

# Annual Report on Co-operative Societies in Singapore

For the financial year ended 31 March 2013

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By the Registry of Co-operative Societies,  
Ministry of Culture, Community and Youth

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## I. INTRODUCTION

Since its inception in November 2012, the Ministry of Culture, Community and Youth ('MCCY') has been working with its stakeholders to build social capital and create an environment where Singaporeans can pursue their aspirations for a better quality of life as well as build a gracious, cohesive and caring society we are proud to call home.

2. Co-operatives ('Co-ops') are enterprises with a social mission. They operate on the principles of self-help and mutual assistance, and play an important role in contributing to the nation's economic and social fabric by providing goods and services to their members or the community at large. Co-ops are also platforms where individuals can come together voluntarily to serve their communities and actively play a part in building a caring society. Hence, the Registry of Co-operative Societies ('the Registry') very aptly comes under MCCY. As the regulator, the Registry not only enforces the rules to protect co-op members' interests, but also works with our stakeholders to develop and refine policies that encourage the growth of the co-op sector so that more people will participate in and benefit from the co-op movement.

3. In addition to providing an overview of the sector, this Annual Report will also share some policy reviews which were prompted by feedback from the co-op sector as well as the Singapore National Co-operative Federation ('SNCF'), the industry apex body. We hope to continue engaging the sector and to keep an open channel of communication on regulatory policies. We will also share on the efforts of our partners, and how co-op contributions to the Central Co-operative Fund and the Singapore Labour Foundation were channeled towards promoting and developing the sector, as well as for the betterment of the society.

4. We believe that together, we can build a strong and sound co-op movement which will contribute to the growth of the country's social capital.

## II. KEY STATISTICS OF CO-OPERATIVE SECTOR

5. A co-op is a jointly-owned and democratically-controlled enterprise formed by individuals who voluntarily come together to meet the economic and social needs of their immediate or wider community. Co-ops throughout the world generally conform to the seven co-operative principles established by the International Co-operative Alliance ('ICA').

6. Co-ops in Singapore are registered by the Registry of Co-operative Societies and their activities are regulated through the Co-operative Societies Act (Cap.62) ('the Act') and the Co-operative Societies Rules. There are generally three categories of co-ops in Singapore:

- (a) Consumer and Services Co-ops – These co-ops provide a broad spectrum of services and meet various social needs ranging from childcare to eldercare, groceries, security services, training and more.
- (b) Credit Co-ops – These co-ops provide financial services i.e. take in deposits and grant loans to their members who share a common bond or affiliation e.g. same industry, employer or community.
- (c) School Co-ops – These co-ops operate in secondary schools and junior colleges. They provide services such as sale of books and stationery, and expose students to co-operative principles as well as give them a taste of running an enterprise.

7. During the financial year ended 31 March 2013, the Registry registered one new co-op and de-registered two co-ops, bringing the total number of registered co-ops as at 31 March 2013 to 85. As at 31 March 2013, the sector had about 1.4 million individual members and a total asset base of approximately \$5.4 billion.

Type of Co-op	Number of Co-ops	Number of Individual Members <sup>1</sup>	Total Assets <sup>2</sup> \$mil
Consumer and Services Co-ops	51	1,216,000	4,381
Credit Co-ops	28	163,000	971
School Co-ops	6	500	0.7
<b>Total</b>	<b>85</b>	<b>1,379,500</b>	<b>5,352.7</b>

8. The NTUC Enterprise Co-operative Ltd was registered on 13 July 2012 as the holding co-operative for the labour movement's 12 Social Enterprises. Its members comprise the National Trades Union Congress ('NTUC'), the Singapore Labour Foundation and various NTUC-affiliated unions. The NTUC Enterprise Co-operative Ltd aims to support the NTUC Social Enterprises to scale up sustainably to create more value and deliver greater social impact to meet the needs of working families in the long run. It will do so by increasing the affordability, quality and accessibility of services and products provided by the family of 12 NTUC Social Enterprises. It will also lead group-wide efforts to increase financial resilience and develop talent, which are essential for the sustainable development of the Social Enterprises.

