



CENTRAL BANK OF THE BAHAMAS

AGENCY BANKING

CONSULTATION PAPER

15 May 2025

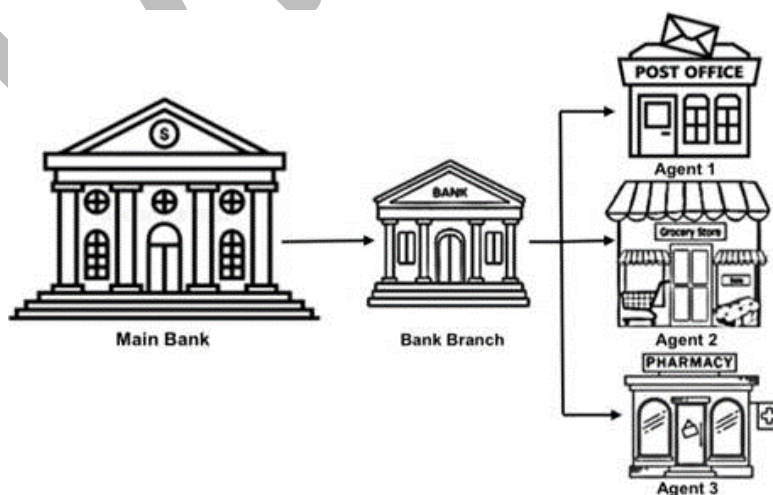
EXECUTIVE SUMMARY

The Central Bank of The Bahamas (“the Central Bank”) is committed to promoting and maintaining the safety, soundness, and integrity of the Bahamian financial sector, while fostering confidence in the system. As part of this commitment, the Central Bank recognises that the evolution of the sector must continue to accommodate the financial needs of stakeholders across the archipelago. In its role as regulator, the Central Bank must delicately balance its objective of fostering a sound financial system with the inherent risk that may arise when facilitating innovation within the sector. Critical to this delicate balance is ensuring that all stakeholders, both as service providers and users, continue to demonstrate confidence in the sector’s ability to allow continued access to financial products and services with minimal (intermediate to long-term) disruption.

As part of its efforts to expand access to financial products and services, the Central Bank continues to explore measures, which fosters the environment for mutual access and availability to financial services for all residents and entities in The Bahamas. The challenge to achieving this objective is the archipelagic construct of The Bahamas. Islands with smaller populations, in comparison to New Providence and Grand Bahama, have experienced a depletion of physical banking presence, even as the demands for services increase, in order to facilitate more efficient commerce, increased savings and improved access to financing. Residents of these islands have in some cases been categorised as “unbanked” and “underserved”, in so far as access is concerned.

To tackle access concerns the Central Bank is seeking to boost financial inclusion, proposing a regulated Agency Banking model for The Bahamas. According to the Alliance for Financial Inclusion (“AFI”), Agent or “Agency” Banking is a model whereby banks are able to provide financial services through authorised non-bank entities. These non-bank entities would act as agents, authorised to provide access to a prescribed suite of customer services in remote communities with limited access to the physical banking infrastructure.

Figure 1.



Agency Banking arrangements would enable financial institutions to collaborate with third-party service providers, extending banking services to the unbanked and underserved populations. In doing so, it would enhance the value proposition of these institutions, and contribute to improved outcomes for financial inclusion and customer satisfaction. Further, non-bank entities that qualify as agents would have increased the opportunities for business growth.

AGENCY BANKING – CATALYST FOR FINANCIAL INCLUSION

Jamaica offers a Caribbean case study in agency banking's role in financial inclusion. Since its introduction in 2016, use of the model has expanded, with the Jamaican authorities now also exploring how the national postal system could provide agency services.

The Alliance for Financial Inclusion highlights the success of [Agent Banking in Latin America](#)¹ as a model for expanding financial access. Brazil, for example, has extended banking services to over 99% of its municipalities. Similarly, the agency framework allowed Mexico to experience rapid improvement in financial inclusion, reducing the percentage of municipalities without banking services from 49% to 26% within two years. In Colombia and Peru, gains were also documented with banking agents providing essential services such as deposits, withdrawals, and bill payments to previously underserved communities.

In another example, agency banking helped [South Africa](#) to significantly improve its financial inclusion indicators. Despite a relatively high account penetration rate of 80% of the population, many in the population remained unbanked, largely due to barriers such as long travel distances to bank branches, high transaction costs, and a strong preference for cash-based transactions. To address these challenges, major banks formed strategic partnerships with non-bank retail chains enabling customers to perform basic banking transactions in convenient, accessible locations. By 2021, 35% of South African adults were utilising agency banking services, a figure that doubled the penetration of traditional bank branches and mobile banking. This model allowed customers to access cash-in services (deposits, bill payments) and cash-out services (withdrawals, receipt of payments) at retail agents, effectively bridging the financial accessibility gap.

