Implementation of the bail-in tool
Version 1.0
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**Glossary**

**CA:** The Companies Act (2005:551)

**EBA:** The European Banking Authority

**ESMA:** The European Securities and Markets Authority

**Euroclear:** Euroclear Sweden AB

**RO:** The Resolution Ordinance (2015:1034)

**Institutions:** Credit institutions and investment firms according to Chapter 2, section 1 of the Resolution Act

**CSDFIAA:** The Central Securities Depositories and Financial Instruments Accounts Act (1998:1479)

**Resolution Act:** The Resolution Act (2015:1016)

**MAR:** The Market Abuse Regulation (EU) No 596/2014

**Resolution Instrument:** Financial instrument in registered form issued by an Institution representing a right to a share, if any, of the Asset Pool

**Asset Pool:** Deposited property consisting of shares in the Institution and, where relevant, cash

**SMA:** The Securities Market Act (2007:528)

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1 The premise is that the Resolution Instrument represents a right to shares and any cash. In special cases, however, the Institution may also need to issue new debt instruments that can make up all or part of the Asset Pool.
1. **Introduction and delimitation**

The Swedish National Debt Office, in its capacity as resolution authority, is responsible for managing systemically important Institutions and groups that are no longer viable. This is done through a resolution process by which the Government, through the Debt Office, takes control of the Institution for its orderly recovery or resolvability by implementing one or a combination of resolution tools.

The bail-in tool involves the write-down and/or conversion to equity of the liabilities of the Institution placed in resolution, thus recapitalising the Institution. When the bail-in tool is implemented without it being combined with any other resolution tool, a business reorganisation plan shall also be drawn up. The plan shall address the causes of the default and ensure the long-term viability of the Institution or group. The Debt Office controls the Institution until resolution is completed.

This report describes how the Debt Office plans to implement the bail-in tool when the tool is solely applied. The circumstances of a specific case may, however, affect the Debt Office’s actual implementation. Performing bail-in in the event of resolution may therefore differ from the approaches and measures described in the report.

The report aims to facilitate the Institution’s resolution planning and preparation. The content also aims to improve predictability for shareholders and creditors, financial market infrastructures and other actors and agencies that are involved or have an interest in the resolution process. The format and publication of the report are also in line with the EBA guidelines in the field. According to the EBA guidelines on improving resolvability, the resolution authority, in cooperation with institutions and other relevant actors, is required to develop a method for the practical implementation of bail-in.² Forthcoming and supplementary guidelines from the EBA also stipulate that the resolution authority shall publish certain information on the preferred implementation.³

The report is a first version of how the Debt Office intends to implement the bail-in tool. Many aspects of implementation remain for the Debt Office to investigate in cooperation with Institutions and other relevant actors. This version chiefly explains the measures that the Debt Office could take, but also certain actions that other actors might need to perform. The report will be

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² EBA/GL/2022/01.
³ EBA/CP/2022/06.
developed and, if necessary, adjusted as the Debt Office’s analysis and work progress.

The report is not intended to provide an exhaustive description of all the stages and decisions in the resolution process. A resolution process involves a wide range of activities, such as producing valuations, business reorganisation measures and communication with relevant stakeholders. The report refers only to these measures when they are directly relevant to the implementation of bail-in.

2. Basic premises for implementation

The Debt Office’s planned implementation of the bail-in tool proceeds on the basis on a number of principles and conditions. The most important of these are described in the following section.

2.1 Decisions on resolution actions are made on the basis of provisional valuation

Implementation of resolution requires producing a number of different valuations. The first valuation aims to assess whether the conditions for resolution are met and forms the basis for the Debt Office’s decision to place an Institution in resolution (valuation 1). If the conditions for resolution are considered to be met, a second valuation shall form the basis for the Debt Office’s choice and design of resolution actions (valuation 2). Once all the resolution actions have been taken, a third valuation is performed to assess whether the Institution’s owners, creditors or the deposit guarantee scheme would have been better off if the Institution had instead been managed through bankruptcy or liquidation proceedings, and for that reason are entitled to compensation from the resolution reserve for the difference (valuation 3). When reference is made in this report to (the) valuation, it is valuation 2 that is meant, as this is the one that provides the basis for write-down and conversion.

