Overview of key draft amendments proposed by the European Commission

Relevant law	Subject matter	Key Change
AT1 amendments		
CRD5	Priority of payments when MDA imposed	In the event an institution is subject to MDA restrictions, AT1 payments are given absolute priority over CET1 distributions and discretionary remuneration
CRD5	TLAC/MREL requirements not fulfilled	In the event the CBR is otherwise fulfilled, however, Eligible Liabilities are reduced due to maturity restrictions or for a "cure" period of 6 months, then the MDA is considered not to apply.
CRR2	Call Conditions	The Supervisor must consult with Resolution Authority prior to any call decision. Requirement for call decisions to take economics of call and replacement into account (i.e. replacement only where replacement instrument is cheaper). Calls prior to Year 5 for reg. cap. instruments now permitted, provided replaced with instrument of same or better quality and on better economic terms, s.t. regulatory assessment.
CRR2	Repurchase for Market Making Purposes	Now permitted. Definition of market-making purposes to be determined by the EBA.
TLAC		
CRR2	Impacted institutions	EU G-SIBs and resolution entities of non-EU G-SIBs within the EU
CRR2	Calibration	In line with TLAC Term Sheet - 18% capital requirement, consisting of 8% Pillar 1 and 10% top-up, and 6.75% min. metric based on LR
MREL		
BRRD2	Impacted institutions	Only institutions subject to partial or full application of the bail-in tool.
BRRD2	Applicable Balance Sheet	Unlike TLAC, not directly applicable to whole Balance Sheet but might be adjusted for bank activities s.t. partial transfer.
BRRD2	Calibration	Hard requirement: Max: higher of 2x(P1+P2R) or 2xLRE Soft requirement: MREL "Guidance", effectively for likely losses in excess of MREL amount and "market confidence" buffer > CBR. If repeatedly breached, soft becomes hard requirement.
Eligible Liabilities		
CRR2	Criteria for eligible liabilities	Extensive. For conditions on call, cf. also AT1 instruments above. Explicit requirement for contractual clause authorising the bail-in by the resolution authority. In addition, MREL-only institutions may escape the Subordination Requirement.
Deductions of Eligible Liabilities		
CRR2	TLAC/MREL Eligible Liabilities	In line with BCBS Standard on TLAC Holdings, except that Holdings are deducted against Eligible Liabilities, not against Tier 2.
Structured Notes		
CRR2 and BRRD2	Eligibility for MREL/TLAC	G-SIBs cannot include structured notes in the TLAC requirement. D-SIBs can include structured notes for as long as a "given" amount is known in advance.
Pillar 2		
CRD5	Composition	Split in P2R and P2G. P2R to cover specific risks only, not systemic or macro-prudential risks.
	Calibration	P2R covers specific risks only not covered by P1, e.g. concentration risks, IRRBB, pension deficits and ICAP/ILAP and governance shortcomings. Thus, likely to be a sub-set only of overall P2 to date.
	Composition of P2R	To reflect relative tiering proportions of P1 - CET1 at 56%, AT1 at 19%, T2 at 25%.
	Positioning	P2R sits under the CBR and becomes binding for AT1 restrictions. P2G appears to sit in parallel with the CBR.
Leverage Ratio		
CRR2	Calibration and role	The LR becomes a binding ratio under Pillar 1, in line with BCBS recommendations.
Large Exposure Limits		
CRR2	Calibration and eligible capital for numerator	In line with EBA pronouncements on the topic.

Source: Crédit Agricole CIB