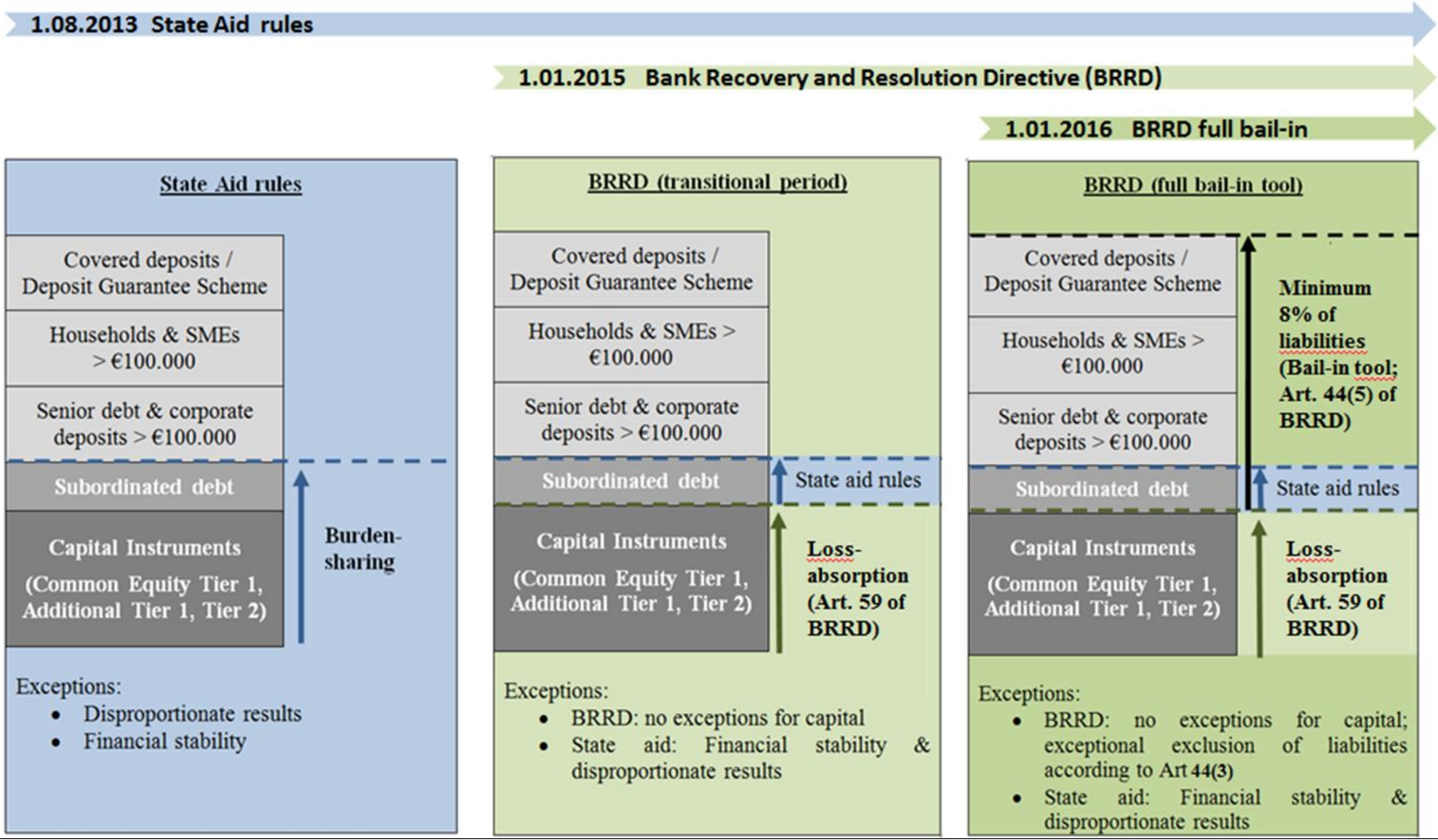
European Parliament

At A Glance: Recapitalisations - BRRD provisions and State Aid rules

A. **Precautionary recapitalisations** are meant for ***solvent institutions*** and must not be used to offset losses that an institution has incurred or is likely to incur in the near future. If a solvent institution receives public funds to address a capital shortfall based on a hypothetical **stress test scenario**, this will **not trigger resolution but result in a State Aid case**.

B. **Public recapitalisation in a resolution scenario**: If an institution, which is ***failing or likely to fail***, is unable to privately raise capital, that situation will have the following consequences for its shareholders and creditors (both State Aid rules and the provisions of the Bank Recovery and Resolution Directive (BRRD) apply): a public recapitalisation may only come after **due participation of shareholders and creditors**.



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