This sampling of regional and international experiences underscores approaches that The Bahamas could also adopt from the agency banking model. It would offer domestic financial institutions added clarity in regulation, to exploit outsourcing arrangements that are already being formulated; and ensure that these structures can be more universally available to institutions that require them. A regulatory framework would also clarify the ultimate roles and responsibilities, as regard to obligations to the general public, and accountability for compliance with applicable regulations governing the supply of financial services.

¹ Agent Banking in Latin America - https://www.afi-global.org/sites/default/files/discussion_paper_-_agent_banking_latin_america.pdf

LEGISLATIVE CAPACITY

The capacity to be licensed and registered to conduct banking and payment services remains under the regulatory remit of the Central Bank, as defined in the following acts and their accompanying regulations:

- Central Bank of The Bahamas Act, 2020;
- Banks and Trust Companies Regulation Act, 2020²;
- Payment System Act, 2012³; and
- Bahamas Co-operative Credit Unions Act, 2015.

It is proposed that agency banking arrangements, would be permissible for any bank or credit union licensed and supervised by the Central Bank. These arrangements may be permitted with non-bank entities licensed as payment service providers or money transmission businesses (“collectively PSPs”).

SFIs and their agents would be expected to meet specific eligibility criteria established by the Central Bank. Only these Supervised Financial Institutions (“SFIs”) and their authorised agents would be permitted to operate within the Agency Banking model. As the regulatory authority, the Central Bank would provide ongoing regulatory guidance and supervision to both financial institutions and the activities of the agents. This oversight would ensure compliance with operational, regulatory, and risk management protocols. Additionally, the Central Bank would ensure that all participants understand and comply with existing legislative and policy frameworks, including regulatory reporting, customer protection, technology risk management guidance (including cybersecurity safeguards), and data privacy.

Currently, reference to agents and their existence within the Central Bank’s regulatory remit have been limited to money transmission businesses and payment service institutions—commonly referred collectively as Payment Service Providers (“PSPs”). Any other private entity seeking to provide agency services would need to be licensed as a non-bank PSP. The Central Bank is also amenable to agency arrangements being established with the Post Office Savings Bank, subject to the terms of those arrangements being compliant with regulations that are developed.

To facilitate perfection of the agency banking model, beyond the outsourcing structures currently utilised, the Central Bank would eventually propose amendments to the existing legislative and policy framework. This would include considerations to the authorisation process, payment systems, supervisory oversight, outsourcing arrangements, technology and cyber risk management, and supervisory protocols for the enforcement of regulations. While agency banking offers significant opportunities for growth, it would also underscore non-bank

² The Banks and Trust Companies (Money Transmission Business) Regulations, 2008, allows for licensing of non-bank money transmission services.

³ The Payment Instruments (Oversight) Regulations, 2017, provides for licensing of electronic money services providers (payment services institutions) who were not licensed as either banks or money transmission businesses (MTBs).

areas which require close attention such as risk management, fraud prevention, and consumer protection.

In this regard, the Central Bank invites commentary to the following considerations:

Given the comprehensive considerations to ensure that financial institutions and authorised agents operating within the agency banking model adhere to the highest standards of risk management, particularly with regard to the operations, security of customer information, and transaction integrity:

Question 1: Should agency banking be permitted to be captured within the existing legislative framework and accommodated through additional regulations; or

Question 2: Should agency banking be introduced under a separate legislation?

THE CO-EXISTENCE OF SANDDOLLAR AND AGENCY BANKING

SandDollar (Central Bank Digital Currency – “CBDC”) is the digital representation of the Bahamian dollar, serving as legal tender with the same purchasing capacity as fiat money (notes and coins). The primary objective of SandDollar is to advance more inclusive access to the provision of payment and other financial services for underserved communities and socio-economic groups. Through the SandDollar, the Central Bank also seeks to promote reduced service delivery costs and increase transactional efficiency for financial services across The Bahamas⁴. Other objectives include:

- Providing non-discriminatory access to payment systems without regard to age, immigration or residency status; and
- Strengthening the national defenses against money laundering, counterfeiting and other illicit ends by helping to reduce the reliance on physical cash.

The Central Bank will require that agency platforms and services satisfy and maintain full interoperability with SandDollar. Agency banking arrangements are expected to offer financial services through non-bank retail outlets, often leveraging technologies such as point-of-sale (“POS”) devices, network interface applications, and mobile phones to process real-time transactions. By partnering with local agents that utilise mobile phones or POS devices, banks are expected to improve their access to residents and entities in underserved communities. Integrating these platforms with SandDollar is intended to accelerate financial inclusion results in alignment with the draft National Financial Inclusion Strategy, and further leverage universal access to the digital payments solutions deployed in communities serviced by agents. In promoting the use of SandDollar, several key considerations must be taken into account:

- **Access, Cost, Privacy and Trust** – SandDollar has been specifically designed to address the barriers that prevent the financially excluded from transitioning from cash to digital

⁴ Sand Dollar – About Us: <https://www.sanddollar.bs/>

payments. SandDollar's key features include individuals accessing the CBDC without requiring sophisticated technology or infrastructure. There are no fees for holding a SandDollar wallet or using SandDollar for transactions, making it more cost-effective for customers. SandDollar includes robust safeguards to protect consumer data, enhancing trust and privacy for users. Therefore, customers using agency banking services facilitated through Sand Dollar enabled wallets would only be required to pay the transaction fees, associated with the banking service being used.

