Annual Report on the Co-operative Societies in Singapore

For the Financial Year Ended
31 March 2022

Ministry of Culture, Community and Youth

Contents

MESSAGE FROM EXECUTIVE DIRECTOR, REGISTRY OF CO-OPERATIVE SOCIETIES

The world is recovering from the COVID-19 pandemic and the many disruptions it has posed. Global events outside of Singapore have also adversely impacted the local community and businesses, including co-operative societies (also known as "co-ops"). Many of us experienced setbacks and unexpected challenges, but have also learnt to adapt and be resilient in times of difficulty and uncertainty. This is an opportunity for us to reflect on the powerful lessons that each experience has taught us.

Preparing for Potential Risks

2. We have experienced first-hand how technology has provided us with many solutions to continue our business operations. With these technological advancements however, there could also be future threats. It is therefore crucial for co-ops to keep abreast of developments in the cybersecurity and personal data protection arena, and implement appropriate measures to protect their members' interests. Co-ops are strongly encouraged to attend the training courses organised by the Singapore National Co-operative Federation ("SNCF"), as well as tap on the Central Co-operative Fund ("CCF") grants available to build their knowledge and capabilities on cybersecurity and personal data protection.

3. Co-ops must also ensure that they have sufficient capital to reduce the impact of unanticipated losses and possible economic downturns. In particular, credit co-ops must meet the higher 10% (up from 8%) Capital Adequacy Ratio ("CAR") requirement which came into effect from 1 July 2021 (following an earlier 1-year extension). The Registry of Co-operative Societies

(“the Registry”) recognised that this may cause some operational issues for co-ops on granting unsecured loans at existing limits while they build up their CAR. The Registry has therefore further postponed the requirement of higher CAR for Unsecured Loan Limits by 1.5 years, to be effective from 1 January 2023.

Building Competencies and Capabilities

4. It is heartening to observe an increase in the number of co-op officers attending training courses organised by SNCF. Co-ops must send their officers for training courses to keep up with advances in technology in their relevant sectors, as well as to improve their governance and internal controls as these are their fiduciary duties.

5. Moving forward, there will be a continued focus on co-op officers' training and competencies. The Registry will also provide support through
4 briefings and resource guides. For example, at the recent Credit Sector Forum organised by SNCF in August 2022, the Registry presented on the common findings and observations from the recent Special Audits to share learning points and best practices with credit co-op officers.

6. To help co-ops with costs of enhancing their capabilities, governance and operational efficiency, there are CCF grants which co-ops may apply for. Following a joint review by the Registry and SNCF, the CCF Grant Framework was enhanced with effect from 1 October 2021. In addition to introducing a Cybersecurity Grant, an additional Tier in the CCF Development Grant, support for phygital (hybrid of physical and digital) events, as well as a Basic Support Grant for financially weaker co-ops were added.

Continued Engagement with Stakeholders

7. SNCF has been the Registry's key partner in developing and implementing our policies and initiatives. Co-ops have also played a major role in providing the Registry with feedback on policies and how they affect operations. The constructive comments have helped us tweak policies to allow co-ops to better serve their members while continuing to meet policy goals. The Registry will continue to work closely with SNCF and our co-ops to build a trusted co-op sector.

The Years Ahead

8. There will be many changes ahead of us. We can see them as roadblocks or as opportunities to adapt and thrive. Co-ops should aim to continuously improve themselves, serve their members well, and fulfil their social missions. I look forward to working closely with the sector to ensure that co-ops continue to play a fruitful role in Singapore's future.

Desmond Chin
Executive Director, Registry of Co-operative Societies
September 2022

