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A description of the write down and conversion of capital instruments and eligible liabilities in resolution

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1 Introduction

“Resolution” refers to the re-organisation of the operations of a credit institution or other entity referred to in the Act on the Resolution of Credit Institutions and Investment Firms (1194/2014), in the event that it runs into financial difficulties. The resolution authority decides on resolution and the use of resolution tools implemented in connection with the same. The objective of resolution is to continue the institution's critical functions, prevent disruptions that endanger the stability of the financial markets, protect public funds, and secure covered deposits and investments. Management of resolution and resolution planning are the tasks of the Financial Stability Authority (FFSA). With respect to the largest institutions, the resolution authority is the EU’s Single Resolution Board (SRB).

In resolution, the resolution authority has several individual resolution tools at its disposal, from which the tool that best fulfils the resolution objectives is always applied.

Before setting the institution in resolution, a valuation is prepared. On the basis of the valuation, it is assessed whether the conditions for resolution are met, and which resolution tools are to be applied to the institution to best achieve the resolution objectives. The valuation is prepared by an independent valuer, but for schedule-related reasons the resolution authority may need to perform a provisional valuation itself. An independent valuer always completes the provisional valuation and makes the final valuation. In this description, the starting point is that the decision to set an institution in resolution and to cancel, write down and convert the institution's instruments is based on a provisional valuation prepared by the resolution authority.

If the conditions for resolution are met, the resolution authority sets the institution in resolution and applies one or more resolution tools to it. In resolution, the institution's operations can either be continued within the existing institution by recapitalising the institution to a sufficient level, or the institution's business can be partially or completely transferred to another credit institution or bridge bank, which subsequently continues the institution's business. Recapitalisation takes place in such a manner that first the institution's losses are covered by reducing the value of the institution's equity and liabilities, and then the institution is recapitalised by converting liabilities into equity of the institution and giving the holders of the converted liabilities shares in the institution.

Write down and conversion are undertaken in the reverse priority order of liabilities. First, the value of the institution's own capital and liabilities that can be counted as own capital are reduced, and then the value of liabilities eligible for write down is reduced. Debt is written down according to the priority ranking, starting with the debt belonging to the lowest priority rank, until all the institution's losses are covered. After that, the liabilities are converted into equity according to the priority ranking, starting with the remaining liabilities belonging to the lowest priority rank after losses have been covered, until the necessary amount of equity is reached.

Certain liabilities arising from activities necessary for the continuation of the institution's operations or the undisturbed continuation of the financial market infrastructure are legally excluded from write down and conversion. In addition, the resolution authority may, at its discretion, exclude from write down and conversion such debt that cannot be written down and converted under the prevailing circumstances, or the write down or conversion of which is not appropriate.

Such write down and conversion are often referred to by the general term bail-in.

On 13/02/2023, the European Banking Authority (EBA) issued instruction EBA/GL/2023/01, according to which resolution authorities must prepare a description of their write-down and conversion and bail-in exchange mechanic. This document outlines how the FFSA has planned to implement of write down and conversion. The description is general in character, and it has not been possible to take institution-specific special features into consideration, nor the circumstances that would prevail at the time the resolution decision is made. For this reason, the resolution decision of the FFSA and its execution may deviate from the description presented in this document. The FFSA may supplement and revise this description due to, for example, changes occurring in the legislation and as resolution methods develop.

2 Parties participating in the process and their tasks

The FFSA shall determine the application of the bail-in tool in the resolution decision. If the institution falls under the SRB's direct jurisdiction, the SRB shall decide on the application of the bail-in tool and the FFSA shall implement the decision of the SRB by means of what is referred to as enforcement decision. The FFSA notifies the Trade Register of changes resulting from the resolution decision that need to be registered in the Trade Register and, if necessary, requests the Financial Supervisory Authority to suspend trading in the institution's instruments on the Helsinki Stock Exchange. In addition, the FFSA gives the institution instructions on processing the write down and conversion within the institution's own systems and orders the institution to give instructions to the Central Securities Depository and the stock exchange on processing the decision of the FFSA in their systems.

The FFSA may assign a temporary administrator to the institution to apply the powers respective to the FFSA.

