

Single Rulebook Q&A

Question ID	2017_3117
Status	Final Q&A
Legal act	Directive 2014/59/EU (BRRD)
Topic	Resolution tools and powers
Article	37
Paragraph	-
Subparagraph	-
COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations	Not applicable
Article/Paragraph	n.a.
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Disclose name of institution / entity	No
Type of submitter	Competent authority
Subject matter	Purpose of the use of the power to write down and convert capital instruments and eligible liabilities
Question	What is the purpose of the use of the power to write down and convert capital instruments and eligible liabilities in accordance with Article 59 of Directive 2014/59/EU (BRRD), in case of transfer of assets, right or liabilities to the bridge entity or the asset management vehicle or the use of the sale of business tool?
Background on the question	It is not clear from Article 37(2) what the exact purpose of the use of the power to write down and convert capital instruments and eligible liabilities in accordance with Article 59 is meant to be.
Final answer	Irrespective of which resolution tool is applied, resolution action may result in creditors incurring losses or seeing their claims being converted. The purpose of the second paragraph of Article 37 BRRD is to ensure that, before this may occur (i.e., before more senior creditors may incur losses), the holders of capital instruments and, where relevant, eligible liabilities in accordance with Article 59(1) BRRD absorb losses first. Such provision aims to preserve the ranking that different classes of claims would have in insolvency proceedings.

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Link	<p>https://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2017_3117</p>

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