- **Digital Exclusion and Infrastructure** – a significant challenge in the adoption of CBDCs is the risk of digital exclusion, as many unbanked individuals may lack access to reliable internet or mobile services. To address this, the Central Bank is undertaking technical work to enable SandDollar to operate in offline environments with limited data or mobile connectivity. This would ensure that transactions can still be conducted in areas with weak or no internet access. In this context, the capacity to make digital services provided by agency outlets would also be expected to be more resilient.
- **Empowering Small and Medium-Sized Enterprises** – Similar to the existing delivery models of MTBs and PSPS, agents are expected to also enlist qualified retail businesses to act as the store fronts (sub-agents) of their operations. This would empower small and medium-sized businesses, particularly those in the Family Islands, to fulfill certain services for financial institutions in accordance with the terms of the respective agency agreements. The Central Bank would expect that selection of sub-agents would continue to meet rigorous fit and proper due diligence by the licensed agents; and that agent would bear ultimate regulatory accountability for the AML and compliance standards to which their sub-agents are held.

In this regard, the Central Bank invites commentary on the following considerations:

Question 3: Should the Post Office Savings Bank be allowed to offer agency banking?

Question 4: Should existing e-wallet providers (MTBs and Payment Services Institutions) be permitted to offer agency services for banks and credit unions?

Question 5: Should third party service providers in retail store fronts be allowed to take part as subagency for agency banking arrangements?

Question 6: Other than a mandate to be interoperable with Central Bank Digital Currency, what other universal mandates should agency banking platforms satisfy?

Question 7: Should PSPs be prohibited from providing agent banking services, if they are managed or operated by a connected person or SFI principal?

FEEDBACK ON THE DISCUSSION PAPER

The Central Bank's proposal for the Agency Banking Framework is presented below. We hereby invite comments from industry stakeholders and the public on the proposed considerations outlined above, as well as on the proposed Guidelines for Agency Banking.

The Central Bank requests that all feedback on this Discussion paper be provided by 30 June 2025 and should be directed via email to the following:

Policy Unit
Bank Supervision Department
Central Bank of The Bahamas
Email: policy@centralbankbahamas.com

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INTRODUCTION

1. The Central Bank of The Bahamas (“the Central Bank”) is responsible for the licensing, registration, regulation and supervision of Supervised Financial Institutions (“SFIs”) operating in and from within The Bahamas pursuant to the Central Bank of The Bahamas Act, 2020 (“the CBA”), the Banks and Trust Companies Regulation Act, 2020 (“the BTCRA”), The Bahamas Co-operative Credit Unions Act, 2015 (“the BCCUA”), the Payment Systems Act, 2012 (“the PSA”). The Central Bank proposes that banks and credit unions would be allowed to enter into agreements for other licensed SFIs to provide agency banking services on their behalf within The Bahamas. The Post Office Savings Bank would also be approved to act as an agent. Agency arrangements would be subject to regulations, developed by the Central Bank, prescribing the manner in which SFIs could engage approved third parties to perform services on their behalf.
2. Agency arrangements would be subject to an approval process, governed by formal applications submitted to the Central Bank. Both the providers of agency services and SFIs which use such services would be expected to adhere to the Central Bank’s application and approval processes; ongoing supervision and prudential requirements, including periodic on-site examinations, and required regulatory reporting. Parties to agency banking arrangements would also be expected to conduct their affairs in conformity with all other applicable Bahamian laws and regulations.

OBJECTIVE

3. Agency banking represents a strategic approach to enhance access to financial services across The Bahamas. Through the use of third-parties, SFIs would be allowed to offer banking services in locations where traditional brick-and-mortar branches may not be feasible from a cost perspective. This paper proposes a regulated framework for agency banking arrangements, expanding upon outsourcing structures which some SFIs already use. This is expected to promote the following objectives:
 - Increasing Financial Inclusion;
 - Expanded reach and ease of access to domestic banking and payment services;
 - More efficient, cost-effective delivery of services;
 - Support for expansion of the digital economy;
 - Strengthened economic growth prospects, and resilience; and
 - Preserved and enhanced regulatory compliance in the provision of services.

APPLICABILITY

4. The proposed regulatory framework would be applicable to all SFIs licensed by the Central Bank to provide domestic banking or equivalent services, as regulated under the BTCRA, 2020 or the BCCUA, 2015. It would also apply to the Central Bank’s SFIs licensed as MTBs or PSPs, respectively under regulations issued under the BTCRA, 2020 or the PSA, 2012.

DEFINITIONS

5. For the purpose of this paper:

“Agent” or “Authorised Agent” means any non-bank third party acting on behalf of a bank or credit union, namely a non-bank institution (including money transmission businesses, payment service institutions⁵, and the Post Office) dealing directly with customers, under a contractual agreement.