The Debt Office’s decision on resolution actions shall be based on a valuation performed by a person who has an independent position in relation to authorities and the Institution to be valued. If, due to time restraints, it is not

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4 Valuation, business reorganisation and communication in resolution are covered by “Guidance on EBA guidelines on improving resolvability for institutions and resolution authorities” Reg.no RGR 2022/24 on the Debt Office’s website.
5 In “Guidance on valuation capabilities” Reg.no RGR 2022/328 on the Debt Office’s website, valuations in resolution are described in more detail.
6 Chapter 7, section 1 of the Resolution Act.
possible to fulfil all the requirements concerning the content of the final valuation, the Debt Office may perform a provisional valuation and use that as a basis for decisions. In the planning for implementation of the bail-in tool, the Debt Office allows for the fact that decisions may have to be made based on the outcome of a provisional valuation.

2.2 Existing shares are held in an account or custody account until completion of final valuation

Before or in connection with the Debt Office taking a resolution action that may lead to a creditor suffering losses, or having their claim fully or partially converted, actions shall be taken in relation to owners. Shares in the Institution will be removed from existing owners by means of the Debt Office deciding to transfer all shares in the Institution from the accounts or custody accounts of existing shareholders to an account or custody account in which existing shares are held on behalf of the bailed-in creditors until completion of final valuation.

2.3 Shares are not allotted to bailed-in creditors until completion of final valuation

In connection with the Debt Office deciding to place the Institution in resolution, the Debt Office, based on the provisional valuation, decides on the write-down and conversion of capital instruments and eligible liabilities. This is done with the aim of restoring capital. According to the Debt Office’s planned implementation, however, shares are not allotted to bailed-in creditors until final valuation has been completed. Conversion is thus carried out in several stages. This implementation ensures a correct allocation of the shares on the basis of the final valuation result. This reduces the risk of an unintended transfer of value between different stakeholders.

7 Chapter 7, sections 7–8 of the Resolution Act. As a point of departure, the Debt Office intends to engage an external accounting institution to perform the provisional valuation (on behalf of the Debt Office).

8 In the event that, over the resolution weekend, the Debt Office can instead decide on resolution actions based on a final independent valuation, implementation with direct conversion of capital and debt instruments to shares, without the use of Resolution Instruments, is likely to be preferable.

9 Chapter 16 of the Resolution Act.

10 Chapter 16, section 3 of the Resolution Act. Performed as part of the transfer of shares to creditors who have had their claims fully or partially written down.

11 Allocating the shares based on the provisional valuation presents a greater challenge in the subsequent adjustment according to the outcome of the final valuation.
2.4 Bailed-in creditors receive Resolution Instruments

Rather than bailed-in creditors being allotted shares in connection with the bail-in, as part of the conversion, they receive Resolution Instruments. As set out below, the Resolution Instruments are issued by the Institution in purely technical terms, although they do not grant any direct rights in relation to the Institution. The Resolution Instruments are a manifestation and documentation of the right to compensation held by bailed-in creditors pursuant to the Resolution Act. When the final valuation is completed, holders of Resolution Instruments are allotted shares at the conversion rate decided by the Debt Office.

2.4.1 The design of Resolution Instruments

The Resolution Instruments represent a right to a share, if any, of the Asset Pool. The Asset Pool consists, as a basic premise, of shares in the Institution and any cash. As a general rule, the Debt Office plans for one Resolution Instrument class to be issued for each liability class covered by bail-in and conversion according to the provisional valuation. The size of the share of the Asset Pool allotted to each holder of Resolution Instruments is determined by the conversion rates set by the Debt Office for the different classes based on the final valuation. The share can be zero.

