS practices. That is the work happening now, with the input of the working group. In the future, the goal is to have one fully integrated manual and one assessment tool. We do not know what this will look like but will be determined after we have identified all the management practices for the DFS standards.
- What is already in the Universal Standards for SEPM related to agent management?
  - If the provider uses agents, it monitors agent liquidity and whether agents respect client protection practices and has mechanisms to address problems as needed.
  - The provider communicates product information in a way that supports informed decision making by clients.
  - The provider publishes basic product information, including pricing, at branch or agent locations, or digitally as applicable.
  - If the provider uses agents, it verifies that they provide to clients' documentation of their fees, terms of service, and cancellation conditions.
  - The provider has internal controls to monitor whether employees or agents are engaging in aggressive sales.
  - The provider informs clients how to submit a complaint.
  - The provider displays information on how to submit a complaint in branch offices, at agent locations, in product documentation, and in all digital channels it uses to provide services to clients.
  - The provider allocates funds and human resources to reinforce the following internal capacities to ensure responsible growth
  - Hiring and training employees, and third-party agents as applicable
- Reminder: the standards say the *what* to do (e.g., train agents), but not the *how* (e.g., make 5-minute training videos and disseminate them semi-monthly).

Agent Management: ideas for management practices so far

1. Before launching an agent network, create a strategy for managing agent liquidity in each market, at minimum for urban versus rural markets
2. Raise awareness among customers that they may encounter insufficient liquidity among agents and the implications of that on how they plan or manage their financial lives.

3. Improve the IT system as needed to enable remote monitoring of agent activity.
4. Measure the level of activity for agents on a regular basis. This includes not only what types of transactions, how frequently, and in what amounts, but also which platform/app they use to conduct each transaction.
5. Monitor which agents have high cash outs and take action to ensure liquidity in places where there is a large volume of cashing in and out.
6. When a new digital product launches:
    a. Select agents for the pilot test that are among the most active in the network
    b. Establish targets, incentives
    c. Launch an awareness raising program
    d. Provide more than one round of training for agents on the new product
    e. Track data on how many agents are aware of or using the new product.
7. Use data to monitor early warning sights of agent distress, rather than waiting for actual default or other bad behavior by agents.
8. Conduct annual satisfaction survey with agents.
9. Invest in ongoing agent training and evaluation. (NB: Agent turnover can be high, and some agents are better than others.)
10. Provide refresher trainings to agents on important topics. Training them once on a key topic is not enough.
11. Train agents on how to avoid fraud.
12. Build agent buy-in to the mission and vision of the organization through continuous engagement
13. Have a business plan that allows for agents to make money.
14. Offer agents a good base salary.
15. Invest in experiential learning. Have your staff who are going to be responsible for agent management go into the field and observe how agents work.
16. Make it possible for customers to use agents with their same gender.
17. Analyze customer complaints data for insights on agent behavior.
18. Tell customers that if agents ask you to pay fees that you do not understand, the FSP wants to know about it and here is the channel to use to report this.
19. Agents should have to enter data on all requested transactions, even ones they cannot do due to insufficient liquidity. The FSP should get this information on a daily basis, so they see how many transactions happened and how many transactions were requested but not processed due to insufficient liquidity.
20. Define a theory of change for agents. What does the FSP provide (e.g., trainings, incentives, oversight) and how do the agents perform as a result?
21. Have a probationary period with agents to test their performance before co-branding with them.

Expert Reflections:

- **Alejandro Jakubowicz, FINCA Impact:**
    - Alejandro's comments are based on his experience in Africa developing proprietary networks from scratch.
    - Alejandro read the draft DFS standards and says that they are very comprehensive, and it is evident that many experts have provided their input.
    - The first point he highlights is that developing a network is not a linear process, it goes through many phases. The first phase is understanding how the ecosystem will work and to choose a technological platform that is reliable and adaptive to the environment the agents will operate. Two factors in the design include the type of terminal that will be used and the type of identification (biometrics or national ID).
    - The key success factors in launching the network are presence, service simplicity and liquidity. Supply must precede demand. There must be agents present with signage, so clients get used to it and are inclined to use the agents

- The sign up of existing client base is essential. One needs to use type of biometrics you have chosen on all your customer base. It needs to be easy. FINCA invited clients and placed agents right in front of the branches so that clients would see that it was easy and reliable and then they would be okay with trying a second time in another place.
- The agents need to be partners. 80-90% of partners will interact with agents and likely not the branch staff. It is better to prevent high turnover by building a strong relationship. Another factor is to build a partnership relationship early on through hosting town hall meetings.
- Question from Amelia: Did you train groups separately (the agents and the clients)?How did you navigate awareness raising?
- Response: Held several programs. The townhalls were not for training purposes. The agents were independent merchants (mom and pop shops). It is important to show that this is a win-win partnership. It is important to build trust. True partnership is especially important.

