Comments Template on EIOPA-CP-15-003 Discussion Paper on Infrastructure Investments by Insurers		Deadline 26.April.2015 23:59 CET
Company name:	Legal & General Group Plc	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. Please indicate if your comments on this CP should be treated as confidential, by deleting the word Public in the column to the right and by inserting the word Confidential.	Public
	Please follow the instructions for filling in the template: ⇨ Do **not** change the numbering in column "Reference". ⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph, keep the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below. ○ If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies. ○ If your comment refers to sub-bullets/sub-paragraphs, please indicate this in the comment itself. **Please send the completed template to CP-15-003@eiopa.europa.eu, in MSWord Format, (our IT tool does not allow processing of any other formats).** The paragraph numbers below correspond to Consultation Paper No. EIOPA-CP-15-003.	
Reference	**Comment**	
Question 1	We believe that there should be a level playing field for long term infrastructure investment between banks, insurers and pension funds. The creation of a level playing field and the removal of barriers to investment by insurers could greatly assist the level of investment by insurers in European infrastructure space. Solvency 2 generally places insurers at a disadvantage relative to banks in terms of infrastructure investment. The Matching Adjustment (MA) attempts to address this. It was established in part to	

recognise the value of long-term investment by insurers, and was recognised as such by the UK government in the context of its National Infrastructure Plan.

However, the MA will need further adjustment to achieve its goals. While MA has the advantage of recognising spread, the applicable eligibility criteria are too restrictive. The Solvency 2 architecture does not recognise the lower volatility and credit transition risk of infrastructure versus corporate bonds, and if assets are not eligible for MA, the application of Volatility Balancer or Risk-free treatments render risk assets uneconomic.

Moreover, the Solvency 2 arrangement results in a doubling-up of capital charges: there is a charge for buy-and hold in credit, even though there is also a requirement to rebalance in the event of credit downgrades.

There are four points which relate specifically to investment in debt instruments:

- Credit ratings are often close to sub-investment grade – this is too risky in case they are downgraded with consequential high capital charges. Solvency 2 does not recognise high recovery rates for infrastructure versus corporate debt
- Investment choices are restricted due to restrictions on eligible currency hedging techniques which makes hedging expensive and reduces ability to compete.
- Early redemption clauses must be spens clauses for MA to apply – again a competitive disadvantage versus banks
- Early drawdowns of capital – which may be required for certain projects and cannot be explicitly timed – may also rule out use of matching Adjustment

In addition, outside debt instruments (equity structures, property rights or lease structures) there is no eligibility for Matching Adjustment.

We would therefore suggest that the tight MA rules are removed for infrastructure assets to:

- Allow rolling FX hedging
- Set criteria for matching based on “best estimate” cashflow forecasts rather than just contractual cashflows
- Set rating based on equivalent “loss rate” incorporating probability of loss x loss given default: this is equivalent to banking models.

Question 2	There is variation across the broad infrastructure category, but to some extent all infrastructure has a different risk profile from that implied by the standard formula. Market valuation and default/ratings migration experience are both generally lower than for traded investments. Treatment of infrastructure debt as traded debt, and infrastructure equity as unlisted equity will both overstate the risk and volatility. One particular area where the risk profile is out of line with the standard formula is in assets without an ECAI rating – these would receive a penal treatment under standard formula as an unrated asset.	
Question 3	The liquidity of the investment is only relevant in comparison to the liquidity of the insurer's liabilities. Insurers with illiquid liabilities are uniquely placed to provide long-term capital to the infrastructure sector, and those using infrastructure for matching purposes may be satisfied to invest with lower liquidity than available in benchmark bond transactions. UK annuities, which have no redemption clauses for annuitants, are highly suitable are highly suitable liabilities for this matching approach. The strength of long term, "buy and hold" investments in infrastructure is to avoid the need to trade in and out of infrastructure investments, but there has to be a high level of comfort that the returns and the nature of investments' covenants and security provide risk mitigation benefits. Detailed and thorough investment analysis enables the creation of less volatile long term investments than would be the case in the corporate bond sector with higher investor protections. While it is helpful that investments can be transferred, if needed, we do not believe that infrastructure investments need to provide liquidity provided that this is compensated for by the lower credit quality volatility and significantly greater direct investor interaction with the borrower.	
Question 4	Both ECAI ratings and internal ratings should be capable of being used in the Standard Formula. Where debt does not have an ECAI rating, there should be a basis for accepting private ratings as a proxy, provided they have been assigned by an institution (bank or insurance company) whose rating process has already been reviewed by their regulator, and as such provides comfort that the rating has been robust and fair. We believe that internal credit rating assessments undertaken by those insurers who have had their processes reviewed and approved by their own regulator (in LGIM's case, the PRA) should carry an	

