CONSULTATION PAPER

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on the proposal for revised Guidelines on the treatment of market and counterparty risk exposures in the standard formula

EIOPA-BoS-24/481
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European Insurance and Occupational Pensions Authority

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RESPONDING TO THIS PAPER

EIOPA welcomes comments on the Consultation Paper on the proposal for Guidelines on the treatment of market and counterparty risk exposures in the standard formula[xxxx].

Comments are most helpful if they:

- respond to the question stated, where applicable;
- contain a clear rationale; and
- describe any alternatives EIOPA should consider.

Please send your comments to EIOPA via EU Survey (link) by 26 February 2025 23:59 CET.

Contributions not provided via EU Survey or after the deadline will not be processed. In case you have any questions please contact SolvencyIIreview@eiopa.europa.eu.

Publication of responses

Your responses will be published on the EIOPA website unless: you request to treat them confidential, or they are unlawful, or they would infringe the rights of any third-party. Please, indicate clearly and prominently in your submission any part you do not wish to be publicly disclosed. EIOPA may also publish a summary of the survey input received on its website.

Please note that EIOPA is subject to Regulation (EC) No 1049/2001 regarding public access to documents and EIOPA's rules on public access to documents.[1]

Declaration by the contributor

By sending your contribution to EIOPA you consent to publication of all non-confidential information in your contribution, in whole/in part – as indicated in your responses, including to the publication of the name of your organisation, and you thereby declare that nothing within your response is unlawful or would infringe the rights of any third party in a manner that would prevent the publication.

Data protection

Please note that personal contact details (such as name of individuals, email addresses and phone numbers) will not be published. EIOPA, as a European Authority, will process any personal data in line with Regulation (EU) 2018/1725. More information on how personal data are treated can be found in the privacy statement at the end of this material.

[1] Public Access to Documents

CONSULTATION PAPER OVERVIEW AND NEXT STEPS

EIOPA carries out public consultations before issuing and amending its guidelines and recommendations in accordance with Article 16(2) of Regulation (EU) No 1094/2010.

In the context of the review of Directive 2009/138/EC (Solvency II Directive), EIOPA reviews all existing guidelines on that Directive. In view of the large number of these guidelines, the review will be sequential. The main objective of the review is to ensure that the guidelines are up to date and in line with the legal framework as amended by the Solvency II review. Another objective of the review is to simplify and shorten the guidelines, in particular where the guidelines are relevant for insurance and reinsurance undertakings. The corpus of the guidelines has grown over the years, while the Solvency II review mandates EIOPA to issue additional guidelines. EIOPA believes that the corpus of guidelines should be limited to what is strictly necessary to ensure a sound and consistent application of Solvency II.

This consultation paper presents the draft revised Guidelines on the treatment of market and counterparty risk exposures in the standard formula and its explanatory text.

The current Guidelines on the treatment of market and counterparty risk exposures in the standard formula have been applied since 2015. Based on the practical application of the Guidelines, improvements have been identified.

Guideline 8 is amended to state the correct treatment of securities lending or borrowing transactions and repurchase or reverse repurchase agreements in the calculation of the counterparty default risk module. These exposures should be treated as type 2 exposures rather that type 1 exposures.

The current Guidelines deal with specific issues that were foreseen at the time when they were issued. Since then, the EIOPA Q&A process has identified that the principles underpinning some of the Guidelines are suitable for more general application. Guidelines 2, 4, 6 and 8 have been amended to demonstrate the wider applicability of the underlying principles.

In order to streamline the Guidelines, Guidelines 1, 3 and 7 are deleted and Guidelines 4 and 9 are shortened. The rational for deletion is that the guidance they provide is sufficiently clear from the legal provisions of Solvency II. Drafting amendments are introduced to Guideline 5 to improve the clarity of the text, while not altering its intended meaning. Finally, a new Guideline was introduced on leveraged funds.

The amendments to the Guidelines are solely for clarification and streamlining purposes with no intention to reduce supervisory expectations. They do not provide new guidance for the application of the legal framework. Therefore, the revisions are not expected to have a material impact on the insurance industry or supervisory authorities. Accordingly, this consultation paper does not include an impact assessment of the proposed changes.

