

**Q1. Do you agree with the indicators set out above relating to interest rates, and in particular: what do we need to add, remove or amend?**

I agree that for both co-operative societies and community benefit societies the key issue in respect of interest on shares is whether it is being used as a form of profit distribution to members. If it is, it raises questions about the co-operative or community benefit nature of the society and so about its right to be registered. However, societies have to operate in a market economy and need capital.

The indicators in favour of compliance with registration requirements seem reasonable with a focus on commitment to the society's objectives as the main motivation for holding shares and interest. The emphasis on interest that is fixed but variable downwards year by year and always at a level appropriate for people motivated by pursuit of the society's objectives seems to be assessable as an indicator of motivation. Similarly, paying the lowest rate sufficient to obtain funds from members motivated by the society's objectives overcomes the potential argument that the "market rate" is the minimum necessary to obtain and retain capital.

Among negative indicators, an excessively high interest rate or one that is increased due to better than expected profits or that cumulates from one year to the next to compensate for lower payment or no payment are both helpful and appropriate as indicators of a deviation from the altruism of community benefit society objectives or the co-operative principles of de-emphasising capital for co-operative societies.

I therefore see no need for amendments and have no objections to these proposals.

**Q2. Do you agree with our approach to the ICA Statement in our application of the 'bona fide co-operative society' statutory test?**

I do.

The ICA Statement is widely used by national legal systems and international organisations to define a co-operative and to confer that legal status. It is wholly appropriate that the FCA should use it but, equally it cannot simply be adopted wholesale. Using the Definition, Values and Principles 1 to 4 makes perfect sense and combines clarity and the ability to prevent the registration of bodies that are not bona fide co-operatives with flexibility to accommodate the development of new co-operative models over time which comply with the key elements of the ICA Statement.

The first four Principles are eminently applicable to the rules of a society and its operation over time. They are therefore susceptible to analysis and the application of a regulatory test. The last three, on the other hand, are closer to aspirations and should not be over emphasised, although they should be available to reinforce the case for recognition as a co-operative where other factors make it doubtful.

**Q.3 Do you agree with our approach to society names, in particular in our aim to align the naming regimes for companies and societies where possible?**

I do. It is very helpful to bring the list into line with the one applicable to companies and other businesses.

#### **Q.4 Do any words need adding to or removing from the list at Appendix 1?**

I wonder whether the word "co-op" should be included as well as the full word "co-operative". The use of the abbreviation could be equally misleading. There is also the word "mutual" which has particular implications about the structure and operation of a business and which does not appear in the list.

Is there a need to protect the phrases "community interest" as in community interest companies and "community benefit" as in community benefit societies from use by inappropriate structures that allow assets to be distributed to members?