	equal weight to those assessments undertaken by ECAIs, and not be penalised in comparison to those investments which have an external credit rating provided by an ECAI. Indeed, we believe that our internal credit rating process is a more robust process compared to relying on a corporate bond rating because it is based upon direct review and often negotiation by the investor of all key contracts as well as detailed analysis of the financials of the investment in-house. Both ECAI and private ratings should either incorporate, or be adjusted for the high recovery rates and specific credit characteristics of the sector, including the reduced transition risk shown in infrastructure versus corporate bonds over the period of a long-term investment: rating agency data supports the thesis that infrastructure is the more stable investment over time.	
Question 5	The issue of definition sits at the heart of the issues this consultation seeks to address. We would argue for a broad and flexible definition of project finance, as the greater the degree of precision, the greater also the risk that transactions that are infrastructure investments will be excluded, and that the definition will be rendered out-of-date as technology advances. In general terms we prefer an approach to transactions which focuses on the overall levels of risk involved, as summarised or aggregated through a robust external or internal credit-rating process which is itself subject to regulatory oversight. Specifically, a focus on infrastructure linked to tightly-defined project finance is, in our view, not the entire answer as it is possible for a transaction with a strong infrastructure business profile to have insufficiently strong covenants in which case the overall quantum of risk could be unacceptable and not reach investment grade. Therefore, investment quality should also be relevant as well as whether an investment is in the infrastructure sector. A more precise definition however has the advantage of providing differentiation, and Basel 2 or Article 147(8) CRR provide reasonable starting-points – at least for debt – and represent an improvement on the current Solvency 2 treatment in that it creates greater consistency with the banking sector and hence enhanced supply of funding and competition. Of the two definitions, Basel 2 is in our view better. This definition is limited to debt, and changes to the way Solvency 2 is applied would need to include property and equity which are both natural long-term investments for insurers and pension funds.	

	Finally, any re-definition for Solvency 2 purposes would have to be consistent with the grain of other development s in EU regulation, for example to encourage the development of a deeper capital market under CMU and the creation of ELTIFs.	
Question 6	We are not aware of any.	
Question 7	In principle we prefer a wide definition and support option (a). We are hesitant to have a definition that is too prescriptive because each transaction is unique and some transactions may fall through the cracks of the definition. Labels for infrastructure are not universally defined, and the sector may change with technology, so the preferred option should also offer the most longevity and least risk of subsequent change. These are weaknesses in option (b) and (c). Although option (d) has the benefit of defining the sector by those characteristics which themselves drive the lower risks in the sector, we think it may be unworkable because it would require the application of a series of other criteria which would obviate the purpose of having a broad definition and would require local regulators to ensure consistency is applied.	
Question 8	A focus on infrastructure as a sector where transactions benefit form a strong or very strong business profile and support the provision of essential economic and social infrastructure assets, showing a high degree of transparency and robustness in cashflows would be more helpful. This could include PPP and PFI or P3 investments or investments in transport, utilities or other areas where there would be regulated returns or assets display monopolistic characteristics.	
Question 9	We are not aware of any.	
Question 10	We believe that the vast majority of infrastructure investments do offer stable revenues. Revenues that are set by reference to regulation, government procurement (i.e. availability based PFI / PPP projects), or through long-term contracts offer stable revenues as do other assets which are provided by a monopoly provider of services or a provider of an infrastructure asset for which there is strong demand creating a strong business profile. Revenue stability comes from the fact that infrastructure assets are generally essential businesses / services that are subject to much lower demand fluctuations through the economic cycle. Some assets carry technological risk however these risks are often mitigated through the financing structure that is implemented. Risks in project finance are transferred to the parties that are best	

