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

15 June 2009

Dear Sir David,

On behalf of the international co-operative community of over 800 million members, we are writing to comment on your definitions of financial instruments with characteristics of equity.

The International Co-operative Alliance (ICA), established in 1895, is an association of 221 national co-operatives in 88 countries that provide jobs for over 100 million individuals worldwide, in every sector of the economy. Co-operatives function according to a set of clearly formulated standards included in the *Statement of the Co-operative Identity* which sets out seven co-operative principles. These have been endorsed by most of world's governments, business organisations and trade unions by adoption at the International Labour Organization's (ILO) as part of ILO Recommendation 193 on the Promotion of Co-operatives.

As you know, our members are highly concerned about the adoption of new international accounting standards and their impact on the co-operative model of business.

**Today, we would like to express our support for the approaches on perpetual instruments and puttable or mandatorily redeemable instruments defined in convergence between IASB and FASB as latest discussed on 6 May 2009 by FASB and on 21 May 2009 by IASB.**

According to the March 2009 IASB update, the Board tentatively decided that an ownership instrument that is redeemable at the option of the issuer should be classified as equity. Co-operative shares which fulfil the requirements of IAS 32 and IFRIC 2 are redeemable at the option of the issuer and should be considered as permanent instruments and treated as equity. These dispositions certainly accommodate many co-operatives, but not all of them, as some co-operatives have an obligation to redeem their member shares when the member leaves the co-operative.

This is why we welcome the new approach on puttable or mandatorily redeemable instruments with characteristics of equity. According to the March 2009 and May 2009 IASB updates, the Board tentatively decided that an ownership instrument that is puttable or mandatorily redeemable only upon the holder's retirement or death (the term retirement being

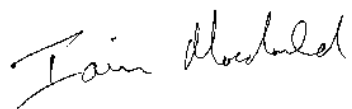
used broadly to include events such as termination, resignation or ceasing to be a member in a co-operative) should be accounted for as equity. This approach could offer great relief to those co-operatives which have an obligation to redeem their members' shares when they die, resign or otherwise cease to be engaged in the activities of the co-operative.

We also appreciate that claims to a percentage of remaining assets are considered today by IASB and FASB as neither sufficient nor necessary a condition for equity classification of financial instruments and that three characteristics (subordination, settlement requirement and claims to percentages of remaining assets) will be used to develop principles for distinguishing liabilities from equity. These principles and the way they will be used must nevertheless be developed as it is not clear today whether they would result in an equity classification of our member's shares.

During the last five years, the co-operative movement has demonstrated its commitment to respond to standard-setters' calls for contributions. We appreciate and salute the efforts made by IASB and FASB staff and board members to have paid heed to our communications and for now demonstrating a better understanding of the particularities of our business model. We consider that IASB and FASB have paid full attention to the characteristics of co-operative shares in the elaboration of the definition of equity.

We stand ready to work with both FASB and IASB to assist them in the elaboration and the advancement of the further stages of these approaches. We would appreciate having the opportunity to have a small delegation of co-operative representatives discuss this matter with you, Sir David. It would give us the opportunity to discuss some elements that could prove very useful with respect to the work in progress, which certainly seems to be heading in a promising direction. We will contact you in the coming days with a proposal in this regard.

Yours sincerely,



Iain Macdonald  
Director-General

On behalf of:

Jean-Claude Detilleux  
Chairman, ICA International Accounting  
Standards Working Group

Stanley Muchiri  
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