



REGISTRY OF CO-OPERATIVE SOCIETIES
Ministry of Culture, Community and Youth

RCS 010-005-006

12 July 2023

WRITTEN DIRECTION TO CREDIT SOCIETIES
CO-OPERATIVE SOCIETIES ACT 1979

INVESTMENTS

Application

1. This Written Direction is issued pursuant to Section 93(2) of the Co-operative Societies Act 1979 (hereinafter referred to as “the Act”), and applies to all credit societies that receive deposits. This Written Direction takes effect from **1 August 2023**, and supersedes the Written Direction on Investments issued on 24 October 2018 (reference: RCS/SF70.6).

Definitions

2. In this Written Direction, unless the context otherwise requires –

“applicable RI limit” means the restricted investments limit applicable to a credit society;

“COM”, in relation to a credit society, means the committee of management or board of directors of the credit society;

“liquid assets” means the following assets:

- (a) cash;
- (b) Singapore dollar deposits in all savings accounts, current accounts and fixed deposit accounts (excluding any interest receivable) with financial institutions licensed by the Monetary Authority of Singapore;
- (c) Singapore Government Securities,
provided that the assets are free from any prior encumbrances;

“minimum liquid assets” or “MLA”, in relation to a credit society, means the credit society’s liquid assets expressed as a percentage of its total deposits, based on the most recent audited financial statements of the credit society;

“restricted investments” or “RI”, in relation to a credit society, 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 or otherwise regulated by the Monetary Authority of Singapore;
- (c) Singapore Government Securities; and
- (d) capital-guaranteed investment funds or products managed by financial institutions licensed or regulated by the Monetary Authority of Singapore, where the issuer(s) guarantee the return of 100% of the capital invested at a pre-determined date in the future;

“restricted investments limit” or “RI limit”, in relation to a credit society, means the maximum percentage of the total assets of the credit society that may be invested in restricted investments, where –

- (a) the default RI limit is 10%; and
- (b) a credit society may apply a higher RI limit of 20% or 30%, subject to meeting the conditions in Paragraph 5;

“Singapore Government Securities” means securities or any equivalent instrument issued under the Government Securities (Debt Market and Investment) Act 1992, the Significant Infrastructure Government Loan Act 2021 or any other written law in Singapore.

3. In this Written Direction –

- (a) unless otherwise specified, “total assets”, in relation to a credit society, refers to the total assets of the credit society based on the most recent financial statements of the credit society (whether audited or unaudited);
- (b) all expressions used shall, except where expressly defined in this Written Direction or where the context otherwise requires, have the same meanings as in the Act.

Investment Restrictions

4. The total value of RI held at any time by a credit society that receives deposits shall not exceed 10% of its total assets.

5. Notwithstanding paragraph 4, a credit society that receives deposits may adopt a higher RI limit of 20% or 30% (as the case may be) under the following conditions:

RI Limit	Conditions
20%	<ul style="list-style-type: none"> (a) The credit society has a positive net equity (<i>i.e.</i> total assets less total liabilities) based on audited financial statements for the immediately preceding financial year; (b) There is in effect a resolution, passed at a general meeting of the credit society, approving the 20% RI limit and the investment plan for a period not exceeding 3 years; (c) The COM shall, in seeking such approval of the general meeting, provide sufficient and relevant information based on the guidelines or templates issued or endorsed by the Registrar; (d) The COM shall notify the Registrar <u>within 30 days</u> of such approval of the general meeting by providing the extract of minutes of the general meeting recording such approval, and the information tabled at the general meeting for seeking such approval; (e) The COM shall report the credit society's investment performance at a general meeting every year based on the guidelines or templates issued or endorsed by the Registrar; and (f) The information on the investment performance of the credit society shall be included in the credit society's Annual Report.
30%	<ul style="list-style-type: none"> (a) The credit society has a positive net equity (<i>i.e.</i> total assets less total liabilities) based on audited financial statements for the immediately preceding financial year; (b) There is in effect a resolution, passed at a general meeting of the credit society, approving the 30% RI limit and the investment plan for a period not exceeding 3 years; (c) The COM shall, in seeking such approval of the general meeting, provide sufficient and relevant information based on the guidelines or templates issued or endorsed by the Registrar; (d) The COM shall – <ul style="list-style-type: none"> (i) notify the Registrar <u>within 30 days</u> of such approval of the general meeting by providing the extract of minutes of the general meeting recording such approval, and the information tabled at the general meeting for seeking such approval; and