“Agent Banking” is taken to mean one in which banks or credit unions undertakes to supply approved financial services through non-bank entities acting as their authorised agents.⁶

“Agent Relationship” means a contractual relationship in which one party, the agent, acts on behalf of another party, the principal. The agent may execute transactions for the principal but is not responsible for performance by the principal.⁷

“Connected Person”⁸ means any one of the following:

- A director, officer, partner, employee, or agent of the financial institution’s group;
- A controller of the financial institution; or
- A person required to be consolidated with another person in statement of the accounts of the other person by the International Financial Reporting Standards.

“Outsourcing”⁹ means a category of third-party service relationships where a financial institution uses a service provider to perform, on a recurrent or an ongoing basis, services, or parts thereof, that would otherwise be undertaken, or could reasonably be undertaken, by the financial institution itself.

“Principal”, means any bank or credit union that engages an Agent to perform Agent Banking Services on its behalf.

“Sub-Agent”, means any approved individual or entity appointed by an Agent, to provide services on behalf of the Agent. Sub-agents would be accountable to and supervised by the agents that they represent, but must be approved by the Central Bank.

“Third Party Service Providers”¹⁰ means a service provider that provides services to one or more financial institutions under a third-party service agreement.

“Unbanked”¹¹ means a person or persons who do not have access to formal financial services.

⁵ Payment Service Institutions are defined as the subset of Payment Service Providers, other than banks, money transmission businesses and credit unions, licensed instead under [Payment Instruments \(Oversight\) Regulations, 2017](#)

⁶ See dictionary provided by the Alliance for Financial Inclusion - [AFI Dictionary](#)

⁷ [BIS Glossary of terms used in payments and settlement systems](#)

⁸ [Central Bank Act, 2020](#) Section 38 (10)(d)

⁹ [Enhancing Third-Party Risk Management and Oversight: A toolkit for financial institutions and financial authorities](#)

¹⁰ Same as above link.

¹¹ Same as footnote 4

AGENCY BANKING – APPLICATION PROCESS

6. The application process below relates to the proposed agency arrangement between non-bank agents and domestic banks or credit unions (the “principals” to the arrangements).
7. Any SFI principal intending to engage a non-bank to provide agency banking services must apply to the Central Bank for approval prior to contracting or outsourcing any activities that are or resemble any form of agent banking. The application must explicitly outline the scope of the proposed agent banking activities and the responsibilities of all relevant parties to the arrangement. The application should be accompanied by the documents listed in **Appendix A**.
8. The application to employ and contract an agent must be submitted along with the following supporting documents: a draft of the agent agreement between the SFI and the agent, outlining the terms, responsibilities, and obligations of both parties. Additionally, a proposed risk management framework should be outlined, disclosing the proposed measures and strategies to identify, assess, and mitigate potential risks associated with the agency banking arrangement.
9. SFIs may only engage as agents with any of the following:
 - Money transmission businesses, licensed under the Banks and Trust Companies (Money Transmission Business) Regulations, 2008;
 - Payment services institutions, licensed under the Payment Instruments (Oversight) Regulations, 2017, issued under the PSA, 2012; or
 - The Post Office Savings Banks.
10. To fulfill their agency banking obligations, agents may appoint sub-agents, each subject to approval by the Central Bank in accordance with the Fit and Proper guidelines issued by the Central Bank¹².
11. PSPs shall ensure that agents acting on its behalf inform customers of their authorisation to act as agents of the SFI Principal. They shall also ensure compliance with all relevant agreements and remain fully liable for any act of their agents.
12. Applicants proposing to offer agency services would be required to have at least two years prior experience providing regulated retail financial services, of a similar nature either inside The Bahamas or in other regulated financial services markets. Any non-resident owned entity proposing to provide agency services, would also require the approval of Government (through the National Economic Council) separate from any prudential requirements of the Central Bank.

¹² Pursuant to Section 7A (i) of the [General Information and Application Guidelines for Non-Bank Money Transmission Service Providers and Non-Bank Money Transmission Agents](#), SFIs licensed as MTBs who intend to appoint agents are reminded that such agents are not permitted to appoint sub-agents.

13. The Central Bank shall review the applications to appoint agents in accordance with timelines and requirements outlined within the [General Information and Guidelines for Licence Applications](#). The Central Bank shall only approve applications if it is satisfied that both the SFI and the proposed Agent have complied with all applicable requirements and submitted all necessary documents. In the event of a rejection, the Central Bank shall provide the SFI with a written explanation outlining the grounds for the rejection, including directions, if any, on how the proposed agency arrangements can be amended.
14. The Central Bank reserves the right to request additional information as it is deemed necessary.

