

## **Response of Caixa Económica Montepio Geral to CP17**

### COMMITTEE OF EUROPEAN BANKING SUPERVISORS (CEBS) ON ITS PROPOSALS FOR A COMMON EU DEFINITION OF TIER 1 HYBRIDS

- 1 – The present Public Consultation has the aim to analyze CEBS proposals regarding Hybrid Financial Instruments that can be considered Tier 1 Capital;
- 2 – Hybrid Financial Instruments that have been used in Portugal are essentially Preferred Shares. Caixa Económica Montepio Geral, given that it is owned by a Mutual Association, has never issued this kind of security.
- 3 – Nevertheless, we would like to present some comments, because, in the near future, CEBS will make identical work regarding Tier 2 Capital.
- 4 – We consider that “Equity Instruments” (actual *Funds Participations*, but adjusted of the main features: permanence, loss absorption capacity and flexibility in payments) have the main characteristics of Tier 1 Hybrid Financial Instruments. In that case, we propose that this kind of instrument should be considered in Tier 1 Hybrids.
- 5 – The total of Hybrid Financial Instruments may not exceed 40% of the required Tier 1 Capital;
- 6 – The Total of Capital, Reserves and Results must be greater than 60% of the required Tier 1 Capital.
- 7 – The total of Hybrid Financial Instruments with incentives to redeem may not exceed 20% of Tier 1, after deductions.