9. Two co-ops were de-registered in January 2013. The Meridien Junior College Multipurpose Co-operative Ltd had applied for voluntary winding-up whilst the winding-up of the Tanglin Thrift and Investment Co-operative Society Limited was ordered by the Registrar in 2011 under Section 83(2)(c) of the Act for having failed, for 2 or more consecutive years, to comply with the requirements of the Act with respect to the holding of annual general meetings.

<sup>1</sup> Data derived from co-ops' submission of 2012 AGM forms. The number of individual members does not constitute distinct individuals as some individuals may be members of more than one co-op.

<sup>2</sup> Data derived from co-ops' audited financial statements ('AFS') for financial year ended 31 December 2012 or 31 March 2013, where available. Otherwise, the data was derived from the latest available AFS.

### III. KEY STATUTORY AND REGULATORY REQUIREMENTS

#### Statutory Requirements for All Co-operatives

10. The supreme authority of a co-op is vested in the general meeting of its members, at which members have a right to attend and vote. Amongst the key functions of the annual general meeting ('AGM') are the election of members of the Committee of Management ('COM') and approval of the audited financial statements ('AFS').

11. The Act prescribes that a co-op shall hold its AGM within 6 months after the end of the financial year, unless approval has been obtained from the Registrar of Co-ops to extend that period. The Act also prescribes that co-ops shall submit a copy of the AFS to the Registrar within 6 months from the close of the financial year.

12. There were 75<sup>3</sup> co-ops which were required to hold their AGM and submit their AFS. Of these, 12 co-ops did not meet the deadline for conduct of AGM and 30 co-ops did not meet the deadline for submission of AFS. The majority of the late co-ops held their AGM and submitted their AFS within 3 months from the deadline.

13. We urge co-ops to plan for the AGM as well as complete their financial audits early. It is important that co-ops adhere to the deadlines as they have a responsibility to their members to provide timely disclosure on the co-op's financial position and other key matters. If a co-op requires an extension of the deadline, it should write to the Registry early with justifications for the request.

14. The Registry keeps a close watch over co-ops that do not meet the statutory requirements and sends letters to remind co-ops to comply with the deadlines. For the financial year ended 31 March 2013, the Registry met with key officers of 6 co-ops to better understand their reasons for late submission of AFS and conduct of AGMs. We further highlighted the possible steps that they should take to meet the deadlines in future.

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<sup>3</sup> This number excludes co-ops that are newly registered and in their first year of operations, as well as those undergoing liquidation.

## **Prudential Requirements for Credit Co-operatives**

15. Credit co-ops take in deposits and give out loans to their members. As at the financial year ended 31 December 2012 or 31 March 2013, the co-op members' savings (i.e. subscription capital and deposits) amounted to \$753 million whilst loans to members amounted to \$197 million.

16. Credit co-ops have a fiduciary duty to their members to exercise prudent oversight over their deposits. In order to strengthen credit co-ops' capabilities in doing so and to refocus credit co-ops towards the thrift and loan business, the Registry introduced the following prudential requirements in phases, between early 2010 and early 2012 (refer to the [Annex](#) for the details of the requirements and compliance of the credit co-ops).

- (a) Minimum Liquid Assets ('MLA')
- (b) Investment Restrictions
- (c) Provisions for Bad and Doubtful Loans; and Impairment Loss for Investments
- (d) Capital Adequacy Ratio ('CAR') and Restriction on Dividends
- (e) Secured and Unsecured Loan Limits

17. Credit co-ops are required to submit prudential returns (Form 1) within 6 months from the end of the financial year. Form 1 will report on the audited financial position, CAR, MLA, restricted investments and loans data as at the close of the financial year. Credit co-ops are also required to submit the mid-year unaudited balance sheet and income and expenditure statements within 2 months from the middle of the financial year.

18. The Registry is monitoring the credit co-ops' financial status, and their progress in meeting the requirements in view of the transitional arrangements. In future annual reports, we may highlight the co-ops which have yet to meet or make reasonable efforts towards meeting the requirements.

