European Parliament

Committee on Economic and Monetary Affairs
The Chair

Mr Valdis Dombrovskis
Vice-President for the Euro and Social Dialogue,
also in charge of Financial Stability, Financial
Services and Capital Markets Union
European Commission
Rue de la Loi 200
B – 1049 Bruxelles

D 319536 06.12.2018

Subject: ***Follow-up to letter on review of Delegated Regulation (EU) 2015/35 under Directive 2009/138/EC***

Dear Vice-President,

on behalf of the ECON Committee, I am writing in reply to your letter of 27 November. We recognise that the amendments to the Solvency II DA - currently available for a four-week feedback period on the Better regulation portal of the Commission - are the result of a long and serious process conducted by your services and EIOPA. In many respects, we welcome the result of this work, including the enhancement of proportionality of the Solvency Capital Requirements (SCR) standard formula requirements and several simplifications therein, as well as the alignment with other pieces of EU legislation and amendments to foster supervisory convergence.

Through this letter, we would like to reiterate our position on the importance of reconsidering the three points - as mentioned in our previous letter - in the 2018 amendments to the Solvency II DA. We believe that this four-week feedback period will enable the Commission to collect further input, in order to address the three priorities of the ECON Committee. Let me recall hereby, as a first element, the importance that we attach to a reduction of the current risk margin in order to unlock the capacity for more long-term investments, while reducing a barrier to the financing of the real economy.

Turning to equity investments, we recognise that some changes have been introduced with the intention to incentivise long-term investments in equity by introducing a 22% calibration, which is better aligned to actual long-term risks. However, we believe that further efforts are necessary to guarantee the success of this newly created equity class for long-term investments. In particular, we are concerned that the current design of the criteria, such as the 12-year duration and the ring-fencing requirements, can prevent the long-term equity class from working in practice. Furthermore, we do not see sufficient ground to postpone this matter to the "2020 review", as proposed in your letter of 27 November.

In relation to the Volatility Adjustment, we take note that you acknowledged the shortcomings of the current functioning of the national component. On this basis, we would like to reiterate our position to find a short-term solution on this matter in the 2018 Review. Notwithstanding our preference towards the solution suggested in our previous letter, we invite you to explore other potential solutions on the basis of the current Article 77d(4) of the Solvency II Directive, according to which, co-legislators agreed that the national component should be triggered "whenever" the specific criteria are met. Therefore, we believe that this

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component should be calculated at the end of the period if the conditions are met at any time during the reporting period itself, based on a daily calculation. Furthermore, such a solution will also meet the objectives you mentioned in your letter.

Finally, we regret that the Commission considers that most of the suggestions in our letter could only be explored, as stated in the draft amending Delegated Act, "in particular in its preparation for the review of the Solvency II Directive in 2020". In order to ensure a smooth process, and taking into account the EP prerogatives as set out in Article 290 TFEU, we look forward to discussing our priorities with you and your services to see how they are best addressed in the 2018 review of the Solvency II DA.

Yours sincerely,

Roberto Gualtieri

cc: Gabriel Bernardino, Chairman of the European Insurance and Occupational Pensions Authority
Olivier Guersent, Director General for Financial Stability, Financial Services and Capital Markets Union, European Commission