



16 February 2024

Financial instruments with Characteristics of Equity – Exposure Draft 327

Submission to the Australian Accounting Standards Board

Comments on the Exposure Draft

The Business Council of Co-operatives and Mutuals (BCCM) welcomes the opportunity to make this submission to the Australian Accounting Standards Board (AASB) in response to Exposure Draft 327 on Financial Instruments with the Characteristics of Equity (the ED).

The BCCM is the national peak body representing the co-operative and mutual movement across all industries.

Due to their member-owned structure and purpose of delivering member and community benefit rather than maximising profits, co-operatives and mutuals often have capital structures that include specialised instruments backed by legislation and their capital structure can also include what can be broadly described as hybrid instruments.

Mutuals are significant players in prudentially regulated industries where equity instruments may be overlaid by prudential regulator powers – a significant discussion point in the IFRS Basis for Conclusions (see BC13). Mutual Capital Instruments are a type of share that was introduced into the Corporations Act in 2019 to give mutuals more flexibility in how they raise capital without disrupting their mutual structure. One of the uses of Mutual Capital Instruments is as the instrument that additional tier 1 capital converts to for loss-absorption when APRA directs a mutual that this is required.¹ It is important that this type of additional tier 1 capital arrangement in mutuals can continue to be classified as equity.

Co-operatives registered under Co-operatives National Law (and Co-operatives Act 2009 (WA)), may issue member shares. Dividends on member shares are discretionary. However, the Co-operatives National Law requires that co-operatives generally must repay to a member the nominal value of shares, in cash or in new instruments, when a member resigns from a co-op.² The BCCM asks the AASB to consider whether the treatment of such shares will remain the same under the proposed clarification of how contractual and legislated terms are considered in the classification of equity and debt instruments.

The BCCM would be pleased to provide further information on any matters raised in this submission.

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¹ For example, [aps-330-capital-note-website-disclosure.pdf \(pnbank.com.au\)](#)

² For example, s128 and s163 [Co-operatives \(Adoption of National Law\) Act 2012](#)