

Annual Report on Co-operative Societies in Singapore for Financial Year ended 31 March 2012

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I. INTRODUCTION

The Registry of Co-operative Societies is introducing a new initiative whereby an Annual Report on the co-operative sector will be published from henceforth. In addition to releasing key statistics on the co-operative sector, the Annual Report will also serve as a platform for the Registry to convey the new policies that were or are going to be introduced in the co-operative sector, the rationale behind these policy implementations and the utilisation of the Central Co-operative Fund, to promote the co-operative movement in Singapore.

2. Co-operatives play an important role in our society. They are formed when individuals voluntarily come together to form enterprises to meet economic and social needs, through self-help and mutual assistance. Co-operatives in Singapore started out as one of the earliest forms of self-help organisations and while co-operatives have evolved tremendously through time, they remain just as relevant in today's society as they did in the past.

3. With societal progression, there has been greater emphasis on good governance, transparency and accountability to ensure continued growth of the co-operatives, and where possible, relaxation of regulator's intervention in the daily operations of the co-operatives. Hence there have also been significant changes to the regulatory landscape for co-operatives. The Co-operative Societies Act and Rules were amended in 2008 and 2009 respectively to update the co-operative legislation so as to make it more relevant to today's context and to remove outdated prescriptive requirements. A risk-based regulatory framework is also put in place to ensure that higher supervisory attention is accorded to co-operatives with greater risks. This will ensure regulatory resources expended on the co-operatives are proportionate to the risks they present.

4. We also recognise that the management committees of individual co-operatives have the primary responsibility for the supervision and management of the co-operatives. Hence these management committees should be equipped with the latest knowledge and skills to constantly improve with regard to the management of the co-operatives.

5. We hope that the members of the public and co-operatives will be more informed of the development of the co-operative sector with the publication of the Annual Report.

II. OVERVIEW OF CO-OPERATIVE SECTOR

Co-operatives

6. A co-operative is a member owned business set up to meet the economic and social needs of members. It is formed by individuals who voluntarily come together to form a jointly-owned and democratically-controlled business organisation based on

the premise of self-help and mutual assistance. Co-operatives throughout the world generally conform to the following seven Principles of Co-operation established by the International Co-operative Alliance (ICA):

- a) Voluntary and Open Membership
- b) Democratic Member Control
- c) Member Economic Participation
- d) Autonomy and Independence
- e) Education, Training and Information
- f) Co-operation among Co-operatives
- g) Concern for Community

7. The Registry of Co-operative Societies (“Registry”) is the national regulator of co-operatives in Singapore. The Registry is responsible for the administration of the Co-operative Societies Act (Cap. 62) and the Co-operative Societies Rules. Our primary objectives are to regulate and supervise the activities of co-operatives so as to protect the interests of co-operative members.

8. In FY2011 (i.e. 1 April 2011 to 31 March 2012), we registered a total of 4 new co-operatives and de-registered 3 co-operatives, bringing the total number of registered co-operatives as at 31 March 2012 to 86.

9. There are three categories of co-operatives: Credit co-operatives, School co-operatives as well as Consumer and Services co-operatives. Credit co-operatives are those that provide financial services i.e. take in deposits and/or give out loans to members. School co-operatives are those that are set up by and operate in secondary schools and junior colleges. All other co-operatives which fall under the category of Consumer and Services co-operatives provide a broad spectrum of services and meet various social needs.

10. As at 31 March 2012, there were about 1.4 million Individual memberships in all the co-operatives¹.

¹ This is an estimate based on the latest available data. The number is derived from co-operatives’ submission of Annual General Meeting Returns to the Registry. The number of members in each co-operative was at the time of the AGM which was held at different times during the year. The total number of individual memberships does not constitute distinct individuals as some individuals may be members of more than one co-operative.

	Number of Co-operatives	Number of Individual Memberships
Consumer and Services co-operatives	48	1,174,900
Credit co-operatives	31	237,500
School co-operatives	7	600
Total	86	1,413,000

III. SIGNIFICANT DEVELOPMENTS IN RECENT YEARS

11. This section provides an overview of the major developments in the co-operative sector in recent years.

Amendments to the Co-operative Societies Legislation

12. The Co-operative Societies (Amendment) Bill was passed on 20 October 2008 to update the co-operative legislation. Co-operative legislation had remained largely unchanged since the last major amendment in 1980.