At the request of the FFSA, the Finnish Financial Supervisory Authority orders the Helsinki Stock Exchange to suspend trading in the institution's listed instruments.

The Finnish Patent and Registration Office (PRH) records in the Trade Register the matters decided in the resolution decision about the institution, which are to be recorded in the Trade Register.

In its own accounting and systems, the institution makes the changes to equity, shares and liabilities in accordance with the resolution decision. The institution notifies the owners and creditors about the resolution decision. The institution or its agent notifies the Central Securities Depository of the changes to the instrument and owner information in the book-entry register in compliance with the resolution decision and records the shares in the book-entry accounts. The institution notifies the stock exchange of the changes made to the instruments that are traded.

The Central Securities Depository makes the changes to the instruments in the book-entry register in accordance with the instructions, assigns ISIN numbers to new shares and, in some situations, records the new shares in the book-entry accounts in accordance with the instructions issued by the institution and the owner and holder information in the book-entry register. The Central Securities Depository notifies the account operators and trustees of the changes made to the instruments in the book-entry register.

The stock exchange suspends trading in the institution's instruments, makes changes to the instruments in accordance with the instructions, and lists the new shares.

Task	Authority/company
Resolution authority	Finnish Financial Stability Authority or SRB
Temporary administrator	Person appointed by the FFSA
Institution	Institution set in resolution
Institution's agent in issues and conversions	Institution’s agent
Trade Register	Finnish Patent and Registration Office
Stock Exchange Supervisory Authority	Financial Supervisory Authority
Central Securities Depository, Domestic	Euroclear Finland Oy
Central Securities Depository, Foreign	Clearstream Banking, Luxembourg DTC, Ireland Euroclear Bank, Belgium Euronext VPS, Norway SIX SIC AG, Luxembourg CREST (Euroclear), UK Euroclear Sweden VP Securities, Denmark Austraclear, Australia
Stock Exchange, Domestic	Nasdaq Helsinki
Stock Exchange, Foreign	Nasdaq, Stockholm Nasdaq, Copenhagen Oslo Börs Luxembourg Stock Exchange Euronext Dublin Euronext Paris London Stock Exchange Boerse Munchen Boerse Frankfurt Boerse Berlin Boerse Stuttgart Boerse Dusseldorf Boerse Hamburg Boerse Hannover

The table shows the central securities depositories (CSDs) and stock exchanges where, according to the notifications given by Finnish credit institutions to the FFSA and SRB, their financial instruments are registered and where they are traded.

3 Termination or suspension of trading on a regulated market (including the MTF market) and removing instruments from the stock exchange list or trading

If the institution's ownership or debt instruments are subject to public trading on the Helsinki Stock Exchange, the FFSA submits a request to the Financial Supervisory Authority that the Financial Supervisory Authority orders the suspension of trading in these instruments. The FFSA decides on a request in the resolution decision, but the Financial Supervisory Authority is already sent a notice of the future decision in advance, so that the Financial Supervisory Authority can make its decision on the matter at the same time as the resolution decision is announced. The Financial Supervisory Authority is the competent authority in the matter and decides independently whether to order suspension of trading in any or all of the institution's instruments. If the Financial Supervisory Authority orders suspension of trading, it notifies its decision to the corresponding competent authorities of the EEA states.

The FFSA notifies the resolution decision to the Helsinki Stock Exchange if the institution’s instruments are objects of trading there. The Helsinki Stock Exchange may, at its own discretion and in compliance with its own rules, suspend the trading on some or all instruments.

If the institution’s instruments are the object of trading in foreign stock exchanges, the FFSA notifies the resolution decision to them as well. The foreign stock exchange may, at its own discretion and in accordance with its own rules, suspend the trading on some or all instruments.

The FFSA does not have the authority to decide on the removal of cancelled or fully written down instruments from the stock exchange list. If the FFSA decides in its resolution decision to cancel listed shares or write down a listed bond in its entirety, the FFSA instructs the institution that it, as the issuer of the instruments, requests the removal of these instruments from the stock exchange list. The FFSA requests the Financial Supervisory Authority and stock exchange to suspend trading in these instruments while deciding on their cancellation or write down.

