



EUROPEAN COMMISSION

Directorate General Financial Stability, Financial Services and Capital Markets Union
Regulation and prudential supervision of financial institutions

Director General

Brussels, **01 FEB. 2019**
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EIOPA
Mr. Gabriel Bernardino
Chair
Westhafen Tower
Westhafenplatz 1
60327 Frankfurt, GERMANY

Subject: Your letter of 10 December 2018 on the review of the Solvency II implementing measures

Dear Mr. Bernardino,

Dear Gabriel

Thank you for your letter of 10 December 2018 on the public consultation concerning the draft delegated act on the review of the Solvency II implementing measures.

In your letter, you refer to the Commission's decision not to take up EIOPA's advice on the calibration for the interest rate risk module at this stage. I would like to reiterate that the Commission acknowledges the necessity to address certain shortcomings in the current calibration and welcomes EIOPA's advice as a contribution to the understanding of those shortcomings. In terms of timing, we favour, however, revisiting the topic during the 2020 review of the Directive where also other elements affecting insurers' exposure to interest rates will be reviewed.

On long-term equity investments, you advise that the Commission should wait for a comprehensive analysis to be conducted by EIOPA before taking action. In this context, I would like to mention that we will provide a Commission Staff Working Document to be published together with the final act. In that document, we will explain the economic rationale for the calibration and criteria as well as explain the potential impact. We continue to consider the ongoing EIOPA work on illiquid liabilities as highly valuable and it will serve to support future policy debates on asset categories other than equity as well as potentially inform improvements to the criteria to long-term equity to be adopted under the current review.

Furthermore, I take note of your concerns regarding the amendments to the provisions on deriving risk-free interest rates, in particular concerning changes to the relevant methodology. I would like to clarify that the amendments represent clarifications of the procedure and do in no way rule out the possibility of changes to the methodology where changes in the market data necessitate them. The Commission services are committed to ensuring that Solvency II remains a risk-based prudential framework. To this end, we stand ready to provide any clarifications to EIOPA staff and will act to ensure that any practical issues are duly addressed.

Finally, I would like to thank EIOPA for its extensive technical advice as well as other contributions during the review process.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Olivier Guersent', with a stylized, cursive script.

Olivier GUERSENT

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