AGENCY BANKING - ELIGIBILITY CRITERIA OF AGENT

15. Except in cases where the Post Office or Post Office Savings Bank is involved, both parties to an agency banking agreement must be SFIs licensed and regulated by the Central Bank.
16. Non-banks that provide agency banking arrangements must have been licensed as SFIs for a minimum of 2 years prior to being contracted as agents. Additionally, the business or activity must be a going concern entity at the time of the application. This may include a period in which retail services were provided under the supervision of the Insurance Commission of The Bahamas or the Securities Commission of The Bahamas.
17. The ownership structure for Agent can take any of the following forms:
- Limited Liability Companies;
 - Sole Proprietorships;
 - Partnerships; and
 - Approved Public Entities.
18. The Central Bank will not approve or endorse agency agreements that are exclusive in design to a single bank or credit union. Proposed agents must be prepared to provide their services to multiple banks or credit unions. As such banks and credit unions would be prohibited from contracting any agent banking services with any connected or related person or entity.

APPOINTMENT OF SUB-AGENTS

19. Subject to the Central Bank's fit and proper assessment, Agents may appoint sub-agents to carry out their agency functions within the scope specified in their sub-agency agreements. For the purposes of agent banking arrangements, sub-agents shall be considered as part of the agent banking network of the SFI principal, under the same conditions (regulatory and otherwise) as would determine the obligation of the SFI principal and agent in the agent banking agreement.
20. The agent banking arrangement may impose limits on the scope of services provided by sub-agents, provided there is published disclosure of those limits to the public. In any event these would not reduce the regulatory and compliance obligations of the SFI principal or the Agent.

21. The Central Bank shall approve sub-agents where they are fit and proper persons or entities, neither connected nor related parties to either the SFI principals or the Agent. Examples of sub-agents may include branches and outlets of any licensed business, except for those licensed by any other financial sector regulator, or any business prohibited from providing goods or services to minors.
22. The Agent shall be responsible for supervising all operations of sub-agents, as well as the compliance of the sub-agents with all regulatory requirements to which the agent is responsible, including risks for AML/CFT and anti-proliferation compliance.
23. Within the terms of their contractual agreements, agents and sub-agents may exercise discretion to terminate their sub-agents' agreements, subject to final revocation by the Central Bank. The Central Bank may also disqualify sub-agents on the grounds that sub-agents cease to be fit and proper, or for other regulatory reasons.

AGENCY BANKING - AGENT AGREEMENT

24. An agency agreement between an SFI principal and an Agent must comply with applicable guidelines issued by the Central Bank and all relevant laws of The Bahamas. Any bank or credit union ("the principal") proposing to contract such arrangements, must enter into a written agreement with each proposed Agent, clearly outlining the contracted activities to be performed by the Agent.
25. An agent agreement shall, at minimum:
 - Specify the services to be rendered by the Agent;
 - Set out activities the Agent is prohibited from engaging in;
 - The rights, expectations, responsibilities and liabilities of both parties;
 - Set the fee or revenue sharing structure for both parties;
 - Set out the AML/CFT requirements and obligations;
 - Provide measures to mitigate risk associated with Agency Banking¹³;
 - Indicate any transaction limits, including the holding of cash by the agent; and
 - Specify the terms and conditions for the termination of the agent agreement.
26. Additionally, the agent agreement should, at minimum:
 - Acknowledge that the Agent banking services shall be subject to regulatory review, and the full scope of examination by the Central Bank to which the operations of the SFI principal are subject;
 - State that the Agent shall not perform management functions, make management decisions, or act or appear to act in a capacity equivalent to that of a member of management or an employee of the SFI principal.

¹³ As per the [Enterprise Risk Management Guidelines](#), SFIs must implement proportionate risk mitigation measures for agency banking, consistent with their overall risk management framework.

- That the SFI principal is responsible to the customer for acts of omission and commission of the Agent;
- That the Agent must ensure safe-keeping of all relevant records, data and documents or files for at least five years; or alternately, such records, data and documents or files are shifted to the SFI principal at regular pre-specified intervals which would then ensure safekeeping for at least five years;
- Specify that the Agent and its employees are bound to confidentiality of all customer transactions they engage in or facilitate;
- That the Central Bank can terminate the agreement as it deems appropriate; and
- Specify that the employees of the Agent shall not be treated as employees of the SFI principal and the rights and duties of such shall be agreed upon between the SFI principal and the Agent.

AGENCY BANKING - AGENT OPERATIONS

27. An SFI principal that contracts Agents must have in place a clear, well-documented agent due diligence policies and procedures to mitigate associated risks of the arrangements. At a minimum, these policies shall include procedures for the onboarding new agents, classification of agent types (where the scope of agents' obligations vary) with corresponding minimum selection criteria for each type, along with initial and ongoing due diligence to assess the agent's fitness and propriety. Policies should also incorporate a checklist for identifying early warning signs related to agent performance and compliance, as well as corrective actions to ensure proactive management of agents.

NON-EXCLUSIVITY

28. An agreement between an SFI principal and an agent shall not include any provision that prohibits the Agent from providing agent banking services on behalf of other SFIs. The Agent may offer agent banking services for multiple SFIs, provided that: (i) a separate agent agreement is signed with each SFI principal, and (ii) the Agent has the capacity to effectively manage transactions on behalf of each SFI principal.
29. SFI principals must also assess the capacity of an Agent to manage transactions for different SFIs, in terms of space, technology and the adequacy of funds or float of the Agent.