13. Co-operatives of the early days were mostly formed by members with close affiliations to one another, and were one of the earliest community self-help groups in Singapore. Co-operatives have since evolved with larger memberships and are operating in more sophisticated and competitive business environments. There was hence a need to update the co-operative legislation and make it more relevant to today's context. Co-operatives should have internal systems in place to ensure higher levels of governance and prudence. Outdated prescriptive requirements also had to be removed to give co-operatives more operational flexibility. The changes in legislation were aimed at facilitating a more robust co-operative movement and increasing the confidence of members and the public in the co-operatives.

14. An important feature of the amendments was also to facilitate a risk-focused regulatory approach whereby more attention is focused on co-operatives of higher risk. Given that credit co-operatives have a fiduciary duty over members' deposits, they are subject to more stringent registration criteria and regulatory requirements as compared to non-credit co-operatives. As credit co-operatives are not subject to the same stringent regulatory requirements as other deposit-taking institutions (i.e. banks and finance companies), credit co-operatives should also not open their membership to the general public, but should instead only serve their members who have a common affiliation to one another.

Prudential Requirements for Credit Co-operatives

15. In line with our risk-based regulatory approach, the Registry implemented prudential requirements for credit co-operatives from early 2010. The requirements were implemented in phases so that credit co-operatives could progressively adjust their operations and adapt to the changes.

16. The prudential requirements aim to strengthen prudence in operations and accountability to members, to improve risk management standards, and to refocus credit co-operatives towards the thrift and loan business. The different prudential requirements and implementation dates are as follows:

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	6 Feb 2012

Minimum Liquid Assets

17. The prudential requirement on Minimum Liquid Assets (“MLA”) aims to ensure that credit co-operatives maintain sufficient liquid assets to meet withdrawals and maintain members’ confidence. Credit co-operatives are required to hold MLA amounting to 13% of its deposits at all times. Almost all the credit co-operatives have no difficulties meeting the MLA requirement based on their returns.

Investment Restrictions

18. Credit co-operatives which hold deposits are not allowed to invest more than 10% of their total assets in restricted investments. Credit co-operatives shall also not make new investments in structured products, derivatives, foreign currencies and

foreign denominated instruments from 30 June 2010. The investment restrictions aim to re-focus credit co-operatives to the thrift and loan business and reduce exposure to high risk investments.

19. As a transitional arrangement, all credit co-operatives which receive deposits and do not comply with the restricted investment (“RI”) limit as at 30 June 2010, have 5 years from 30 June 2010 to comply with the restricted investments limit.

20. We note that some credit co-operatives will need time to pare down their restricted investments. As at 30 June 2011, 18 credit co-operatives have RI exceeding 10% of the total assets. The Registry has been engaging these co-operatives to better understand their plans to divest their RI and to meet the RI requirement.

Provisions for Bad and Doubtful Loans; and Impairment for Investments

21. This provision mandates that credit co-operatives make provisions for bad and doubtful loans, and impairment loss for investments in accordance with the Financial Reporting Standards (“FRS”) 39, at least half-yearly. The aim of this requirement is to better reflect the financial position of the co-operatives and to facilitate decision making. As the Written Direction is effective from 1 January 2011, the Registry will be monitoring co-operatives’ compliance through their submissions of the audited financial statements for financial year ended 31 December 2011 onwards.

Capital Adequacy Ratio and Restriction on Dividends

22. Credit co-operatives that hold deposits have to maintain capital adequacy ratio (“CAR”) of not less than 8% of its total assets. In addition, a credit co-operative with less than 6% CAR as at financial year end and intends to distribute dividends from that year’s surplus shall seek the Registry’s written approval for the proposed dividends. The purpose of this requirement is to ensure that co-operatives maintain sufficient institutional capital to absorb operational losses. As a transitional arrangement, credit co-operatives which are unable to meet the requirement as at 30 June 2011 have to ensure that its CAR does not fall below the level as at 30 June 2011, seek to raise its CAR to 6% by 30 June 2014 and seek to meet or exceed the CAR of 8% by 30 June 2016.