4 Use of interim instruments

No interim instruments are used in the conversion of debts into shares, but the holders of the converted debt are given shares in the institution directly based on the resolution decision.

5 Writing down and cancelling instruments, including the handling of pending transactions

If the institution's net assets are negative according to the valuation, the losses are covered by first writing down the institution's untied equity, then the tied equity, and finally the liabilities by priority ranking (AT1, T2, SNP, senior bonds and other senior liabilities, etc.) to the extent needed to cover the institution's losses.

In principle, the FFSA cancels all shares of the institution. However, instead of cancelling the shares, the FFSA can transfer the shares to creditors, whose claims are converted into equity of the institution. If the institution has equity remaining after all losses have been covered, the shares will be partially or fully cancelled. If the institution's assets are greater than its liabilities, according to the counterfactual calculation that simulates a bankruptcy prepared as part of the valuation, the shareholders must be given such a number of old or new shares that the shareholders do not suffer greater losses than they would have incurred if the institution had been placed in bankruptcy instead of resolution (referred to as NCWO protection).

If the institution's own capital is insufficient to cover the losses, the capital of the institution's debt instruments and the interest accrued on them are written down until all the institution's losses are covered. Debt is written down in the reverse priority ranking, and debt within a particular priority class can be written down either in part or in full.

The institution makes the changes to the share capital and the amount of debt in its accounting in accordance with the FFSA's decision. In the resolution decision, if the cancelled or written down instrument is registered in the book-entry register, the FFSA orders the institution or its agent to issue instructions to the CSD regarding the removal of cancelled and fully written down instruments from the book-entry register. In the case of partially written down instruments, the FFSA orders the institution to issue an instruction to the CSD regarding the partial reduction of the instrument's capital and accrued interest in accordance with the resolution decision. The FFSA notifies the resolution decision to the CSD used by the institution, but in principle the CSD removes cancelled and written-down instruments from the book-entry register and partially reduces the value of the written down instruments according to the instructions given by the institution in accordance with the resolution decision.

The CSD notifies the cancellation and write down of the instruments in compliance with the rules and normal procedures. In practice, the CSD notifies the account operator and trustee, who further notifies the owner or custodian.

All transactions initiated in the book-entry register maintained by Euroclear Finland Oy (EFi) prior to the start of the resolution will be settled, if there is no obstacle to the settlement due to some other reason. EFi may nevertheless suspend the settlement in accordance with its own rules if there is a specific reason for this. Other CSDs may operate differently; this depends on the national legislation of their domicile as well as the rules and guidelines of the CSD concerned.

At the time of suspension of trading, Nasdaq Helsinki deletes the open buy and sell offers in the trading system, on the basis of which the trade has not yet been completed. Pending offers will not be returned to the system after the suspension of trading has ended unless the trading party actively returns them there. Trades already executed on the trading venue before the suspension of trading shall remain valid despite the suspension. The other stock exchanges may have a differing practice with respect to the handling of open offers.

6 Conversion of liabilities into ownership instruments

Once the institution's losses have been covered, the institution is recapitalised by converting liabilities into the institution's equity. Holders of converted liabilities are given new shares in return, or old shares are transferred to them. Basically, the creditor is given shares to an amount whose value corresponds to the amount of the written down liability. If all creditors cannot be given a number of shares corresponding to the amount of the written down liability, a proportionally smaller number of shares can be given to creditors of a lower priority ranking. However, each creditor must be given such a number of shares that the creditors do not incur losses greater than what they would have incurred if the institution had been set in bankruptcy instead of resolution (referred to as NCWO protection).

In the resolution decision, the FFSA determines how many shares must be given to the creditor per one euro of written down liability. This ratio may be different for debt belonging to different priority ranking. At the same time, the FFSA decides to issue new shares of the institution, which will be given to the holders of written down liabilities. Instead of or in addition to issuing new shares, the FFSA can decide that the existing shares of the institution will be transferred to the creditors.

The FFSA orders the institution or its agent to register the new shares in the book-entry register maintained by EFi and to allocate the new shares to the holders of converted liabilities as well as make sure that the shares are recorded in the book-entry accounts of the creditors.

