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Resolution

Business reorganisation following bail-in: an analysis of the preparedness level of the major French banking groups

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Summary

While the use of the bail-in tool (*open bank bail-in*) allows a failing bank to remain operational (*open bank bail-in*), bail-in execution inevitably entails adjustments in that bank's conduct of business. Therefore, the legislator deemed it necessary for a Business Reorganisation Plan (BRP) to be drawn up by the bank within one month following the application of the bail-in tool. This document, which is one of the components of the bank's resolvability analysis, aims at proposing reorganisation measures that the bank deems suitable to restore its long-term viability while addressing the causes of its failure.

Given the narrow time frame allocated to the production of this document, the Single Resolution Board (SRB), the European authority in charge of resolution planning for those institutions of the Banking Union that are significant institutions (the balance sheet of which exceeds EUR 30 billion), has set expectations on the matter. Accordingly, institutions for which the use of open-bank bail-in is envisaged are required to demonstrate their ability to produce such a document and must, ahead of any crisis episode, consider the reorganisation strategy that the application of bail-in may require. Since 2022, institutions have been drawing up "BRP analysis reports" setting out the governance structure that will enable them to meet their obligations as they fall due in a crisis, along with an initial strategic analysis of business reorganisation such as it may be anticipated, based on the resolution scenarios defined by each bank.

Gradually gaining in maturity after the second iteration of this exercise, the ACPR conducted a horizontal review of the BRP analysis reports issued by the six major French banking groups, drawing on the work conducted by the Internal Resolution Teams (IRTs), which brought together teams from the SRB and the relevant national resolution authorities, in order to assess progress and identify best practices that could benefit to all banks for which the drafting of a BRP analysis report is expected.

This review revealed a fairly good command of governance processes and the determination of the bank's *post*-resolution outline, whilst also identifying potential opportunities for improvement as regards the identification of reorganisation measures, the definition of resolution scenarios and the establishment of financial projections.

1. Post-bail-in reorganisation: regulatory framework and conceptual approach

a) The business reorganisation plan: a regulatory requirement

In line with the international standards set out by the Financial Stability Board (FSB)[1], resolution regimes aim at ensuring the continuity of critical functions within a failing institution, while avoiding adverse effects on financial stability and safeguarding public funds, protecting covered depositors and investors as well as client funds and assets.

When transposing this objective at European Union level through the Banking Recovery and Resolution Directive (BRRD), the legislator has emphasised the role of bail-in as the cornerstone of resolution tools allowing for a failing bank's losses to be absorbed first by its shareholders and creditors - without it being the sole resolution tool available[2].

The bail-in absorbs the institution's losses and recapitalizes it. Then, the resolution authority must ensure that the bank will be viable once the resolution process is complete. Consequently, the bank must submit a Business Reorganisation Plan (BRP) that factors in the causes of its failure to the resolution authority. This plan must be submitted within one month following the application of the bail-in tool[3]. It is subject to approval by the Single Resolution Board (SRB), the European authority responsible for the resolution planning of significant banks within the Banking Union (significant institutions the balance sheet of which exceeds EUR 30 billion), or to approval by the ACPR's Resolution College in the case of less significant banks, for which resolution powers remain directly exercised at national level.

In agreement with the competent authority, the resolution authority approves the BRP based on:

- the compliance of the plan with Delegated Regulation (EU) 2016/1400 on the elements to be included in the BRP;
- the appropriateness of the proposed reorganisation strategy, and whether it will actually enable the institution to ensure its long-term viability;
- the compliance with the objectives and guidelines adopted by the resolution authority;
- the compliance with the European Union's State aid framework, where applicable.

The implementation of the BRP is monitored by the resolution authority, which receives a semi-annual progress report.

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[1] FSB (2024), *Key Attributes of Effective Resolution Regimes for Financial Institutions (revised version 2024)*.

[2] In the Banking Union, this would be the preferred tool for nearly 80% of banks that could be steered towards resolution in the event of difficulties: SRB (2024), *Resolvability of the Banking union banks: 2023*.

