

ANNUAL REPORT ON THE CO-OPERATIVE SOCIETIES IN SINGAPORE

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

ISSUED ON 3 OCTOBER 2017
BY THE REGISTRY OF CO-OPERATIVE SOCIETIES
MINISTRY OF CULTURE, COMMUNITY AND YOUTH

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MESSAGE FROM EXECUTIVE DIRECTOR, REGISTRY OF CO-OPERATIVE SOCIETIES

I am excited to be part of the co-op movement again. This time, I take on a different role, overseeing the Registry of the Co-operative Societies. Though a different position, my purpose is still to protect co-ops members' interests and contribute towards building a thriving and sustainable co-op sector in Singapore. The Registry designs and implements policies for co-operative societies ('co-ops'), and focuses our resources on the policy-making and supervision of credit co-ops to ensure that they are well-governed and prudently managed.

2. In previous years, the Registry has spent considerable efforts to strengthen the prudential standards of credit co-ops. Through numerous rounds of consultation and refinements, the Registry has a relatively stable set of prudential requirements which the credit co-ops are following.

3. Going forward, we will embark on the following key priorities in building a thriving and sustainable co-op sector:

- a. Be progressive in regulatory oversight by updating the Co-operative Societies Act;
- b. Promote and raise the governance standards; and
- c. Strengthen the capabilities of officers in credit co-ops.

4. In this Annual Report, we include the initiatives funded by the Central Co-operative Fund ('CCF') which derives its income from co-op contributions. This includes the funding of Singapore National Co-operative Federation ('SNCF') which seeks to promote and develop the co-ops as sustainable enterprises.

5. *Legislation.* The Registry continuously reviews our existing policies and regulations to ensure their continued relevance. We are currently undergoing the process to amend the Co-operative Societies Act. Some key amendments to the Act include allowing for easier registration and management of co-ops, enhancing regulatory powers to better protect members' interests and introducing competency standards for credit co-ops. We hope to amend the Act in the coming year.

6. *Governance.* It is imperative that co-ops, especially credit co-ops, are professionally run and financially sound. Credit co-ops have a fiduciary duty to their members to exercise prudent oversight over their deposits. In October 2016, with feedback and inputs from the credit co-ops and SNCF, the Registry and SNCF jointly issued the Code of Governance for credit co-ops. Along with the Code, a Governance Evaluation Checklist was issued which allows credit co-ops to ascertain their level of compliance with selected guidelines in the Code. In January 2017, I was pleased to see almost 60 participants from 19 credit co-ops attended the inaugural course on the Code and Checklist. I appreciate the support from the credit co-ops to embark on this new phase of journey with us. The Registry will most certainly try to assist the co-ops who are putting in efforts in enhancing their governance standards.

7. Hence following this Code, the Registry and SNCF will issue three Guides on internal controls, loan management and investment management to provide more guidance to assist credit co-ops in developing or enhancing their policies and practices.

8. *Competency.* Having strong and competent leadership and trained dedicated staff in credit co-ops are paramount to the continued success and long term sustainability of the credit co-ops. We need to begin our work to uplift the competency of the officers of co-ops so that the co-op movement

will continue to thrive under robust and competent leadership. Though this is a new direction, we will not hesitate to do what is important so as to have a sustainable co-op movement.

9. We do not work alone in this endeavour. Firstly, we work closely with partners such as the CCF committee and SNCF in delivering our key initiatives. With CCF's support, we will continue to work closely with SNCF to provide financial assistance and guidance to co-ops. This includes provision of grants, subsidies and shared services.

10. We also engage co-ops in formulating and reviewing policies or seeking their feedback regarding the policies and initiatives through public consultations and engagement sessions. Past engagements have improved the understanding and relationship between the Registry and the co-ops which in turn build a stronger foundation in achieving good governance and effective management of the co-op. I have also initiated a series of dialogues with co-ops to deepen our engagement with them. I hope these dialogues will foster greater understanding and exchange insight into each other's perspectives going forward.

11. As we focus on growing and strengthening the sector, I look forward to expanding our engagements and partnerships with the sector to encourage active citizenry and build a more resilient co-op sector.

Dr Ang Hak Seng

Executive Director

Registry of Co-operative Societies

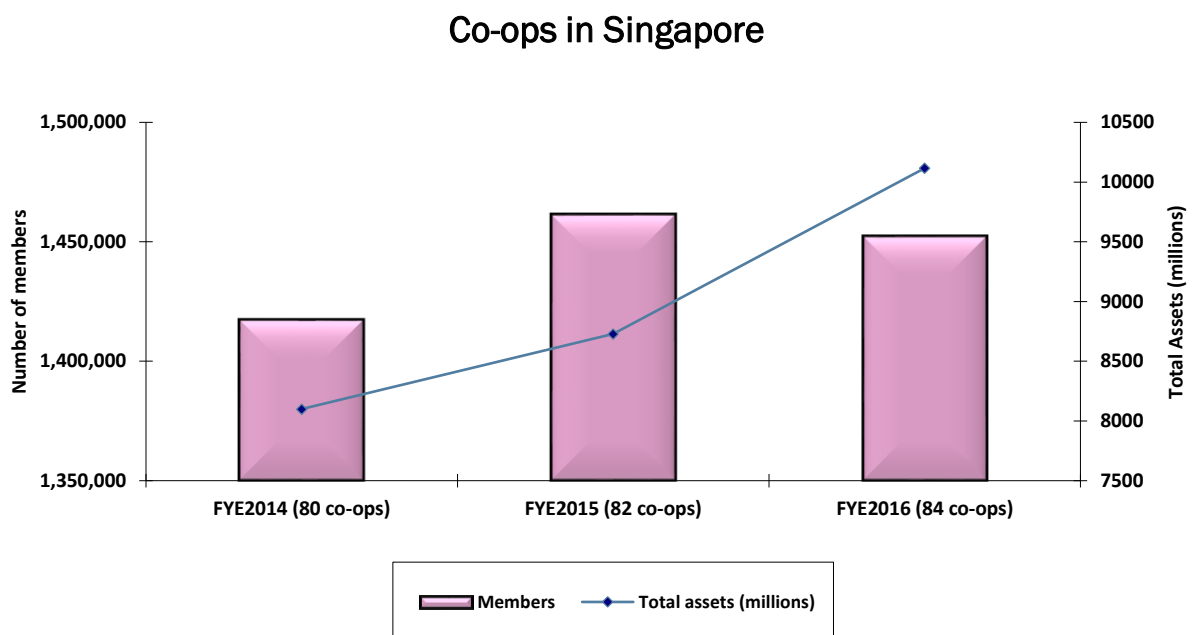
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OVERVIEW OF THE CO-OPERATIVE SECTOR

12. Co-ops are democratically run for-profit entities where people voluntarily unite to achieve a common social or economic aim. Co-ops operate on principles of self-help and mutual assistance, and have social missions that benefit their members or society at large.

