

To: Prudential Working group
From: Prudential team
cc:
Date: 04-03-2026
Reference: ECO-PRU-26-116

Subject: Secretariat Assessment – GLs Supervisory review process and market and counterparty risk exposures

Summary

On 13 February 2026, EIOPA published two revised Guidelines ([here](#)):

- on the supervisory review process and
- on the treatment of market and counterparty risk exposures in the standard formula.

In **Annex I**, members may find the assessment comparing the **Guidelines on the supervisory review process** ([here](#)) to the industry response ([ECO-SLV-25-380](#)).

- The revised Guidelines reflect partial alignment with industry feedback, with improvements notably on the risk assessment framework and safeguards around early intervention, while other comments (e.g. on supervisory judgement and joint on-site inspections) were not incorporated.

In **Annex II**, members may find the assessment comparing the **Revised Guidelines on the treatment of market and counterparty risk exposures** ([here](#)) to the related industry response ([ECO-SLV-25-097](#)).

- EIOPA took on board a good portion of the propositions from the industry, with regards to the impact of options on the duration of bonds and loans, and on securities lending or borrowing transactions.

For any questions or concerns, members may contact prudential@insuranceeurope.eu

Annex I - Guidelines on the supervisory review process compared to the industry response

Topic	IE position	Assessment
<p>Overall supervisory review process</p>	<ul style="list-style-type: none"> Any deviation from scoring-based outcomes should be subject to appropriate internal governance within the supervisory authority, supported by objective evidence, and clearly justified and documented. 	<p>Negative</p> <ul style="list-style-type: none"> No changes were made in Guideline 4 EIOPA notes: <i>“The use of expert and supervisory judgement is an essential component of the supervisory review process. Supervisors are expected to apply their professional judgement in assessing risks, taking into account their materiality and specific context, thereby ensuring that supervisory conclusions are both balanced and proportionate.”</i>
<p>Risk assessment framework</p>	<ul style="list-style-type: none"> It is important to ensure that the scope and frequency of reviews do not disrupt the proper functioning of supervised entities, particularly during production periods. Insurance Europe is concerned that excessive reliance on supervisory overrides without sufficient transparency could undermine consistency and accountability. Any such overrides should therefore be subject to internal governance, supported by objective evidence, and clearly justified and documented. 	<p>Positive</p> <ul style="list-style-type: none"> Any override “should be clearly justified and documented”, added to the explanatory text for Guidelines 15, 16, 17 Guideline 20 was amended for clarity.
<p>Proportionality</p>	<ul style="list-style-type: none"> EIOPA should explicitly incorporate proportionality into Guideline 19a, with expectations kept high-level and reliance on existing reporting frameworks (e.g. ORSA, SFCR, RSR) to avoid duplication and unnecessary burden. 	<p>Neutral</p> <ul style="list-style-type: none"> Proportionality was not explicitly included in Guideline 19a EIOPA notes: <i>“EIOPA acknowledges the importance of proportionality, in particular for SNCUs. The Guidelines preserve sufficient flexibility for supervisory authorities to tailor their approaches to specific markets and undertakings, taking into account the nature, scale and complexity of the risks inherent to their business.”</i>

<p>Detailed Review</p>	<ul style="list-style-type: none"> ■ Guideline 32a: It should be noted that EIOPA may only be requested to join "joint on-site inspections" in a cross-border context, in line with Solvency II Directive Recital 74 and Article 152ab (4)-(5) 	<p>Negative</p> <ul style="list-style-type: none"> ■ No changes were made to Guideline 32a
<p>Supervisory Measures</p>	<ul style="list-style-type: none"> ■ Guideline 33d (now 33a): the early intervention of the supervisor, before any critical thresholds have been reached or even objectively identified, appears excessive 	<p>Positive</p> <ul style="list-style-type: none"> ■ No changes were made to Guideline ■ An explanatory text was added: <i>it disciplines the effect of early intervention only when certain (listed) indicators are reached.</i>

Annex II - Guidelines on the on the treatment of market and counterparty risk exposures

Topic	IE position	Assessment
<p>Deletion of Guidelines</p>	<ul style="list-style-type: none"> ■ Retain some of the Guidelines that have been proposed for deletion, as they would still contribute to the clarity of the requirements. 	<p>Negative</p> <ul style="list-style-type: none"> ■ No change was made in this regard <p>EIOPA notes:</p> <ul style="list-style-type: none"> ■ <i>"EIOPA believes that those Guidelines can be deleted without impact on the clarity of the requirements"</i>
<p>Impact of options on the duration of bonds and loans</p>	<ul style="list-style-type: none"> ■ In Guideline 2, the industry recommends removing the sentence: "Assumptions that are used for the determination of the duration of such bonds or loans should reflect stressed conditions." ■ The industry asked for a clarification or rewording of the guideline, that could lead to misinterpretation. 	<p>Positive</p> <ul style="list-style-type: none"> ■ The sentence was not removed, but amended to prevent ambiguous interpretation and the explanatory text was expanded to address the comments from the stakeholders. <p>EIOPA notes:</p> <ul style="list-style-type: none"> ■ <i>"The proposed amendment to the Guideline serves the purpose of generalising the set of events that should be taken into account when calculating the duration of the bonds and loans. Such a general set of events shall reflect stressed conditions, without limiting to the specific events mentioned in the previous version of the Guideline. The explanatory text as well as the Guideline text was clarified accordingly."</i>

<p>Revaluation of asset in scenario-based calculations</p>	<ul style="list-style-type: none"> ■ In Guideline 4, amendments were supported, but it was asked to better justify the deletion of parts of the original text, especially on technical provisions. 	<p>Positive</p> <ul style="list-style-type: none"> ■ The original text of Guideline 4 was reinstated.
<p>Securities lending or borrowing transactions and similar agreements</p>	<ul style="list-style-type: none"> ■ In Guideline 10, the proposed treatment of securities lending and repos as type 2 exposures was opposed, arguing that: <ul style="list-style-type: none"> ■ They share the key characteristics of type 1 exposures ■ Collateral should be recognised as risk mitigation ■ The change could have a significant SCR impact, warranting an impact assessment. 	<p>Positive</p> <p>EIOPA notes:</p> <ul style="list-style-type: none"> ■ <i>"The guideline has been deleted and explanatory text added to ensure alignment with the existing regulation. Commission Delegated Regulation 2015/35 does not include such exposures among the type 1 exposures and does not provide for a consideration of collateral in the calculation of the loss given default."</i>