



## Pre-issuance notification of a regulatory capital instrument (FORM CN-1)

Issuance details	
Name of issuing bank	
Date of notification	
Regulatory Tier of proposed issuance	
Single point of contact for the notification	
Name of individual and position within the bank	
Contact details	

Completed notification form checklist	
A completed notification should contain the following:	Tick if complete
• Signed declaration	
• Section 1 Background information	
• Section 2 Summary of key characteristics of the instrument	
• Section 3 Analysis of the impact on the regulatory structure for the bank	
• Section 4 Self-assessment against the UAE capital requirements	
	Details
• Annex (detailed Terms & Conditions and any other supporting documentation, e.g. legal opinion statement). Please specify	



### Instructions for completing the pre-issuance notification

- Information for completing the notification is contained in the ‘Guidance Notes’ below.

### Declaration

By submitting this form:

- I confirm that I have reviewed and assessed the instrument against the regulatory requirements particularly the criteria for the classification of the instrument into the relevant regulatory tier.
- I confirm that the information contained within this notification represents a true and fair view to best of my knowledge and that I have taken all reasonable steps to ensure this is the case.
- I will notify the Central Bank of the UAE immediately if there is any significant change to the information contained in the notification pack. If I fail to do this it may result in a delay in the application process.

<b>Date</b>		<b>Date</b>		<b>Date</b>	
<b>Name of Signatory</b>		<b>Name of Signatory</b>		<b>Name of Signatory</b>	
<b>Position in bank</b>	CEO	<b>Position in bank</b>	CFO	<b>Position in bank</b>	CRO

<b>Date</b>		<b>Date</b>	
<b>Name of Signatory</b>		<b>Name of Signatory</b>	
<b>Position in bank</b>	Head Internal Audit	<b>Position in bank</b>	Head of Compliance



Section 1: Background information	
Overview	
Name of issuing bank/entity	
Position of issuing entity within group if relevant	
Proposed date of issuance	
Name of structuring bank(s) and contact information	
Names of dealer(s)	
Name and contact details of legal advisor(s)	
Are there any other planned capital issuances in the next 6-12 months?	
List all previous issuances from CET1, AT1 and T2 (Amount, Issuance date, Maturity date, Currency and rate implied)	
Reasons of the Issuance	
Other information	
Confirm if the bank has already obtained approval for the proposed issuance from its Board of Directors/ AGM	
Whether the capital instrument is issued in private placement, publicly to external investors	
If privately placed, identify the holders of the instrument	
Proposed rating of the instrument by rating agencies (if applicable)	
Current rating of the issuing entity by rating agencies (if applicable)	



## Section 2: Summary of key characteristics of the instrument

Summary of the key characteristics of the instrument (from the prospectus e.g. amount, value, etc.)

The table below may be modified, as not all the items listed may be relevant. The list itself is not exhaustive, please add any key features not listed below

Type of security	
Issue size	
Issue date	
Sharia compliant issuance (yes/ no)	
Are there any new, different or unusual features of the instrument (compared with other instruments the bank has issued before)	
Details of any features of the capital instrument which are new, unusual or different from capital instruments of a similar nature previously issued by the entity or which are widely available in the market and an assessment of why these are not considered to influence the eligibility of the instrument in question. To cross-refer to the relevant part of the legal opinion	
Maturity date	
First call date	
Coupon rate	
Coupon payment dates	
Accounting treatment	
Events of default	
Status and subordination	
Issuer call (redemption at the option of the issuer)	
Regulatory call (redemption due to regulatory reasons)	
Early redemption amount	



Listing (if applicable)	
Clearing and settlement	
Governing law and jurisdiction	
Through SPV structure (yes or no)	
xxx	[Add additional rows if relevant]

### Section 3: Analysis of the impact on the regulatory capital structure of the bank

This section contains information on the impact of the capital issuance on the regulatory structure of the bank

Proposed tier of capital	
Current regulatory capital structure/mix of the bank (CET1, AT1, T2 and total before issuance and post issuance)	
Proportion of the bank/group's regulatory capital base the issuance would represent	
Regulatory capital structure of the bank after the issuance of the instrument	

### Section 4: Self-assessment against the UAE capital Regulation, Standards and Tier capital issuance guidance.

Demonstration of how the instrument meets **all** the relevant UAE capital requirements for the classification of the intended regulatory tier

Regulatory Reference	Analysis of how the instrument complies with the criteria and reference to the relevant document(s)
<b>Additional Tier 1 instruments</b>	
Issued and paid-in.	
Subordinated to depositors, general creditors and subordinated debt of the bank.	
Neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors.	