PERMISSIBLE ACTIVITIES – AGENT

30. SFI principals may engage in any of the following services through the use of an Agent:
- Deposits and withdrawals of funds;
 - Payment of utility bills;
 - Money transfers;

- Provision of account statements;
- Payment of retirement and social benefits;
- Account balance inquiries;
- Collection of credit and debit cards;
- Collection of bank mail and correspondence for customers;
- Collection of documentation related to account opening, loan applications, and debit card applications; and
- Any other activity as approved by the Central Bank.

31. The SFI shall determine, based on a risk assessment and due diligence regarding the Agent, which of the permissible activities the agent may provide.

32. SFIs making use of agent banking services must ensure that all transactions undertaken through agents, involving deposits, withdrawals, payments, or transfers of cash to or from accounts are able to be recorded in real-time.

PROHIBITED ACTIVITIES – AGENT

33. An Agent shall not:

- Provide banking services independently;
- Charge any supplemental or direct fees to customers for services performed on behalf of the principals;
- Carry out transactions when the system is down, during communication failures, or in the absence of the customer;
- Provide agent banking services at any location other than the agent's registered physical address;
- Be managed or operated by a connected person of the SFI principal.

34. An SFI principal shall terminate its agent banking relationships if, in the opinion of the SFI, the agent's licensed business has ceased or significantly diminished.

PUBLICATION OF AGENTS AND LOCATIONS

35. SFIs must publish and maintain an updated list of all agency locations on their websites and in any other publication deemed appropriate.

RELOCATION AND CLOSURE OF AGENT'S BUSINESS

36. SFIs are required to give notification to the public on the relocation or closure of the agent banking locations at least (30) days in advance, and to the Central Bank at least (45) days in advance. In unforeseen circumstances, where either the competence, integrity or the business continuity of the Agent is compromised and cause for closure or relocation, such notifications should be given, as soon as practicably possible.

TRAINING

37. SFI principals and their Agents must develop and maintain comprehensive training and compliance systems covering at least the following areas:

- Know Your Customer (“KYC”) and Account Opening;
- Customer Service;
- AML/CFT Requirements;
- Confidentiality of Information and Record-Keeping;
- Any other area deemed necessary by the SFI principal and/or the Central Bank.

INTEROPERABILITY STANDARDS

38. SFI principals and agents are required to ensure that the technology platforms, on which agency services are provided are fully interoperable with the Central Bank Digital Currency, SandDollar, and the internal banking platforms of the SFI principal. This includes, platforms and devices such as point of sales terminals, ATMs, internal portals and mobile and digital wallets.

39. The minimum standard for interoperability against internal banking platforms is that transactions processed through Agents, must be updated in real-time in the customer accounts maintained by the SFI principals.

40. Minimum standards for interoperability for SandDollar are defined in the Central Bank’s [Bahamian Dollar Digital Currency Regulations, 2021](#).

REPORTING REQUIREMENTS

41. A SFI principal must report its agent banking activities to the Central Bank in the format and frequency prescribed by the Central Bank, including:

- Specified categories of financial transactions;
- Incidents of fraud, theft, or robbery; and
- Specified data on customer complaints and complaint resolution.

42. SFI principals must immediately notify the Central Bank of any actual or suspected unauthorised access, breach of confidentiality, or compromise of technology systems or data, whether arising directly within the institution or indirectly through service providers, agents, or other third-parties.

43. Incident reports should include an executive summary of the incident, an analysis of the root cause which triggered the event, its subsequent impact, as well as measures taken to address the root cause and consequences of the event¹⁴.

¹⁴ Section 11.5.12 of the [Technology Risk Management Guidelines](#)

DISCLOSURES

44. Agents are required to clearly disclose to the customers of SFIs the following information, in writing and in a comprehensive manner, at their premises:

- The name, contact details, and logo of the SFI principal;
- A list of services offered on behalf of each SFI principal;
- A notice on transaction limits, if any;
- A listing of fees, if any, levied on behalf of each SFI principal; and
- A copy of the certificate of approval for the agency banking arrangement, issued by the Central Bank.

RECORD-KEEPING

45. SFI principals must ensure that their agents maintain accurate records of all transactions related to their agent banking activities. These records should be retained in a manner that complies with the requirements set forth by the SFI principal or as specified by the Central Bank. Records must be readily available for review and inspection by the SFI or the Central Bank, upon request or within a timeframe specified by the Central Bank.

46. SFI principals are required to ensure that their agents implement record-keeping policies that apply specifically to agent banking operations. These policies ensure that records related to banking services are kept distinct and separate from any records associated with the agent's primary business or other commercial activities. This separation is essential to maintain clarity and compliance with regulatory requirements.

47. The SFI principals must guarantee that agents are capable of producing all transaction records associated with agent banking services in a manner that is compliant with both the SFIs internal policies and the relevant laws. These records must be easily accessible for review and audit, ensuring that the necessary documentation is available on demand or within the prescribed timelines established by the Central Bank.

