



Regulatory Radar

Regulatory Newsletter, Issue 22, March 2010

Newsletter on banking and financial regulation

In this issue

Editorial

Financial services industry

Credit institutions and investment firms

Investment products and asset management

Insurance, reinsurance and pensions

EASY PRINT VERSION

Visit our [website](#)

Simultaneously with some first signs that economies across the world may have turned the corner, and may have started the climb to recovery, other news items are on the contrary indicating that the crisis is entering a new phase. First, there is the financial situation of Greece that puts a strain on the entire Euro-zone. After having served as confidence back-stop facility for the banks during the financial crisis, the spotlight is now clearly on the pressure all this government intervention has put on public finances everywhere. Secondly, there was the Goldman Sachs case, in which the leading investment bank was accused of not complying with certain disclosure requirements related to the role of different parties in a CDO structuring operation. Whatever the merits of the case, the accusation of this Wall Street icon brings new momentum to the reformer's case in the US legislative chambers.

Despite all academic research and crisis post-mortem analyses, designing new regulation is still a complex exercise where ideas from different sides of the professional spectrum interact and influence each other. And given the scale of the recent crisis and the massive bailouts, the public opinion and its political leaders are now an important third force, next to the professional rule setters and the industry itself.

The balance of power between all these forces can sometimes lead to surprises. For instance, in the Draft Technical Guidelines for the 5th Quantitative Impact Study of Solvency II (QIS5) that was released last week, a liquidity spread over and above the risk free interest rates was foreseen in the standard yield curves. This represents a 180° change of direction relative to earlier publications by CEIOPS in 2009, although in a recent document they grudgingly presented the industry's arguments concerning the need for such a spread.

For some, such "victories" for the industry, are evidence that the cash-rich financial institutions can mount lobbying campaigns through which they can almost dictate the texts as they are being written. We think

that the situation is not so bad, far from that. Whenever members of our editorial board have the occasion to meet with regulators on either the national or the European level, we are struck by the drive to design regulation that is good for society (and hence the role of financial institutions in the economy) and its citizens, and that is taking into account the most recent intellectual insights in the domain under consideration. However, one should not forget that most, if not all, choices to be made when designing regulation are not black and white, but that they always involve an amount of judgment. It is within the realm of this room for judgment that mutual influencing may rightly take place. Only when the balance of power is dramatically broken, e.g. by dogmatic rule setters, or by too influential financial institutions, or, indeed by a populist political agenda, we really should start worrying about the new regulation's design.

In March, interesting publications have been issued on topics such financial supervision, capital requirements and remuneration policies in financial institutions, liquidity cost benefit allocation, corporate governance, stress testing in the banking and insurance sector, regulation in derivative markets, short selling, MiFID and Solvency II.

We hope you enjoy the reading.

The Editorial Board.



Financial Services Industry

Normative documents

Official Journal of the European Union (OJ)

AML/CFT

During March the following documents related to AML/CFT have been published in OJ:

- ⇒ [Council Decision 2010/186/CFSP of 29/03/2010 amending Common Position 2009/788/CFSP concerning restrictive measures against the Republic of Guinea in OJ L83 of 30/03/2010;](#)
- ⇒ [Opinion of the European Data Protection Supervisor on various legislative proposals imposing certain specific restrictive measures in respect of Somalia, Zimbabwe, the Democratic Republic of Korea and Guinea \(2010/C 73/01\) in OJ C 73 of 23/03/2010;](#)
- ⇒ [Commission Regulation EU 207/2010 of 10/03/2010 amending for the 121st time Council Regulation EC 881/2002 imposing certain specific restrictive measures directed against certain persons and](#)

entities associated with Usama bin Laden, the Al-Qaida network and the Taliban in OJ L 63 of 12/03/2010;

- ➔ Rectificatif au règlement CE 2580/2001 du Conseil du 27/12/2001 concernant l'adoption de mesures restrictives spécifiques à l'encontre de certaines personnes et entités dans le cadre de la lutte contre le terrorisme in OJ L 52 of 03/03/2010 (French only at this stage);
- ➔ Commission Regulation EU 173/2010 of 25/02/2010 amending Council Regulation EC 314/2004 concerning certain restrictive measures in respect of Zimbabwe in OJ L 51 of 02/03/2010.