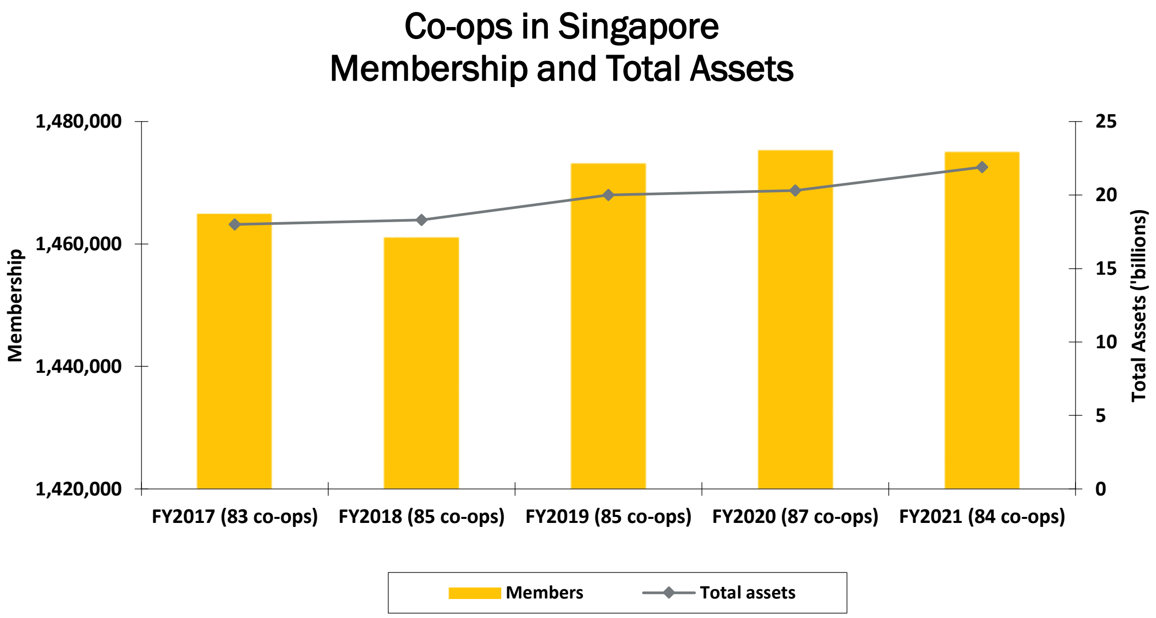
CO-OPERATIVE SOCIETIES STATISTICS

1. The Annual Report aims to inform the public on co-ops, highlight the key statistics and main developments in the year, as well as to share the Registry's plans.

2. Co-ops operate on principles of self-help and mutual assistance, where people voluntarily come together to achieve a common social or economic aim. Co-ops must be financially sustainable and professionally run to ensure they can continue to serve their members in fulfilling their social missions.

3. Co-ops in Singapore are regulated by the Registry, under the Co-operative Societies Act 1979 ("the Act") and related Co-operative Societies Rules.

4. As at 31 March 2022 ("FY2021"), there were **84 registered co-ops**. There were **1.49 million members** and **$21.9 billion**[1] in total assets.



[1] Data derived from co-ops' Audited Financial Statements ("AFS") for the financial year ended 31 December 2021 / 31 March 2022 where available. Otherwise, data was obtained from the last available AFS.

5. Co-ops are classified into two categories:

a. **Consumer and Services Co-ops** provide goods and non-financial services to their members while fulfilling social missions. These co-ops meet the social and economic interests of their members through their activities which include providing employment opportunities, gathering like-minded individuals, or buying and selling goods and services on a co-operative basis. **In FY2021, there were 62 registered consumer and services co-ops.**

b. **Credit Co-ops** provide financial services to their members within a pre-existing common bond of association, for example, individuals from the same community, industry or organisation. They have a fiduciary duty to their members to exercise prudent oversight over their deposits. **In FY2021, there were 22 registered credit co-ops.**

Registration and De-registration of Co-ops

6. During the year, there were no new co-ops registered and 3 co-ops were deregistered:

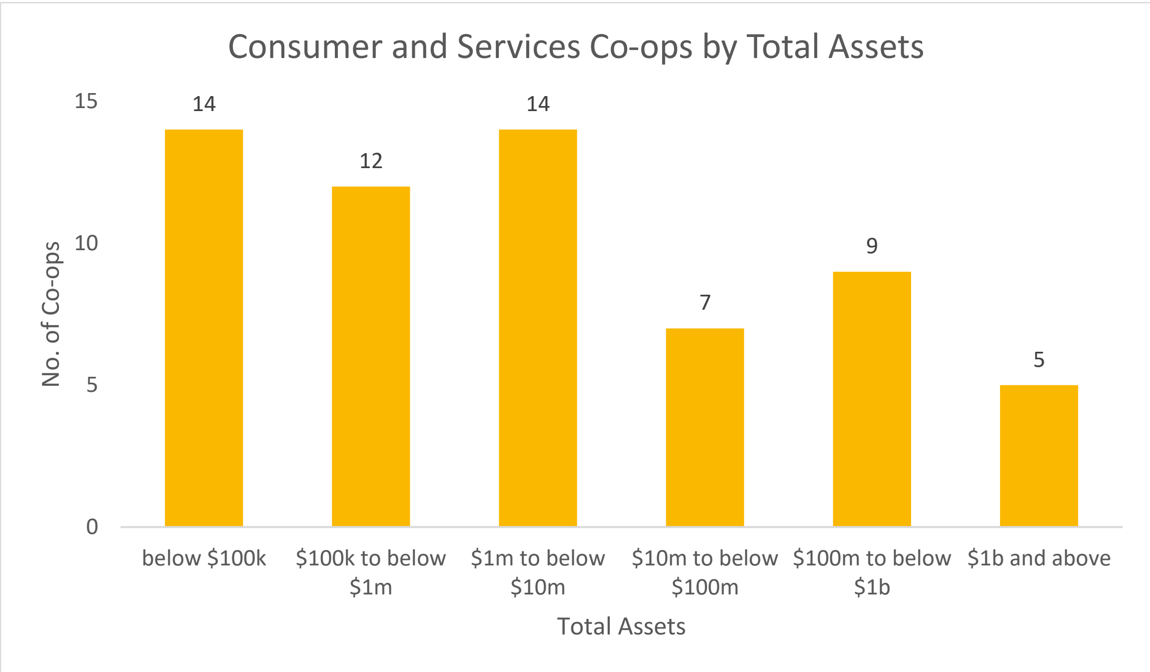
a. SSE Multi-purpose Co-operative Society Limited – deregistered on 22 July 2021;

b. Singapore Religious Teachers' Multi-purpose Co-operative Society Ltd – deregistered on 3 December 2021; and

c. Community Kitchen Co-operative Ltd – deregistered on 7 January 2022.

