EIOPA-BoS-15/078
07 05 2015

REPORT on Staffing and Resource needs for accomplishing the tasks under Directive 2009/138/EC

EIOPA – Westhafen Tower, Westhafenplatz 1 - 60327 Frankfurt – Germany - Tel. + 49 69-951119-20;
Fax. + 49 69-951119-19; email: info@eiopa.europa.eu site: www.eiopa.europa.eu

Table of Contents

Executive Summary

This report provides an assessment of the staffing and financial resource needs of EIOPA in order to assume its powers and duties allocated by Directive 2009/138/EC (Solvency II) in the field of insurance regulation and supervision. The document includes an overview of all duties and powers as well as proposals on the staffing and resources needed to adequately fulfil these tasks. The main emphasis in the report is on those duties and powers that have been introduced by the Directive 2014/51/EU (Omnibus II), as they bring new requirements to EIOPA that are not covered by the original budget and establishment plan of the European Commission.

To perform the analysis that backs the requests made, the approach taken has started by prioritizing - within the list of new duties and powers - those tasks for which expertise needed is currently available in-house, thus reallocating available resources to the tasks that could be met via internal reprioritization. Secondly, efficiency gains via management and financial decisions during the last year, leading to lower financial costs where possible. Thirdly, by assessing ad hoc versus structural requirements with priority put on the latter and fourthly, outlining the potential impact in case of non-delivery.

The outcome of the assessment underlines the material demands, both in terms of expertise and financial resources, required for an appropriate fulfilment of the described duties and powers. It calls for urgent action from European institutions to provide EIOPA with such resources; in particular considering the impact and potential disruptions to the insurance sector shall EIOPA not be in a position to deliver. This is a risk that, under the existing conditions, will materialize, impacting in different ways both consumers and insurance companies, and increasing risks and exposures in the field of financial stability.

Should the needed resources not be allocated to EIOPA, the consequences of the described gap will, in particular, affect the following areas: lack of external assurance and enhanced response time regarding the Risk Free Rate (RFR) review; inability to declare the existence of exceptional adverse situations, a pre-condition to extend the recovery period for undertakings to restore their financial situation; delays in the review of the Solvency II standard formula calibrations, as relevant experts would need to be full time involved in the RFR work; and lastly, EIOPA will not be in a position to deal with equivalence assessments requested by market participants beyond the ones foreseen as at March 2015 by the European Commission.

The table below provides an overview of the shortfalls in terms of budget and human resources, based on the outcome of the aforementioned process and calculated on the basis of the 2015 budget and establishment plan:

Task	Human Resources (“staffing”)	Budget (“resources”)
Risk Free Rate	2.7 FTE	EUR 780,000
Extension of the recovery period	2.5 FTE	EUR 250,000
Annual Report on Long Term Guarantees	1 FTE	EUR 100,000
Equivalence assessments	2.5 FTE	EUR 250,000
Implementation of EIOPA’s information and IT infrastructure	1.3 FTE	EUR 630,000
TOTAL:	10 FTE	EUR 2,010,000

1. Introduction

1.1. Legal Basis

This report has been drafted according to Article 310a of Directive 2009/138/EC[1] (hereinafter "Solvency II") as introduced by Article 2(82) of Directive 2014/51/EU[2] (hereinafter "Omnibus II"). Article 310a requests EIOPA to assess the staffing and resource needs arising from the assumption of its powers and duties in accordance with Solvency II and to submit a report to the European Parliament, the Council and the European Commission in relation thereto.

Unless otherwise stated, references in this report concern the relevant provisions of Solvency II.