Perpetual, i.e. there is no maturity date and there are no step-ups or other incentives to redeem.	
May be callable at the initiative of the issuer only after a minimum of five years: a. To exercise a call option a bank must receive prior supervisory approval; and b. The bank must not do anything which creates an expectation that the call will be exercised; and c. The bank must not exercise a call unless: i. The bank replaces the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank; or ii. The bank demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised.	
Any repayment of principal (e.g. through repurchase or redemption) must be with prior supervisory approval and the bank should not assume or create market expectations that, supervisory approval will be given.	
Dividend/coupon discretion: a. the bank must have full discretion at all times to cancel distributions/payments b. cancellation of discretionary payments must not be an event of default c. the bank must have full access to cancelled payments to meet obligations as they fall due. Cancellation of distributions/payments must not impose restrictions on the bank except in relation to distributions to common stockholders.	
Dividends/coupons must be paid out of distributable items.	



<p>The instrument cannot have a credit sensitive dividend feature, that is a dividend/coupon that is reset periodically based in whole or in part on the bank's credit standing.</p>	
<p>Instruments classified as liabilities for accounting purposes must have principal loss absorption through a write-down mechanism, which allocates losses to the instrument at a pre-specified trigger point set by the Central Bank. The write-down will have the following effects: a. Reduce the claim of the instrument in liquidation; b. Reduce the amount re-paid when a call is exercised; and c. Partially or fully reduce coupon/dividend payments on the instrument.</p>	
<p>Position in subordination hierarchy in liquidation (describe key subordination provisions, including specification of instrument type immediately senior to instrument)</p>	
<p>Neither the bank nor a related party over which the bank exercises control or significant influence can have purchased the instrument, nor can the bank directly or indirectly have funded the purchase of the instrument.</p>	
<p>The instrument cannot have any features that hinder recapitalisation, such as provisions that require the issuer to compensate investors if a new instrument is issued at a lower price during a specified time frame.</p>	
<p>If the instrument is issued out of a special purpose vehicle – “SPV”, proceeds must be immediately available without limitation to an operating entity or the holding company in the consolidated group in a form, which meets or exceeds all of the other criteria for inclusion in Additional Tier 1 capital. Only in the case of Islamic Banks.</p>	



<b>Tier 2 instruments</b>	
Issued and paid-in.	
Subordinated to depositors and general creditors of the bank.	
Neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis depositors and general bank creditors.	
<p><b>Maturity:</b></p> <p>a. minimum original maturity of at least five years</p> <p>b. recognition in regulatory capital in the remaining five years before maturity will be amortised on a straight line basis (i.e. Factor of 20% per year)</p> <p>c. there are no step-ups or other incentives to redeem.</p>	
<p>May be callable at the initiative of the issuer only after a minimum of five years:</p> <p>a. To exercise a call option a bank must receive prior supervisory approval;</p> <p>b. The bank must not do anything that creates an expectation that the call will be exercised; and</p> <p>c. The bank must not exercise a call unless:</p> <p>i. The bank replaces the called instrument with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the bank; or</p> <p>ii. The bank demonstrates that its capital position is well above the minimum capital requirements after the call option is exercised.</p>	





The investor must have no rights to accelerate the repayment of future scheduled payments (coupon or principal), except in bankruptcy and liquidation.	
The instrument cannot have a credit sensitive dividend feature, that is a dividend/coupon that is reset periodically based in whole or in part on the banking organisation's credit standing.	
Neither the bank nor a related party over which the bank exercises control or significant influence can have purchased the instrument, nor can the bank directly or indirectly have funded the purchase of the instrument.	
If the instrument is issued out of a special purpose vehicle – "SPV", proceeds must be immediately available without limitation to an operating entity or the holding company in the consolidated group in a form, which meets or exceeds all of the other criteria for inclusion in Tier 2 Capital.	
<b>Point of non-viability feature</b>	
The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by a bank must have a provision that requires such instruments be written off upon the determination by the Central Bank that the bank is no longer viable otherwise.	
<b>Other features</b>	
Applicable tax treatment (tax deductible or not and whether any dividend/coupon withholding tax). Tax treatment of embedded derivatives (if any)	