Overview of Consumer and Services Co-ops

7. There were **61**[2] **consumer and services co-ops,** which held approximately **$20.8 billion in total assets,** and served **1.36 million members.** There were 12 consumer and services co-ops which had total assets less than $100,000 each, while 5 co-ops[3] had over $1 billion in total assets each.



[2] One consumer and services co-op was winding up in FY2021.

[3] (in alphabetical order) Mercatus Co-operative Limited, Mercatus Epsilon Co-operative Limited, NTUC Enterprise Co-operative Limited, NTUC Fairprice Co-operative Limited and NTUC INCOME Insurance Co-operative Limited.

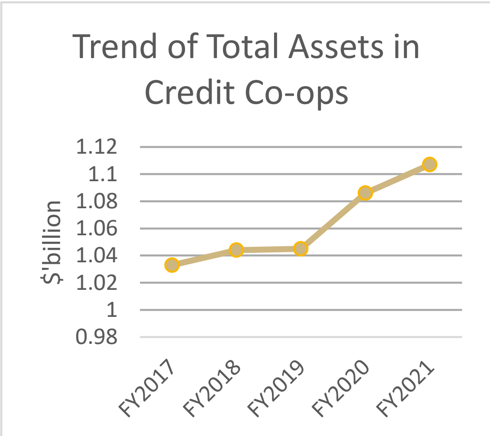
Overview of Credit Co-ops

8. There were **21 active credit co-ops**[4] which served **0.13 million members**.

9. **Nine (43%) credit co-ops**[5] **held more than $50 million in total assets each.** Together, they held most of the sector's total assets (88%), total deposits (88%), total loans granted (95%) and the profits before appropriations and comprehensive income (90%).

Total Assets: $1.1 billion (↑ 1.9%)

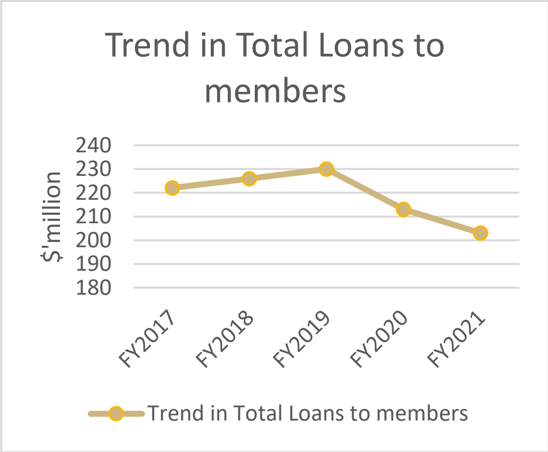
- Total liquid assets[6] of $486 million
- 9 credit co-ops with total assets over $50 million; of which 2 credit co-ops held total assets over $100 million
- 3 credit co-ops with total assets of less than $1 million



[4] In FY2021, there were 22 registered credit co-ops, of which 1 credit co-op is winding up.
[5] (in alphabetical order) AUPE Credit Co-operative Limited, Polwel Co-operative Society Limited, Singapore Government Staff Credit Co-operative Society Limited, Singapore Mercantile Co-operative Society Limited, Singapore Statutory Boards Employees Co-operative Thrift & Loan 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.
[6] "Liquid Assets" is defined in the Annex.

Total Outstanding Loans to members: $203 million (↓ 4.7%)

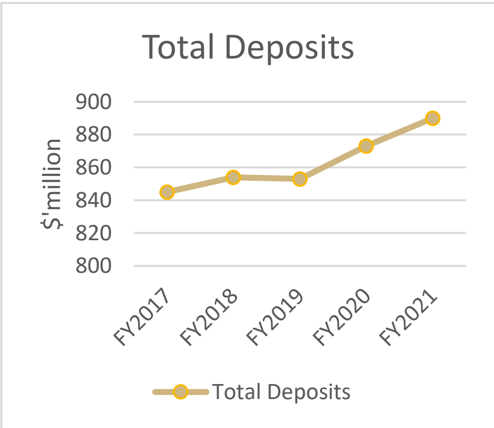
- 3 credit co-ops with total outstanding loans to members over $30 million
- 11 credit co-ops with total outstanding loans to members less than $1 million
- 2 credit co-ops with loans-to-assets ratio above 50%



- Average loans-to-assets ratio was 18%
- During the year, $99 million in loans were granted to members, of which $2.7 million were in exceptional unsecured loans[7]

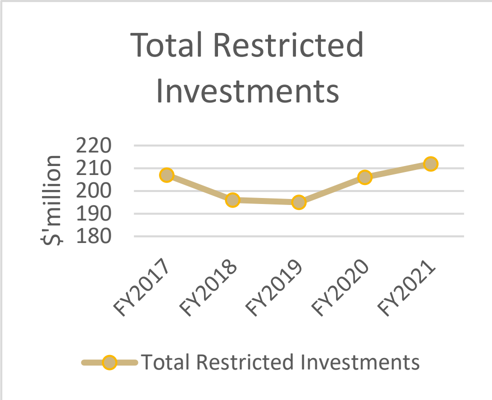
Total Deposits: $890 million (↑ 1.9%)

- 2 credit co-ops with total deposits of more than $100 million
- 2 credit co-ops with total deposits less than $1 million
- 2 credit co-ops did not take in any deposits
- Average deposits per member was $6,800



[7] "Exceptional unsecured loans" is defined in the Annex.

