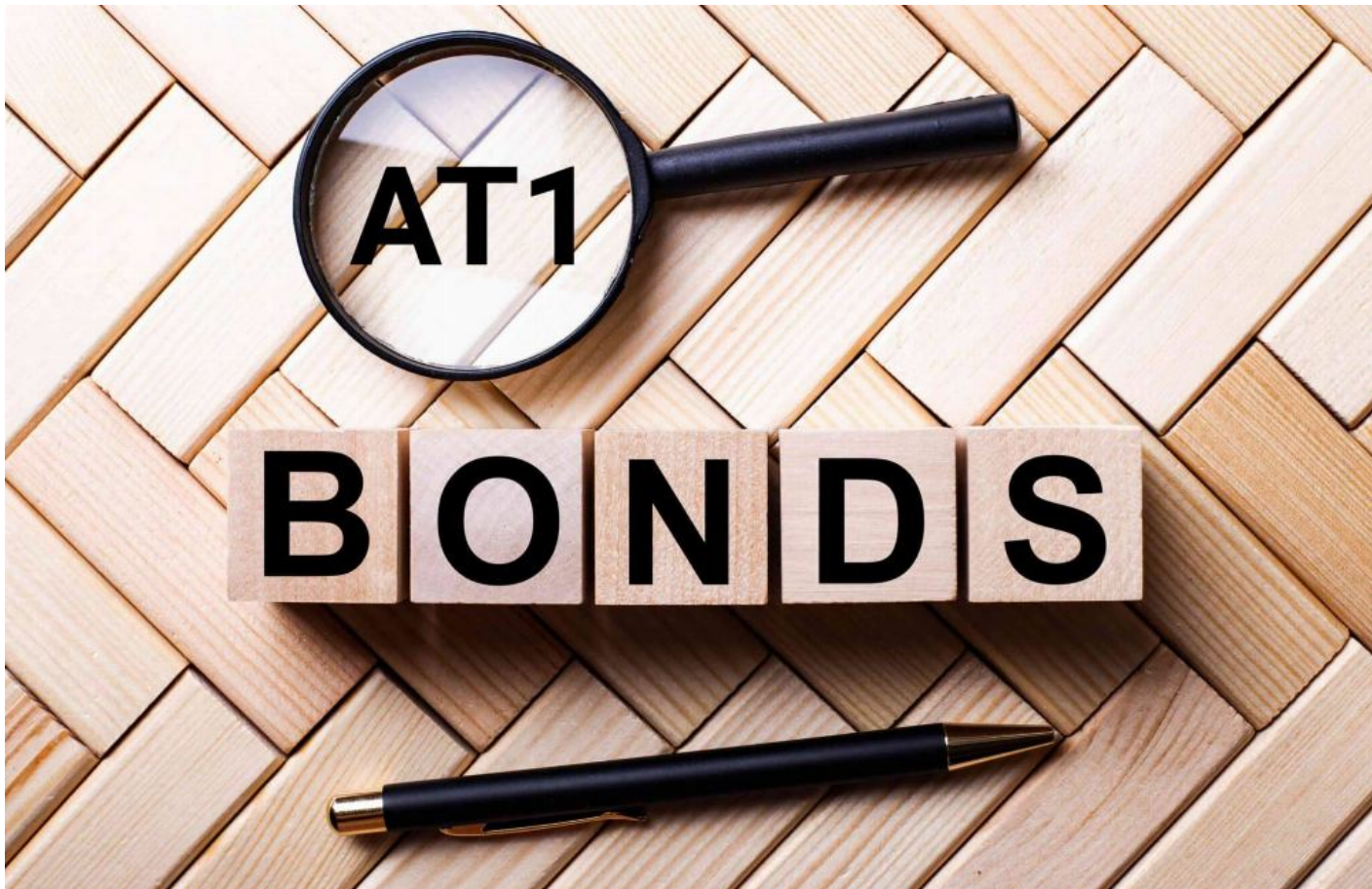


What are AT1 Bonds?

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About AT1 bonds:

- These are a type of **unsecured, perpetual bonds** that banks issue to improve their core capital base.
- The money raised through these bonds is kept aside as a **shock absorber** by the bank.
- They **have a call option**, which can be used by the banks to buy these bonds back from investors.
- These bonds were created in the wake of the 2008 financial crisis to absorb the losses.
- These bonds are also called **contingent convertible bonds** or CoCos.
- These bonds are also **mandatory under Basel=III norms**.
- The banks must maintain capital at a minimum **ratio of 11.5 per cent of their risk-weighted loans**. Of this, 9.5 per cent needs to be in Tier-1 capital. AT1 bonds fall under this type of capital.
- These bonds are **long-term** and do not carry any maturity date. Because of a higher risk, they **offer a higher yield**.
- **Regulation:** In India AT-1 bonds are regulated by the **Reserve Bank of India (RBI)**.

What are bonds?

- A bond is simply **a loan taken out** by a company.
- Instead of going to a bank, the company gets the money from investors who buy its bonds.
- In exchange for the capital, **the company pays an interest coupon**, which is the annual interest rate paid on a bond expressed as a percentage of the face value.

Q1) What are Basel III norms?

Basel III norms are a set of international banking regulations developed by the Basel Committee on Banking Supervision (BCBS). They aim to strengthen the global banking system by improving the stability and resilience of banks, particularly in the wake of the 2008 financial crisis.

Source: [PSU banks wary of SBI's dismal AT-1 bond issue, may delay fund-raising](#)

Source: <https://vajiramandravi.com/current-affairs/what-are-at1-bonds/>

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