Comments Template on **CP-12-003 – Draft Technical Specifications QIS IORP II**		**Deadline 31 July 2012 18:00 CET**
Name of Company:	Dexia Asset Management	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
	Please follow the following instructions for filling in the template: ⇨ 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 empty. ⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph or a cell, keep the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. **Please send the completed template, in Word Format, to CP-12-003@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.** The numbering of the paragraphs refers to Consultation Paper 12-003.	
Reference	**Comment**	
General Comment	We welcome the opportunity to answer to EIOPA on the consultation on its draft QIS for the review of the IORP directive. Our main remarks are the following 1. The deadline to answer the consultation is too short 2. The QIS study will be biased because not all IORPs will answer and the results are very dependant on who will answer. 3. Lots of uncertainties still have to be clarified: what will be done with the results? How do the HBS components materialize in real life? 4. Most of the main specificities of IORPs are not properly addressed while some minor issues are too complicated	

We would like to stress that

1. The timeframe to read, understand and answer to the consultation is very short (only 6 weeks during summer holidays)
2. Most of IORPs across Europe are not used to Solvency II like exercises and are thus unable to run such a study in due time
3. The IORPs who could be able to run these studies are only those with a sufficient financial surface which is likely to provide a wrong image of the actual IORPs landscape.

As EIOPA noted in previous consultations, there are 150 000 IORPs across Europe. Ratings by authorized rating agencies (and sometimes accounting data) are only readily available for a few sponsors. This is going to create a significant bias in the study if we consider the dramatic impact of these data on the resulting balance sheets.

We also believe that the objective of the review of the IORP directive should be more focused on facilitating the setting up of IORPs rather than promoting cross-border IORPs. IORPs prudential regulation cannot be properly treated in isolation from the Social and Labor Laws (SLLs). Prudential regulation is aimed at securing social benefits, and therefore should be adapted to diverse local practices and SLLs. An excessive harmonization could result in a poor fit of the regulation to the actual pension environment and become ineffective and costly. If costs and affordability are not properly taken into account, fewer employers will be willing to provide occupational pensions. This would go against the objectives of the European Commission and more generally of the sustainability of social protection.

We regret that so much emphasize is put on Solvency II related parts of the Holistic Balance Sheet (HBS) whereas IORPs specificities are over simplified, especially in a context where the Omnibus 2 directive is still under negotiation.The complexity of SCR calculations is not very useful to understand the situation of IORPs while sponsor support valuation is not always applicable

1. The most general case is either several sponsors ⇔ 1 IORP (multiemployer arrangements)

or 1 sponsors ⇔ several IORPs (several schemes within a company). In the first case it is unclear how collective schemes could evaluate sponsor support: inter-employer solidarity as a risk mitigating arrangement is not properly addressed and using the biggest employers could give a wrong picture. In the second case, it does not give any indication on how to share the sponsor support between the different IORP.

2. The legal entity liable to the IORP can be a cost center of a broader group but with implicit group support. In this case, sponsor support is not fairly valued by the HBS
3. In general collective bargaining between the sponsor, the employees and the IORP within the employment relationship is not treated while it is the very specificity of IORPs as compared with insurance companies
4. The use of rating is not adapted to multiemployer arrangements and available for a few sponsors only. In any case neither rating nor accounting data are sufficient to estimate the ability and willingness to fulfill the pension promise. The evaluation could be made on a case by case basis (including qualitative assessment) to match the reality of a country / industry / firm / pension scheme specificities.

