

THE TANZANIA POSTAL BANK ACT, 1991

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THE, UNITED REPUBLIC OF TANZANIA



No. 11 OF 1991

I ASSENT,


President

5/8/91

An Act to establish the Tanzania Postal Bank and to provide for other matters incidental to or connected with that

ENACTED by the Parliament of the United Republic of Tanzania.

PART I

PRELIMINARY

1. This Act may be cited as the Tanzania Postal Bank Act, 1991, and shall come into operation on such date as the Minister may, by notice published in the *Gazette*, appoint.

2. In this Act, unless the context requires otherwise:-

"assets" means real and personal property of every kind including:-

- (a) rights under contract and agreement;
- (b) books, books of accounts and records;
- (c) all other rights, interest and claims in or to, real or personal property, whether liquidated or unliquidated, certain or contingent, accrued or accruing;

"the Bank" means the Tanzania Postal Bank established under section 3;

"Board" means the Board of Directors established under section 7;

"effective date" means the date when this Act comes into operation;

"liabilities" means all obligations under contract or agreement including savings and deposits of all kind;

"Minister" means the Minister for the time being responsible for finance;

"TPOSB" means the Tanganyika Post Office Savings Bank;

"transition period" means a period Of not less than twelve months commencing from the date declared by the Minister as the beginning of the transition period.

3. This Act shall extend to Tanzania Zanzibar as well as to Mainland Tanzania.

Short title
and com-
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Applica-
tion

PART II

THE TANZANIA POSTAL BANK

- Establishment of the Bank 4.-(1) There is hereby established a financial institution which shall be known as the Tanzania Postal Bank.
- (2) The Bank shall be a body corporate and shall-
- (a) have perpetual succession and a common seal;
 - (b) in its corporate name, be capable of suing and being sued; and
 - (c) be capable of purchasing or acquiring in any other way, and alienating, any movable or immovable property.
- Acts 1966 No. 12 (3) The Bank shall be a specified financial institution for the purposes of the Bank of Tanzania Act, 1965.
- Objects and functions of the Bank 5.-(1) The object of the Bank shall be:-
- (a) to mobilize local savings and to promote the savings habit of the population;
 - (b) to provide adequate and efficient financial intermediation services such as is necessary for the requirements of the rural and urban population;
- (2) For the purpose of achieving its objects as specified under subsection (1), the Bank may-
- (a) accept deposits from or on behalf of customers, and operate savings accounts as required by the customers;
 - (b) receive loans, save that at no any time shall any single loan received by the Bank, exceed one fifth of the share capital;
 - (c) invest money in approved investment, provided however that the Bank shall maintain liquid assets equivalent of not less than twenty percentum of its deposits and other liabilities;
 - (d) subject to the direction of the Bank of Tanzania, make available to customers, long, medium and short term loans, save that the total credit to any single borrower shall not exceed five percentum of the share capital;
 - (e) offer giro services throughout the country;
 - (f) undertake such other activities as may be necessary or advantageous for the purpose of furthering the foregoing objects, subject to the approval of the Bank of Tanzania.
- Security of Government 6. The repayment of all money deposited in the Bank together with interest thereon is guaranteed by the Government and accordingly if at any time the assets of the Bank shall be insufficient to pay the lawful claims of every depositor, such deficiency shall be charged on and paid out of the 'Consolidated Fund'.
- Board of the Bank 7.-(1) There shall be a Board of Directors of the Bank which shall consist of a Chairman and six other members.

(2) The General Manager and other Managers shall be non-voting participants of the Board Meetings.

(3) Of the seven members of the Board:-

- (a) four shall be appointed by the Minister on behalf of the Government, one of whom shall be a person who hails from Tanzania Zanzibar;
- (b) two shall be appointed by other share holders of the Bank, if any.

(4) In appointing members of the Board, regard shall be had of appointing persons with wide experience in economic and financial matters or in Banking.

(5) Appointment of Directors by the shareholders shall be by notice in writing addressed to the Bank and the shareholder who has appointed a Director may at any time by such notice as aforesaid revoke such appointment.

(6) Each member of the Board shall hold office for a term of three years and shall be eligible for reappointment.

8. The Board shall exercise a supervisory role over the Bank and for that purpose may:-

- (a) elect its Chairman;
- (b) formulate the general business policy of the Bank;
- (c) formulate operational rules of the Bank;
- (d) supervise all banking activities;
- (e) appoint and dismiss the General Manager, other Managers and the internal auditor of the Bank.

Board to supervise the Bank

9.-(1) The Board shall normally meet at the principal office of the Bank and shall meet at least once in every two months.

Meeting of the Board,

(2) Meeting of the Board shall be convened by the Chairman or, in the absence of the Chairman, by the Chief Manager.

(3) Four Directors shall constitute a quorum.

(4) Decisions of the Board shall be by the majority vote of the Directors present and voting.