23. As at 30 June 2011, 12 co-operatives did not meet the 8% CAR requirement.

Secured and Unsecured Loan Limits

24. The Registry implemented separate limits on secured and unsecured loans to ensure that co-operatives extend credit with prudence and that their members would not over-commit on borrowings. A dialogue session was conducted by the Registry to understand the concerns of the credit co-operatives (as represented by the Credit Sector Taskforce). Based on the feedback received from credit co-operatives, the

Registry revised the earlier draft set of requirements on the unsecured loan limits. While the changes in loan limits would allow the credit co-operatives to have greater flexibility in providing loan services, it would not compromise on prudence. It would also ensure the co-operative members would not over-extend themselves. In January 2012, the Registry conducted briefing sessions to the credit co-operatives to explain the changes in unsecured loan limits.

Submission of Financial Returns

25. The Registry has decided to consolidate the different returns into a single reporting form to facilitate easier reporting for the co-operatives. Instead of submitting individual prudential requirement returns at different times of the year, from 6 February 2012 onwards, credit co-operatives are required to submit the following documents to the Registry annually:

S/N	Financial Returns	Due Date
a.	Form 1 as at close of the previous financial year – to report the audited financial position, capital adequacy ratio, minimum liquid assets, restricted investments and loans data	6 months after close of the previous financial year
b.	Mid-year Unaudited Balance Sheet and Income and Expenditure (I&E) Statements as at 6 months into the current financial year	2 months after end of the current mid financial year

26. The consolidated reporting of financial position and meeting of prudential requirements as at year end will enable the credit co-operatives to better understand their own financial health and the management can take timely steps to address any inadequacies.

IV. COMPLIANCE WITH BASIC STATUTORY OBLIGATIONS

27. Section 34(1) of the Act prescribes that a co-operative shall, within 6 months after the close of the financial year submit to the Registrar an annual report on its activities during the year together with a copy of the audited financial statements (“AFS”). Section 53(1) of the Act prescribes that an annual general meeting (“AGM”) shall be convened within 6 months after the end of the financial year, unless approval from the Registrar has been obtained to extend that period.

28. Of the 75² co-operatives required to submit the AFS for the 2010 financial year, 33 did not submit the AFS within prescribed 6 months deadline. Majority of the

² This number excludes those that are newly registered and in their first year of operations, as well as those undergoing liquidation.

co-operatives who were late (27) submitted their audited financial statements within 3 months after the deadline. As at 31 Dec 2011, 1 co-operative did not submit its FY2010 audited financial statements.

29. Of the 75 co-operatives required to hold their AGM, 14 did not meet the deadline. Majority of the late co-operatives (10) held their AGMs within 3 months after the deadline. As at 31 Dec 2011, 1 co-operative did not hold its AGM.

30. The Registry kept a close watch over co-operatives that did not meet the statutory requirements and sent letters to remind co-operatives to comply with the requirements. These co-operatives were reminded that the Registrar may under Section 83(2) of the Act wind up a co-operative if it failed for 2 or more consecutive years, to comply with the requirements of the Act with respect to the holding of annual general meetings or the submission of audited financial statements. The Registry is reviewing our enforcement framework and will be introducing more stringent measures to ensure greater compliance.

V. CONTRIBUTIONS OF THE CO-OPERATIVES

31. All co-operatives make statutory contributions to the Central Co-operative Fund (“CCF”). Co-operatives contribute 5% of the first \$500,000 of their annual surplus to the CCF. 20% of any surplus in excess of \$500,000 is contributed to either CCF or the Singapore Labour Foundation, as the co-operative may choose.

Central Co-operative Fund (“CCF”) and its Committee

32. The Central Co-operative Fund is used to further co-operative education, training, research, audit and for the general development of the co-operative movement in Singapore. The Minister for Community Development, Youth and Sports appoints the Central Co-operative Fund Committee (“CCFC”) for the purpose of overseeing the Fund. The Singapore National Co-operative Federation (“SNCF”) is Secretariat to the CCFC, and is tasked with administering the CCFC-approved programmes and initiatives.