Figure 1 shows a schematic example of the allotment of different classes of Resolution Instruments to holders of written-down capital and debt instruments and the final conversion to shares. In the example, the provisional valuation shows that all capital has been consumed and that additional Tier 1 instruments (AT1), Tier 2 instruments (Tier 2), and senior non-preferred liabilities with a statutory subordinated claim (senior non-preferred, SNP) need to be written down to absorb losses and recapitalise the Institution. In the example, the final valuation is assumed to show that only holders of the

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12 In special cases, the Asset Pool may also include new debt instruments issued by the Institution. This might be needed if a debt instrument is written down in full (or is partly written down, but the Debt Office decides to cancel the instrument in full pursuant to Chapter 21, section 16 of the Resolution Act) and the value of the original debt instruments therefore cannot be written up in accordance with the final valuation.

13 Cash can refer to dividends or redemption amounts linked to the shares over the period of time during which the shares are held in an account or custody account, the value of distributions in kind made by the Institution and converted to cash, liquid assets from the sale of shares, and any other cash flows linked to the shares.

14 In some cases, it may be appropriate to also issue a class of Resolution Instruments to original shareholders.
Resolution Instruments representing Tier 2 and SNP are entitled to shares in the Institution.

Figure 1. Example of allotment of Resolution Instruments and conversion to shares

Note: RI = Resolution Instrument

The Resolution Instruments are designed as financial instruments in electronic form. They are issued by the Institution and are registered and recorded in an account at Euroclear. The Resolution Instruments are not listed on a regulated market or trading facility. However, the intention is for OTC trading to be possible during parts of the resolution period, at least for a certain period of time after the Debt Office has decided on conversion rates according to final valuation. Illustrative terms and conditions for Resolution Instruments are provided in the template Terms and Conditions for Resolution Instrument.  

2.5 Assumptions

The following assumptions form the basis for the report:

- The Institution is a Swedish limited liability company. The shares in the Institution are unlisted, or listed on a trading facility or on a regulated market in Sweden.

16 The terms and conditions illustrate a situation in which Resolution Instruments are issued to holders of AT1, Tier 2, and SNP.
• The shares of the Institution are entered in a CSD register in accordance with CSDFIAA that has been drawn up by Euroclear, or are entered in such a register as part of the resolution process.
• The capital instruments and eligible liabilities that can be subject to bail-in and conversion are transferable securities that are unlisted, or listed on a trading facility or on a regulated market.\textsuperscript{17, 18}

3. Implementation of the bail-in tool
Implementation of bail-in pursuant to application by the Debt Office can be divided into four different stages: 1) the preparatory stage, 2) the resolution weekend, 3) the resolution period, and 4) the conclusion stage. Figure 2 presents the main elements of each stage.

Figure 2. The Debt Office’s main decisions and actions in implementation of the bail-in tool

Note: * shares are, however, not allotted until final valuation has been completed

\textsuperscript{17} The Debt Office’s implementation allows for the FSA not having decided on write-down or conversion of capital instruments outside of resolution pursuant to Chapter 6 of the Resolution Act.

\textsuperscript{18} All eligible liabilities – that is, also liabilities that are not transferable securities – can be included in the bail-in tool in resolution. The implementation described in this report only describes the handling of transferable securities.
3.1 Actions during the preparatory stage

The Debt Office’s preparations in this stage include ordering a valuation, retrieving data on the Institution’s capital instruments and liabilities that could be subject to write-down and conversion, and completing as far as possible, the Resolution Instrument terms and conditions.

A number of preparatory activities are also required of the Institution, which take place in coordination with the Debt Office. During this period – or not until the resolution weekend, depending on the circumstances of the individual case – Institutions are expected to submit a list of capital instruments and eligible liabilities, prepare the issuance of Resolution Instruments and, where the Institution’s shares, capital instruments, or liabilities are listed, undertake the requisite preparations to address their information obligations under the MAR during the resolution process.

3.2 Actions during the resolution weekend

If the situation allows, the final preparations of the resolution actions and the Debt Office’s decision-making take place over a weekend. The weekend is often called the “resolution weekend”. Depending on the circumstances, the decisions and actions described in this section may need to be taken at a time other than during a weekend.

