



October 1, 2010

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

Re: Proposal to Ensure the Loss Absorbency of Regulatory Capital

Dear Mr. Wellink,

World Council of Credit Unions (WOCCU) is the leading trade association and development organization for the international credit union and financial cooperative movement, representing more than 49,000 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.

More germane to the subject at hand, not a single credit union anywhere in the world received taxpayer recapitalization during the recent financial crisis. Where losses have occurred they have been covered by the credit unions themselves. This speaks foremost to the stability of financial cooperatives that do not seek to maximize profits, and secondly to the importance of the proposal you've put forward on loss absorption of capital.

We are generally supportive of the proposal and believe that at-risk capital should absorb losses at the point of insolvency. We are appreciative of the continued recognition of the unique role of ownership shares in cooperatives and other non-joint stock companies and the equal treatment that they received in this proposal. We are supportive of the proposed framework which would allow capital instrument holders to be issued ownership shares at the time of a triggered event.

We do have two concerns regarding the designation of a triggered event. First there does not appear to be any due process for firms to challenge the designation of a triggered event as defined in the proposal. Second, throughout the crisis, there have been multiple incidents of supervisors requiring *viable* firms to take public money and/or intervening in firms that are viable. We strongly urge the committee to include in the final document a provision allowing firms to dispute, to a party independent from their regulator, a trigger event which directly affects them.

Thank you for considering our comments and please contact me if you have any questions.

Sincerely,

Dave Grace
Vice President

5710 Mineral Point Rd.
Madison, Wisconsin
53701-2982 USA

Phone: (608) 395-2000
Fax: (608) 395-2001
www.woccu.org

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