



ANNUAL REPORT ON THE CO-OPERATIVE SOCIETIES IN SINGAPORE

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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MESSAGE FROM EXECUTIVE DIRECTOR, REGISTRY OF CO-OPERATIVE SOCIETIES

With advancements around the world affecting almost every industry, upscaling and efficiency are essential to ensure that co-operative societies (co-ops) continue to thrive.

2. As such, the Registry of Co-operative Societies (the Registry) will focus on the following key priorities for the co-op sector:

- a) Be progressive in regulatory oversight;
- b) Raise governance standards and strengthen the capabilities of officers in credit co-ops; and
- c) Assist our co-ops in being more efficient through shared services.

3. The Co-operative Societies Act was updated in April 2018 to allow easier registration and management of co-ops, enhance regulatory powers to better protect members' interests, and introduce competency standards for credit co-ops. It is imperative that co-ops, especially credit co-ops which handle members' deposits, are professionally run and financially sound.

4. Credit co-ops have a fiduciary duty to their members to exercise prudent oversight over their deposits, and thus need to maintain high governance standards. To assist them, the Registry and our apex body, the Singapore National Co-operative Federation ('SNCF'), jointly issued the Code of Governance in October 2016 and introduced a related course in January 2017. In May 2018, with feedback and input from the credit co-ops, the Registry and SNCF jointly issued 3 Governance Guides on Internal Controls, Loan Management and Investment Management. I was heartened that in July

2018, over 30 participants from 8 credit co-ops attended our inaugural course on the Governance Guides.

5. Credit co-ops must also have competent leadership and trained staff to ensure their continued success and long term sustainability. We are working closely with SNCF and credit co-op representatives to implement initiatives that continuously enhance the competency of our credit co-ops' leadership teams.

6. Economies of scale are important for organisations to stay competitive. By collaborating with one another through shared services for certain operational activities, co-ops can pool their resources, cut costs and stay competitive in today's environment.

7. We are very thankful for the strong partnerships with the Central Co-operative Fund (CCF) committee and SNCF. With CCF's support, we will continue to work closely with SNCF to roll out initiatives to strengthen the sector, including the provision of grants, subsidies and shared services.

8. We will continue to actively engage the co-ops to understand their needs and seek their feedback when refining our initiatives and designing policies. Together, we can build a stronger and more sustainable co-op sector.

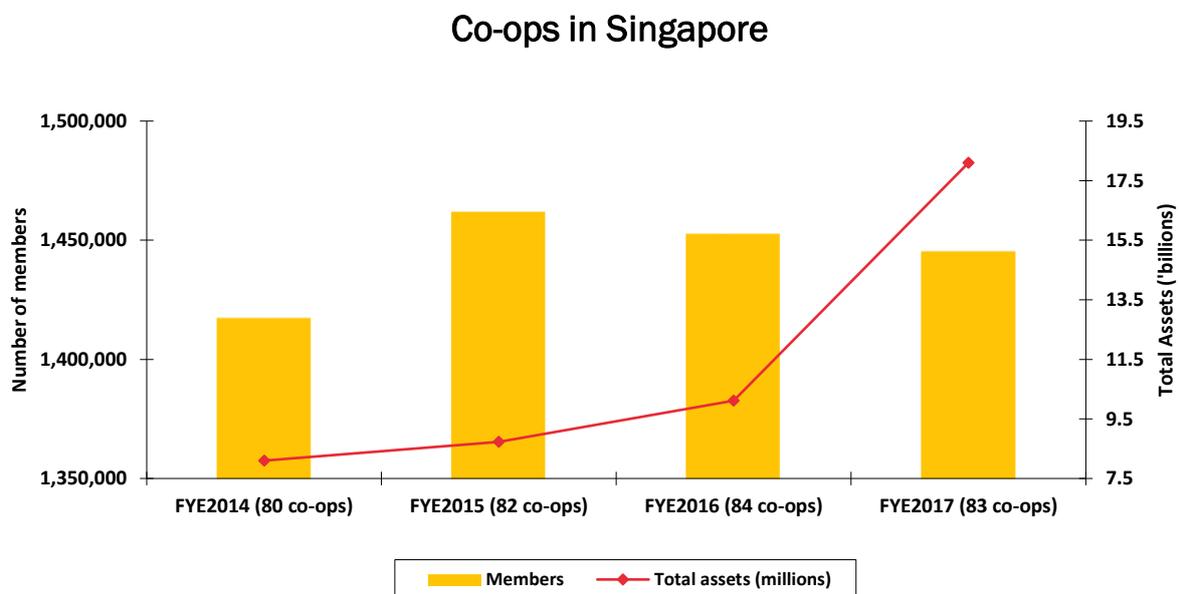
Dr Ang Hak Seng

Executive Director, Registry of Co-operative Societies

October 2018

OVERVIEW OF THE CO-OPERATIVE SECTOR

1. Co-ops are business entities where people voluntarily unite to achieve a common social or economic aim. Co-ops operate on principles of self-help and mutual assistance, have social missions that benefit their members or society at large.
2. Co-ops in Singapore are regulated by the Registry of Co-operative Societies, under the Co-operative Societies Act (Chapter 62) and Co-operative Societies Rules 2009.
3. **1,445,070 members in 83 co-ops** held **\$18.1 billion¹** in total assets as at 31 March 2018 ('FYE2017').



