



REGISTRY OF CO-OPERATIVE SOCIETIES

Ministry of Culture, Community and Youth

RCS SF70.1.2

29 June 2016

WRITTEN DIRECTION TO CREDIT SOCIETIES CO-OPERATIVE SOCIETIES ACT (CAP. 62)

MINIMUM LIQUID ASSETS

1. This Written Direction is issued pursuant to section 93(2) of the Co-operative Societies Act (Cap. 62) (hereinafter referred to as “the Act”) and applies to all credit societies which receive deposits. This Written Direction takes effect from **1 July 2016**, and supersedes the Written Direction on Minimum Liquid Assets issued on 12 March 2010 (reference: RCS SF70.1.1).

Definitions

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

“cash” means all currency notes and coins on hand which are legal tender in Singapore;

“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, calculated as set out in paragraph 4;

“Monetary Authority of Singapore” or “MAS” means the Monetary Authority of Singapore established under the Monetary Authority of Singapore Act (Cap. 186);

“Singapore Government Securities” means securities or any equivalent instrument issued under the Government Securities Act (Cap. 121A), the Local Treasury Bills Act (Cap. 167) or any other written law in Singapore;

“total deposits”, in relation to a credit society that receives deposits, means the sum of the following which are held by the credit society:

- (a) all moneys in the current accounts and deposit accounts; and
- (b) subscription capital.

3. In this Written Direction, 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.

Minimum Liquid Assets Requirement

4. Minimum Liquid Assets or “MLA” is to be calculated as follows:

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

5. A credit society which receives deposits shall maintain, at all times, MLA of **at least 15%** (hereinafter referred to as “MLA requirement”).

Power to Vary the MLA Requirement

6. The Registrar may, if he considers it appropriate in the circumstances of a particular credit society or class of credit societies, vary the MLA requirement applicable to that credit society or class of credit societies.

Non-compliance

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

8. The Registrar may from time to time require a credit society or class of credit societies to submit returns on the MLA, and supporting documents where necessary or appropriate.

9. Under Section 100 of the Act, any failure to comply with this Written Direction amounts to an offence. The offence is punishable on conviction with a fine not exceeding \$10,000 and, in the case of a continuing offence, with 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. Why does a credit society need to maintain MLA?

The MLA requirement ensures that a credit society which receives deposits from its depositors has sufficient liquid assets at any given time to meet day-to-day and higher than usual withdrawals by its depositors.

A higher MLA requirement (revised from 13% to 15%) will provide more buffer to cope with any sudden surge in withdrawals and strengthen members' confidence in their credit society.

Q2. How should a credit society ensure that sufficient MLA is maintained at all times?

A credit society should monitor its deposit balances closely and take note of maturing deposits, withdrawal patterns and deposit trends to estimate the changes to its total deposits over time. This will allow the society to project the amount of deposits it is likely to hold over a period and therefore, the minimum amount of liquid assets it should maintain for that period.

To facilitate the monitoring of MLA, a credit society should compute the MLA based on the monthly or quarterly balance sheet statements, which should be reported to the Committee of Management in a timely manner.

Q3. What are assets that are free from any prior encumbrances? (mentioned in the definition of "liquid assets" in the Written Direction)

This means the credit society's assets against which no other party has any claim that will impact the transferability of the assets. For example, deposits that have been pledged to a bank to secure a credit line are no longer free from prior encumbrances.

Q4. Can equities be treated as liquid assets, since they may be sold and converted to cash within a few days?

No. Equities are investments which are subject to price volatility, and any quick sale of equities may result in a loss. In addition, they may not be able to be converted to cash immediately to meet critical times, such as, mass withdrawal of deposits. Thus, equities do not qualify as liquid assets for the purposes of the Written Direction.

Q5. Can structured deposits, corporate bonds and capital guaranteed deposits be treated as liquid assets?

No. Structured deposits, corporate bonds and capital guaranteed deposits are investments which usually have to be held to maturity before they can be redeemed with no loss or penalty. Thus, structured deposits, corporate bonds and capital guaranteed deposits do not qualify as liquid assets for the purposes of the Written Direction.

Q6. Is a credit society required to hold Singapore Government Securities (“SGS”) for the purpose of maintaining the MLA?

It is not compulsory for a credit society to hold SGS. A credit society may hold any type of liquid assets as defined in the Written Direction, including cash, and Singapore dollar deposits with financial institutions licensed by MAS, for the purpose of maintaining the MLA.

Q7. Where can more information on SGS be found?

Credit societies can refer to the official SGS website www.sgs.gov.sg for more information.

Q8. Is a credit society considered to be in breach of the MLA requirement when large amounts of unanticipated withdrawals cause the amount of liquid assets it holds to fall below the requirement?

The Registrar will consider the circumstances surrounding any failure to maintain the MLA requirement, including any mitigating factors (e.g. whether the credit society took immediate action to top up on the liquid assets) in determining the most appropriate action to be taken in such a case.