



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Agent Oversight Framework for Money Services Business (MSB)

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PART A: OVERVIEW

1. Introduction

- 1.1 The principal-agent arrangement is a key component of money services business. Since its introduction in 2011, the MSB agent network has been instrumental in facilitating increased usage of formal money services business in Malaysia by providing consumers with easy access to safe, cost-effective and reliable money services business.

In ensuring the principal-agent arrangement can continue to contribute to the development of the MSB industry and taking into account greater industry digital adoption, further strengthening of the regulatory framework for agent oversight is timely to uphold a high level of professional conduct among MSB agents in an evolving operating landscape.

This policy document sets out the minimum requirements that a money services business licensee that is approved to appoint money services business agents, under section 42 and 43 of the Money Services Business Act 2011 (MSBA), must observe to ensure effective agent oversight for principal-agent arrangements.

2. Legal Provisions

- 2.1 This policy document is issued pursuant to sections 34(1) and 74(1) of the MSBA.

3. Applicability

- 3.1 This policy document is applicable to all licensees which are approved to appoint money services business agents to carry on money services business on their behalf.

4. Effective Date

- 4.1 This policy document comes into effect on 30 June 2022.

5. Policy Superseded

- 5.1 This policy document supersedes the Guidelines on Agent Oversight Framework for the Money Services Business Industry issued on 15 April 2013.

6. Relationship with Existing Policies

- 6.1 Where applicable, this policy document must be read together with other relevant Regulations or policy documents that have been issued by the Bank, and any subsequent review of such Regulations or policy documents, in particular the following –
- (a) Governance, Risk Management, and Operations for Money Services Business issued on 30 June 2022;
 - (b) Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for FIs) issued on 31 December 2019; and
 - (c) any other legal instruments, policy documents and guidelines issued by the Bank.

7. Interpretation

7.1 The terms and expressions in this policy document shall have the same meanings assigned to them in the MSBA and Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA), as the case may be, unless otherwise defined in this document.

7.2 For the purpose of this document–

“**S**” means a standard, an obligation, a requirement, specification, direction, condition and any interpretative, supplemental and transitional provisions that must be complied with. Non-compliance may result in enforcement action;

“**G**” means guidance which may consist of statements or information intended to promote common understanding and advice or recommendations that are encouraged to be adopted;

“**agent**” or “**money services business agent**” means an entity that is appointed by a principal MSB licensee under section 42 of the MSBA to carry on MSB activities on behalf of the principal licensee including but not limited to conducting customer due diligence to onboard new customers and performing MSB transactions with customers on behalf of its principal licensee;

“**Bank**” means Bank Negara Malaysia;

“**mobile channel**” means conducting transactions through any electronic device using mobile application;

“**online channel**” means conducting transactions through any electronic device, other than transactions conducted via the mobile channel;

“**principal licensee**” means a licensee which has obtained the written approval of the Bank to appoint a money services business agent under section 43 of the MSBA; and

“**substantial shareholder**” have the same meaning as assigned to them in the Companies Act 2016.

PART B: POLICY REQUIREMENTS

8. Agent Oversight by Principal Licensee

- S** 8.1 Under the money services business principal-agent arrangement, a principal licensee shall be fully responsible and accountable for the conduct and activities related to the money services business activities namely remittance and/or money-changing carried out by the appointed agent on its behalf.
- S** 8.2 A principal licensee shall establish robust agent management and monitoring functions to ensure clear accountability between the two functions with adequate resources to support its agent oversight function. For this purpose, the principal licensee should identify its management personnel who shall be responsible for overseeing and monitoring the conduct and operations of the agents appointed, in order to ensure compliance with the expectations of this policy document.

9. Policies and Procedures on Appointment of Agent to Conduct Money Services Business Activities

9.1 Agent Selection

- S** 9.1.1 A principal licensee must develop appropriate agent selection criteria and conduct adequate due diligence, supported by proper background checks, engagement sessions and on-site visits to ensure that an agent meets the following minimum expectations:
- (a) demonstrates professional standards in its business conduct;
 - (b) has adequate financial and human resources to support effective implementation of anti-money laundering and combating financing of terrorism (AML/CFT) measures, record keeping, internal controls and consumer protection measures;
 - (c) has a good compliance track record and has not been involved in illegal activities to the best knowledge of the principal licensee; and
 - (d) the shareholders, directors, CEO and any person who has control over the operations of the agent fulfill the 'fit and proper' criteria as referred to in the Money Services Business (Money Services Business Agents)

Regulations 2012 or any applicable policy documents and guidelines issued by the Bank, as may be amended from time to time.