AGENCY BANKING - TERMINATION OF AGENCY AGREEMENT

48. In the event that an SFI principal or its agent fails to comply with the prudential and regulatory requirements for agency banking, the Central Bank reserves the right to take the following actions:

- Rescind the approval of agent banking arrangement;
- Prohibit the SFI from conducting agent banking;
- Prohibit the SFI from contracting new agents;
- Impose penalties on the SFI or agent as may be prescribed by law or regulations.

49. If approval for an agency arrangement is rescinded, the SFI is required to publish a notice of termination of the arrangement to inform the general public of the cessation of the contract.

50. Agents are subject to the supervision of the Central Bank, even though they are non-bank entities. An agent contract may also be terminated under the following circumstances:

- The agent is guilty of a criminal offense involving fraud, dishonesty, or other financial impropriety¹⁵;
- The agent sustains a financial loss or damage to such an extent that in the assessment of the SFI principal, it becomes impossible for the agent to continue as a going concern restore;
- The agent is subject to dissolution or winding up by the courts;
- If the agent relocates, discontinues, or otherwise modifies its agent banking operations without obtaining prior written consent from the appointing SFI principal; and
- Any other reason deemed inappropriate by the Central Bank.

AGENCY BANKING - RISK ASSESSMENTS AND SAFEGUARDS

RISK MANAGEMENT

51. SFI principals are responsible for continuously monitoring and supervising the activities of their appointed agents to ensure compliance with all relevant laws of The Bahamas and operational standards. Furthermore, SFI principals must implement effective measures to manage operating risk. This includes incorporating specific clauses in agent contracts that define the liabilities and responsibilities of the agent.

52. SFI principals must prudently manage the risks associated with the agent banking business and special attention must be paid to the following risks:

- Credit Risk;
- Operational Risk;
- Legal Risk;
- Liquidity Risk;
- Technology Risk;
- Reputational Risk; and
- Money Laundering, Terrorist Financing and Proliferation Financing Risks.

53. Staff or Authorised Representatives of the SFI principal must conduct on-site inspections at the Agent location to ensure that agents are operating in full compliance with applicable laws of The Bahamas and the contractual agreement for agent banking services.

54. SFI principals must conduct thorough assessments of each agent's creditworthiness and establish appropriate transaction limits based on these assessments. These limits must align with the agent's financial capacity and the risk involved in their activities.

¹⁵ Termination due to misconduct should be reported to the Central Bank and may trigger regulatory action.

55. SFIs must establish systems to monitor and control the activities of their agents on an ongoing basis. This includes conducting regular reviews to ensure agents comply with applicable operational, regulatory, and financial requirements under the agency banking arrangement.

CONSUMER PROTECTION MEASURES

56. Agency banking is expected to engage a significant number of users of financial products and services, of varying financial literacy capacity. Therefore, to foster trust and confidence, SFI principals must implement robust measures for consumer protection, awareness, and dispute resolution.
57. SFI principals maintain full responsibility and accountability for the actions and conduct of their appointed agents, including any complaints or grievances raised by customers against the agents. SFI principals must ensure that agents act in accordance with their standards and regulatory requirements.
58. SFI principals must ensure that the agency banking arrangements maintain secure systems that protect and preserve the confidentiality of customers personal and financial information. These safeguards must be effective in preventing unauthorised access to, misuse or abuse of customer, either by the Agent or as a result of data breaches.
59. Agents are prohibited from unsolicited marketing of financial products or services, to the customers of the SFIs, where such marketing relies on data obtained from the customer records of the SFI principals.
60. Appointed agents are prohibited from charging customers any additional fees beyond those set by the SFI principal.
61. Agents must display a clear and up-to-date list of charges or fees applicable to each service provided. This list should indicate any fees that are payable by customers to the SFI. The SFI's name, logo, and the contact details (including telephone number and address) of the responsible branch must be prominently displayed at the agent's premises, ensuring transparency and ease of contact.
62. Agents must not misrepresent themselves as SFI principals. They are not authorised to imply, suggest, infer, or propose that they are acting as an SFI principal or offering banking services outside the scope of their authorised agency banking business.
63. SFI principals must maintain dedicated channels to receive and record customer complaints arising from the agency banking services. These channels should be easily accessible to customers.
64. SFI principals must have a comprehensive business continuity plan in place to ensure, as much as possible, uninterrupted service delivery to customers in the event of system failures or the termination of agency agreements.

65. SFI principals must provide customer education programs on agency banking arrangements. This education should cover customer's rights, safe transaction practices, and precautionary measures, including how to protect sensitive authentication information.
66. When an Agent acts on behalf of multiple SFI principals, each SFI must ensure that customer data is segregated and securely maintained, with no overlap or amalgamation of customer databases. The confidentiality, integrity, and security of each SFI's customer data must be preserved. Any complaints related to agent conduct should be handled in accordance with existing complaints procedures established and reported to the Central Bank.

