

Chapter 1

Commission Delegated Regulation (EU) 2016/1075

Article 44 Contents of the contractual term required by Chapter 2 of the Contractual Recognition of Bail-In Part of the PRA Rulebook or rule IFPRU 11.6 of the Recovery and Resolution Part of the FCA Handbook applies.

Contractual term in a relevant agreement shall include the following:

(1) the acknowledgement and acceptance by the counterparty of recovery and resolution that the liability may be subject to the exercise of write-down and conversion powers by a resolution authority;

(2) a description of the write-down and conversion powers under United Kingdom law of the resolution authority;

(1) Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (OJ L 225, 30.7.2014, p. 1), in particular the powers set out in points (e), (f), (g) and (j) of Article 63(1) of Directive 2014/59/EU;

(3) the acknowledgement and acceptance by the counterparty of a recovery and resolution:

(a) that it is bound by the effect of an application of the powers referred to in point (b), including:

(i) any reduction in the principal amount or outstanding amount due, including any accrued but unpaid interest, in respect of the liability of a recovery and resolution entity under the relevant agreement;

(ii) the conversion of that liability into ordinary shares or other instruments of ownership;

(b) that the terms of the relevant agreement may be varied as necessary to give effect to the exercise by a resolution authority of its write-down and conversion powers and such variations will be binding on the counterparty of a recovery and resolution entity;

(c) that ordinary shares or other instruments of ownership may be issued to or conferred on the counterparty of a recovery and resolution entity as a result of the exercise of the write-down and conversion powers;

(4) the acknowledgement and acceptance by the counterparty of a recovery and resolution entity that the contractual term is exhaustive on the matters described therein to the exclusion of any other agreements, arrangements or understandings between the counterparties relating to the subject matter of the relevant agreement.

For the purposes of this Article, a mixed-activity holding company established in the United Kingdom shall not be a recovery and resolution entity unless it is a mixed-activity holding company which has at least one subsidiary which is an institution which is not the subsidiary of a financial holding company which is also the subsidiary of the mixed-activity holding company.