[3] Article 52.3 BRRD, transposed in Article L 613-55-8 of the French Monetary and Financial Code, Article 27 SRMR.: "In exceptional circumstances, and if it is necessary for achieving the resolution objectives, the resolution authority may extend the period up to a maximum of two months after the application of the bail-in tool." It should be noted that the regulation provides that when the bail-in tool is applied to two or more group entities, the business reorganisation plan shall be prepared by the Union parent institution and cover all of the institutions in the group, before being submitted to the group-level resolution authority. For institutions under the Single Resolution Board's remit, the BRP is first submitted to the national resolution authority, which forwards it to the SRB, together with its assessment. The SRB reaches a decision regarding approval of the BRP based on the national authority's assessment.

b) Preparing for reorganisation: an expectation in respect of resolvability

Although BRRD provides for the BRP to be a *post*-resolution deliverable, the SRB expects institutions to prepare an *ex ante* assessment of the key elements that would be included in their BRP, by means of a BRP analysis report, with a view to improving their resolvability[4].

The purpose of this document is twofold. First, demonstrating that the bank has sufficient capabilities to produce a BRP that meets all the regulatory requirements, including adequate resources and IT systems to produce financial projections within a short time frame. Then, achieving a strategic vision of the bank's reorganisation ahead of resolution, so that institutions can promptly make reorganisation choices that are consistent with the resolution strategy actually implemented.

The BRP analysis report thereby makes it possible to measure, as do the other planning deliverables, the extent to which the bank is resolvable, by preparing the *post*-resolution phase through a structured reflection on the restructuring strategy that would be conducted, including reorganisation of activities and divestment from or sale of certain other activities, while ensuring that the resolution objectives are achieved (notably the continuity of critical functions).

As it requires institutions to reflect on how their activities can be restructured to restore long-term viability, the aim of the BRP analysis report is similar to that of the work carried out by banks when drafting their recovery plan[5] and to the work conducted pertaining to separability[6]. More specifically, the regulatory framework provides, as do the SRB's expectations, that institutions should use recovery measures as a starting point when considering the *post*-resolution reorganisation of their activities. Therefore, the recovery plan and the BRP analysis report -and then the BRP, in the event of execution of the bail-in tool- need to be consistent, but not identical: institutions need to capitalise on current governance and identified recovery options, while factoring in an assessment of the *post*-resolution environment. Complementarity between the two exercises is important to enable institutions to assess the credibility and feasibility of the recovery options that could be considered in their BRP analysis reports. Decisions on which of the reorganisation measures drawn from the recovery plan are chosen and applied will necessarily depend on the amount of losses to be absorbed, the nature of the crisis, the remaining activities to be restructured, and the state of the market when resolution occurs.

The work carried out for these three types of exercises should therefore lead banks and resolution authorities to examine the implementation timeline of each of these similar but distinct options, in order to maximise the chances of success of the chosen resolution strategy while minimising its costs[7].

[4] This expectation is clarified in the *Expectations for banks* published by the SRB in 2020, through Principle 7.3 (see Annex 1).

[5] Article 5 BRRD requires each institution to draw up and maintain a recovery plan providing for a series of measures to be taken by the institution to restore its financial position following a significant deterioration thereof.

[6] Pursuant to Article 37 BRRD, resolution authorities may choose resolution tools the aim of which is the transfer of the assets and liabilities of the institution under resolution. The SRB has therefore developed requirements to ensure the bank's resolvability in the context of these transfer strategies. Banks that include these tools in their resolution strategy are therefore expected to provide authorities with evidence demonstrating their preparedness for the execution of these tools by the resolution authority.

[7] See in particular *Strategic optionality in resolution: combination of tools* (APCR, 2023).

2. Framework for the horizontal analysis of preparedness to *post* bail-in reorganisation

The SRB has further articulated its expectations as regards banks' capability to prepare for the drafting of a BRP in the priority letters sent to them each year. Since 2022, these letters have included the requirement for banks to produce an analysis report of the BRP, the content of which is factored in when assessing banks' resolvability.

In 2024 and for the second time, groups the resolution strategy of which includes the use of bail-in submitted a BRP analysis report as part of the annual resolution planning cycle.

In order to take stock of progress made and avenues for improvement in the way this exercise is conducted, the ACPR conducted a cross-sectional analysis of the BRP analysis reports submitted by the six major French banking groups[8]. Best practices for institutions to make progress towards resolvability that are derived from this analysis are identified in Annex 3.