3.2.1 Decisions on resolution and resolution actions

During the resolution weekend, the Debt Office makes the following decisions:

Decision on resolution

1. placing the Institution in resolution

When the Debt Office has been notified that Finansinspektionen (The Swedish Financial Supervisory Authority, hereinafter referred to as the FSA) has determined that the Institution is failing or likely to fail, the Debt Office examines whether the conditions for resolution are met. If the Debt Office, in consultation with the FSA and the Riksbank, considers there to be no alternative measures that would remedy or prevent the Institution from failing within a reasonable period of time, and the Debt Office finds that resolution is necessary with due

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19 Chapter 8, section 4 of the Resolution Act.
consideration for public interest, the Debt Office makes a decision to place the Institution in resolution.\textsuperscript{20}

**Decision on choice of resolution tools**

2. implementing the bail-in tool\textsuperscript{21}

**Decisions on actions in relation to owners**

3. reducing the Institution’s share capital in proportion to the Institution’s losses\textsuperscript{22}
4. transferring shares from existing shareholders’ accounts or custody accounts to an account or custody account in which existing shares are held on behalf of the bailed-in creditors during the resolution period\textsuperscript{23} and, where applicable, suspending the right to acquire shares according to instruments of ownership

**Decisions on resolution actions**

5. determining the total amount by which the liabilities must be written down and converted\textsuperscript{24}
6. writing down and converting capital instruments and eligible liabilities
7. bailed-in creditors to receive Resolution Instruments\textsuperscript{25}
8. taking any other resolution actions\textsuperscript{26}

Through the resolution decision, the Debt Office assumes the voting rights of shareholders.\textsuperscript{27}

Before markets open after the resolution weekend, the Debt Office publishes the resolution decision, choice of resolution tools and the resolution actions taken, and informs the relevant actors.\textsuperscript{28, 29} If the Institution’s shares, capital instruments, or liabilities are listed, the Institution publishes equivalent information in connection therewith.\textsuperscript{30}

\textsuperscript{20} Chapter 8, section 5 of the Resolution Act.
\textsuperscript{21} Chapter 12, section 1 of the Resolution Act.
\textsuperscript{22} Chapter 16, section 1 of the Resolution Act.
\textsuperscript{23} Done as part of the transfer of shares to creditors who have had their claims fully or partially written down (Chapter 16, section 3 of the Resolution Act).
\textsuperscript{24} Chapter 21, section 13 of the Resolution Act.
\textsuperscript{25} Allotment of Resolution Instruments forms part of the conversion that will be made.
\textsuperscript{26} See Chapter 12, section 1 of the Resolution Act.
\textsuperscript{27} Chapter 10, section 1 of RA. Certain rights under company law do not apply for shareholders pursuant to Chapter 12, section 4 of the Resolution Act.
\textsuperscript{28} Chapter 8, section 13 and Chapter 12, section 5 of the Resolution Act.
\textsuperscript{29} The actors to be notified are listed in section 15 of the Resolution Ordinance. The notification shall include a copy of the resolution decision and choice of resolution actions and the date when the decisions will be enforced.
\textsuperscript{30} Art 17.1 of MAR.
The implications of the decided measures in relation to owners and the resolution actions above are described in more detail in the following section.

3.2.2 Transfer and handling of shares and other instruments of ownership

The Debt Office acts in relation to owners by deciding on a reduction of the Institution’s share capital in proportion to the Institution’s losses\(^{31}\) and on a transfer of shares from existing shareholders.\(^{32}\) In connection with the decisions, the Debt Office instructs Euroclear to transfer all shares in the Institution from existing shareholders’ accounts or nominees’ nominee accounts to an account or nominee account (for onward entry into a custody account) in which existing shares are held on behalf of the bailed-in creditors during the resolution period. Actions in relation to owners also include holders of any preference shares. The transfer is executed as soon as is technically feasible.