AML/CFT/CPF COMPLIANCE

67. Through their agency arrangements SFI principals must remain compliant with all applicable Anti-Money Laundering/Combating Financing of Terrorism/ laws, regulations and guidelines issued by the Central Bank. Among others, the SFI must take into account the following specific factors:
- Simplified Know Your Customer ("KYC") requirements; and
 - Transactional limits per day, month and year commensurate with the customer's profile;
68. SFI principals should ensure that the AML/CFT risk management systems used by their contracted agents, comply fully with the internal systems in use within the respective SFIs. In support of this, SFI principals may impose transactions limits on services performed through Agents, to further manage AML/CFT risks.

INTERNAL AUDIT

69. SFI principals must ensure that the scope and coverage of internal audit reviews are appropriately aligned with the complexity and risk inherent in agent banking services. The internal audit function should be sufficiently resourced and staffed with personnel who possess the necessary technical expertise to effectively carry out these expanded responsibilities.
70. The internal audit function should conduct independent reviews of the agency banking processes and arrangements to ensure compliance with established agency banking policies and procedures. This review should also assess the integrity of the management information systems and the accuracy of reports related to agency banking activities.
71. The internal audit function is responsible for conducting risk-based audits to verify that agents are adhering to the terms and conditions of their agreements and are complying with applicable rules, regulations, and prudential standards issued by the Central Bank.
72. In addition to auditing internal processes of Agents, the internal audit function is also tasked with evaluating third-party providers of service to agents. This includes conducting appropriate audits of these third parties, as required by relevant outsourcing agreements, to ensure that

their operations are in compliance with the standards and regulatory requirements to apply to the SFI principals.

EXTERNAL AUDIT

73. The external auditor of the SFI principals should assess and verify the adequacy of the systems and processes related to agency banking. This review must include an evaluation of whether these systems are operating effectively and in compliance with applicable regulations and standards.
74. External auditors are required to promptly report to the SFI any material weaknesses, irregularities, or issues identified that could impact the financial condition of the SFI or introduce additional risks. Furthermore, the external auditor must notify the Central Bank in writing of any matters of material significance¹⁶, including any findings that may affect the ability of the SFI principal to effectively manage or monitor the Agency Banking activities.

AGENCY BANKING - THIRD PARTY SERVICE PROVIDERS

75. The SFI principal may enter into a written contract with a third-party service provider ("TPSP") for the following:
- Technology pattern;
 - Agent selection;
 - Agent network management;
 - Agent training;
 - Equipment provision; and
 - Equipment maintenance
76. Where a SFI principal relies on a TPSP for the performance of operational or managerial functions, they shall take reasonable steps to ensure that they comply with the requirements established by the Central Bank along with the [Guidelines on Minimum Standards for the Outsourcing of Material Functions](#), and any further directives are complied with.
77. A proper service level agreement shall be established for all TPSP arrangements and third-party service providers shall not perform any activities that are attributed to agency banking.
78. Any TPSP wishing to conduct agent banking business must first satisfy and be licensed as a non-bank SFI. In the interim, the Central Bank would consider such applications under the MTB provisions of the BTCRA, 2020.
79. The appointment of a TPSP to support an agent banking business does not eliminate the liability of the SFI principal for the banking services provided by the agent.

¹⁶ [Banks and Trust Companies Regulation Act, 2020](#) Section 22(4)

80. The SFI principal must ensure that both the appointed agent and any TPSPs comply with the relevant standards and requirements outlined by the Central Bank. This includes overseeing their adherence to all applicable regulations and ensuring that their operations consistently meet the required compliance levels.

POWERS OF THE CENTRAL BANK OF THE BAHAMAS

81. The Central Bank reserves the right to exercise its regulatory powers concerning any connected person whenever deemed necessary. The Central Bank shall have the authority to:

- Request any information from any agent at any time as deemed necessary¹⁷;
- Conduct scheduled or unscheduled inspections of an agent's books and premises;
- Direct an agent to take specific actions or to cease certain conduct as determined necessary by the Central Bank;
- Terminate or revoke approval of the agency agreement and close the agency business if deemed necessary;
- Direct the SFI principal to take appropriate actions or measures against or on behalf of the agent as determined by the Central Bank; and
- Direct the SFI principal to undertake remedial actions arising from the conduct of an agent as deemed fit.

¹⁷ [Central Bank Act, 2020](#) Section 38

APPENDIX A

PROCEDURES AND DOCUMENTATION REQUIREMENTS FOR REGISTRATION AS AN AGENT FOR AGENCY BANKING

In determining whether to register an agent, the Central Bank will have regard for the following:

- The fitness and propriety of the Agent;
- The entity structure and internal control procedures
- The suitability of the written agreement between the Agent and the SFI principal;
- The professional reputation and experience of the Agent;
- Where the Agent is an individual, whether he/she is a resident in The Bahamas;
- Where the Agent is a corporate body, whether it is incorporated in accordance with the laws in The Bahamas;
- Whether the Agent fulfills the Money Laundering Reporting Officer (MLRO) and Compliance Officer Requirement; and
- Whether it is in the best interests of the financial system in The Bahamas.

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