World Council of Credit Unions, Inc.

September 10, 2010

Mr. Nout Wellink
Chairman
Basel Committee on Banking Supervision
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel, Switzerland

Re: Consultative Document on Countercyclical Capital Buffers

Dear Mr. Wellink,

World Council of Credit Unions (WOCCU) is the leading trade association and development organization for the international credit union movement, representing nearly 50,000 cooperatively-owned, not-for-profit credit unions in 97 countries with assets of more than US$1.3 trillion in the retail financial services market. Globally, all types of financial cooperatives by various names - credit unions, rural credit cooperatives, cooperative banks, savings and credit cooperatives - serve an estimated 857 million people.

We appreciate the opportunity to comment on the Basel Committee's important proposal on countercyclical capital buffers. As stated in our previous submissions, WOCCU is supportive of the Committee's effort to strengthen the capital positions of financial institutions. One of the reasons why not a single credit union globally received tax-payer recapitalization during the global financial crisis is in part because of their strong capitalization levels.

However, we have several concerns with the consultative document. As institutions that do not present systemic risk to the same extent as large firms, we believe credit unions should be exempt from the countercyclical capital requirements. This has been the case in the United States with the passage on July 2010 of the Dodd-Frank Wall Street Reform Act which applies countercyclical capital requirements to all financial institutions except credit unions.

Our principal concern is with the scope of the countercyclical capital buffers proposal which appears to be applied for all countries and all institutions regardless of their size or sophistication. Although the Basel Accord itself is intended for internationally active financial institutions, its practical impact is much broader. We believe that many of our smaller, locally run credit unions would find it confusing to calculate their countercyclical capital buffers and to follow the on-going increase and decreases associated with the proposed system.

Where credit unions may be subject to the countercyclical capital buffer, we are concerned that many of them do not have access to the same capital sources as their commercial counterparts. For example, the bottom of page 15 of the proposal suggests that institutions will have 12 months to meet the add-on capital requirement by retained earnings, cutting lending growth or raising capital. A recent WOCCU survey of 17 jurisdictions shows that credit unions in only 23% of these countries have the regulatory/legislative capacity to access alternative forms of capital besides retained earnings. We believe that access to multiple sources of capital for credit unions is an important safety and soundness issue that the Committee could address in this proposal or

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in its recently issued document on Microfinance Activities and the Core Principles for Effective Banking Supervision.

Another aspect of the scope of this document is that it is presumably being recommended for all jurisdictions. While data on which the consultative document was based was provided for only countries that are part of the Basel Committee, we do have serious concerns with the impact of how such a system would be implemented in developing countries with poor data, underdeveloped markets and weak communication channels.

Lastly, we do have concerns that the proposal and its implementation/monitory structure is creeping in on both national sovereignty, despite the allowance for judgments, and monetary policy.

Thank you for considering our comments and please feel free to contact me at +1 (608) 395-2087 or via email at dgrace@woccu.org if you have any questions.

Sincerely,

Dave Grace

Dave Grace
Vice President