IFRS

In OJ L 77 of 24 March have been published the following documents on IFRS:

- ➔ Commission Regulation EU 244/2010 of 23/03/2010 amending Regulation EC 1126/2008 adopting certain international accounting standards in accordance with Regulation EC 1606/2002 as regards IFRS 2;
- ➔ Commission Regulation 243/2010 of 23/03/2010 amending Regulation EC 1126/2008 adopting certain international accounting standards in accordance with Regulation EC 1606/2002 as regards Improvements to IFRSs.

External Credit Assessment Institutions (ECAI)

- ➔ Guideline of the European Central Bank of 4/03/2010 amending Guideline ECB/2000/7 on monetary policy instruments and procedures of the Eurosystem (ECB/2010/1) (2010/154/EU) has been published in OJ L 63 of 12/03/2010.

Official Journal of Belgium

AML

On 10 March, the Official Journal of Belgium published to ➔[royal decree](#) for the approval of the rules set out by the CBFA for the prevention of money laundering and the financing of terrorism.

Consultative or informative documents

Banking, Finance and Insurance Commission (CBFA)

Periodic reporting by payment institutions

On 31 March, the CBFA has launched an open consultation (in ➔[French](#) and in ➔[Dutch](#)) on the draft circular on periodic reporting by payment institutions.

Basel Committee

Good Practice Principles on Supervisory Colleges

In a [press release](#) of March 30th, the Basel Committee announced the publication of its consultative paper entitled ["Good practice principles on Supervisory Colleges"](#). Comments on the report should be submitted by **30 June 2010**.

Bank for International Settlements (BIS)

BIS quarterly report

In a [press release](#) of 1 March, the BIS announced the publication of its latest [quarterly report](#) which gives an overview of recent developments in financial markets. It attributes the fall in asset prices between mid-January and mid-February to, among other factors, the unevenness of the global economic recovery and concerns about sovereign credit risk in the light of large fiscal deficits.

Report on role of margin requirements and haircuts in procyclicality

In a [press release](#) of 23 March, the BIS announced the publication, by its Committee on the Global Financial System, of a report entitled ["The role of margin requirements and haircuts in procyclicality"](#). The report recommends several enhancements to market practices to dampen the build-up of leverage in good times and soften the system-wide effects during a market downturn. Complementing those options, it also recommends considering measures that involve countercyclical variations in margins and haircuts, and enforcing higher and relatively stable through-the-cycle haircuts for securities financing transactions.

Report on lessons distilled from funding market disruptions

In a [press release](#) of 25 March, the BIS announced the publication, by its Committee on the Global Financial System, of a report entitled ["The functioning and resilience of cross-border funding markets"](#).

Committee of European Securities Regulators (CESR)

Regulation on credit rating agencies

In a [press release](#) of 8 March, the CESR has published today a [FAQ document](#) summing up questions received and, at the same time, providing commonly agreed answers by CESR Members to the EU Regulation on Credit Rating Agencies (CRA).

Council of the European Union

European Authorities

On 28 March, the Council published [European Central](#)

Bank Opinion of 18/03/2010 on a proposal for a Directive of the European Parliament and of the Council amending Directives 1998/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC, 2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC, and 2009/65/EC in respect of the powers of the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority (CON/2010/23).

Eurofinas

Consumer credit market

In a [press release](#) of 15 March, Eurofinas has announced an improvement in the European consumer credit market figures for Q4 2009.

Responsible lending and borrowing

In March 2010, Eurofinas has published its second [position paper](#) on responsible lending and borrowing. In this paper Eurofinas wishes to reiterate its position and clarify key issues for the consumer credit industry.