	placed to take the risk. Where technological risk exists, lenders will look for guarantees and warranties from the technology provider to mitigate the risk of technical failures. It would be better to refer to the overall credit quality of the investment to measure the quantum of risk.	
Question 11	We would recommend a focus on the key principles of the Moody's Default Study explanations of why infrastructure investments are materially more robust than those in other sectors e.g. corporates and financials. This is due to the strength of the business profile, the level of financial risk and the pro-active management of the borrower relationship and strong covenant packages.	
Question 12	The key characteristics that identify infrastructure investments that are different from the standard model risk profile are: 1. A materially lower default rate for infrastructure investments compared to corporate bonds in the same rating category due to the ability to pro-actively manage the relationship with the borrower directly and also a more granular quantum of covenants and control regarding the operation of the borrower's business to manage event risk to a greater extent than is possible in corporate bonds 2. An average level of recovery for infrastructure loans that is materially higher for infrastructure loans compared to corporate bonds in the same rating category due to the positive risk management characteristics and strong business profiles present in the infrastructure sector 3. The recovery rates for infrastructure loans over the last 20 years has shown that infrastructure loan default rates are uncorrelated with the economic cycle. In contrast, for corporate debt the default rates are negatively correlated with the economic cycle and start at a significantly lower level than infrastructure default rates.	
Question 13	We would agree this is a good starting point, though their application will need to reflect the specific characteristics of "buy and hold" insurance investors.	
Question 14	Basel II provides a useful generic description of the sector. The Basel criteria for project finance and proposals for "slotting" investments according to risk would be a useful method of improving the risk capital requirements of insurers and pension funds. Basel however does not include several key risk features of infrastructure (such as those identified in the Moody's Default Study and in our response to Question 12) which are reasons why this sector is suitable for prudent investors seeking long term cashflow matching returns.	
Question 15	We believe that using broad criteria and definitions has advantages of clarity and simplicity. It also permits use of appropriate judgement by firms and regulators, and allows markets to evolve. Such a	

	definition should recognise the stability of revenues from infrastructure assets and the high levels of recovery in infrastructure debt. Basel II provides a better basis for this than Solvency II. By contrast detailed criteria are not helpful unless they refer to the overall level of risk in the transaction and are based upon appropriate risk mitigation and management methods. The experience of the complexity of implementation in the banking sector is a further powerful reason supporting a high-level approach.	
Question 16	We are not aware of any.	
Question 17	We believe that the described criteria may go too far in that some types of assets would not be captured by the current criteria that ought to be captured, subject to credit quality and the presence of risk mitigation features. We repeat our earlier argument that an overly-prescriptive approach is less effective than a principles-based approach in which investments are reviewed on the merits and risk characteristics of each individual case.	
Question 18	While the criteria described in the consultation document form helpful guidelines, we consider that an overly precise or prescriptive approach to criteria would be counterproductive and prefer a principles-based approach which has a focus on the overall credit quality of individual investments.	
Question 19	We believe that the focus should be on the presence of the key risk mitigation benefits of infrastructure investments, and on the presence of an appropriate and strong governance structure in each investment, including independent board members or trustees.	
Question 20	The following points also relate to Q.25. Appropriate sharing of risks associated with the construction and ramp-up period between the project's parties must focus on allocating risks to those best-placed to mitigate or manage them. Technical advisers opining on the construction schedule and the build of the project should provide guidance at the start of a project to show if the timetable and projected cost of the project is achievable. Use of high-quality contractors is important, and there can be value in third party guarantees of revenue for construction over-runs from corporates, public bodies and governments. In addition, performance bonds covering liquidated damages for delay and/or performance should be negotiated to mitigate the risks during construction from the EPC contractor. Clear criteria need to be established to establish technology and regulatory risk at the outset and to place these risks in a high, medium or low category.	
Question 21	These are very project-specific – we do not think it is useful to try to define universally-applicable	

