

CCP resolution briefing

On the operationalisation of the write down and conversion of instruments of ownership and debt instruments or other unsecured liabilities tool

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Executive Summary

Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 ('CCPRRR') sets out a framework for the recovery and resolution of central counterparties in the EU. This framework provides National Resolution Authorities ('NRAs') with a set of resolution tools and powers to achieve the resolution objectives. In particular, Article 27 and Section 3 of Chapter III of CCPRRR confer NRAs the power to write down or convert certain instruments to absorb losses, recapitalise central counterparties ('CCPs') or to support the application of other resolution tools, thereby ensuring the stability and continuity of the CCP's activities.

In its 2025-26 workplan, the ESMA Resolution Committee ('CCP ResCo') has identified the need for further guidance on the operationalisation of the write down and conversion of instruments tool ('WDCI'). The WDCI helps NRAs to give effect to the CCPRRR principle that, once the CCP's contractual obligations under its recovery plan have been exhausted, the shareholders are the first to bear losses, by allowing NRAs to write down the CCP's instruments of equity. Where necessary, it also supports the recapitalisation through the conversion of certain liabilities into new instruments of ownership. As a result, the WDCI is an effective tool for resolution planning and commonly included in resolution plans for CCPs.

This resolution briefing is in line with the overall work of the CCP ResCo on the operationalisation of resolution tools. This CCP resolution briefing is issued under Article 25 of the ESMA Regulation and Article 5 of CCPRRR. The objective of the CCP resolution briefing is to provide a methodology to be considered by NRAs when drawing up resolution plans for CCPs. The content of this CCP resolution briefing is not subject to any 'comply or explain' mechanism for NRAs and is non-binding.

This CCP resolution briefing focuses on the operational steps and conditions for NRAs to consider when including the WDCI in the resolution plan. Firstly, the NRA should define and receive the relevant data from the CCP, which will enable to calibrate the amount of resources available through a WDCI. The NRA should also take into account the impact on the relevant stakeholders, such as shareholders and creditors, financial markets and linked financial market infrastructures ('FMIs'). Finally, the NRA should ensure the appropriate implementation of the WDCI and the reorganisation following the implementation.

1 Introduction and Background

1. In accordance with Article 25 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing the European Supervisory Authority (European Securities and Markets Authority)¹, also known as ‘ESMA Regulation’, ESMA is mandated to play an active role in the development and coordination of effective and consistent recovery and resolution plans.
2. Furthermore, in accordance with Article 5 of CCPRRR, the CCP ResCo shall promote the drawing up and coordination of resolution plans and develop methods for resolution of failing CCPs².
3. Article 27 of CCPRRR sets out the resolution tools available to NRAs, one of which is the WDCI. The framework for this tool is detailed in Articles 32 to 36 of CCPRRR. Originating from the regulatory framework for banking resolution, the WDCI is a legal mechanism which can be used by NRAs for the absorption of losses through the reduction of equity and, as the case may be, certain liabilities on the CCP’s the balance sheet. Additionally, it may also be used to recapitalise the CCP by the converting of a part of its debt instruments and other unsecured liabilities into new instruments of ownership, or a bridge CCP or to support the application of the sale of business tool. Therefore, this tool contributes to the objective of ensuring the stability and continuity of the CCP. The choice to use the WDCI depends on the NRA’s resolution strategy and on the characteristics of the capital and balance sheet structure of the CCP.
4. The CCP ResCo identified WDCI as key tool due to its capacity to uphold losses upon shareholders, in accordance with the general principles of resolution laid out at Article 23 of CCPRRR. Accordingly, the development of guidance on the operationalisation of the WDCI has been prioritised in its workplan.
5. The purpose of this CCP resolution briefing (‘briefing’) is to establish a common approach among CCP resolution authorities for the operationalisation of this resolution tool. The briefing focuses on the operational considerations that NRAs should bear in mind to optimise the effectiveness of the WDCI while limiting associated risks. Other related subjects to this resolution tool, such as the application of the non-creditor worse off (‘NCWO’) principle fall outside the scope of this document.
6. To achieve this aim, the briefing outlines how authorities could gain access to the relevant data and calibrate the WDCI (section 2.2), as well as how they assess the impact of the

¹ OJ L 331, 15.12.2010, p. 84–119.

² The CCP ResCo is a permanent internal committee, according to Article 41 of ESMA Regulation.

implementation of the tool, particularly when evaluating the resolution strategy and, where relevant, its effect on the group (section 2.3). It also explores how authorities could implement the WDCI (section 2.4) and the reorganisation phase following the implementation (section 2.5).

- The objective of the CCP resolution briefing is to provide a methodology to be considered by NRAs when drawing up resolution plans for CCPs. The content of this CCP resolution briefing is not subject to any ‘comply or explain’ mechanism for NRAs and is non-binding. NRAs should apply it in a manner proportionate to, and adapted for, the specificities of the CCPs within their mandate, the applicable national legal framework and the chosen resolution strategy, while respecting CCPRRR rules.

2 CCP resolution briefing on the operationalisation of the WDCI

2.1 Mandatory nature of the use of the WDCI

7. Article 23(1)(b) of CCPRRR provides that shareholders shall be the first to bear the losses of the CCP in resolution. CCPRRR enables NRAs to allocate the losses to the shareholders through several resolution tools, including the WDCI.
8. Article 27(7) of CCPRRR provides the cases and circumstances in which the use of the WDCI is required or not. In accordance with this provision, an NRA shall apply the WDCI before or together with a government stabilisation tool (i.e. the public equity support or the temporary public ownership tool) and immediately before or together with any other resolution tools if their application leads to financial losses being borne by clearing members. However, the application of a different sequence is possible when it would minimise deviations from the NCWO principle and better achieves the resolution objectives.
9. Consequently, the use of the WDCI is mandatory and the tool shall be used before or concurrently with the application of others resolution tools, except in two situations:
 - The application of another resolution tool does not lead to financial losses being born by clearing members: if the NRA decide to apply only resolution tools that do not generate losses for clearing member, the use of WDCI is not required. For example, the application of a bridge CCP or a sale of business does not necessarily lead to financial losses for clearing member. To exclude the application of the WDCI, the NRA should evaluate the impact of the application on clearing member of the resolution tools elected to ensure that it does not generate financial losses for them.

- The application of a different sequence would minimise deviations from the NCWO and better achieves the resolution objectives: even if the application of another tool leads to financial losses being born by clearing member, the NRA is not required to apply the WDCI or can apply it after other resolution tools when it minimise the deviation from the NCWO principle and it better achieves the resolution objectives. The NRA could use the impact assessment to justify the application of a different sequence (see section 2.3.2. below on the framework for the impact assessment).

2.2 Access to relevant data and calibration of the WDCI

2.2.1 Access to relevant data

10. Timely access to data, as well as robust data sharing and collection capacities are essential, in particular during periods of crisis, to enable the effective calibration of resolution tools. Thus, CCPs must be able to provide the necessary data points promptly. Some of this information might already be available in the Management Information Systems ('MIS') used under Business as Usual conditions, while other data may require the development of specialised MIS solutions. Collecting relevant, reliable, and complete data is crucial for NRAs to draw up resolution plans, substantiate their resolvability assessment and resolution strategy, and calibrate the relevant resolution tools.

2.2.1.1 Data Provision

11. Amongst others, this briefing aims to promote the harmonisation of the WDCI data reporting by proposing a minimum data set that an NRA could request in the event of resolution of a CCP for the purposes of WDCI calibration. This briefing also proposes additional data points that could be of interest for an NRA when assessing the tool's impact. Regardless of whether it concerns the proposed minimum data set or proposed additional data points, the NRA should, wherever possible, make use of existing (supervisory) reporting to avoid any duplication of data collection.