¹ Data derived from co-ops' Audited Financial Statements ('AFS') for the financial year ended 31 December 2017 / 31 March 2018 where available. Otherwise, data was obtained from the last available AFS.

4. Co-ops are classified into three categories:

- a. **Consumer and Services Co-ops** provide goods and services to their members and the public. They are driven by a social mission to help residents in Singapore through moderating the cost of living or targeted services.

56 consumer and services co-ops serving
1,310,000 members with
\$17.0 billion in total assets

- b. **Credit Co-ops** provide financial services to their members within a pre-existing common bond of association such as the same race, employer or profession.

24 credit co-ops serving
135,000 members with
\$1.0 billion in total assets

- c. **School Co-ops** operate in secondary schools and junior colleges. They allow students to learn about the co-op principles and experience social entrepreneurship.

3 school co-ops serving
54 members with
\$0.6 million in total assets

Registration and De-registration of Co-ops

5. There were 83 co-ops registered as at 31 March 2018. During the year, 2 co-ops registered and 3 co-ops deregistered.

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

a. **Mercatus Zeta Co-operative Limited** – Registered on 21 July 2017, the Co-op was set up by the Mercatus Co-operative Limited to develop, invest and own real estate.

b. **NTUC Enterprise Nexus Co-operative Limited** – Registered on 6 March 2018, the Co-op operates as a shared services centre to centralise corporate functions such as accounting, human resources, payroll, information technology (IT) and legal services for its members to drive process standardisation.

7. Co-ops are deregistered only after the finalisation of the liquidation process which may span over a few years. The 3 co-ops which deregistered in the past year were:

a. NTUC Media Co-operative Limited, on 6 February 2018

b. Premier Training Co-operative Society Limited, on 20 March 2018

c. Northlight School Multi-purpose Co-operative Limited, on 27 March 2018.

**KEY STATUTORY AND
REGULATORY
REQUIREMENTS**

Statutory Requirements for All Co-operatives

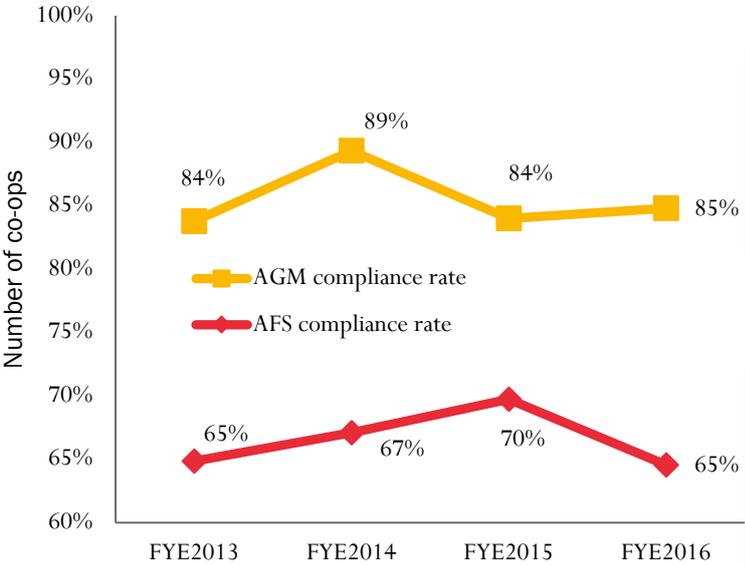
9. The Co-operative Societies Act stipulates that all co-ops shall:
- ✓ Hold an Annual General Meeting ('AGM'); and
 - ✓ Submit their Audited Financial Statements ('AFS') and Annual Report to the Registry
- no later than 6 months after the end of the financial year, unless an extension is granted by the Registrar.
10. The key functions of the AGM include, but are not limited to:
- ✓ Approval of AFS;
 - ✓ Consideration and adoption of amendments to the by-laws;
 - ✓ Election or removal of members of the COM; and
 - ✓ Transaction of any other general business of the co-op of which due notice has been given to members.
11. The **annual report, audited financial statements and audit report** must be made available to members and delegates entitled to attend the general meeting at least **15 clear days² before the general meeting**.
12. In FY2017, **79 co-ops were required to hold their AGM and required to submit their AFS³** for the previous financial year ended 31 December 2016 / 31 March 2017 (FYE2016).

² Clear days means the exclusion of the first day (i.e. day information was sent to members) and last day (i.e. day of general meeting).

³ This excludes co-ops that are undergoing liquidation.

13. The graph below shows that the **majority of the co-ops comply with the submission of AFS and conduct of AGM deadlines**. Members need timely financial information to assess the financial position of their co-op and raise queries that they may have. Compliance with the deadline to conduct AGM improved slightly from 84% to 85%. While strict compliance with the deadline to submit AFS dropped from 70% to 65%, many co-ops submitted their AFS within 3 months after the due date. With regards to the co-ops which submitted their AFS more than 3 months after the deadline or failed to submit their AFS, they expressed intent to dissolve, were in the midst of dissolution or under monitoring by the Registry. Enforcement actions would be taken if necessary.

