

Comments Template on the proposal for implementing technical standards on special purpose vehicles		Deadline 30 June 2014 23:59 CET
Name of Company:	CFO Forum and CRO Forum	
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-14-008@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering refers to Consultation Paper on the proposal for implementing technical standards on special purpose vehicles.</p>		
Reference	Comment	
General Comment	<p>Thank you for opportunity to comment on CP-14-08. The CFO Forum and CRO Forum welcome the publication of this consultation paper. We have set out our comments on the individual articles of the paper below, which are intended to address concerns with the information required for the authorisation of SPVs, and the need for further clarity where authorisation is withdrawn. We also believe that the current period within which a decision may be made on the application is too long, and does not reflect market dynamics. We would also note in general that the references to the draft Delegated Acts in the ITS will need to be updated as the Delegated Acts are finalised and adopted.</p>	
Q1		
Q2		

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Recital (1)		
Recital (2)		
Recital (3)		
Recital (4)		
Recital (5)		
Recital (6)		
Recital (7)		
Recital (8)		
Article 1		
Article 2		
Article 3		
Article 4	As currently drafted, the decision on an application for autorisation has to be taken by the supervisory authority within six months. SPVs are widely used in capital markets transactions, which commonly have a total timeline of around three months. There is also a significant risk that reinsurance market conditions have materially changed during such long period leaving the ceding (re)insurer with unacceptable uncertainty about the availability and terms of coverage. We therefore consider a timeline of six months to be impractical. We would suggest that the autorisation process for an SPV should be simple and standardised, and should not consume an extensive period of time, such as would be required for a fully operational license. We consider six weeks to be an appropriate term for a decision to be taken.	
Article 5		
Article 6		
Article 7	It is not currently clear in the ITS that when the authorization for the SPV is withdrawn, reinsurance arrangements should be allowed to remain in force. Art. 7 (Withdrawal of authorization) describes circumstances under which the authorization of an SPV may be withdrawn. It does not however comment on the consequences of such withdrawal for outstanding reinsurance arrangements. With respect to outstanding reinsurance arrangements it	

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	would be important to allow for them to continue as even in situations when, e.g. an SPV no longer fulfils the fully funded requirement, it may be valuable for the ceding reinsurer to keep the protection in place depending on the market situation, the cost involved with terminating the cover and other protection options available at the time.	
Article 8	We welcome the provisions made for the approval and regulation of multi-arrangement SPVs. Multi-arrangement SPVs are already used in non-European jurisdictions, and we support provision for their use under Solvency II.	
Article 9		
Article 10		
Article 11		
Article 12		
Article 13		
Article 14		
Article 15		
Article 16		
Article 17		
Article 18		
Article 19		
Article 20		
Annex I	<p>With respect to item 9, we would suggest that summary information be provided about the underlying reinsurance portfolio, as there may be a large number of original policies underlying the relevant risk(s).</p> <p>With respect to item 11, the list of items to be included is extensive for a company that is not fully operational. In addition, many of the items mentioned will not apply to a regular SPV, or will be very short (e.g. financial projections). Information requirements regarding the investor base of the SPV also need to be realistic. Many SPVs (e.g. in the context of catastrophe bonds) are financed with a low level of share capital and a large amount of securities issued. In case the SPV is financed through a traded security, neither the SPV management nor the cedent will be able to</p>	

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	<p>follow the investor composition and concentration with respect to such traded instruments on a continuous basis. The information requirement should therefore be eliminated. Further, whether an SPV is consolidated into the balance sheet of a group should not be relevant to the approval decision, and the consolidation requirements of the SPV should not form part of the authorization request. This aspect of risk protection using SPVs would be more appropriately assessed at the level of the ceding (re)insurer.</p> <p>With respect to item 12, we assume that substantial drafts may be used for the application, with final documentation needed only for final approval. Otherwise, this would excessively extend the period of time needed for an entire transaction.</p>	
Annex II : SPV.01.01		
Annex II : SPV.01.02		
Annex II : SPV.02.01		
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Annex II : SPV.03.02		
Annex III : SPV.01.01		
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Explanatory text		
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4.2		
4.3		
4.4		
4.5		

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4.6		
4.7		
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4.14		
4.15		
4.16		
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4.21		
4.22		
Annex 1 : Impact Assessment		
Baseline		
Policy analysis		
Proportionality considerations		