In the event that the Institution’s shares are not entered in a CSD register in accordance with CSDFIAA, the shares will be registered at Euroclear as part of the resolution process.\(^{33}\)

If the Institution has different share classes, a reclassification of shares may be performed. This, and a change to the registered share capital, may require amending the articles of association, which according to the CA requires a general meeting of shareholders.\(^{34}\) A conversion of share class, amendments to the articles of association and other measures pursuant to company law are reported to the Swedish Companies Registration Office for registration.

The Debt Office decides, where relevant, that the right of subscription for, or conversion to, shares in accordance with warrants or convertibles previously issued by the Institution, or the right to receive shares under incentive programmes in the Institution in any other way, shall be suspended.\(^{35}\)

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\(^{31}\) Such a reduction in the share capital must be done in accordance with the Resolution Act and will be done with due consideration for the purpose of the resolution process and statutory minimum share capital requirements.

\(^{32}\) Chapter 16, sections 1 and 3 of the Resolution Act.

\(^{33}\) Joining Euroclear may require an amendment to the articles of association and approval by the Swedish Companies Registration Office.

\(^{34}\) Because the Debt Office assumes the shareholders’ right to vote the shares, there is no general meeting of shareholders in the normal sense when an Institution has been placed in resolution. It is thus the Debt Office that makes decisions insofar as decisions by a general meeting of shareholders are required pursuant to CA (Chapter 10, section 1 of RA, and prop. 2015/16:5 p. 432).

\(^{35}\) Chapter 14, section 2 of the Resolution Act.
3.2.3 Write-down of capital and debt instruments

At the same time as the decision to transfer the shares, the Debt Office, taking account of the provisional valuation, determines the total amount by which the liabilities shall:

1. be written down in order for the value of the Institution in resolution to equal zero, and
2. be converted to shares so that the Institution attains a CET1 capital ratio that enables the Institution to fulfil the terms and conditions of its authorisation to conduct business for at least one year, and instil sufficient market confidence in the Institution.\(^{36}\)

The Debt Office’s implementation of the bail-in tool means that, at this stage, no allotment of shares is made to bailed-in creditors. However, the liabilities are written down, based on the outcome of the provisional valuation, in order to restore capital as in paragraphs 1 and 2 above.

Write-down of capital instruments and eligible liabilities takes place after actions have been taken in relation to owners and in accordance with the sequence in Figure 3.\(^{37}\)

**Figure 3. Sequence of write-down and conversion**

1. Additional Tier 1 instruments (AT1)
2. Tier 2 instruments (Tier2)
3. Other contractually subordinated liabilities
4. Senior non-preferred liabilities with a statutory subordinated claim (SNP)
5. Other eligible liabilities according to the ranking in reverse order

\(^{36}\) Chapter 21, section 13 of the Resolution Act.
\(^{37}\) Chapter 21, section 15 of the Resolution Act.
The Debt Office’s decision on write-down and conversion identifies the capital and debt instruments that are wholly or partly affected by the implementation of the bail-in tool according to the preliminary valuation. In the decision, the Debt Office also describes the measures that will be taken for each instrument.

The practical implementation of bail-in depends on the circumstances of the individual case. The procedure may be affected by which CSDs are involved and the scope of the write-down.

As a general rule, the relevant issuing agents and/or CSDs are instructed by the Institution, or its agent, concerning which instruments are to be written down according to the Debt Office’s decision, and by how much. The issuing agents and/or the CSDs perform the write-down and notify directly registered holders that the write-down has been performed. Nominees that are registered on behalf of owners update their underlying custody accounts with information about the measure.

### 3.2.4 Issuance of and booking out Resolution Instruments

The Debt Office decides that bailed-in creditors shall receive Resolution Instruments.\(^{38}\) The Debt Office then instructs the Institution in resolution to issue Resolution Instruments in accordance with the terms and conditions drawn up by the Debt Office. As soon as is feasible after the resolution weekend, the Institution issues the Resolution Instruments to bailed-in creditors.\(^{39}\)

The Institution is expected to take all necessary measures associated with issuance of the Resolution Instruments. The way in which the Resolution Instruments are booked out to bailed-in creditors depends on the situation and institution. What is technically feasible is determined by the CSDs involved, the links between them, and how much time is available for the Resolution Instruments to become qualified at each CSD.

