

**Comments Template on  
Consultation Paper on Proposal for Guidelines on Pre-application for Internal  
Models**

**Deadline  
19 June 2013  
12:00 CET**

Name of Company:	BMA	
Disclosure comments:	of Please indicate if your comments should be treated as confidential:	Public

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- ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool
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Reference	Comment	Resolution
<b>General Comment</b>	The BMA is an integrated regulator and supervisor of financial institutions that includes (re)insurers of varying size and levels of complexity conducting a wide range of business activities and utilising diverse business models. The Bermuda Monetary Authority (BMA or Authority) appreciates the opportunity to comment on the Consultation Paper on the Proposal for Guidelines on Pre-application for Internal Models (CP). The Bermuda Monetary Authority (BMA or the Authority) notes that the CP is largely silent in respect of the involvement of third country supervisors. It is the opinion of the Authority that third country supervisors, with an internal model approval regime largely consistent with that described in this consultation paper, should be invited to support other competent authorities with the review of an internal model application on a peer review basis with member states. Therefore, in instances where a group, for which the BMA is the Group Supervisor, wishes to seek approval of its group model, the Authority would invite other competent authorities to	

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	<p>support with the derivation of the scope of the model review and its subsequent implementation. To this end, the Authority would expect to extend the scope of its review of the group model beyond those issues material at the group level to include other issues material to the model of an undertaking based in a member state. Similarly, where a Group, for which the group supervisor is a competent authority from a member state, has an undertaking in Bermuda, the Authority would expect to be consulted by the Group Supervisor. Failure to involve a third country regulator in an instance where the group is intending to use an approved internal model to set statutory capital in that third country, is likely to result in additional costs for both the undertaking and the competent authorities.</p> <p>Furthermore, where the Group Supervisor is a competent authority from a third country, we feel it prudent for member states to be involved with any model approval project given that competent authorities from these member states will be relying upon the group capital requirement derived from the model approved by the third country supervisor.</p> <p>The Authority would welcome the opportunity to discuss this matter further with EIOPA.</p>	
<b>Introduction. General Comment</b>		
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1.3.	<p>The Authority welcomes this initiative and would like to continue to be engaged throughout the process. During the interim period while Omnibus II is being considered, it is likely that competent authorities from third countries will implement model approval regimes in advance of Solvency II (The BMA approval process will go live during the third quarter of 2013). The Authority is committed to implementing an internal model approval regime broadly equivalent to that under Solvency II. By working with EIOPA and member states to develop a consistent and convergent approach, the Authority anticipates the output of its model approval regime in respect of groups for which the BMA is the Group Supervisor, to be of particular relevance to the competent authorities of member states.</p>	
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1.7.	<p>To ensure consistency, the Authority is of the opinion that further guidance with regards to the expected format and content of the 'Progress Report' would be helpful.</p> <p>The Authority believes that it may also be helpful for third country regulators to voluntarily submit a progress report in respect of their own internal model regimes.</p> <p>Does EIOPA envisage that submitted progress reports will be shared with the competent authorities of other member states and those of equivalent third country regimes ? If not, will EIOPA be preparing a summary report? Such information is likely to be helpful to Group Supervisors when assessing how most effectively to share tasks between competent authorities. To this end, it may be helpful for the report to detail progress in respect of the development of technical expertise with regards various model components and risk categories.</p>	
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1.15.	<p>As highlighted under our general comment above, the BMA notes that the definitions of "<b>national competent authorities concerned</b>" and "<b>national competent authorities involved</b>" do not appear to extend to allow for the competent authorities of third countries. The Authority would expect to be sufficiently involved with a model approval process of a group with a material undertaking in Bermuda (especially where that undertaking wishes to use an internal model for setting statutory capital in</p>	

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	Bermuda). Furthermore, with respect to groups for which the BMA is the Group Supervisor, the Authority would expect to substantially perform the roles attributed to the Group Supervisor within the CP. It is hoped, therefore, that the exclusion of third country regulators from the provided definitions does not indicate that EIOPA envisages no significant involvement of third country regulators during the process.	
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<b>Section I. General Comments</b>		
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<b>Section II. General Comments</b>		
<b>Chapter 1. General Comments</b>		
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<b>Chapter 2. General Comments</b>		
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<b>Chapter 3. General Comments</b>		
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<b>Chapter 4. General Comments</b>		
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<b>Chapter 5. General Comments</b>		
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<b>Chapter 6. General Comments</b>		
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<b>Chapter 7. General Comments</b>		
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<b>Chapter 8. General Comments</b>		
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<b>Chapter 9. General Comments</b>		
1.109.	With regard to persons responsible for each validation task, the Authority would expect the validation policy to be extended to include their qualification and reporting lines either within the main body of the policy or by way of an appendix. We appreciate that paragraph 1.137 requires the documentation of the level of knowledge expected of validators, but believe that the validation policy should also include evidence as to how persons charged with these roles comply with requirements.	
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<b>Chapter 10. General Comments</b>		
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1.148.	Although the Authority notes the requirement to detail plans for model improvements, we believe it also necessary that the undertaking describes how it currently mitigates those instances where the model does not work effectively to ensure that the current SCR quantification remains appropriate.	
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<b>Chapter 11. General Comments</b>		
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<b>Chapter 12. General Comments</b>		

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1.183.	The Authority is of the view that, where a group wishes to use an approved internal model to set statutory capital in countries other than that in which the group is domiciled, the Group Supervisor should be strongly encouraged to invite all of the competent authorities of these countries, both member states and third countries, to be involved in the model approval process. Failure to do so is likely to lead to unnecessary cost for both the group and the competent authorities.	
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1.198.	As described under 1.183 above, the Authority believes that the decision to involve third country national competent authorities should also be influenced by whether the Group intends to use an approved internal model to set regulatory capital within a third country. Where a third country has an equivalent regime, the Authority believes that Group Supervisors should be strongly encouraged to invite the third country supervisor to be involved in the model approval process. Likewise, the Authority expects to invite the competent authorities of member states to be involved in the scoping and implementation of a model review where the BMA is the Group Supervisor.	
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<b>Compliance and Reporting Rules</b>		
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<b>Impact Assessment – General Comments</b>		
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