Next steps

EIOPA will revise the proposal in view of the stakeholder comments received. EIOPA will publish a report on the consultation including the revised proposal and the resolution of stakeholder comments.

GUIDELINES ON THE TREATMENT OF MARKET AND COUNTERPARTY RISK EXPOSURES IN THE STANDARD FORMULA

1. INTRODUCTION

1. In accordance with Article 16 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (EIOPA Regulation)[2], EIOPA is issuing revised Guidelines on the treatment of market and counterparty risk exposures in the standard formula.
2. The Guidelines relate to Articles 104 and 105 of Directive 2009/138/EU of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of the business of Insurance and Reinsurance (Solvency II)[3] as well as to Articles 164 to 202 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC (Commission Delegated Regulation 2015/35)[4].
3. These Guidelines are addressed to the supervisory authorities under Solvency II.
4. These Guidelines aim at facilitating convergence of practices across Member States and supporting undertakings in applying the market and counterparty default risk modules of the standard formula.
5. For the purpose of these Guidelines, the following definition has been developed:
    - 'short equity position' means a short position relating to equity resulting from a short sale within the meaning of paragraph 1(b) of Article 2 of Regulation (EU) 236/2012 on short selling and certain aspects of credit default swaps[5].
6. If not defined in these Guidelines, the terms have the meaning defined in the legal acts referred to in the introduction.
7. The Guidelines apply from [DayMonthYear] and repeal and replace the Guidelines on the treatment of market and counterparty risk exposures in the standard formula (EIOPA-BoS-14-174).

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[2] OJ L 331, 15.12.2010, p. 48–83
[3] OJ L 335, 17.12.2009, p. 1-155
[4] OJ L 12, 17.01.2015, p. 1-797
[5] OJ L 86, 24.03.2012, p. 1-24

2. GUIDELINES

Guideline 2 – Impact of options on the duration of bonds and loans

8. When determining the duration of bonds and loans, insurance and reinsurance undertakings (collectively "undertakings") should take into account options granted to the issuers of the bonds and loans which might decrease or increase their maturity. Assumptions that are used for the determination of the duration of such bonds or loans should reflect stressed conditions.

Guideline 4 – Revaluation of assets in scenario-based calculations

9. In the calculation of the scenarios of the interest rate risk sub-module, the value of interest rate sensitive assets should be recalculated by stressing only the basic risk-free interest rate term structure. The spreads over the basic risk-free interest rate term structure should remain unchanged.
10. In the calculation of the scenarios of the market risk sub-modules, where the revaluation of assets requires an implied volatility before the stress, the implied volatility used in the revaluation of assets under stress should remain unchanged.

Guideline 5 – Investments with equity and debt instrument characteristics

11. Where assets exhibit debt and equity instrument characteristics, undertakings should take into account both of these characteristics when determining which standard formula risk modules and sub-modules should apply.
12. When determining which standard formula risk modules and sub-modules apply, undertakings should consider the economic substance of the asset.
13. Where the asset can be considered as the composite of discrete components, undertakings should where appropriate apply the relevant stresses to each of these components separately.
14. Where it is not possible to consider the asset as the composite of discrete components, undertakings should base the determination of which of the standard formula risk modules and sub-modules apply on whether the debt or equity characteristics predominate in an economic sense.

Guideline 6 – Financial risk-mitigating instruments and short equity positions

15. Financial risk-mitigating instruments and short equity positions, that do not comply with Articles 208 to 215 of Commission Delegated Regulation 2015/35, should only be considered under those stressed scenarios where they contribute to a decrease in value of own funds.

Guideline 8 – Securities lending or borrowing transactions and similar agreements

16. When determining the capital requirements for securities lending or borrowing transactions and repurchase or reverse repurchase agreements, undertakings should reflect the recognition of the exchanged items in the reporting of assets and liabilities for the purpose of Solvency II ("Solvency II balance sheet").