- Pursuant to Article 32 of CCPRRR, the aim of the tool is to absorb losses and recapitalise the CCP³ by reducing the available instruments of ownership and reducing or converting debt instruments issued by the CCP under resolution or other unsecured liabilities. To determine the available amounts to apply this tool, the proposed minimum data set needed for the calibration of the WDCI should include quantitative and qualitative information on the liabilities of the CCP. The data set should at least cover the balance sheet of the CCP, with detailed information on capital structure and the different liabilities. Additionally, the

³ Article 32 CCPRRR also provides the possibility to convert debt instruments or unsecured liabilities in order to recapitalise a bridge CCP or to support the use of the sale of business tool.

NRA would need qualitative information on the instruments of ownership, debt instruments issued by the CCP and unsecured liabilities envisaged to establish the scope of instruments to be written down or converted (including their order of priority in national insolvency law). The CCP should also provide the information necessary to estimate its recapitalisation needs (see Annex 3.1 on the proposed minimum data set for WDCI calibration). The data set required from the CCP should be tailored on the chosen resolution strategy and the scope of the WDCI application as determined by the NRA.

12. To gain a comprehensive view on the amounts of own funds available for write down, it may be necessary for the CCP to also provide information on the recovery tools involving equity adjustments already used by the CCP prior to resolution. This may include any use of capital reserves or regulatory capital buffers dedicated to specific events.
13. Where appropriate, and in line with agreed-upon processes with the CCP to ensure a robust and timely access to the relevant data, the NRA may rely on existing data collections (such as those related to the balance sheet or linked to the valuation step) to populate certain of the required data points, thereby avoiding duplication in data gathering.
14. Furthermore, the CCP and the relevant authorities are expected to provide the NRA, upon its request, with all the data in their possession that the NRA deems (potentially) useful for carrying out the impact assessment of the WDCI on shareholders and other creditors (see section 2.3 for further details on this assessment). Although the CCP may have information on its investors and shareholders, for example regarding the concentration of the instruments, the NRA may also consult alternative sources of information to assess the impact on the single investors.

2.2.1.2 Timeliness

15. The timeframe for data submission constitutes a key aspect of the data collection process, as the NRA should have access to the requested data points within a few hours to enable prompt decision-making during crisis situations.
16. Although the timeframe could be adjusted for each CCP to take into account its individual profile, key elements below may have an impact:
 - the CCP's recovery timeframe;
 - whether the NRA assumes that a CCP's resolution, like a bank's resolution, could take place over a weekend or not (see section 2.4.2.2 for further considerations on this point):

- if it takes place over a weekend, the CCP could benefit from a longer timeframe, *a priori* up to 12 hours,
- if resolution takes place overnight or within 24 hours during the week, this timeframe will have to be much shorter.

17. The prompt provision of up-to-date data by relevant authorities, coupled with efficient collaboration, is crucial to perform the impact assessment.

2.2.1.3 Formats

18. To ensure an efficient data collection process, the NRA would benefit from relying on a commonly used/generally accepted format, in order to ensure clarity, completeness, accuracy, as well as readability of the data. To this end, the CCP ought to provide data points in a single, standardised, and exportable format. This would allow compatibility with various analytical tools, as well as facilitate the management of potentially large amounts of data. Such data format would reflect the following key characteristics:

- The format is structured: it is expected that the CCP provides structured data based on widespread standards or languages, such as XML (Extensible Markup Language), Excel or CSV (Comma-separated Value), in order to facilitate data import and processing for data analysis as well as, more broadly, automated processing.
- The format relies on a standardised scheme: such scheme aims at allowing the NRA and the CCP to share a common understanding of the data collected and enable a robust data analysis process. It can rely on tools already developed by the industry or by regulators (e.g. data dictionaries, taxonomies, data-point models). Such approach could foster consistency across CCPs and would simplify data interpretation for authorities.
- Clear and concise data labels are used: adequate data labels allow to reflect accurately the data provided, contributing to the good understanding of the information collected without requiring extensive interpretation, thus avoiding reporting mistakes, misinterpretations or delays in decision making.
- Data validation checks are in place: the implementation of data validation checks by the CCP ensures the correctness and completeness of the information provided before its submission. The NRA should encourage the CCP to develop such checks with regard to the data points relevant for the operationalisation of the WDCI. The NRA should assess the relevance, comprehensiveness and effectiveness of such data checks. This work would be addressed as part of the objective to further operationalise the resolution of CCPs, the resolution planning cycle being expected to take into

account testing aspects across time, through a progressive approach (for instance through dry-runs and the integration of resolution needs in fire-drill scenarios).

- The features of the data set are clearly documented: CCPs should provide accompanying documentation that details the characteristics of the information provided (in particular the format and definitions used, as well as any relevant assumptions).
- The format remains flexible: the format should be flexible enough to accommodate future changes in data requirements or regulatory requirements.

19. Based on these key characteristics, the selected format should: (i) fit the NRA's needs; (ii) facilitate straightforward exchange between CCP and relevant authorities (including onward sharing to members of the resolution college, if needed), (iii) take into account as much as possible the CCP's capabilities and future (mandatory) developments; and (iv) be initially derived from the proposed minimum data set in this briefing. In case of interoperable CCPs, the respective CCPs and NRAs could consider the benefits of aligning the formats selected. Adopting a standardised approach to collect data from relevant authorities for the impact assessment could also be helpful.

2.2.2 Calibration of the WDCI

20. The calibration of the WDCI is a necessary step for the effective implementation of this resolution tool. The section below sets out the steps NRAs could take to determine to what extent the instruments of ownership, debt instruments and other unsecured liabilities must be written down (or converted, as the case may be).

2.2.2.1 Calibration in different scenarios

21. In principle, the WDCI is not calibrated differently in a default losses ('DL') scenario than in a non-default losses ('NDL') scenario. However, NRAs should keep in mind that the nature of the scenario may impact the calibration of the tool indirectly. The unsecured liabilities on the CCP's balance sheet, the amount of equity that is available for the application of the tool, as well as the amount of losses already absorbed during the recovery phase may differ according to the scenario. For example, in a DL scenario, the default fund is likely to have been depleted prior to resolution, whereas in a NDL scenario, these may still be on the balance sheet as unsecured liabilities. Similarly, actions may have been taken in a recovery phase that could reflect on the balance sheet – e.g. if the CCP has the option to use available liquidity facilities.

2.2.2.2 Overview of proposed main stages in calibrating a WDCI

22. The calibration of the WDCI by the NRA could follow the following steps:

Step 1: Determine the total amount of losses to be absorbed (this amount is determined as part of the valuation carried out either by the independent valuer or only provisionally by the NRA).

Step 2: Determine the amount of instruments of ownership, debt instruments and other unsecured liabilities available for the application of the tool.

23. To determine the amount of instruments of ownership, debt instruments and other unsecured liabilities available for the application of the tool, it is crucial that NRAs can identify which liabilities are in scope and which are excluded.

