

Single Rulebook Q&A

Question ID	2014_723
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Own funds
Article	472, 475, 477
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	Not Applicable
Date of submission	13/01/2014
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Application of phase-in regime
Question	<p>What is the compatibility between Recital (117) of Regulation (EU) No 575/2013 (CRR) and the provisions of aforementioned Basel III Q&A with Articles 472, 475 and 477, which provide for the deduction of the share not deducted as an effect of the phase-in period (described in Articles 469, 474, 476 and 478)? Literal application of these provisions, which effectively impose a 100% deduction, to items which, under the current regulations (of the individual member states, enacting the Basel II regulations), would not be deducted, would appear to in contrast with very logic of the phase-in regime.</p>
Background on the question	<p>- Recital no. (117), CRR. "In order to ensure progressive convergence between the level of own funds and the prudential adjustments applied to the definition of own funds across the Union and to the definition of own funds laid down in this Regulation during a transition period, the phasing in of the own funds requirements of this Regulation should occur gradually. It is vital to ensure that this phasing in is consistent with the recent enhancements made by Member States to the required levels of own funds and to the definition of own funds in place in the Member States. To that end, during the transition period the competent authorities should determine within</p>

	<p>defined lower and upper limits how rapidly to introduce the required level of own funds and prudential adjustments laid down in this Regulation”. - Question no. 1, p. 15 “Basel III definition of capital: frequently asked questions”, which refers to “Basel III - A global regulatory framework for more resilient banks and banking systems”, sections. 94-96 (“Q&A”).</p>
Final answer	<p>Articles 472, 475 and 477 of Regulation (EU) No 575/2013 (CRR) outline the treatment of items not deducted from CET1, AT1 and T2 items due to the application of Articles 469, 474 and 476 during the transitional phase.</p> <p>For example, Articles 475 (4)(a) and 477 (4)(a) of the CRR state that the amount relating to direct holdings required to be deducted in accordance with point (c) and (d) of Article 56 and Article 66 not deducted from AT1 or T2 due to the application of Articles 474(a) and 476(a) of the CRR is deducted half from Tier 1 items and half from Tier 2 items.</p> <p>As envisaged in the Recital (117) and the Articles of Chapter 1, Title I, Part X of the CRR, Competent Authorities are allowed to set different percentages during the transitional period in order to ensure a smooth transition towards the new framework.</p>
Link	<p>https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2014_723</p>

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