(5) The Board of Directors may, by regulations, establish a procedure whereby or decision in writing signed by all the Directors of the Bank shall be as valid and effectual as if it had been made at a meeting of the board.

10.-(1) There shall be General Manager and not less than two other Managers who shall be appointed by the Board.

Management of the Bank

(2) In appointing the General Manager and the other Managers, regard shall be had of appointing persons with wide experience in banking or auditing affairs.

(3) The General Manager and the other Managers shall be jointly responsible for the business activities of the Bank.

(4) The General Manager and any other Manager shall jointly represent the Bank in all contractual and legal matters vis-a-vis its clients, its employees, the general public, the Government and others.

Au-
thorized
capital
and shares

11.-(1) The authorized capital stock of the Bank shall be five hundred million shillings divided into five hundred shares each having a per value of one million shillings.

(2) All shares shall be fully paid in at the end of the transition period.

(3) The authorized capital stock of the Bank may be increased by a resolution of the Board.

Restric-
tion on
sharehold
ing

12.-(1) The shares of the Bank shall be subscribed for by the Government of the United Republic, the Tanzania Posts and Telecommunications Corporation and any private investor (hereinafter together referred to as the shareholder).

(2) The shareholders shall subscribe for and the Bank shall allot the said shares in the following amount:-

	Paid in
(a) the Government of the United Republic	41 per centum
(b) the Revolutionary Government of Zanzibar ...	10 per centum
(c) the Tanzania Posts and Telecommunications Corporation	30 per centum
(d) Other shareholders	19 per centum

(3) Fifty per centum of all shares shall be paid by the shareholders on the commencement of the transition period and the other fifty per centum shall be paid not later than twelve months after the commencement of the transition period.

(4) In the event that the authorized capital stock of the Bank is increased, the shareholders shall, subscribe for the additional shares thereby created in the same proportions as they have subscribed to and been allotted shares pursuant to subsection (2).

(5) The shares of the Bank shall not be pledged or encumbered by the shareholders in any manner whatsoever and shall not be transferred or assigned.

(6) The liability of the shareholders in respect of their shares shall be limited to the paid-in capital.

(7) In any year in which costs exceed revenues, the difference shall be covered by the shareholders in relation to the shares they hold.

PART III

OPERATIONS OF THE BANK

13. In pursuance of its objects, the Bank shall--
- (a) conduct its business according to commercial principles;
 - (b) conduct its business without undue discrimination;
 - (c) not divulge any information which relates to the affairs of any customer of the Bank without his consent in writing;
 - (d) the total indebtedness of the Bank including savings and deposits, shall not at any time point in time exceed ten times the authorized;
 - (e) the Bank shall only finance economically feasible projects;
 - (f) the Bank shall satisfy itself of the expected ability of the borrower to repay the loan without undue hardship;
 - (g) the Bank shall make adequate provisions for the risks involved in its outstanding loans-
 - (h) in making and guaranteeing loans, the rate of interest or other charges shall be such as to cover the expenses of the Bank including the costs of its funds and to allow the Bank to build up adequate reserves.
14. The ordinary resources of the Bank shall consist of the following-
- Bank borrowing of the Bank;
 - (c) funds or income including the General Reserve Fund derived from the operations of the Bank in which resources referred to in paragraph (a) and (b) of this section or resources derived therefrom have been used, committed or charged;
 - (d) any other funds or income received by the Bank which do not form part of its special Funds referred to in section 12
- 15.-(1) The Bank may accept for administration from the United Republic or from such other sources as it may consider appropriate, Special Funds which are intended- to promote the objects of the Bank.
- (2) special Funds accepted by the Bank under subsection (1) shall be used on terms and conditions consistent with the objects of the Bank and the agreement under which such funds are accepted by the Bank;
 - (3) Subject to the provisions of this Act, the Board may make regulations for the administration and use of such Special Funds.
 - (4) The ordinary capital resources of the Bank shall not be charged with or used to discharge losses or liabilities arising out of special operations for which special Funds were originally charged, used.

Bank to operate on certain principles

Ordinary capital resource of the bank

Special

Restriction on the use of resources and facilities of Bank Interest, Commission and fees

16. The resources and facilities of the Bank shall be used exclusively to implement the objects of the Bank as set forth in section 4.

17.-(1) In addition to interest the Bank may charge a commission on direct loans made or participated in as part of its ordinary operations at a rate to be determined by the Board and computed on the amount outstanding or each loan or participation.

(2) In guaranteeing a loan as part of its ordinary operations, the Bank shall charge a guarantee fee at a rate determined by the Board payable periodically on the amount of the loan outstanding.

(3) Other charges, including commitment fee, of the Bank in its ordinary operations and any commission fees or other charges in relation to its special operations shall be determined by the Board.