If the debt to be converted is registered in the bool-entry register maintained by EFi, the debt or its converted part is removed from the book-entry register as a corporate action in compliance with the resolution decision.

Depending on the situation, the institution, institution’s agent or, based on the institution’s notification, EFi records the total number of new shares in the creditor’s book-entry account in accordance with the conversion ratio determined in the FFSA's decision. In addition, EFi notifies the account operator or trustee of the book-entry account about the write down of the debt and the registration of new shares in the book-entry account. The account operator or trustee notifies the owner of the shares or another custodian of the registration.

If the converted instrument is registered in a book-entry register other than EFi's, the institution or its agent notifies the CSD that maintains this register about the conversion of the debt into shares. The CSD concerned notifies the conversion to the account operator. The account operator notifies the creditor or its representative and requests the creditor to open a book-entry account in the book-entry register maintained by EFi.

The creditor or its representative contacts the account operator or trustee, who has the right to record entries in the book-entry register maintained by EFi and asks the account operator or trustee to open a book-entry account in the book-entry register maintained by EFi on behalf of the creditor. Nevertheless, this is unnecessary if the creditor already has a book-entry account in the book-entry register maintained by EFi.

The foreign CSD or another custodian notifies the institution, or the agent appointed in the resolution decision for the conversion, about how much the creditors or the creditors represented by the account operator owned the debt to be converted. Once the book-entry account has been opened, the institution or its agent registers the shares given to the creditor in the book-entry register maintained by EFi, to the book-entry account of the creditor or trustee.

If the converted liability is not registered in any book-entry register, the institution informs the creditor of the conversion and requests the creditor to open a book-entry account in the book-entry register maintained by EFi. The creditor or its representative contacts the account operator or trustee, who has the right to record entries in the book-entry register maintained by EFi and requests them to open a book-entry account in the book-entry register. Nevertheless, this is unnecessary if the creditor already has a book-entry account in the book-entry register maintained by EFi. Once the book-entry account has been opened, the institution or its agent registers the shares given to the creditor in the book-entry register maintained by EFi to the book-entry account of the creditor or trustee.

EFi first records the new shares issued by the resolution decision or the old shares redeemed from the owners in the institution's joint account, from where they then are recorded in the shareholder's book-entry account after the shareholder has opened the book-entry account in the book-entry register maintained by EFi.

All new shares are in principle similar: they have the same ISIN code and generate the same kind of rights for their owner. However, in the book-entry register maintained by EFi, the shares may be of a different temporary share class. The shares given as consideration to creditors belonging to different priority ranks belong to different temporary share classes. The temporary share classes are combined into one after the final valuation has been completed. The use of temporary share classes does not affect the rights of shareholders. It is solely an internal technical measure of the book-entry register maintained by EFi, which enables creditors belonging to different priority ranks to be assigned with or redeemed from them, based on the final valuation, if necessary, a different number of new shares.

If the debtor or the debtor’s representative and the amount of the debt are not known to the institution and are not apparent from the book-entry register maintained by the EFi, and the debtor and amount of the claim are not disclosed to the institution or its agent by the debtor or its representative of the converted debt within six months of the completion of the final valuation referred to in section 8 of Chapter 5 of the Resolution Act, the agent appointed for this purpose by the FFSA in the resolution decision sells the unregistered shares on behalf of the creditor and settles the purchase price minus sales costs to the creditor. Nevertheless, the shares will not be sold until the final valuation has been completed and the restriction on the transfer of the shares has been removed.

Correspondingly, the agent sells the shares even if the creditor has not opened a book-entry account in the book-entry register maintained by EFi after six months from the completion of the final valuation.

7 Handling the differences between the provisional and final valuation

The resolution authority is likely to have to make the resolution decision on the basis of the provisional valuation. The provisional valuation will later be supplemented for the final valuation, and it is possible that the estimate of the institution's losses will change therein. If the value of the institution's net assets is estimated to be lower in the provisional valuation than in the final valuation, the FFSA must compensate the holders of written down instruments for the damage caused by the difference by cancelling the write down of the liabilities to the part corresponding to the difference. The FFSA makes a decision to cancel the write down and notifies the institution how much capital and accrued interest on the debt must be returned. The institution or its agent notifies the amount to be returned to the debt to the CSD where the instrument is or was registered in the book-entry register. The CSD returns the value of the instrument in the book-entry register in accordance with the FFSA's decision and the institution's instructions and notifies the account operator of the value return in accordance with its own rules.

