



PARLIMEN MALAYSIA



BILL

Employees Provident Fund (Amendment) (No.2) 1960

D.R.42/1960

(Presented and read a first time and ordered to be printed,
30th November, 1960.)

A BILL
intituled

An Act to amend the Employees Provident Fund Ordinance,
1951.

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BE IT ENACTED by the Duli Yang Maha Mulia Seri Paduka Baginda Yang di-Pertuan Agong with the advice and consent of the Dewan Negara and Dewan Ra'ayat in Parliament assembled, and by the authority of the same, as follows:

1. This Act may be cited as the Employees Provident Fund (Amendment) (No. 2) Act, 1960. Short title.

2. Section 2 of the Employees Provident Fund Ordinance, 1951 (hereinafter referred to as "the principal Ordinance"), is hereby amended by inserting immediately after the definition of "amount of wages for the month" the following new definition: Amendment of section 2. 21 of 1951.

"'approved company' means a company—

- (a) incorporated in the Federation or in Singapore which has been continuously so incorporated for a period of at least seven years and has a place of business in the Federation; and
- (b) having as its sole or primary object the promotion of home ownership by advancing for the purchase of lands and buildings sums of money, repayable by instalments of principal and interest over a fixed period of years, not exceeding at any time the valuation of such lands and buildings made by a licensed land surveyor or a licensed appraiser; and
- (c) approved by the Minister of Finance by notification in the *Gazette* for the purpose of receiving loans from the Board in accordance with sub-section (2) of section 4 of this Ordinance;"

3. (1) Sub-section (2) of section 4 of the principal Ordinance is hereby repealed and the following new sub-section substituted therefor: Amendment of section 4.

"(2) The Board shall be the Trustee of the Fund, and the moneys belonging to the Fund shall—

- (a) be deposited in a bank or banks duly licensed under the Banking Ordinance, 1958, or, 62 of 1958.
- (b) subject as hereinafter provided, be invested in accordance with the provisions of the Trustee Ordinance, 1949, or, 66 of 1949.

(c) subject as hereinafter provided, be invested in loans to an approved company:

Provided that, unless the Minister of Finance shall first have otherwise authorised in writing, after the thirty-first day of December, 1959—

(i) no moneys belonging to the Fund shall, except in the case of moneys invested in loans to an approved company in accordance with the provisions of this sub-section, be invested or re-invested outside the Federation; and

(ii) the Board shall invest or re-invest at least seventy *per centum* of the moneys belonging to the Fund and invested or re-invested during any one year in securities issued by the Government;

Provided also that in the case of loans to an approved company—

(i) no moneys shall be invested in such loans unless—

(I) the paid up ordinary share capital of the approved company is not less than ten million Malayan dollars; and

(II) the approved company has paid a dividend at the rate of not less than five *per centum* upon such ordinary share capital during each of the last three years prior to the time of investment; and

(III) the total amount of the borrowings of the approved company from all sources, whether trustee or not, accepted by the approved company on loan and deposit, and including interest due thereon and not repaid by the approved company, does not at any time exceed two-thirds of the amount, excluding prospective interest, for the time being secured to the approved company from its borrowers;

(ii) a certificate that the provisions of paragraph (i) of this proviso were complied with in respect of the last financial year of the approved company, if incorporated in the

auditor's report annexed to the approved company's annual accounts required to be prepared under the Companies Ordinance to which the approved company is subject, shall be conclusive in favour of the Board making such loan; and

(iii) any agreement as to repayment made between the Board and the directors of the approved company shall be immediately determined if—

(I) the approved company shall cease to comply with any of the provisions of paragraph (i) of this proviso; or

(II) the approved company shall fail to obtain a certificate in the terms and in the manner stated in paragraph (ii) of this proviso; or

(III) the Minister of Finance shall at any time by notification in the *Gazette* order that the company shall cease to be an approved company in consequence of his considering that the company has departed from its sole or primary object,

and any moneys belonging to the Fund shall be repayable immediately thereupon.”

(2) Sub-section (3) of section 4 of the principal Ordinance is hereby repealed and the following new sub-section substituted therefor:

“(3) On or before the thirty-first day of December, of each year the Board shall, having considered the recommendation of an actuary approved by the Minister of Finance for the purposes of this Ordinance, declare a rate of interest in respect of that year, being not less than two and one half *per centum* per annum and not exceeding the rate recommended by such actuary; and subject to the provisions of section 12 of this Ordinance interest shall be payable on contributions to the Fund at such rate:

Provided that—

(a) no such interest shall be so payable in respect of the period of twelve months immediately following the date on which section 7 of this Ordinance comes into force;

(b) no rate of interest exceeding two and one half *per centum per annum* shall be so declared unless the actuary shall have certified in his recommendation that in his opinion the ability of the Fund to meet all payments required to be paid under this Ordinance is not endangered by the declaration of such rate; and

(c) no rate of interest exceeding two and one half *per centum per annum* shall be so declared if any sums advanced by the Government of the Federation under sub-section (4) of this section have not then been repaid.”.

(3) Sub-section (4) of section 4 of the principal Ordinance is hereby repealed and the following new sub-section substituted therefor:

“(4) If the Fund is at any time unable to pay any sum which the Fund is required to pay under this Ordinance, the sum required to be so paid shall be charged on and advanced to the Fund from the Consolidated Fund of the Federation; and the Fund shall as soon as practicable repay to the Government of the Federation the sum so advanced.”.

Amend-
ment of
section 12.

4. (1) Sub-section (2) of section 12 of the principal Ordinance is hereby amended—

(a) by substituting for the words “immediately upon the declaration by the Board under sub-section (3) of section 4 of this Ordinance of a rate of interest for the preceding year, with interest at the rate so declared on any amount outstanding to the credit of such member of the Fund on the thirty-first day of December of such preceding year” the words “at the end of the year in respect of which a rate of interest has been declared by the Board under sub-section (3) of section 4 of this Ordinance interest at the rate so declared on the amount standing to the credit of each member in the Fund at the commencement of such year”;

(b) by deleting the proviso thereto;

(2) Sub-section (3) of section 12 of the principal Ordinance is hereby amended by repealing paragraph (a) thereof and substituting therefor the following new paragraph:

“(a) Where any amount is withdrawn from the Fund under the provisions of section 13 of this Ordinance interest shall be credited on the amount standing to the

credit of the member of the Fund at the commencement of the year in which such withdrawal is made at the rate of two and one half *per centum* per annum in respect of the period from the commencement of the year in which such withdrawal is made until the last day of the month preceding that in which such withdrawal is made, and the amount of such interest shall be credited to the member of the Fund before such withdrawal.”

EXPLANATORY STATEMENT

Investment of moneys belonging to the Employees Provident Fund is at present confined to trustee securities under the Trustee Ordinance. *Clauses 2 and 3 (1)* of this Bill will enable the Minister of Finance to approve the investment of such moneys in building societies carrying on business in the Federation which comply with certain conditions.

2. *Paragraphs (2) and (3) of clause 3* will enable the Board to declare a rate of interest in excess of the present rate of $2\frac{1}{2}\%$ if the financial position of the Fund justifies it, and *clause 4* will permit interest to be credited on opening balances, and not closing balances of members of the Fund.

[A.G. 2408.]

