Single Rulebook Q&A

Question ID	2013_47
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Own funds
Article	489, 490
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	N/A
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Treatment of non-grandfathered amount of bonds
Question	1. As of January 1, 2014, if an innovative Tier 1 security has more than 5 years to the first call date (e.g., a first call in 2020), does the non-grandfathered amount of bonds (i.e. 100%-80% = 20% in 2014) have any regulatory value? Could this be Tier 2 until 2015, given it will have at least 5 years to the first call date as per Article 63 Regulation (EU) No 575/2013 (CRR)? 2. In a similar vein, can the non-grandfathered part of non-innovative Tier 1 with no incentive to redeem count as Tier 2, either pre- or post-first call date?
Background on the question	Understanding how the non-grandfathered amount of a step-up Tier 1 and non-step Tier 1 would be accounted for.
EBA answer	In answer to the first point of the submitter, if an innovative Tier 1 security has more than 5 years to the first call date and is accompanied by a step up, then the security is not fully compliant under Article 63 of Regulation (EU) No. 575/2013 (CRR) and will therefore not be included in Tier 2 in its own right. In answer to the second point of the submitter, if a non-innovative Tier 1

	security has more than 5 years to the first call date and the instrument otherwise complies with all the criteria under Article 63 of the CRR, then the instrument may be included in Tier 2 in its own right. If the instrument does not comply with Article 63 of CRR, the provisions of Article 487(2), for including items excluded from grandfathering in Additional Tier 1 in other elements of own funds, may nonetheless apply. The existence of dividend pusher and stopper clauses may interfere with an institution's flexibility to cancel distributions on other classes of capital instruments (as described in Q&A 2013_21).
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_47