

Seeking Public Feedback on Amendments to the Co-operative Societies Act

Introduction

The Registrar of Co-operative Societies is inviting the public to provide feedback on the amendments to the Co-operative Societies Act (“Act”). This public consultation will run from 20 December 2023 to 10 January 2024.

Background

2. The Act was last revised in 2018 to strengthen competency and governance standards of co-operative societies (‘co-ops’), enhance regulatory powers to better protect co-op members’ interests as well as to facilitate the development and operations of co-ops.
3. The upcoming amendments to the Act aim to better facilitate co-ops’ operations, provide legal clarity on certain provisions of the Act as well as make technical amendments to update the Act.

Facilitate Co-ops’ Operations

4. The Registry of Co-operative Societies (“RCS”) has received feedback from co-ops on regulatory limitations affecting their operations including the limited use of reserves to further their members’ interests. Currently, co-ops may only declare dividends from the preceding year’s surplus. As a result, some co-ops had to declare lower or no dividends. This has been of particular concern in recent years due to the volatile environment. RCS is hence proposing legislative amendments to address this concern as well as other operational matters as follows.

To broaden the use of reserves

- a. Co-ops will be permitted to use their reserves to distribute dividends to members or pay honorarium to members of the Committee of Management (‘COM’), subject to the Registrar’s approval. The requirement for the Registrar’s approval is to act as a safeguard to ensure the co-ops’ reserves are prudently spent. The Registrar will for example, assess whether the dividend and honorarium rates proposed are reasonable, and that co-ops maintain a sufficient capital buffer for their long-term viability. Past compliance track records of the co-ops may also be taken into consideration to ensure that the co-ops are well-governed to manage its reserves.
- b. The functions of the annual general meeting (‘AGM’) will be expanded to include seeking members’ approval for the use of reserves for the above purposes (further to obtaining Registrar’s approval first). Seeking members’ approval for any honorarium, allowance, or other benefits to members of the COM will also be included as one of the explicit functions of the AGM.

To facilitate co-ops' operations

- c. The restriction whereby a COM member may not receive both an honorarium and allowance will be removed. We have noted that some co-ops wish to pay COM members an honorarium as well as transport allowance for example. The proposed changes would give co-ops the operational flexibility to design their benefits package for the COM accordingly.
- d. The requirement for the Registrar's approval for the issuance of bonds and debentures will be removed. This is similarly an operational decision for co-ops to make, and they will be subject to the relevant regulations under the Securities and Futures Act 2001.
- e. The number of signatories required in an application for registration of amendments to by-laws will be reduced from 3 to 1. Currently an application must be signed by the Chairperson and 2 members of the COM. The amendment will enable either the Chairperson or Secretary to sign the aforesaid application.

Provide Legal Clarity

- 5. The following amendments aim to provide legal clarity on specified provisions.
 - a. To incorporate the definition of "surplus" currently prescribed in the Co-operative Societies (Modification) (Consolidation) Order into the Act. This definition is used for the purpose of computing co-ops' annual contributions¹ to the Central Co-operative Fund or Singapore Labour Foundation and prescribes the exclusion of capital gains².
 - b. To clarify that the bonus certificates or bonus shares of members who are deceased, bankrupt or insolvent are not subject to the statutory moratorium. In normal circumstances, members holding bonus certificates can only claim payment 5 years after the date when the bonus certificates were issued. Members are entitled to withdraw or transfer bonus shares only 10 years after the date when the bonus shares were issued.

Technical Amendments

- 6. We are proposing the following technical amendments to update the Act in accordance with current practices and to provide better clarity to the Act:
 - a. To remove the requirement for the Registrar to have a seal. This is in line with the general practice across Government where digital signatures and certifications are commonly used and sufficient to demonstrate authenticity.

¹ Under Section 71 of the Act, every co-op must contribute (a) 5% of the first \$500,000 of surplus to the CCF and (b) 20% of any surplus more than \$500,000 either to the CCF or SLF as the co-op may opt.

² Capital gains are defined as any gains or profits of the society arising from the disposal of (a) any of its property used for its own operations or (b) any of its shares, listed or unlisted in any entity.

- b. To clarify the appropriate reference in the Act which prescribes that the Registrar may, upon application by a co-op, extend the deadline for the submission of annual report and audited financial statements. The statutory deadline is 6 months after the close of each financial year.
- c. To clarify that co-ops must provide a notice of every general meeting to each member at least 15 clear days prior to the date of the meeting, but the by-laws may provide for a longer notice period. This is to clarify any misperception that the by-laws may provide a shorter notice period.

Annexes

7. Please refer to:

- Annex A for the Fact Sheet on co-ops
- Annex B for the Draft Amendment Bill
- Annex C for the Comparative Table of Amendments

Invitation for Feedback

8. Co-ops, co-op members and the public are invited to provide their comments and feedback on the amendments to the Co-operative Societies Act from 20 December 2023 to 10 January 2024.

9. Respondents are requested to observe these guidelines:

- a. Indicate your name and the organisation you represent (if applicable) as well as contact details (email address and/or telephone number) to enable us to follow up and seek clarification, if necessary.
- b. Focus your comments on how the legislative amendments can be better written to make them clearer and to make compliance easier, or on how the policy changes can be improved.
- c. Quote the relevant Section(s) of the Act. If applicable, you should provide your suggested edits to the Section(s) of the Act.

10. The comments and feedback can be submitted via email to mccy_regcoop@mccy.gov.sg, by indicating "Public Consultation on Co-operative Societies (Amendment) Bill 2023" in the subject.

11. We seek your understanding that MCCY can only consider comments and feedback that are received latest by 10 January 2024.

Issued by:

Registry of Co-operative Societies

Ministry of Culture, Community and Youth

20 December 2023