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9. Feedback on responses to Public Consultations

Consultation Paper on the proposal for amendments to Implementing Technical Standards on the templates for the submission of information to the supervisory authorities following the amended Commission Delegation Regulation (EU) 2015/35 and to EIOPA Guidelines on Reporting and disclosure (CP-16/004)

IRSG, 9 June 2016

- **Objective of the CP:**

- o Reflect in the reporting ITS the amendment to Commission Delegated Regulation introducing tailored treatments to insurers' investments in infrastructure, in European Long-Term Investment Funds (ELTIFs) and in equities traded through multilateral trading platforms;
- o Aim for the collection of meaningful information for supervisory purposes while ensuring the smallest impact possible on the implementation efforts of industry and NCAs

- **Process:**

- o Consultation 5.4-3.5, comments from IRSG, AMICE, IE and CRO/CFO Forum, Final Report published on 31 May and submitted to COM.



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Main comments and resolutions

General balance between supervisory needs and reporting burden



- In general stakeholders supported the policy option chosen by EIOPA and highlighted the need for keeping changes to a minimum.
- EIOPA acknowledges the importance of not disrupting the implementation of the reporting requirements. Draft amendment submitted to the COM is, in EIOPA view, the proper balance between the need to collect meaningful information for supervisory purposes while ensuring the smallest impact possible on the implementation efforts of industry and NCAs.

Clarification of application date of the corrective provisions



- Stakeholders required clarification on the application date for the list of corrections. They expected that the corrections are only applicable for Q4 and annual information.
- EIOPA clarifies that Annex V of the ITS includes a list of minor drafting and typographical errors that do not represent any change or addition to the original content of the ITS. From a legal perspective they can only apply as of the entry into force of the amended Implementing Regulation. From an implementation perspective, if applicable, they will be included in the taxonomy version 2.1.0 (applicable from reference date 31/12/2016)

Detail of amendments introduced in S.26.01 (1/2)



- Stakeholders challenged the need for having the granular information regarding equity and loans and bonds with the following arguments:
 - o For equities: all infrastructure equities are subject to the same stress, the expected low relative investment in infrastructure relative to other assets, and the low likelihood of the specific types of investment covered by the lines in question;
 - o For bonds and loans: while there is a proposed separate category for infrastructure investments, there is no such category for other, potentially more widely used, assets such as covered bonds and government bonds. This appears inconsistent and we question whether it is appropriate to separately identify infrastructure and not other such assets.

Detail of amendments introduced in S.26.01 (2/2)



- EIOPA has considered the arguments and concluded that:
 - o For equities it is reasonable to include only one row mainly considering the argument of the materiality of the amounts relative to strategic investments and duration-based;
 - o For bonds and loans EIOPA kept the rows as proposed as it believes it is important to have information on the SCR from these type of bonds and loans separately.

Request of information of non-qualifying infrastructure in S.06.02



- Stakeholders questioned the rationale to have options 2, 3 and 4 for non-qualifying infrastructure.
- EIOPA stresses that the supervision of infrastructure investments is not limited to the specific SCR calculation introduced by the amendment to the DA. EIOPA believes that the split proposed before is still relevant for supervisory purposes and the need for differentiating between qualifying and non-qualifying is in addition (not replacing) to the previously approved set of information.

Extent of narrative information (1/3)

- Stakeholders argued that the disclosures contained in the narrative report was too extensive and would be very onerous if implemented for all assets.
 - o It has been suggested that the full information only be required where the proportion of infrastructure exceeds certain materiality thresholds
 - o It was highlighted that requesting insurers to provide information on the predictability of cash flows that the Infrastructure Project Entity (IPE) generates for debt providers and equity investors covering the amount of reserve funds, the nature and amount of other financial arrangements and the total value of the IPE would be extremely burdensome and time-consuming for undertakings.