13. Co-ops in Singapore are regulated by the Registry of Co-operative Societies, under the Co-operative Societies Act (Chapter 62) and Co-operative Societies Rules 2009.

14. There were **1,468,900 members** in **84 co-ops** which hold **\$10,115 million¹** in total assets as at 31 March 2017 ('FYE2016').



¹ Data derived from co-ops' Audited Financial Statements ('AFS') for the financial year ended 31 December 2016 / 31 March 2017 where available. Otherwise, data was obtained from the last available AFS.

15. Co-ops are classified into three categories:

- a. **Consumer and Services Co-ops** provide goods and services to their members, some of which have become household names. These co-ops are business driven and anchored by a social mission to help residents in Singapore through moderating the cost of living or targeted services.

56 consumer and services co-ops serving
1,331,000 members with
\$9,121 million in total assets

- b. **Credit Co-ops** provide financial services to their members within a pre-existing common bond of association or same community.

24 credit co-ops serving
139,000 members with
\$994 million in total assets

- c. **School Co-ops** operate in secondary schools and junior colleges. They create opportunities for students to experience co-op principles and social entrepreneurship.

4 school co-ops serving
360 members with
\$0.8 million in total assets

Registration and De-registration of Co-ops

16. There were 84 co-ops registered as at 31 March 2017. During the year, 3 co-ops were registered and 1 co-op was deregistered.

17. A brief description of the new co-ops is as follows:

a. **Kaizen Co-operative Limited** – Registered on 29 August 2016, the Co-op is a social enterprise of The Singapore Manual & Mercantile Workers' Union, with AUPE General Services Co-operative Ltd, Singapore Teachers' Union and Union of Telecoms Employees as its institutional members. The Co-op aims to uplift the capabilities of union leaders, members and human resource partners.

b. **Mercatus Alpha Co-operative Limited** and **Mercatus Epsilon Co-operative Limited** – Registered on 29 August 2016 and 15 March 2017 respectively, the Co-ops were set up by the Mercatus Co-operative Limited to develop, invest and own real estate.

18. The ExxonMobil Employees' Co-operative Limited was deregistered on 6 February 2017.

KEY STATUTORY AND REGULATORY REQUIREMENTS

Statutory Requirements for All Co-operatives

19. The Co-operative Societies Act stipulates that all co-ops shall:

- ✓ Hold an Annual General Meeting ('AGM'); and
- ✓ Submit their Audited Financial Statements ('AFS') and Annual Report to the Registry

no later than 6 months after the end of the financial year, unless an extension is granted by the Registrar.

20. The key functions of the AGM include, but are not limited to:

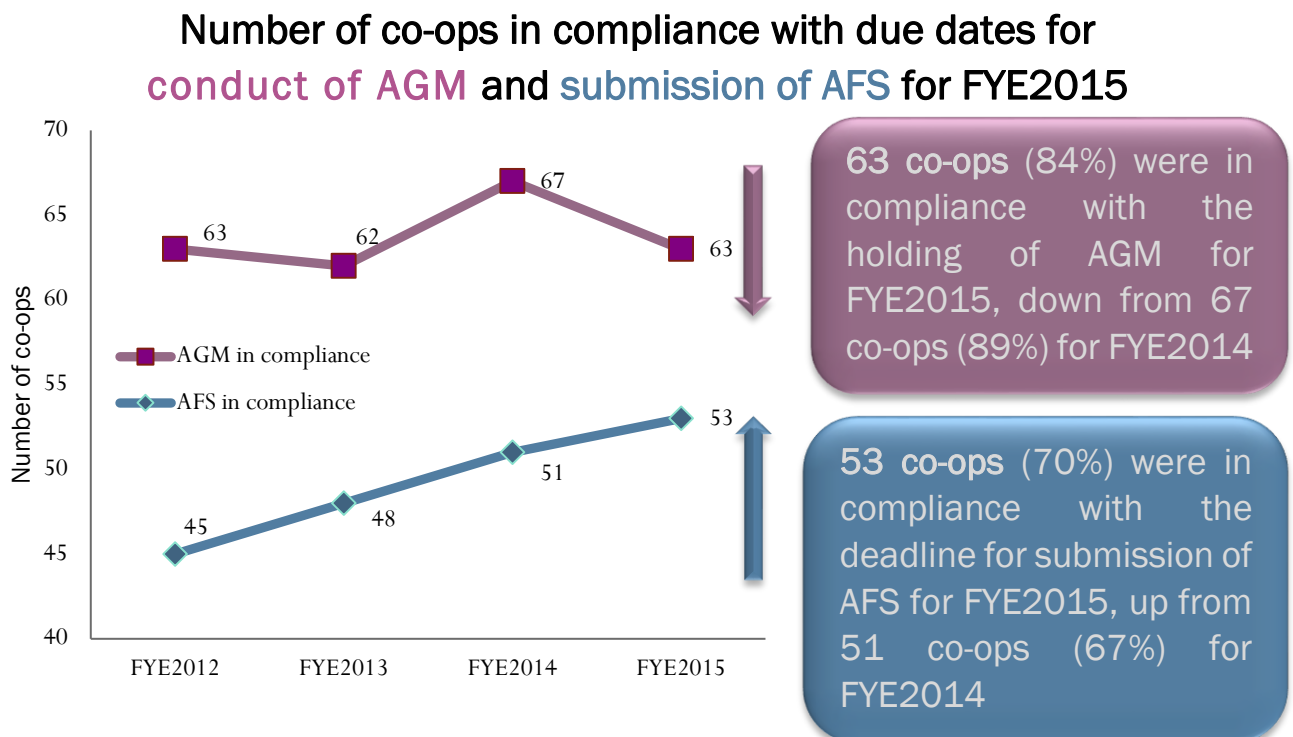
- ❖ Approval of AFS;
- ❖ Consideration and adoption of amendments to the by-laws;
- ❖ Election or removal of members of the COM; and
- ❖ Transaction of any other general business of the co-op of which due notice has been given to members.

