

# COMMISSIONER OF CHARITIES' OFFICE

## Guidance on Regulation of Grantmakers

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### **Q1. What is the purpose of this guidance?**

In Budget 2007, the Government announced changes to advance philanthropy in Singapore. Grantmakers are an important group within the philanthropic sphere.

Given that the scope of grantmakers' activities generally differ from that of typical charities, the COC's office will waive certain regulatory requirements for 'qualifying grantmakers'. This guidance clarifies how such grantmakers would be regulated under this lighter-touch regime.

### **Q2. How are grantmakers defined?**

Grantmakers are typically non-profit entities such as private (family, corporate, etc.) foundations, community foundations, and businesses' giving programs, which only give out grant monies to specific charitable causes. An example of a well-known international grantmaker would be the Bill & Melinda Gates Foundation. Closer to home, family foundations such as the Lee Foundation and the Tan Chin Tuan Foundation, and corporate foundations such as the CapitaLand Hope Foundation, would be considered as grantmakers.

### **Q3. What are the criteria to meet in order to become a registered charity?**

The key registration criteria are:

- a. The organisation's purposes must be exclusively charitable;
- b. The organisation must have at least 3 governing board members, at least 2 of whom must be Singapore citizens or permanent residents;
- c. The purposes/objects of the organisation must be beneficial wholly or substantially to the community in Singapore.

**Q4. What are exclusively charitable purposes? Is grantmaking a charitable purpose?**

We recognise the following as charitable purposes:

- i. relief of poverty;
- ii. advancement of education;
- iii. advancement of religion; and
- iv. other purposes beneficial to the community, which include commonly recognised ones such as:
  - a. advancement of health;
  - b. advancement of citizenship or community development;
  - c. advancement of arts, heritage or science;
  - d. advancement of environmental protection or improvement;
  - e. relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantages;
  - f. advancement of animal welfare; and
  - g. advancement of sport, where the sport advances health through physical skill and exertion.

An organization with exclusively charitable purposes should only have purposes described by (i)-(iv).

Grantmaking itself is not a charitable purpose, but grantmaking for the advancement of any of the above charitable purposes could be considered charitable. For instance, a private foundation which gives grants to fund medical research for the advancement of health would be considered charitable on the basis that ‘advancement of health’ is a defined charitable purpose. However, the foundation would not be deemed charitable on the basis that its sole purpose is to give grants without any defined purpose or to give grants for partially charitable or non-charitable purposes.

**Q5. Our organisation has purposes which are only partially charitable, or whose charitable purpose(s) does/do not fall under any of the categories of charitable purposes listed above. Can we still qualify for charity registration?**

The COC’s office registers only organisations with exclusively charitable purposes so as to safeguard the public interest that registered charities are truly charitable in nature.

For organisations with partially charitable purposes, we encourage them to separate the exclusively charitable functions from the non-charitable functions, and register the

separate entity with the exclusively charitable purposes as a charity instead. Similarly, grantmakers with partially charitable purposes could simply set up local chapters or entities with exclusively charitable purposes and register these local chapters / entities as charity.

#### **Q6. Why is there a need for a lighter-touch regulatory regime for grantmakers?**

The Charities Act was developed to regulate charities and charitable fund-raising in Singapore and to provide a regulatory framework that fosters a safe giving environment, where there is a high level of public trust and confidence. Grantmakers are often founded with private money (family, corporate, etc.) and do not raise funds from the public, and thus differ from typical charities. It would therefore be appropriate to regulate grantmakers under a lighter-touch regime, where certain regulatory requirements that are less pertinent to grantmakers would be waived.

#### **Q7. Who can qualify for the lighter-touch regime?**

Grantmakers who meet the following criteria may qualify. That is, the grantmaker must:

- a. **Be a non-profit and non-governmental organization;**
- b. **Be solely funded by an individual, family or institution (whether corporate or not).** Unlike other charities which need to solicit donations and grants or charge fees for their services and programmes to sustain their activities, grantmakers shall derive their funds from private monies. Notwithstanding this, grantmakers may also accept donations from other private sources so long as no appeal for funds were made to these parties.
- c. **Be established to aid exclusively charitable purposes through the provision of grants.**
- d. **Not be a registered Institution of a Public Character (IPC).** The IPC status allows an organisation to issue tax deduction receipts to their donors. Hence, IPCs are held to higher accountability than non-IPC charities and should be subject to more stringent rules. Grantmakers with IPC status will therefore not be eligible for the lighter-touch regime. They should comply with the IPC rules and regulations.

**Q8. What are the changes under the lighter-touch regime for qualifying grantmakers?**

The list of regulatory requirements that would be relaxed or waived for qualifying grantmakers is summarised in the following table:

S/N	Charities Act / Regulations	Regulatory Exemptions for Qualifying Grantmakers
<b><u>Registration Requirements</u></b>		
1.	Requirement for a minimum of 3 governing board members; and 10 governing board members for large charities.	The COC's office would waive the requirements for qualifying grantmakers (where applicable) and accept a minimum of one local governing board member (which could be a corporate entity such as a bank or a law firm).
2.	Requirement that grantmakers have to apply their funds wholly or substantially to benefit the Singapore public.	Qualifying grantmakers will <u>not</u> need to apply their funds wholly or substantially in Singapore. However, as registered charities enjoy income tax exemption, there is an expectation that they should still conduct activities that benefit the community in Singapore.  Hence, qualifying grantmakers registered as charities should still apply <u>some</u> of their funds in Singapore. The COC's office will not specify the percentage or amount to be applied in Singapore as the grantmaker is in the best position to decide based on its charitable objects and unique circumstances.
<b><u>Reporting Requirements</u></b>		
3.	Online Financial Summary ("OFS")	Qualifying grantmakers will be exempted from submitting OFS and GEC. However, they are still required to submit their annual reports and financial statements through the Charity Portal ( <a href="http://www.charities.gov.sg">www.charities.gov.sg</a> ).
4.	Governance Evaluation Checklist ("GEC")	