Total Restricted Investments ("RI")[8]: $212 million (↑ 2.9%)



- 1 credit co-op with RI over $50 million
- 3 credit co-ops with RI less than $1 million
- 8 credit co-ops did not invest in RI
- 9 credit co-ops have obtained their members' and the Registrar's approval for RI limit[9] of 30% for up to 3 years
- 4 credit co-ops have obtained their members' approval for RI limit of 20% for up to 3 years
- Among co-ops which invest in RI, the average RI to assets ratio was 17%

[8] The definition of "Restricted Investments" is found in the Annex.
[9] Credit co-ops are allowed to invest up to 10% of their total assets in RI. In addition, credit co-ops may also seek members' approval for a 20% limit, or both members' and the Registrar's approval for a 30% limit, subject to conditions. More information can be found in the Annex.

COMPLIANCE WITH KEY STATUTORY AND REGULATORY REQUIREMENTS

Statutory Requirements for All Co-ops

10. The 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 their financial year, unless an extension is granted by the Registrar. From 1 July 2019, the co-ops must prepare their Annual Report with a minimum disclosure of information as prescribed in the Annual Report Requirement issued by the Registrar.

The annual report and audited financial statements must be made available to members and delegates entitled to attend the general meeting at least 15 clear days before the general meeting.

11. In FY2021, **77[10] co-ops were required to hold their AGM and 78 co-ops were required to submit their AFS** for the previous financial year ended 31 December 2020 / 31 March 2021 (“FY2020”).

12. The COVID-19 pandemic has affected annual submission compliance rates. This was due to longer time needed to conclude the external audits for the AFS, as well as unfamiliarity with holding virtual/hybrid AGMs or a preference to hold a physical AGM when feasible. In FY2020, due to the then COVID-19 situation, co-ops were given more time to convene their AGMs by the extended deadline of 31 December 2020. In FY2021, there was no

[10] The remaining co-ops are winding up and hence are not required to hold an AGM or submit an AFS. In addition, SNCF convenes its AGM every 3 years and last held its AGM in 2020. Whilst it is not required to hold an AGM during this reporting period, SNCF is still required to submit its AFS to the Registry.

extension for the period to hold AGMs (co-ops had to comply with the statutory deadline of 6 months after the financial year end). As some co-ops faced difficulty in holding their AGMs before the deadline, this lowered the co-ops' compliance rate with the deadline to conduct their AGMs.

13. For AFS due during FY2021, **48 (62%) co-ops complied with the deadline to submit the AFS for FY2020**. Of the remaining co-ops, 21 co-ops submitted their AFS within 90 days after the deadline, and a further 2 co-ops submitted their AFS within 180 days after the deadline.

14. For AGMs held during FY2021, **52 (68%) co-ops complied with the deadline to conduct the AGM for FY2020**. Of the remaining co-ops, 15 co-ops convened its AGM within 90 days after the deadline, and another 2 co-ops held its AGM within 180 days after the deadline.

Good regulatory compliance increases members' trust in the Committee of Management.

15. The remaining 8 co-ops, that had either failed to do so or had held their AGM or submitted their AFS more than 180 days after their financial year end, have expressed their intent to dissolve or are being monitored by the Registry. The Registry actively engages with these co-ops to better understand their situations, and will review our actions under the Act where necessary.

Prudential Requirements for Credit Co-ops

16. Credit co-ops should focus on their core business of thrift and loan. Hence, prudential requirements[11] for credit co-ops were put in place to improve risk management standards and ensure prudence in operations. The Registry periodically reviews the prudential requirements to address emerging concerns. New or revised requirements are generally implemented in phases to allow credit co-ops to gradually adjust their operations and meet the requirements.

17. There were **19 credit co-ops subject to prudential ratios**[12]. Their compliance with the prudential ratios for FY2021 in comparison with the previous two financial years is provided in the table below.

Number (and percentage) of Credit Co-ops that have complied with the minimum prudential ratios

Prudential Requirement	FY2021	FY2020	FY2019
Minimum Liquid Assets (“MLA”)	19 (100%)	19 (100%)	19 (100%)
Capital Adequacy Ratio (“CAR”)	13 (68%)	16 (84%)	15 (79%)
Restricted Investments (“RI”)	18 (95%)	19 (100%)	19 (100%)

18. The compliance for CAR in FY2021 dropped from FY2020, due to the increase in the CAR requirement from 8% to 10% effective from 1 July 2021.

