

# Postbank plans for state bank underway

By  Katja Hamilton

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Postbank is preparing to take on the role of a state bank.



source: The Government Communication and Information System Minister of Communications and Digital Technologies, Khumbudzo Ntshavheni.

The news was announced by Minister of Communications and Digital Technologies, Khumbudzo Ntshavheni.

The group is revamping its infrastructure with the aim of launching as a fully fledged bank.

Postbank is in the process of obtaining a banking license and plans are underway to roll out a hundred new branches.

Ntshavheni said that parliament is finalising the amendment to the Postbank Act which will see government owning Postbank.

"Currently the Postbank is owned by the Post Office. The Banking Act has a specific provision that says you can't have a state-owned entity that is not financially viable owning a bank.

"Therefore we had to change or amend the Postbank Act to remove the ownership of the Postbank from that of the Post Office, and move the ownership – (that means the shareholding of the Postbank) to government (the Minister of Communications and Digital Technologies is the shareholder representative in that ownership).

"That is the amendment that we're waiting for parliament to finalise – and the structuring and creation of the bank holding company: so that you don't have the bank reporting to the minister.

"The bank will have a bank holding company which is regulated by the Reserve Bank," Ntshavheni said.



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Ntshavheni said once Postbank has obtained its banking license, it intends to provide government-to-citizen services as well as lending activities with a focus on offering loans to smart startups, businesses and small, medium and micro-sized enterprises.

"Government has offered to stand as guarantor for businesses that need financial assistance and financial loans in case they do not have the capabilities to pay back these loans."

## Postbank and social grants

Currently Postbank offers individual and *stokvel* accounts and pays out social grants. Every month Postbank disburses R10bn in social grants across the country. It looks set to continue paying out social grants once it gains its banking license.

Ntshavheni reminded the public that social grants "were not paid through Postbank". "It was a service provided to the post office. Social grant payments became the mandate of the Reserve Bank as from 1 October 2022, therefore Postbank can negotiate the commercial contract of payments of social grants through the Department of Social Development.

"We have made a decision (once we're licensed) that we are not going to continue paying social grants from ATMs," Ntshavheni said.

**“ Government has offered to stand as guarantor for businesses that need financial assistance in case they do not have the capabilities to pay back these loans. ”**

Already in November last year, Postbank [advised](#) Sassa social grant recipients using the Sassa gold cards to collect their monies at retailers due to system glitches at post office outlets.

It reiterated that withdrawals of social grants can be made at any retail outlets nationwide that provides the cashback functionality. These include Shoprite, Checkers, Usave, Pick n Pay and Boxer.



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1 Nov 2022



Sassa grants recipients can also use the Sassa gold cards to make purchases at any place that accepts bank card transactions as the Sassa gold cards functions fully within the national payments system similarly to any other bank card.

The national payment system is a set of instruments, procedures and rules that enable funds to be transferred from one financial institution to another.

"By April all things that relate to the technology environment should be sorted."

## Infrastructure upgrade

In the meantime, Postbank is upgrading its technology and modernising its payment system. Ntshavheni said this was in response to an It audit of Postbank - done through the Reserve Bank - which had revealed non-compliance with certain requirements of the Banking Act, particularly pertaining to its clearing system and the bank payment system.

In December 2022 The Reserve Bank extended the term of the variation notice to 31 December 2023 to meet all the requirements.



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"We've committed to modernising the technology of Postbank by April 2023 at the latest, and have made significant progress on this. We have been working with the Reserve Bank through the Prudential Authority to address those challenges," Ntshavheni said. "But we are confident, given the progress we have made, that we will complete that earlier."

## Source of seed funding

But how will the new state bank be funded?

"As far back as November 2018 Postbank has indicated that it has doubled the amount of capital required to operate it," Ntshavheni said.

She did not mention numbers, but commented that the president should make an announcement regarding seeding of the bank.

"Once it has obtained its license, Postbank has the means to be commercially viable without extra injection from the national treasury. We are not looking immediately on the extra seeding of the bank."

Following discussions with Darwin Zinzile Nkonki, the chairperson of Postbank board, Ntshavheni recounted his insistence that "there's no money to seed. They must go and raise money. They must go and make sure that as a business they're profitable, and then fund their operations going forward.

"That's why we're not even planning to start with a large number of branches, but starting with 100 branches so that we give them breathing space to build on and ramp up and grow organically."

## ABOUT KATJA HAMILTON

Katja is the Finance, Property and Healthcare Editor at Bizcommunity.

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