17. Undertakings should apply the relevant capital requirements of the market risk and counterparty default risk modules to any assets remaining in the Solvency II balance sheet or recognized on that balance sheet as a result of the transaction or the agreement.
18. Undertakings should consider receivables, even if expressed in securities and not in cash, which result from the transaction or the agreement in the calculation of the capital requirement for counterparty default risk on type 2 exposures. Undertakings should take into account the risk-mitigation that the received asset provides, if it is recognised as collateral in accordance with the requirements set out in Article 214 of Commission Delegated Regulation 2015/35.
19. Undertakings should consider liabilities which result from the transaction or the agreement in the calculation of the capital requirement for the interest rate risk sub-module.

Guideline 9 – Commitments which may create payment obligations

20. For legally binding commitments, where no nominal value is explicitly mentioned in the commitment arrangement, undertakings should determine the corresponding loss-given-default, as referred to in Article 192(5) of Commission Delegated Regulation 2015/35 on the basis of an estimated nominal value.
21. The estimated nominal value is the maximum amount that is expected to be paid in case of a credit event of the counterparty.

Guideline 10 – Treatment of leveraged funds

22. Where undertakings calculate the market risk module and apply the look-through approach for a leveraged investment fund, they need to consider the leverage of the fund under the relevant market risk sub-modules. The change in value of the investment fund should be the net change after applying the market risk sub-module stress to the gross assets and reducing the resulting value by the value of the outstanding lending.
23. For a highly leveraged investment fund, the outcome of the calculation of the relevant sub-modules might be a reduction of the value of the investment fund exceeding 100 percent. In this case, the reduction of the value should be assumed to be 100 percent.

3. COMPLIANCE AND REPORTING RULES

24. This document contains guidelines issued under Article 16 of the EIOPA Regulation. In accordance with Article 16(3) of the EIOPA Regulation, competent authorities and financial institutions are required to make every effort to comply with guidelines and recommendations.
25. Competent authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.
26. Competent authorities are to confirm to EIOPA whether they comply or intend to comply with these Guidelines, with reasons for non-compliance, within two months after the issuance of the translated versions.
27. In the absence of a response by this deadline, competent authorities will be considered as non-compliant to the reporting and reported as such.

4. FINAL PROVISION ON REVIEW

28. These Guidelines will be subject to a review by EIOPA.

EXPLANATORY TEXT

AMENDED: Introduction

Explanatory text:

The amendment aims at streamlining and improving the readability of the text by putting in footnote the exact regulatory references.

DELETED: Guideline 1 – Employee Benefits

~~Where liabilities for employee benefits are recognised in accordance with Chapter II of Commission Delegated Regulation 2015/35, undertakings should take them into account in the calculation of the capital requirements for counterparty default risk and market risk modules. For this purpose, undertakings should take into account the nature of the benefits and where relevant, the nature of all contractual arrangements with an institution for occupational retirement provision as defined by Directive 2003/41/EC or another insurance or reinsurance undertaking for the provision of these benefits.~~

~~If the management of the assets representing the liabilities for employee benefits has been outsourced, undertakings acting as a sponsor should take them into account in the calculation of the capital requirement for market risk and counterparty default risk modules provided, they are liable for any loss in value of these assets.~~

Explanatory text:

Guideline 1 is deleted. It is clear from Articles 7 to Article 16 and Articles 164 to Article 202 of the Commission Delegated Regulation 2015/35 that employee benefits are liabilities, and all liabilities should be taken into account in the market risk and counterparty default risk modules.

AMENDED: Guideline 2 – ~~Influence~~ **Impact** of ~~call~~ options on **the** duration **of bonds and loans**

When determining the duration of bonds and loans**,** ~~with call options~~ **insurance and reinsurance** undertakings **(collectively "undertakings")** should take into account **options granted to the issuers of the bonds and loans which might increase or decrease their maturity** ~~that they may not be called by the borrower in the event that its creditworthiness deteriorates, credit spreads widen or interest rates increase~~. **Assumptions that are used for the determination of the duration of such bonds and loans should reflect stressed conditions.**

Explanatory text:

The amendment to Guideline 2 aims to generalize the drafting of the text without changing its original meaning or intent. The original text focuses on specific examples, while the amended Guideline clarifies the requirement by expressing the underlying general principle for broader applicability.

