

Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance		Deadline 19 June 2013 12:00 CET
Name of Company:	BDO España	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-13-008@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to this Consultation Paper, the numbering of cells refers to the Technical Annexes II and III.</p>		
Reference	Comment	Resolution
General Comment		
Introduction General Comment		
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-	Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance	Deadline 19 June 2013 12:00 CET
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Section I. General Comments		
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Section II. General Comments		
Chapter I General Comments		
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-	Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance	Deadline 19 June 2013 12:00 CET
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Chapter II General Comments		
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Chapter III General Comments		

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1.43	<p>We think that a 6th section, f), should be added:</p> <p>f) risk tolerance limits with respect to the undertaking's strategy.</p> <p>We explain:</p> <p>Whilst in the Operational Risk no tolerance can be admitted, irrespective of the Entity's Risk Profile and strategy, in the other risks, and in particular in the Insurance Risk (underwriting and reserving), the desirable mitigation levels will depend on the the Entity's Risk Tolerance Limit, which will be in correlation to its strategy at that time.</p> <p>In that way, an Entity whose strategy is of strong business expansion, cannot expect at the same time a strong reduction of its Insurance Risk.</p> <p>On the contrary, if the Entity's strategy focuses on the rebalancing of its technical account (Combined Ratio) its Insurance Risk will have to be reduced necessarily.</p>	

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1.44	<p>We refer to section c) of this paragraph 1.44:</p> <p>In the practice of the Risk Management of Insurance Companies, no tolerance can be admitted in relation to the Operational Risk, independently of the Entity's Risk Profile.</p> <p>All operational risk is a dysfunction in the operation of the Entity and, as such, there are no excuses not to mitigate it. Actually, to tolerate an operational risk would be a proof of indolent conduct in the management of the business.</p> <p>Therefore, unlike the other types of risk, the need of mitigation of the Operational Risk will not depend on the Entity's Risk Profile, Risk Appetite or Risk Tolerance Level.</p> <p>A different thing is that an operational risk whose mitigation is more expensive than the negative effect that it produces, is decided not to be mitigated. But this is just pure management logic.</p> <p>Now we refer to section a) of this paragraph 1.44:</p> <p>It only talks about "identification" and "mitigation". We think that it should also refer to the "evaluation". That is to say: Identification, evaluation, for the purpose of setting priorities, and mitigation.</p> <p>In short, we propose to delete section c) and rewrite section a) in the following terms:</p> <p>a) Identification of the operational risks it is or might be exposed to, evaluation for the purpose of prioritizing mitigation and the way to mitigate them;</p>	
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-	Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance	Deadline 19 June 2013 12:00 CET
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1.49	<p>We think that section c) should be reformulated in the following terms:</p> <p>c) a description of deliberate mismatches permitted, in line with the risk tolerance limits with respect to the undertaking's strategy, and the content and frequency of stress-tests to be conducted and monitored; and</p> <p>We explain:</p> <p>In the risks different to the Operational Risk, the ALM Risk included, the desirable mitigation levels will depend on the Entity's Risk Tolerance Limit, which will be in correlation to its strategy at that time.</p>	
1.50	<p>We think that section b) should be reformulated in the following terms:</p> <p>b) the internal quantitative limits on assets and exposures, including off-balance sheet exposures, that are to be established to help the undertaking achieve its desired level of security, quality, liquidity, profitability and availability for the portfolio, in line with the risk tolerance limits with respect to the undertaking's strategy;</p> <p>We explain:</p> <p>In the risks different to the Operational Risk, the Investments Risk included, the desirable mitigation levels will depend on the Entity's Risk Tolerance Limit, which will be in correlation to its strategy at that time.</p>	

Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance		Deadline 19 June 2013 12:00 CET
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1.51	<p>We think that a 6th section , f), should be added:</p> <p>f) risk tolerance limits with respect to the undertaking’s strategy.</p> <p>We explain:</p> <p>In the risks different to the Operational Risk, the Liquidity Risk included, the desirable mitigation levels will depend on the Entity’s Risk Tolerance Limit, which will be in correlation to its strategy at that time.</p>	
Chapter IV General Comments		
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Comments Template on Consultation Paper on on the Proposal for Guidelines on the System of Governance		Deadline 19 June 2013 12:00 CET
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Chapter V General Comments		
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1.65		
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Chapter VI General Comments		
1.67		
1.68		
1.69		
Chapter VII General Comments		
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Chapter VIII General Comments		
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Chapter IX General Comments		
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Section III. General Comments		
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Compliance and Reporting Rules General Comments		
1.100		
1.101		
1.102		
1.103		
Impact Assessment – General Coments		
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