[11] A summary of the prudential requirements can be found in Annex.
[12] Out of the 22 registered credit co-ops, 2 do not take in deposits and 1 is winding up, and hence are not subjected to the prudential ratios.

The compliance with RI also dropped slightly, as 1 co-op's RI rose beyond its limit. This was due to an increase in share prices and a drop in its total assets, and the co-op did not purchase new investments during this period. The Registry is actively engaging with the remaining co-ops to work towards their compliance.

19. Unsecured loan limits for credit co-ops are tiered and credit co-ops which do not meet the minimum CAR requirement can only apply unsecured general loan limits at the lowest tier. In addition, they must seek the Registrar's written approval for their proposed dividends to members. However, these credit co-ops should first assess if they should distribute dividends to members, as doing so will reduce the increase of institutional capital which is required to improve CAR.

Credit co-ops with low CAR must take active steps to increase their institutional capital, through reducing expenses, lowering dividend rate and interest rate on members' deposits.

20. The Registry continuously engages and works with credit co-ops which are unable to meet the CAR requirement. We understand that some credit co-ops may require more time to meet the higher CAR ratio which was recently implemented and will monitor the co-ops' progress accordingly.

Adequate institutional capital helps to ensure long-term sustainability of the credit co-ops.

ACTIVITIES IN 2021 & 2022

CCF Support Package

21. To support co-ops during the challenging period of the COVID-19 pandemic, the Minister for Culture, Community and Youth approved a second waiver of co-ops' first tier contributions to the CCF (i.e. 5% of the first $500,000 surplus). The waiver was applicable for financial years ending between 31 December 2020 and 30 September 2021 (both dates inclusive). This aimed to ease co-ops' cashflow and allow them to channel their resources towards adapting, innovating and enhancing their capabilities.

Alternative Arrangement for Co-op Meetings

22. Co-ops may continue to hold virtual or hybrid general meetings by electronic means by relying on the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Charities, Co-operative Societies and Mutual Benefit Organisations) Order 2020 ("the Order"). The Order will continue to be in force until amended or revoked by the Ministry of Law. To provide certainty to entities organising meetings, the Ministry of Law will give at least 6 months' advance notice before the alternative arrangements cease to be available, and the Registry will notify co-ops accordingly.

Job Support Scheme ("JSS") and Cash Grant ("CG")

23. The JSS was introduced in February 2020 by the Government to help employers retain and pay their local employees as businesses were affected by the COVID-19 situation. The CG (a one-time grant), as announced under the Fortitude Budget in May 2020, was given to property owners whose qualifying properties were occupied/rented by Small and Medium-sized enterprises ("SMEs") and non-profit organisations with annual revenue under $100 million. Co-ops that have met the conditions for JSS and CG have received the grants in 2020 (for JSS and CG) and 2021 (JSS only). The Registry reviewed

the treatment of JSS and CG income, in computing the co-op contributions to the CCF and Singapore Labour Foundation ("SLF"). It was decided that the income from JSS and CG (if received by a co-op) would be excluded from the co-op's surplus. As a result, some co-ops had lower adjusted surpluses and were subjected to lower co-op contributions.

Emerging Stronger Conversation ("ESC")

24. The Registry and SNCF co-hosted the Emerging Stronger Conversation in November 2020, a platform which allowed co-ops to share their challenges and opportunities brought by the pandemic, to showcase their experiences in adopting digital solutions, and to suggest resources in further assisting the sector. The feedback from ESC has helped the Registry and SNCF strategise upcoming initiatives for the sector, such as focusing on personal data protection and cybersecurity. These topics were further explored in the Annual Co-operative Leaders' Conference ("ACLC") organised by SNCF in July 2021.

CAR and Unsecured Loan Limits

25. Given the operational challenges brought about by COVID-19, the Registry had earlier postponed the implementation of the higher CAR for credit co-ops from 8% to 10% by one year, from 1 July 2020 to 1 July 2021. In line with the postponement of the higher CAR, the revisions to unsecured loan limits (which are tiered according to a credit co-op's MLA and CAR) were similarly postponed for a year.

26. While the higher CAR of 10% came into effect from 1 July 2021, the Registry had granted a further 1.5-year postponement of the requirement of higher CAR for the unsecured loan limits to 1 January 2023. This would allow credit co-ops, which have not met the increased CAR requirement, to continue

to provide loans to their members at current limits during the postponement period. Credit co-ops which do not meet 10% CAR as at the financial year end and which intend to distribute dividends from that year's surplus must seek the Registrar's written approval for the proposed dividends. This is aimed at ensuring that co-ops focus on building their institutional capital, which would in turn improve their CAR.