Three fundamental questions have not yet been answered by EIOPA, which should have been clarified before any computation is made

1. **What supervisory judgement would make EIOPA for some example HBSs?** How should a healthy IORP look like? How does EIOPA interprete a possible deficit? What kind of tiering of assets is to be expected?
2. **How does sponsor support translate in real world?** Hard money requirement (recovery plan)? Accounting provisions? A more general theoretical “ability to pay” of the sponsor? Or a mix of the previous three?
3. **Removing the HBS deficit imply financing safety buffers. Who has a claim on these buffers, the sponsor or the IORP?**
    a. EIOPA assumes that the sponsor can recover the surplus (in the case of deterministic valuation at least), but in this case any surplus of assets against level A TP is a liability for the IORP. Thus what will cover safety buffers?

	b. If it were the IORP, it would mean that the sponsor is not longer committed to only pay pensions but rather to capitalize an insurance company. If technical provisions are accurately estimated, the sponsor is paying more than the actual pension cost. Anyhow, it will cost much more than most sponsors are able or willing to pay and go against the objective of promoting second pillar pensions in Europe. Finally we do not agree with the excessive focus on market consistency when: 1. Two market consistent balance sheets can look very different 2. Most of the long term risks IORPs are facing cannot be hedged on the market 3. The reference to Solvency II is flawed since Solvency II framework is not yet finalized.	
Q1.	***Q1. Do stakeholders agree with the general set-up of the QIS exercise as put forward in the Introduction (Chapter 1)? What improvements do stakeholders suggest?*** We do not agree with the general set-up of the QIS. The deadline is very tight and the consultation takes place during the summer holidays period. Moreover, the QIS exercise is very new to the IORPs who are much less equipped to run quantitative studies than the financial industry is. The costs an IORP would face for the production of its HBS is a deterrent for many to undertake such a study. It raises the question of what EIOPA itself can expect from a consultation where the vast majority of the stakeholders have no idea of what the big picture of their own situation will be. We believe that IORPs specific security mechanisms are little developed while minor items are too complicated (SCR calculations). The proposed framework is only adapted to the framework of 1 IORP ⇔ 1 parent company, which is not relevant in the general case.	

	Lots of uncertainties on how to evaluate the solvency of an IORP remain and the tiering of assets should be clarified: - How should we interpret a large reliance on security mechanisms? - If invested assets are lower than level A TP, what kind of assets should be put in front of a possible deficit? Finally, we regret the excessive focus on market consistency when: - Two market consistent balance sheets can look very different - Most of long term risks IORPs are facing cannot be hedged on the market - The reference to Solvency II is flawed since Solvency II framework is not yet finalized.	
Q2.	***Q2. Do stakeholders believe that the adjustment (discretionary and conditional benefits, last resort benefit reductions) and security mechanisms (sponsor support, pension protection schemes) IORPs dispose of are taken into account adequately?*** We do not believe adjustment and security mechanisms IORPs dispose of are taken into account adequately. In our opinion, they are over-simplified and not adapted for analyzing the actual IORPs landscape. First, the possibility to use last resort benefit reduction is unclear, especially the "option of benefit reduction in case of sponsor default". We also would like to stress that for many IORPs a sponsor default is the worst possible event, so using the word "option" for a benefit reduction where a stakeholder does not fulfill its promise is not appropriate. Second, we do not understand the "option for benefit reduction in case of sponsor default" valuation in the case where no PPS exists. The benefit reduction is necessarily equal to the difference between what the IORP promised and what he can afford to pay without sponsor support. What the IORP can afford to pay without sponsor support for its members is the market value of assets plus any amount recovered from the sponsor so we would use the same value as	

when a PPS exists (assuming PPS actual coverage rate of 0%)..

Third, sponsor support valuation is simple but is not adapted to multiemployer arrangements, enterprises that sponsor several IORPs or sponsor who are subsidiaries of a group. It also relies too much on rating and accounting data. For a DB with unconditional benefits, even in the case 1 IORP ⇔ 1 sponsor, the sponsor support valuation is unworkable