The methodology used consists in comparing the detailed expectations set out for each group in the priority letters sent to them in 2023, with the assessment conducted on the same topic by the Internal Resolution Teams (IRTs) in charge of resolution planning for the entity concerned and sent to the latter as part of the same cycle. For the purposes of this comparison, the ACPR grouped the various aspects covered by the BRP analysis report under four dimensions:

- *Presentation of governance processes.* This criterion assesses the credibility of the governance process that will be followed when producing the BRP after the implementation of the bail-in tool.
- *Identification of the scope of the group's core banking business (core bank)*. Banks are required to define their future business model following resolution, which includes identifying the business lines that would be retained, the organisational structure of the group (including the service delivery model) and its geographical presence in the medium term following resolution.
- *Identification of reorganisation measures*. Using their analysis of recovery measures, banks are required to draw up a list of credible and feasible reorganisation measures that can be implemented *post* bail-in. Banks may also propose additional measures that are not included in their recovery plan.
- *Drawing up of financial scenarios and projections.* In order to ensure that the measures are effective in restoring long-term viability, banks are expected to demonstrate their capability to produce financial projections over three to five years, considering adequately stressed scenarios that reflect the crisis the institution just experienced.

Annex 2 specifies, for each of the four dimensions structuring the analysis of the BRP, the expectations applicable to all groups and forming the basis for comparison with the assessments conducted by the IRTs.

[8] BNP Paribas, Société Générale Group, BPCE Group, Crédit Agricole Group, Crédit Mutuel Group and La Banque Postale.

3. Preparedness level of the major French banking groups

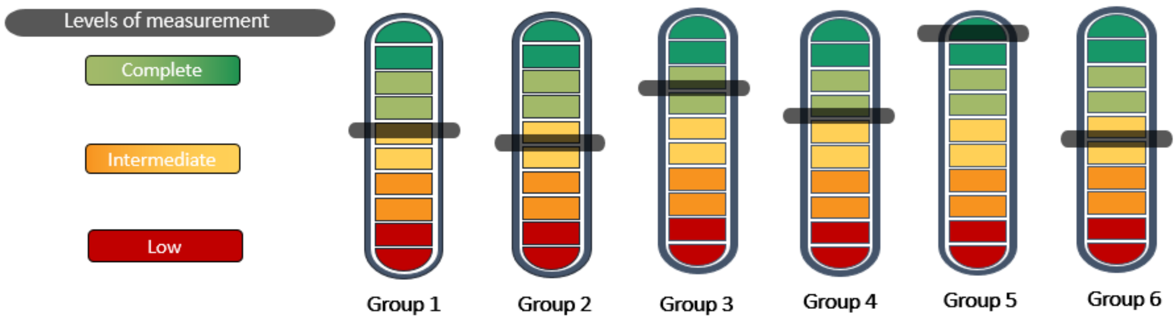
The comparative assessment of the level of preparedness of the six major French banking groups to a business reorganisation *post* bail-in can be structured around two focus areas: an overall assessment of compliance with expectations and a comprehensive approach for each dimension.

a) Overall assessment

The IRTs' assessment and its comparison with expectations concerning the content of the BRP analysis report show that the six banking groups considered demonstrate a fairly satisfactory level of compliance in an aggregate manner across all four dimensions. Indeed, according to the assessment carried out by the IRTs, all of these groups meet at least half of the expectations outlined by IRTs.

However, results appear uneven at individual level, with one group managing to meet almost all the expectations while two others, still at earlier stages of progress, meet only half of them. The last three groups fall in the median, with compliance levels ranging from half to three-quarters of expectations met (see Figure 1).

Figure 1: Overall level of compliance with the expectations set for the BRP analysis report



b) Assessment by dimension

When the analysis is conducted separately for each dimension, it appears that the groups face similar impediments on the same dimensions.

- *Dimensions related to governance and the identification of the scope of each group's core bank are satisfactorily addressed.*

Overall, the groups fulfilled all the requirements as regards the description of governance processes. In addition, they generally provided a satisfactory and credible analysis of the core bank that exemplifies their strategy to shift their focus towards core business lines. Most groups are able to precisely pinpoint the activities that would be retained, making it possible to design their future business model and the geographical footprint of the future institution.

However, approaches vary from one group to another: while some of them rely on the analyses carried out as part of the review of core business lines included in the recovery plan, others use different concepts, such as "core activities" or "historical activities", referring to analytical approaches that are specific to the organisation of each relevant group. Yet, few groups were able to define a core bank by reflecting the impact on critical functions and on the business lines that would not be retained in the new group.