Compliance rates with due dates for conducting of AGM and submission of AFS for FYE2016

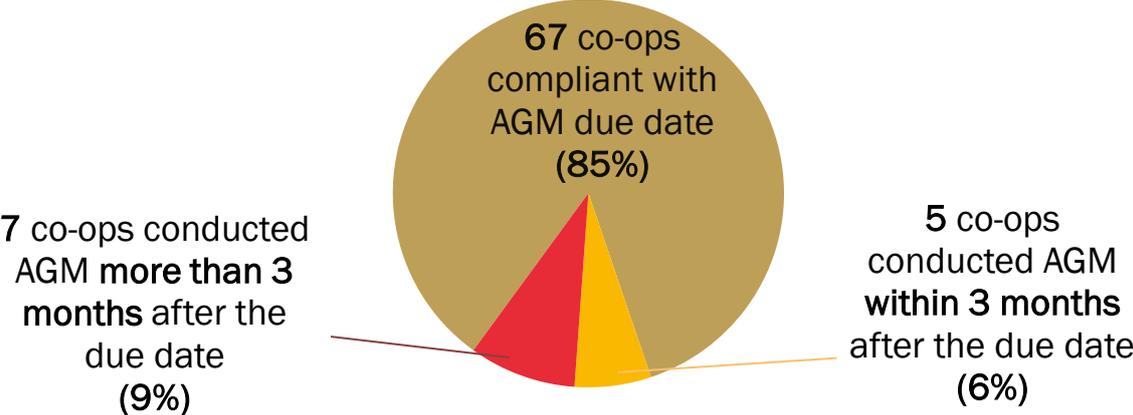


67 co-ops (85%; out of 79 co-ops) were in compliance with the holding of AGM for FYE2015, up from 63 co-ops (84%; out of 75 co-ops) for FYE2015

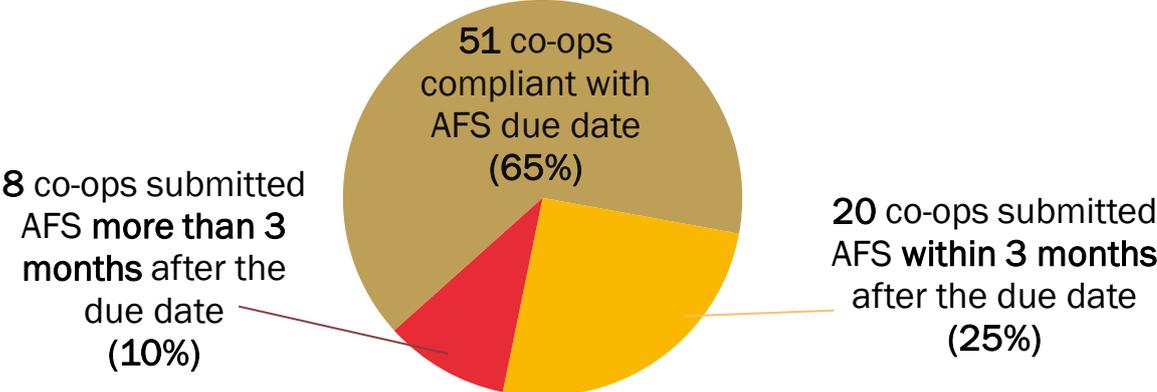
51 co-ops (65%; out of 79 co-ops) were in compliance with the deadline for submission of AFS for FYE2015, down from 53 co-ops (70%; out of 76 co-ops) for FYE2015

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

Compliance of co-ops required to conduct AGM for FYE2016



Compliance of co-ops required to submit AFS for FYE2016



KEY STATISTICS

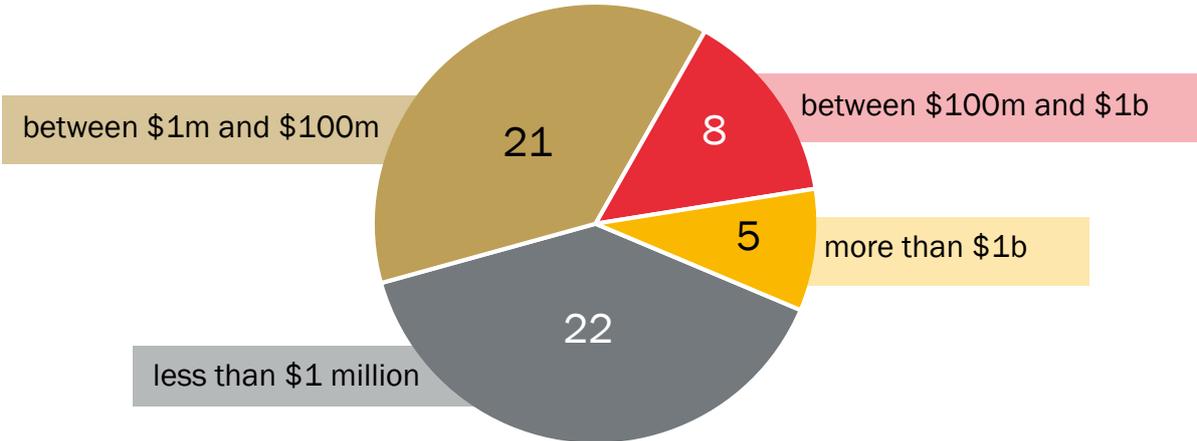
Overview of non-credit co-ops

Consumer and Services Co-ops

15. Consumer and services co-ops provide goods and non-financial services to their members while fulfilling social mission(s). These co-ops protect the economic interests of their members through their activities, such as providing employment opportunities, selling goods or supplying tailored services on a co-operative basis. The **total assets** held by **56 consumer and services co-ops** amount to approximately **\$17.04 billion**.