1. In most of countries, the sponsor is prohibited by law to recover pension's assets. The assumption of possible restitutions set out in HBS.6.21.iii and HBS.6.47 for example is not correct.
2. EIOPA considers that sponsor support (and PPS) is only committed to cover level A TP: do the level A TP include the risk margin?
    a. In the case the answer is positive, it implies that security mechanisms implicitely include the financing of the cost of capital of an insurance company, and relation between security mechanisms and recovery plans becomes less clear. Moreover, In this case do level B TP also include a risk margin?
    b. If the answer is negative, as long as invested assets do not cover all the liability side of the balance sheet, the HBS will be in deficit.
3. As a consequence, three situations can happen, none of them being sponsor friendly
    a. There are *less assets than TP*: security mechanisms cover the deficit of assets against level A TP but additional buffers are not covered by any asset. Moreover, the higher the invested assets value, the smaller the sponsor guarantee so as long as invested assets remain below TP, we do not have an improvement, only a different split of assets
    b. There is *more assets than TP and restitutions are possible*: excess of assets against TP is a liability for the IORP in addition to the buffers, so there is no improvement for the IORP
    c. There are *more assets than TP and restitutions are not possible*: the gap starts diminishing and a surplus can eventually exist but at a high price for the sponsor who contributed far more than what is required to cover the pension obligation.

Two main options are offered: **either the holistic balance sheet is in deficit or the sponsor has**

	already contributed more than needed and is not allowed to ask for any restitution. **We do not see any incentive for the sponsor to accelerate the funding of its pension scheme.** Fourth, we note that sponsor support is a very theoretical valuation exercise since - it does not take into account collective bargaining as a steering mechanism - no indication is given on its practical outcomes: Should the calculated cash-flows in the deterministic approach be used as a basis for recovery plans? Would some accounting provisions be allowed? Is the sponsor support an assessment of some theoretical “ability to pay” without any accounting or treasury impact? We also regret that security mechanisms such as a strict risk management policy of invested assets (stop loss, portfolio protection techniques) are not included as a risk mitigating element.	
Q3.	***Q3. Do stakeholders believe that the draft technical specifications provide enough information and are sufficiently clear and understandable? Which parts could be improved upon?*** We do not believe technical specifications are sufficiently clear and understandable. We regret that the excessive complication stems from Solvency II parts which are not well fitted to IORPs environment and the over-simplification from what is IORPs specific. 1. Security mechanisms are not well developed and do not reflect actual IORPs landscape. Sponsor support valuation is not adapted to multiemployer schemes and companies who sponsor several IORPs or are subsidiaries of stronger parent companies. 2. There is only little guidance on how to treat ex post benefit reduction and conditional and discretionary benefits. 3. SCR calculations are too complicated, especially for minor issues (concentration, disability, catastrophe, operational….)	

| Q4. | ***Q4. Do stakeholders believe that the calculations proposed in the technical specifications are feasible at appropriate costs and with appropriate accuracy within the given timeframe of the QIS?***

The timeframe to read, understand and answer to the consultation is very short (only 6 weeks during summer holidays). Most of IORP s across Europe are not used to Solvency II like exercises and are thus unable to run such a study in due time. The IORPs who could be able to run these studies are only those with a sufficient financial surface which is likely to provide a wrong image of the actual IORPs landscape. | |
| Q5. | ***Q5. Do stakeholders believe that the draft technical specifications provide enough guidance on how to set up and value the holistic balance sheet as discussed in Chapter 2? If not, which parts could be improved upon and in what way?***

The guidance provided in the QIS is not sufficient to consistently assess the solvency of an IORP and compare IORPs with each other.