European Parliament

Economic Reform and Stability

On 2 March, the European Parliament published its press release [Economic reform and stability for a new economy: The European Parliament's work](#). This press kit summarises the European Parliament's activities aimed at tackling the financial crisis and stabilising the economy. It also looks forward to Parliament's stance on the EU2020 strategy. Finally it contains information about work being done in Parliament to analyse the sources of the crisis and make proposals for the future.

Financial Transaction Tax

On 10 March, the European Parliament published its press release [What shape for a financial transaction tax?](#) Plans should be developed for a global tax to discourage excessive risk-taking by financial institutions and ensure that the financial industry pays for the damage caused by the financial crisis.

Reshaping Europe's economy and the global financial system

On 17 March, the European Parliament published its press release [Reshaping Europe's economy and the global financial system](#) on the debate of 16-17 March on financial regulation, revitalisation of the EU economy and the world's new financial architecture.

Financial Supervision

On 17 March, the European Parliament updated the procedure file on [Financial supervision: powers of the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority \(amend. Directives 1998/26/EC, 2002/87/EC, 2003/6/EC, 2003/41/EC,](#)

2003/71/EC, 2004/39/EC, 2004/109/EC, 2005/60/EC, 2006/48/EC, 2006/49/EC, and 2009/65/EC) (Procedure Reference COD/2009/0161). The purpose of this proposal for a directive is to complement the package of proposals on financial supervision presented by the Commission on 23 September 2009, with a view to strengthening financial supervision in Europe.

World Governance

On 30 March, the European Parliament published its press release [Out of the crisis: a "real" economy and world governance system](#) on the sixth public hearing held by Parliament's Special Committee on the Financial, Economic and Social Crisis on 25 March. World governance was the focus of this public hearing. Debate centred on the origins of the current crisis, measures to take, notably as regards taxing financial transactions and the problem of tax evasion, and the impact of the crisis on emerging countries.

Financial Stability Board (FSB)

International financial standards

In a [press release](#) of 9 March, the Financial Stability Board launched an [initiative](#) to encourage the adherence of all countries and jurisdictions to international financial standards, including by identifying non-cooperative jurisdictions and assisting them to improve their adherence

Peer review on compensation

In a [press release](#) of 30 March, the Financial Stability Board released today the [thematic review on compensation](#), which is the first peer review under the new FSB Framework for Strengthening Adherence to International Standards. The FSB also [announced](#) future peer reviews

International Monetary Fund (IMF)

FX Swaps

On 8 March, IMF published its [Working Paper 10/55 FX Swaps: Implications for Financial and Economic Stability](#). The proliferation of foreign exchange (FX) swaps as a source of funding and as a hedging tool has focused attention on the role of the FX swap market in the recent crisis. The turbulence in international money markets spilled over into the FX swap market in the second-half of 2007 and into 2008, giving rise to concerns over the ability of banks to roll over their funding requirements and manage their liquidity risk. The turmoil also raised questions about banks' ability to continue their supply of credit to the local economy, as well as the external financing gap it could create. In this paper, IMF examined the channels through which FX swap transactions could affect a country's financial and economic stability, and highlighted the strategies central banks can employ to mitigate market pressures. While not offering any judgment on the instrument itself, it shows that the use of FX swaps for funding and hedging purposes is not

infallible, especially during periods of market stress.

Broadening Financial Indicators in the Special Data Dissemination Standard

On 23 March, IMF published its report [↪ Broadening Financial Indicators in the Special Data Dissemination Standard](#). In December 2008, the IMF Executive Board discussed the Seventh Review of Data Standards Initiatives, and Directors requested staff to return to the Board within about a year with a proposal for the inclusion of selected financial indicators in the Special Data Dissemination Standard (SDDS). The proposal comprises the following points: (1) include seven financial soundness indicators into the SDDS on an encouraged basis; (2) incorporate international investment position data with quarterly periodicity and timeliness as an SDDS prescription; (3) add a simplified table on external debt by remaining maturity on an encouraged basis; and (4) accelerate the Eighth Review of the Data Standards Initiatives to 18–24 months from the date of the Board discussion. Read the [↪ press release](#).

