



**Single  
Rulebook  
Q&A**

<b>Question ID</b>	2013_15
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Own funds
<b>Article</b>	489
<b>Paragraph</b>	-
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	N/A
<b>Date of submission</b>	03/07/2013
<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Competent authority
<b>Subject matter</b>	Grandfathering of own funds instruments
<b>Question</b>	What will be the treatment of an Additional Tier 1 (AT1) instrument structured with a first call date and one step up after 5 years prior to 1 January 2013, callable quarterly thereafter at every interest payment date without any step up (subject to supervisory approval)? Is the instrument eligible for grandfathering if not called at the first call date? If the instrument is derecognized as AT1 on 1 January 2013, can it be included into Tier 2 and, if so, what amount will be eligible (full amount or gradually phased out amount)?
<b>Background on the question</b>	Not given

<p><b>EBA answer</b></p>	<p>The eligibility for grandfathering of both innovative and non innovative instruments is determined in accordance with the provisions of Regulation (EU) No 575/2013.</p> <p>For instruments with an incentive to redeem, Article 489 applies. As a general principle, instruments formerly issued with an incentive to redeem shall be eliminated from regulatory own funds at their effective maturity date (the first call date) if they do not fully comply with the criteria of Article 52 after the effective maturity date. The fact that the instrument is not called does not mean that the instrument may be reclassified as an instrument without an incentive to redeem. Due to the existence of subsequent quarterly calls, the instrument does not meet fully the criteria of Article 52 and in accordance with the provisions of Article 489 (4) of Regulation (EU) No 575/2013, the instrument described above will be fully disqualified from AT1 after the first call date.</p> <p>As an exception to the general principle outlined above, instruments where the first call date associated with an incentive to redeem took place before 31 December 2011 but the institution did not exercise the call on the instrument, will be grandfathered according to provisions foreseen by Article 489 (6) and phased out according to Article 486 (5) of Regulation (EU) No 575/2013. The same reasoning holds true for Tier 2 instruments with similar features (Article 490 (6) of Regulation (EU) No 575/2013).</p> <p>In addition, because in particular of the quarterly call, the instrument would not meet the eligibility criteria for inclusion in fully eligible Tier 2 capital. It would also not meet the eligibility criteria for inclusion in grandfathered Tier 2 capital as foreseen under Article 484 (5) of Regulation (EU) No 575/2013.</p>
<p><b>Link</b></p>	<p><a href="https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_15">https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_15</a></p>

European Banking Authority, 30/11/2021  
[www.eba.europa.eu](http://www.eba.europa.eu)