The difficulties experienced by the groups who scored the lowest in respect of this dimension relate to their anticipation of final choices made regarding the scope of the core bank. In practice, the conduct of this exercise is complicated by its reliance on the underlying stress scenario, which affects the mapping of critical functions, the assessment of the group's financial position, as well as the geographical footprint of the future group. These are all complicating factors for systemically significant groups like major French banking groups (which are either domestic systemically important groups or global systemically important groups).

- *A number of banks face obstacles in their endeavour to make credible proposals for reorganisation measures.*

The presentation of reorganisation measures is a more challenging aspect for banking groups. At this stage, they are able to draw up a list of reorganisation options, derived from their recovery plan, which is deemed both comprehensive and satisfactory by IRTs.

Most groups are also able to estimate the impact of reorganisation measures on their profit and loss statement and on their solvency and liquidity. Some of them also assess the compatibility of these measures successfully, albeit without analysing the optimal combination of such measures.

- *Almost all groups find it difficult to calibrate financial projections under scenarios that are sufficiently stressed to replicate post-resolution market conditions.*

The time horizon used for projections and scenarios is one of the key challenges faced by the groups. Discrepancies were found: few banks offer projections over a five-year horizon, favouring instead projections ranging from six to eighteen months or four-year projections.

Given the flexibility afforded to institutions in their selection of reorganisation options that would be implemented, they are required to assess each option individually, including the identification of potential costs and benefits with a view to achieving steady profitability over a five-year horizon. Some banks make projections over the same time horizon as the one used for their internal capital adequacy and internal liquidity adequacy assessment processes[9], while others extend the projection horizon up to five years *post*-resolution. Furthermore, these projections depend on the scope of the core bank and the future *post*-resolution business model. It was noted that each bank sets a different time frame for achieving viability.

The indicators used to estimate financial impacts are also very dissimilar from one another, and the scenarios for which banks are making projections lack precision. IRTs find that the indicators used differ: some groups rely on their profit and loss statement, post-sale Total Risk Exposure Amount (TREA), Common Equity Tier 1 ratios (CET1) or net banking income, while others supplement these indicators with liquidity ratios (Liquidity Coverage Ratio, LCR, and Net Stable Funding Ratio, NSFR) or with return on equity ratios. The financial projection made for a combination of reorganisation options considered to be optimal is usually merely presented as an individual projection, one that does not factor in combined or synergistic effects.

With regard to scenarios, banks typically rely on their recovery-related work and on internal capital adequacy and liquidity assessment scenarios, or on "adverse" scenarios for capital. These working assumptions are usually insufficient to produce scenarios that replicate the institution's *post*-resolution situation.

[9] *The Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) are key components of the supervisory review and evaluation process (SREP) in European banking supervision.*

Although the outcome of this cross-sectional analysis reveals disparities at individual level, it allows for the identification of best practice recommendations, which are detailed in Annex 3, for each of the four dimensions involved in the design of a BRP analysis report.

4. Conclusion

As an integral part of the regulatory framework dedicated to resolution planning, the BRP plays a key role in developing a strategy to operationally enhance institutions' resolvability. It forms part of a set of rules that are mutually reinforcing when applied simultaneously.

In the course of the exercise aimed at ensuring readiness for the drafting of a BRP, the groups have, to date, carried out substantial work to improve their resolvability and meet the expectations set by authorities, even though their individual state of progress on the matter still varies considerably from one institution to another.

The main challenges they encountered were common factors for the most part, especially with regard to drawing credible reorganisation measures or defining *post*-resolution financial projections that are sufficiently stressed. The application of the best practices identified as a result of the cross-sectional analysis conducted by the ACPR on the six major French banking groups should help banks make greater progress in getting prepared to draft a BRP, and it should therefore contribute to enhancing overall resolvability.

Annex 1: Regulatory requirements and SRB expectations

According to Article 52 BRRD, institutions have one month after the application of the bail-in to produce a BRP, including in particular the analysis of the causes of the institution's failure, its reorganisation strategy and a timeline for the implementation of the measures.

The SRB clarified its expectations in its *Expectations for banks* published in 2020, through Principle 7.3:

"Banks for which the IRTs envisage the application of the open bank bail-in tool as part of the resolution strategy have identified and evaluated the measures available to restore their long-term viability post open bank bail-in, and have detailed the measures that could be considered in a business reorganisation plan".