21. For the financial year ended 31 December 2016 / 31 March 2017 (FYE2016), **75 co-ops were required to hold their AGM²** and **76 co-ops were required to submit their AFS³** and for the financial year ended 31 December 2015 / 31 March 2016 (FYE2015).

² This excludes co-ops that are undergoing liquidation and the Singapore National Co-operative Federation which holds tri-annual general meetings.

³ This excludes co-ops that are undergoing liquidation.

22. The graph below shows that the majority of the co-ops comply with the submission of AFS and conduct of AGM deadlines. Compliance with the submission deadline for AFS improved from 51 co-ops in to 53 co-ops but the compliance with deadline to conduct AGM worsened from 67 co-ops to 63 co-ops.

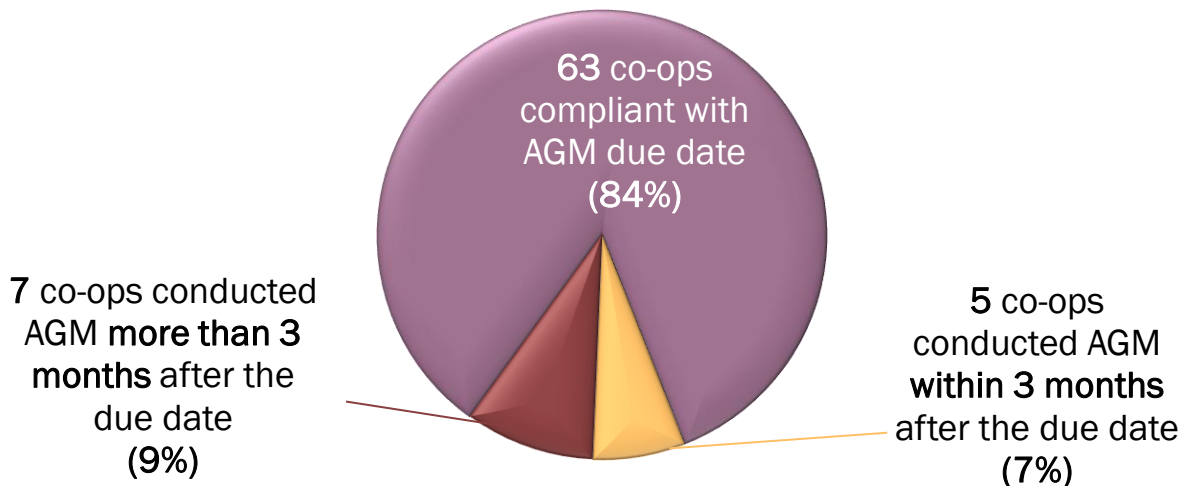


23. It is observed that the most common reason for non-compliance is due to delays in the audits on financial statements. Hence co-ops should start their external audits as soon as possible to ensure compliance with the statutory deadlines.

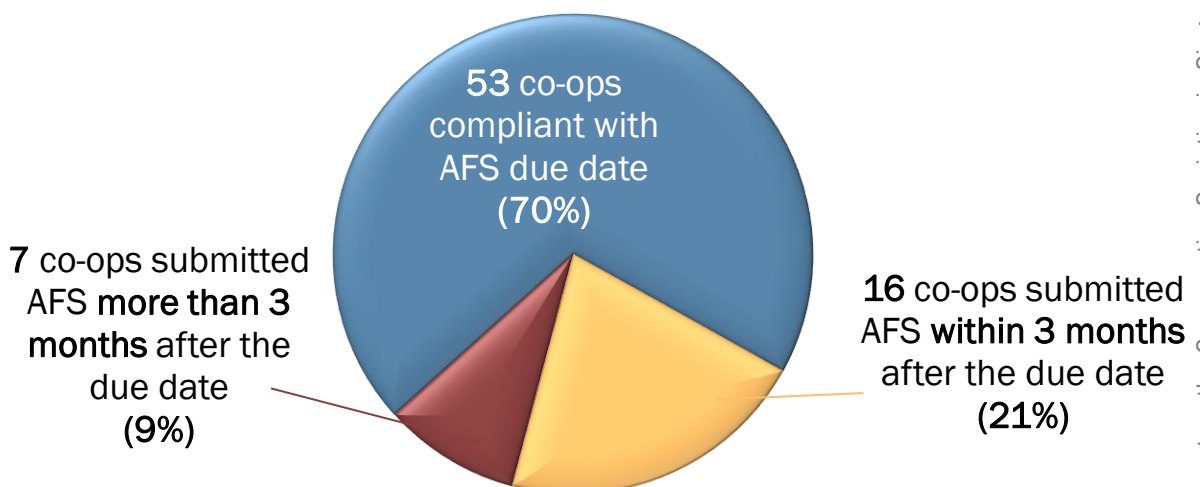
24. The Registry is exploring different ways to improve compliance rates through reminders to the co-ops which may overlook the submissions or assist those which face difficulties in meeting statutory deadlines. This may include increased engagement with the co-ops to help them comply with the regulations. Enforcement actions will be taken if necessary.

25. The charts below show the statistics of the co-ops which conducted their AGM and/or submitted their AFS within or more than 3 months after the due date.