Revaluation account, General Reserve Fund and allocation of profits

18. (a) The Bank shall establish and maintain a revaluation account in order to protect its assets against any losses due to the change of the purchasing power, and a general reserve fund -

(b) Within six months of the close of each financial year, after allowing for expenses of operations during that year, and after making provision for bad and doubtful debts, depreciation of assets and such other contingencies and provisions as are customarily made by banks, and after contributing to the revaluation account to the extent that any loss of the real value of the authorized capital stock caused by changes of the general price level is compensated for, the Board may decide what part of the net profits shall be transferred to the general reserve fund, and what part shall be allocated to retained earnings, and what part, if any, shall be distributed as dividends.

(c) In each, at least ten percentum of the net profits shall be allocated to the general reserve fund.

(d) Any impairment of the authorized capital stock, of funds in the revaluation account and in the General Reserve Fund is not allowed.

Bank to operate within network of Tanzania Posts and Telecommunications Corporation

19.-(1) In the pursuit of its business the Bank shall operate through the network of the Tanzania Posts and Telecommunications Corporation.

(2) The Bank may enter into agency or operate through the network of the Tanzania Posts and Telecommunications Corporation as regards matters relating to personnel, administration, finance marketing and auditing.

(3) To the extent that the Bank relies on the manpower, equipment and services of the Tanzania Posts and Telecommunications Corporation, including transfer of funds and provision of cash reserves, the Bank of Tanzania shall extend its supervisory task to the Tanzania Posts and Telecommunications Corporation as far as the postal bank services are concerned.

(4) The Board may make rules relating to contractual or legal relations between the Bank and the Posts and Telecommunications Corporation.

20.-(1) The Board may make such regulations, including financial regulations, being consistent with the provisions of this Act as it considers necessary or appropriate to further the objects and functions of the Bank.

Regulations

(2) It shall not be necessary to publish in Gazette any regulations made by the Board under this section or any other provision of this Act.

PART IV

FINANCIAL PROVISIONS

21.-(1) As soon as possible after the close of every financial year, the accounts, including the balance sheet and the profit and loss account of the Savings Bank in respect of that financial year, shall be submitted to the Tanzania Audit Corporation and shall be audited by it as soon as practicable after they are submitted, and in any case not later than three months after the close of the financial year of the Savings Bank.

Accounts and Audit

(2) The annual accounts shall include a statement of monies received and repaid by the Savings Bank separately for each savings facility, including a statement of the amount of interest credited to each facility.

(3) As soon as the accounts of the Bank have been audited, and in any case not later than seven months after the close of the financial year, the Board shall submit to the Bank of Tanzania and the Minister a copy of the audited statement of accounts together with a copy of the report on the accounts made by auditors.

(4) The Minister shall, as soon as practicable after he has received them, and in any case not later than eight months after the close of the financial year or such longer period as the National Assembly may, by resolution approve in that behalf, lay before the National Assembly-

- (a) a copy of the balance sheet and profit and loss statement of Bank;
- (b) a copy of the auditor's report on the audited accounts of the Bank.

22.-(1) The Post Office Savings Bank Ordinance is repealed.

Repeal of POSB Ordinance

(2) All the assets and liabilities vested in the Post Office Savings Bank shall, immediately from the effective date, be vested into the Tanzania Postal Bank

Certain operations of the Bank to apply after four years

23. The operations of the Bank as stipulated under section 5 subsection (2) paragraph (d) and (e) shall not apply for period not less than four years after the commencement of transition period.

Provisions to apply during transition period

24.-(1) The Minister shall not declare the Transition Period unless a down payment of at least four hundred and forty million shillings of the accumulated losses of the **TPOSB** has been covered and paid in by the Treasury and the Tanzania Posts and Telecommunications Corporation in due proportion and at least 50% of the authorized capital stock is paid in by the shareholders of the Bank.

(2) The end of Transition Period shall be declared by the Board Subject to the approval of the Bank of Tanzania and shall not be declared unless all losses due to the business and the re-organization of the TPOSB and the authorized capital stock of the Bank paid in.

Accounts of TPOSB to be audited at the beginning of the transition period

25.-(1) At the beginning of the Transition Period, the accounts of the TPOSB shall be audited by the Tanzania Audit Corporation which shall determine the true assets and liabilities of the Bank.

(2) During the transition period the Treasury and Tanzania Posts and Telecommunications Corporation shall cover any losses in due proportion as stipulated in the auditor's report.

(3) At the end of the Transition Period a balance shall be worked out and endorsed by the Tanzania Audit Corporation and any accumulated losses determined by the balance shall be borne by the Treasury and the Tanzania Posts and Telecommunications Corporation and shall be paid in not later than three months after the presentation of the auditor's report.

Existing employees of the TPOSB

26. At the end of the Transition Period any existing employee of the TPOSB may be re-employed by the Bank.

Bank to be exempted from income tax

27. The Bank shall be exempted from the payment of any income tax or any levy during the period of five years after the transition period.

Passed in the National Assembly on the fifteenth day of April, 1991.

MMwindad
Clerk of The National Assembly