- S 9.1.2** For an agent that operates via online and/or mobile channels, the principal licensee shall ensure that the agent has adequate technological capabilities to support the robust, smooth and safe operation of the money services business. This expectation equally applies whether the agent is using its own system(s) or system(s) belonging to a third party provider.
- S 9.1.3** In assessing the technology capability of the platform, a principal licensee shall ensure the online and/or mobile channel is:
- (a) safe and capable to ensure data confidentiality and integrity;
 - (b) reliable and operate continuously, where if intermittent disruption occurs, it will have minimal impact to the services; and
 - (c) equipped with controls against relevant risks (e.g. fraud risk, cybersecurity risk).
- S 9.2** **Terms of Agent Appointment**
- A principal licensee must establish appropriate terms of appointment to effectively govern the relationship between the agent and the principal licensee. The terms of appointment must be clearly documented in the form of a contractual agreement, which covers at a minimum the following:
- (a) the agreed scope of money services business activities to be provided by the agent and the tenure of its appointment;
 - (b) obligations of the agent to comply with all applicable legal and regulatory requirements, including requirements under AML/CFT and TFS for FIs policy document, as well as internal policies and procedures of the principal licensee;
 - (c) the expectation of professional ethics and conduct of the agent in conducting money services business;
 - (d) clear arrangements and procedures for the effective monitoring and regular audit reviews by a principal licensee on the agent's compliance and performance in carrying out money services business;

- (e) fair commercial terms including the agreed commissions for the money services business activities carried out by the agent;
- (f) mechanisms for resolving disputes between the principal licensee and its agent; and
- (g) clear procedures and grounds for termination of the agent's service. If a cooling-off period for settlement of obligations is introduced upon the termination of an agent, a principal licensee shall ensure that the duration set is reasonable within a period not exceeding 30 business days, or upon the agent's settlement of outstanding obligations, whichever is earlier. This is to enable the principal licensee and its agent to settle any outstanding obligations¹.

S 9.3 Training of Agent

A principal licensee shall implement adequate training programmes to ensure the appointed agent understands its obligations and can comply with the relevant regulatory requirements, particularly with regard to AML/CFT and consumer protection requirements and internal policies of the principal licensee. The training programmes shall include at least the following areas:

- (a) regulatory requirements stipulated under the MSBA, regulations issued pursuant to the MSBA, and relevant policy documents on money services business;
- (b) AML/CFT requirements including conduct of customer due diligence, record keeping, reporting of suspicious transactions and developments of AML/CFT, including the types and trends of activities associated with money laundering; and
- (c) internal policies and procedures of the principal licensee, including standard operating procedures for agents, policies for customer service, risk management and controls of business operations.

¹ For avoidance of doubt, the scope of outstanding obligations shall be agreed upon and specified in the contractual agreement between the agent and the principal licensee.

10. Policy, Processes and Controls to Monitor Agent's Operations and Compliance

S 10.1 A principal licensee shall ensure that its agents comply with all the relevant laws² and regulatory requirements for the conduct and operations of money services business activities, including those governed under other authorities as applicable to the principal licensee. As such, a principal licensee shall establish appropriate policy, processes and controls to effectively monitor the operations, conduct and compliance of its agents in undertaking money services business activities. Such policies, processes and controls shall be regularly reviewed by the board of directors of the principal licensee and management to ensure that they remain effective.

S 10.1.1 **Standard Operating Procedures for Agents**

A principal licensee shall implement and document clear and consistent standard operating procedures (SOP) for the conduct of money services business activities by its agents, in line with relevant provisions under the MSBA, regulations issued under the MSBA, as well as other relevant policy documents. These SOPs shall include at a minimum the following:

(a) Arrangements to allow customers to verify that the money services business activity conducted by agent is authorised by its principal licensee:

For agents operating at physical premises:

- (i) An agent must prominently display signage showing that it is an agent of the principal licensee and the approved money services business activity. The signage shall at minimum incorporate information outlined in Appendix I;
- (ii) The certificate of appointment issued by the principal licensee shall be displayed at a prominent position at each agent's premises for customer verification of the agent's authority to conduct money services business. The certificate of appointment shall at a minimum incorporate the information as in Appendix II;

² This include, but not limited to the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, Companies Act 2016, Personal Data Protection Act 2010, Competition Act 2010 and Unclaimed Monies Act 1965.