CCF Grant Framework

27. The Registry and SNCF regularly review the CCF Grant Framework to ensure that it continues to meet the evolving needs for co-ops. On 1 October 2021, the Framework was enhanced with the following changes:

a. **Cybersecurity Grant (up to $10,000 per year)** – This grant was introduced to incentivise all co-ops to subscribe to the cybersecurity solution recommended by the Cybersecurity Agency of Singapore ("CSA").

b. **Additional "Tier D" under Development Grant** – This new tier would enable the co-ops that have made CCF contributions exceeding $500,000 to obtain up to $100,000 of CCF Development Grant a year.

c. **Support for phygital events under Development Grant** – This would encourage co-ops to organise hybrid events (i.e. attendees at physical venue and on virtual platform) to reach out to a wider audience.

d. **Basic Support Grant** – This new grant was available to co-ops with negative net worth and/or did not make CCF contributions due to operating deficits. The grant could help these co-ops offset their essential costs while they seek to improve their financial positions.

28. The Registry encourages all co-ops to tap on the CCF grants to strengthen internal controls, digitalise and improve service delivery to members.

Special Audits of Credit Co-ops

29. As part of our regulatory supervision, the Registry commissions consultants to conduct periodic special audits on credit co-ops. The scope includes assessing the credit co-ops' compliance with the legislation and Registrar's Written Directions, the adequacy and effectiveness of internal controls, as well as the extent of alignment with the Code of Governance. The special audits serve as a comprehensive "health check-up" and provide an opportunity for credit co-ops to continually improve their governance and operations.

30. At the conclusion of each audit, the appointed consultant will issue a report to the Registry and the co-op on its findings and recommendations. Subsequently, the Registry will follow up with the co-op on its implementation of the recommendations to address the issues identified.

31. The most recent round of special audits commenced in May 2021 and covered 5 credit co-ops. The Registry is currently preparing for the next round of audits, while also seeking updates on the implementation of outstanding recommendations from co-ops which were audited earlier. The timely remediation of audit findings could help to mitigate the risks of regulatory breaches, inconsistent practices, unauthorised transactions and errors. Hence, it is encouraging to note that the co-ops have generally taken a positive

approach towards the audits and made efforts to implement the recommendations.

32. At the Credit Sector Forum organised by SNCF on 23 August 2022, the Registry shared with the credit co-ops some of the common findings and recommendations from recent audit exercises.

33. Credit co-ops are strongly encouraged to refer to the resources jointly issued by the Registry and SNCF, namely the Code of Governance as well as the Governance Guides on Internal Controls, Loan Management, and Investment Management.[13] These resources include best practices and sample templates, which credit co-ops may adopt as appropriate when developing or enhancing their own processes or policies.

[13] Co-ops may obtain these resources from the Registry's website www.mccy.gov.sg/coop under the section "Resources and useful links".

DEVELOPMENT AND PROMOTION OF THE SECTOR

Contributions from Co-ops

35. The Act requires co-ops to contribute 5% of the first $500,000 of their annual operating surplus to the CCF, and 20% of any operating surplus in excess of $500,000 to either the CCF or the SLF.

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

37. 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:

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

38. In FY2021, co-op contributions to the CCF were **$2.8 million**. For the financial year ended 31 December 2021, co-op contributions to the SLF were **$43.6 million**.

CCF Committee

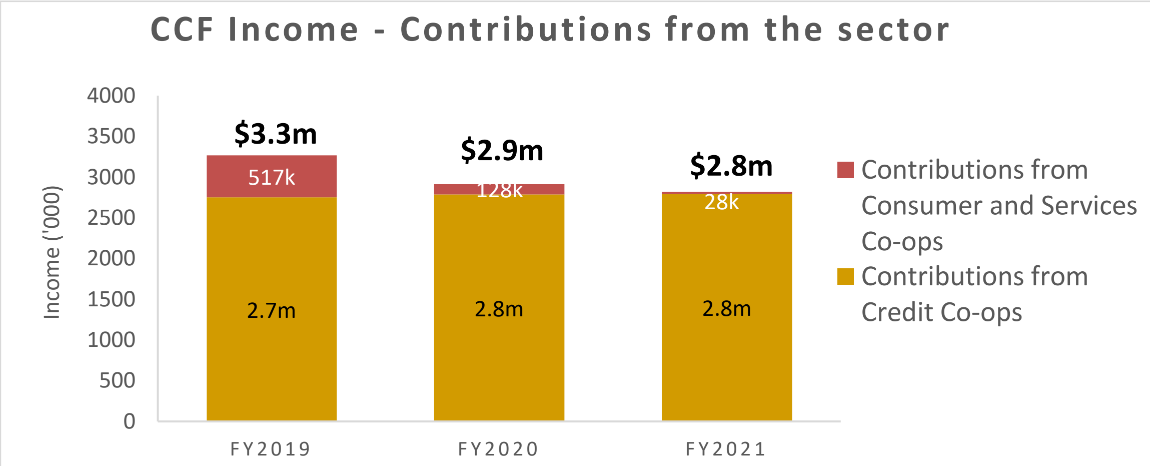
39. The Minister for Culture, Community and Youth appoints the CCF Committee to oversee the CCF. The current Committee is serving a three-year term effective from 1 March 2021.