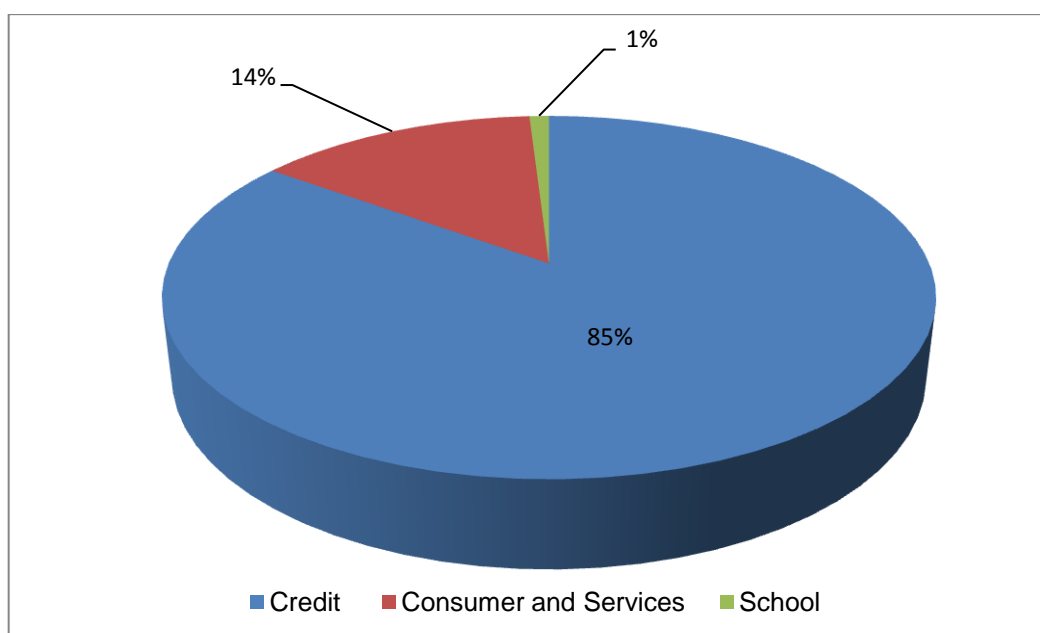
33. The SNCF was formed in September 1980 as the apex organisation for the co-operative movement. While the Registry of Co-operative Societies concentrates on regulating co-operatives, the responsibility of promoting and developing co-operatives lies with SNCF. The SNCF works closely with the Registry in its efforts to promote and develop the co-operative sector.