Compliance of co-ops required to conduct AGM for FYE2015



Compliance of co-ops required to submit AFS for FYE2015



KEY STATISTICS

Consumer/Services and School Co-ops Sector Overview

26. Consumer and services co-ops provide goods and non-financial services to their members while fulfilling social mission(s). These co-ops protect the economic interests of their members through their activities, such as providing employment opportunities, selling goods or supplying tailored services on a co-operative basis. The total assets held by **56 consumer and services co-ops amount to approximately \$9,121 million.**

27. There are 9 consumer and services co-ops with total assets above \$100 million⁴. Of these 9 co-ops, 4 co-ops⁵ have over \$1 billion in total assets each. There are 11 consumer and services co-ops with less than \$100,000 in total assets.

28. The **4 school co-ops** in Singapore provide students in secondary schools or junior colleges with bookshops and/or platforms to expose students to entrepreneurship through businesses. The **total assets held by school co-ops amount to \$800,000**, with the largest school co-op holding \$390,000 in total assets.

⁴ Data derived from co-ops' Audited Financial Statements ('AFS') for the financial year ended 31 December 2016 / 31 March 2017 where available. Otherwise, data was obtained from the last available AFS.

⁵ (in alphabetical order) Mercatus Co-operative Limited, NTUC Enterprise Co-operative Limited, NTUC Fairprice Co-operative Limited and NTUC INCOME Insurance Co-operative Limited

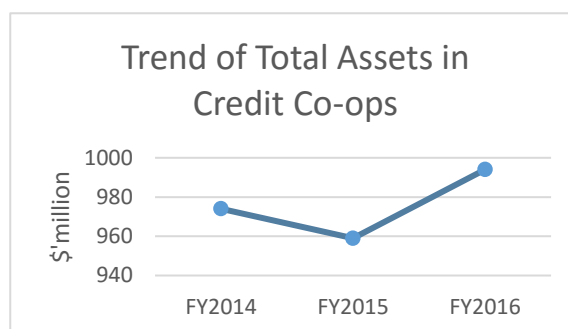
Credit Co-ops Sector Overview

29. Credit co-ops take in deposits from and give out loans to their members. They have a fiduciary duty to their members to exercise prudent oversight over their deposits.

30. Currently, there are **24 credit co-ops** of which 1 is under liquidation. The table below shows the key financial figures for the 23 credit co-ops in Singapore for the financial year ended 31 December 2016 / 31 March 2017.

Total Assets: \$994 million

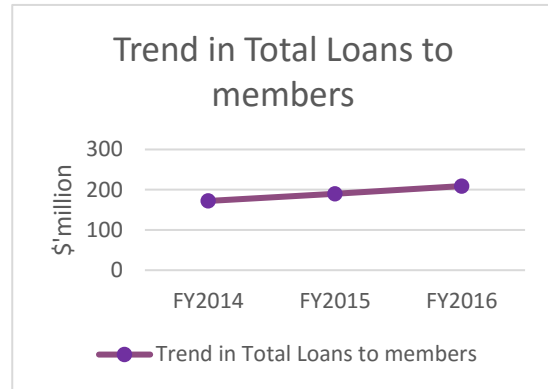
- 7 credit co-ops with total assets over \$50 million
- Of the 7 above, 2 credit co-ops with total assets over \$100 million
- 4 credit co-ops with total assets of less than \$1 million
- Total liquid assets⁶ of \$410 million



⁶ As defined in the Written Direction dated 29 June 2016, 'Liquid Assets' refer to cash, Singapore dollar deposits in Financial Institutions and Singapore Government Securities that are free from prior encumbrances.

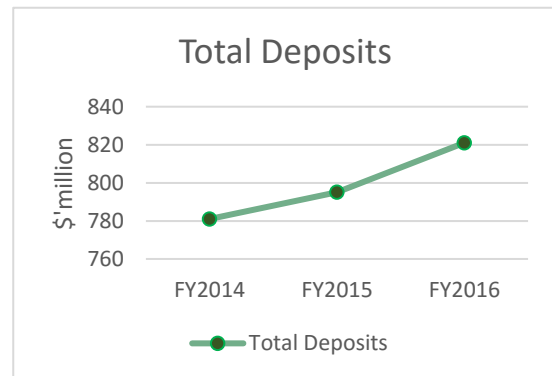
Total Loans to members: \$209 million

- 4 credit co-op with total outstanding loans to members over \$30 million
- 7 credit co-ops with total outstanding loans to members less than \$1 million
- Average loans to assets ratio is 26%
- \$3 million exceptional loans were granted to members during the year
- \$125 million in total loans were granted to members during the year



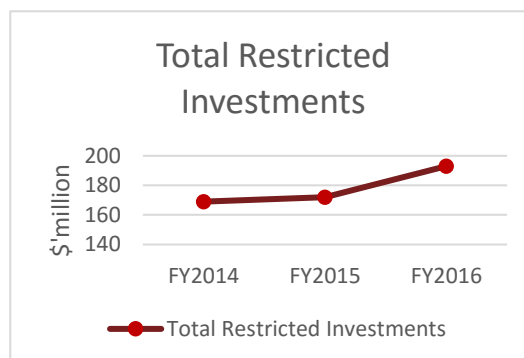
Total Deposits: \$821 million

- 2 credit co-ops with total deposits of more than \$100 million
- 3 credit co-ops with total deposits less than \$1 million
- 2 credit co-ops do not take in any deposits
- Average deposits per member is \$5,900



Total Restricted Investments⁷: \$193 million

- 2 credit co-ops with restricted investments over \$40 million
- 3 credit co-ops with restricted investments less than \$1 million
- 8 credit co-ops did not have restricted investments
- 7 credit co-ops have been granted the Registrar's approval for restricted investments limit of 30% for up to a period of 3 years
- Average restricted investments to assets ratio is 12%



31. **7 (30%) credit co-ops⁸ hold more than \$50 million in total assets each. Together, they account for 80% of the total assets in the sector.** They also hold 80% of the sector's total deposits, 70% of the total loans granted and 70% of the sector's profits (before appropriations and comprehensive income).