16. There were 22 consumer and services co-ops with less than \$1 million in total assets. 8 consumer and services co-ops have total assets between \$100 million and \$1 billion each, while 5 co-ops⁴ have over \$1 billion in total assets each.

Consumer and Services Co-ops by Total Assets (TA)



⁴ (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

School Co-ops

17. The 3 school co-ops in Singapore provide students in secondary schools or junior colleges with bookshops and/or platforms to expose students to entrepreneurship through businesses. The total assets held by school co-ops amount to \$600,000, with the largest school co-op holding \$390,000 in total assets.

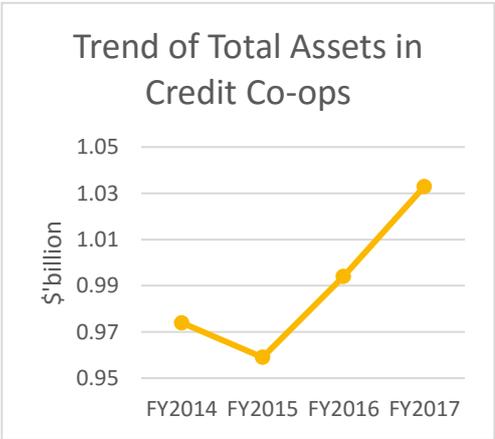
Credit Co-ops Sector Overview

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

19. Currently, there are 24 credit co-ops of which 1 is under liquidation. The table below shows the key financial figures for the 23 credit co-ops in Singapore for the financial year ended 31 December 2017 / 31 March 2018.

Total Assets: \$1.033 billion (↑ 3.9%)

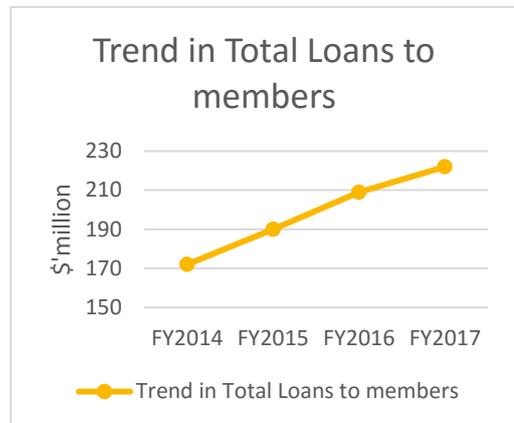
- Total liquid assets⁵ of \$400 million
- 7 credit co-ops with total assets over \$50 million
- Of the 7 above, 2 credit co-ops with total assets over \$100 million
- 4 credit co-ops with total assets of less than \$1 million



⁵ As defined in the Written Direction dated 29 June 2016, 'Liquid Assets' refer to cash, Singapore dollar deposits in Financial Institutions and Singapore Government Securities that are free from prior encumbrances.

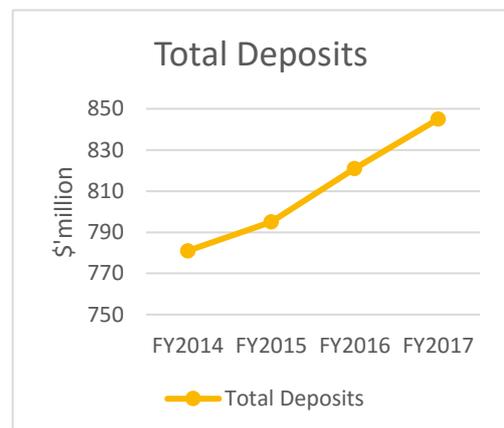
Total Loans to members: \$222 million (↑ 6.0%)

- 4 credit co-op with total outstanding loans to members over \$30 million
- 8 credit co-ops with total outstanding loans to members less than \$1 million
- 3 co-ops with loan-to-asset ratio above 50%
- Average loans to assets ratio is 22%
- \$3 million in exceptional loans were granted to members during the year
- \$129 million in total loans were granted to members during the year



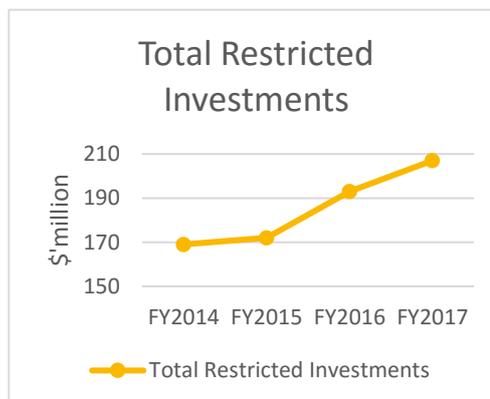
Total Deposits: \$845 million (↑ 2.9%)

- 2 credit co-ops with total deposits of more than \$100 million
- 5 credit co-ops with total deposits less than \$1 million
- 2 credit co-ops do not take in any deposits
- Average deposits per member is \$6,100



Total Restricted Investments⁶: \$207 million (↑ 7.3%)

- 2 credit co-ops with restricted investments over \$40 million
- 3 credit co-ops with restricted investments less than \$1 million
- 8 credit co-ops did not have restricted investments
- 8 credit co-ops have been granted the Registrar's approval for restricted investments limit of 30% for periods of up to 3 years
- 4 credit co-ops have their members' approval for restricted investments limit of 20% for periods of up to 3 years
- Average restricted investments to assets ratio is 12%



20. **7 (30%) credit co-ops⁷ hold more than \$50 million in total assets each. Together, they account for 80% of the total assets in the sector.** They also hold 80% of the sector's total deposits, 70% of the total loans granted and 60% of the sector's profits (before appropriations and comprehensive income).