34. The below table shows the composition of the CCFC.

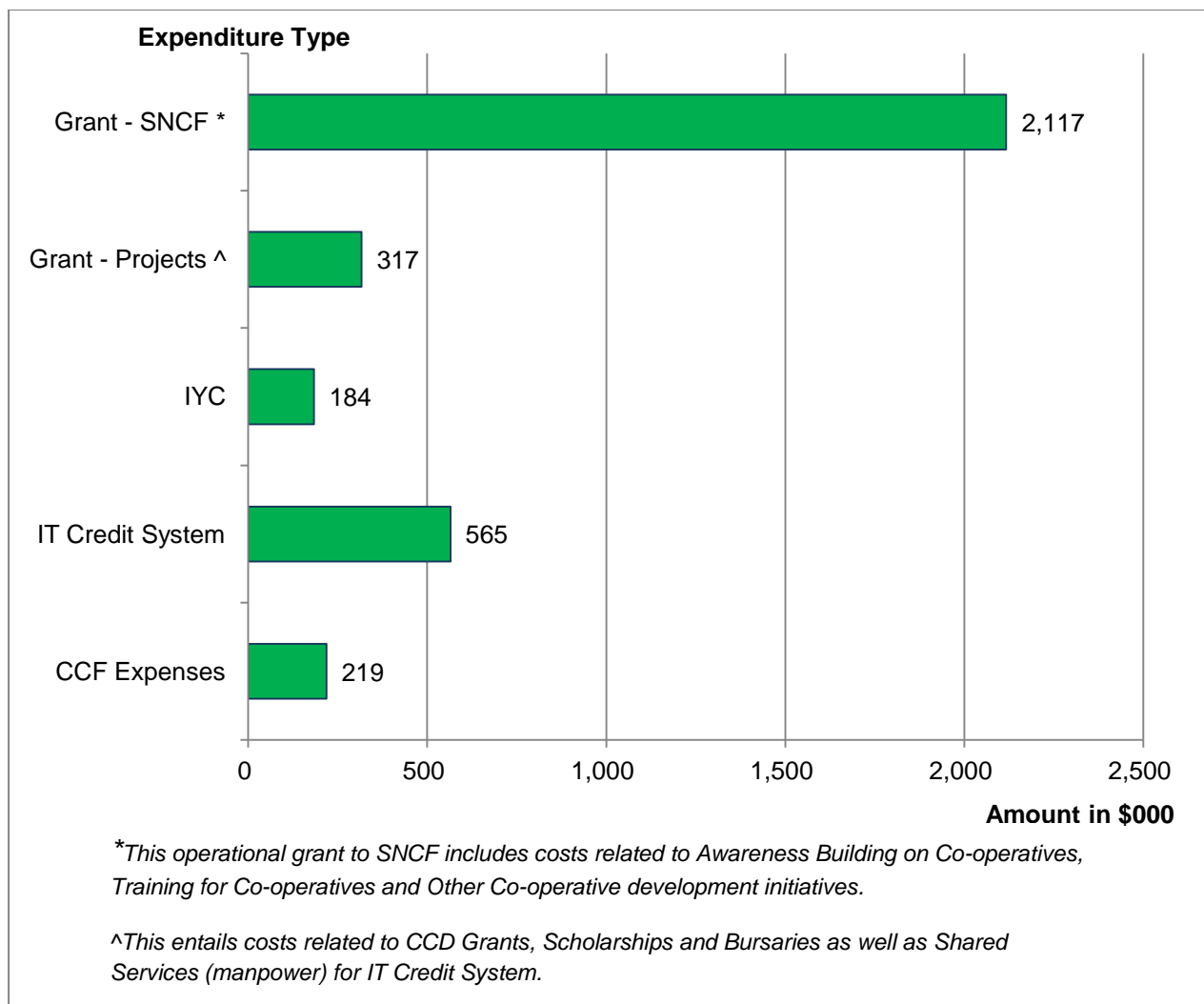
Position in Committee	Name	Organisation
Chairman	Mr S. Chandra Das	Managing Director Nur Investment & Trading Pte Ltd
Member	Mr Chan Tee Seng	Chairman Singapore National Co-operative Federation Chief Executive Officer NTUC First Campus Co-operative Limited
Member	Mr Leow Ching Chuan	Chairman cum Group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

35. The following tables show the composition of the contributions received by CCF and its expenditure for FY ended 31 March 2012:

Contribution for FY2011 totalled \$2.6 million



Total Expenditures for Co-operatives' Activities - \$3.4 million



36. The key initiatives are as follows:

a) Raising Awareness on Co-operatives

SNCF's focus in FY2011 was on the Campus Co-operative Sector. SNCF promoted the Co-operative Principles and Values amongst the Youth thereby raising awareness of how co-operatives could address social needs. There were also efforts to recognise both local and international co-operatives. SNCF also raised awareness amongst the general public by collaborating with partners and addressing their members or contacts.

b) Capacity and Capability Development ('CCD') Grant

In mid 2010, the Special Project Grant was enhanced and renamed as the Capacity & Capability Development (CCD) Grant. The main objectives of this Grant are to provide for capacity building, capability development and

to strengthen the operating capabilities of the co-operatives so that they can provide better and enhanced services to their members. Co-operatives can apply for grants in the following areas which would enable them to enhance service delivery and improve their operating efficiency:-

- Facilities Enhancement - for better design and flow of operation
- ICT Hardware - to improve efficiency in operation
- ICT Software - to improve overall information technology capability and efficiency
- Training – to participate in capability training courses to enhance the skill and knowledge of staff and management
- Consultancy Service – to engage professional advice and services to improve business efficiency.