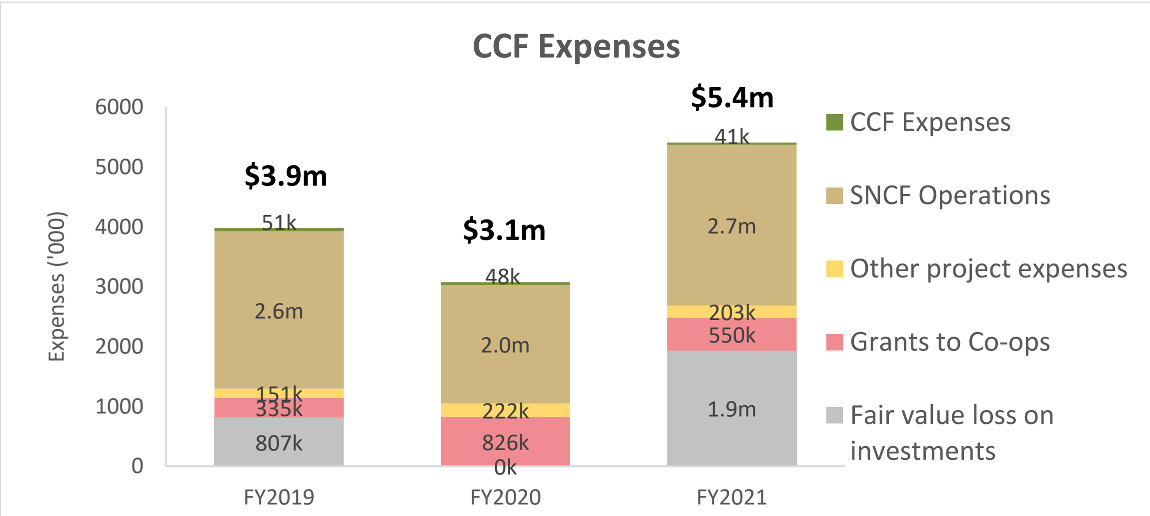
40. The Committee comprises of the following individuals:

Position in Committee	Name	Designation, Organisation
Chairman	Mr Tan Kian Chew	Director, PSC Corporation
Members	Mr Desmond Chin	Executive Director, Registry of Co-operative Societies
	Mr Tng Ah Yiam	Chairman, SNCF
	Mr Yoong Ee Chuan	Treasurer, Ngee Ann Polytechnic Consumer Co-operative Society Limited
	Mr Yeo Chun Fing	Chairman, AUPE Credit Co-operative Ltd

41. SNCF serves as Secretariat to the CCF and provides 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.

42. The following graphs illustrate the CCF contributions[14] received from co-ops and its expenditure for the past 3 financial years.





14 Contributions from co-ops made up about 99% of the CCF's income. Other components (not reflected above) were investment and interest income and other income.

43. As Secretariat to the CCF, the key initiatives conducted by SNCF during the financial year to promote and develop the sector are illustrated below.

Capability Building and Grants

44. **Capability Building** – SNCF continued to run the Mandatory Induction Course ("MIC") and expanded the training workshops on personal data protection.

In FY2021, there were about 1,200 attendees attaining 3,500 training. hours.

45. The ACLC was held in a hybrid form with both physical and virtual attendees. It explored the theme "Emerging Stronger Together with Co-operatives", and covered topics on data protection and safe event management. SNCF also introduced a new mental wellness workshop given the concerns arising from the pandemic. The ACLC and the mental wellness workshop were graced by the Minister of State for Culture, Community and Youth Mr Alvin Tan.

Annual Co-operative Leaders' Conference, July 2021
Photo credit: SNCF

46. **CCF Grants** – The CCF grants aim to improve co-ops' capabilities and operations so that they can better serve their members. In FY2021, $550,000 in CCF grants were disbursed to co-ops. These grants mainly assisted the co-ops in offsetting costs for consultancy, full-time accountant, statutory audit, outsourced internal audit, and development of software and hardware.

Co-ops should contact SNCF to find out more about the available grants.

47. SNCF also worked with a consultancy agency to organise a webinar session and co-produced an IT Playbook. The IT Playbook served as a guide to help co-ops implement IT projects, including best practices when assessing and appointing vendors.

Collaboration and Awareness Building

48. **Collaboration between co-ops** – SNCF plays an enabler role to promote collaborations among co-ops. During the year, SNCF had partnered co-ops to distribute food hampers, to run an introductory webinar on personal data protection and to organize the mental wellness workshop.

Mental Wellness Workshop, May 2022
Photo credit: SNCF

49. **International Representation** – SNCF Chairman, CEO and staff represented the Singapore co-op movement in various conferences held by regional and international organisations. The conferences allowed SNCF to learn best practices from other international bodies.

50. **Youth Outreach and Scholarships** – In July 2021, SNCF reached out to 100 students in NUS High School to increase awareness of the co-operative movement. SNCF also administers the CCF Scholarship Programme.

THE YEARS AHEAD

Raising Competencies of Co-op Officers

51. Advances in technology has introduced new competition and risks in many sectors. It is crucial that co-ops build and maintain a strong foundation in governance and compliance while they grow and compete in their sectors.

