Sir David Tweedie, Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Brussels, 20th May 2009
HG/VH/JC/B16/09-108

Copy to: Elizabeth Figgie, Project Manager

E-MAIL

Re: Board Deliberations on Financial Instruments with Characteristics of Equity

Dear Sir David,

We are closely following the Board's work on equity/liability distinction. The members of the EACB are pleased to see that the IASB Board has once again taken considerable efforts to properly consider the particularities of co-operative shares in its proposals.

The staff papers prepared for the 21st of May propose an equity treatment for two types of co-operative shares. For cooperative banks certainly "Instruments that the issuer cannot be required to settle" (regardless of the amount of the claim) will be the most relevant ones.

When Board members discussed this issue in March they pointed out that such instruments should also dispose of other elements of equity. In this respect we would like to recall that the remuneration of co-operative shares is never fix, but depending on the P&L results. In case of losses a holder's claim may even be reduced (depending on the amount of retained earnings available, to which he has no access, however). In addition, co-operative shares are the only financial instruments that give the member the right to vote in the general assembly. Thus, we think that there other features as well that underline the equity nature of these shares.

The second type of instruments suggested for equity classification (Instruments that the holder is required to own in order to do business with the entity) is more frequent outside the banking sector, e.g. in (big) agricultural coops. It would be important for this definition as well to add the reference "regardless of the amount of the claim". This would make sense probably for partnerships as well, since arrangements in partnerships for leaving members tend to be highly individual and very much depend on individual circumstances. Should it be necessary to integrate other equity features, we would suggest referring to those mentioned above.

As regards the aspect of subordination, we would like to inform you that the statement on subordination on page 1 of the staff paper 2A may not apply as indicated to co-operative banks in Europe in the future[1]. Due to very recent changes of the regulatory framework for banks, future perpetual instruments would have to rank "pari passu" with

[1] "3. However, limiting equity to the most subordinated class of instruments would mean that some entities' perpetual instruments would not be classified as equity because those instruments are senior (superior in rights to receive distributions) to redeemable instruments. For example, some cooperatives have said that they have that sort of capital structure."

redeemable shares in order to be accepted as prudential capital. We expect that the capital structure will change accordingly

Finally, we would like to underline once more our strong support for the suggested approaches that are relevant for co-operative shares that our experts consider strong and technically convincing.

Yours sincerely,

Hervé GUIDER	Volker HEEGEMANN
General Manager	Head of Legal Department

Contact person: Mr. Volker Heegemann (v.heegemann@eurocoopbanks.coop)