⁶ As defined in the Written Direction dated 18 November 2013, Restricted Investments means any form or type of investment other than – (a) bonds issued by any statutory board in Singapore; (b) Singapore Dollar deposits in financial institutions licensed by the Monetary Authority of Singapore; (c) Singapore Government Securities; and (d) capital-guaranteed investment funds or products managed by financial institutions licensed by the Monetary Authority of Singapore, where the issuer(s) guarantee the return of 100% of the capital invested at a predetermined date in the future.

⁷ (in alphabetical order) AUPE Credit Co-operative Limited, Singapore Government Staff Credit Co-operative Society Limited, Singapore Mercantile Co-operative Society Limited, The Singapore Police Co-operative Society Limited, Singapore Teachers' Co-operative Society Limited, Straits Times Co-operative Limited and TCC Credit Co-operative Limited.

Prudential Requirements for Credit Co-ops

21. To refocus credit co-ops on their core business of thrift and loan, prudential requirements⁸ for credit co-ops were put in place to ensure prudence in operations and improve risk management standards. The Registry also periodically reviews and refines these prudential requirements to keep up to date with the industry trends and address emerging concerns.

Capital Adequacy and Restriction on Dividend

22. Capital adequacy acts as a buffer for unexpected losses and hence it is essential for deposit-taking businesses. All credit co-ops must maintain the applicable capital⁹ requirement as prescribed in the Written Direction issued by the Registry.

23. The Registry continuously engages and works with credit co-ops which are unable to meet the Capital Adequacy Ratio ('CAR') requirement. This allows the Registry to understand and assess their situations to better assist them in working towards compliance. Credit co-ops usually share difficulties in building their institutional capital due to low profits or pressures to provide good returns (dividends and/or interests) to their members. However, credit co-ops should bear in mind that while they seek to retain and attract members, there must also be strong institutional capital to ensure long-term sustainability of the credit co-ops. Credit co-ops with low CAR should take active steps to increase their institutional capital, for example, by reviewing their business strategies, reducing the dividend rate to members, lowering the interest rate on deposits and/or setting limits on deposits per member.

⁸ Details of the prudential requirements can be found in the Annex.

⁹ As defined in the Written Direction dated 29 June 2016, the Capital Adequacy Ratio is the credit society's institutional capital expressed as a percentage of its total assets.

Investment Restrictions

24. Credit co-ops are allowed invest up to 10% of their total assets into restricted investments¹⁰. In addition, credit co-ops may also seek members' and Registrar's approval to invest up to 30%, subject to conditions. For a 20% or 30% limit, credit co-ops must obtain members' approval at a general meeting, and a 30% limit will require further approval from the Registrar. In assessing the applications, the Registry primarily considers the credit co-op's level of compliance with regulatory and prudential requirements, financial position, governance standards, leadership competencies, policies and processes, current level of restricted investments and the disclosure of current investments to their members.

25. Co-ops are reminded to provide adequate disclosure to members through the Annual Reports and AGM, so that members are updated of the investment allocation, performance and associated risks (where applicable).

26. Credit co-ops must monitor their investments closely to ensure that they remain compliant with the applicable restricted investments limits. If a credit co-op exceeds its applicable restricted investments limit, it should not purchase new restricted investments. Credit co-ops that wish to apply for the higher limit of 30% should engage the Registry as early as possible. The Registry will advise on the conditions such as the applicable period of the higher limit or details of the investments to be disclosed to members.

¹⁰ As defined in the Written Direction dated 18 November 2013, the restricted investments limit is the maximum percentage of the total assets of the credit society that may be invested in restricted investments.

Compliance with Prudential Ratios

27. **21 credit co-ops are subject to prudential ratios**¹¹. Credit co-ops’ compliance with the prudential ratios for the financial year ended 31 December 2017 / 31 March 2018 (FYE2017) in comparison to the previous two financial years is provided in the following table.

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

Prudential Requirement	FYE2017	FYE2016	FYE2015
Minimum Liquid Assets ('MLA')	21 (100%)	21 (100%)	21 (100%)
Capital Adequacy Ratio ('CAR')	18 (86%)	18 (86%)	17 (81%)
Restricted Investments ('RI')	20 (95%) ¹²	18 (86%) ¹³	20 (95%)

¹¹ 2 credit co-ops do not take in deposits, hence they are not subject to the prudential ratios.

¹² The credit co-op exceeded its RI limit because of market fluctuations. The co-op did not purchase additional RI and exceeded by less than 1%.