If the instrument for which the value is returned was recorded in EFi's book-entry register, and the value of the instrument was written down in its entirety by the resolution decision, the value will still be returned to the same debt instrument. An instrument written down completely in the resolution decision is left in EFi's book-entry register with a nominal value of one eurocent and is only removed from the book-entry register after the final valuation has been completed and it is clear that its value will not be returned.

The practices of other CSDs in returning the value to an instrument removed from the book-entry register may differ from EFi's practices.

The value is returned to the debt that was in the highest priority rank, whose nominal value was reduced when the debt was converted into the institution's equity. At the same time, the FFSA stipulates that the amount of shares corresponding to the return of the value of the debt shall be redeemed without compensation to the institution from the creditor to whom these shares were given as consideration for the conversion of the debt. For this reason, the FFSA already stipulates in the resolution decision that the shares given to creditors as consideration for the conversion must not be transferred onwards until the final valuation has been completed and the FFSA has made a possible decision on write up of the debt and redemption of shares.

The value of the debt, which was written down in excess to cover the institution's losses, will not be restored, due to the difference between the temporary and final valuation. Instead, the write down of this debt is treated as a conversion to the extent that the institution's losses were overestimated in the provisional valuation. The amount of written down debt corresponding to the difference in valuation is converted into the institution's equity, and the creditor is given shares in return in the same proportion as shares were given to the debt with the same priority rank in the resolution decision.

> Example: Before resolution, the institution had 1 billion € in SNP debt and 2 billion € in senior unsecured bonds with higher priority. With the resolution decision, which was based on a temporary valuation, SNP debt was written down by 400 million € to cover losses. In addition, 600 million € of SNP debt

was converted into equity with a conversion ratio of 1:1, i.e., one share was given for one euro of debt converted. The bond was converted into equity of 1.5 billion € with a conversion ratio of 1:2, i.e., two shares were given for one euro of debt converted.

The final valuation shows that the institution's losses were over-estimated by 100 million € in the provisional valuation. Due to the difference in valuation, the FFSA returns 100 million € of the nominal value to the bond, after which the nominal value of the bond is 600 million €. At the same time, the 200 million shares corresponding to the value return will be redeemed from the bond's creditors back to the institution.

The FFSA also decides that SNP debt will be written down to cover losses of 300 million € in place of 400 million € and that the debt is converted into equity of 700 million €. In addition to the shares previously given in the conversion, another 100 million shares will be given to the creditors of the SNP debt.

If the final valuation shows that, in addition to or instead of restoring the value of the debt, the debt conversion ratio determined in the resolution decision needs to be changed for another reason, the FFSA can order that the debt holders belonging to one of the priority ranks be given more shares or have shares redeemed from them without compensation. This may be necessary because, for example, according to the final valuation the original conversion ratio would violate the NCWO protection of creditors of one priority rank.

8 Processing of fractions of shares created in the conversion

When holders of converted debts are given shares as consideration in compliance with the conversion ratio determined in the resolution decision, an individual creditor may receive a number of shares exceeding the integer number; for example, 100.35 shares. The number of shares exceeding the integer is called a fraction Since shares cannot be given in fractions but only as whole shares, the FFSA issues an order on the treatment of fractions in its resolution decision.

In the resolution decision, the FFSA orders the institution or its agent to combine the fractions and sell the entire shares accumulated from the fractions. The institution or its agent accounts to the shareholders a part of the purchase price of the shares corresponding to each owner's fraction.

EFi provides the institution with information on the fractions created when the shares are recorded in book-entry accounts.