The SRB expects banks to prepare ex-ante preliminary assessments of key elements of a business reorganisation plan to ensure resolution readiness. To that end, banks are expected to, *inter alia*, (i) identify and describe potential measures aiming to restore the long-term viability of the bank and provide an initial evaluation of those measures, (ii) indicate timelines needed for their execution/implementation, including a description of the necessary steps, and (iii) put in place sufficient capabilities that enable resolution authorities to assess the elements under points (i) to (ii) during resolution.

→ More specifically, banks are expected to conduct an analysis of measures potentially available to restore long-term viability and identify measures that could be implemented post open bank bail-in by means of a business reorganisation plan.

Potential reorganisation measures may include, but are not limited to:

- a reorganisation of the activities;
- changes to the operational systems and infrastructure;
- a withdrawal from loss-making activities;
- a restructuring of existing activities that can be made competitive;
- a sale of assets or of business lines; and
- a solvent wind-down of trading activities, where relevant.

In this context, banks are expected to consider and identify any restructuring options identified in the recovery plan which might not be used in the recovery phase or might not have been identified as recovery options, but which (i) would have restructuring/business model implications and would deliver benefits in the long term or which (ii) would not themselves deliver capital or liquidity benefits when executed, but would contribute to the overall achievement of the restructuring objectives.

If a wind-down and/or sale of parts of the group is envisaged as a potential business restructuring measure, banks are expected to identify, also taking recovery planning considerations into account: (i) the relevant entity or business line, the method for the winding-down or sale, including the underlying assumptions, any expected losses and liquidity needs; (ii) any financing or services provided by or to the remainder; and (iii) products and services to be discontinued because they do not support the achievement of the resolution objectives or the use of the resolution tool(s).

In the analysis of measures, banks are expected to:

- Demonstrate how long-term viability could potentially be restored through the proposed measures. In this context, banks might want to consider:
  - Potential costs and the impact of the business reorganisation on the profit and loss statement and the balance sheet.
  - A description of potential funding requirements during the reorganisation period and potential sources of funding.
  - Any potential proceeds from the divestment of assets, entities or business lines envisaged by the business reorganisation plan.
- Indicate the relevant steps and their expected timeline for the implementation of the proposed measures.
- Conduct the above assessment on the basis of the following assumption(s):
  - The analyses are performed (i) for the current structure and (ii) for the structure after th implementation of recovery measures.
  - Where state aid rules are applicable, the proposed measures must be compatible with the requirement stated in the restructuring plan, which aims to restore the institution's or entity's long-term viability at minimum cost to the state and which also aims to mitigate potential distortions to competition.

The analyses should be supported by necessary information to allow IRTs to assess the impact of the business reorganisation on critical functions and financial stability, e.g. by (i) stating the underlying assumptions, such as key macroeconomic variables; (ii) projecting the impact on/evolution of the profit and loss statement and the balance sheet; and (iii) describing the evolution of the key financial metrics. In this context, banks are invited to consider the availability of documentation produced for other purposes, like recovery planning.

Annex 2: IRT criteria for the assessment of the BRP analysis report

1 - Presentation of governance processes

The first work lead of the BRP analysis report is therefore for resolution authorities to ensure that the institution under resolution has an appropriate governance framework that can be activated promptly and that will allow for the BRP to be drawn up within the time frame laid down by law.

The assessment of governance by IRTs is structured around several focal areas, including the description of the relevant services and units within the group and the use of any external provider. The allocation of tasks between units, the steps required to produce information and their respective timeline are other elements that make it possible for the IRTs to assess the credibility of the governance process associated with the production of the BRP.

2 - Identification of the scope of the group's core bank

Defining the core bank requires institutions to consider the future business model of the *post*-crisis institution. In accordance with the resolution framework of the European Union, several objectives must be taken into account in the course of reorganising an institution, as the latter must ensure that its long-term viability is restored, while complying with the resolution objectives, including the continuity of critical functions. In their BRP analysis report, institutions are required to reflect on their strategic vision for setting up the future institution, including a dimension focused on geographical footprint, by identifying the core bank through the analysis of the following elements:

- the institution's business lines, strategic markets and country presence;
- the continuity of critical functions and core business lines in the short, medium and long term;
- the fate of the institution's subsidiaries and branches;
- the arrangements for the provision of services.