For agents operating via online and/or mobile channels, or temporary premises approved by the Bank:

- (i) An agent must display prominently at minimum the business information as set out in Table 1, in a manner that is easily identifiable by the customer. The information shall include means for the customer to easily verify the legitimacy of the agent.

Table 1: Pre-requisite details / information and means of verification for online channel and/or mobile channel or temporary premises

	Information to be displayed	Display channel	Means for customer verification
Online and/or mobile channel	<ul style="list-style-type: none"> Name of agent (including business registration no, and official association's membership number) 	Electronic platform (e.g. website, mobile app)	Display address of the Bank's website i.e. www.bnm.gov.my
Temporary premises	<ul style="list-style-type: none"> Name of principal licensee Approved MSB activities Contact details (principal & agent's address and contact number) 	Bunting or banner etc.	Present a certified copy of certificate of appointment upon request by customer

- (b) Appropriate service standards for money services business provided by an agent, including:
- (i) observance of the time frame for outward and inward remittance as prescribed in the Money Services Business (Remittance Business) Regulations 2012 by an agent carrying on remittance business; and
- (ii) observance of specific requirements stipulated in the Governance, Risk Management, and Operations for Money Services Business policy document for the conduct of exchange transactions by an agent carrying on money changing business including ensuring that the originator and ultimate recipient of an exchange transaction are the same person.

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- (c) Requirements on transparency in dealings and issuance of receipts for transactions using the agent's services, including adequate disclosure to customers on the products and services provided by the agent and information on management of complaints lodged by customers, as stipulated in the Governance, Risk Management, and Operations for Money Services Business policy document;
 - (d) Appropriate measures to protect customer information in accordance with section 84 of the MSBA. As such, an agent is not allowed to disclose customer information to third parties in any form or for any other purposes, unless such disclosure is permitted under section 85 of the MSBA;
 - (e) Arrangements to ensure observance of requirements by an agent on issuance or publication of accurate and relevant advertisements relating to money services business activities, in line with the requirements as stated in section 25 of the MSBA and in the Governance, Risk Management, and Operations for Money Services Business policy document;
 - (f) Proper maintenance of records by an agent to support audit reviews and consolidation of records by the principal licensee. All the business transactions of an agent must be properly recorded, be fully accounted for and reconciled with relevant source documents;
 - (g) Effective implementation of AML/CFT measures which shall include the following:
 - (i) Conduct of customer due diligence;
 - (ii) Record keeping;
 - (iii) On-going monitoring of customers and business transactions;
and
 - (iv) Submission of suspicious transactions reports to the principal licensee.
 - (h) An agent must refer to the principal licensee for approval before performing higher risk transactions with a customer. This may include the following situations -

- (i) large value transactions based on thresholds set by the principal licensee; and
 - (ii) non face-to-face transactions³ conducted through bank accounts or instructions received over e-mail, fax or telephone by existing customers.
- (i) A principal licensee shall establish appropriate processes and procedures to ensure proper management of cash by the agent, including regular monitoring of cash holdings by the agent at its premises which should commensurate with the scope and volume of business transactions undertaken by the agent. A principal licensee should investigate cash holdings which significantly exceed the volume of business transactions conducted by the agent, or which are inconsistent with the profile of transactions by the agent to ensure that the agent is not involved in irregular activities;
- (j) Appropriate procedures to be complied with by agents on any alteration to the instruction for business transactions that have been captured in the system, in order to support a complete audit trail for review by the principal licensee on such changes;
- (k) Mechanisms for setting the dealing spread and exchange rate quotation by an agent which are transparent to the agent and set at prevailing market rates, in line with the requirements set in Governance, Risk Management, and Operations for Money Services Business policy document;
- (l) Proper arrangement for sourcing and clearing of foreign currencies by an agent. While an agent is allowed to source and clear its foreign currencies either directly with the principal licensee, or with the third parties upon approval of the principal licensee, the principal licensee shall ensure that proper processes and procedures are established in line with the requirements set in the Governance, Risk Management, and Operations for Money Services Business policy document. In