⁷ As defined in the Written Direction dated 18 November 2013, Restricted Investments means any form or type of investment other than – (a) bonds issued by any statutory board in Singapore; (b) Singapore Dollar deposits in financial institutions licensed by the Monetary Authority of Singapore; (c) Singapore Government Securities; and (d) capital-guaranteed investment funds or products managed by financial institutions licensed by the Monetary Authority of Singapore, where the issuer(s) guarantee the return of 100% of the capital invested at a predetermined date in the future.

⁸ (in alphabetical order) AUPE Multi-purpose Co-operative Limited, Singapore Government Staff Credit Co-operative Society Limited, Singapore Mercantile Co-operative Society Limited, The Singapore Police Co-operative Society Limited, Singapore Teachers' Co-operative Society Limited, Straits Times Co-operative Limited and TCC Credit Co-operative Limited.

Prudential Requirements for Credit Co-ops

32. Prudential requirements⁹ for credit co-ops are put in place to refocus credit co-ops to their core business of thrift and loan, ensure prudence in operations and improve risk management standards. These requirements were implemented in phases and with long lead time to allow credit co-ops to adapt and achieve compliance. Through constant engagements with stakeholders, the Registry periodically reviews and refines these prudential requirements to keep up to date with the industry trends and address emerging concerns.

Capital Adequacy and Restriction on Dividend

33. Capital adequacy is essential for deposit-taking entities as it serves as a level of buffer for unexpected losses. All credit co-ops must maintain the applicable Capital Adequacy Ratio ('CAR')¹⁰ requirement as prescribed in the Written Direction issued by the Registry.

34. The Registry continuously engages with credit co-ops which are unable to meet the CAR requirement to understand their situation and assist them in working towards compliance. These co-ops usually share difficulties in building their institutional capital due to low surpluses or pressures to provide good returns (dividends and/or interests) to their members. However, while credit co-ops seek to retain and attract members, there should also be focus on having strong institutional capital to ensure long-term sustainability of the credit co-ops. The Registry advises credit co-ops with low CAR to take active steps to increase their institutional capital, for example, by reducing the

⁹ Details of the prudential requirements can be found in the Annex.

¹⁰ As defined in the Written Direction dated 29 June 2016, the Capital Adequacy Ratio is the credit society's institutional capital expressed as a percentage of its total assets.

dividend rate to members, lowering the interest rate on deposits and/or setting limits on deposits per member.

Investment Restrictions

35. The revised Written Direction governing credit co-ops' investments (effective from 20 November 2013) allows credit co-ops to apply for higher restricted investments limits¹¹ (above the baseline restriction of 10%) of up to 30%, subject to conditions. For a 20% or 30% limit, credit co-ops must obtain members' approval at a general meeting, and a 30% limit will require further approval from the Registrar. In assessing the applications, the Registry primarily considers the credit co-op's level of compliance with regulatory and prudential requirements, financial position, governance, processes, current level of restricted investments and the disclosure to their members.

36. Since the issuance of the revised Written Direction, 9 credit co-ops have applied for 30% limit. After careful consideration, the Registrar has granted approval to 7 credit co-ops, for periods of up to 3 years. An additional 6 credit co-ops have sought members' approval for 20% RI limit, for periods of up to 3 years. Co-ops are reminded to provide adequate disclosure to members through the Annual Reports and AGM, so that members are updated of the investment allocation, performance and associated risks (where applicable).

37. Credit co-ops must monitor their investments closely to ensure that they remain compliant with the applicable restricted investments limits. Credit co-ops that wish to apply for the higher limit of 30% should engage the Registry as early as possible. The Registry will advise on the conditions such

¹¹ As defined in the Written Direction dated 18 November 2013, the restricted investments limit is the maximum percentage of the total assets of the credit society that may be invested in restricted investments.

as the applicable period of the higher limit or details of the investments to be disclosed to members.

Compliance with Prudential Ratios

38. An update of credit co-ops' compliance with the prudential ratios for the financial year ended 31 December 2016 / 31 March 2017 (FYE2016) in comparison to the previous two financial years is provided in the following table.

Credit Co-ops that have met the minimum prudential ratios, compliance in numbers and rate:

Prudential Requirement	FYE2016*	FYE2015*	FYE2014^
Minimum Liquid Assets ('MLA')	21 (100%)	21 (100%)	22 (96%)
Capital Adequacy Ratio ('CAR')	18 (86%)	17 (81%)	17 (74%)
Restricted Investments ('RI')	18 (86%) ¹²	20 (95%)	18 (78%)

* - out of 21¹³ credit co-ops which take in deposits at FYE2016 and FYE2015

^ - out of 23¹³ credit co-ops which take in deposits at FYE2014

¹² 2 more credit co-ops did not meet their applicable RI limit as compared to the previous financial year. 1 co-op was due to a sharp reduction in total asset base hence causing the percentage of RI to exceed its limit. The other co-op was due to the expiration of its higher RI limit which caused the percentage of RI to exceed its new limit.

¹³ 2 credit co-ops do not take in deposits. Hence they are not subject to the prudential ratios.

KEY DEVELOPMENTS

Audits on Credit Co-ops

39. The Registry commissions and funds special audits on the credit co-ops to ascertain their compliance with the regulatory and prudential requirements, the adequacy and effectiveness of their internal controls as well as the state of governance. Upon completion of the audit, each credit co-op is issued a report with specific recommendations to address the identified gaps. This allows credit co-ops to improve their existing processes and better protect their members' interests.

40. In January 2016, the Registry commenced the second round of audits on 9 selected credit co-ops. This round consisted of an expanded scope with more emphasis on internal controls and governance compared to the first round in 2014. **The common findings from this round of audits include:**

- **Weak internal controls** such as findings that bank reconciliations were not done regularly or on a timely basis, as well as weaknesses in processes for procurement, petty cash, receipts and payments. Common weaknesses included inadequate segregation of duties, absence of supporting documents, lack of control over official books, conflicting rights or bank signatories were not in line with the by-laws or updated. In addition, the internal auditors did not periodically review co-ops' internal controls.
- **Lack of formalised policies** for example inadequate definitions of the roles and responsibilities of the COM members, Audit Committee

(‘AC’) or the sub-committees in the terms of reference. There were further findings that there were no policies or procedures on declaration of interests, measures to avoid conflicts of interests or related party transactions by the COM, sub-committees and staff.

