

Single Rulebook Q&A

Question ID	2014_986
Status	Final Q&A
Legal act	Regulation (EU) No 575/2013 (CRR)
Topic	Own funds
Article	11, 472
Paragraph	6
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	472 (6) and (11) CRR
Date of submission	19/03/2014
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Disclose name of institution / entity	No
Type of submitter	Credit institution
Subject matter	Application transitional provisions: Deduction half from Tier 1 and half from Tier 2
Question	The residual amount of specific items (e.g. point (d) of Article 36(1) CRR) shall be deducted half from Tier 1 items and half from Tier 2 items during transitional provisions (see for example 472 (6) and (11) CRR). Please specify the calculation logic to be considered by CRR users.
Background on the question	For specific items an applicable percentage must be deducted from CET1 capital under the transitional provisions only. The residual amount shall be deducted half from Tier 1 items and half from Tier 2. Against this background, the exact calculation logic is not specified. This might lead to different interpretations when applying the transitional provision in regards to Tier 1 (see example A and B). - Option A: Adjustment to AT1 of 50% (Tier 1 total: 50%) and to T2 of 50%. Here, only AT1 and T2 items are considered. - Option B: Adjustment to CET1 of 25%, to AT1 of 25% (Tier 1 total: 50%) and to T2 of 50%. Here, CET1, AT1 and T2 items are considered. The key question is therefore, whether or not Tier 1 includes CET1 capital.
Final answer	Where the residual amount of a deduction or deductions is applied to Tier 1 capital and there is insufficient Additional Tier 1 capital to absorb this

	<p>amount, then the excess shall be deducted from Common Equity Tier 1 capital in accordance with Article 36(1)(j) of the Regulation (EU) No. 575/2013 (CRR).</p> <p>Additionally, should there be deductions to Tier 2 capital and there is insufficient Tier 2 capital to absorb this amount, then the excess shall be deducted to Additional Tier 1 in accordance with Article 56(e) of the CRR. As referred in the previous paragraph, if there is insufficient Additional Tier 1, these deductions should be deducted from Common Equity Tier 1 capital.</p>
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