Financial Action Task Force (FATF)

Interim follow-up report to the Mutual Evaluation of Greece

On 4 March, the FATF has released an [↪ interim follow-up report](#), setting out progress made since the report of the third mutual evaluation of Greece, which was published in June 2007. Since the publication of the mutual evaluation report, Greece has provided the FATF Plenary with progress reports on a regular basis. Read the [↪ press release](#).

Mutual Evaluation of Germany

On 22 March, the FATF published its [↪ Mutual Evaluation Report of Germany](#). The assessment of the implementation of anti-money laundering and counter-terrorist financing (AML/CFT) standards in Germany was conducted by an IMF team of assessors. Read the [↪ executive summary](#) published on 22 February and the [↪ press release](#).

Mutual Evaluation of Luxembourg

On 22 March, the FATF published its [↪ Mutual Evaluation Report of Luxembourg](#) (in French only at this stage). The FATF has conducted an assessment of the implementation of AML/CFT standards in Luxembourg. Read the [↪ executive summary](#) published on 23 February and the [↪ press release](#).

Money Laundering Vulnerabilities of Free Trade Zones

On 26 March, the FATF published the report [↪ Money Laundering vulnerabilities of Free Trade Zones](#). Free trade zones offer many incentives and benefits to the companies that operate within it. But, the characteristics that makes free trade zones beneficial for legitimate businesses, also makes them highly attractive for illicit actors who take advantage of a more relaxed oversight to launder the proceeds of crime and finance terrorism. This

FATF report highlights the vulnerabilities of free trade zones. Read the [press release](#).

European Investment Bank (EIB)

Joint IFI Action Plan - one year on

In a [press release](#) on 1 March, the European Investment Bank reports after the one year cooperation between EIB's institutions – the European Bank for Development and Reconstruction, the European Investment Bank Group, and the World Bank Group. They launched a Joint IFI Action Plan in support of banking systems and lending to the real economy in Central and Eastern Europe a year ago, on February 27, 2009. The objective was to support banking sector stability and lending to the real economy in crisis-hit Central and Eastern Europe. They put together a financing plan of up to EUR 24.5 billion for 2009-2010 and committed to deploy rapid assistance in a coordinated manner, according to each institution's policy and product remit.

European Savings Banks Group (ESBG)

Shareholding Notifications

On 31 March, ESBG [responded to CESR proposal to extend major shareholding notifications to instruments of similar economic effect to holding shares and entitlements to acquire shares](#).

European Commission

Infringement proceedings

In a [press release](#) on 18 March, the European commission communicates that action has been taken against a total of 12 Member States. Greece, the Netherlands, Poland and Portugal will be referred to the Court of Justice over legislation on prudential assessment of acquisitions in the financial sector, as will Poland over legislation on pension funds. The Commission will send reasoned opinions to Belgium, Cyprus, Greece, Spain, France, Luxembourg, the Netherlands, Portugal and Sweden over non-implementation of the Shareholders' Rights Directive. Ireland and Spain will be asked in a letter of formal notice for full information on their implementation of the third anti-money laundering Directive following a previous Court judgment on the matter, as will Austria and France in relation to the Professional Qualifications Directive.

[» Back to top](#)



Credit institutions and investment firms

Consultative or informative documents

International Monetary Fund (IMF)

Crisis Management and Resolution for a European Banking System

On 19 March, IMF published its [Working Paper 10/70 Crisis Management and Resolution for a European Banking System](#). This paper proposes an integrated crisis management and resolution framework for the EU's single banking market. It comprises a European Resolution Authority (ERA), armed with the mandate and the tools to deal cost-effectively with failing systemic cross-border banks, and is designed to address many fundamental operational and incentive problems. It also seeks to reduce moral hazard and better protect countries against the risk of twin fiscal-financial crises by detaching banks from government budgets. The ERA would be most effective if it were twinned or combined with a European Deposit Insurance and Resolution Fund.