The analysis of these elements should enable institutions to draw up the broad outlines of their business model, internal reorganisation and assessment of future financial weight, as well as geographical presence *post*-resolution.

The assessment of business lines is central to this analysis. A comprehensive assessment must factor in any potential legal, operational and organisational impediment to the separation or winding-up of certain activities.

3 - Identification of reorganisation measures

As reflected in the priority letters that have been sent to banks since 2022, the analysis of possible reorganisation measures relies on assessments of the impact of the recovery options that will make it possible to improve the bank's medium and long-term viability on the solvency and liquidity of the core bank. To this end, institutions are encouraged to use indicators such as potential costs and impact on their profit and loss statement and balance sheet. In terms of operationalisation, institutions are also expected to propose a detailed timeline for the implementation of these options and to demonstrate their ability to implement them.

Institutions may also propose additional measures that are not provided for in the recovery plan and that would enable them to restore long-term viability. These measures may include the reorganisation or restructuring of remaining activities, changes to the operational systems or infrastructure, the withdrawal of the institution from least profitable or loss-making activities, the sale of certain assets or wind-down of certain activities that are still solvent. Where institutions have not identified any such measures, they are advised to mention this in the BRP, along with their supporting rationale.

In order to draw up a credible list of reorganisation options, institutions are also required to conduct an analysis to ensure that these measures are compatible with the *post*-resolution environment, and that they are mutually compatible. Lastly, the identification of the list of reorganisation measures must be supplemented by an assessment of the optimal combination of selected measures and the way they should be prioritised for execution.

4 - Drawing up financial scenarios and projections.

The aim for banks is to be able to demonstrate their ability to provide financial projections using selected indicators over a three to five-year horizon.

These financial projections are part of stress scenarios that banks must be able to identify and calibrate. Banks must also demonstrate their ability to produce projections for both key financial indicators and the *post*-resolution balance sheet, reflecting the impact of resolution measures as well as compliance with regulatory requirements.

This requirement is broken down into two projection lines: a description of funding needs and funding sources, and an estimate of the financial impact of the most optimal combination of reorganisation options over three to five years.

Annex 3: Best practices identified for the design of a BRP analysis report

Dimension		
	Principle	
		Best practice

1 - Presentation of the governance processes		
	1.1. Refining the presentation of the governance process	
		The governance process must be outlined in detail. To ensure that their presentation is clear, institutions may opt for a description of governance processes using flowcharts, specifying in particular the information flows and data production processes required for the production of the BRP.
		Institutions must identify any potential impediment, in order to propose credible governance for the implementation of this business reorganisation process, in particular with regard to labour law constraints and other contractual obligations.
		The process must be updated annually to ensure reliable governance.
	1.2. Ensuring consistency of the governance process with other deliverables	
		A high degree of consistency is required between BRP governance and other internal governance processes (people involved, specialised committees, operational decision-making, etc.) to ensure that the process is credible and that it is feasible to produce a BRP within a short time frame.
		Taking into account the *post*-resolution environment is essential to ensure a consistent process.
2 - Identification of the scope of the core banking activities of the group - *core bank*		
	2.1. Delineating core bank scope exhaustively	
		Institutions must base their analysis on the elements they consider relevant. Although some institutions use the concept of 'core business lines' in reference to the regulatory framework[10], BRP requirements do not include this concept[11]. Indeed, the aim of the BRP is to propose a new organisation for the bank, based on the assumption that any activity could turn out to be loss-making or unprofitable, including those activities identified as core business lines in the recovery plan. Institutions are therefore free to use this concept or to depart from in their analysis of the scope of the core bank.
		Institutions are required to substantiate choices made to determine which activities will remain in the core bank and which ones will not. There are many ways to justify these choices, including considerations of profitability, operational issues in divesting from the business lines concerned, or any legal obligations the institution would incur.
		Institutions must define the geographical footprint of the core bank they have identified.

[10] Article 2(36) BRRD, which defines them as 'business lines and associated services which represent material sources of revenue, profit or franchise value for an institution or for a group of which an institution forms part'.

[11] Whether it be in Article 52 BRRD or in Delegated Regulation 2016/1400 specifying the minimum requirements set for a business reorganisation plan.

