

Question ID	2013_238
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Own funds
Article	484
Paragraph	5
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	NA
Date of submission	11/09/2013
Published as Final Q&A	24/01/2014
Disclose name of institution / entity	No
Type of submitter	Investment firm
Subject matter	Tap issues
Question	<p>Article 484 and 486 of Regulation (EU) No. 575/2013 (CRR) provide for the grandfathering treatment of Tier 2 instruments that do not meet the criteria of Articles 62 and 63. Article 63 provides that callable Tier 2 should have a first call date not before five years after the date of issuance or raising (except Article 78(4)). When an institution has issued before 31/12/2011 a callable (non step) Lower Tier 2 bond with a first call date at year 5 and then has made a tap on that issue (i.e. increased the amount of the original issue a year later, for example), what is the grandfathering treatment of the amounts raised through the tap? Is it the same as the original bond (i.e. fully eligible) or should the tap be considered non fully eligible Tier 2 because, as of the tap date, the first call was before year 5, in which case the tap should be included in the amortized stock according to Article 86.</p>
Background on the question	See question.
Final answer	A 'tap issue' i.e. a further increase in the amount of an original issue of a capital instrument -, would be considered as a new issuance of own funds instruments. If a capital instrument is issued after the cut-off date for

	grandfathering as specified in Article 484 of Regulation (EU) No. 575/2013 (31 December 2011), then it shall not be eligible for the grandfathering treatment of Tier 2 instruments in the CRR. Consequently such an issue will have to fully comply with the Tier 2 eligibility requirements laid down in Article 63 of the CRR.
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_238

European Banking Authority, 06/12/2023
www.eba.europa.eu