24. In principle, all the instruments of ownership, debt instruments issued by the CCP under resolution or other unsecured liabilities, regardless their legal status and characteristics should be included in the scope of the WDCI. However, CCPRRR provides the exclusion of certain categories of liabilities from the scope of the WDCI:

- First, the WDCI can be applied to debt instruments and unsecured liabilities only. Therefore, secured liabilities cannot be written down or converted.
- Second, according to Article 33(4) of CCPRRR, NRAs must exclude the following unsecured liabilities:
 - initial margins;
 - liabilities to employees in relation with fixed remuneration (salary, pension benefits) and the variable component if the latter is regulated by a collective agreement;
 - liabilities to commercial or trade creditors arising from the provision to the CCP of goods or services that are critical to the daily functioning of its operations;
 - liabilities owed to payment systems or operators and securities settlement systems or operators designated by Member States;
 - liabilities owed to others CCPs; and
 - liabilities owed to central banks.

25. Finally, NRAs should assess if the following liabilities meet the definition provided in Article 33(4) of CCPRRR:

- Liabilities to tax and security authorities. The exclusion of these liabilities depends on the status that they have in national insolvency law. If they are preferred liabilities under the national legal framework, NRAs should exclude them of the WDCI; and
- Liabilities owed to participants to systems designated according to Directive 98/26/EC, such as payment or securities settlement systems, to the extent that the liabilities result from their participation in such systems. This could notably include certain liabilities owed to participants that are also clearing members. Consequently, NRAs should assess which liabilities of these clearing members result from their participation in these systems and exclude those liabilities from the scope of the WDCI.
- NRAs do not have discretionary power to exclude from the scope of the WDCI any others debt instruments or liabilities than those explicitly mentioned in Article 33(4) of CCPRRR. It is noted however that, in some cases, a CCP may not have issued debt instruments and that, where all unsecured liabilities fall within the categories set out in Article 33(4), there would consequently be no eligible liabilities available for conversion.

Step 3: Determine the amount of recapitalisation needs.

26. To determine the recapitalisation needs, NRAs should refer to the CCP's applicable prudential framework, in particular EMIR⁴, as well as the possible changes in the CCP's activities, if relevant. In this context, NRAs should coordinate with the National Competent Authorities ('NCAs') to ensure that the CCP will meet the relevant requirement after the resolution phase. Based on the second valuation and, where relevant, the data provided by the CCP, NRAs should then determine the amount of debt instruments or unsecured liabilities that needs to be converted to meet the capital requirements defined after the resolution phase.

Step 4: Determine to which extent available instruments of ownership, debt instruments and other unsecured liabilities must be written down and/or converted, as the case might be.

27. NRAs should calibrate the reduction to the extent possible to cover the losses in order to re-establish the positive net value of the CCP. They should first evaluate if the amount of available instruments and liabilities identified in Step 2 are sufficient to cover the amount of losses determined in Step 1. In a positive net value situation, NRAs could determine the percentage of reduction of each category of instrument of ownership and each class of liabilities considering the recapitalisation needs. In a negative net value situation, NRAs could write down all the available instruments of ownership and eligible liabilities and envisage to combine the WDCI with another loss absorption tool. When necessary and to

⁴ When CCPs are also registered as credit institution, NRAs should also determine the amount necessary to comply with the relevant capital requirements.

the extent required to achieve the resolution objectives, NRAs could reduce to their full value available instruments and liabilities.

Box 1: Treatment of the shares

In accordance with Article 33(2) of CCPRRR, the NRA shall reduce the nominal amount of instruments of ownership in proportion of the losses before reducing or converting the principal amount of debt instruments or unsecured liabilities. After reducing the nominal amount of the instruments of ownership, NRA should envisage different treatment for the shares, depending on the net value of the CCP after applying the write down and the CCP's resolution strategy:

- If the CCP maintain a negative net value after the reduction of all the instruments of ownership up to their full value, the NRA should cancel the instruments to ensure that the shareholders bear the losses first. Alternatively, the NRA could also choose to transfer the shares to converted creditors.
- If the CCP maintain a positive net value after reducing the instruments of ownership, the NRA shall cancel or dilute those instruments depending on the remaining nominal amount of the shares and the extend of the write down. The NRA should bear in mind that shareholder shall bear losses before CCP's creditors. In a scenario where the instruments of ownership are fully written-down, NRA should consider cancelling these instruments to respect this principle. In a scenario where the instruments of ownership are not fully written-down, NRA could dilute these instruments.

28. When deciding the order in which each category of instruments or liabilities should be written down (or converted if applicable), NRAs must ensure that the priority of claims applicable under national insolvency law is respected. It is worth noting however that instruments of ownership must always be reduced first. Additionally, NRAs should in principle ensure equal treatment of instruments and liabilities belonging to the same class under the national insolvency law. The extent to which each category is written down or converted should also take in account the NCWO principle.

29. The conversion of debt instruments or unsecured liabilities should enable the recapitalisation of the CCP. NRAs should take into account the amount determined in Step 3 and the different elements mentioned in the first paragraph of this Step to calibrate the extent of conversion. In addition, NRAs should take into account the conditions listed in Article 33(7) of CCPRRR notably on the conversion rate. If converting the CCP's eligible liabilities is insufficient for full recapitalisation or if the CCP does not have eligible liabilities to convert, NRAs may consider other options to cover the amount needed and allocate the

ownership instruments. NRAs have the possibility to combine several options, including other resolutions tools. For the different options that NRAs could explore, see Box 2 below, dedicated to the recapitalisation (section 2.4.2.1).

2.2.3 Sufficiency of resources

- In accordance with Article 33(8) of CCPRRR, NRAs shall ensure that the CCP is able to issue necessary number of instruments of ownership at all times to guarantee that the WDCI could be apply efficiently. The NRA shall assess the ability of the CCP to issue instruments of ownership in resolution planning. The assessment could consist of an analysis of the CCP's legal and operational arrangements in place to issue new instruments, including an estimate timeframe to carry out the operation. If the NRA conclude that the CCP is not able to issue a necessary number of instruments of ownership, it could require from the CCP to remove any impediment to it. This could include to request from the CCP to change its operating rules, to renegotiate its ownership or liabilities contractual terms or to amend its statutes.
30. In addition, in accordance with article 35(1) of CCPRRR, the competent authority shall require when applying the WDCI that the CCP maintain a sufficient amount of instruments of ownership. In a crisis scenario, the NCA will support the NRA in applying the WDCI and ensure that the CCP is able to issue a sufficient amount of new instruments or convert the debt instruments or other liabilities into instruments of ownership.

2.3 Impact assessment of the WDCI

2.3.1 Legal basis and approach adopted

31. Article 12(3)(b) of CCPRRR requires that CCP resolution plans take into consideration the impact that the implementation of the resolution plan would have on:
- the clearing members, and to the extent the information is available, their clients and indirect clients;
 - any linked financial market infrastructures (FMIs);
 - financial markets, including trading venues, served by the CCP; and
 - the financial system in any Member State or the Union as a whole, and, to the extent possible, in third countries where it provides services.

32. In addition, when the CCP is part of a group, Article 23(1)(i) of CCPRRR requires that when applying a resolution tool, NRAs should take into account the impact on other group entities and on the group as a whole.
33. The purpose of this section is to design a pragmatic, flexible and proportionate approach enabling authorities to assess the impact of applying the WDCI, as part of the wider impact assessment required for the resolution plan and in case a CCP is part of a group. In addition, NRAs, may use this approach to develop a more specific impact assessment focused on the WDCI. The approach is designed to be suitable and proportionate to the specific characteristics of the CCP under their remit and can be performed both in the planning and the execution phases, if deemed relevant.
34. This proposed framework does not prescribe a fully-fledged methodology but instead offers an initial list of factors and considerations that NRAs could take into account. Its aim is to foster convergence across authorities in drafting the CCP resolution plans while preserving the necessary degree of flexibility to accommodate national specificities, such as the CCP's capital and liability structure, its level of interconnectedness and the national insolvency ranking of claims.
35. The proposed framework may be further refined and complemented over time by incorporating the lessons learned from the first iterations of resolution planning.