## IV. POLICY REVIEWS

### Credit Co-operatives

19. **Restricted Investments.** The prudential requirement on Investment Restrictions prescribes that a credit co-op which holds deposits is not allowed to invest more than 10% of its assets in restricted investments<sup>4</sup>. Credit co-ops should not be investing in risky investments as their primary function is to take in deposits and give out loans, and they should ensure that members' deposits are protected. Since its implementation, the Registry has been monitoring the compliance and reviewing the financial and investment data of credit co-ops and the issues which arose due to the requirements.

20. The credit co-ops and SNCF have provided feedback that the 10% limit may be overly stringent and credit co-ops face difficulties in generating sufficient returns for members through their loan business alone.

21. The Registry notes that the credit co-ops are generally making efforts to reduce their restricted investments and the co-ops may have difficulty in growing the loan business in the short term. Hence, we have reviewed the existing rules to provide for more leeway for credit co-ops to invest in restricted investments while still maintaining a reasonable level of prudence.

22. Under the proposed revised rules, a credit co-op may invest up to 30% of its total assets in restricted investments subject to conditions, up from the existing 10% limit. Capital guaranteed products will also no longer be considered as restricted investments. The Registry issued the Exposure Draft on the proposed revised investment restrictions on 28 March 2013 and sought feedback from the credit co-ops and SNCF. The Registry has reviewed the feedback received and will be incorporating some of the further proposals.

23. **Returns.** Further to credit co-ops' feedback and our internal review, the Registry has also issued an updated Written Direction on the Submission of Financial Returns on 7 May 2013. We removed or renamed some of the items

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<sup>4</sup> Restricted investments generally refer to more risky investments and are defined in the Written Direction as any form or type of investment other than (i) bonds issued by Singapore Statutory Boards; (ii) Singapore Dollar deposits in financial institutions licensed by the Monetary Authority of Singapore ('MAS'); and (iii) Singapore Government Securities.



in Form 1 to make it easier to understand. In order to facilitate trend analysis and policy reviews, we also required co-ops to provide additional information on their investments and loans to members.

24. **Audits.** The Registry is also preparing to commission audits on selected credit co-ops to assess compliance with the Written Directions on prudential requirements and related internal controls. The key objectives of the audits are to review the credit co-ops' submissions to the Registry, assist the co-ops in understanding the current gaps in compliance (if any) and internal controls, as well as to provide recommendations to improve the co-op's policies and procedures.

### **School Co-operatives**

25. We have also received feedback from SNCF that some of the statutory requirements were too onerous for school co-ops and were inhibiting the growth of this sub-sector. The Registry has reviewed this feedback in the context of our risk-based regulatory framework in which we accord higher supervisory attention to co-ops with higher risks.

26. School co-ops are of relatively lower risk compared to other groups of co-ops. School co-ops are largely managed by the students and teachers and they are the students' first 'contact' with the co-op principles. School co-ops often have limited ability to raise capital, and operate in a niche market. The school administrative staff are often co-opted into the co-ops to provide stewardship and management of the school co-ops. School co-op activities are often dictated by the school calendar, e.g. co-op is closed during term breaks, examinations or marking periods.

27. Hence, the Registry reviewed the existing statutory requirements with the objectives of encouraging the growth of more school co-ops, exposing more students to co-op principles and inculcating an entrepreneurial spirit in our youths. We are considering relaxing some requirements for the school co-ops such as reducing the number of minimum members, an extension of the notice period for the submission of details of the Committee of Management, a reduction of quorum required for general meetings and modification of the requirement for audited financial statements. The Registry plans to roll-out this

new framework for school co-ops by end of year 2013 after the necessary legislative changes have been made.

28. We hope that the student co-op leaders would be inspired by their experience in their school co-ops and will continue to contribute to the general co-op movement when they enter the workforce.

## V. CO-OPERATIVE GOVERNANCE

29. From time to time, the Registry receives ad-hoc feedback from co-op members regarding governance of co-ops. Where appropriate, we will review the facts and advise the co-ops to take the necessary remedial actions. We noted that some of the issues arose due to misunderstanding and inadequate disclosure to members.

30. The Committee of Management ('COM') is accountable to the members for the effective and prudent management of the co-op. Hence, we encourage co-ops to provide adequate and balanced disclosure, at the minimum, to their members in their Annual Reports and/or AGMs.