We provide below examples of situations which remain unclear to us:
- The definition of the possibility or not to end the accrual of new benefits should be clarified
- In which case is it possible to include a reduction of benefits in case of sponsor default?
- How to calculate ex post benefit reduction?
- Who sponsors multiemployer IORPs?
- What is the rating of multiemployer schemes? What rating to use when the sponsor is a subsidiary supported by a rated group?
- In which case deterministic or stochastic sponsor valuation should be used? With or without the possibility for the sponsor to recover a possible surplus? | |

Q6.	***Q6. Given the purpose of the QIS, do stakeholders consider the proposed simplifications for the valuation of the holistic balance sheet (for the risk margin in section 2.5, sponsor support and pension protection schemes in 2.6 and amounts recoverable from insurance in 2.7) adequate? Do you have suggestions for additional simplifications that would be appropriate?*** More simplifications would be a good step forward. 1. Risk margin should be deleted a. IORPs are not for profit and they cannot raise capital on the market so the cost of capital is not applicable: they cannot "take over and meet the pension obligation" of an other IORP b. If risk margin reflects a possible adverse deviation of the actual situation compared with the best estimate, there is some double counting with the SCR c. If risk margin reflects a provision for a possible sponsor default and the financing of the transfer of pension obligations to an insurance company, the notion of not-for-profit IORP is lost and the costs are rising (the sponsor is expected to pay for possible future profit of another firm). 2. Sponsor support and Pension Protection Scheme (PPS) are over-simplified. 3. Other items a. The calculations of recoverable from insurance contracts are too complicated b. SCR calculations are too complicated for sometimes minor Items (concentration, morbidity, catastrophe, operational…)	
Q7.	***Q7. The best estimate of technical provisions should be based on the most recent mortality tables including the future trend in mortality rates (Section 2.4). Do stakeholders believe that IORPs will be able to take into account this trend in mortality rates? Can you explain?*** We think that the reliability of the estimate of future cash flows payable by the IORPs is of primary importance for a solvency regime. However we think it will be difficult to enforce this principle into valuation:	

	- Mortality tables and data are not available to all IORPs and mortality projection requires professional judgment - Mortality tables should be industry / income group / region specific to be accurate, which is an additional data issue for IORPs.	
Q8.	***Q8. Is it clear enough from the technical specifications what cash flows should be taken into account in the calculation of the best estimate (e.g. in relation to benefits (unconditional, pure conditional, pure discretionary, mixed), contributions, expenses, etc.) and how the projection of these cash flows should be made (Section 2.4)?*** The cash-flows calculations is unclear on several points : - The definition of the possibility or not to end the accrual of new benefits - The calculation of ex post benefit reduction - The definition of discretionary and conditional benefits - The difference between ex ante and ex post benefit reduction	
Q9.	***Q9. EIOPA is considering to take into account in the QIS the possibility in some member states to reduce benefits in case of sponsor default (for example, when a pension protection scheme does not guarantee the full level of benefits) in the valuation of the best estimate of technical provisions (see Reduction of benefits in case of sponsor default in Section 2.4 and Pension protection schemes in Section 2.6). Do stakeholders agree and, if yes, should it only apply in case of sponsor support backed up by a pension protection scheme or to sponsor support in general?*** We agree to take the possibility of benefit reduction in case of sponsor default even when there is no PPS because when the sponsor of an underfunded scheme defaults there is no choice but to reduce benefits. However, the possibility to reduce benefits should be enforced in Social and Labor Law as a security mechanism for the sustainability of the pension promise and	

	communicated to the members. This issue goes beyond current consultation but underlines the interaction between Social and Labor Laws and prudential regulation. We do not understand the "option for benefit reduction in case of sponsor default" valuation in the case where no PPS exists. The benefit reduction is necessarily equal to the difference between what the IORP promised and what he can afford to pay without sponsor support. What the IORP can afford to pay without sponsor support for its members is the market value of assets plus any amount recovered from the sponsor so we would use the same value as when a PPS exists (assuming a PPS actual coverage rate of 0%).	
Q10.	***Q10. The technical specifications propose that security mechanisms should be valued on a market consistent basis, i.e. by calculating the probability-weighted average of (discounted) expected payments from the sponsor and the pension protection scheme (Section 2.6). Do stakeholders agree with the principles for the valuation of sponsor support and pension protection schemes? If not, what alternatives would you propose?*** We do not believe market consistency is relevant for sponsor support to a pension scheme. This would imply to deduct sponsor support from equity, bonds, options and CDS markets, which is not a sensible approach when the majority of sponsors is not rated and not listed on securities markets. In general, the "probability-weighted average of discounted cash-flows" valuation is too simplistic and not reliable: - EBTDA projections over long time horizons are not reliable - Accounting data are not always relevant for assessing a sponsor (for example multiemployer schemes or subsidiaries) - Rating are not available for most of sponsors - Many parameters are not justified, for example the percentage of sponsor free capital and future profits available to the IORP. We think sponsor support is a much more complex asset than mentioned in the QIS and many	