³ For avoidance of doubt, principal licensee shall adhere to relevant requirements on non-face-to-face transaction as specified under AML/CFT and TFS for FIs policy document for new customers that have not been on-boarded.

particular, for sourcing and clearing with third parties, a principal licensee is required to:

- (i) clearly identify and approve the parties and channels that an agent may deal with/through for the purpose of sourcing and clearing foreign currencies, and regularly monitor the pattern of business transactions to ensure that sourcing and clearing of foreign currencies by the agent are conducted through authorised channels and are in compliance with relevant regulatory requirements; and
- (ii) ensure that all transactions for sourcing and clearing of foreign currencies undertaken by the agent with third parties as approved/authorised by the principal licensee are:
 - a. properly recorded, and can be accounted for and reconciled with relevant source documents; and
 - b. conducted only with licensed currency wholesalers, licensed money changers, licensed banks and licensed Islamic banks in Malaysia.
- (m) Appropriate contingency arrangements for agents in accordance with the principal licensee's business continuity plan to support continuity of the agent's operations and safe keeping of information maintained by the agent, in the event of business disruption resulting from system failures or natural disaster; and
- (n) Adequate physical controls and security measures in place in conducting money services business. In relation to this, principal licensee shall ensure that its agents are equipped with the following :
 - (i) counterfeit detection machines at premises of money changing agents assessed as high risk; and
 - (ii) close circuit cameras (CCTV)⁴ at premises of agents assessed as high risk, to strengthen protection against ML/TF risks.

⁴ For avoidance of doubt, identified high risk agents shall comply with the requirements specified under Governance, Risk Management, and Operations for Money Services Business policy document.

In implementing this requirement, principal licensees shall apply a risk-based approach and implement proper procedures to determine the agent's risk level.

G 10.1.2 In relation to paragraph 10.1.1(n), the principal licensee is encouraged to also equip other agents that are not assessed as high risk with counterfeit machines and/or CCTVs to ensure customer protection and provide deterrent against risks of physical harm and financial losses.

S 10.1.3 **Review of Agents' Operations**

(a) A principal licensee shall conduct regular review of the conduct and operations of its agents to ensure that they comply with the SOP and "fit and proper" requirements, including:

(i) Conduct regular review (on- or off- site, where applicable) on a quarterly basis at minimum and undertake on-going monitoring of transactions conducted by its agent to evaluate the compliance level as well as the effectiveness and adequacy of the agent's internal controls. The principal should consider the nature, volume of business transactions as well as the agent's location to identify operations that are exposed to higher risk, and undertake more frequent review and monitoring to ensure adequacy of controls of these high risk agents.

(b) A principal licensee shall ensure prompt and effective rectification measures are undertaken to address gaps identified in the agent's operations, including where appropriate, termination of agents in accordance with proper procedures. All material findings on an agent and the rectification measures undertaken to address the gaps identified shall be properly documented and maintained by the principal licensee and made available to the Bank upon request;

(c) In the event of a suspension or temporary closure of an agent's money services business that exceeds 7 days, a principal licensee shall notify the Bank on the suspension or temporary closure and take

reasonable measures to ensure that the agent is not conducting money services business during the period of suspension or closure;

- (d) A principal licensee shall monitor and establish the profile of its agent's business transactions for the purpose of analysing the trends and patterns of the transactions conducted by the agent to ensure proper reporting of suspicious transactions to the principal licensee. In particular, more rigorous monitoring shall be conducted for agents with large volume / value transactions and transactions undertaken in high risk areas, such as borders and ports to identify any suspicious / unusual activities; and
- (e) A principal licensee shall also maintain an updated record of all the agents appointed, including details of the shareholding structure, board of directors, management and locations of the agents.

S 10.1.4 Reporting by Agent to the Principal Licensee

A principal licensee shall require its agent to submit the following information and reports relating to the agent's money services business operations in a timely manner:

- (a) Financial information relating to the money services business conducted, such as the audited annual financial statements, financial comparison report published by Companies Commission of Malaysia or any other relevant financial reports that can facilitate the principal to review the agent's operations;
- (b) Progress report on rectification measures undertaken by the agent to address the non-compliances and gaps relating to the conduct of money services business in a timely manner;
- (c) New money services relationships established by the agent with high risk customers;
- (d) Reports on suspicious transactions;
- (e) Any incident of fraud, theft and robbery at the agent's premises; and
- (f) Temporary closure by the agent at any of its premises.