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

KEY DEVELOPMENTS IN THE CO-OPERATIVE SECTOR

Audits on Credit Co-ops

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

29. In January 2018, the Registry commenced the third round of audits on 6 selected credit co-ops. **The common findings from audits include:**

- **Inadequate oversight by the COM** – There were insufficient oversight by credit co-ops' COM in areas such as the review of financial position, and monitoring of prudential ratios. Mid-year reviews were also not performed for provisions of bad or doubtful loans and impairment loss for investments.
- **Weak internal controls** – Findings included the lack of segregation of duties, absence of supporting documents and bank reconciliations were not done regularly or on a timely basis.
- **Lack of formalised policies and procedures** – There were findings on the lack of policies or procedures for the processing of loans, management of investments, declarations of interests and measures to avoid conflicts of interests by the co-op officers.
- **Insufficient disclosure to members** – There were insufficient disclosure of investment performance and other material information to members during Annual General Meetings and in the Annual Report.

30. As the audit exercise is still ongoing, the Registry will be following up with each credit co-op on their management comments and subsequently, implementation of the consultants' recommendations.

Amendments to the Co-operative Societies Act

31. The Co-operative Societies (Amendment) Bill was passed in the Parliament in January 2018. To better protect members' interests, the key objectives of the amendments are to:

- a) Strengthen the competency and governance standards of the individuals running co-ops;
- b) Enhance regulatory powers to enable timely intervention in distressed or errant co-ops; and
- c) Facilitate co-op operations by updating or clarifying regulatory requirements.

32. The amended Co-operative Societies Act is effective from 10 April 2018. The Registry conducted 3 briefings in May 2018 to share and explain the legislative amendments to the co-ops. 90 officers from 43 co-ops attended the briefings.

Governance Guides for Credit Co-ops

33. Credit co-ops should have in place proper control and processes to safeguard members' deposits and other assets in a credit co-op. The Registry and the Singapore National Co-operative Federation ('SNCF') have been working closely to issue 3 Governance Guides covering Internal Controls, Loan Management and Investment Management for credit co-ops. It was imperative that the Guides be relevant and useful to credit co-ops. Hence, an external consultant was appointed to visit a few credit co-ops to better

understand their operations and processes, and the Registry and SNCF also sought feedback from the credit co-ops when refining the Guides.

34. The 3 Guides were jointly issued on 2 May 2018, and serve as useful references of good practices which the credit co-ops can adopt when developing or improving their own standard operating procedures.

35. The inaugural course for the Governance Guides, conducted by the consultant, was held on 31 July 2018, where 32 credit co-op officers from 8 credit co-ops attended. The Registry strongly encourages credit co-op officers to attend the courses as soon as possible.

World Credit Union Conference

36. The World Council of Credit Unions held the World Credit Union Conference in Singapore from 15 to 18 July 2018. Mr Heng Chee How, Senior Minister of State for Defence, was the Guest of Honour. He shared the significance of the social role played by credit co-ops in Singapore and the importance of collaboration and innovation to keep the sector sustainable. 52 officers from Singapore credit co-ops attended the conference.

37. Dr Ang Hak Seng, Executive Director of the Registry of Co-operative Societies, was invited as a panellist at the Conference on the topic “Innovation in Regulation”. He shared with officers from international credit co-ops and credit unions on the Registry’s shift from traditional regulation to co-regulation. He added that everyone, from the co-op officers to the members, can contribute in improving and strengthening the sector. CU Broadcast, a credit union talk show, also conducted an interview with Dr Ang¹⁴ on the topic.

¹⁴ Interview can be found at <https://www.cubroadcast.com/episodes/wcuc-interviews-dr-ang-hak-seng-discusses-innovation-regulation-for-credit-unions-worldwide>

PROMOTION OF THE CO-OPERATIVE SECTOR

Contributions from Co-ops

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

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

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

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

41. **Co-op contributions to the CCF** for the financial year ended 31 March 2018 was **\$3.8 million** and **co-op contributions to the SLF** for the financial year ended 31 December 2017 was **\$83.9 million**.

Central Co-operative Fund

42. The Minister of Culture, Community and Youth appoints the Central Co-operative Fund ('CCF') Committee for the purpose of overseeing the CCF. The current Committee is serving a three-year term effective from 1 March 2018.

