

<b>Question ID</b>	2013_174
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Own funds
<b>Article</b>	63
<b>Paragraph</b>	1
<b>Subparagraph</b>	(g)
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	Article 63
<b>Date of submission</b>	21/08/2013
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<b>Disclose name of institution / entity</b>	Yes
<b>Name of institution / submitter</b>	KPMG
<b>Country of incorporation / residence</b>	Austria
<b>Type of submitter</b>	Accounting firm
<b>Subject matter</b>	Eligibility of Tier 2 after contractual change if already in amortisation phase
<b>Question</b>	<p>This is a follow up question to 2013_16, where it is stated that "A material change in the terms and conditions of a pre-existing instrument shall be considered in the same way as the issuance of a new instrument, meaning that the changes shall aim at ensuring a full eligibility...". Does this principle apply only to changes that would lead to inclusion in grandfathering or also to instruments which after a contractual change (removal of call rights) would be fully eligible but already are within the last 5 years of their maturity and therefore recognized according to amortization rules?</p>
<b>Background on the question</b>	An institution aims at changing the Terms & Conditions of Tier 2 instruments that have a residual maturity of less than 5 years.
<b>Final answer</b>	The answer to <a href="#">Q&amp;A 16</a> introduces the general principle that a material change in the terms and conditions of a pre-existing instrument shall be

	<p>considered in the same way as an issuance of a new instrument.</p> <p>In particular, the removal of a call option is a material change in the terms and conditions governing the contract. Consequently, the eligibility of the 'new' instrument shall be assessed as if it had been issued from the date of the material change in accordance with Article 63 of Regulation (EU) No. 575/2013 (CRR).</p> <p>Any changes to the terms and conditions after 31 December 2011 which do not lead to the full eligibility of the instruments as own funds under the CRR will lead to the immediate disqualification of the instrument from own funds.</p>
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_174">https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_174</a>

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