European Parliament

Financial Institutions: Capital requirements and remuneration policies

On 4 March, the European Parliament updated the procedure file on [Financial institutions: capital requirements for the trading book and for re-securitisations; supervisory review of remuneration policies \(amend. Directives 2006/48/EC and 2006/49/EC\)](#) (Procedure Reference COD/2009/0099). At this date the European Parliament published its [draft report](#).

Cross-Border Crisis Management in the Banking Sector

On 30 March, the European Parliament updated the procedure file on [Cross-Border Crisis Management in the Banking Sector](#) (Procedure Reference INI/2010/2006). The purpose of this non-legislative initial document is to open consultations on the necessary measures for the creation of an EU Framework for Cross-Border Crisis Management in the Banking Sector. At this date the [draft report](#) has been published.

Committee of European Banking Supervisors (CEBS)

Draft revised guidelines on the recognition of ECAIs

In a [press release](#) of 11 March, the CEBS announced the publication of its [consultation paper on the review of its Guidelines on the recognition of External Credit Assessment Institutions \(ECAIs\)](#) of 20 January 2006. The consultation is open to all interested parties, including supervised institutions and other market participants. Comments on the consultative document had to be submitted by **9 April 2010** (*the public consultation period has been reduced to one month given that the Guidelines have been previously submitted to a full consultation period and are only subject to limited amendments*).

Draft implementation guidelines on Article 106(2) (c) and (d) of Directive 2006/48/EC

In a [press release](#) of 11 March, the CEBS announced the publication of its [draft implementation guidelines on Article 106\(2\) \(c\) and \(d\) of Directive 2006/48/EC](#) as amended by Directive 2009/111/EC. The consultation is open to all interested parties, including supervised institutions and other market participants. Comments on the consultative document should be submitted by 6 May 2010.

Draft guidelines on liquidity cost benefit allocation

In a [press release](#) of 10 March, the CEBS announced the publication of its [consultation paper on draft guidelines on liquidity cost benefit allocation](#). The consultation is open to all interested parties, including supervised institutions and other market participants. Comments on the consultative document should be submitted by **10 June 2010**.

Basel Committee

Principles for enhancing corporate governance

In a [press release](#) of 16 March, the Basel Committee announced the publication of a consultative document entitled ["Principles for enhancing corporate governance"](#). Comments on the consultative document should be submitted by **15 June 2010**.

Recommendations for strengthening cross-border bank resolution frameworks

In a [press release](#) of 18 March, the Basel Committee announced the publication of its final [report and recommendations of the Cross-border Bank Resolution Group](#). The report, which was first issued for consultation in September 2009, sets out 10 recommendations that fall into three categories:

- Strengthening national resolution powers and their cross-border implementation;
- Firm-specific contingency planning;
- Reducing contagion.

European Association of Co-operative Banks (EACB)

E-invoicing

On 5 March, the EACB published its [comments on the final report of the Expert Group on E-invoicing](#). The report reviewed the present e-invoicing environment, identified ways to create an environment that would be more favourable to the general acceptance and use of e-invoicing in Europe and gave heed to the aspect of communication and advocacy.

European Banking Industry Committee (EBIC)

Principles on bank account switching

On 2 March, EBIC has published a [report](#) on the implementation of the EBIC common principles on bank account switching. The report aims to provide an overview of certain aspects of national adaptation and provides some additional and explanatory information.

Data collection for prices of current accounts provided to consumers

On 16 March, EBIC has published a [letter](#) to the European Commissioner for Health and Consumer Policy John Dalli commenting on the methodology of the study on data collection for prices of current accounts provided to consumers, conducted, on behalf of the European Commission, by Van Dijk Management Consulting in cooperation with CEPS.