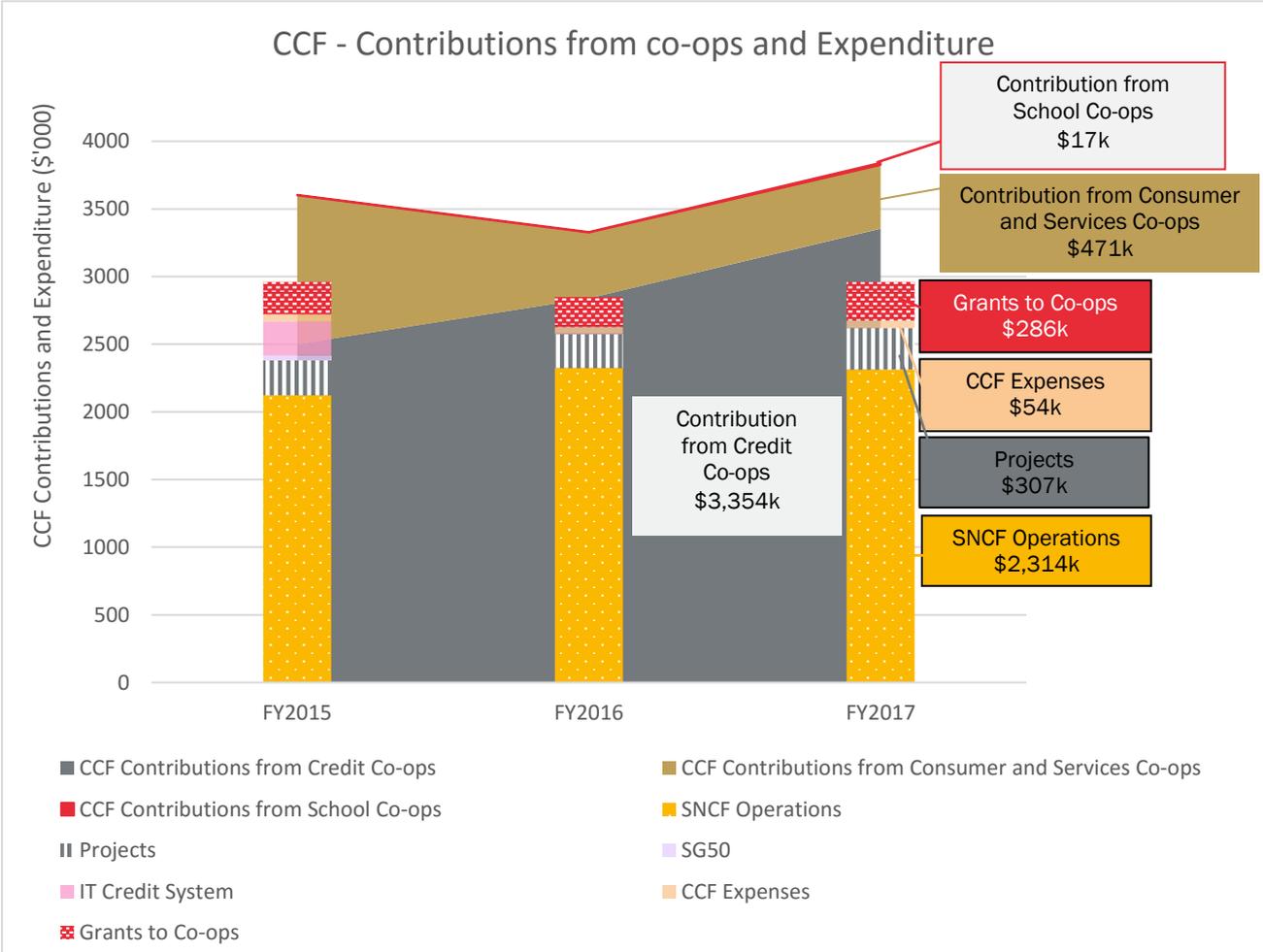
43. The Committee comprises of the following individuals:

Position in Committee	Name	Organisation
Chairman	Mr Tan Kian Chew	Chief Executive Officer, Singapore Labour Foundation
Members	Dr Ang Hak Seng	Executive Director, Registry of Co-operative Societies
	Mr Kwek Kok Kwong	Chief Executive Officer, NTUC LearningHub Co-operative Ltd
	Mr Ma Wei Cheng	Advisor, Amalgamated Union of Public Employees
	Mr Yoong Ee Chuan	Secretary, Ngee Ann Polytechnic Consumer Co-operative Society Limited

44. The Singapore National Co-operative Federation ('SNCF'), the co-op industry body, serves as Secretariat to the CCF Committee. SNCF offers services including training, shared services, CCF grants and networking

opportunities. It also serves as the collective voice representing the co-op movement on local and international platforms.

45. The following graph illustrates the CCF contributions received from co-ops¹⁵ and its expenditure for the past 3 financial years. Figures for the financial year ended 31 March 2018 (FYE2017) are reflected in the boxes.



FYE2017 Contributions to CCF: \$3.8m; FYE2017 CCF Expenditure: \$3.0m

FYE2016 Contributions to CCF: \$3.3m; FYE2016 CCF Expenditure: \$2.8m

FYE2015 Contributions to CCF: \$3.7m; FYE2015 CCF Expenditure: \$3.0m

¹⁵ Contributions from co-ops make up about 65% of the CCF’s income. Other components (not reflected above) are dividends, surplus from investment management and other income.

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

Capability Building

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

Training Courses – SNCF arranged courses and provided training materials to improve the co-ops' governance and raise their capabilities. The courses covered topics such as governance, financial accounting and induction programmes, amongst others. There were about 700 attendees attaining 3,200 training hours for FYE2017.

CCF Grants

New Co-op Grants – In the financial year ended 31 March 2018, \$63,000 worth of New Co-op grants were disbursed to provide financial assistance to the new co-ops with strong social missions.

Capacity and Capability Development (CCD) Grants – There are 7 types of CCD grants to co-fund co-ops in their development efforts. \$223,000 was granted to support existing co-ops to improve their operations. Majority of the grants were disbursed to assist co-ops in consultancy (\$84,000), internal audit (\$40,000) and training (\$36,000).

Awareness Building

International Co-operative Alliance ('ICA') Global Assembly – In November 2017, the ICA Global Assembly was held in Kuala Lumpur, Malaysia. SNCF Chairman Mr Kwek Kok Kwong was elected amidst very strong competition into the Global Board for a 3-year term.

Co-op Hot Shots 6 – SNCF organised 6th edition of their photography competition, Co-op Hot Shots 6, where photos reflected co-op values. The competition attracted over 300 entries from 11 countries.