2.3.2 Impact assessment framework

2.3.2.1 General criteria

36. The framework for assessing the impact of WDCI could include the following considerations:
- The adaptability of the framework to both resolution planning and actual crisis management. Authorities should design a framework that can be used in resolution planning, testing and in an actual crisis scenario. Such a framework should allow them to prepare an impact assessment in the resolution planning phase that could be quickly updated within the timelines of a fast-moving resolution scenario.
 - The impact of applying the WDCI versus other resolutions tools. Authorities could identify the benefits and potential drawback for the application of the WDCI and compared them to those of others resolution tools considered in the resolution strategy. This analysis could include considerations regarding the NCWO principle and the achievement of the resolution objectives to justify the application of a different resolution tools sequence or the exclusion the WDCI. In resolution planning, this analysis could support the implementation of the WDCI after other resolution tool that

create losses for clearing member or its removal from the resolution strategy. In a crisis scenario, the analysis shall necessarily demonstrate that the sequence elected by the NRA minimise deviations from the NCWO and better achieve the resolution objectives mentioned in article 21 of CCPRRR than the sequence required by CCPRRR.

- The possible differentiation between DL and NDL scenarios. The framework could consider the circumstances in which the CCP fails (whether these are idiosyncratic or systemic in nature) and distinguish between DL and NDL scenarios. For example:
 - Authorities might consider that the context of the CCP's failure can lead to different impact on the financial stability. Indeed, financial stability may be more impacted in a DL or combined scenario, which is more likely to be the result of a systemic crisis marked by stressed market conditions. Conversely, a NDL scenario may refer to an idiosyncratic crisis in which financial stability might be less impacted by the use of WDCI.
 - Furthermore, depending on the specific features of the CCP's loss absorption arrangements, the amount of instruments on which the WDCI is applied may vary according to the scenario (e.g. in NDL scenarios, the capital instruments and reserves are more likely to be loss absorbing already during the recovery phase).
- Consideration of the type of instruments or liabilities affected by WDCI and their national insolvency ranking. The types of instruments or liabilities that might be affected by the application of WDCI (instruments of ownership, debt instruments and other unsecured liabilities) is a relevant element to be considered in the impact assessment. More specifically, the hierarchy of these instruments or liabilities in the national insolvency ranking may affect the extent to which these instruments or liabilities are impacted by the WDCI.

2.3.2.2 Impact assessment of the WDCI

37. A preliminary and general framework for assessing the impact of the application of the WDCI, including its effect on the CCP's group, can be articulated as follows:

- The balance sheet structure of the CCP serves as the starting point allowing for identifying the instruments and unsecured liabilities to which the WDCI may be applied. For each capital and liability instrument, it could be relevant to establish whether it is listed and traded on the secondary market. Additionally, understanding the type of investor owning the instruments or liabilities (e.g. banks, insurers, pension funds, non-financial corporations, public companies) would provide further valuable insight.

- The extent of cancellation / dilution of instruments of ownership and the extent of write-down or conversion of unsecured liabilities, including debt instruments, shall be an input data emerging from the valuation pursuant to Article 24 of CCPRRR and the calibration of the tool (see section 2.2.2).
- One initial approach to assessing the impact of WDCI could be to verify whether there is a concentration of instruments of ownership or unsecured liabilities for a specific type of investors. This could serve as a first indicator of a potential contagion risk affecting a specific category of investors.
- Where appropriate, taking into account the characteristics of the CCP (e.g. its level of interconnections and the complexity of its capital / liability structure, the mechanisms envisaged for the recapitalization of the CCP), authorities might consider performing a more granular impact assessment. In this respect, NRAs could identify those investors most exposed to reductions of the CCP's instruments of ownership and unsecured liabilities and attempt to estimate the losses they would face due to the application of the WDCI. The losses for each investor would be calculated by the application of the percentage of write-down to their exposure. When the CCP belongs to a group, this assessment may also consider the impact on the structure and the strategy of the group.
- In case the recapitalization mechanisms include the conversion of unsecured liabilities / debt instruments into newly issued shares, the value of these new shares allocated to investors should be considered as a source of compensation mitigating the impact of the write-down losses, in accordance with point (b) of Article 33(7) of CCPRRR. Pursuant to Article 24(2) of the Delegated Regulation 2023/1616⁵, the estimate of the value of the new shares may be based on an assessed market price resulting from generally accepted valuation methodologies. After having estimated the loss for individual investor, authorities could verify the impact on their income statement and capital.
- Based on the framework above, and depending on the specific characteristics of the CCP, authorities could proportionally adapt the impact assessment. This might involve limiting the analysis to potential concentration risks for certain investor categories or, where relevant, adopting a more granular approach to identify investors that, due to

⁵ Commission Delegated Regulation (EU) 2023/1616 of 3 May 2023 supplementing Regulation (EU) 2021/23 of the European Parliament and of the Council with regard to regulatory technical standards specifying the circumstances in which a person is deemed to be independent from the resolution authority and from the central counterparty, the methodology for assessing the value of assets and liabilities of a central counterparty, the separation of the valuations, the methodology for calculating the buffer for additional losses to be included in provisional valuations, and the methodology for carrying out the valuation for the application of the 'no creditor worse off' principle, OJ L 199, 9.8.2023.

their high exposure to the CCP, may be particularly adversely impacted by the application of the WDCI.

38. The above-described framework could be enriched, if needed and appropriate, through the consideration of a series of additional elements, including:

- Consideration of system-wide event scenarios: in a DL scenario characterized by stressed market conditions, investors' financial health might be already hampered and the impact of the WDCI could be further intensify these effects.
- Impact on investors which are not financial institutions: Due to the absence of minimum regulatory requirements to use as indicators and the lack of relevant data and harmonized reporting, authorities may consider the impact of WDCI on investors that are not financial institutions using a qualitative approach.
- Possible market reactions following the application of WDCI: authorities could consider potential market reactions based on the nature of the losses incurred and the instruments affected. They could also evaluate any reputational impact on the CCP, which could hinder its ability to issue new debt instruments at market conditions following resolution.

39. When assessing the impact of the WDCI, NRAs could also include the feasibility, timeliness and market implications of the different options available for recapitalisation and the potential effects they could have on the new ownership structure.

2.4 Implementation of the WDCI

40. This resolution briefing aims at providing NRAs with a list of key considerations for implementing the WDCI, including the identification of potentially relevant stakeholders, the various steps that could be undertaken and suggestions to mitigate certain operational and legal obstacles concerning the operationalisation for this tool. The implementation of the WDCI must be conducted in alignment with the resolution strategy elected by the NRA in the context of the applicable national legal framework, the terms and conditions of the instruments affected, and any statutory or contractual modifications that may be required.

2.4.1 Identification of relevant stakeholders

41. For the purposes of this briefing, stakeholders are defined as all parties that must be contacted by the NRA to ensure the effective implementation of the WDCI.

42. Before executing the WDCI, the NRA may, if considered relevant, perform an impact assessment and notify the relevant parties. These parties may include the resolution

college and, depending on its composition, the resolution authorities of other clearing members and other national authorities. In addition, the NRA would also liaise with the independent valuer and other public authorities to prepare the implementation.