European Mortgage Federation (EMF)

EMF Methodological Note and Survey on Non-Performing Loans

This [study](#), published on March 9th, serves as an update to the 2003 study on definitions of Non-Performing Loans (NPLs) in EU Member States and provides statistical data on the evolution of NPL indicators in individual countries, taking into account national differences and focusing on country-specific analysis.

Annual Report EMF

The European Mortgage Federation issued her [annual report over 2009](#) on 25 March. It contains information over EMF's activities last year:

- Strategy and Policy Issues
- External Relations
- Research & Publications

European Savings Banks Group (ESBG)

Stress Testing

On 31 March, ESBG [responded to CEBS Consultation paper on draft revised guidelines on stress testing \(CP 32\)](#).

Implementation Guidelines regarding instruments referred to in Article 57(a) of Capital Requirement Directive 2006/48/EC

On 31 March, ESBG [responded to CEBS Consultation paper on Implementation Guidelines regarding instruments referred to in Article 57\(a\) of Directive 2006/48/EC recast \(CP 33\)](#).

European Commission

ECB info-letter

On 30 March the European commission published a European Banking Committee Info-letter with extra information on supervisory issues and regulatory developments. More information on the topics covered in

this information letter can be found [↻ here](#).

[» Back to top](#)



Investment products and asset management

Consultative or informative documents

International Capital Market Association (ICMA)

Strong recovery in European Repo Market

On 18 March, ICMA published its [↻European Repo Market Survey December 2009](#). Read the [↻press release](#).

Financial Law Institute

Short Selling

In March 2010, the Financial Law Institute has published a [↻working paper](#) (in Dutch) regarding short selling. The article provides a general definition of naked and covered short selling and assesses the impact of short selling on the settlement procedures, efficient price discovery and market liquidity. Subsequently the Belgian emergency measures concerning short selling, which were introduced by the Royal Decree of 23 September 2008, are thoroughly examined.

European Parliament

Regulating the Derivatives Markets

On 9 March, the European Parliament published its press release [↻Regulating the derivatives markets](#). The Economic Affairs Committee discussed the first draft of a resolution on policy measures aimed at ensuring safer derivatives markets. Members of European Parliament placed a strong emphasis on how to deal with credit default swaps (CDS).

Derivatives Markets

On 17 March, the European Parliament updated the procedure file on [↻Derivatives markets: future policy actions](#) (Procedure Reference INI/2010/2008). The purpose of this non-legislative initial document is to set out future actions to strengthen the safety of derivatives markets.

Securities: offer to the public and harmonisation of transparency requirements

On 26 March, the European Parliament updated the procedure file on [↻Securities: offer to the public and harmonisation of transparency requirements \(amend. Directives 2003/71/EC and 2004/109/EC\)](#) (Procedure Reference COD/2009/0132). The purpose of this proposal for a directive is to amend Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the

harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market.

Committee of European Securities Regulators (CESR)

Short selling

In a [press release](#) of 2 March, the CESR has submitted a technical advice to the European Institutions (Ref. CESR/10-088), CESR recommends the introduction of a pan-European disclosure regime for net short positions in shares. The [report](#) published is accompanied by a [feedback statement](#).

MiFID pre-trade transparency waivers

In a [press release](#) of 9 March, the CESR has published an update on the assessment of the proposals for MiFID pre-trade transparency waivers. The MiFID compliance of these functionalities has been assessed at CESR level on the basis of the new joint process that CESR launched in February 2009. The [table](#) (Ref. CESR/09-324) includes information on a new assessments made at CESR level regarding an application for a waiver to be granted on the basis of the MiFID Implementing Regulation that CESR considered not to be compliant with MiFID.