Guidance Notes (for CN-1)	
<b>Notification requirements</b>	<ul style="list-style-type: none"> <li>• A bank should notify and seek the Central Bank approval before issuing any capital instrument that is intended to be included in the regulatory capital structure of the bank at least 2 months prior to the intended issuance date.</li> <li>• An issuing bank should complete and submit CN- 1 form ‘pre-issuance notification of a regulatory capital instrument’ to the Central Bank of the UAE.</li> <li>• The notification pack is required so that the Central Bank can monitor capital issuances on which a bank intends to rely on for regulatory capital purposes and for the Central Bank to discuss any concerns prior to the issuance approval of the instrument.</li> </ul>
<b>Notification process and other conditions</b>	<ul style="list-style-type: none"> <li>• This form shall be considered as part of the pre-approval process. The issuing bank will continue to be responsible for ensuring the instrument complies with the relevant regulations. The Central Bank BOD will issue an approval at the conclusion of the notification process.</li> <li>• The Central Bank reserves the right to classify the instrument differently for regulatory capital purposes after the issuance (for a number of reasons, our opinion on the instruments classification for regulatory capital purposes may change, there may be changes in the relevant prudential rules, the final documentation of the final issuance may differ from the details provided in the pre-notification etc.)</li> <li>• On the date of the issuance of the instrument the bank should provide confirmation of the final issuance terms (e.g. the final amount, coupon, final conditions/ prospectus)</li> </ul>
<b>Other instructions</b>	<ul style="list-style-type: none"> <li>• One full application pack per issuance is required by the issuing bank (even if issued through a SPV, applicable for Islamic banks only).</li> <li>• If the information in the notification changes the bank must provide the Central Bank with the relevant information in a timely manner.</li> <li>• Any incomplete or missing information may result in a delay in the processing of the submission.</li> <li>• If the bank has previously sent any of the information requested as part of this application and the information remains correct and up-to-date, cross-reference may be made to the relevant documents rather than resubmitting all the information again.</li> <li>• The information contained in the notification pack should be as complete and accurate as per the Capital guidance.</li> </ul>
<b>Notification instructions</b>	<ul style="list-style-type: none"> <li>• The full application pack should be submitted in an electronic format by email to <a href="mailto:BSED@cbuae.gov.ae">BSED@cbuae.gov.ae</a> and hard copy form including signed declaration to the Assistant Governor for Banking Supervision of the Central Bank of the UAE. Please send a copy to the relevant BSD Reviewer.</li> </ul>
<b>Purpose of relevant sections</b>	<p><b>Section 1: Background information</b></p> <ul style="list-style-type: none"> <li>• Background information relevant to the notification.</li> </ul>



	<p><b>Section 2: Key characteristics of the instrument</b></p> <ul style="list-style-type: none"> <li>• Summary of the key characteristics of the instrument (for the prospectus e.g. amount, value, etc.).</li> <li>• The table above may be modified, as not all the items listed may be relevant. The list itself is not exhaustive; please add any key features not listed above.</li> </ul> <p><b>Section 3 Analysis of the impact on the regulatory capital structure of the bank</b></p> <ul style="list-style-type: none"> <li>• This section contains information on the impact of the capital issuance on the regulatory capital structure of the bank.</li> </ul> <p><b>Section 4 Self-assessment against the relevant UAE Criteria</b></p> <ul style="list-style-type: none"> <li>• Demonstration of how the instrument meets all the relevant Basel criteria for the classification of the intended regulatory tier.</li> </ul>
<b>Declaration</b>	To be signed by all applicable senior stakeholders in charge (CEO, CFO, CRO, Head of Internal Audit and Head of Compliance)
<b>Annex</b>	Include copies of the prospectus, term sheet, available legal opinion etc. (can be submitted separately via email)