	2.2. Anticipating choices pertaining to those entities that would not be part of the core bank to lend further credibility to the latter's scope	
		The definition of the scope of the core bank also involves identifying the entities that would not be retained by institutions *post*-resolution. Institutions may use several measures to deal with activities that would not be earmarked for the core bank, such as sale, restructuring or winding-up, which will need to be reflected in the analysis in order to enhance the credibility of the core bank's scope.
		The BRP analysis report should include a list of the activities that would be retained as well as a list of those that would be divested.
		Institutions may assess the market's appetite for the activities that would be divested, in order to establish the credibility of the scope considered for the core bank, taking account of the crisis scenario to the best of their ability.
3 - Identification of reorganisation measures		
	3.1. Ensuring sufficient compatibility with the recovery plan to identify credible measures in a post-resolution environment	
		Institutions must capitalise on oversight-related work. By using oversight-related work and their recovery plan, institutions can capitalise on analysis work already carried out on measures designed to improve the bank's short- and medium-term solvency and liquidity.
		The options considered must be tailored to the *post*-resolution environment. The aim of the BRP is to ensure that long-term viability is restored following the execution of bail-in. Accordingly, recovery plan measures cannot be used as they stand, and institutions must identify those that would be incompatible with the use of bail-in or that would be ineffective in the specific post-resolution environment concerned.
	3.2. Conducting in-depth analysis of compatibility between options through further examination of the operationalisation of each measure	
		Institutions must identify potential impediments (including those of an accounting, legal, tax, or economic nature) to the implementation of the various measures. This work allows institutions to substantiate the most credible choice of measures, as well as to ensure that the latter are mutually compatible.
		The time frame associated with the execution of each reorganisation option must be considered, as well as how they could be operationalised. This analysis will make it possible to refine the reorganisation strategy and ensure that measures are mutually compatible (for instance, identifying measures involving the use of an entity that has already been wound up or divested).

4 - Drawing up financial scenarios and projections

4.1. Assessing the impact of each reorganisation measure to get started on the analysis of the combined effects of reorganisation measures in financial projections

All the relevant dimensions must be taken into account to assess the impact of each reorganisation option: liquidity, solvency, profitability and the associated costs.

Providing a degree of variety in indicators is an important factor in ensuring that there are choices available at the time of the crisis that support the production of the most relevant projections and impact measures.

4.2. Proposing a series of relevant indicators that make it possible to show all the impacts on long-term viability

Institutions must consider all indicators that are, on principle, relevant to the production of their projections, and demonstrate the usefulness of the reorganisation measures for the long-term viability of the future core bank.

In order to do so, they may use the following categories of indicators:

- profit and loss statement, including projections following divestment from non-core business lines or following any additional adjustment required to restore the bank's medium to long term viability;
- financial balance sheet, especially projections based on minimum assets (cash and central bank deposits, loans and overdrafts, securities, reverse repos, derivative assets, other assets) and liabilities (deposits, debt, repos, derivative liabilities, short selling, other liabilities).
- restructuring costs, in particular for downsizing, restructuring of human resources, separation of information systems, mergers and acquisitions, run-off management, as applicable.
- prudential ratios.

4.2. Establishing sufficiently relevant and severe scenarios to refine the financial projections

Consideration must be given to the time horizon involved.

Institutions are encouraged to opt for scenarios that are sufficiently severe and credible. Accordingly, using ICAAP and ILAAP processes with sufficiently "adverse" assumptions can be retained. In the medium to long term part of the time horizon considered in the BRP, institutions may adopt an assumption according to which the effects of the crisis will gradually diminish.

Although institutions are free to base their scenarios on the elements they deem most credible, they are still expected to be able to describe their sequencing over time, distinguishing between short and medium- to long-term developments.

Institutions should be able to identify potential combinations of scenarios.

Combining scenarios over several time horizons should allow institutions to consider more credible and accurate projections, based on their financial situation immediately after resolution.

In addition, scaling up scenario severity should make it possible to take account of both the situation in the very near term and future outlook for financial markets, reflecting the baseline assumptions and the most pessimistic ones. The scenarios should consider, in particular, a combination of stress events and a protracted global recession.

Identifying the scope of the core bank is crucial in order to be able to anticipate the crisis scenario.

		Institutions must carry out an upstream review of their activities in order to design a profitable business model for the future based on a specific geographical footprint.