In Annex I an overview has been provided of the powers and duties for EIOPA arising from Solvency II and in Annex II an overview of the staffing and resourcing needs. The main focus of this report is on those Solvency II tasks that are introduced by Omnibus II:

- Article 77e: determining the risk-free interest rate term structure and its adjustments, including publishing information on the fundamental spread for the calculation of the matching adjustment, publication of information of the volatility adjustment,
- Article 77f(1): annual reporting by EIOPA to the Parliament as well as to the Council and European Commission on the application of the measures on long-term guarantees (LTG), and the measures on equity risk.
- Article 109a(3): quarterly publication of the relevant technical information concerning the symmetric adjustment for equity risk;
- Article 138(4): a role for EIOPA in declaring the extension of the recovery period (including declaration of the existence of exceptional adverse situation); and
- Article 227(2) and 260(1): equivalence assessments in the absence of a European Commission decision carried out by the (acting) group supervisor and assisted by EIOPA.

Additionally, Omnibus II introduces other tasks and powers to EIOPA for which an accurate assessment of resources needs cannot be done in advance, taking into account their contingent nature (e.g. settlement of disagreement between competent authorities in the circumstances described in Articles 33, 38(2), 155(3), 158(2), 231, 237, 247(4) and 248(2, 4 and 5) or participation in on-site examinations in the cases described in Articles 33, 38(2) and 255(2).

Omnibus II also increases the complexity and the role and expectations on EIOPA regarding certain existing tasks e.g. the promoting of convergence on the way the LTG measures are treated in internal models.

Furthermore Omnibus II requires EIOPA to draft technical standards in order to ensure consistent harmonisation and uniform conditions of application of the Solvency II regime in relation to a wide range of issues. Finally, based on Article 111(3), it is expected that EIOPA will also be called to provide advice on the review of the SCR standard formula.

[1] Directive 2009/138/EC of 25 November 2009 of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance

[2] Directive 2014/51/EU of the European Parliament and of the Council of 16 April 2014 amending Directives 2003/71/EC and 2009/138/EC and Regulations (EC) No 1060/2009, (EU) No 1094/2010 and (EU) No 1095/2010 in respect of the powers of the European Supervisory Authority (European Insurance and Occupational Pensions Authority) and the European Supervisory Authority (European Securities and Markets Authority)

1.2. Current Situation

The application of Solvency II represents the challenging transition for EIOPA from the development of the regulation to implementing and improving the tools, processes and structures necessary for the sound and consistent implementation of the new regulation throughout the Union.

EIOPA was granted by the European Commission the status of a 'New Task agency', representing the additional tasks the Authority would be assuming for the period 2013-2020. For the purpose of the multi-annual financial framework the European Commission issued a report on the required staffing and resource needs of EIOPA for this period[3].

As the European Commission report was based on an assessment prior to the new powers and duties assigned to EIOPA by Omnibus II, EIOPA identifies two core resource issues that are not considered adequately in the current European Commission assessment:

- Human resources: highly technical and specialised (hence scarce and highly remunerated) knowledge is needed for the new tasks, which has to be sourced from a limited pool of experts available in the market. This has an impact on the required establishment plan which should reflect a higher overall staff number allocated to high (specialised) grades; and
- Financial resources: considerable additional budget is required in a number of key areas, for example to secure facilities such as access to market data, undertake external audits on specific areas and implement the required enhancements to EIOPA's IT capabilities for collecting and managing data. EIOPA's budget should be extended both with regards to staff costs and operational budget to cover the additional required expenditures.

In the light of the aforementioned resource constraints, EIOPA is allocating resources to the time-critical tasks arising from Omnibus II. The detailed project outlines provide facts and figures that underpin the analysis of the impact the Omnibus II tasks.

1.3. Assumptions and Calculations

The staffing and resources calculations used in this document cover the period of 2013 to 2018. The starting year of 2013 has been chosen to reflect that, directly after the finalisation of Omnibus II, EIOPA already initiated work in some of the areas covered by this Report. In 2018, EIOPA expects to have reached a "steady-state" where after the required staffing and resource needs will not substantially change.

