

Question ID	2013_48
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Own funds
Article	489
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	N/A
Date of submission	08/07/2013
Published as Final Q&A	31/01/2014
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Treatment of Tier 1 securities with calls every 5 years (as opposed to quarterly calls)
Question	<p>Could a Tier 1 security with an incentive to redeem and a first call date post January 1, 2014 (say, in 2016) and which is callable every 5 years after the first call date count as Tier 2 if not called at the first call date? This question is partly based on the answer to the question 2013_15, where the EBA gives clarity on the fact that non-called Tier 1 cannot count as Tier 2 post the first call date, as they are callable every quarter on so do not comply with Tier 2 requirement - which is not the case here.</p>
Background on the question	<p>This question is partly based on the answer to the question 2013_15, where the EBA gives clarity on the fact that non-called step-up Tier 1 cannot count as Tier 2 post the first call date, as they are callable every quarter on so do not comply with Tier 2 requirement - which is not the case in this specific case.</p>
Final answer	<p>Under Article 489(5) of Regulation (EU) No 575/2013 (CRR), instruments referred to in Article 484(4), with a call and an incentive to redeem and where the institution was able to exercise a call with an incentive to redeem on or after 1 January 2013, shall not qualify as Additional Tier 1 from the</p>

	<p>date of their effective maturity if the conditions laid down in Article 52 of the CRR are not met from that date.</p> <p>For the instruments which do not qualify as Additional Tier 1 items under Article 489(5), the CRR does not provide for their inclusion in grandfathered Tier 2 items. In order for those instruments to be included in fully eligible Tier 2 items, all conditions of Article 63 of the CRR have to be met. The frequency of subsequent calls is not a relevant criterion in that regard. This is because a capital instrument with an incentive to redeem is still considered to have an incentive to redeem where it has future calls, even if it is not called at the first call date.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_48

European Banking Authority, 04/12/2023
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