31. In addition to the requirements under the Act, other information to be disclosed may include (but is not limited to) the following:

- (a) Membership information and statistics;
- (b) Key initiatives or new activities – for example efforts to improve governance and internal controls; streamline business processes or improvement on service delivery to members;
- (c) Financial highlights
  - (i) For example revenue, profit, loans to members, members' deposits, restricted investments, net assets etc. for past financial year;
  - (ii) Explanations on the significant/material changes in financial figures;
  - (iii) Composition and performance of investment portfolio;
  - (iv) Explanations on the need and basis of estimated budget for proposed large expenditure items;

- (v) Related party transactions;
- (d) Proposed distribution of net surplus for approval (distributions including dividends, honorarium and other benefits for COM (if any) etc. should be appropriated from current year surplus only and not from past reserves);
- (e) Update on decisions made in previous year (e.g. whether changes in loan interest rate result in more or less loans, new IT system is up and running);
- (f) New regulatory requirements (if any) – those which have significant impact on co-op’s operations; audits or reviews arranged by Registry or SNCF and the key findings and COM’s actions plans;
- (g) Training for key officers; and
- (h) COM’s outlook and plans for next FY.

32. With greater disclosure and transparency, members of a co-op are likely to feel a stronger sense of ownership and belonging to their co-ops. A co-op with good governance will retain existing members and attract new members, thus enabling the co-op to operate sustainably.

33. In relation to the issue of governance, the Registry and SNCF are also working together to update the Code of Governance for Co-operatives (which was launched in 2006) to steer co-ops towards better governance. We will also consider how best to implement the revised Code so as to drive better governance and accountability for the development of the co-op movement.

## **VI. CONTRIBUTIONS TO CENTRAL CO-OPERATIVE FUND AND SINGAPORE LABOUR FOUNDATION**

34. Co-ops contribute 5% of the first \$500,000 of their annual surplus to the Central Co-operative Fund (‘CCF’). 20% of any surplus in excess of \$500,000 (2<sup>nd</sup> tier contribution) is contributed to either CCF or the Singapore Labour Foundation (‘SLF’), as the co-op may choose.

35. The contributions to the CCF and SLF received in the financial year ended 31 March 2013 are \$3.1 million and \$57.3 million respectively.

### **Central Co-operative Fund**

36. As provided for in the Act, the CCF is used to further co-op education, training, research, audit and for the general development of the co-op movement in Singapore. The Minister for Culture, Community and Youth appoints the CCF Committee for the purpose of overseeing the CCF. At present, the CCF Committee comprises the following individuals.

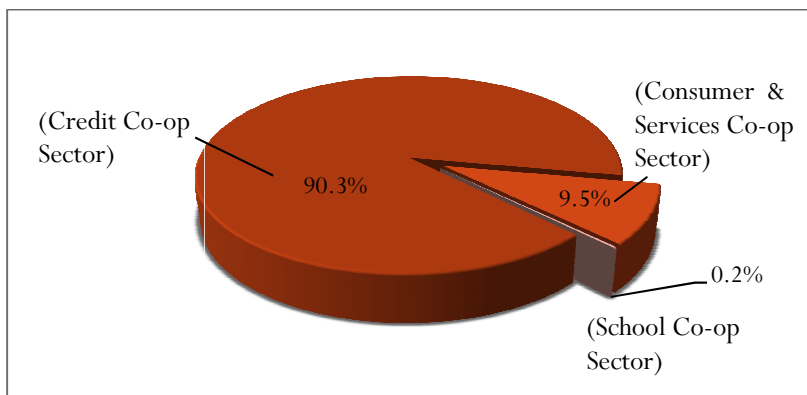
<b>Position in Committee</b>	<b>Name</b>	<b>Organisation</b>
Chairman	Mr S. Chandra Das	Managing Director, Nur Investment & Trading Pte Ltd
Members	Mr Chan Tee Seng	Chairman, Singapore National Co-operative Federation Chief Executive Officer, NTUC First Campus Co-operative Ltd
	Mr Leow Ching Chuan	Board Member, Singapore National Co-operative Federation Chairman cum Group Chief Executive Officer, Seacare Co-operative Ltd
	Mr Low Puk Yeong	Senior Director, Registry of Co-operative Societies
	Mr Timothy Ng	Chairman, Singapore Shell Employees' Union Co-operative Ltd General Manager, Shell Eastern Petroleum Pte Ltd

37. The co-op industry apex body, SNCF, serves as the Secretariat to the CCF. SNCF promotes and develops co-ops and offers various services which include training, shared services, CCF grants and networking opportunities.