43. The successful implementation of the WDCI necessitates coordinated engagement with a broad set of stakeholders, which may include:

- the CCP itself: Depending on the chosen resolution strategy and the CCP's governance arrangements, the NRA may opt to mandate the CCP's regular management to act under the NRA's instruction, provided that management remains in place. Alternatively the NRA may appoint a special administrator pursuant to Article 50 of CCPRRR;
- clearing members in case of potential exposure;
- other FMIs, in particular:
 - Central Securities Depositories (CSDs), responsible for the registration and settlement of instruments subject to write-down or conversion;
 - Real-Time Gross Settlement (RTGS) systems or custodians, involved in cash adjustments or settlement flows;
- national numbering agencies that manage instrument reference data, such as ISIN or CFI code providers, which may need to update identifiers following conversion;
- trading venues and national market authorities, where suspension, delisting or other corporate actions are required;
- legal, administrative, and technical advisors supporting the NRA, the special administrator or the CCP to conduct statutory amendments, governance restructuring or enforceability assessments;
- the independent valuer, informing the NRA on the extent of losses conditioning the application of the WDCI;
- notaries, public registries, or national administrative or judicial entities, particularly in cases involving formalisation of ownership or legal status changes; and
- former or indirect shareholders, especially when affected by ownership reallocation during resolution.

44. The extent to which each stakeholder is involved will depend on various factors such as the nature of the instruments affected, the governance and ownership structure of the CCP,

and the applicable national legal and institutional framework. Depending on the CCP's specificities, all of the stakeholders mentioned do not necessarily need to be involved. If the CCP or its special administrator leads the operational steps under NRA oversight, much of the engagement with stakeholders may be coordinated through the CCP itself. In other cases, the NRA may need to liaise directly with stakeholders.

2.4.2 Execution and timeframe of implementation

2.4.2.1 Step-by-step description of the process for execution of the WDCI

- The following subsections outline the high level steps that the NRA may follow to implement the WDCI. NRAs retain the flexibility to explore in greater detail any or all of the steps below to operationalise the tool at the level of their specific CCP, including by identifying mitigation measures or alternative solutions for any potential constraints and obstacles. Depending on the CCP's operational and legal set up, and on the national legal framework, the content of each step could be adjusted by NRAs and additional steps could be envisaged to ensure the full implementation of the tool.

Preliminary step	Preparation of the NRAs resolution decision and accessory measures
Responsible stakeholder	NRA
Required input	Impact assessment, valuation 2, input from the CCP regarding the capital structure and capital instruments.
Required system	NRAs usual system and, if applicable, specific crisis platform
Recipient	<i>Not applicable</i>
Potential constraints and Obstacles	<ul style="list-style-type: none"> • Operational constraints originate from national commercial law • Administrative burden

45. This preliminary step is intended to determine the appropriate calibration of the tool, as well as to identify any other necessary administrative measures for its effective implementation. This includes the identification of the relevant stakeholders, the necessity to suspend trading, the amendment of the CCP's statutes, and, if necessary, the issuance of orders for the admission for trading or the removal from trading of the instruments of ownership or

debt instruments. All such information is part of the resolution decision, which serves as the implementation act of the tool.

46. Where appropriate, NRAs may consider requesting administrative or judicial authorities to expedite procedural steps, thereby ensuring swifter implementation of the tool. Additionally, NRAs could evaluate whether a dedicated communication plan is needed as part of the resolution strategy. Such plan might encompass targeted communications to stakeholders, via secure, pre-approved channels to inform parties but also a broader communication strategy (market, public, etc.) in order to limit the impact on the market stability throughout the resolution phase.

Step 1		Communication of the resolution action, detailing use of WDCI, to the CCP
Responsible stakeholder		NRA
Required input		NRA's decision to use the WDCI
Required system		Fast and secure means of communication with the CCP (to be determined between NRAs and their CCPs)
Recipient		CCP's senior management or special management (if such special management has been appointed by the NRA)
Potential constraints and Obstacles		Communication issues between NRA and CCP

47. The purpose of this first step is to notify the CCP of the NRA's decision and to require its assistance in carrying out the WDCI. This communication should take place as soon as possible following the adoption of decision. As outlined above, the CCP's involvement in implementing the tool could be minimal if the NRA decides to implement the tool itself or to entrust it to a special administrator.

Step 2		CCP's technical preparation
Responsible stakeholder		CCP's employees (under the direction of their management, the NRA or the special administrator)
Required input		NRA's decision to use the WDCI

Required system	CCP's usual internal systems and predefined protocols and contingency plan to support the execution, relevant staff
Recipient	<i>Not applicable</i>
Potential constraints and Obstacles	<ul style="list-style-type: none"> • Unavailability of the CCP's usual systems • Unavailability of relevant personnel

48. This step covers any internal work that the CCP must carry out to implement the WDCI. For instance, the CCP may need to accurately identify the affected instruments and to update its internal systems to reflect the amount that should be written down. Following these updates, the CCP may also be able to produce additional data and templates that could assist other stakeholders involved in the execution process. As it is CCP-specific, NRAs would have to investigate the unique characteristics and constraints of the CCPs under their remit to determine how and within what timeframe they would be able to carry out the internal execution of the WDCI.

Step 3	Notification of relevant stakeholders
Responsible stakeholder	CCP and/or NRA (or the special administrator)
Required input	<p>NRA's decision to use the WDCI</p> <p>If relevant, any additional data and template produced by the CCP in the previous step</p>
Required system	Secured and standardised communication templates and channels (the CCP's usual tool for communicating with the relevant stakeholders if fulfils the requirements)
Recipient	<p>Depending on the CCPs practice and national specificities:</p> <ul style="list-style-type: none"> • CSDs • RTGS systems or custodians • National Numbering Agency • Market Authorities • Trading venues • Public registries or others national entities • Others relevant stakeholders identified by the NRA

Step 3	Notification of relevant stakeholders
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Potential constraints and Obstacles	Communication issues between the CCP and/or NRA and the relevant stakeholders
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49. The purpose of this step is to ensure that all the other stakeholders involved in the implementation of the WDCI are notified that some action is required on their part. Depending on the resolution strategy and the national legal framework, the CCP and/or the NRA could notify the relevant stakeholders. In some cases, such as the suspension of trading, different stakeholders could be involved in the notification process. For example, in the event of trading suspension, NRAs must notify the market authorities of their decision, who will then notify the relevant trading venues.

50. The precise list of stakeholders to be notified will depend on the resolution strategy, the national legal framework, the applicable procedure and characteristics of instruments to be written down or converted. NRAs may need to investigate further which stakeholders have to be informed at this stage.

51. In addition to the mandatory notifications and publication prescribed under Article 72 of CCPRRR, the NRA may decide to inform any other relevant stakeholders to ensure an orderly transition during implementation. This may notably include the CCP's clearing members, their clients or any linked FMI. The timing of this information is to be determined as part of the NRAs' global communication strategy and may take into account any possible adverse impact on the market.