DELETED: Guideline 3 – Average duration for the duration-based equity submodule

~~Undertakings should interpret the average duration referred to in Article 304 (1) (b) (iii) of Solvency II as the duration of the aggregated cash-flows of the liabilities.~~

Explanatory text:

Guideline 3 is deleted. Use of the duration-based equity risk sub-module is of very limited relevance because it will only be permitted for legacy users.

AMENDED: Guideline 4 – ~~Interest rate risk sub-module~~ **Revaluation of assets in scenario-based calculations**

~~Undertakings should include all interest rate sensitive assets and liabilities in the calculation of the capital requirement for the interest rate risk sub-module.~~

~~The technical provision should be recalculated under the scenarios using the risk free interest rate term structure after the shock, which is determined by stressing the basic risk free interest rate term structure and adding back matching adjustment, volatility adjustment or transitional measure on the risk free rate under Article 308 (c) of the Solvency II Directive, if applicable.~~

~~The assets value should be recalculated under the scenarios by stressing only the basic risk free interest rate term structure and any spreads over the basic risk free interest rate term structure should remain unchanged. This may involve using a mark to model valuation for determining the value of the assets under the stresses.~~

~~Insurance and reinsurance undertakings should ensure that the values of assets before the stresses obtained by using a mark-to-model valuation are consistent with the quoted market prices of relevant assets in active markets.~~

In the calculation of the scenarios of the interest rate risk sub-module, the value of interest rate sensitive assets should be recalculated by stressing only the basic risk-free interest rate term structure. The spreads over the basic risk-free interest rate term structure should remain unchanged.

In the calculation of the scenarios of the market risk sub-modules, where the revaluation of assets requires an implied volatility before the stress, the implied volatility used in the revaluation of assets under stress should remain unchanged.

Explanatory text:

The deletion of the first and last paragraphs of Guideline 4 reflects that these paragraphs are self-evident from the Commission Delegated Regulation 2015/35.

The second and third paragraph of Guideline 4 are replaced by new text with the aim to clarify and generalize the guidance without changing its original meaning or intent.

AMENDED: Guideline 5 – Investments with equity and debt instrument characteristics

Where assets exhibit debt and equity instrument characteristics, undertakings should take into account both of these ~~features~~ **characteristics** when determining which standard formula risk **modules and** sub-modules should apply.

When determining which standard formula risk **modules and** sub-modules apply**,** undertakings should consider the economic substance of the asset.

Where the asset can be considered as the composite of discrete components, undertakings should where appropriate apply the relevant stresses to each of these components separately.

Where it is not possible to consider the asset as the composite of ~~separate~~ **discrete** components**,** undertakings should base the determination of which of the standard formula risk **modules and** sub-modules apply on whether the debt or equity characteristics predominate in an economic sense

Explanatory text:

The amendments to Guideline 5 aim to provide further clarity.

AMENDED: Guideline 6 – **Financial risk-mitigating instruments and s**~~S~~hort equity positions

~~Where undertakings hold short equity positions, they should only be used to offset long equity positions in the calculation of the capital requirement for equity risk if the requirements set out in Articles 208 to 215 of Commission Delegated Regulation 2015/35 are met.~~

~~Undertakings should ignore any other short equity position (residual short equity positions) in the calculation of the capital requirement for equity risk.~~

~~The residual short equity positions should not be considered to increase in value from applying the stresses to equities.~~

Financial risk-mitigating instruments and short equity positions, that do not comply with Articles 208 to 215 of Commission Delegated Regulation 2015/35 should only be considered under those stressed scenarios where they contribute to a decrease in value of own funds.

Explanatory text:

Guideline 6 is rephrased to demonstrate the wider relevance of the principles underlying the current Guideline.

DELETED: Guideline 7 – Market risk concentration sub-module

~~Without prejudice to Article 187 (3) second part of Commission Delegated Regulation 2015/35, undertakings should not assign a risk factor of 0 % to investments in entities which are owned by entities included in the list set out in Article 187 (3) of Commission Delegated Regulation 2015/35.~~

Explanatory text:

Guideline 7 is deleted as it is clear from Article 187(3) of Commission Delegated Regulation 2015/35 that undertakings owned by entities included in the list set out in that Article shall not be assigned a risk factor of 0% as those are not in the list nor fully, unconditionally and irrevocably guaranteed by one of the counterparties mentioned in points (a) to (d), where the guarantee meets the requirements set out in Article 215 of Commission Delegated Regulation 2015/35.

