BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Common Equity Tier 1 Compliance template

CRR provision[1]	**Terms & conditions**	**Articles of association**	**National Regulation**	**Comments + reference to document(s)**
Article 26				
3. Competent authorities shall evaluate whether issuances of CET1 instruments meet the criteria set out in Article 28 or, where applicable, Article 29. With respect to issuances after 28 June 2013, institutions shall classify capital instruments as Common Equity Tier 1 instruments only after permission is granted by the competent authorities, which may consult EBA.				
Article 27				
1. CET1 items shall include any capital instrument issued by an institution under its statutory terms provided that the following conditions are met:				

[1] Applicable (A); not applicable (NA)

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(a) the institution is of a type that is defined under applicable national law and which competent authorities consider to qualify as any of the following[2]: (i) a mutual; (ii) a cooperative society; (iii) a savings institution; (iv) a similar institution; (v) a credit institution which is wholly owned by one of the institutions referred to in points (i) to (iv) and has approval from the relevant competent authority to make use of the provisions in this Article, provided that, and for as long as, 100 % of the ordinary shares in issue in the credit institution are held directly or indirectly by an				

[2] Please specify the type of institution. If institutions within (v), please provide additional information according to that number

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institution referred to in those points;				
(b) the conditions laid down in Articles 28 or, where applicable, Article 29, are met.				
Those mutuals, cooperative societies or savings institutions recognised as such under applicable national law prior to 31 December 2012 shall continue to be classified as such for the purposes of this Part, provided that they continue to meet the criteria that determined such recognition.				
Article 28				
1. Capital instruments shall qualify as CET1instruments only if all the following conditions are met:				
(a) the instruments are issued directly by the institution with the prior approval of the owners of the institution or, where permitted under applicable national law, the				

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management body of the institution;				
(b) the instruments are paid up and their purchase is not funded directly or indirectly by the institution;				
(c) the instruments meet all the following conditions as regards their classification:				
(i) they qualify as capital within the meaning of Article 22 of Directive 86/635/EEC;				
(ii) they are classified as equity within the meaning of the applicable accounting framework;				
(iii) they are classified as equity capital for the purposes of determining balance sheet insolvency, where applicable under national insolvency law;				
(d) the instruments are clearly and separately disclosed on the balance sheet in the financial statements of				

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the institution;				
(e) the instruments are perpetual;				
(f) the principal amount of the instruments may not be reduced or repaid, except in either of the following cases[3]:				
(i) the liquidation of the institution;				
(ii) discretionary repurchases of the instruments or other discretionary means of reducing capital, where the institution has received the prior permission of the competent authority in accordance with Article 77;				
(g) the provisions governing the instruments do not indicate expressly or implicitly that the principal amount of the instruments would or might be reduced or repaid other than in the				

[3] The condition laid down in point (f) of paragraph 1 shall be deemed to be met notwithstanding the reduction of the principal amount of the capital instrument within a resolution procedure or as a consequence of a write down of capital instruments required by the resolution authority responsible for the institution

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liquidation of the institution, and the institution does not otherwise provide such an indication prior to or at issuance of the instruments, except in the case of instruments referred to in Article 27 where the refusal by the institution to redeem such instruments is prohibited under applicable national law;				
The condition laid down in point (g) of paragraph 1 shall be deemed to be met notwithstanding the provisions governing the capital instrument indicating expressly or implicitly that the principal amount of the instrument would or might be reduced within a resolution procedure or as a consequence of a write down of capital instruments required by the resolution authority responsible for the institution.				