- **Existing processes were weak or unclear** for instance a number of credit co-ops’ process on collection of monthly loan repayments. This resulted in findings such as under-collection of loan repayments or over-payments of interest.
- **Inconsistencies between policies and practices** for example between administrative policies/by-laws and actual practice in the evaluation of members’ eligibility for loans, granting of loans or reviews on the investments performance. Furthermore, it was observed that decisions made were not properly documented or not in accordance with internal guidelines.
- **Information Technology (‘IT’) findings** such as excessive or incompatible user access privileges as well as insufficient reviews of user access rights, audit logs or backups.
- **Unfamiliarity of regulatory requirements** especially on the Written Direction for Provisions for Bad and Doubtful Loans and Impairment Loss for Investments. It was a common finding that bad and doubtful loans in addition to provisions for impairment loss of investments were not adequately recorded.

41. The Registry will follow up with the co-ops to seek updates on the implementation of consultants' recommendations.

Revision of Written Directions

42. In June 2016, the Registry issued three revised Written Directions, namely for Minimum Liquid Assets, Capital Adequacy and Restriction on Dividend as well as Unsecured Loans. The revision followed feedback and comments received on the Consultation Paper on the proposed changes for credit co-ops issued by the Registry in 2014. The Registry thanks the credit co-ops and the industry body, Singapore National Co-operative Federation ('SNCF'), for their inputs and attending our engagement and sharing sessions. The Written Directions were effective from 1 July 2016 onwards.

Code of Governance for Credit Co-ops

43. Members entrust their credit co-ops to safeguard their deposits. Good governance will enable a more resilient, effective and prudent credit co-op and is thus important to maintain members' confidence and trust in the sector. The Registry and SNCF worked together to update the 2006 Code of Governance to:

- promote transparency, accountability and risk management;
- guide the Committee of Management ('COM') to perform their duties and manage their credit co-op in the best interest of members; and
- provide an objective framework to assess and improve the level of governance of the credit co-op.

44. During the sharing session on 17 November 2015, the Registry and SNCF shared the draft Code of Governance and sought feedback from the credit co-ops from 18 November 2015 to 18 February 2016. The Registry would like to thank all credit co-ops for their valuable inputs.

45. After considering and incorporating feedback received, the Registry and SNCF jointly issued the Code of Governance for credit co-ops on 17 October 2016. The Code is complemented with a Governance Evaluation Checklist, which allows credit co-ops to assess their level of compliance with the selected guidelines. The Checklist operates on the basis of “comply or explain”. This allows credit co-ops which are currently unable to comply with a particular guide to provide explanations and a projected timeline to comply with the guidelines. Alternatively, if the credit co-op is of the view that a guideline is not applicable, there should be an explanation for the non-applicability.

46. SNCF has arranged for an external trainer to conduct a course on the Code and Checklist. The inaugural course, held on 18 January 2017, was attended by Chairmen and key officers from 19 credit co-ops. The Registry strongly encourages the key officers of credit co-ops to attend the course at the earliest opportunity.

UPCOMING INITIATIVES

Amendments to the Co-operative Societies Act

47. The Registry considered the feedback from the credit co-op sector and refined the recommendations on our proposed policy changes relating to the credit co-ops. We are currently working on the draft amendment bill, as part of the process to amend the Co-operative Societies Act.

48. Subsequent to the financial year-end of 31 March 2017, the Registry held a public consultation on the proposed amendments to the Co-operative Societies Act ('Act') from 28 April to 26 May 2017. The key objectives of the proposed amendments are to:

- a) Raise the governance standards of credit co-ops to better safeguard members' deposits;
- b) Facilitate co-ops' operations; and
- c) Enhance regulatory powers to better protect members' interests.

49. We have carefully considered all the feedback received and are working with the Attorney General's Chambers ('AGC') to fine-tune the amendments where appropriate. The Amendment Bill will be tabled at Parliament in due course.

Risk Governance Guides for Credit Co-ops

50. The Registry has been working closely with SNCF to develop three guides on:

- a) internal controls;

- b) loan management; and
- c) investment management.

51. These guides will serve as useful references of good practices which the credit co-ops can adopt when developing or improving their own standard operating procedures. A consulting firm was appointed to assist in refining the guides. In the process, the consultants visited a few credit co-ops to better understand credit co-op operations and their processes.

52. Once the guides are launched, SNCF will arrange training courses for the key officers of credit co-ops.

Capability Building

53. To discharge their fiduciary duty to their members, the Committee of Management and key staff of credit co-ops should possess the relevant knowledge on credit co-op governance and management. Hence the Registry and SNCF have been working together with some credit co-op representatives to develop competency and training requirements. The Registry will be sharing the proposed requirements soon and we hope to continue working closely with the sector to refine the proposed requirements and implement initiatives to further strengthen the capabilities of the credit co-ops.

PROMOTION AND DEVELOPMENT OF THE CO-OPERATIVE SECTOR

54. The Co-operative Societies Act requires co-ops to contribute 5% of the first \$500,000 of their annual operating surplus to the Central Co-operative Fund ('CCF'), and 20% of any operating surplus in excess of \$500,000 to either the CCF or the Singapore Labour Foundation ('SLF').

55. The CCF is used to further co-op education, training, research, audit and for the general development of the co-op movement in Singapore.

56. Co-ops' contributions to the SLF are used to support initiatives that are in line with its mission of furthering the development of a labour movement of unions and co-ops and to promote the welfare of union members and their families. These initiatives aim to:

- a) help needy union members in time of financial need;
- b) safeguard workers' welfare and rights through developing compassionate and committed union leaders to represent workers; and
- c) moderate the costs of daily essentials for working families by partnering social enterprises.

57. **Co-op contributions to the CCF** for the financial year ended 31 March 2017 was **\$3.3 million** and **co-op contributions to the SLF** for the financial year ended 31 December 2016 was **\$65.9 million**.

Central Co-operative Fund

58. The Minister of Culture, Community and Youth appoints the Central Co-operative Fund Committee for the purpose of overseeing the CCF. The current Committee is serving a three-year term effective from 1 March 2015.

