

# Single Rulebook Q&A

<b>Question ID</b>	2013_220
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Own funds
<b>Article</b>	484
<b>Paragraph</b>	-
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	Article 484
<b>Date of submission</b>	09/09/2013
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<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>	<p>When an institution has launched an exchange offer, prior to December 31st 2011, that will exchange, on a one for one basis, existing Tier 1 bonds, with or without an incentive to redeem, with bonds that have similar provisions, the same coupons and call dates, but a different issuer (within the same banking group), will the newly issued bonds be considered in the same category as the former bonds (with or without an incentive to redeem)? This seems consistent with the fact that the newly issued bonds obviously do not have a coupon that is priced at fair market value on the issuance date, so assessing whether they have an incentive to redeem the day they are issued does not really make sense, but a clarification would be helpful.</p>
<b>Background on the question</b>	<p>Exchange offers sometimes lead to the issuance of new bonds that have a coupon which is not fixed at a market rate. How does the "incentive to redeem" category is determined for such bonds?</p>
<b>Final answer</b>	<p>The exchange of a Tier 1 instrument with bonds that have similar provisions but a different issuer would be considered as a new issuance.</p> <p>It shall be noted that if the new instrument is issued after 31 December</p>

	<p>2011, even if the exchange offer has been launched prior to 31 December 2011, grandfathering provisions laid down in Article 484 of Regulation (EU) No. 575/2013 (CRR) would not be applicable.</p> <p>For full inclusion as Additional Tier 1 instruments, the new issuance must comply with the conditions of Article 52(1) of the CRR and in particular, Article 52(1)(g), meaning there should be no incentive to redeem.</p> <p>Having regard to Article 52(1)(g) of the CRR, the marketing of an instrument in a way which suggests to investors that the instrument will be called shall be considered as an incentive to redeem.</p>
<b>Link</b>	<a href="https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_220">https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_220</a>

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