Step 4	External execution of the WDCI by the relevant stakeholders
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Responsible stakeholder	Depending on the CCP's practice and national specificities: <ul style="list-style-type: none"> • CSDs • RTGS systems or custodians • National Numbering Agency • Market authorities • Trading venues • Public registries or others national entities • Others relevant stakeholders identified by the NRA
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Required input	Instruction from the NRA and/or the CCP relating to the actions needed by each relevant stakeholder
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Required system	Each stakeholder's usual tool
Recipient	<i>Not applicable</i>
Potential constraints and Obstacles	<ul style="list-style-type: none"> • Unavailability of one or more relevant stakeholder • Unavailability of a tool usually used by the stakeholder • Administrative burden

52. The final step consists of the external execution of the WDCI. Acting on the instructions received in step 3, the various stakeholders should carry out the different processes and actions required to implement the tool. This may include the following actions:

- If relevant, proceed to the temporary effective suspension of the trading of part or all instruments covered in the notification.
- Cancel and/or suspend the payments of instruments concerned by the WDCI (interest, principal, etc.).
- In case there is a conversion of liabilities, allocate a new ISIN to the new shares.
- Write down totally or partially all the instruments affected and, if relevant, convert the instruments concerned.
- If appropriate, delist or remove from trading the affected instruments.
- Issue new shares.

Box 2: Options for the recapitalisation

Recapitalising the CCP involves two distinct but complementary dimensions:

The first dimension consists for NRAs to determine the type of funding sources that could be used. They could consider:

- conversion of debts instruments or unsecured liabilities into new shares;
- statutory funds;
- external resources (such as financial support from the parent company, loans or temporary public support, support of the acquirer in case of sale of business); and

- others resolution tools such as the resolution cash call or VMGH.

The second dimension is related to the determination of the appropriate ownership mechanisms for implementing the recapitalisation. NRAs could explore different mechanisms to allocate the new capital:

- Issuance of new shares in accordance with the powers provided by point (j) Article 48(1) of CCPRRR.
- Conversion of debt instruments or unsecured liabilities into new shares, in the context of the WDCI. Point (f) of Article 48(1) of CCPRRR provides the possibility to convert the liabilities into new shares of the same CCP or into new shares of a bridge CCP.
- Transfer of the new shares to a bridge CCP or to a purchaser.

When the CCP has issued a sufficient amount of liabilities to absorb losses and recapitalise the CCP, if the NRA decides to convert the liabilities into new shares as part of the WDCI, this measure may be sufficient to achieve the required amount of capital. However, given the CCP's unique characteristics (including their balance sheet structure), NRAs may face situations in which the CCP has not enough eligible liabilities to absorb losses and recapitalise through the application of the WDCI.

To address this, NRAs may consider a range of options, depending on the resolution strategy, national specificities, the crisis scenario and others relevant factors, to recapitalise the CCP. These options can be combined to allow the appropriate recapitalisation.

53. Depending on the national framework and the operational constraints, NRAs may identify any additional actions needed to ensure the external execution of the WDCI. Furthermore, NRAs may also determine the timeframe within which each stakeholder must carry out their respective actions, taking into consideration the overall resolution timeframe (including if the resolution happens on a weekday or on a weekend).
54. If the resolution strategy chosen by the NRA involves combining the WDCI with another resolution tool, such as a transfer option, a resolution cash call or a temporary public support tool, additional implementation steps may be necessary.

2.4.2.2 Timeframe considerations

55. To develop an effective operational resolution strategy and comply with the requirements of CCPRRR⁶, NRAs should be able to estimate the timeframe for implementing the WDCI. However, it is not possible at this stage to define a common timeframe as this will depend on each CCP's operational constraints, the national legal framework applicable to the CCP and whether the NRA intends to implement the WDCI over a resolution weekend or during the week.

3.4.2.2.1 Operational and legal constraints

56. The timeframe for implementing the WDCI depends on operational capabilities and availability of each CCP and other relevant stakeholders. CCPs may encounter limitations related to the degree of automation in their systems⁷ as well as the availability of qualified personnel (legal, operational, and technical staff) and the effectiveness of their internal governance. The stakeholders involved in the external implementation may also face technical or procedural limitations, such as related to their availability during weekends and the speed of the required processes.

57. Furthermore, legal and procedural constraints arising from the CCP's statutes and internal governance rules, the characteristics of the instruments affected or from the national corporate frameworks (for example, notarial formalities, shareholder approvals, or registry procedures) may delay the application of key measures. These constraints may be further exacerbated where instruments affected by the WDCI are issued, held or governed in under third-country law, as this may trigger additional legal and procedural requirements.

58. Finally, the numerous steps involved and the range of stakeholders required to implement the tool could affect the timely execution of resolution measures.

59. NRAs may need to examine these constraints to evaluate how they could affect the timeframe for implementing the WDCI. In particular, NRAs could:

- assess, with the help of the CCP, the timeframe required to execute the internal WDCI and the impact of any potential limitations that may arise. At a later stage, NRAs may consider requesting the CCPs under their remit to enhance their operational capabilities with the aim to reduce this timeframe, to ensure the timely and effective application of the WDCI;

⁶ In particular Article 12(7)(d) of CCPRRR.

⁷ In order to effectively implement the WDCI, the systems must support swift and secure updates to instruments of ownership, debt instruments and other unsecured liabilities records.

- engage with relevant stakeholders involved in the external implementation of the tool to identify any issues they may encounter in carrying out their actions in a short timeframe;
- investigate any legal impediment regarding the corporate law and contractual dispositions that could prevent the rapidness in the implementation; and
- conduct dry-run exercises during the resolution planning phase to ensure an effective coordination among the stakeholders and a smooth implementation of the different steps in a concrete resolution scenario.

3.4.2.2.2 Resolution weekend

60. For banking resolution, authorities commonly employ the concept of ‘resolution weekend’ in their resolution planning. Performing resolution over a weekend enables the authorities to take advantage of the markets’ closure to collect data from the institution in resolution, determine which strategy is best suited to the circumstances, adopt the resolution decision and communicate it to the institution and other key stakeholders. When markets re-open on Monday morning, authorities can provide them reassurance on the resolution of the crisis, thus limiting market disruptions. However, this concept might not be as applicable to CCPs as it is to banks. DL scenarios, in particular, would be especially fast-moving. NRAs may not always have the possibility to delay the resolution until the next weekend⁸ and would thus need to be prepared to act overnight during the week (without ruling out the option of a resolution over the weekend if it is possible).

61. The timing of resolution has consequences on the timeframe of implementation of any resolution tool, including the WDCI. It influences the capabilities that CCPs and NRAs may need to develop in order to be able to carry out the WDCI (as an overnight implementation would likely be more difficult to achieve than over the weekend). Additionally, there are technical constraints specific to implementing the WDCI over the weekend. The closure of external systems, such as CSDs, registries, or legal intermediaries, may hinder the execution or settlement of certain actions, including the registration of new instruments or changes in ownership structures. Such delays could undermine the effectiveness or market credibility of the resolution action.

62. As part of their planning, NRAs should evaluate whether the key steps required for implementing the WDCI (such as notifications, trading suspensions, or valuations) can be legally effective even if full operational execution must be postponed until external systems reopen. Where necessary, interim solutions or contingency measures may be considered

⁸ They may eventually attempt to do so, for example through another round of auctions, but only for events happening near the end of the week and if the CCP is able to hedge the risk of open positions (i.e. in very limited circumstances).

to bridge this implementation gap and ensure legal continuity and operational readiness across the resolution weekend.

2.4.3 Impact of recognition and involvement of third-country stakeholders

2.4.3.1 Risks associated with third countries

63. The recognition of resolution proceedings in third countries is relevant issue for all resolution tools that may negatively impact third-country stakeholders. The associated risk for NRAs is twofold: (i) at the time of resolution, the risk that the affected stakeholders do not contribute as they should (i.e. non-performance risk) and (ii) after resolution, the risk that they would take legal action against the NRA's decision. NRAs should address this issue in the resolution planning phase in order to mitigate those risks as much as possible.