9 Assessment of the schedule

9.1 Resolution planning phase

Resolution planning is part of the resolution authority's ongoing work, and the resolution plans of all institutions are constantly being developed.
In the best scenario, the signs of a serious crisis of an individual institution can be seen long before it is set in resolution, and the resolution authority has time to prepare for resolution for several months.
Nevertheless, it is possible that the institution's financial situation deteriorates quickly due to, for example, a single, significant event, in which case the preparation for starting the resolution procedure must be completed within a few weeks or, in the worst case, a few days.
During this time, the resolution authority begins the enhanced data collection from the institution needed to make the resolution decision, initiates a valuation, makes assessments of the instruments subject to write down and conversion as well as calculations of the extent of write down and conversion, and prepares a resolution decision.

9.2 Implementation of the resolution decision

During the “crisis weekend”, a provisional valuation is completed, it is determined that the conditions for resolution are met, a suspension of trading is requested from the Financial Supervisory Authority, the calculations are finalised, and a resolution decision is issued and published. The crisis weekend may ideally refer to a concrete weekend when the final assessments and finalisation of the resolution decision would take place after Friday afternoon and the resolution decision would be published on Monday morning.

Due to the situation and circumstances, the procedures scheduled for the crisis weekend may also have to be undertaken in the middle of the week, and their duration may be longer or shorter than a calendar weekend.

The FFSA may, already before or in connection with issuing a resolution decision, suspend the execution of the payment or performance obligations of the contracts entered by the institution, limit the right of secured creditors to enforce security rights, and temporarily postpone the right to terminate or cancel the agreement for a maximum of two banking days (so-called moratorium). The FFSA’s moratorium decision is public.

The FFSA publishes a summary of the resolution decision on its website immediately after the decision is issued.

The FFSA promptly notifies the decision to the institution it concerns. The institution immediately publishes the decision on its website.

If the institution's ownership or debt instruments are traded on a regulated market, the institution must publish a summary of the decision immediately, in the same way that the information published pursuant to the Securities Markets Act (746/2012) is kept available to the public.

If the institution's ownership or debt instruments are not traded on a regulated market, the institution must notify a summary to the known owners and creditors. This notification lasts an estimated one to three days.

The FFSA notifies the resolution decision immediately to the Finnish Patent and Registration Office (PRH), which records in the Trade Register the changes that the resolution decision causes to the data registered in the Trade Register. The PRH makes the entries into the Trade Register on the same day that the FFSA notifies the information to the PRH. When the changes have been registered in the Trade Register, the FFSA sends instructions to the institution and EFi on the same day about recording the new shares, write-down and conversion in the book-entry register. The FFSA sends the resolution decision also to the other CSDs where the institution's instruments are registered.

The institution or its agent immediately notifies EFi of the ownership instruments to be cancelled, the write down of debt instruments, and the new shares. The institution notifies the other CSDs of the ownership instruments to be cancelled as well as the write down assigned to debt instruments.

EFi assigns an ISIN code to the new shares and enters the shares in the institution’s joint account on a temporary basis. This process lasts an estimated zero to two days. If the institution's instruments are traded on a regulated market, within one to three days the institution requests the stock exchange to remove the cancelled instruments from the stock exchange list and notifies the stock exchange of the new information concerning the partially written down instruments.

9.3 Period during which the exchange mechanism is implemented

The new shares are recorded in the book-entry account of the creditor or trustee one to three days after the owners of the shares have been reported to the book-entry register maintained by EFi. Regarding debt instruments registered in the book-entry register maintained by EFi, the latter receives the necessary owner and trustee information directly from the book-entry register. If the converted debt has not been in the book-entry register maintained by EFi or the creditor does not have a book-entry account in the book-entry register maintained by EFi, it may take weeks or months to register the shares in the creditor's book-entry account. The schedule depends on how quickly the agent appointed for the conversion receives the information about the holders of debts stored in the other CSDs and how quickly the creditor makes an agreement with the account operator or trustee to open a book-entry account in the book-entry register maintained by EFi.

If the owner information of the debt in a book-entry register other than that maintained by Efi is not delivered to the conversion agent, or the account operator or trustee has not opened a book-entry account for the creditor in the book-entry register maintained by Efi within six months after the institution was set in resolution, the agent ’ will sell the shares on behalf of the creditor and pay the purchase price to the creditor.