In a situation where it is not possible to automatically book Resolution Instruments out to bailed-in creditors, the Institution needs to inform all bailed-in creditors that booking out Resolution Instruments will be done through Euroclear.\(^{40}\) Bailed-in creditors, who have not previously held an individual owner-registered account or custody account, into which the Resolution Instruments can be booked out, must ensure that such an account

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\(^{38}\) See note 14.

\(^{39}\) It is preceded by a board decision.

\(^{40}\) The Institution notifies nominees and directly registered holders.
or custody account is opened, either through an account operator or through a nominee.\textsuperscript{41} The issuing agent for the Resolution Instruments retrieves the account details and then registers the outward booking of the Resolution Instruments in owner-registered or nominee accounts in Euroclear’s VPC system.\textsuperscript{42} Euroclear performs the registration measures as soon as is practically feasible, no later than the morning of the immediately following business day after receipt of the instructions.

The intention is for OTC trading in Resolution Instruments to be possible at least during parts of the resolution period; that is, after the initial measures in connection with the resolution weekend have been taken and for a certain period of time after the Debt Office has published the outcome of the final valuation. This enables bailed-in creditors to dispose of any right they may possess to receive shares in the Institution. Euroclear maintains a register of the Resolution Instrument holders.

3.2.5 Suspended trade and delisting

For Institutions that have listed shares, capital instruments, or liabilities, trade in such securities will likely be suspended before or in connection with the resolution decision. Trade can either be suspended by the stock exchange, whose decision is submitted to the FSA, which assesses whether the trade suspension should continue, or by the FSA.\textsuperscript{43} The FSA announces the decision on trade suspension and notifies other EEA authorities and the ESMA.\textsuperscript{44, 45}

For Institutions that have listed shares, capital instruments or liabilities, the Debt Office may request that such securities be delisted. The circumstances of the individual case determine whether such a request will be made or whether the Institution’s securities will remain listed during the resolution process. The stock exchange publishes a delisting and informs the FSA (or equivalent

\textsuperscript{41} There are two submarkets in Euroclear’s VPC system – the equity market section (“the AM submarket”) and the money market section (“the PM submarket”). Financial instruments issued in the AM submarket cannot be recorded in securities accounts opened in the PM submarket. Depending on the submarket in which bailed-in creditors have their own account/securities account and the submarket in which the Resolution Instruments are to be recorded in accounts, the need may therefore arise to open a securities account in the relevant submarket.

\textsuperscript{42} Instruments may be booked out in different rounds as the issuing institution receives the account details.

\textsuperscript{43} Chapter 22, section 1 and Chapter 22, section 5 of SMA. The Debt Office may request that the FSA (and equivalent authority in another EEA country) perform an examination of the suspension of trade in financial instruments, in accordance with Chapter 14, section 3 of the Resolution Act.

\textsuperscript{44} Chapter 22, section 8 of SMA. In terms of stock exchanges/trading venues other than Nasdaq Stockholm, the process will be adapted in the individual case.

\textsuperscript{45} Details on suspending settlements and addressing already registered transfer orders require further investigation.
authority in another EEA country), which in turn informs other EEA authorities and the ESMA.\textsuperscript{46}

3.3 **Actions during the resolution period**

After the resolution weekend, work on the final valuation continues. This stage lasts for the amount of time needed to complete the final valuation, make any adjustment to the provisional write-down, and complete the conversion.

During the resolution period, the board of directors of the Institution or the party designated by the Debt Office prepare a business reorganisation plan. The plan shall set out measures to be taken to restore the long-term viability of the Institution.

