

To: Economics and Finance Committee; Solvency II Working Group; Long Term Investment Project Group; Public Affairs & Communications Committee

Solvency II review - EC request of EIOPAs technical advice

The EC has published a [request](#) (see ECO-SLV-17-040) to EIOPA for technical advice on the Solvency treatment of the following assets:

- **Unrated bonds & loans**
- **Unlisted equity portfolios**
- **Strategic equity investments (ie strategic participations)**

The deadline for EIOPA to provide this advice is **28 February 2018**.

Background

This advice comes in the context of the 2018 Solvency II review, and completes the call for advice that was sent to EIOPA in mid-2016 covering non-market risk elements of the standard formula.

The EC is asking EIOPA to look into the following elements of the calibrations:

Unrated bonds

- EC believes it should be possible for risk factors for rated debt to be transposed to unrated debt, provided certain qualifying criteria are met
- EIOPA is asked to devise **qualifying criteria for unrated debt** which, if satisfied, will enable those bonds to receive a **calibration equivalent with CQS 1 to 3 for rated debt**

Unlisted equity

- EIOPA is asked to **identify criteria for unlisted equity** portfolios **within the EEA**, which could benefit from an **equivalent treatment to listed equity** (ie 39%)
- Such criteria could include: i) portfolio diversification & transparency offered to the investor ii) asset manager skill/strategy and iii) insurer's own risk management

Strategic participations

- EIOPA is asked to provide information on the current application of the reduced capital requirements for strategic participations
- More specifically, information is sought on the **size and sector** of such investments, **the purpose** of the investment and **the type of share** through which the investment was conducted.

Next steps

The secretariat will address this workstream in the context of its work on the CMU and the long-term project (recently discussed at the Ecofin meeting).