Possible write-up of excessively written down debt and redemption of shares from creditors will be carried out after the final valuation has been completed. The final valuation will be completed approximately within three to six months after the institution was set in resolution.

The transfer restriction on new shares is removed and trading in them can begin on the Helsinki Stock Exchange within three to five days after the final valuation has been completed.

9.4 End of the resolution procedure

The FFSA's resolution measures will end when the final valuation has been completed and any necessary write-up of the debt and redemption of shares from creditors have been completed, and any shares not allocated to book-entry accounts have been sold. This process lasts approximately six months from the time the institution was set in resolution.

When the final valuation has been completed, the valuer prepares a separate assessment of the actual treatment of the creditors in the resolution and what it would have been if the institution had been placed in bankruptcy instead of resolution (referred to as valuation 3). If, according to the valuation, the creditor has received less in resolution than it would have received in bankruptcy, the creditor has the right to receive compensation for the difference from the Single Resolution Fund (SRF). Compensation is determined by the Single Resolution Board (SRB). Valuation 3 will be completed approximately within six to twelve months after the institution was set in resolution.

10 Main features of the resolution decision

The FFSA attempts to make the resolution decision during the weekend or in the morning before the markets open. The summary of the decision is published immediately on e.g., the FFSA website and that of the institution. If the institution's instruments are traded on a regulated market, the institution publishes a summary of the decision in the same way as it must publish regulated information in accordance with Chapter 10, sections 3 and 4 of the Securities Markets Act. If the resolution decision cancels, writes down or converts such instruments or liabilities that are not traded on the regulated market, the institution sends a summary of the resolution decision to all known owners of these instruments.

The resolution decision consists of an order section which lists all orders issued in the case by the FFSA which affect the legal position of the parties involved, and a longer section including the grounds describing the facts and the applied provisions that form the basis of the FFSA's decision.

The FFSA's decision to set the institution in resolution and apply the bail-in resolution tool includes the following elements. The items marked in parentheses are included in the decision only if the circumstances and situation of the institution require that also they are stipulated in the resolution decision.

- Determining the conditions for crisis resolution
    - the institution is failing or likely to fail (FOLTF)
    - it is not likely that the resolution objectives could be achieved some other way
    - it is in the public interest to set the institution in resolution
- Setting the institution in resolution
- Partial or complete write down of equity until the losses are covered
- Cancellation of old shares or transfer of old shares to written down debt holders
- Issuance of new shares, total number of new shares
- (Discretionary exclusion of debt from bail-in)
- (Deciding on closure of derivatives)
- Determining the threshold value of own funds needed to secure the institution's operations
- Writing down capital instruments (AT1, T2) in priority order, one priority rank at a time, in part or in full until the losses are covered
- Writing down current liabilities (SNP, unsecured senior liabilities) in priority order, one priority rank at a time, in part or in full, until the losses are covered
- Conversion of capital instruments into core equity in order of priority, one priority rank at a time, in part or in full, until the threshold value of own funds is reached
- Conversion of current liabilities into core equity in order of priority, one priority rank at a time, in part or in full, until the threshold value of own funds is reached
- Conversion ratio, how many shares are given for one euro of converted debt in each rank.
- Ratification of institution’s new articles of association
- (Dismissal of Board members and managing director and appointment of new Board members and managing director)
- (Appointment of an agent to exercise the powers of the FFSA)
- Ordering the institution or its agent to sell any number of shares received by the creditor that exceeds the total amount (fraction) and to pay the purchase price to the creditor
- Ordering the institution or agent to sell the shares that have not been recorded in the book-entry account of the creditor or trustee within six months, and to pay the purchase price to the creditor.
- Ordering the institution or agent to notify the cancellation of old shares, write down of bonds and new shares in the book-entry register maintained by Euroclear Finland Oy and other CSDs, and to find out and register the owners or holders of the new shares in the book-entry register maintained by Euroclear Finland Oy.
- Decision to apply for the admission of new shares to Nasdaq Helsinki Oy’s stock exchange list. Assigning the institution to take care of the practical measures related to the listing.
- Ordering the institution to submit to the FFSA within one month a business reorganisation plan.

The decision or its annex lists the liabilities to be written down and converted.

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