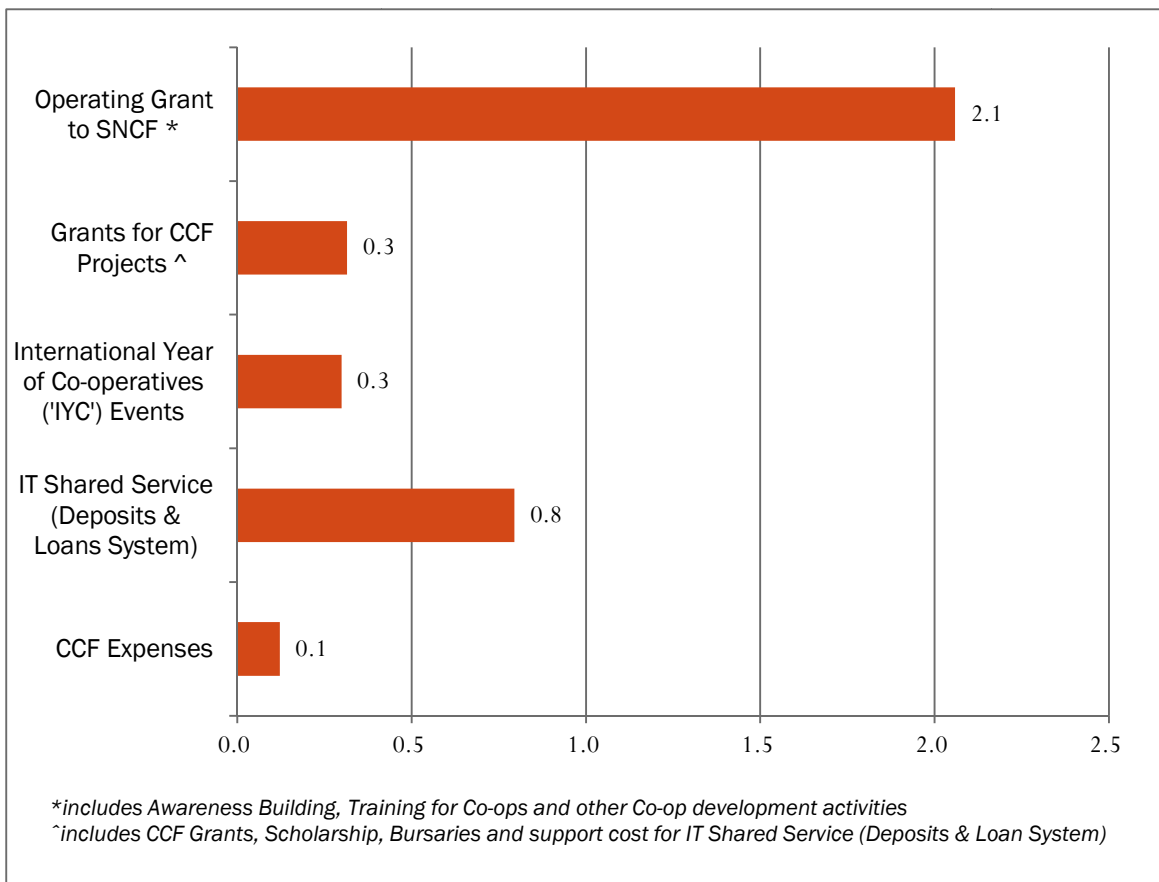
SNCF also serves as the collective voice representing the movement on local and international platforms.

38. The following tables illustrate the sources of the contributions received by CCF and its expenditure for the financial year ended 31 March 2013.

**Contributions to CCF totaled \$3.1 million**



**CCF Expenditure totaled \$3.6 million**



39. The key initiatives for the financial year ended 31 March 2013 were as follows:

**(a) Awareness Building**

SNCF promoted awareness of co-operative principles and values among the young through campus and youth activities, to instill social awareness and character building. SNCF also collaborated with the government and partners to create greater awareness of the co-op model and the principles of self and mutual help, especially to promote the development of new co-ops to address social needs.