RI Limit	Conditions
	<p>(ii) <u>obtain the Registrar's approval for the 30% RI limit</u>, which may be granted for a period expiring on or before the date the approval of the general meeting lapses;</p> <p>(e) The COM shall report the credit society's investment performance at a general meeting every year based on the guidelines or templates issued or endorsed by the Registrar;</p> <p>(f) The information on the investment performance of the credit society shall be included in the credit society's Annual Report; and</p> <p>(g) The credit society shall comply with any other terms and conditions the Registrar may impose.</p>

6. If the Registrar rejects an application by a credit society for approval of a 30% RI limit, the credit society may apply a 20% RI limit **provided that** it has met the conditions for a 20% RI limit under Paragraph 5. For the avoidance of doubt, members' approval of a 30% RI limit shall be deemed to include their approval of a 20% RI limit for the purposes of the conditions under Paragraph 5.

7. A credit society that receives deposits shall not purchase or make any investment in:

- (a) structured products;
- (b) derivatives;
- (c) foreign currencies;
- (d) foreign currency denominated instruments;
- (e) cryptocurrency;
- (f) peer-to-peer lending;
- (g) collectibles (such as but not limited to artwork and wine); and
- (h) non-fungible tokens.

8. Shares in other co-operative societies and investment properties purchased before 30 June 2010 shall be treated as non-RI. Where the corporatisation of a co-operative society results in a credit society holding shares in a successor company, the shares in the successor company shall be treated as non-RI if they are attributable to shares in that co-operative society purchased before 30 June 2010.

9. Shares in other co-operative societies or investment properties purchased on or after 30 June 2010 shall be subjected to the RI limit.

Power to Vary the Scope of RI, etc.

10. The Registrar may, if he considers appropriate based on the circumstances of a particular credit society or class of credit societies, vary the applicable RI limit, scope of RI, and any term or condition imposed by the Registrar under this Written Direction.

Non-compliance

11. The Registrar may from time to time conduct or commission audits to ensure compliance with this Written Direction.

12. Credit societies that do not comply with the requirements in Paragraphs 4 to 9 shall be subject to such MLA and/or other requirements as may be stipulated by the Registrar.

13. Under Section 100(1)(d) of the Act, an offence is committed if a person, without reasonable excuse, disobeys any written direction issued under the Act. The offence is punishable on conviction to a fine not exceeding \$10,000 and, in the case of a continuing offence, to a further fine not exceeding \$500 for every day or part thereof during which the offence continues after conviction.

Frequently Asked Questions ('FAQs')

Please note that the FAQs below are provided for the sole purpose of offering additional information regarding the Written Direction. It is not part of the Written Direction.

Q1. What is the rationale for imposing the Restricted Investments (“RI”) limit of up to 30%?

The primary function of a credit society is to provide financial services to its members by taking in deposits, and granting loans to its members.

In line with World Council of Credit Unions (“WOCCU”)’s recommendation that 70-80% of a credit society’s total assets should be in loans to members, credit societies should be focusing on their core thrift and loan business, and should not be performing the role of professional fund managers for their members. Investments made by credit societies should generally be liquid, conservative and substantially secure in nature. Credit societies should not be investing in high-risk instruments. WOCCU recommends that the investment in financial assets should not exceed 2% of the society’s total assets and it should not hold any non-financial assets¹ unless they are used for business operations.

