Memo for Action

To: Solvency II SG, Investment SG, Ecofin
From: Economics & Finance department
cc: Ecofin, Public Affairs Group
Date: 10 March 2014
Reference: ECO-INV-14-038

Subject: Final paper on LTI for fatal flaw comments

Action requested

Please find attached the final paper on the calibration of long-term investments in draft Delegated Acts (ECO-INV-14-039), for fatal flaw comments to ecofin@insuranceeurope.eu before **Monday, 10 March, CoB**.

Summary

This final version is largely based on the previous version (ECO-INV-14-037), with some polishing on the format and some key messages in the introduction.

The attached paper also takes on board comments received in the previous iterations, namely regarding the inclusion of equity concerns and solutions. On this point, we've received quite strong push back at Insurance Europe level, as well as from the CFO/CRO Forum. In order to address this, we've put forward a change in the organisation of the paper, namely solutions have been split into 2 sections: one section including concerns regarding infrastructure and SME bonds and loans and securitisations and the 2nd section including solutions on equity investments, "under consideration and for the sake of completeness".

As already highlighted by a number of members, it's important to have a common industry position on this topic. We therefore hope that the proposed approach (ie split of the paper into 2 sections) will represent a good compromise for everybody.

The intention is to send this to the Commission as soon as possible, to ensure that they are aware of the thinking and can propose changes for discussion. For any questions, please contact Mihai@insuranceeurope.eu

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