	requirements.	
Question 22	Such guarantees may provide additional risk mitigation as part of an overall transaction structure, but we do not believe it would be practicable to have credit enhancements or guarantees provided by public bodies for all transactions. In fact, in some instances, we believe that the presence of credit enhancements (such as the IUK guarantee) will negatively impact the economics of the transaction and serve to crowd out the private financing of new infrastructure by insurers. The availability of risk mitigants in a project will be reflected in the credit rating that the project ultimately is assigned. Those with stronger mitigants will have a higher credit rating than those which do not. The credit worthiness of the public body must be considered in cases where guarantees must be enforced.	
Question 23	Revenue risk comes in many forms, whether it be changes between regulatory price-setting periods, retroactive changes to subsidies, a change to how the procuring authority seeks to freeze prices (i.e. French toll roads example), or revenue swings because of changes in demand for an asset and the prices that capable of being charged to the end consumer. Regulatory regimes are unlikely to cover the entire period of a project's life since projects are often long-lived and regulatory periods are usually shorter in length, say 5 to 8 years, at which point they will be reviewed. In addition, assets which receive payments based upon their availability remain subject to no changes in government policy. The proposals in the annex provide a practical solution to identify where projects would have lower revenue characteristics. These could be augmented by a) using the same test for property as for equity and b) where there are guarantees from governments, assessing their ratings and ability to meet claims. Suitable thresholds can be established by assessing if the asset should equate to a lower risk class. By back –testing where these risk changes exist (eg A bonds become AA from an expected loss perspective) the impact of lower revenues can be established. For equity/property, an equivalent to slotting can be used – eg applying a risk of 90%, 80% etc – to define the calibration of the revenue test.	
Question 24	The revenue risk of each investment should be assessed on its own merit and have appropriate sensitivity testing undertaken to assess how robust its cash flows are. While we do not suggest alternative approaches, this process would follow the principle of projecting revenue volatility and adjusting the capital charge versus equity/property proportionally. The individual assessment will	

	ultimately feed in to the credit rating that the investment is assigned.	
Question 25	See Q. 20.	
Question 26	We would not restrict the offtaker to public-sector bodies, but instead restrict according to the rating of the offtaker, which would need to be rated investment grade (BBB) and above.	
Question 27	Suitable ratios will vary from project to project. For assets which have a finite life and an amortising repayment profile, then a Debt Service Cover Ratio (“DSCR”), a Loan Life Cover Ratio (“LLCR”) and Project Life Cover Ratio (Debt Term versus Project Term) would be appropriate. For regulated assets, where pricing is set with reference to a Regulatory Capital Value (“RCV”) or Regulatory Asset Value (“RAV”) then appropriate ratios may be Net Debt to RCV or RAV; an Interest Cover Ratio may be more appropriate for these assets where repayments are expected to be bullet repayments. In other sectors, Debt to EBITDA may be an appropriate ratio to test.	
Question 28	Given the unique nature of each transaction it is very difficult to prescribe an appropriate level of base case ratio. The appropriate level of cover ratio also depends on the target credit quality of a transaction, i.e.targetting an A rating vs. a BBB rating, will change the level of appropriate rating. We believe that it more important to ensure that the transaction as a whole is robust, rather than focussing on given ratio levels.	
Question 29	Non-senior debt may be required where there is a large equity requirement in a project. The ability to raise funding for a project may be constrained by the ability to obtain an investment grade rating for senior debt. Extra funding, in the form of non-senior debt may be appropriate and assist the equity sponsor in executing the transaction. Given the proposals are to establish risk adjustments for both equity and debt, we believe eligibility should not be restricted to senior debt.	
Question 30	Refinancing risk will have an impact upon a project’s credit rating and it is important to minimise refinancing risk to the extent this is possible. This is also true to an extent with corporate debt. While limited refinancing risk is a criterion that could potentially be used, because it is considered in the overall credit rating, we think additional standalone criteria are unnecessary.	
Question 31	Currently, for assets to be eligible for matching adjustments, there must not be the risk of prepayment associated with a transaction, i.e. a transaction must either be non-call or have a make-whole in the event of a prepayment. This is a key differentiator between lending by insurers vs. lending from banks. The real issue for long-term insurers is the terms of the prepayment, rather than prepayment per se.	