- **Anup Singh, MSC:**
    - Question from Amelia: If you are not forming your own agent network and you are going to use an existing network, does that require some additional oversight to make sure that there is good client protection?
    - Since 2014, MSC has been running agent network accelerators and has reached over 32,000 agents. There is now a focus on non-exclusive agents, he/she can be a part of another bank or MNO meaning they are independent. Third party agent networks are preferring quantity over quality.
    - Agents can only invest a finite amount of money. There is absence of interoperability. Shared agent banking allows agents to use their float across different providers.
    - Providers are not willing to invest in training and rather use incentives to use their platform instead of others. Agents are not being monitored and there is very little support.
    - Liquidity is a very big challenge. Agent networks become unsustainable because agents become unreliable. When agents are not trained or supervised and there is competition between providers there is a very high risk of fraud and malpractice.
    - There is lack of refresher training that is happening. There is an infrastructure challenge because many agents say that service disruption is an issue.
    - Question from Amelia: With regards to liquidity, it is difficult to get the data if the agent is working for more than one FSP. Have you seen this in practice?
    - Response: There are a couple of providers who have created their own algorithms to assess liquidity requirement and can predict 98% accuracy that the agent will require a specific amount of money over this weekend. Some institutions are putting these predictive analytics into place and are telling agents how much liquidity they need. If there is a banking agent, large transactions happen. In terms of volume, it would be smaller, but the transaction size is larger. Banking agents are float positive and mobile money agents are typically float negative.
- **Hema Bansal, M-CRIL:**
    - Question from Amelia: Is there anything from the Draft Standards that you would refine?
    - How many indicators would you have for training? Trying to balance out the importance of other risks as well. Having a Code of Conduct really helps, especially when there are multiple partners. This brings uniformity in the way agents deliver their services.
    - Look at certain regulations about agent dormancy by country. Clients need to be notified of closure of agents.

- One of the risks that was discussed was about the parameters used to select an agent. Trying to conduct checks for character and honesty by using references could be a solution.
- Question from Amelia: Can you notify other FSPs about fraudulent behavior? Should FSPs notify a regulator?
- Blacklisting agents could be shared at the network level

Discussion:

- **Karin Gullman, Norfund:**
  - In situations where you have agents who are people who go out in the field to collect cash, where do you draw the line on the responsibility on the FSP in regard to the agent's health and safety in terms of traffic incidents and the risk for robberies?
  - Amelia's response: In Dimension 5 "Responsible Human Resource Development" we have thoughts about what is the FSPs responsibility in terms of their employees' health and safety. The mechanisms we have already identified include an assessment of the safety concerns that arise then a strategy on how to mitigate these risks and then finally a employee satisfaction survey and incidence response.
- **Lucia Spaggiari, MFR:**
  - It is required of a FI to use the same standards of care with hired individual agents as they would do with employees. When the FI hires another company then the standards of care for the agents need to be in the contract between the FI and contracted company.
  - In an interview with a recovery agent, one of the clients once locked him in a container and luckily, he survived but to the point that it is indeed to be open minded about risks and safety.
- **Arpita Pal Agrawal, M-CRIL**:
  - One of the digital banks has set up a risk categorization matrix for agents. The last category will decide if the agent will ever come back onboard again "blacklist." At various levels it is reported what categories the agent falls into. If the agent is trying to misrepresent the FSP their access will be blocked off.
  - Part of agent management and monitoring is actually sharing back a sort of performance evaluation and giving them the opportunity to understand that they are being monitored. This could encourage better performance.
- **Myra Valenzuela, C-GAP**:
  - For agent monitoring, what about adding something around onsite monitoring like mystery shopping to ensure service quality (e.g. check if agents are being discriminatory)
  - Training the agents of how to inform customers on complaints procedure, security measures, educating customers on protecting their data – how are these pieces built in?
  - Amelia: We could include the big topics on what agents need to be trained on.
  - Question from Amelia: How realistic is it to have an in-person check-in or evaluation of an agent?
  - Myra: Spoke with head of agent banking from AMK and he said that one thing that is a red flag is someone who is too interested in the money aspect such as the commission, etc.
- **Comment in chat from Aanchal Paliwal:** "I wanted to share some best practices re agent liquidity and monitoring within DFS that you can find in one of our papers, particularly pgs 14, 19 and 20 are relevant to this discussion."
- **Rafe Mazer, IPA:**
  - The cost of random selection phone surveys is really reducing. If consumers flag certain issues this can be matched with their administrative data. There are ways to

flag agents commonly doing transactions right below a whole number (likely skimming off the cash).
  - This can be built backwards to sample customer base through a low cost phone survey to identify transaction data and what agents they are using and do some analysis to figure out correlations.
- **George Florin, Independent Consultant**:
  - We need to have clear definitions of what an agent means? What digital tools does an agent use? What exactly means the 'agent liquidity'?
  - We should also touch on green micro-lending. There is a close connection between climate risk management and DFS.

Next Steps:

- Save the date for the next Working Group meeting on April 5. CERISE+SPTF will determine and publicize a schedule for meetings beyond this. Due to the urgency of the topic, we're hoping to do 1-2 all-day virtual meetings – late April/May.
- Invite your colleagues to join
- Read the draft DFS standards document.
- Send written comments on the document to Amelia Greenberg at ameliagreenberg@sptfnetwork.org.