52. The Registry had earlier introduced Minimum Competency requirements for key officers of credit co-ops in 2019. The relevant officers who did not meet the requirements were given a 3-year transition period (up to 30 October 2022) to fully meet the requirements or complete the minimum training hours by taking the recommended courses. CCF provided training grants to fully fund the courses for these officers. In the years ahead, the Registry will continue to focus on co-op officers' training and competencies. The Registry's sharing on the special audits at the Credit Sector Forum held in August 2022 was an example of helping to build co-op officers' capabilities. We will explore how we may provide further support such as new resource guides and customised training.

Credit Sector Forum, August 2022.
Photo credit: SNCF

Future Initiatives

53. The Registry is continuing our policy reviews to ensure our legislation remains relevant and effective. These reviews will pave the way for future amendments to the Act and relevant regulations. We may additionally issue further guidelines, templates, or checklists to help co-ops strengthen their operations. The Registry is also undergoing a business process reengineering project to improve and streamline our key internal processes. We aim to achieve greater service delivery to meet the evolving needs of co-ops.

Concluding note

54. Co-ops have provided many benefits to their members and the communities they serve. Developments in technology can create opportunities but also risks to the co-ops. The Registry, in close partnership with SNCF and our stakeholders, endeavour to support co-ops in the ever-changing environment.

ANNEX – 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**
Capital Adequacy and Restriction on Dividend	21 Apr 2011 **Revised:** 21 May 2020	30 Jun 2011 **Revised:** 21 May 2020
Minimum Liquid Assets	12 Mar 2010 **Revised:** 29 Jun 2016	31 Mar 2010 **Revised:** 1 Jul 2016
Investments	31 May 2010 **Revised:** 24 Oct 2018	30 Jun 2010 **Revised:** 1 Nov 2018
Provisions for Bad and Doubtful Loans, and Impairment Loss for Investments	26 Nov 2010 **Revised:** 18 Dec 2018	1 Jan 2011 **Revised:** 21 Dec 2018
Secured Loan Limits	29 Aug 2011	1 Nov 2011
Unsecured Loan Limits	31 Oct 2011 **Revised:** 23 Jun 2021	1 Apr 2012 **Revised:** 25 Jun 2021
Submission of Financial Returns	2 Feb 2012 **Revised:** 7 May 2013	6 Feb 2012 **Revised:** 10 May 2013

Capital Adequacy Ratio and Restriction on Dividends

The Capital Adequacy Ratio ("CAR") ensures that credit co-ops have sufficient institutional capital to absorb operational losses. It is calculated as:

$$\text{CAR (\%)} = \frac{institutional\ capital}{total\ assets} \times 100$$

"institutional capital" is the sum of the following:

a) the credit society's accumulated surplus/deficit or unappropriated surplus;

b) the credit society's general reserves or general funds (excluding reserves and funds established for specific purposes, such as, common good, scholarship, fair value or revaluation, loan default, or provisions for bad and doubtful loans);

c) cash donations.

Credit co-ops with less than the CAR requirement as at financial year end and which intend to distribute dividends from that year's surplus must seek the Registrar's written approval for the proposed dividends.

Minimum Liquid Assets

Minimum Liquid Assets ("MLA") ensures that credit co-ops which receive deposits have sufficient liquid assets at any given time to meet day-to-day and higher than usual withdrawals by their members. It is calculated as:

$$\text{MLA (\%)} = \frac{liquid\ assets}{total\ deposits} \times 100$$

"Liquid assets" refer to cash, Singapore dollar deposits in Financial Institutions and Singapore Government Securities that are free from prior encumbrances.

"Total deposits" means the sum of the following which are held by the credit society: all moneys in the current accounts and deposit accounts, and subscription capital.

Investments

"Restricted Investments" or "RI" 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;

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; and

e) special investments up to 10% of the total assets of the credit society.

Credit co-ops are allowed to invest up to 10% of their total assets into RI. Credit co-ops may seek members' approval for a 20% RI limit, or members' and Registrar's approval to invest up to 30%, subject to conditions.

Co-ops may also invest in special investments ("SI"), up to 10% of the total assets of the credit co-op, subject to conditions. Investments in SI above 10% of total assets will be counted as RI. The SI refer to investments in the Central

Investment Scheme ("CIS"), which is an investment scheme established in conjunction with the CCF, to allow co-ops to pool and invest their funds with a fund manager.

Provisions for Bad and Doubtful Loans, and Impairment for Investments

Credit co-ops must make the relevant provisions and impairments in accordance with FRS109 at least half-yearly.

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.

Depending on a credit co-op's CAR and MLA, and if the borrower has salary check-off or qualified sureties, credit co-ops may grant unsecured general loans to each borrower up to the applicable loan limit. Any amount of the unsecured general loan above the applicable loan limit of a borrower is considered as an "exceptional unsecured loan".

All credit co-ops are subject to an "exceptional unsecured loan allowance", which is the maximum amount of exceptional unsecured loans a credit co-op may grant in a financial year. The exceptional unsecured loan allowance is calculated as 5% of either:

a) The total amount of unsecured general loans granted in the previous financial year; or

b) The average per financial year of the total amount of unsecured general loans granted in the previous two financial years.