

<b>Question ID</b>	2013_44
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Own funds
<b>Article</b>	465
<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
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<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Individual
<b>Subject matter</b>	Grandfathering, cascading and phasing out limits
<b>Question</b>	In the case of an issuer whose outstanding Tier 2 instruments as at December 2012 are fully CRR compliant (ie bullet Tier 2 bonds), should Article 486(4) apply? To put it simply: can an issuer still have some disqualified parts of Tier 1 instruments (for limit reasons) cascaded into Tier 2 even if the issuer has no phased out Tier 2 amount as at December 2012 (and hence no phased out limits for Tier 2) ?
<b>Background on the question</b>	A lot of issuers have seen their bullet Tier 2 instruments being fully recognized under CRR (because there is no need to have a non viability language in the existing documentations). Are they still able to cascade the portion of disqualified Tier 1 instruments into the Tier 2 phasing out limits?
<b>EBA answer</b>	Items referred to in Article 484(4) of Regulation (EU) No. 575/2013 (CRR) and exceeding the limits in Article 486(3) may only be treated as items referred to in Article 484(5) within the limits referred to in Article 486(4). If the amount referred to in Article 484(5) of the CRR is zero, it cannot be increased in the following years.
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_44">https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_44</a>