AMENDED: Guideline 8 – Securities lending **or borrowing** transactions and similar agreements

~~When determining the capital requirements for securities lending or borrowing transactions and repurchase or reverse repurchase agreements including liquidity swaps, undertakings should follow the recognition of the exchanged items in the Solvency II balance sheet. They should also take into account contractual terms and risks stemming from the transaction or agreement.~~

~~If the lent asset remains on the balance sheet and the received asset is not recognised, undertakings should: (a) apply the relevant market risk sub-modules to the lent asset; (b) include the lent asset in the calculation of the capital requirement for counterparty default risk on type 1 exposures, taking into account the risk-mitigation that the received asset provides if it is recognised as collateral in accordance with the requirements set out in Article 214 of Commission Delegated Regulation 2015/35.~~

~~If the received asset is recognised and the lent asset does not remain on the balance sheet, undertakings should: (a) apply the relevant market risk sub-modules to the received asset; (b) take into account the lent asset in the calculation of the capital requirement for counterparty default risk on type 1 exposures based on the balance sheet value of the lent asset at the time of the exchange, if the contractual terms and the legal provisions in the case of an insolvency of the borrower give rise to a risk that the lent asset is not returned although the received asset has been handed back.~~

~~If the lent asset and the received asset are recognised in the Solvency II balance sheet, undertakings should: (a) apply the relevant market risk sub-modules to the lent asset and the borrowed asset; (b) include the lent asset in the calculation of the capital requirement for counterparty default risk on type 1 exposures, taking into account the risk-mitigation that the received asset provides if it is recognised as collateral in accordance with the requirements set~~

~~out in Article 214 of Commission Delegated Regulation 2015/35; (c) consider liabilities on its balance sheet which result from the lending arrangement in the calculation of the capital requirement for the interest rate risk sub-module~~

When determining the capital requirements for securities lending or borrowing transactions and repurchase or reverse repurchase agreements, undertakings should reflect the recognition of the exchanged items in the reporting of assets and liabilities for the purpose of Solvency II ("Solvency II balance sheet").

Undertakings should apply the relevant capital requirements of the market risk and counterparty default risk modules to any assets remaining in the Solvency II balance sheet or recognized on that balance sheet as a result of the transaction or the agreement.

Undertakings should consider receivables, even if expressed in securities and not in cash, which result from the transaction or the agreement in the calculation of the capital requirement for counterparty default risk on type 2 exposures. Undertakings should take into account the risk-mitigation that the received asset provides, if it is recognised as collateral in accordance with the requirements set out in Article 214 of Commission Delegated Regulation 2015/35.

Undertakings should consider liabilities which result from the transaction or the agreement in the calculation of the capital requirement for the interest rate risk sub-module.

Explanatory text:

Guideline 8 is rephrased to demonstrate the wider relevance of the principles underlying the current Guideline. The amendments also correct the allocation of securities lending, borrowing transactions and similar agreements. These exposures are type 2 exposures instead of type 1 exposures, consistently with Article 189 of Commission Delegated Regulation 2015/35. That Article provides a closed list of type 1 exposures and refers specifically to derivatives. Repos and security lending instruments are not considered derivatives according to the definition of derivatives[6] in EMIR.

AMENDED: Guideline 9 – Commitments which may create payment obligations

~~As provided for in Article 189 (2) (e) of Commission Delegated Regulation 2015/35 the capital requirement for type 1 exposures in the counterparty default risk module should be applied to legally binding commitments which an undertaking has provided or arranged.~~

For legally binding commitments, where ~~When~~ no nominal value is explicitly mentioned in the commitment arrangement, undertakings should determine the corresponding loss-given-default, as referred to in Article 192 (5) of Commission Delegated Regulation 2015/35 on the basis of an estimated nominal **value** ~~amount~~.

[6] Derivatives / EMIR - European Commission (europa.eu)

The estimated nominal value is the maximum amount that is expected to be paid in case of a credit event of the counterparty.

Explanatory text:

The amendment to Guideline 9 aims to shorten the text without changing its original meaning or intent.

ADDED: Guideline 10 – Treatment of leveraged funds

Where undertakings calculate the market risk module and apply the look-through approach for a leveraged investment fund, they need to consider the leverage of the fund under the relevant market risk submodules. The change in value of the investment fund should be the net change after applying the market risk submodule stress to the gross assets and reducing the resulting value by the value of the outstanding lending.

For a highly leveraged investment fund, the outcome of the calculation of the relevant sub-modules might be a reduction of the value of the investment fund exceeding 100 percent. In this case, the reduction of the value should be assumed to be 100 percent.

Explanatory text:

The topic of leveraged funds has been repeatedly raised in the Q&A process (relevant Q&As include 1212, 1269, 1856, 2330, and 2461) indicating a need for clarification.

When applying the look-through approach, it is important to take into account the entire balance sheet structure of the investment vehicle. In particular, debt financing can lead to a significant increase in risk and consequently, it needs to be appropriately taken into account in the SCR calculation.

Two examples in the annex illustrate the SCR calculation for leveraged investment funds. The first example relates to the case of a moderately leveraged investment fund covering the first two sentences of the Guideline. The second example illustrates the Guideline in case of a highly leveraged investment fund.

AMENDED: Compliance and reporting rules

Explanatory text:

The amendment aims at improving the readability of the text.

AMENDED: Final Provision on Review

Explanatory text:

The amendment aims at improving the readability of the text.

ANNEX – EXAMPLES FOR THE TREATMENT OF LEVERAGED FUNDS

Example 1

Suppose an insurance company (hereinafter “IC”) which invests 40 million euros of equity in a leveraged investment vehicle (hereinafter "LF"). In doing so, IC holds 20% of the equity of LF. LF invests exclusively in private equity, up to 350 million euros.

The application of the 49% shock on private equity leads to a 49% decrease in the value of the private equity investments as there are no risk mitigating instruments in place.

The SCR calculation for the equity risk along with the total balance sheet approach is illustrated below.

Before the type 2 equity shock

Insurance company or IC			
Assets		Liabilities	
Equity in LF	40	Own Funds	100
Other Assets	960	Liabilities	900
Total	1000	Total	1000

IC holds 20% of equity of LF = 20%*200 = 40

Leveraged fund or LF			
Assets		Liabilities	
Private Equity	350	Equity	200
		Debt	150
Total	350	Total	350

The application of the private equity shock gives rise to a capital requirement of 34.3 million (350*49%*20%) euros for the IC.

In relative terms, this results in a risk weighting of 34.3/40 = 85.75%, i.e., 1.75 times the relative weighting applicable to the risk on private equity (1.75*49% = 85.75%).

This factor of 1.75 is the result obtained by dividing the value of the private equity investments of the LF by the value of the equity of the LF (350/200 = 1.75). It represents the leverage ratio calculated as the total assets to equity of the LF.

After the type 2 equity shock

Insurance company			
Assets		Liabilities	
Equity in LF (= 40-34.3)	5.7	Own Funds (= 965.7-900)	65.7
Other Assets	960	Liabilities	900
Total	965.7	Total	965.7

IC holds 20% of equity of LF = 20%*28.5 = 5,7

LF (leveraged fund)			
Assets		Liabilities	
Private Equity (= 350*(1-49%))	178.5	Equity (= 178.5-150)	28.5
		Debt	150
Total	178.5	Total	178.5

In comparison to the correct SCR calculation above, an approach where solely the net asset value (NAV) of the LF is stressed, would result in a capital requirement of 19.6 million (200*49%*20%).

By neglecting the leverage in the fund, the equity risk would substantially be underestimated.

Example 2

Suppose an insurance company (hereinafter "IC") which invests 30 million euros of equity in a leveraged investment vehicle (hereinafter "LF"). In doing so, IC holds 20% of the equity of LF. LF invests exclusively in private equity, up to 350 million euros.

The LF is now mainly debt-financed with debt of 200 and equity of 150. Other assets have now the value of 970 in the insurance company's balance sheet.

<u>Before the type 2 equity shock</u>

Insurance company or IC			
Assets		Liabilities	
Equity in LF	30	Own Funds	100
Other Assets	970	Liabilities	900
Total	1000	Total	1000

IC holds 20% of equity of LF = 20%*150 = 30

Leveraged fund or LF			
Assets		Liabilities	
Private Equity	350	Equity	150
		Debt	200
Total	350	Total	350

An immediate application of the private equity shock results in a capital requirement of 34.3 million (350*49%*20%) euros for the IC, which exceeds the amount of its investment in LF.

Accordingly, the capital requirement needs to be capped by the IC's investment in the LF.

Therefore, the capital requirement is 30 (min(34.3,30)=30). This implies that for this highly leveraged investment fund the entire equity in the LF is lost under the type 2 equity scenario and the relative risk weight is 100%.

After the type 2 equity shock

Insurance company			
Assets		Liabilities	
Equity in LF (=30-min (34.3,30))	0	Own Funds (=970-900)	70
Other Assets	970	Liabilities	900
Total	970	Total	970

IC holds 20% of equity of LF = 20%*max (0,-21.5) = 0

LF (leveraged fund)			
Assets		Liabilities	
Private Equity (= 350*(1-49%))	178.5	Equity (=178.5-200)	-21.5
		Debt	200
Total	178.5	Total	178.5

QUESTIONS TO STAKEHOLDERS

The survey for collecting the consultation feedback asks for comments on each section of the consultation paper and in addition this particular question:

Do you have any comments on the proposals to simplify and shorten the Guidelines and/or any other suggestions for simplifying and shortening the Guidelines, taking into account the relevance of the individual Guidelines?

European Insurance and Occupational Pensions Authority

Privacy statement related to Public (online) Consultations

Introduction

1. EIOPA, as a European Authority, is committed to protect individuals with regard to the processing of their personal data in accordance with Regulation (EU) No 2018/1725 (further referred as the Regulation).[7]

Controller of the data processing

2. The controller responsible for processing your data is EIOPA's Executive Director.
   Address and email address of the controller:
3. Westhafenplatz 1, 60327 Frankfurt am Main, Germany
   fausto.parente@eiopa.europa.eu

Contact details of EIOPA's Data Protection Officer

4. Westhafenplatz 1, 60327 Frankfurt am Main, Germany
   dpo@eiopa.europa.eu

Purpose of processing your personal data

5. The purpose of processing personal data is to manage public consultations EIOPA launches and facilitate further communication with participating stakeholders (in particular when clarifications are needed on the information supplied).
6. Your data will not be used for any purposes other than the performance of the activities specified above. Otherwise, you will be informed accordingly.

Legal basis of the processing and/or contractual or other obligation imposing it

7. EIOPA Regulation, and more precisely Article 10, 15 and 16 thereof.
8. EIOPA's Public Statement on Public Consultations.

Personal data collected

[7] Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC.

9. The personal data processed might include:
    - Personal details (e.g. name, email address, phone number);
    - Employment details.

Recipients of your personal data

10. The personal data collected are disclosed to designated EIOPA staff members.

Transfer of personal data to a third country or international organisation

11. No personal data will be transferred to a third country or international organization.

Retention period

12. Personal data collected are kept until the finalisation of the project the public consultation relates to.

Profiling

13. No decision is taken in the context of this processing operation solely on the basis of automated means.

Your rights

14. You have the right to access your personal data, receive a copy of them in a structured and machine-readable format or have them directly transmitted to another controller, as well as request their rectification or update in case they are not accurate.
15. You have the right to request the erasure of your personal data, as well as object to or obtain the restriction of their processing.
16. For the protection of your privacy and security, every reasonable step shall be taken to ensure that your identity is verified before granting access, or rectification, or deletion.
17. Should you wish to access/rectify/delete your personal data, or receive a copy of them/have it transmitted to another controller, or object to/restrict their processing, please contact [legal@eiopa.europa.eu]
18. Any complaint concerning the processing of your personal data can be addressed to EIOPA's Data Protection Officer (DPO@eiopa.europa.eu). Alternatively, you can also have at any time recourse to the **European Data Protection Supervisor (www.edps.europa.eu).**