	qualitative elements such as collective bargaining should be taken into account.	
Q11.	***Q11. Do stakeholders have suggestions for the parameters - such as the probability of default and the recovery rate in the event of default - used in the valuation of sponsor support and pension protection schemes (Section 2.6)?*** Ratings have a dramatic impact and overreliance on rating agencies – especially for social protection – should be thoroughly assessed. In any case, rating agencies do not have enough resources to estimate the health of every IORP sponsor in Europe. We also think the choice of the parameters should at least be further explained (why 50% recovery rate?).	
Q12.	***Do stakeholders agree with the methodology set out to value the maximum value of sponsor support (Section 2.6)? Do stakeholders have suggestions for the parameters used in valuing the maximum amount of sponsor support? In particular, with regard to the proportions of future profits / EBTDA and the time period of the calculations.*** We do not agree with the methodology to estimate maximum sponsor support. 1. It is not adapted to multiemployer schemes, sponsors with several IORPs and sponsor which are subsidiaries of a group 2. It depends on unreliable estimates (future profits and EBTDA over long periods) Many parameters in the sponsor support valuation are not justified, for example the percentage of sponsor free capital and future profits available for the IORP. We believe sponsor support is one of the most important value in the QIS and therefore require deeper analysis. We think it cannot go without some qualitative assessment on a case by case basis.	

| Q13. | ***Q13. The draft technical specifications propose performing an upward shift in the basic risk-free interest rate curve to approximate the so-called counter cyclical premium or to allow IORPs – under conditions – to apply the so-called matching premium (Section 2.8). Do stakeholders agree with this approach to take into account the long-term nature of pension liabilities?***

We think it would be simpler and more useful to lower the volatility of discount rates using an extrapolation of the swap curve from year 10 to year 30 to an UFR of 4.2%, all the more when little guidance is given on the calculation methodology of countercyclical and matching premiums.

Liquidity is not a major risk for the IORP: they have a long time horizon and their members do not play against the IORP (repurchasing its pension rights is not always possible and would in any case involve to change job).

Using market valuation for valuing pension liabilities is theoretically the best option, but not only does it create short term volatility where there is no short term liquidity risk but also most of the pensions risks cannot be hedged at macro level:
1. There are supply and demand mismatches:
a. Only 20% of the bond market matures after 10 years while pension liabilities are much longer. At macro level it is thus impossible to hedge the interest rate risk.
b. The inflation market is not deep enough to remove inflation risk (UK inflation linked gilt market is not large enough to hedge all UK pension liabilities)
2. Inflation and demographic hedging markets are incomplete (you can neither hedge Belgian inflation nor longevity risk) | |
| Q14. | ***Q14. Do stakeholders agree that the proposed way to derive the level B discount rate adequately reflect the expected return on assets of IORPs (Section 2.8)?If not, what alternative would you propose?***