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(h) the instruments meet the following conditions as regards distributions:				
(i) there is no preferential distribution treatment regarding the order of distribution payments, including in relation to other CET1 instruments, and the terms governing the instruments do not provide preferential rights to payment of distributions;				
For the purposes of point (h)(i) of paragraph 1, differentiated distributions shall only reflect differentiated voting rights. In this respect, higher distributions shall only apply to Common Equity Tier 1 instruments with fewer or no voting rights.				
(ii) distributions to holders of the instruments may be paid only out of				

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distributable items;				
(iii) the conditions governing the instruments do not include a cap or other restriction on the maximum level of distributions, except in the case of the instruments referred to in Article 27;				
The condition laid down in point (h)(iii) of paragraph 1 shall be deemed to be met notwithstanding the instrument paying a dividend multiple, provided that such a dividend multiple does not result in a distribution that causes a disproportionate drag on own funds				
(iv) the level of distributions is not determined on the basis of the amount for which the instruments were purchased at issuance, except in the case of the instruments referred to in Article 27;				

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(v) the conditions governing the instruments do not include any obligation for the institution to make distributions to their holders and the institution is not otherwise subject to such an obligation;				
(vi) non-payment of distributions does not constitute an event of default of the institution;				
(vii) the cancellation of distributions imposes no restrictions on the institution;				
(i) compared to all the capital instruments issued by the institution, the instruments absorb the first and proportionately greatest share of losses as they occur, and each instrument absorbs losses to the				

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same degree as all other CET1 instruments;[4]				
(j) the instruments rank below all other claims in the event of insolvency or liquidation of the institution;				
(k) the instruments entitle their owners to a claim on the residual assets of the institution, which, in the event of its liquidation and after the payment of all senior claims, is proportionate to the amount of such instruments issued and is not fixed or subject to a cap, except in the case of the capital instruments referred to in Article 27;				
(l) the instruments are neither secured nor subject to a guarantee that enhances the seniority of the				

[4] The conditions laid down in point (i) of paragraph 1 shall be deemed to be met notwithstanding a write down on a permanent basis of the principal amount of AT1 or T2 instruments

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claim by any of the following:				
(i) the institution or its subsidiaries; (ii) the parent undertaking of the institution or its subsidiaries; (iii) the parent financial holding company or its subsidiaries; (iv) the mixed activity holding company or its subsidiaries; (v) the mixed financial holding company and its subsidiaries; (vi) any undertaking that has close links with the entities referred to in points (i) to (v);				
(m) the instruments are not subject to any arrangement, contractual or otherwise, that enhances the seniority of claims under the instruments in insolvency or liquidation.				
The condition set out in point (j) of the first subparagraph shall be				

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deemed to be met, notwithstanding the instruments are included in AT1 or T2 by virtue of Article 484 (3), provided that they rank pari passu.				
Article 29				
1. Capital instruments issued by mutuals, cooperative societies, savings institutions and similar institutions shall qualify as CET1 instruments only if the conditions laid down in Article 28 with modifications resulting from the application of this Article are met.				
2. The following conditions shall be met as regards redemption of the capital instruments:				
(a) except where prohibited under applicable national law, the institution shall be able to refuse the redemption of the instruments;				
(b) where the refusal by the				

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institution of the redemption of instruments is prohibited under applicable national law, the provisions governing the instruments shall give the institution the ability to limit their redemption;				
(c) refusal to redeem the instruments, or the limitation of the redemption of the instruments where applicable, may not constitute an event of default of the institution.				
3. The capital instruments may include a cap or restriction on the maximum level of distributions only where that cap or restriction is set out under applicable national law or the statute of the institution.				
4. Where the capital instruments provide the owner with rights to the reserves of the institution in the event of insolvency or liquidation that are				

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limited to the nominal value of the instruments, such a limitation shall apply to the same degree to the holders of all other CET1 instruments issued by that institution.				
The condition laid down in the first subparagraph is without prejudice to the possibility for a mutual, cooperative society, savings institution or a similar institution to recognise within CET1 instruments that do not afford voting rights to the holder and that meet all the following conditions:				
(a) the claim of the holders of the non-voting instruments in the insolvency or liquidation of the institution is proportionate to the share of the total CET1 instruments that those non-voting instruments represent;				

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(b) the instruments otherwise qualify as CET1 instruments.				
5. Where the capital instruments entitle their owners to a claim on the assets of the institution in the event of its insolvency or liquidation that is fixed or subject to a cap, such a limitation shall apply to the same degree to all holders of all CET1 instruments issued by the institution.				