64. In the case of the WDCI, third-country issues may arise in different situations, such as when instruments governed by third-country law or owned by individuals or entities located in third-country jurisdictions, or where the implementation of the decision depends on third-country stakeholders.

65. For the instruments of ownership and debt that are either located in or governed by third-country law, Article 53(2) of CCPRRR provides a mitigation measure by requiring CCPs to insert provisions in the relevant contract or other arrangements with the clearing members, guaranteeing that the holders are bound by the application of the WDCI. In addition, NRAs may require the CCP to incorporate similar provisions in the contracts related to other liabilities that located in or governed by third-country law. Nevertheless, these measures do not fully eliminate the risks of non-performance or potential litigation.

66. NRAs should consider these third-country issues as part of their resolution planning and resolvability assessments, as they may affect the feasibility and credibility of the resolution strategy. Where appropriate, NRAs should consider additional mitigating measures.

2.4.3.2 Possible approach for resolution authorities

67. To address the risks associated with third-country stakeholders, NRAs may consider several approaches, such as requesting legal opinions or proactively engaging with the relevant third-country authorities. The choice to adopt on one of these approaches, a combination of both, or an alternative solution can vary based on the third-country jurisdiction in question, taking into account factors like the level of risk and the local legal CCP resolution framework of those countries. In any case, the approach should be proportionate and pragmatic, with NRAs prioritising particular approaches for assessing the issues and/or jurisdictions.

2.4.3.2.1 Legal opinions

68. NRAs may require the CCPs to provide evidence, such as legal opinions, that the contractual provisions governing the instruments subject to reduction or conversion do not impede the implementation of the WDCI.

- In accordance with Article 53(2) of CCPRRR, the NRA may also use legal opinions to ensure that the CCP has effectively incorporated the necessary provisions by which the holders of the instruments of ownership and debt instrument agree to be bound by any actions in respect of their assets including the use of WDCI. These provisions should be assessed both under the laws applicable to these assets and under CCPRRR.

69. Assessing the enforceability under both legal frameworks aims prevent situations where a legal opinion concludes that under CCPRRR the relevant provisions are enforceable, yet fails to inform that, under the law applicable to the asset, it may, for example, be prohibited by the local supervisory authority or that this third country is unlikely to recognise EU resolution proceedings.

70. When requesting a legal opinion, considerations should include whether the opinion is addressed to the CCP or the NRA, as well and the scope and underlying assumptions.

2.4.3.2.2 Engagement with third-country authorities

71. Recognition of resolution proceedings in third countries can improve legal certainty for NRAs. CCPRRR provides for the recognition and enforcement of third-country resolution proceedings by EU authorities⁹ and third-country resolution frameworks may include similar arrangements. Thus, NRAs could consider reaching out to the resolution authorities of the third-country jurisdictions that are relevant for their CCPs in order to assess their process for recognition of a CCP resolution decision (including but not limited to the writing-down or conversion of instruments held by shareholders incorporated in their jurisdiction). If an NRA determines that it may be necessary to request recognition in one or more jurisdictions, it would be best to address this issue in the resolution planning phase, in order to identify and take into account any specificities and constraints (for example in terms of timing or information requirements).

Box 3: Lessons learnt from ongoing work on recognition in the context of banking resolution

The topic of recognition has already been discussed, in particular within the Financial Stability Board, in the context of bank resolution. Although the frameworks in each

⁹ In particular, Article 77 of CCPRRR

jurisdiction may differ between banks and CCPs (and their respective applicable resolution tools), this work can still provide useful points for consideration.

- A distinction must be made between administrative recognition (i.e. recognition is provided for by a decision of the local resolution authority) and judicial recognition (i.e. recognition is provided for by a ruling from a local court). For bank resolution, the UK and Switzerland (like the EU) have an administrative recognition framework whereas the US and Japan have a judicial recognition framework.
 - Administrative recognition usually entails extensive information requirements but could be readily obtainable with sufficient preparation during resolution planning.
 - In comparison, judicial mechanisms have limitations and may pose greater challenges, as they are usually not tailored to the specificities of resolution. The assistance of a local counsel could be necessary. Moreover, in some jurisdictions it is not possible for NRAs to proactively request recognition and/or this decision does not have a general binding effect and only establishes a precedent.
- More generally, NRAs could engage with third-country NRAs and NCAs regarding their views on the enforcement of resolution decisions taken in accordance with CCPRRR in their jurisdictions and the extent they would be willing to react and/or provide assistance if clearing members refuse to cooperate.
72. Engagement with third-country authorities may be conducted in various ways, such as through resolution colleges or crisis management groups, provided that the relevant third-country authorities are observers or members of these fora. This engagement may take place via bilateral discussions, which may require concluding cooperation arrangements as provided for under Article 79 of CCPRRR, where relevant, or in a more centralised manner (in order to avoid duplication of efforts), where possible and feasible.

2.5 Reorganisation phase following the implementation of the WDCI

2.5.1 Focus on the change of ownership of the CCP

2.5.1.1 Operational ramification of the change of ownership

- The implementation of the WDCI would generally imply the write-down of all the CCP equity as NRAs should reduce instruments of ownership before the CCP's debt instruments and other unsecured liabilities. Reducing the amount of shares will necessarily modify the existing shareholder structure and could even lead to a complete change of ownership of the CCP. Consequently, NRAs should consider the potential consequences on the shareholders and the CCP's legal structure that may arise from the application of the tool

and should be able to evaluate them. This evaluation could be carried out as part of the impact assessment (see section 2.3.2.1.).

73. When the CCP is part of a larger group, the change of ownership may have implications beyond the scope of the tool. The extent and nature of these consequences will depend on the interconnections between the CCP and its parent company, and may take various forms:

- Operational consequences: the CCP may lose some or all intra-group services following the amendment or termination of intra-group contracts (including those covering IT systems, HR arrangements and legal services);
- Financial consequences: the CCP may lose intra-group guarantees or other funding schemes, including liquidity facilities, where applicable; and
- Business consequences: for CCP relying on group entities for access to trading venues or other market infrastructures (CSDs or other CCPs for instance), exiting the group may disrupt the continuity of that access or modify its terms and condition. In a worst-case scenario, the CCP may even lose critical infrastructure and interconnections with no readily available alternative.

74. If the CCP is part of a group located outside of the EU, additional constraints could arise due to cross-border implications.

75. As a result, depending on the relation of the CCP with the rest of the group and the position of the CCP within the group, the consequences of change of ownership could have an impact on the operational continuity of the CCP in time of crisis and could jeopardize its resolvability. NRAs should ensure that the new shareholder structure supports the CCP's long-term viability, irrespective of the recapitalisation option chosen by the NRA and in compliance of the applicable legal framework.

2.5.1.2 Proposed mitigation actions

76. During the resolution planning phase, NRAs should first examine the extent of the implications arising from a change of ownership. As part of the analysis of the interconnections in the resolvability assessment, the analysis may focus on the operational and financial interconnections between the CCP and other group entities, evaluating the impact of these interconnections (including profit and loss sharing arrangements and all connected exchanges or trading venues if relevant). The review may also encompass a study of the terms and conditions of intra-group contracts and any financial support arrangements in place.