Banking, Finance and Insurance Commission (CBFA)

IFRS enforcement

On 10 March, the CBFA published [decisions](#) by supervisors regarding enforcement of IFRSs. CESR has developed a confidential database of enforcement decisions taken by individual EECs members as a source of information to foster appropriate application of IFRS. In response to comments from the public, CESR committed itself to publishing extracts from the database to provide issuers and users of financial statements with similar assistance. Publication of enforcement decisions will inform market participants of the accounting treatments that EU National Enforcers consider as compliant with IFRS.

European Association of Co-operative Banks (EACB)

MiFID

On 8 March, the EACB published its [comments on the discussion paper of the European Commission for the MiFID workshop on "best execution"](#).

European Fund and Asset Management Association (EFAMA)

International Quarterly Statistics

On 1 March, EFAMA published its [Quarterly Statistical Release Q4 2009 and results for the full year 2009](#). Read the [highlights](#).

European Investment Fund Data

On 11 March, EFAMA published its [☞ January Monthly Industry Fact Sheet](#). Read the [☞ highlights](#).

Long-term Savings

On 22 March, EFAMA published its [☞ report Revisiting the landscape of European long-term savings – A call for action from the asset management industry](#). In this report 23 Chief Executive Officers or equivalent individuals from some of the largest European asset management firms, pension funds, investment consultancies and investor associations, have set out their vision of what is required in practical steps to address the long-term savings challenge facing Europe, achieve transparent, efficient pan-European distribution of retail financial products and improve business practices and investor education. The report outlines eight detailed recommendations to improve regulations for long-term savings, retail product distribution, financial education and business practices. The recommendations are intended to assist the industry, policy makers, and political representatives in ultimately achieving greater transparency, increased investor confidence and efficient savings solutions. Read the [☞ press release](#).

[» Back to top](#)



Insurance, reinsurance and pensions

Normative documents

Official Journal of the European Union (OJ)

Insurance Sector

On 30 March, [☞ Regulation EU 267/2010 of 24/03/2010 on the application of Art. 101\(3\) of the Treaty on the Functioning of the EU to certain categories of agreements, decisions and concerted practices in the insurance sector](#) has been published in OJ L83 and [☞ Communication 2010/C 82/02 from the Commission on the application of Art. 101\(3\) of the Treaty on the Functioning of the EU to certain categories of agreements, decisions and concerted practices in the insurance sector](#) in OJ C82.

Consultative or informative documents

European Commission

Announcement May 2010: Public Hearing on Level 2 implementing measures for Solvency II

The "Internal Market and Services" Directorate General of the European Commission is hosting a [☞ Public Hearing on Level 2 implementing measures for Solvency II](#) on Tuesday, 4 May 2010, in Brussels. The public hearing will

provide stakeholders with a unique opportunity to hear the views of a range of stakeholders on the key issues relating to Solvency II.

In-depth examination of insurance against natural catastrophes

In a [press release](#) of 10 March, Michel Barnier, European Commissioner for Internal Market and Services, announced yesterday at the European Parliament in Strasbourg that the Commission would carry out an in-depth examination of insurance schemes covering national catastrophes, in particular flooding.

Banking, Finance and Insurance Commission (CBFA)

Annual accounts

On 1 March, the CBFA published the [opinion](#) of the insurance commission regarding the restoring of transparency and comparability of the annual accounts of insurance companies.

Committee of European Insurance and Occupational Pension Supervisors (CEIOPS)

CEIOPS publishes Task Force Report on the Liquidity Premium

CEIOPS has submitted 3 March to the European Commission [the report of the Task Force on the Liquidity Premium](#) containing technical considerations regarding the application of a liquidity premium for the valuation of insurance liabilities, principles for extrapolation and considerations on the choice of the reference risk-free rate. The report serves as an input for the discussions that will be held by the Commission with Member States in view of determining the risk-free rate for the Solvency II Level 2 implementing measures.