	If prepayment is a negative criterion in itself, it reduces the capacity of insurers to provide investment into this market: requesting a make-whole in a transaction is often unpalatable to a borrower seeking to retain some flexibility in their financing arrangements. We would therefore argue against treating prepayment as a standalone criterion.	
Question 32	Technology is an important risk indicator and use of proven technology reduces the risk of a project. The majority of transactions do use technology that is proven, however there are instances where a relatively unproven technology is used. Where unproven technology is used in a project, this would again be captured in the overall credit rating assigned to a project. It may be that completion guarantees are required from the contractor providing the technology or warranties or other kinds of compensation mechanisms to mitigate the risk. We believe that new technologies should not be penalised per se in a transaction, but rather the risk should be appropriately mitigated through the structuring.	
Question 33	Incorporating qualitative criteria – including governance strengths/weaknesses in investment projects - is difficult to achieve without being overly prescriptive. However, important qualitative criteria which we would expect to be picked-up through ECAI or internal rating processes would include: Higher stability of cashflow due to strong business profile.Visible, predictable cash flows over the medium to long term either through contracts with highly rated counterparts, or through economic regulation help to reduce rating volatility, as it is possible through long term detailed cashflow analysis to better understand the nature of the risk and its sensitivity to stress. Protection from event risk. Illiquid infrastructure documentation is typically set to control the amount of additional debt the company can borrow, control any changes to the business and any financial underperformance is highlighted early through financial covenants which are set to trigger when there is still cash within the company. Distribution lock ups .These are protective performance based covenants which trap cash for future	

	debt service payments and maintenance payments. These provide the company with liquidity and smooth the cash flow profile over the life of the debt. Detailed due diligence from independent advisors with a duty of care to the lenders . Detailed due diligence from expert advisers on matters affecting the project / company such as technical, market / regulation, legal. These reports provide lenders with a comprehensive view of the risks involved in the transaction which allows the transaction to be appropriately structured to minimise / mitigate the risks. Detailed forward looking forecasts. Detailed financial model with forecast cash flows, annual budget updates and access to management. Access to this information is key to monitoring the transaction and provides early indications of downturns in the business. This is a key element in providing early warning of issues and enabling lenders to have direct contact with the borrower about issues of concern. This often means that these can be resolved to the benefit of all involved. Direct borrower relationship. Given the extent of the reporting available in illiquid infrastructure investments this permits direct discussion with issuers regarding areas of poorer than expected performance and the restrictions in place will require the borrower to ask for approval in certain circumstances so that lenders can discuss and negotiate any requested changes.	
Question 34	We have no additional suggestions beyond those covered in the Consultation Paper.	
Question 35	These comments refer also to Q.37 We would suggest an “adjusted beta” approach for infrastructure. Based on the risk factors discussed above, where the idiosyncratic risks of an investment are lower than the standard model, the risk charge would be adjusted pro-rata.	
Question 36	This data may be available from the banking sector, as the historical providers of finance.	
Question 37	The “adjusted beta” approach provides a potential mechanism. Whilst not fully reflecting the risks, for direct investments the valuations are provided by expert, independent auditors based on similar data.	
Question 38	A small number of investments exist which perform a similar function for projects to that performed	

	by REITs for property. We do not have quantitative data on the relative risks.	
Question 39	We cannot provide additional data to that which is already in the public domain.	
Question 40	Need BB input on difference between type 1 and type 2	
Question 41	This evidence would typically be established by back-testing against the FTSE. We are not aware of pre-existing data on this point.	
Question 42	Since project bonds tend not to be heavily traded, providing spreads is difficult.	
Question 43	Again, since infrastructure debt tends to be held to maturity, rather than traded, evidencing the spreads against corporate bonds will be difficult.	
Question 44	Its use as a proxy is limited: we would expect corporate infrastructure debt to be less volatile than other corporate debt, however any corporate bonds are subject to market movements which do not necessarily relate to the underlying credit risks of the transaction.	
Question 45	The current method is flawed because it does not take account of the difference in risk between the comparator bond and the infrastructure investment it is being compared to. We have used the Moody's studies on global defaults and defaults in Project Finance as the basis for our calculation below. We believe this offers a more sophisticated method of calculating the illiquidity premium and provides a more realistic comparison of the true benefits of investing in illiquid, private debt. Their methodology is as follows: 1. First, calculate the expected loss per annum of the corporate bond. This is achieved by multiplying the cumulative probability of default ("CPD") by the loss given default ("LGD"), which is then divided by the average life of the bond in years. Both CPD and LGD are taken from Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920 – 2013. 2. Secondly, the expected loss per annum, calculated in step 1, is subtracted from the z-spread of the bond. 3. Steps 1 and 2 are then repeated for the infrastructure loan. However, instead of using the Corporate Default and Recovery Rates, we use those for the Project Finance Bank loans, and	

