

CoCos: Coming of Age?

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CoCos are capital instruments (Tier 2) or perpetual instruments (AT1) which, upon the occurrence of a trigger event, convert to equity, or the principal amount is written down (either on a permanent or temporary basis). Depending on the trigger event, write-down or conversion will occur at different points in time, giving rise to two principal categories of CoCos: a going concern or high trigger CoCo, which are intended to prevent an institution from entering into an official administrative or judicial resolution proceeding; and a gone concern CoCo which may be triggered either before or during an official resolution proceeding, at the point of non-viability (PONV).

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