### 3.3.1 Decision after final valuation

The Debt Office decides on the write-down and conversion need in the Institution in accordance with the final valuation, conversion rate(s), record date\textsuperscript{47}, and final allocation of the Asset Pool, and publishes these decisions.\textsuperscript{48}

### 3.3.2 Adjustment of the provisional write-down

If the need for write-down and conversion according to the final valuation is less than the need according to the provisional valuation, the previously written-down liabilities are written up according to the outcome of the final valuation.\textsuperscript{49} The adjustment is thus made to the original instruments—not through the Resolution Instruments.\textsuperscript{50}

As with the write-down of liabilities, the relevant issuing agents and/or CSDs are instructed to write up the liabilities. Directly registered holders are notified and nominees update their underlying custody accounts.

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\textsuperscript{46} Chapter 14, section 3 of the Resolution Act. In terms of stock exchanges/trading venues other than Nasdaq Stockholm, the process will be adapted in the individual case.

\textsuperscript{47} The record date is the date on which a person needs to be registered as the owner of Resolution Instruments to be entitled to a share, if any, of the Asset Pool.

\textsuperscript{48} Publication is done in the manner prescribed in section 16 of the Resolution Act and shall include details of final valuation, final share allocation, write-down, conversion and information on continuing state ownership.

\textsuperscript{49} Since the provisional valuation shall include a buffer aimed at covering any additional losses, it is probable that the final valuation will indicate a lower write-down and conversion need. If the final valuation instead results in a greater need for write-down and conversion, the Debt Office will decide on further write-down and conversion.

\textsuperscript{50} In a situation of full write-down and/or cancellation of instruments, in which the instruments cannot be recreated and original holders are not identified, the Institution may need to issue new debt instruments reflecting the original terms and conditions. In such cases, the adjustment according to the final valuation is done through the Resolution Instruments, which means that the Asset Pool also includes the new debt instruments.
Some CSDs may have technical limitations that make it difficult to write up the value of written-down debt instruments. In such cases, new debt instruments are instead issued to existing creditors on the same terms as the written-down instruments and equalling the amount to be written up according to the final valuation.

3.3.3 The conversion is completed through the allotment of shares

To enable holders of Resolution Instruments to dispose of their positions once the share allotment terms and conditions are known, the Debt Office permits trading and settlement in Resolution Instruments for a further period of time after publication of the final terms and conditions. This is enabled by deciding that the record date shall fall sometime after the publication of the decision according to final valuation.

After the record date, the issuing institution of the Resolution Instruments or Euroclear, as the case may be, submits a written request to the Debt Office to exchange Resolution Instruments for the Asset Pool. When the request for an exchange has been confirmed by the Debt Office, the issuing institution or Euroclear transfers the Asset Pool to the respective holders of Resolution Instruments on the record date. At the same time, the Resolution Instruments are cancelled.

Shares included in the Asset Pool, and which for some reason have not been possible to transfer to the eligible party, may be sold by a bank or brokerage designated by the Debt Office, at the time when it is deemed that such a sale can be made on a commercial basis. The proceeds are held for a certain period of time and until the Debt Office issues instructions to transfer the proceeds to the eligible party. The rights of bailed-in creditors under the Resolution Act are ultimately restricted by statutes of limitation.

In the event that a holder of Resolution Instruments is prevented under local securities regulations from receiving the share, besides cash, of the Asset Pool to which they are entitled, cash equalling this share is allocated when conditions are in place to dispose of shares as described above.

In cases where the allocation of the Asset Pool leads to a qualifying holding, it is the incoming shareholder’s obligation to apply to the FSA for an ownership assessment. Any ownership assessments are performed promptly by the FSA. The Debt Office exercises voting rights for the shares until the ownership assessment is approved. If the new acquirer is not approved by the FSA, the
shares must be disposed of within a period of time determined by the Debt Office.

3.4 Actions during the conclusion stage

When there is no longer a need for further resolution actions, the Debt Office concludes resolution. In the event that securities in the Institution have been delisted as part of the resolution process, the Debt Office may, prior to concluding resolution, order the Institution to apply to admit such delisted securities to trading.\textsuperscript{51}

Even after the Institution has returned to private control, the implementation of certain resolution actions may continue. This primarily concerns the board of directors’ implementation of the business reorganisation plan.

\textsuperscript{51} Chapter 21, section 26 of the Resolution Act.