

**Comments Template on  
Consultation Paper on Further Work on Solvency of IORPs**

**Deadline  
13 January 2015  
23:59 CET**

Name of Company:	Lane Clark & Peacock LLP	
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"> <li>⇒ Do <b>not</b> change the numbering in the column "reference"; <b>if you change numbering, your comment cannot be processed by our IT tool</b></li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ Please fill in your comment/response in the relevant row. If you have <u>no response</u> to a question, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments/responses which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, in Word Format, to <a href="mailto:CP-14-040@eiopa.europa.eu">CP-14-040@eiopa.europa.eu</a> . Our IT tool does not allow processing of any other formats.</b></p> <p>The numbering of the questions refers to <b>Consultation Paper on Further Work on Solvency of IORPs</b>.</p>		
<b>Reference</b>	<b>Comment</b>	
General Comment	<p>It seems clear from the work that EIOPA has completed to date in relation to the holistic balance sheet that, while it may be an attractive concept intellectually, implementing it in a useful form presents very significant practical difficulties.</p> <p>Reasons for this include the following.</p> <p>IORPs are very heterogenous in their benefit structures, legal status, stakeholders and forms of financial support. As the current consultation shows, designing a framework that can capture all the different aspects of IORPS across all EU States is extremely challenging. In practice the decisions made will inevitably involve a compromise and be more or less appropriate for different</p>	

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IORPs. The level playing field that the holistic balance appears to offer is therefore illusory.

Some of the elements of the holistic balance sheet are very difficult (and costly) to value, and different approaches can give very different outcomes. For example, the discussion of different approaches to valuing sponsor support in the current consultation starkly demonstrates that a very wide range of potential valuations can be justified.

Even within an agreed framework, the assumptions used for the calculations will have a material impact on the results.

Risk for members of IORPS largely relates to potential outcomes under particular scenarios eg sponsor insolvency. The holistic balance sheet effectively averages over all outcomes, and so obscures those particular outcomes, possibly leading to a false sense of security, and potentially introducing systemic risk that doesn't currently exist.

Taking the above together, any holistic balance sheet will ultimately be a subjective and arbitrary construct, which may in fact obscure some key elements of the overall position. Putting this at the heart of the regulatory framework in our view has the potential to increase rather than reduce risk.

Our strong view is therefore that in practice use of the holistic balance sheet will incur excessive costs, and result in outputs that are unreliable as a basis for decision making.

We therefore find it very disappointing that the current consultation is based on an assumption that the holistic balance sheet will be at the heart of any future framework. For the reasons set out above, we do not believe that the holistic balance sheet can be made fit for this purpose.

Given previous feedback, we are very disappointed that EIOPA has positioned the consultation in such a way as to preclude consideration or discussion of alternative ways forward. We very much hope that opportunities to suggest and comment on alternative approaches will be

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