

COMMISSIONER OF CHARITIES' OFFICE

Guidance on Regulation of Grantmakers

Q1. What is the purpose of this guidance?

Grantmakers are an important group within the philanthropic sphere, to advance philanthropy in Singapore. Given that the scope of grantmakers' activities generally differs 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.

Since this guidance was first published in 2007, the charity landscape has continued to evolve and develop. As such, this guidance has been updated in November 2023 to provide greater clarity on the parameters of the Grantmaker scheme and to ensure its relevance to grantmakers.

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 give out grant monies to specific charitable causes. An example of a well-known international grantmaker will 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, will 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 will 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 can simply set up local chapters or entities with exclusively charitable purposes and register these local chapters / entities as charities.

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 will therefore be appropriate to regulate grantmakers under a lighter-touch regime, where certain regulatory requirements that are less pertinent to grantmakers will be waived.

Q7. Who can qualify for this lighter-touch regime?

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

- (a) **Be a non-profit and non-governmental organisation;**
- (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 unsolicited 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 predominantly through the provision of grants.** Nonetheless, the grantmaker can:
 - (i) carry out some non-grantmaking activities¹ limited to 10% of the grantmaker's activities², subject to the following safeguards:
 - (A) The governing board members of the grantmaker must satisfy themselves that it is in the interest of the grantmaker to conduct these non-grantmaking activities.
 - (B) Activities must serve exclusively charitable purposes and are in line with the grantmakers' objects.
 - (C) Fees/income generated from these non-grantmaking activities, if any, must not be the primary source of income for the grantmakers. This is so that grantmakers continue to meet the qualification criteria of being self-funded.

¹ Examples of non-grantmaking activities include in-house research, activities incidental to grantmaking (e.g. award ceremonies for scholarships or grants given, or supporting grantees to build programme monitoring and evaluation capabilities), and direct services or CSR activities such as provision of meals for low-income families.

² In calculating the percentage, grantmakers may wish to consider the funds expended on non-grantmaking activities as a proportion of the grantmaker's total charitable activities expenses. Total charitable activities expenses include both direct (e.g. grants disbursed, cost of delivering charitable activities/programmes) and support (e.g. staff, other operating expenses) costs attributable to the grantmakers' charitable activities.

(ii) disburse some funds through non-grant instruments limited to 10% of the grantmaker's activities³ (e.g. social impact bonds, loans), subject to the following safeguards:

(A) The governing board members of the grantmaker must satisfy themselves that it is in the best interests of the grantmaker to make disbursements through non-grant instruments.

The instrument used should allow grantmakers to ringfence the use of funds given such that they are used only for exclusively charitable purposes that are in line with the grantmaker's charitable objects⁴.

(B) There should be reporting or monitoring mechanisms in place to enable grantmakers to check that funds are indeed used for the intended charitable purposes.

(C) Charities are only allowed to carry out exclusively charitable objects for public benefit. Impact investments and equity investments to social enterprises are not allowed if such investments are used to further non-charitable purposes. In addition, equity investments in social enterprises may result in non-incidenta l/significant private benefits such as financial returns to shareholders.

(d) Not be a registered Institution of a Public Character (IPC). Grantmakers with IPC status will not be eligible for this lighter-touch regime. They should comply with the requirements under the Charities (IPC) Regulations. The IPC status allows an organisation to receive benefits such as income and property tax benefits and tax-deductible donations. Hence, IPCs are held to higher accountability than non-IPC charities and should be subject to more stringent rules.

If in doubt, the grantmaker should approach the COC's Office or its Sector Administrator.

³ In calculating the percentage, grantmakers may wish to consider the funds disbursed via non-grant instruments as a proportion of the grantmaker's total charitable activities expenses. Total charitable activities expenses include both direct (e.g. grants disbursed, cost of delivering charitable activities/ programmes) and support (e.g. staff, other operating expenses) costs attributable to the grantmakers' charitable activities.

⁴ To achieve this, grantmakers could for example establish written agreements with the fund recipients to set out terms and conditions on which the funds are being provided. This includes terms to ensure that funds disbursed (i) are used only for the intended charitable purposes; and (ii) do not give rise to more than incidental personal or private benefits (e.g. in the form of money or other property, other non-financial benefits, or even services).

Q8. What are the regulatory requirements that are relaxed or waived for qualifying grantmakers?

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

S/N	Charities Act / Regulations	Regulatory Exemptions for Qualifying Grantmakers
Registration Requirements		
1.	a. A minimum of 3 governing board members; or b. 10 governing board members for large charities.	The COC's office will waive the requirements for qualifying grantmakers (where applicable) and accept a minimum of one local governing board member (which can be a corporate entity such as a bank or a law firm).
2.	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 ⁵ . As the grantmakers' level of local activities will depend on its charitable objects and unique circumstances, the COC's office will discuss the proposed allocation with the grantmaker during the application stage.

⁵ In 2023, the COC's Office conducted a review of these Guidelines. This included a review of the expected local-overseas funds allocation by grantmakers. More information on the review and matters considered are available on the Charity Portal (www.charities.gov.sg) for reference. Grantmakers may reach out to the COC's Office or its Sector Administrator if they wish to clarify on their proposed local-overseas funds allocation.

S/N	Charities Act / Regulations	Regulatory Exemptions for Qualifying Grantmakers
Reporting Requirements		
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 (www.charities.gov.sg).
4.	Governance Evaluation Checklist (“GEC”)	

Q9. Is there a time limit for qualifying grantmakers to disburse their funds?

Tax exemptions are granted to registered charities in respect of the donations received. As such, all registered charities should actively carry out activities in furtherance of their charitable objects. Grantmakers are strongly encouraged to actively carry out disbursement of grants and funds, in furtherance of their charitable objects, within three to five years from receipt of the funds.

If the COC’s Office observes any instances where a registered charity is not actively carrying out activities in furtherance of their charitable objects, the COC’s Office may review its actions under the Charities Act and Regulations.

Q10. What are the safeguards which charities, including qualifying grantmakers, should put in place when conducting charitable activities in furtherance of its objects?

Charities should ensure there are proper governance and internal controls regarding their management and operations, aligned with the principles as detailed in the *Code of Governance for Charities and Institutions of a Public Character*.

In addition, charities should comply with the relevant provisions under the Charities Act and Regulations, particularly when conducting fund-raising appeals for local and foreign charitable purposes.

Charities are strongly encouraged to adopt the *Terrorist Financing Risk Mitigation Toolkit for Charities* published by the COC's Office to strengthen their risk mitigation efforts for abuse linked to terrorist financing.

If in doubt, charities and qualifying grantmakers should contact the COC's Office and Sector Administrators for assistance. Charities may wish to refer to the Charity Portal (www.charities.gov.sg) for more information on their obligations and requirements.

Q11. What percentage of funds are qualifying grantmakers expected to apply in Singapore?

The COC's Office appreciates the need to provide some flexibility for qualifying grantmakers to vary their level of local activities based on their charitable objects and unique circumstances. Most qualifying grantmakers apply between 20% to 100% of their funds towards charitable causes in Singapore, and the majority apply at least 50% of their funds locally. Applicants and registered qualifying grantmakers may reach out to the COC's Office or its Sector Administrator if they wish to seek clarification on their local-overseas funds allocation.