We lack information on the use of Level B TP. In any case, we suggest making a difference of | |

	expected returns according to the perceived riskiness of each asset class.	
Q15.	***Q15. Do stakeholders agree that the draft technical specifications specify a fixed yearly percentage of respectively 2% and 3% for the expected inflation rate and salary growth? Or should IORPs also be allowed to expected inflation implied by financial markets? Could you explain?*** We agree with the use of a fixed (2%) inflation. In the euro zone, inflation implied by financial markets is the euro zone average inflation while the pension cash-flows are sensitive to the inflation in the country where the IORP operates. Even if a fixed rate is not always satisfactory, implied inflation would not add much information. Moreover, in some countries the inflation market is not deep enough to hedge the indexed pension liabilities. Regulation should not sharpen supply and demand mismatch.	
Q16.	***Q16. Do stakeholders believe that the description of the SCR in Chapter 3 is sufficiently clear and understandable to enable participants in the QIS to perform the necessary calculations?*** We think a review of the purpose and use of the SCR should be performed before calculations are made. SCR coverage imply sponsors have to finance safety buffers and not only pay pensions. The issue of the claim on this buffer should be treated: is it the IORP or the sponsor who have a claim on this buffer? a. EIOPA assumes that the sponsor can recover the surplus (in the case of deterministic valuation at least), but in this case any surplus of assets against level A TP is a liability for the IORP. Thus what will cover safety buffers? b. If it were the IORP, it would mean that the sponsor is not longer committed to only pay pensions but rather to capitalize an insurance company. If technical provisions are accurately estimated, the sponsor is paying too much for the pensions. Anyhow, it will cost much more than most sponsors are able or willing to pay and go against the	

	objective of promoting second pillar pensions in Europe. We believe the SCR calculations are too complex even though well detailed. Most of IORPs across Europe are not used to Solvency II like exercises. The IORPs who could be able to run these studies are only those with a sufficient financial surface which is likely to provide a wrong image of the actual IORPs landscape.	
Q17.	***Q17. Do stakeholders believe that the risks IORPs are facing are adequately reflected in the calculation of the SCR and MCR (Chapter 3 and 4)? Are there in the stakeholders' view any risks being considered that are not material and could be excluded from the technical specifications? Are there other risks that should be considered in the calculation of the SCR?*** We do not think the risks IORPs are facing are adequately reflected. An important macro risk is that IORPs no longer invest in so-called "risky" assets because of capital charges. If long term investors are charged for taking long term risk such as investing in equities or infrastructure, the financing of European economy is at stake. Moreover, if the appreciation of cheapness or expensiveness of assets is decided at regulatory level, market disruption and bubbles will develop. It would definitely go against regulatory purpose since all the risks can be concentrated on assets not risky from a regulatory standpoint. SCR calculation should be simplified for non material items: concentration, disability, catastrophe, operational…. The SCR for sponsor default (but also in general for credit risk) are strongly affected by the rating. Most of sponsors won't be rated. Anyhow, the ability and willingness to repay liabilities are not always properly assessed by ratings (for sponsor support and bonds). Excessive reliance on ratings should be avoided in any case, but especially for IORPs who are part of social protection. It is also remarkable that sovereign debt is not charged for credit risk under current market environment.	

	The use of the MCR is unclear, and its relation to the assets and regulatory actions should be clarified, in the general context of unclear tiering of assets.	
Q18.	***Q18. Do stakeholders believe that the way the loss-absorbing capacity of adjustment mechanisms and security mechanisms is taken into account in the calculation of the SCR (Section 3.2) is adequate?*** We do not believe the loss absorbing capacity is adapted. The proposed calculations are complex, especially for small IORPs. There is not enough guidance on how the loss absorbing capacity of technical provisions should be calculated, especially for conditional benefits. Two different calculation methodologies will have very different outcomes. The loss absorbing capacity of security mechanisms is clear but computationally intensive. We do not see the benefit of recursive calculations of sponsor support and PPS. It would be much more simple to calculate 1. The fair value of security mechanisms based on the deficit of invested assets against Level A TP. 2. The prudent value of security mechanisms based on the deficit of invested assets against Level A TP + SCR, which would include the loss absorbing capacity.	
Q19.	***Q19. Do stakeholders believe that the calculation of SCR in the Operational risk module (Section 3.3) is adequate for IORPs?*** The SCR for operational risk is not adequate for IORPs: the calculations are too complex for an item expected to be minor. A fixed percentage of technical provisions would be more adapted.	

