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Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Supervisory reporting - FINREP (incl. FB&NPE)
Article	99
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Regulation (EU) No 680/2014 - ITS on supervisory reporting of institutions (as amended)
Article/Paragraph	Annex V (FinRep) - Part 2 (45)
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Subordinated Debt holdings
Question	<p>The definition of subordinated assets appears very broad - it seems to include any asset which is not highest in the order of priority. [Para 45 refers to a detailed definition in para 54: "Subordinated debt" instruments provide a subsidiary claim on the issuing institution that can only be exercised after all claims with a higher status have been satisfied"] Can the definition be interpreted as being any asset which has specific element of subordination according to its own terms and conditions rather than being a requirement to relate to all other assets?</p>
Background on the question	<p>According to the current definition it would appear that where an entity issues covered bonds, which have a prior claim over part of the entity's assets, that would appear to make all other claims on that entity subordinated.</p>
Final answer	<p>The definition of 'subordinated debt' (paragraph 54 of Part 2 of Annex V) establishes that these instruments provide a subsidiary claim '<i>on the issuing institution</i>'; therefore, the instruments to be ranked are exclusively those that provide a claim on the issuer as a whole. It follows that those instruments that provide a prior claim over only a part of the institutions'</p>

	<p>assets (such as covered bonds) should not be considered as higher status claims for the purposes to determine which instruments are 'subordinated debt'.</p> <p>Having said that, the presence of specific elements of subordination in the terms and conditions of an asset is usually the first and main source in order to determine its subordinate nature.</p>
Link	https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2013_547

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