Summary Regulatory Impact Analysis (RIA)		
Department/Office: **Department of Jobs, Enterprise and Innovation**	Title of Legislation: **Friendly Societies and Industrial and Provident Societies (Miscellaneous Provisions) Bill 2013**	
Stage:	Final - ready for publication	Date: July 2013
Related publications:		
Available to view or download at:	**http://www.djei.ie/**	
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The purpose of the Bill is to provide for various amendments to two codes of legislation, the Friendly Societies Acts and the Industrial and Provident Societies Acts. The main amendment in the area of friendly societies provides for the closure of registration of new societies. The amendments in the area of industrial and provident societies are aimed at easing the regulatory burden on co-operative societies and making examinership, currently available only to companies, accessible to co-operative societies.

A. Amendment of Friendly Societies Act, 1896

What are the policy objectives being pursued?

The objective of the Bill is to prohibit the registration of any new friendly societies, and restrict the provision of certain financial services where existing societies are not currently involved in their provision. At the end of 2012 just 47 friendly societies were registered with the Registrar of Friendly Societies (many with relatively low levels of activity), and with just three new entrants in the last 9 years, it is clear this nineteenth century friendly society model has out-lived its usefulness and is ill-suited to meeting the needs of the twenty-first century.

The remaining active societies are, for the most part, small community-based mutual societies, although a number carry on financial activities such as life insurance, health insurance, personal loans or a combination of these activities. These activities are not the subject of prudential supervision, and the Minister is concerned that this situation may pose some risk to the interests of the public.

Consultation Process

The proposed changes to the legislation do not affect the current activities of any existing Friendly Society, of which only 47 remain. These societies operate across a range of activities, and there is no representative body or umbrella group for societies, making a consultation process difficult. With regard to the issue of a wider public consultation it is not believed that such a process would bring any added value to the debate in this instance, as there is no identifiable target group. The enactment in 2009 of the Charities Act, designed to provide an appropriate regulatory environment for charitable and benevolent groups and societies, ensures that there is a suitable framework in place for the proper regulation of such groups into the future.

There has been ongoing consultation with the Department of Finance in relation to the provision of financial services by existing societies.

What policy options have been considered?
Please summarise the costs, benefits and impacts relating to each below and indicate whether a preferred option has been identified.

Option 1.	Do Nothing.
Option 2.	Effect amendment to existing legislation.

Preferred Option:

The current legislative framework for friendly societies is outdated and ill-suited to the needs of the 21st century, as evidenced by the declining numbers of societies. Option 2 is thus the preferred option, as it allows the beginning of a winding down of an out-dated body of legislation, which in the light of the declining numbers and paucity of new entrants does not warrant a major modernisation.

OPTIONS			
	COSTS	**BENEFITS**	**IMPACTS**
1	None.	None.	Some dangers are inherent in continuing to allow societies to register under out-moded legislation, particularly where they may become involved in the provision of financial services without appropriate prudential supervision.
2	None.	A prohibition on new entrants would pave the way for an eventual winding down of this body of legislation. The number of societies involved in the provision of financial services without prudential supervision would be limited to existing numbers (which are declining).	The possibility of new societies becoming involved in the provision of financial services without appropriate prudential supervision would be excluded. The process of assigning responsibility for prudential supervision of these bodies would be simpler should their number be fixed.

B. Amendment of Industrial and Provident Societies Act, 1896 and application of the Companies (Amendment) Act 1990 to industrial and provident societies.

What are the policy objectives being pursued?

1.	The objective of the Bill is to address issues identified as being a source of unnecessary regulatory burden, and issues that may adversely impact on the potential growth of the co-operative sector. In particular, to • Ease certain financial reporting requirements • Abolish triennial return of shares and loans • Abolish the statutory limit on individual shareholdings in societies • Ease the restrictions on the raising of funds from certain sources by certain societies • Extend the company law mechanism of examinership to societies • Make it easier for societies to appeal against decisions of the Registrar

Consultation Process

The Department of Enterprise, Trade and Innovation published a consultation paper in April 2009 seeking to identify any practical difficulties in the Industrial and Provident Societies Acts as they currently stand and to consider what action should be taken to address them. The responses to this consultation informed many of the issues addressed in the Bill.

What policy options have been considered?
Please summarise the costs, benefits and impacts relating to each below and indicate whether a preferred option has been identified.

Option 1.	Do Nothing.
Option 2.	Effect amendment to existing legislation.
Option 3.	Effect a full reform of existing legislation.

Preferred Option:

Option 2 is the preferred option, as it can achieve the policy objectives within the shortest timeframe, and reduce unnecessary regulatory burdens on co-operatives. Option 1 would leave co-operative societies subject to unnecessary regulatory burden. A full review of the legislation as per Option 3 is under consideration, but needs to have regard to developments in the company law area (in particular the Companies Bill published in December 2012). As such, the timescale involved means that an amending Bill, rather than awaiting a more comprehensive reform, is desirable to deal with the more pressing issues identified in the consultation process.

OPTIONS			
	COSTS	**BENEFITS**	**IMPACTS**
1	None.	None.	Issues that have been identified through the consultation process as requiring more urgent attention will only be addressed in the longer term, and will remain a source of contention for the co-operative sector in the meantime, and potentially impact on its development in certain areas.
2	Cost for Exchequer • No additional exchequer costs are anticipated arising out of the proposed changes. Income (minimal) from the charge for registering a triennial return may be offset by a reduction in the administrative inputs.	A number of benefits to the co-operative sector would result: • greater flexibility in relation to selection of business year (bringing closer to company law norms), • greater protection for co-operatives in the case of availability of examinership, • easier access to funding through government grants, • simpler and less expensive access to the Courts when seeking restoration to the Register.	• Reduction in regulatory burden for business. • Improved regulatory environment for co-operatives, eliminating some of the discrepancies whereby the current regulatory system favours the company model.
3	None anticipated.	Would provide a modern regulatory framework for enterprises using the co-operative business model, replacing what is extremely out-moded legislation.	Such a system would allow the co-operative model to develop fully, but to attempt to develop it in advance of the new modern framework provided by the Companies Bill 2012 could lead to difficulties and unwanted differences in approach in the two codes of law.