

DBG comments on the EC's Solvency II Delegated Act proposal

Deutsche Börse Group (DBG) welcomes the opportunity to provide feedback to the European Commission's proposed amendments to the Solvency II Delegated Act. The insurance sector, one of the largest institutional investors, is a key participant in EU financial markets. Hence, we welcome the proposed targeted incentives for long-term equity investment and voluntary clearing activities by (re-)insurance companies and believe that they will be an important contribution to the Savings and Investments Union (SIU). Notably, if the Commission takes into account the following comments:

We support the new conditions and methodology set out in Articles 171 a-c to benefit from preferential treatment. It is also helpful and appreciated that EuSEF funds, EuVECA funds, ELTIFs, and closed-ended AIFs with no leverage should be considered as funds with a lower risk profile when identifying long-term equity investments as per Article 171d. Finally, we support the alignment between Solvency II and the CRR when it comes to ensuring consistency between banking and insurance regulations' legislative programs. Overall, the proposed amendments would provide (re-)insurance companies with more flexibility to increase their exposures in long-term equity investments. Notwithstanding, to further boost equity investments and mobilize more capital which will be needed to support the ambitious plans around the SIU, targeted economic incentives should be considered, too. With a view to promoting equity exposure in pension funds and an increased number of IORPs in particular, we would like to encourage the Commission to review the IORP II Directive and adjust the investment rules, e.g., by introducing a minimum investment ratio for equities; measures and standardized products to increase the number of IORPs in Europe such as a "European 401(k) plan" or a single Pan-EU IORP with DC models, tax benefits, and an easy and cross-border access; and promoting growth of IORPs by professionalized portfolio management, harmonized solvency requirements and suitable platforms. Details can be found in the annex.

Further, we appreciate that the Commission recognizes the impact of innovative CCP access models which were designed to the needs of the buy-side to facilitate broader access to clearing and support EU markets' diversification and liquidity. To benefit from increased clearing capacity, operational resilience, and mitigation of counterparty credit risk, several (re-)insurance companies already use those models to clear their derivatives and SFT business. Compared to the traditional client clearing relationship, under those models (re-)insurance companies build direct exposure towards the CCP. However, Solvency II so far only recognizes indirect CCP exposure, because at the time of its adoption no one anticipated insurers' growing demand to access CCPs directly. As a result, the insurance sector faces unfavorable capital treatment when accessing CCPs directly, disincentivizing them to build direct CCP exposure and preventing the efficiencies of their CCP membership to materialize. We hence strongly welcome that the Commission follows EIOPA's advice to not penalize (re-)insurance companies anymore by aligning the capital treatment of indirect and direct CCP exposure for derivatives. We also appreciate the proposed re-classification of SFTs as type 1 exposure to prevent too conservative capital requirements. However, we would like to flag that the respective amendment forgot to cover reverse repurchase transactions and urge the Commission to correct this. Last but not least, we welcome as well that the Commission wants to assess together with EIOPA how the benefits of centrally cleared SFTs can be recognized. We hope that on that basis, the preferential capital treatment for derivatives will be extended to SFTs, too.

We trust that our comments are considered useful and remain at the disposal of the Commission for any questions or further information.