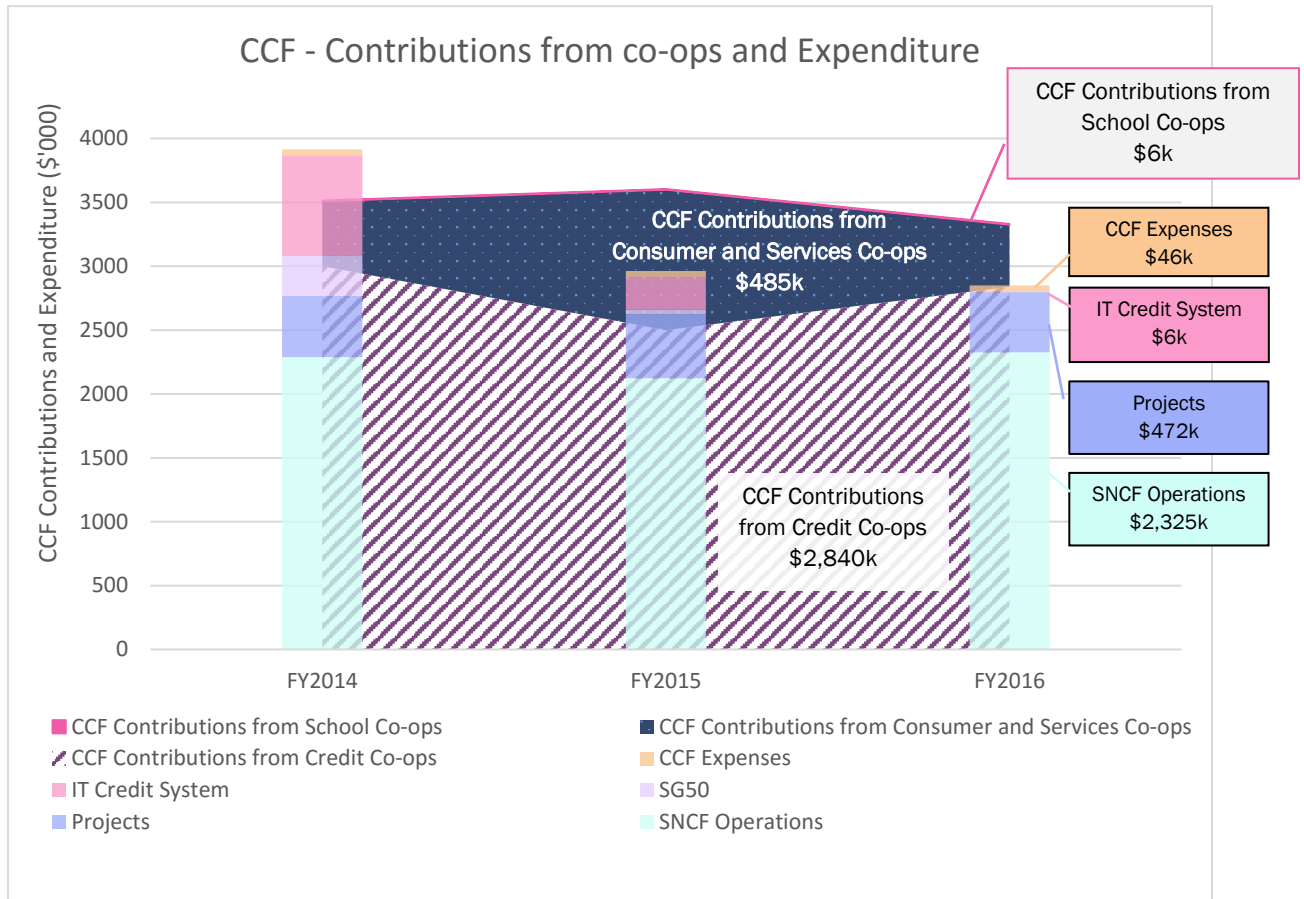
59. The Committee comprises of the following individuals¹⁴:

Position in Committee	Name	Organisation
Chairman	Mr Tan Kian Chew	Chief Executive Officer, Singapore Labour Foundation
Members	Dr Ang Hak Seng	Executive Director, Registry of Co-operative Societies
	Mr Kwek Kok Kwong	Chief Executive Officer, NTUC LearningHub Co-operative Ltd
	Mr Ma Wei Cheng	Vice-chairman, AUPE Multi-purpose Co-operative Limited

60. The Singapore National Co-operative Federation ('SNCF'), the co-op industry body, serves as Secretariat to the CCF Committee. SNCF offers services including training, shared services, CCF grants and networking opportunities. It also serves as the collective voice representing the co-op movement on local and international platforms.

¹⁴ Mr Tan Kian Chew has taken over from Mr Chandra Das as the Chairman of the CCF Committee with effect from 1 April 2016, Mr Kwek Kok Kwong has been appointed into the CCF Committee in place of Mr Chan Tee Seng with effect from 23 September 2016 and Dr Ang Hak Seng has been appointed into the CCF Committee in place of Mr Low Puk Yeong with effect from 16 January 2017.

61. The following graph illustrates the CCF contributions received from co-ops¹⁵ and its expenditure for the past 3 financial years. Figures are for the financial year ended 31 March 2017 (FYE2016) are reflected in the graph.



FYE2016 Contributions to CCF: \$3.33m; FYE2016 CCF Expenditure: \$2.8m

¹⁵ Contributions from co-ops make up about 80% of the CCF's income. Other components (not reflected above) are dividends, surplus from investment management and other income.

62. Key initiatives by SNCF to promote and develop the sector during the financial year included:

Awareness Building

International Co-operative Day – In July 2016, SNCF held exhibits and co-ops shared stories of the history of the co-op movement in Singapore. In addition, SNCF published children storybooks on co-op values as prizes for quizzes.

International Credit Union Day – In October 2016, SNCF organised roadshows at two offices where three credit co-ops shared stories, promoted their services and recruited members. The roadshow showcased the social contributions to those in need by credit co-ops.

