



# Delivering Financial Services through Nonbank Agents Networks

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**BANCO CENTRAL DO BRASIL**

1. What is a nonbank correspondent?
2. What services are delivered through this channel?
3. The regulatory evolution
4. Supervision procedures and risks
5. What are the regulatory challenges?

# NONBANK RETAIL AGENT – WHAT IS IT?



Financial  
Institution

Signs a contract with

Third parties  
that deliver  
services on its  
behalf

The network  
management can be  
done directly by the  
FI or outsourced to a  
specialized  
company, which will  
be, in some cases,  
also an agent

✓ **Post Office**

Agents can also  
“sub” contract  
agents to deliver  
the financial  
services object of  
the contract with  
the FI

Station.

# NONBANK RETAIL AGENT – MAIN SERVICES DELIVERED



- Simplified deposit accounts
- Deposits
- Withdrawals
- Credit Operations
- Benefits Payments
- Receipts linked to accords for the rendering of services (public utilities)

# NONBANK RETAIL AGENT – HOW DOES A WITHDRAWAL WORK?



- 1) Client handles bank debit card and inputs **PIN**
- 2) Agent transmits authorization request to the bank through a **POS** or other device
- 3) The bank receives request and send positive answer back to agent
- 4) Agent handles cash to client



Agent and Financial Institution are connected real time through Dial-up connection, satellite or wireless connection

- Over 95 thousand retail agents
- In 2006, over **1.5 billion** transactions – or USD 90 million – were carried out in the agent networks
- Main service is **bill payment** (public utilities), accounting for 70% of number of transactions
- Other services are increasing in importance, especially deposits, withdrawals and benefits payments

**The correspondent model has become important both for the urban poor and for the geographically remote and CRUCIAL for banks to achieve scale with lower costs**

- Retail agents not exactly a new channel
- Limitations have been lifted slowly since the 70's
- Financial stability, strong banking sector and modern payment systems are **preconditions** for opening regulatory framework for new ways of delivering services in a safe and efficient manner
- Strong **political support** for financial inclusion also important



*Resolutions 3.110/03 and 3.156/03*

*Nowadays...*

**All types of financial institutions**

**Can deliver services through**

**Third parties (financial and non-financial)**

- Checking and savings accounts transactions (opening applications, deposits and payments)

Depend on authorization

Do not depend on authorization

- Bill payments (public utilities)
- Receiving loan and credit card applications
- Analysis of credit history and personal data of loan applicants
- Collecting services
- Data processing
- Other activities, at the discretion of the Central Bank

# NON BANK RETAIL AGENT – SUPERVISION AND RISKS



**Supervision aims to evaluate**

- risks involved in the agent network, for the FI
- quality of control and management of these risks

**Operational risk is important!**

**Legal risk**

- Compliance risk
- Settlement risk
- Frauds

Labor Relations

Branch Safety Requirements

**REPUTATIONAL RISK!**

- Reform the regulation in order to bring more transparency and certainty to supervisor, the institutions and the clients
- Consumer protection issues – Resolution 3.477, of 07.26.2007 – **all FI must have organizational component to deal with complaints**



**THANK YOU!**

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