	specifically for infrastructure (which have lower LGD and lower CPD). This method for calculating the illiquidity premia on illiquid infrastructure transactions takes into account the lower expected defaults on private infrastructure lending, and the high likelihood of recovery in the event of a default, and is therefore far more useful than the current approach.	
Question 46	Infrastructure investors generally have a preference to hold infrastructure investments to maturity. Where infrastructure assets are being held against technical reserves, the predisposition of insurers to hold investments to maturity will be determined in large part by the classification of the liquidity of the relevant matching liabilities. If insurers can be assisted to be more competitive in providing long term debt to borrowers rather than the banks offering shorter term debt, this will help to ensure more debt is structured to be long term without refinancing risks.	
Question 47	While the risk profile of infrastructure debt investments differs from that of SME loans, we would argue that SME loans could be subject to an adjustment factor due to the level of covenant protection. We see limited scope however for broadening this approach beyond infrastructure and SME lending.	
Question 48	The main rationale for including infrastructure debt in the counterparty module is that the key issue is not the realisation value of the asset before maturity, but the risk of default. This of course only applies to funds where the investments can be held to maturity with certainty (eg annuity funds).	
Question 49	We are unable to see a straightforward way to incorporate this in the counterparty risk module. As a general principle this should be done consistently with other counterparty risk where probability of loss is deducted from expected returns over the investment period.	
Question 50	We do not believe this would reflect the risk profile. In particular, there is no allowance in the counterparty risk module for the duration/outstanding term of the exposure.	
Question 51	Insurers who have had their internal credit assessment methodologies assessed and approved by their regulator should be permitted to use their own internal ratings. This should provide sufficient comfort that quality is maintained.	
Question 52	Experience in the infrastructure sector should be a key area for consideration. It is a generalisation to assume that all insurers have little experience, or that they may acquire relevant skills from the banking or private equity sectors. We would support a competence test. This should not however be	

	over-prescriptive around procedure, as we would anticipate experienced firms would install appropriate procedures as part of their local regulatory oversight.	
Question 53	Good practice in project financing includes the provision by the sponsor of a fully functioning financial model which is capable of being manipulated by the lender for stress-testing.	
Question 54	There is no industry standard, as such, because each transaction is unique so cannot be covered by a standard model. However, project financing will require a financial model to be audited as a condition precedent to financial close.	
Question 55	In a privately negotiated project, it is not standard to receive a prospectus. However, it is likely that a lender would receive, inter alia, an information memorandum, due diligence reports from technical, legal, insurance, market /regulatory advisers. On an on-going basis, lenders would typically receive financial reporting on a [6]-monthly basis which covers key information on P&L, balance sheet and cash flow along with a compliance certificate showing the financial ratio tests for the period. Typically, lenders would also receive a budget forecast on a yearly basis. During construction, lenders would typically receive on-going monitoring reports from the technical adviser providing information on construction progress highlighting any concerns that they have.	
Question 56	The costs and benefits of such an approach cannot be quantified. Each transaction is unique and as such means that certain information will be relevant for certain transactions and not so relevant to others. Any approach to this needs to balance what is useful for risk assessment without providing spurious information. Aside from on-going financial reporting, lenders will typically have access to management on an ad-hoc basis to raise any questions or concerns about an asset. It is unlikely that a prescriptive list of information requirements would reduce the risk of an investment.	
Question 57	Yes, for public bonds, not for privately negotiated transactions.	
Question 58	We believe that it is most cost effective to determine the information requirements on a deal by deal basis for privately negotiated transactions. Appropriate information and reporting is in the investor's interest and can form a part of the overall (internal) rating process. Having a defined list of information requirements may not be appropriate for some transactions, whilst other transactions may benefit from the provision of other information that is not captured by the list.	
Question 59	We do not believe that infrastructure investments require standardisation, or would benefit from it. Each project is unique and has its own contractual arrangements. Given the variety of legal	

	jurisdictions across Europe, standardisation may not even be practically workable. It would risk placing a narrow definition around sectors and projects and would make insurers less appealing to borrowers as the lending will become rigid and unable to cope with the flexibility the borrower requires. The resulting effect will be that infrastructure lending will be pushed back to the banks who are able to take a more flexible approach to project financing, or, in certain circumstances, may mean that the overall level of infrastructure investment declines.	
Question 60	As noted previously, insurers who are using infrastructure as a means of matching assets with liabilities are not likely to require liquidity. Standardisation of the provision of information or contracts will not necessarily increase the liquidity of an investment, as this will depend on many other characteristics including deal size, and risk profile.	