**(b) New CCF Grant Framework**

The Capacity and Capability Development grant was restructured in December 2012 to provide more benefits for co-ops. The grants are effective from the financial year commencing 1 April 2013 with the main objectives of:

- (i) Improving the productivity, innovation and efficiency of co-ops;
- (ii) Increasing the capability of co-ops; and
- (iii) Strengthening the governance of co-ops.

In the financial year ended 31 March 2013, approximately \$53,000 was disbursed to the co-ops. As at July 2013, about \$134,000 in grants has been approved for the financial year ending 31 March 2014.

**(c) Capability Training**

In its efforts to raise the capabilities and competencies of co-op officers, SNCF has:

- (i) Developed a structured leadership development programme;
- (ii) Conducted co-op specific courses such as Co-op Governance;
- (iii) Conducted co-op induction training sessions to familiarise staff of co-ops with the co-op model and develop a sense of belonging to the co-op movement; and

- (iv) Commenced development of financial literacy courses to raise capabilities of co-op officers, with a targeted roll out in the financial year ending 31 March 2014.

#### **(d) IT Shared Service – Deposits and Loans System for Credit Co-ops**

An IT shared Deposits and Loans System was developed to help credit co-ops improve their data management and better serve their members. Six participating co-ops embarked on the project and completed their requirement studies. The co-ops have proceeded to implement the system in phases.

#### **(e) IYC Events**

The year 2012 was a pivotal year, being the International Year of Co-operatives ('IYC') as declared by the United Nations. SNCF initiated a broad range of activities to commemorate the IYC and instill a greater sense of solidarity within the co-op movement as well as raise awareness amongst the general public. The key initiatives comprised the following:

- (i) **Children's story book series** – A series of four children's story books were produced, with the aim of instilling positive values derived from co-op principles.
- (ii) **Co-op Hot shots** – A photography competition was held from 1 March 2012 to 15 May 2012 to raise awareness on the positive values embodied by the co-op model of enterprise. The competition garnered an online presence of more than 17,000 internationally and received 583 online submissions as well as 613 print entries.
- (iii) **Co-opaliciouz** – A large-scale celebration was held at the Marina Barrage in June 2012 to celebrate and create awareness of the co-op movement. Amongst other things, there was a Co-op Hot Shots Photo Exhibition, a mass reading of a children's story book, and a mass song and dance. There were 15,000 participants coming together as one community and included co-op members, staff, families and friends, as well as children and families from the NTUC First Campus Co-op's Pre-school i.e. My First Skool, members of the National Library Board and SEED Institute.

- (iv) **IYC Commemorative Postage Stamp Series and First Day Covers** – The first of its kind postage stamps and First Day Cover was launched, playing tribute to the contributions made by co-ops to Singapore.
- (v) **IYC Regional Conference 2012** – The Conference held in October 2012 brought together 800 leaders of co-ops, charities and social enterprises to discuss ‘How Social Capital drives Profits, Growth and Sustainability’.
- (vi) **SNCF Honour Awards & IYC Closing Ceremony** – An event held in January 2013 to recognise all co-ops and to honour the individuals and the co-ops that have made significant contributions to SNCF and the co-op movement, as well as to celebrate the contributions of the movement towards the IYC. Co-op champions were also for the first time recognised for their unceasing support and contributions over the years.

**(f) Bursaries**

Further to the bursary for Polytechnic students which was launched in August 2011, the bursary for ITE students was launched in January 2013. This bursary scheme provides financial assistance to deserving ITE students who are members of the ITE Co-op, who are staff of a co-op, or the immediate family members of staff of a co-op.

**Singapore Labour Foundation**

40. The Singapore Labour Foundation (‘SLF’) receives the second-tier contributions from the NTUC co-ops as well as other non-NTUC co-ops that have opted to contribute to SLF. All NTUC co-ops are institutional members of SLF as the NTUC Constitution requires NTUC affiliated unions, co-ops and associations to be affiliated to the Foundation.