The Registry has set a RI limit of up to 30% of total assets (subject to prescribed conditions), which is more generous than WOCCU’s recommendation. Moreover, there is more flexibility as there are no separate limits for investment in financial and non-financial assets. Hence, a credit society can decide how to manage the allocation of RI within the applicable limit.

Q2. Why is there a need to seek re-approval from members to continue applying the higher RI limit of 20% or 30%?

Higher RI limit means that a credit society is facing higher investment risks. Members of the credit society are entitled to consider the investment performance of the credit society periodically and based on the updated information, decide whether the higher RI limit should continue to apply for a further period of up to 3 years.

Q3. Why is there a need to seek re-approval from the Registry to continue applying the 30% RI limit? What if the Registry does not approve 30%?

The Registry will consider the latest financial position and other updated information from the credit society. The Registry may reject the 30% RI limit if there is serious non-compliance with the regulatory requirements or the Registry considers that it is in the best interest of members for the credit society to limit its exposure to restricted investments.

Following the rejection, the credit society may apply a 20% RI limit provided that it has met the conditions for a 20% RI limit, and will be given a transition period of up to 1

¹ WOCCU previously recommended that “financial investments / total assets” should not exceed 10%, but has revised it to 2%.

year (or any other period prescribed by the Registrar) to pare down its restricted investments. The credit society must not purchase any new restricted investments during the transition period, unless otherwise approved by the Registrar.

Q4. What information should be given or disclosed to members in seeking their approval for higher RI limit and investment plan?

The Committee of Management (“COM”) shall report the level of restricted investments as at the immediately preceding Financial Year End (“FYE”) and provide the proposed investment plan.

The below example can be used as a guideline and the COM may consult investment professionals and provide additional details to members as it deems fit.

Example

“This is to seek members’ approval for the credit society to invest up to [20% or 30%] of its total assets *[Note to co-ops: Delete whichever figure is not applicable]* in restricted investments, for a period of 3 years.

[Note to co-ops: This paragraph applies when seeking members’ approval for RI limit of 30%] [Following members’ approval, the COM will seek the Registrar’s approval for a restricted investments limit of 30%. If the Registrar does not grant approval for a restricted investments limit of 30%, the credit society will apply a restricted investments limit of 20% instead (i.e. invest up to 20% of total assets in restricted investments), for a period of 3 years, subject to the credit society meeting the conditions for 20% RI limit.]

As at <FYE date>, our restricted investments amounted to \$C or D% of total assets, as follows:

Restricted Investments	As at <FYE date>	Remarks
(a) Investment property (address)	\$A	Income (e.g. rental) and expenses (e.g. management fees) for FYE and previous FYE. <i>[Alternately, can show the “net income”]</i>
(b) Shares listed on SGX	\$B	Income and expenses for the FYE and previous FYE. <i>[Alternately, can show the “net income”]</i>
Total	\$C	

Based on the total assets of \$E as at <FYE date>, [20% or 30%] of total assets will amount to \$F.

If members approve the [20% or 30%] limit, we plan to place the investible funds broadly based on the following asset allocation:

Restricted Investments	Proposed Allocation
(a) Investment Property	Max X%; or Range Y% to Z%
(b) Shares listed on SGX	Max X%; or Range Y% to Z%
(c) Corporate bonds issued in Singapore and managed fund(s) with capital protection mandate	Remaining
Total	100%

With the proposed investment plan, the COM hopes to generate annual returns of at least G%.

All investment transactions are approved by the Investment Committee.”

Q5. What information should be given or disclosed to members in reporting the investment performance?

The COM should report on the level of restricted investments and performance for the immediately preceding 2 financial years.

The below example can be used as a guideline and the COM should consult investment professionals and provide additional details to members as it deems fit.

Example

“On <date>, the members have given approval for the credit society to invest up to 30% of its total assets in restricted investments, for a period of 3 years.

The Registrar has also given approval for the 30% limit, for a 3-year period from <date> to <date>.

