

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

Introduction

The Registrar of Co-operative Societies is inviting the public to provide feedback on the proposed amendments to the Co-operative Societies Act (“Act”). This public consultation will run from 28 April to 26 May 2017.

Background

2. The Act was last revised in 2008 to enhance the governance and accountability of co-operative societies (“co-ops”) and to facilitate risk-focused supervision of credit co-ops.

3. The upcoming proposed amendments to the Act aim to raise governance standards of credit co-ops to better safeguard members’ deposits, facilitate co-ops’ operations and enhance regulatory powers to better protect members’ interests.

Raising Governance Standards

4. There are currently 23 credit co-ops serving about 140,000 individual members. As at 31 December 2015, members’ deposits in credit co-ops amounted to \$795 million and loans to members amounted to \$190 million. Credit co-ops play a useful social role by promoting savings among members and giving loans at affordable interest rates to members in need. Due to their deposit-taking function and growing members’ deposits, credit co-ops have been subjected to higher levels of regulatory supervision compared to non-credit co-ops since 2008.

5. In 2014, the Ministry of Culture, Community and Youth (MCCY) conducted a policy review of credit co-ops to raise the governance and prudential standards of the sector. The recommendations from the review were put up for public consultation from 22 December 2014 to 2 February 2015. MCCY refined the recommendations after considering the feedback obtained from the public consultation exercise and discussions with the industry. The following proposed legislative changes will enable the Ministry to implement the recommendations to raise governance standards:

- (a) allow the co-option of up to 2 new persons to the Committee of Management (“COM”) even if there is no vacancy. This will be

- applicable to all co-ops so that new persons with relevant skills and knowledge can be brought in to strengthen the COM;
- (b) Minister may prescribe rules for credit co-ops to appoint specific key officers and introduce qualification requirements for such officers;
 - (c) Minister may prescribe rules to require specific key officers of credit co-ops to attend mandatory courses;
 - (d) The Statement of Account must be sent to each credit co-op member at least once a year; and
 - (e) Co-op officers who have been previously removed by the Registrar of Co-operative Societies (“Registrar”) will be disallowed from holding key positions in any co-op. This will apply to all co-ops.

Facilitating Co-ops’ Operations

6. There are several proposed amendments which aim to facilitate co-ops’ operations. The key proposed changes are as follows:

- (a) Membership: To promote inclusiveness of the co-op movement, existing prohibitions of persons who are legally or mentally disabled, bankrupt or convicted from being ordinary members of co-ops will be removed;
- (b) The minimum age to be eligible for membership of the COM will be revised from 21 to 18 years¹;
- (c) A co-op is required to keep its records for at least 5 years; and
- (d) The funds from a liquidated co-op may be donated to any charity as approved by the members.

Enhancing Regulatory Powers

7. MCCY also seeks to enhance the Registrar’s powers so that the Registry is in a better position to protect members’ and public interests. With the proposed legislative amendments, the Registrar will be able to:

- (a) refuse registration applications which may pose risks to national and public interests;
- (b) vary or impose conditions after registering a co-op;
- (c) deregister a co-op if it is insolvent or unable to meet the conditions that were imposed at the point of registration;
- (d) impose penalties for destruction, concealment and alteration of documents or property as required by the Registrar; and

¹ This is aligned to the Companies Act where a person can qualify as a Director if he is at least 18 years old.

- (b) introduce measures to deal with credit co-ops' non-compliance of prudential requirements. For example, the Registrar may impose dividend restrictions and as a further measure, may order the credit co-op to stop taking in further deposits and cancel the registration of the credit co-op.

8. Like any other business entities, a co-op may get into financial trouble due to poor management, fraud or other factors. While the COM is primarily responsible for the sound and proper management of the co-op, there may be instances where the Registry needs to intervene to stabilise the co-op and maintain members' confidence.

9. The Act will be amended to expand the scope of uses for the Co-operative Societies Liquidation Fund² (CSLA) to fund resolution and liquidation actions and enhance the Registrar's power:

- (a) To conduct investigations into co-ops facing suspected misconduct, mismanagement or financial distress; and
- (b) To suspend a co-op officer as well as appoint statutory manager or additional persons to the COM.

Annexes

10. Please refer to:

- [Annex A](#) for the Fact Sheet on co-ops;
- [Annex B](#) for the Summary Table of the Legislative Amendments;
- [Annex C](#) for the Proposed Amended Co-operative Societies Act.

Invitation for Feedback

11. Co-ops, co-op members and the general public are invited to provide their comments and feedback on the proposed amendments to the Co-operative Societies Act from 28 April to 26 May 2017.

12. Respondents are requested to observe these guidelines:

- a) Indicate **your name** and the **organisation you represent** (if applicable) as well as **contact details** (email address and/or telephone number) to enable us to follow up and seek clarification, if necessary.

² The CSLA consists of proceeds from liquidated co-ops. Currently, CSLA can only be used for the development and promotion of the co-op movement.

- b) Focus your comments on how the legislative amendments can be better written to make them clearer and to make compliance easier, or on how the policy changes can be improved.
- c) Quote the relevant Section(s) of the Act. If applicable, you should provide your suggested edits to the Section(s) of the Act.

13. The comments and feedback can be submitted to either of the following:

Email : **mccy_regcoop@mccy.gov.sg**

Address : **Registry of Co-operative Societies
Ministry of Culture, Community and Youth
140 Hill Street, #02-00,
Old Hill Street Police Station,
Singapore 179369**

14. We seek your understanding that MCCY can only consider comments and feedback that are received latest **by 26 May 2017**.

Issued by :

Registry of Co-operative Societies

Ministry of Culture, Community and Youth

28 April 2017