

<b>Question ID</b>	2018_3658
<b>Status</b>	Final Q&A
<b>Legal act</b>	Regulation (EU) No 575/2013 (CRR)
<b>Topic</b>	Own funds
<b>Article</b>	84
<b>Paragraph</b>	1
<b>Subparagraph</b>	-
<b>COM Delegated or Implementing Acts/RTS/ITS/GLs/Recommendations</b>	Not applicable
<b>Article/Paragraph</b>	Not applicable
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<b>Disclose name of institution / entity</b>	No
<b>Type of submitter</b>	Competent authority
<b>Subject matter</b>	Minority Interests and guidance on additional own funds (P2G)
<b>Question</b>	Should the guidance on additional own funds be taken into account in the quantification of the minority interests of a subsidiary that is included in an institution`s consolidated CET1 capital according to Article 84(1) CRR?
<b>Background on the question</b>	Article 84(1) of Regulation (EU) No 575/2013 (CRR) determines how the amount of minority interests of a subsidiary is to be calculated for inclusion in the consolidated CET1 capital of a banking group. Art. 84(1)(a) (i) and (ii) CRR list the sum of the requirements that can be taken into account in the calculation as follows ‘the sum of the requirement laid down in point (a) of Article 92(1), the requirements referred to in Articles 458 and 459, the specific own funds requirements referred to in Article 104 of Directive 2013/36/EU the combined buffer requirement defined in point (6) of Article 128 of Directive 2013/36/EU (CRD) [...]’. With reference to the specific own funds requirements referred to in Article 104 of Directive 2013/36/EU, the question arises as to whether the Pillar 2 Guidance should be included or not.
<b>EBA answer</b>	The guidance on additional own funds (P2G) set out in Article 104b(3) of Directive 2013/36/EU (CRD), as amended by Directive (EU) 2019/878,

constitutes a supervisory expectation with regard to the level of capital an institution should have to cover all possible risks and absorb losses from stress scenarios. Compliance with such expectation does not automatically need to be enforced by the supervisor. The P2G as a capital target is different in nature from the Pillar 2 capital requirement which covers risks not sufficiently covered by Pillar 1 and which could lead to the withdrawal of the authorisation, if not complied with.

Article 84(1)(a)(i) of the CRR takes into consideration only capital requirements, not capital expectations, as it refers to the amount of CET1 capital of a subsidiary required to meet the sum of the requirement. In addition, it has to be noted that Article 84(1)(a)(i) does not refer to Article 104b(3) of the CRD.

The P2G can therefore not be taken into account when determining the amount of minority interests of a subsidiary that is included in an institution`s consolidated CET1 capital according to Article 84(1) of the CRR.

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**Link**

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