Campus & Youth

Outreach activities – During 2017, SNCF held various initiatives to champion the co-op concept to students. Some of these activities include app-based SCOOP trails, joint programmes with co-ops and youth collaborations with overseas partners.

Co-op Clubs¹⁶ – 3 new co-op Clubs were formed during the year. As at 31 March 2018, there were 13 Co-op Clubs.

SNCF Scholarship – SNCF administers the CCF Scholarship programme and disbursed \$119,000 for 9 scholars.

Shared Services

IT Shared Services – An IT shared deposits and loans system was developed to help credit co-ops improve their data management and better serve members' needs. The 5 credit co-ops which adopted the

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

IT system have decided to discontinue with the system. SNCF will assist the credit co-ops to port data over to the new systems and terminate services by January 2019.

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

Collaboration & Co-operation

SNCF is focusing on collaboration and co-operation amongst the affiliates and with strategic external partners to facilitate more business, reduction of cost and increase productivity and efficiency.

LOOKING AHEAD

Research Study for Credit Co-ops

47. The Central Co-operative Fund ('CCF') commissioned a research study on credit co-ops to enhance the governance standards, to strengthen the safety and soundness as well as to improve the competitiveness of the credit co-op sector.

48. The research study was completed in December 2017 with recommendations for business and succession planning, shared services and collaboration. The consultants facilitated a Strategic Planning session in January 2018 with officers from the Registry, the CCF Committee, SNCF Exco and SNCF staff. The Registry and SNCF are currently working together to prioritise and implement key recommendations from the Strategic Planning session.

Capability Building

49. To discharge their fiduciary duty to their members, every member of the Committee of Management and key officers of credit co-ops should possess the relevant knowledge on credit co-op governance and management. The Registry and SNCF have been working together with some credit co-op representatives to develop competency and training requirements.

50. The Registry will be sharing the proposed requirements soon. We will also work closely with the sector to refine the policies and initiatives to further strengthen the capabilities of credit co-op officers.

Submission of Governance Evaluation Checklist

51. The Code of Governance and Governance Evaluation Checklist were jointly issued by the Registry and SNCF in October 2016. The Governance Evaluation Checklist is based on a 'comply or explain' model. Credit co-ops

are strongly encouraged to use the Governance Evaluation Checklist to check on their own governance health and familiarise themselves with the Checklist.

52. To better understand our credit co-ops and review our policies, the Registry may require the submission of the Governance Evaluation Checklist from credit co-ops.

Update to Model By-laws

53. Following the amendment to the Co-operative Societies Act, the Registry is updating the model by-laws for credit and non-credit co-ops to be in line with the new regulations. The Registry will inform the sector when the model by-laws are ready for the co-ops' reference.

Template for Annual Report

54. Co-op members vote at general meetings and elect the Committee of Management to lead the co-op. Members can play a role to improve and strengthen their co-ops by serving as an additional layer of check and balance. Hence, there must be adequate and timely disclosure of the co-op's activities in the Annual Report to members.

55. To ensure that co-ops disclose sufficient information to members for them to make informed decisions, the Registry will issue a template for annual reports. The template will include minimum key information which co-ops should highlight to members in an easy-to-understand format.

56. All co-ops must make available to members the annual report, audited financial statements and audit report at least 15 clear days before the general meeting.

Conclusion

57. The success of the co-op sector is a shared responsibility from all stakeholders. It is therefore necessary that the sector enhances its governance and competency standards. Co-ops can also consider collaboration between themselves or with other entities as well as to innovate to stay relevant in a rapidly changing world.

58. The Registry will continue to engage and strengthen our partnerships with our stakeholders. With active involvement from the co-ops and their members, we can build a civic culture of care, consideration and contribution.

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
Minimum Liquid Assets	12 Mar 2010 Revised: 29 Jun 2016	31 Mar 2010 Revised: 1 Jul 2016
Investment Restrictions	31 May 2010 Revised: 18 Nov 2013 Revised: 24 Oct 2018	30 Jun 2010 Revised: 20 Nov 2013 Revised: 1 Nov 2018
Provisions for Bad and Doubtful Loans, and Impairment Loss for Investments	26 Nov 2010	1 Jan 2011
Capital Adequacy and Restriction on Dividend	21 Apr 2011 Revised: 29 Jun 2016	30 Jun 2011 Revised: 1 Jul 2016
Secured Loan Limits	29 August 2011	1 November 2011
Unsecured Loan Limits	31 Oct 2011 Revised: 29 Jun 2016	1 Apr 2012 Revised: 1 Jul 2016
Submission of Financial Returns	2 February 2012 Revised: 7 May 2013	6 February 2012 Revised: 10 May 2013

Minimum Liquid Assets

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

Investment Restrictions

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

Provisions for Bad and Doubtful Loans, and Impairment for Investments

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

Capital Adequacy Ratio and Restriction on Dividends

Capital Adequacy Ratio ('CAR') stipulates that credit co-ops have to maintain sufficient institutional capital to absorb operational losses. Credit co-ops that hold deposits have to maintain a CAR as prescribed in the Written Direction. In addition, a credit co-op with less than the CAR requirement as at financial year end and intends to distribute dividends from that year's surplus must seek the Registry's written approval for the proposed dividends.

Secured and Unsecured Loan Limits

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