Results of CEIOPS EU-wide Stress Test for the insurance sector

CEIOPS issued a [press release](#) on 16 March in which she presented to the members of the EU Economic and Financial Committee (EFC) the findings of its European wide stress test exercise for the insurance sector. The aim of the stress test exercise was to evaluate the overall resilience of the insurance sector under several stresses to the economic and financial market environment. The results of CEIOPS' stress test exercise indicate that the large and important European insurance groups would remain resilient even in severe scenarios. In all scenarios, the aggregated level of available capital exceeds the regulatory requirements.

CEIOPS takes first step towards a complete L3 framework for Solvency II: Members approve Guidance on pre-application process for internal models

CEIOPS published 31 March its [first Level 3 guidance for Solvency II](#) and initiated a new stage in its work towards ensuring a fully functional regulatory architecture in

advance of the Solvency II implementation deadline.

European Insurance and reinsurance federation (CEA)

CEA warns of economic downsides to excessive capital requirements

A [report](#) 'Why excessive capital requirements harm consumers, insurers and the economy' published on 11 March by the CEA, the European insurance and reinsurance federation, warns of the macro-economic effects of imposing excessively prudent capital requirements on the European insurance industry under the new Solvency II regulatory regime. The CEA strongly supports the EU's Solvency II Framework Directive in the form in which it was approved, which requires that capital requirements are complemented by qualitative supervision in areas such as governance and organisational structure.

Solvency II CEA Key Messages on Level 2 Implementing Measures

On 12 March the CEA issued the publication [Solvency II Key Messages on Level 2 Implementing Measures](#). High level messages are:

- Finalising the Solvency II project in line with its agreed principles must remain the absolute goal
- Solvency II being such an important milestone, it is, however, facing worrying challenges that could seriously jeopardise the entire project
- Consequences of over-capitalisation on European consumers
- The European insurance industry is committed providing its input to bring the Solvency II project back on track

Furthermore, key technical messages are written in the publication as well.

CEA concerned about impact of partially renewed Insurance BER

In a [press release](#) on 24 March, the CEA, the European insurance and reinsurance federation, warns of legal uncertainty for unrenewed exemptions. The CEA is concerned that the only partial renewal of the Insurance Block Exemption Regulation (BER), as adopted today by the EU College of Commissioners, will reduce cooperation between insurers, to the detriment of consumers. The European Commission has decided to renew just two of the four areas in which certain cooperation agreements in the insurance sector are currently exempt from EU competition law. It has announced that it will issue guidelines for the other two areas.

CEA Statistics N°39 Insurance Distribution Channels in Europe

The report [Insurance Distribution Channels in Europe](#) of 31 March, sets out the distribution channels used by insurers and policyholders to conclude contracts for both life and non-life insurance and, in particular, the non-life

business lines motor, property and health insurance. The report also highlights the ways in which new technologies, and in particular the internet, have had an impact on the distribution of specific products. Here too, product specific issues, particularly the complexity of the products, are important. The study also includes international comparisons with Asian and American markets and European country data and analysis. The data was collected either by national associations or by supervisory authorities.

International Association of Insurance Supervisors

International insurance supervisory cooperation strengthens

In a [press release](#) published on 1 March, The International Association of Insurance Supervisors (IAIS) announced at the conclusion of its tri-annual meeting in Basel, Switzerland, on 26 February that two more insurance supervisory authorities – the Financial Market Authority, Austria and the Insurance Supervisory Commission, Romania - have been added to the list of signatories to the IAIS Multilateral Memorandum of Understanding (MMoU). With this announcement the total number of MMoU signatories has increased to eight.

[» Back to top](#)

We are always interested in your feedback. Please let us know what you think of this newsletter and send your comments to [Regulatory Radar](#).

[Security](#) | [Legal](#) | [Privacy](#)

Audit.Accounting.Tax.Consulting.Corporate Finance.

Member of
Deloitte Touche Tohmatsu

Lange Lozanastraat 270
2018 Antwerpen
Belgium

© 2010 Deloitte.

Deloitte refers to one or more Deloitte Touche Tohmatsu, a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu and its member firms.