77. Once the mapping of the interdependencies between the CCP and the group has been completed, NRAs may explore actions and measures to mitigate the risks associated to the implications identified. As the outcome of this analysis could differ across jurisdictions due to the specificities of each CCP, this briefing proposes some considerations for this assessment:

- Exploring potential alternatives suppliers: The NRA could discuss the possibilities to substitute suppliers with the CCP;
- Exploring other options: NRAs could discuss with CCPs the possibilities to transfer, restructure or wind-down some activities in resolution to guarantee the operational continuity;
- Considering the change of ownership in the communication strategy: NRAs could ensure that the change of ownership is considered in the communication strategy of the CCP allowing employees, stakeholders and clearing member to have clear information on this change;
- Elaboration of retention strategies: the CCP could elaborate a retention strategy regarding its key personnel, especially if they are provided by the group. This is part of the impact assessment on employees, in accordance with Article 16 of Delegated Regulation (EU) 2023/1193¹⁰;
- Introducing contractual resolution-specific clauses: if the analysis of contracts shows a risk of disruption of the services provided, the NRA should mitigate this risk, in accordance with Article 13 of Delegated Regulation (EU) 2023/1193¹¹. For example, the NRA could consider to request that the CCP to incorporate resolution-specific clauses into intra-group agreements and/or other relevant contracts. These clauses could for instance prevent termination in short notice during the resolution to allow time to secure an alternative provider and/or provide for an orderly and uninterrupted transfer of all essential systems.

78. NRAs may consider requiring the CCP to prepare a document detailing the operational ramifications of the exiting the group. This document may include the actions and measures in place and/or envisaged during resolution to guarantee the operational continuity of critical services.

¹⁰ Commission Delegated Regulation (EU) 2023/1193 of 14 March 2023 supplementing Regulation (EU) 2021/23 of the European Parliament and of the Council with regard to regulatory technical standards specifying the contents of the resolution plan, OJ L 158, 21.6.2023.

¹¹ *Ibid.*

2.5.2 Business reorganisation plan

2.5.2.1 General considerations

79. In accordance with Article 36 of CCPRRR, following the use of the WDCI, the CCP is required to provide the NRA with a business reorganisation plan containing a diagnosis of the causes that led to failure as well as reorganisation measures to ensure the return to long-term viability. The content of the reorganisation plan is regulated by Article 37 of CCPRRR supplements by Articles 1 to 7 of Delegated Regulation (EU) 2024/450¹².

80. Furthermore, the CCP shall submit the business reorganisation plan within one month after the application of the WDCI. The NRA can extend this period up to two months if necessary for achieving the resolution objectives.

2.5.2.2 Assessment of the business reorganisation plan

81. In accordance with Article 38 of CCPRRR, the NRA must assess whether the measures provided in the business reorganisation plan would reliably restore the long-term viability of the CCP within one month after the submission of the plan. The assessment should be done in close cooperation with the competent authority of the CCP.

- Restoring the long-term viability of the CCP means that it is able to meet its regulatory requirements (notably, all relevant EMIR requirements) and that its business model is viable in the long term.

82. The Delegated regulation (EU) 2024/450¹³ provides in its Articles 8 to 13 the criteria that the business reorganisation plan shall fulfil including a list of viability criteria. In order to assess fully the efficiency of the measures, NRAs could use a series of key financial indicators. NRAs should at least consider financial indicators relating to capital requirements, reserve, replenishment of the prefunded resources and liquidity. In addition, other financial indicators could be taken in consideration to ensure the profitability and the efficiency of the CCP like the return on equity (RoE) or the return on asset (RoA), the total volume of instruments cleared or the financial situation of clearing members. Depending on the crisis scenario and the CCP post-resolution situation, NRAs could use non-financial indicators to assess certain aspects of the plan.

¹² Commission Delegated Regulation (EU) 2024/450 of 26 October 2023 supplementing Regulation (EU) 2021/23 of the European Parliament and of the Council with regard to regulatory technical standards specifying the minimum elements to be included in a business reorganisation plan and the criteria to be fulfilled for its approval by the resolution authority, OJ L, 2024/450, 7.2.2024.

¹³ *Ibid.*

2.5.2.3 Preparation of the business reorganisation plan

- Although the content of the business reorganisation plan should be tailored to the specific CCP and the crisis scenario, NRAs may wish to assess whether the CCP possesses the necessary capabilities to submit a business reorganisation plan during a time of crisis.
83. NRAs could consider requesting CCPs to undertake preparatory work during the resolution planning phase to ensure that the CCP will be able to produce a credible business reorganisation plan in a timely manner following the application of the WDCI. This preparatory work might involve the preliminary identification of potential measures to restore long-term viability, including an indication of the timelines needed for their implementation, as well as a description of the governance arrangements. The reorganization measures could, for instance, address the consequences of exiting the group, the identification of substitutes or the possibilities to transfer, restructure or wind-down some of its activities. NRAs may wish to start this identification based on the recovery measures proposed by the CCP.
84. In the medium or long term, and once the discussions with the CCP have reached a sufficient level of maturity, the NRA could consider requiring the CCP to compile all potential options in a dedicated document (a reorganisation playbook) as part of the resolution planning phase.

3 Annex

The Annex provides the list of minimum data set needed to calibrate the WDCI.

3.1 Minimum data set for calibrating the WDCI

All monetary amounts shall be reported in euros for CCPs based in a Euro area Member State and national currency for other EU CCPs.

Quantitative and qualitative information to be provided in the reporting at the level of the CCP:

Field Name	Field Description	Field Format	Example
CCP legal name	CCP legal name	Text	ABCCCP
CCP LEI	Legal Entity Identifier of the CCP	20-character, alpha-numeric (ISO 17442)	506700GE1G29325QX363
Type of scenario	DL, NDL or combined scenario	Prefilled text	NDL
Reference date	Date of the CCP resolution	Text using the format dd/mm/yy	22/05/2024
Balance sheet of the CCP	Balance sheet of the CCP	IFRS or a simplified format agreed with the NRA	N/A
Total amount of shares	Total amount of shares	Number	7500000
Total number of shares	Total number of shares issued by the CCP	Number	1253875
Nominal amount of shares	Nominal amount of each share	Number	50
Total amount of reserves	Total amount of reserves and surplus available to the CCP	Number	1400000
Total amount of liabilities	Total amount of liabilities	Number	250000000
Total amount of excluded liabilities	Total amount of excluded liabilities in accordance with Article 33(4) of CCPRRR	Number	1000000
Total outstanding amount of eligible liabilities	Total outstanding amount of debt issued by the CCP	Number	150000000
Outstanding amount of category of eligible liabilities #1	Total outstanding amount for the category #1 of eligible liabilities in accordance with the priority of claims	Number	7000000

	applicable under national insolvency law.		
Outstanding amount of category of eligible liabilities #2	Total outstanding amount for the category #2 of eligible liabilities in accordance with the priority of claims applicable under national insolvency law	Number	4000000
Total amount of capital requirement	Total amount of capital dedicated to capital requirement	Number	75000000
Minimum capital requirements	Minimum requirements defined by regulations (including EMIR capital, liquidity and, if relevant any other prudential requirements defined by the competent authority of the CCP)	Text/Number	Initial capital: 7500000
Creditor hierarchy ranking	Classification of each instrument of the CCP in the national creditor hierarchy ranking	Number/Text	Shares: 12
ISIN	Identification number of the shares and unsecured liabilities	12-character, alpha-numeric (ISO 3166-1)	XX45978316
Main characteristics of the contract of eligible instruments	Main elements of the contract for each eligible instruments including at least legal maturity and governing law	Text	Date of Maturity: 30/06/2028, Governing Law: French, ...
Relevant information on the holders of eligible liabilities	Key information on each holder of eligible liabilities including its legal status and nationality	Text	Name, legal status, nationality...
Etc.			