

To: Solvency II WG
From: Prudential Team
Date: 24-10-2024
Reference: ECO-SLV-24-275

Subject: Request for preliminary feedback on the consultation on capital requirements for investments in crypto assets

Feedback requested

On 17 October, EIOPA has launched a consultation ([here](#)) regarding the **capital requirements for investments in crypto assets**.

Members are invited to provide **preliminary feedback** in **the response template** (ECO-SLV-24-276) containing the questions from EIOPA, via the extranet validation tool **by Friday 8 November CoB**.

In parallel, the secretariat will assess the consultation paper in more detail and prepare the first draft response that incorporates members' feedback. The **deadline for submissions** to EIOPA is **16 January 2025**.

Background

In response to the European Commission's [Call for Advice](#), EIOPA analysed EU insurers' crypto holdings and the risk inherent in such holdings. In light of the findings of this analysis, EIOPA is proposing a **100% haircut** to insurers' **crypto assets** regardless of their balance sheet treatment and investment structure.

■ **Crypto exposure and risks:**

- European insurers' investments in crypto assets are currently immaterial, with around €655 million or 0.0068% of their total investments of €9.632 trillion allocated to such assets. Reporting data shows that insurers' crypto investments are typically structured within funds and held on behalf of unit-linked policyholders.
- Nevertheless, the lack of transparency, low liquidity, and extreme price volatility of crypto assets, combined with the potential for broader future adoption and possible losses for policyholders necessitates careful regulatory and supervisory considerations.

■ **Empirical analysis and policy proposals**

- Historical data for two of the largest crypto assets suggests that Solvency II's current possible capital requirements for crypto holdings in fact underestimate the risks associated with crypto assets.
- To promote a harmonized, prudent and proportionate treatment of crypto assets, EIOPA is proposing to introduce a 100% stress on crypto assets without diversification, regardless of their balance sheet treatment and irrespective of whether the exposures are direct or indirect.
- Such an approach, in EIOPA's opinion, would adequately reflect the high risk of these investments and introduce no unnecessary complexity or reporting requirements in the regulation.
- The advice acknowledges that for some crypto assets, like asset-referenced tokens and electronic money tokens authorised under MiCAR, a differentiated treatment could be appropriate and suggests a review of the treatment in the future.