Single Rulebook Q&A

Question ID	2014_842
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Own funds
Article	467, 469, 470
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	not applicable
Date of submission	12/02/2014
Published as Final Q&A	11/07/2014
Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Calculation of the threshold deductions (from CET1) during the transitional period
Question	In calculating the threshold deductions from Common Equity Tier 1 during the transitional period [Article 470] should the following items be fully or partially deducted from Common Equity Tier 1 according to the national discretion phase-in and/or filter? (i.e. should the “transitional period threshold” be exactly equal to the “full application threshold” or the former should be determined considering the national discretions phase-in/filter effects). More specifically: - Unrealized losses measured at fair value: in countries where national discretion rules provide [Article 467(2)] for a filter to not include in any element of own funds unrealised gains or losses on exposures to central governments classified in the “Available for Sale” category of EU-endorsed IAS 39, the Common Equity Tier 1 considered for the calculation of the threshold deductions during transitional period should be determined with or without those specific unrealized losses measured at fair value? - Loss carry forward: in countries where national discretion rules provide for a phasing-in of loss carry forward deductions (deferred tax assets that rely on future profitability and do not arise from temporary differences) [Article 469 (1)], the Common Equity Tier 1 considered for the calculation of the threshold deductions during transitional period should be determined by

	subtracting all the loss carry forward or just the applicable percentage determined by the national authority? - Shortfall of expected losses to provision: in countries where national discretion rules provide for a phasing-in of shortfall of expected losses to provision deductions (negative amounts resulting from the calculation of expected loss amounts for IRB institutions) [Article 469 (1)], the Common Equity Tier 1 considered for the calculation of the threshold deductions during transitional period should be determined by subtracting all the shortfall of expected losses to provision or just the applicable percentage determined by the national authority?
Background on the question	.
Final answer	When calculating the relevant Common Equity Tier 1 (CET1) for the purpose of Article 470 of Regulation (EU) No. 575/2013 (CRR), the institution shall apply the provisions of Articles 32 to 35 and make the deductions pursuant to points (a) to (h), (k)(ii) to (v) and (l) of Article 36(1), excluding deferred tax assets that rely on future profitability and arise from temporary differences. Part Ten of the CRR provides derogations from Articles 32 to 36 during the transitional period. Therefore, the relevant CET1 for the purpose of Article 470 of the CRR during the transitional period should be calculated in accordance with Articles 32 to 36 as amended by Part Ten of CRR. This is also true when calculating the aggregate amount of CET1 for the purpose of Article 465(1)(a) of the CRR during the transitional period.
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European Banking Authority, 03/07/2022
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