International Co-operative Alliance ('ICA') Regional Assembly – In November 2016, the ICA Regional Assembly was held in New Delhi, India. In line with the theme of *Role of Co-operatives in Sustainable Development and Growth*, SNCF CEO spoke on *Addressing the Needs of the Elderly, the Co-operative Way*.

Journey Wall Roving Exhibition ('JWE') – SNCF brought the JWE to 14 schools and Institutes of Higher Learning to showcase the history of the co-op movement in Singapore.

Co-op Hot Shots 5 – SNCF organised 5th edition of their photography competition, Co-op Hot Shots 5, where photos reflected co-op values. The competition attracted over a thousand international entries.

Campus & Youth

Co-op Clubs¹⁶ – For FYE2016, Co-op Clubs have been formed in 7 schools. As at 31 March 2017, there were 10 Co-op Clubs. In addition, SNCF developed in-house curriculum on co-ops, marketing and finance to enhance the induction programme for the co-op clubs.

SNCF Scholarship – SNCF administers the CCF Scholarship programme and disbursed \$130,000 for 13 scholars.

Capability Building

International Co-op Conferences – SNCF arranged for delegations of co-ops to attend international co-op conferences, which allowed them to meet international co-operators to learn from their experiences and best practices.

Training Courses – SNCF conducted courses and provided training materials to improve the co-ops' governance and raise their capabilities. The courses covered topics such as governance, financial accounting and induction programmes, amongst others. There were about 1,500 attendees attaining 6,400 training hours for FYE2016.

CCF Grants

Grants for New Co-ops and Capacity and Capability Development – In the financial year ended 31 March 2017, \$48,000 worth of New Co-op grants were disbursed to provide financial assistance to the new

¹⁶ Co-op clubs are managed by and under the purview of the school in which they operate from, to raise awareness and empower youths to gain first-hand experience of running a social enterprise based on co-op values. Co-op clubs are not registered co-ops hence they are not regulated under the Registry.

co-ops with strong social missions. An additional \$174,000 was granted to support existing co-ops for consultancy services, training, external audit fees, and the acquisition of hardware to improve their operational environment.

Grant for Outsourced Internal Audit – Internal auditors can detect irregularities early, facilitate timely corrective actions or recommend improvements to a credit co-operative’s internal controls. Hence, this grant was introduced in October 2016 to provide co-funding to credit co-ops to outsource their internal audit functions to professional firms.

Shared Services

IT Shared Services – An IT shared deposits and loans system was developed to help credit co-ops improve their data management and better serve members’ needs. The 5 credit co-ops which adopted the IT system have decided to discontinue with the system in 2019. SNCF will assist the credit co-ops to port data over to the new systems.

Marketing Shared Service – helps co-ops with their marketing activities. SNCF also helps co-ops which are unable to afford the cost to have a website through free public software.

Bookkeeping & Accounting service – helps smaller co-ops, which do not have professional finance staff, with their bookkeeping and accounting at a heavily subsidised rate. This improves the co-ops’ compliance with accounting standards and submission deadlines.

CONCLUSION

63. The Registry appreciates the two-way engagement with our stakeholders. Expanding on our conversations with the sector as well as close partnerships with our stakeholders, we aim to strengthen and facilitate the development of the co-op sector. Our engagement allows us to understand the issues, assess their needs and continuously review existing policies and legislation to ensure effectiveness and relevance. With this, we aim to build social capital amongst Singaporeans and to make Singapore home through the promotion of active citizenry.

PRUDENTIAL REQUIREMENTS FOR CREDIT CO-OPERATIVES

The issuance and effective dates of the Written Directions are indicated below:

Written Direction on Prudential Requirement	Issue Date	Effective Date
Minimum Liquid Assets	12 Mar 2010 Revised: 29 Jun 2016	31 Mar 2010 Revised: 1 Jul 2016
Investment Restrictions	31 May 2010 Revised: 18 Nov 2013	30 Jun 2010 Revised: 20 Nov 2013
Provisions for Bad and Doubtful Loans, and Impairment Loss for Investments	26 Nov 2010	1 Jan 2011
Capital Adequacy and Restriction on Dividend	21 Apr 2011 Revised: 29 Jun 2016	30 Jun 2011 Revised: 1 Jul 2016
Secured Loan Limits	29 August 2011	1 November 2011
Unsecured Loan Limits	31 Oct 2011 Revised: 29 Jun 2016	1 Apr 2012 Revised: 1 Jul 2016
Submission of Financial Returns	2 February 2012 Revised: 7 May 2013	6 February 2012 Revised: 10 May 2013

Minimum Liquid Assets

The prudential requirement on Minimum Liquid Assets ('MLA') stipulates that credit co-ops have to maintain sufficient liquid assets to meet withdrawals and maintain members' confidence. Credit co-ops are required to hold a MLA as prescribed in the Written Direction at all times.

Investment Restrictions

The primary function of a credit co-op is to provide financial services to its members by taking in deposits and granting loans to its members. To ensure that credit co-ops focus on their core thrift and loan business and not the role of professional fund managers for their members, investments made by credit co-ops should generally be liquid, conservative and substantially secure in nature. The Registry has set a Restricted Investments ('RI') limit of up to 10% of total assets (or up to 20% or 30%, subject to conditions prescribed in the Written Directions), and had given credit co-ops up to 30 June 2015 to comply with its applicable limit.

Provisions for Bad and Doubtful Loans, and Impairment for Investments

Credit co-ops must make the relevant provisions and impairments in accordance with FRS39 at least half-yearly.

Capital Adequacy Ratio and Restriction on Dividends

Capital Adequacy Ratio ('CAR') stipulates that credit co-ops have to maintain sufficient institutional capital to absorb operational losses. Credit co-ops that hold deposits have to maintain a CAR as prescribed in the Written Direction. In addition, a credit co-op with less than the CAR requirement as at financial

year end and intends to distribute dividends from that year's surplus must seek the Registry's written approval for the proposed dividends.

Secured and Unsecured Loan Limits

Credit co-ops may grant secured and unsecured loans in accordance with the limits prescribed by the Registry, which vary according to loan type.