Q20.	***Q20. Do stakeholders believe that the simplifications provided for the calculation of the SCR (for spread risk on bonds in section 3.5, value of collateral in section 3.6 and mortality, longevity, benefit option and catastrophe risk in section 3.7) are adequate? Do stakeholders have any concrete suggestions for additional simplifications?*** The SCR calculations are very complex so any simplification would be positive. and we suggest more simple formulas for the SCR in the following form: a. SCR = k = x * Level A TP (x = 15% or 20% or 25%) b. SCR = k + y (y = abs(200*basis point value of deficit of invested assets against level A TP)) c. SCR = 3* standard deviation of deficit of invested assets against level A TP It would be more straightforward and easier to compute for many IORP, and would not change the general conclusions. In its current form, we suggest to simplify the following components: - interest rate risk: we suggest the use of duration (just like for corporate bonds) - SCR for intangible assets should be simplified or deleted - SCR for concentration risk should be simplified or deleted - SCR for counterparty default should be simplified or deleted - SCR for pension liability risk should be simplified or deleted (the most important risks are longevity, expense and mortality)	
Q21.	***Q21. Do stakeholders believe that the treatment of sponsor default risk in the counterparty default risk module of the SCR calculation (Section 3.6) is appropriate? If not, what improvements would stakeholders suggest?*** The SCR for counterparty default is very complex to calculate and should be simplified. In the	

	specific case of SCR for sponsor default, we think: - Either SCR for sponsor default or adjustment of sponsor support for default risk should be deleted - SCR for sponsor default should be clarified in the case of multiemployer schemes and subsidiaries of groups	
Q22.	***Q22. Do stakeholders believe that the calculation of SCR in the Benefit option risk Sub-module (Section 3.7) is adequate for IORPs?*** SCR for benefit option risk module is not adequate for IORPs because: 1. It is unlikely to be material for many IORPs 2. Pension schemes members do not play against their IORP: Surrender would in general imply for the member to change job.	
Q23.	***Q23. Do stakeholders believe that the descriptions of financial and insurance risk mitigation (Section 3.9 and 3.10) are sufficiently clear and understandable to enable participants in the QIS to perform the necessary calculations?*** We do not think financial and insurance risk mitigation is adapted to the IORP environment. The calculations are too complex. We also regret that dynamic hedging, risk management and portfolio protection techniques are not taken into account to reduce capital requirement.	
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HBS.6.42.	Does the value of level A TP include the risk margin ? a. In the case the answer is positive, it implies that security mechanisms implicitely include the financing of the cost of capital of an insurance company, and relation between security mechanisms and recovery plans becomes less clear. Moreover, In this case do level B TP also include a risk margin? b. If the answer is negative, as long as invested assets do not cover all the liability side of the balance sheet, the HBS will be in deficit.	
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HBS.6.84.	How to calculate the loss absorbing capacity of the SCR for sponsor default by the PPS? The proposed approach is unclear since PPF value only depends on the difference between invested assets and TP.	
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	Comments Template on CP-12-003 – Draft Technical Specifications QIS IORP II	Deadline 31 July 2012 18:00 CET
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SCR.9.14.	The definition of a material basis risk is unclear. The possibility to include a derivative as a financial mitigation element should be more detailed. We would like to ask EIOPA the following questions - How to calculate the correlation? What is a correlation “nearby 1”? - If the IORP owns a portfolio of equities and purchase a put option at the money on the Eurostoxx 50 index, what is the SCR for equity risk in the case the correlation between the Eurostoxx 50 and the portfolio is 95%? 80%? 65%? - Same question for the SCR for spread risk if the IORP owns a portfolio of corporate credit and purchase a CDS index.	
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	Comments Template on CP-12-003 – Draft Technical Specifications QIS IORP II	Deadline 31 July 2012 18:00 CET
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