41. The Modernisation Seminar organised by the NTUC in November 1969 provided the blueprint for the formation of co-operatives by the trade union movement. Co-op ventures were launched by the NTUC and its affiliated unions to provide better economic and social benefits to the workers. Since then, trade union co-ops have continued to play an important role and have created a significant impact on the daily lives of workers and the population at large.



42. Co-ops' contributions to the SLF were used to support broad initiatives to benefit two target groups - union members and working families. SLF's 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) keep essential services and products accessible and affordable for working families by partnering social enterprises.

## VII. CONCLUSION

43. The Registry will continue to review our legislative and regulatory frameworks to ensure continued relevance to the co-op sector. We will also monitor the co-ops' progress in meeting new rules and regulations and provide the necessary assistance.

44. We will continue to work with our key partners such as the CCF Committee and SNCF to review the needs of the sector and introduce programmes that will help develop and strengthen co-ops' capabilities so that they can better meet the needs of their members. We look forward to the participation and support of co-ops in such initiatives which would contribute towards building a vibrant, strong and sound co-op movement in Singapore.

## PRUDENTIAL REQUIREMENTS FOR CREDIT CO-OPERATIVES

The Registry released the prudential requirements for credit co-ops in the form of Written Directions which were issued and effective from the following dates.

Prudential Requirement	Issue Date of Written Direction	Effective Date
Minimum Liquid Assets	12 Mar 2010	31 Mar 2010
Investment Restrictions	31 May 2010	30 Jun 2010
Provisions for Bad and Doubtful loans; and Impairment for Investments	26 Nov 2010	1 Jan 2011
Capital Adequacy Ratio and Restriction on Dividends	21 Apr 2011	30 Jun 2011
Secured Loan Limits	29 Aug 2011	1 Nov 2011
Unsecured Loan Limits	31 Oct 2011	1 Apr 2012
Submission of Financial Returns	2 Feb 2012 <b>Updated: 7 May 2013</b>	6 Feb 2012 <b>Updated: 10 May 2013</b>

The seven Written Directions on the above requirements and the corresponding details may be obtained from our website [www.mccy.gov/coop](http://www.mccy.gov/coop) under the section “Prudential requirements for credit co-operative societies”.

A summary of the different prudential requirements and the 28<sup>5</sup> credit co-ops' progress in meeting these requirements are as follows:

- (a) **Minimum Liquid Assets** ('MLA') – Credit co-ops must hold MLA amounting to 13% of their deposits at all times. Only 3 (10%) credit co-ops did not meet the 13% requirement for financial year-ended 31 Dec 2011 or 31 Mar 2012 (though their MLA exceeded 10%).
- (b) **Investment Restrictions** – Credit co-ops which hold deposits are not allowed to invest more than 10% of their assets in restricted investments. As a transitional arrangement, credit co-ops that did not meet the limit as at 30 June 2010 have five years from then to comply with the limit. As at 31 Dec 2011 or 31 Mar 2012, 15 (60%) credit co-ops did not meet the 10% requirement.
- (c) **Provisions for Bad and Doubtful Loans; and Impairment for Investments** – Credit co-ops must make the relevant provisions and impairments in accordance with FRS 39 at least half-yearly. While we do not require submission of the returns for this requirement, the Registry may conduct ad-hoc audits on selected co-ops to check their compliance.
- (d) **Capital Adequacy Ratio ('CAR') and Restriction on Dividends** – Credit co-ops which hold deposits must maintain CAR of not less than 8% of its total assets. A co-op with less than 6% CAR as at financial year end which intends to declare dividends will have to seek Registry's prior written approval. As a transitional arrangement, credit co-ops which were unable to meet the requirement as at 30 June 2011 have to seek to raise their CAR to 6% by 2014 and meet or exceed the 8% CAR by 30 June 2016. As at 31 Dec 2011 or 31 Mar 2012, 8 (30%) credit co-ops did not meet the 8% CAR requirement.
- (e) **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 type of loan.

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<sup>5</sup> The requirements for MLA, Investment Restrictions and CAR are only applicable to credit co-ops which take in deposits from members. Two credit co-ops do not take in deposits. Hence, these 3 requirements are only applicable to 26 credit co-ops.