11. Specific Requirements for Principal-Agent Arrangement

- S** 11.1 A principal licensee shall obtain prior written approval of the Bank on the following:
- (a) any opening or relocation of premises undertaken by its agents to conduct money services business on its behalf;
 - (b) any conduct of money services business through online and/or mobile channel by its agents; and
 - (c) any change to the substantial shareholders, directors and CEO of an agent other than an agent that is a licensee.
- S** 11.2 A principal licensee shall notify the Bank:
- (a) the date of commencement and address of the agent's approved new premises, at least fourteen days before commencing the operation at the agent's premises;
 - (b) any change to the non-substantial shareholders of the agent, other than an agent that is a licensee not later than fourteen days after the changes become effective;
 - (c) prior to any change in the name of its agent other than an agent that is a licensee not later than fourteen days after the changes become effective, for purpose of the Bank's agent registration; and
 - (d) at least fourteen days prior to termination of the service of its agent, stating the reasons and effective date of the termination.
- S** 11.3 A principal licensee shall notify the Bank on all material non-compliances by its agents, including the involvement of agents in illegal activities, breach of professional ethics, and non-compliances with any applicable legal and regulatory requirements, which shall not be later than 7 business days upon detection of the non-compliances. Subsequently, the principal licensee shall also notify the Bank on the rectification measures taken to address the gaps identified.
- S** 11.4 A principal licensee holding Class C & D or Class A & D licenses shall not practise discriminatory pricing for its wholesale foreign currency business to ensure fair and competitive money services business.

- G** 11.5 In determining the business operating hours of its agents, a principal licensee should take into account market needs and seek to ensure convenient and easy access by the customer on services provided by the agents.

APPENDIX

Appendix I

Minimum information for an agent's signage

Principal licensee to make reasonable judgement as to which format⁵ is suitable for its agents

Agent	Signages Format		
MSB agent which is also MSB licensee	<p>Option 1: New signage to incorporate their agent status</p> <table border="1" data-bbox="392 613 1406 808"> <tr> <td data-bbox="392 613 970 808"> Company A Sdn Bhd Perniagaan perkhidmatan wang berlesen Pengurup wang/pengirim wang </td> <td data-bbox="970 613 1406 808"> Ejen <pengiriman wang or pengurusan wang> kepada <name of principal licensee>. </td> </tr> </table> <p>Or</p> <p>Option 2: Agent retains existing signage but must display either a lightbox or other form of signage near the main signage bearing the words 'Ejen <pengiriman wang or pengurusan wang> kepada <name of principal>'</p> <p>Note: For both options, the principal licensee is allowed to display its logo in the agent's part of the signage.</p>	Company A Sdn Bhd Perniagaan perkhidmatan wang berlesen Pengurup wang/pengirim wang	Ejen <pengiriman wang or pengurusan wang> kepada <name of principal licensee>.
Company A Sdn Bhd Perniagaan perkhidmatan wang berlesen Pengurup wang/pengirim wang	Ejen <pengiriman wang or pengurusan wang> kepada <name of principal licensee>.		

⁵ Format here refers to the information that should be captured in the agent's signage display. The placement of the wordings, logo, etc. under the chosen format shall take into account the requirement set by the respective local councils.

<p>MSB agent which is <u>not</u> MSB licensee</p>	<p>Option 1: New signage to reflect their agent status</p> <div data-bbox="392 365 1404 562" style="border: 1px solid black; padding: 5px;"> <p>Company B Sdn Bhd Ejen <pengiriman wang &/ pengurusan wang> kepada <name of principal licensee> To add principal licensee's logo</p> </div> <p>Or</p> <p>Option 2: Agent retains existing signage but must display either a lightbox or other form of signage near the main signage bearing the words 'Ejen <pengiriman wang &/ pengurusan wang> kepada <name of principal>' and to display principal's logo.</p> <p>Note: Full agent should not retain its existing signage if the signage still bears its former status as licensee of the Bank.</p>
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Appendix II

Serial No:

Licensee's Name (Business registration number)
Principal place of business/Head office address
Contact Number

This is to certify that:

(Name of agent, business registration number)

has been appointed by:

(principal licensee's name)

as its Money Services Business Agent to conduct:

(Type of money services business)

at _____

(agent's office)

for the tenure of appointment:

from _____ to _____

CEO's signature

Date: