

Comments Template on JC/CP/2014/04 Draft RTS on risk concentration and intra-group transactions under Article 21a (1a) of the Financial Conglomerates Directive		Deadline 24 October 2014 18:00 CET
Name of Company:	Insurance and Reinsurance Stakeholder Group (IRSG)	
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<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ <u>Do not change the numbering</u> in the column “reference”; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p style="text-align: center;"> Please send the completed template, in <u>Word Format</u>, to JointCommittee@eiopa.europa.eu Our IT tool does not allow processing of any other formats. </p>		
Reference	Comment	
General Comment	<p>The IRSG welcomes the opportunity to provide input to the ESAs’ consultation on risk concentration and intra-group transactions under FICOD.</p> <p>The IRSG welcomes the ESAs’ approach to provide clarification and supervisory measures aimed at ensuring a consistent and harmonised application of FICOD. However, the IRSG believes that a number of considerations should be taken into account by the ESAs before finalising the draft RTS. For example:</p> <ul style="list-style-type: none"> • The ESAs should look at existing sectorial requirements addressing the issues of risk concentration and intra-group transactions. The ESAs should assess to which extent existing rules can fulfil the current needs and therefore aim to rely as much as possible on such rules. Given that sectorial rules are aimed at ensuring harmonisation, such an approach would basically help address one of 	

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	<p>the key aims of the RTS.</p> <ul style="list-style-type: none"> • The RTS should therefore include a reference to already existing or currently under implementation legislation (eg Solvency II QRTs) and only introduce additional types of reporting requirements if there is a clear need and benefit. Therefore, when harmonisation is already ensured at a lower level (eg by the requirements set in Solvency II or CRD IV/CRR) the RTS should avoid duplication of work at the level of the supplementary supervision. • Should the ESAs conclude that existing reporting requirements are not enough to fulfil the current scope, they should indicate the reasons for this in their final report and they should also indicate how any new reporting rules would interact with existing reporting requirements. For example, the IRSG believes that any new reporting requirements should allow for alignment with existing reporting requirements, at least in terms of frequency of reporting. • The IRSG believes that regulated entities should be involved in all discussions with the coordinator and other relevant competent authorities on appropriate thresholds and content/form of any reports. In addition, any reporting of matters relating to the financial conglomerate supervision should be exclusively made to the coordinator of the conglomerate. 	
6.1	<p><i>Is the suggested scope of the draft regulatory technical standards and the definition of significant risk concentration and significant intra-group transactions appropriate with respect to the mandate given in Article 21a (1a) of the Directive 2002/87/EC (FICOD)?</i></p> <p>The IRSG finds that the scope of the draft regulatory technical standards is in line with the mandate defined in FICOD. The IRSG would however like to express concerns on two areas, namely:</p> <ol style="list-style-type: none"> i. The current proposal still leaves room for local interpretation. <p>The IRSG believes that the proposal leaves room for interpretation by, for example, making reference to a number of sources of risk (eg liquidity, currency) and then mentioning that the measurement of risk concentration should not be limited to these sources (ie „without limitation“). The IRSG believes that such a provision can hinder the harmonisation objective and therefore the proposal should be reconsidered to ensure consistency and minimise risk of divergence.</p>	

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	<p>ii. The current proposal lacks appropriate interaction with similar provisions, part of other frameworks.</p> <p>The concept and measurement of risk concentration is also part of the Solvency II framework, where risk concentration is part of the Market Risk module. The Solvency II approach foresees that capital requirements should be imposed on exposures which are above pre-defined thresholds for given levels of counterparty credit quality. In addition, Pillar 2 ORSA requires assesment, at group level, of risk concentrations.</p> <p>In the current ESAs' proposal no reference is made to existing requirements and the introduction of criteria such as industry/currency/geographic exposures makes it very difficult to actually rely on already existing requirements. The IRSG therefore believes that existing rules should represent the starting point for assessing risk-concentration and the ESAs requirements should be able to interact with and even rely (where possible) on already existing sectorial requirements.</p>	
6.2	<p><i>Are the criteria, which coordinators and other relevant competent authorities shall take into account when identifying types of significant risk concentration and significant intra-group transactions, defining appropriate thresholds and periods for reporting and overviewing significant risk concentration and intra-group transactions, appropriate and comprehensive?</i></p> <p>The IRSG believes that the criteria for identifying significant risk concentration and intra-group transactions should be drafted in a way that ensures interaction with already existing sectorial requirements. The ESAs should therefore first assess to which extent existing regulations fail to depict and adress risks emerging from significant risk concentration and intra-group transactions. Once interaction with existing sectorial rules is understood, the ESAs should only try do address missing areas.</p> <p>In addition, the IRSG believes that any reporting requirements added on top of existing sectorial reporting requirements should be implemented within a reasonable timeline, thus allowing enough time for implementation.</p> <p>While the IRSG understands that it is not possible to set thresholds in the RTS, it believes that regulated entities should be involved in the discussions with the coordinator and other relevant competent</p>	

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	<p>authorities on appropriate thresholds and content/form of the significant intra-group transactions or risk concentration report.</p>	
6.3	<p><i>Is the proposed information to be contained in a report on significant risk concentration and significant intra-group transactions appropriate? If not, which other information should be included?</i></p> <p>As indicated in comments on previous points, reporting requirements should only be put in place to address areas where existing sectorial reporting rules are not enough. The RTS should therefore include a reference to already existing or currently under implementation legislation (eg Solvency II QRTs) and only introduce additional types of reporting requirements if there is a clear need and benefit.</p> <p>An appropriate implementation timing should be included as part of the requirement to ensure harmonisation across member states.</p>	
6.4	<p><i>Do you agree with the proposed set of supervisory measures to be taken into account by competent authorities? If not, which other measures should be included?</i></p> <p>The IRSG believes that where sectorial rules already address the need for transparency (and reporting) of risk concentration and intra-group transactions, no further requirements should be imposed on financial conglomerates. Should the ESAs consider that existing requirements do not appropriately fulfill the needs for supervision of risk concentration and intra-group transactions, any new requirements should be aligned as much as possible with existing requirements in terms of eg frequency so that existing requirements, although not perfect for fulfilling ESAs' needs, can to a large extent inform the additional reporting requirements.</p>	
6.5	<p><i>Do you agree with the analysis of the impact of the proposals in this Consultation Paper? If not, can you provide any evidence or data that would further inform the analysis of the likely cost and benefit impacts of the proposals?</i></p> <p>The IRSG believes that interaction with existing sectorial requirements should be added as a criterion to assess the consequences and costs of various policy options. The IRSG actually believes that the inclusion of</p>	

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	interaction with existing rules in the framework can only create a positive impact for both supervisors and industry.	