As at <FYE date>, our restricted investments amounted to \$D or E% of total assets, as follows:

Restricted Investments	Approved Allocation (%)	As at <FYE date>	Actual Allocation (%)	As at <previous FYE date>	Actual Allocation (%)	Remarks
a) Investment property (address)		\$A		\$J		Information on income (e.g. rental) and expenses (e.g. management)

Restricted Investments	Approved Allocation (%)	As at <FYE date>	Actual Allocation (%)	As at <previous FYE date>	Actual Allocation (%)	Remarks
						fees) for the previous and current financial year
b) Shares listed on SGX		\$B		\$K		Information on income and expenses for the previous and current financial year
c) Corporate bonds issued in Singapore and managed fund(s) with capital protection mandate		\$C		\$L		Information on income and expenses for the previous and current financial year
Total		\$D		\$M		

Q6. To apply for a RI limit of 30%, what information needs to be submitted to the Registry? What are Registry’s considerations in evaluating the request?

The Registry will primarily consider the credit society’s audited financial position, current level of RI, and compliance with prudential and any other relevant regulatory requirements.

Hence, a credit society is required to submit the following information or documents:

- (a) Audited financial statements for immediately preceding financial year*;
- (b) Form WD-1 returns*;
- (c) Investment plan approved by members at general meeting;
- (d) Minutes of general meeting which documented the approval given by the members;
- (e) Investment policy and procedures; and
- (f) Management report(s) of investment performance.

[* Note: If the credit society has not earlier submitted these documents to the Registry.]

The Registry will consider the above information and any other relevant factors which we may seek further information or clarification from the credit society.

A credit society may first seek Registrar's in-principle approval for the 30% RI limit by submitting the available documents. Once the credit society has provided sufficient disclosure at its general meeting and obtained members' approval, it can submit the outstanding returns if any, to the Registry and seek formal approval. Upon the Registrar's approval, the credit society can apply the 30% RI limit. If there is material change to the information provided before the general meeting, a re-assessment of the credit society's application for 30% RI may be done.

Q7. Can a credit society apply 30% RI limit once members have given their approval?

No. The higher limit will only take effect after members' and Registrar's approval.

Q8. What if a credit society did not provide or disclose sufficient information to members when seeking approval for higher RI limit?

The approval by members will be not valid if a credit society did not provide or disclose sufficient information to members.

Q9. Will a credit society be penalized if the applicable RI limit (i.e. 10%, 20% or 30%) is breached due to increases in the market values of their quoted investments?

No, a credit society will not be penalized under such circumstances. However, as the level of restricted investments has exceeded the applicable limit, the credit society must not purchase any new restricted investments. In addition, the credit society should explain to members why the applicable RI limit has been breached.

Q10. What is the penalty if a credit society cannot meet the applicable RI limit (i.e. 10%, 20% or 30%)?

Non-compliance with the RI limit, which is imposed by a written direction, is an offence under Section 100(1)(d) of the Co-operative Societies Act.

Under Section 100(1)(d), it shall be an offence if a person (which includes a credit society), without reasonable excuse, disobeys any written direction issued under this Act. Under Section 100(3), the credit society, if convicted, is liable to a fine of up to \$10,000 and, in the case of a continuing offence, to a further fine of up to \$500 for every day or part thereof during which the offence continues after conviction.

(Note: Section 100(1)(d) was previously 100(1)(c) in the Co-operative Societies Act)

Q11. What is peer-to-peer lending?

Peer-to-peer (P2P) lending generally refers to a form of financial arrangement where individuals or businesses can borrow money directly from the investors/lenders. This is typically done through online P2P lending platforms. The P2P lending platforms, acting as intermediaries, set the rates and terms and enable the transactions. The default rates for P2P loans may tend to be higher than those in traditional finance.

Q12. What are collectibles?

A collectible refers to an item worth far more than it was initially sold for because of its rarity and/or popularity. The price of collectibles can vary significantly based on factors such as rarity, condition, desirability, and market demand. Common categories of collectibles include artwork, wine, antiques, toys, coins, comic books, and stamps.