Approximately \$100,000 was disbursed as grants to the co- operatives in FY2011.

c) Building Co-operative Competencies

SNCF collaborated with well-known education providers to offer a wider range and increased frequency of training for co-operatives at discounted prices. These included co-operative specific courses such as those on corporate governance for co-operatives. SNCF also conducted Co-operative Induction Training for staff of co-operatives to enhance their understanding of the co-operative model.

d) IT System Shared Services – Deposit & Loan System for the Credit Sector

SNCF collaborated with an IT Service Provider to develop an IT shared Deposit and Loan System which would improve data management thereby allowing credit co-operatives to better manage their business and services to members. CCF is funding the capital cost of the system estimated at more than \$2.4 million over a two-year period. The system is expected to roll-out in phases in 2012-2013 and there are currently 6 participating credit co-operatives.

e) Business Process Improvement

Ernst and Young was engaged for a Business Process Improvement project involving 7 co-operatives. The Consultants reviewed and provided recommendations to participating co-operatives on how to improve their internal processes for more efficient and productive operations.

f) International Year of Co-operatives Programme

The United Nations General Assembly had declared 2012 as the International Year of Co-operatives (“IYC”), highlighting the contributions of co-operatives to socio-economic development. As the apex body for co-

operatives in Singapore and the Secretariat to the Singapore IYC National Committee, SNCF has initiated a range of programmes from June 2011 to January 2013 to promote the social value and impact of Singapore co-operatives. Specifically, these initiatives aim to increase awareness, interest and participation in the local co-operative movement, both amongst co-operative members and the broader community.

The key IYC initiatives included the Children's Storybook series, the photography competition Co-op Hot Shots, Co-opaliciouz which is the largest gathering of co-operative members, staff and families in Singapore's history and the launch of the IYC Commemorative Postage Stamp Series and First Day Covers.

Upcoming events will include:

- (i) Regional Conference to be held on 3 October 2012 which will bring together leaders from co-operatives, charities and social enterprises from Singapore and the region;
- (ii) Auto Venture on 5 - 7 October 2012, organised by 5 Singapore co-operatives for their fellow co-operatives to network and bond with each other over a 3D2N car rally to Malaysia and to visit and network with the Malaysian co-operatives for possible collaborations; and
- (iii) SNCF Honour Awards and IYC Closing Ceremony in January 2013 to honour individuals and co-operatives who have made significant contributions to SNCF and the co-operative movement as well as to celebrate achievements of the IYC 2012.

g) Bursaries

The CCF Bursaries for Polytechnic education was launched in August 2011 with the aim of helping members and staff of co-operatives and the immediate family members of the staff of co-operatives to get financial assistance for their education.

Singapore Labour Foundation

37. The Singapore Labour Foundation ("SLF") receives second-tier contributions from NTUC Co-operatives as well as a few non-NTUC co-operatives that have opted to contribute to SLF. All NTUC co-operatives are institutional members of the SLF as prescribed by the NTUC Constitution that requires NTUC affiliated unions, co-operatives and associations to be affiliated to the Foundation.

38. 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-operative 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-operatives have continued to play an important role and have created a significant impact on daily lives of the workers and the population at large.

39. In FY2011, co-operatives' contributions to the SLF totalled \$45.4million. These contributions were channelled by SLF to support broad initiatives to benefit two target groups - union members and working families. SLF's initiatives aim to help needy union members in time of financial need, safeguard workers' welfare and rights through developing compassionate and committed union leaders to represent workers, and keep essential services and products accessible and affordable for working families by partnering social enterprises.

VI. CONCLUSION

40. The Registry will continue to review co-operative legislation and regulation and update them where necessary to ensure continued relevance as well as to further strengthen the co-operative sector. We will have to maintain a balance between protecting members' interests and facilitating operational flexibility for the co-operatives.

41. We will also continue to engage and work with co-operatives that face difficulties in meeting the basic statutory obligations. However, if co-operatives are unable to show that they are taking the necessary steps towards improving their operations and meeting statutory obligations, the Registry may as a last resort have to take such recalcitrant co-operatives to task under the relevant sections in the Act.

42. The Registry will also continue to work with our strategic partners to promote and develop the co-operative sector. Together with our partners, we will review the needs of the sector and initiate programmes aimed at building capabilities and developing competencies of the co-operatives so as to enable them to better meet their social goals and serve their members.

43. Last but not least, 2012 is also a milestone year for the co-operative movement given it is the International Year of Co-operatives. The Registry continues to look forward to working with our stakeholders and the co-operatives in our continued efforts to build a vibrant, strong and sound co-operative movement.