Extent of narrative information (2/3)

- EIOPA would like to highlight the following:
 - o according to article 164a of the Delegated act the infrastructure investments have to comply with certain criteria to be considered a qualifying infrastructure investment;
 - o the drafting of the Guideline follows that approach and requires that the supervisory reporting (not publicly disclosed) includes information on the undertaking assessment of the investments.

Extent of narrative information (3/3)

- However, as it is expected that during the supervisory dialogue between undertakings and the NSA the same information may have already been shared, it was added that such information is only due in the RSR when the information has not been shared already with the NSA during the assessment of the qualifying criteria.
- Finally, regarding the reference to materiality EIOPA highlights that the reference was already included as such information is only required to material infrastructure assets.

- Stakeholders were supportive of the less disrupting solution, either on the CIC code or the amendment of the closed list of C0300 of S.06.02, with a small preference for the last one.
- EIOPA agrees that the less disrupting solution should be implemented and consequently included a new option in the close list of C0300 of template S.06.02. Under the new option “20 – European Long-Term Investment Fund” all ELTIF should be identified (ELTIF investing in infrastructure assets and ELTIF investing in other – non infrastructure assets).



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Change management of reporting requirements: adaptive and corrective publications of taxonomy

At most, one adaptive publication per year

- An adaptive publication is needed in case of **business changes** due to a new reporting framework, or amendments to the existing ITSs or EIOPA Guidelines; it may include also new checks and/or taxonomy architectural changes bug fixing.
 - o Publication of Taxonomy PWD version for stakeholders review by 1 June of n year. The stakeholders will have up to 4 weeks to provide feedback.
 - o Publication of official DPM and Taxonomy version for reporting submission by 15 July of n year.
 - o First submission with new taxonomy would be Q4 of year n (6 months before reference date and 8 months before submission date)

- Review of the ITS following a revision by the COM of the SII Directive or Delegated Act:
 - o E.g. EIOPA-CP-16-005 Consultation Paper on the request to EIOPA for further technical advice on the identification and calibration of other infrastructure investment risk categories i.e. infrastructure corporates
 - o EIOPA will deliver its final advice to the Commission by the end of June and conclusions on need for changing the ITS on reporting will follow adoption by COM (2017 adaptive correction)
- EIOPA own initiative review. This may follow from regular review as part of the regulatory monitoring process or reaction to a market development or supervisory need.

Taxonomy – corrective publications



At most, one corrective publication per year.

- The corrective publication will only include corrections to serious **defects** in the implementation or corrections to defects without impact in the report generation process, but no new business requirements. It is expected that in the majority of years, i.e. in years without major business change, EIOPA decides to skip the corrective release. However it is important to plan a placeholder for it to ensure all stakeholders are aware it may be released. The plan for this is as follows:
 - o Confirmation by 1 December if a corrective release will be published or will be skipped.
 - o Publication of Taxonomy PWD version for stakeholder review by 15 January. Stakeholders have four weeks to review and provide feedback.
 - o Publication of official DPM and Taxonomy version for reporting submission by 28 February.
 - o First submission with new taxonomy would be Q2 of year n (submission by August).



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Summary timeline on reporting

Overview of regulatory and operational steps



- Final Report (CP 16-004) published and submitted to COM (31 May 2016)
- PWD of taxonomy published (01 June 2016)
- Final taxonomy release: 15 July 2016– applicable to Q4/2016
- Reporting ITS (amendments following CP 16-004) - adoption by COM expected 10/2016
- EIOPA-CP-16-005 Consultation Paper on the request to EIOPA for further technical advice on the identification and calibration of other infrastructure investment risk categories i.e. infrastructure corporates:
 - final advice end June 2016 to COM; adaptive publication timetable applies (2017)

Financial year end between 30 June and 30 December



For undertakings with a financial year end between 30 June and 30 December that will need to use version 2.0.1 of the taxonomy for the submission of the annual information relative to the year 2016, the following should be considered when submitting template S.26.01:

- The information relative to qualifying infrastructure equity should be included in Type 2 equity row (R0260);
- The information relative to qualifying infrastructure bonds and loans should be included under bonds and loans row (R0410)