The figures for the human resource requirements are based on the detailed planning conducted for the development of EIOPA's annual and multi-annual work programmes and the Multi-Annual Staff Policy Plan (MSPP) 2016-2018. Human resources are recorded in terms of "Full Time Equivalents" (FTE). An FTE represents the available working days of an EIOPA member of staff. This is calculated as 200 days, deducting weekends, holidays, training and sickness days from a full year.

Financial resources are provided in relation to Titles I and III of EIOPA's budget, representing the costs of staff and operational budget. Title I has been calculated using an average gross value for an EIOPA Temporary Agent (AST III to AD 15 -

[3] COM(2013) 519 final
COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL
Programming of human and financial resources for decentralised agencies 2014-2020

including salary and allowances)[4]. This figure equates to EUR 101,952 per annum. For consistency and comparison purposes, a rounded figure of EUR 100,000 is used across the reporting period. It should be noted that Title I costs after 2014 are likely to be higher than what is reported. This is due to an expected general increase in the cost of the staff members, and to the fact that the tasks covered in this report demand highly qualified expertise and seniority, very likely requiring higher than average staff salaries. Title III has been calculated based on EIOPA's detailed budget planning process and through a review of its IT implementation plan.

To facilitate the calculations regarding financial resources, the assumptions made do not factor in related costs of staff such as missions, furniture, inter alia. Such costs and the expected higher (real) costs in Title I will be covered via efficiency gains throughout the organization. EIOPA feels this appropriately takes into account the current difficult economic environment in which the Institutions and EIOPA's Members operate.

2. Risk Free Rate

2.1. Legal Basis

According to Article 77e, EIOPA shall lay down and publish for each relevant currency, at least on a quarterly basis, a relevant risk-free interest rate term structure to be used by undertakings so as to calculate their technical provisions; in particular, to calculate the best estimate referred to in Article 77(2).

2.2. Description and Impact Assessment

The key elements of this task comprise:

- the definition and agreement of a valid methodology and justified assumptions for calculating the RFR, and the technically complex volatility and matching adjustments, within the Solvency II framework;
- the identification of, and access to, appropriate data sources;
- the programming of the financial calculations;
- the regular, timely and accurate publication of the curves; and
- the review of the methodology applied and the data sample used, both on a regular (at least yearly) and ad hoc basis.

The work requires audit and validation, partially carried out by experts from NCAs, and the output needs to be documented to inform stakeholders and provide an additional opportunity to externally validate the approach taken. EIOPA will also undertake periodic reviews of both the methodology and data sources, responding to specific identified needs.

<u>Impact on (re)insurance undertakings</u>

The determination of the risk-free interest rate structure and its adjustments determine the value of the liabilities of the undertakings and, to a large degree, the amount of capital that European insurers need to hold against their liabilities. Differences of decimals quickly lead to large differences in the financial position of the undertaking - roughly, 10 basis points (a 0.1% variation to the applicable interest rate) less or more has an impact of EUR 10 billion on undertakings in Europe.

Discovery of any error in the risk free rates that generates under-provisioning would cause financial market participants to re-evaluate the strength of both the sector and individual undertakings. This would generate changes in (re)insurers funding

[4] Numbers based on costs of November 2014

conditions, changes in their contractual relations with counterparts (e.g. collateral requirements) and overall increasing the cost of doing business for insurers. This cost would likely be passed through to consumers.

Impact on consumers

An absence of the RFR or an inaccuracy in its calculation could result in a faulty assessment of insurance undertakings' liabilities and their underwriting risks and consequently a misjudgement of their financial position that could jeopardize policyholder protection. It would also give rise to risks for under- or overpricing of insurance products in a medium term. The assessment of long term guarantees is one of the key aims of Solvency II, the appropriate determination of the risk free curve the key determinant in this context.

Impact on financial stability

Systematic under-provisioning, due to incorrect risk free rates can lead, in the medium to longer term, to the accumulation of risks on undertakings' balance sheets, causing potential disruption to the market where various companies would fail to meet their liabilities. Over-provisioning would lead to competitive distortions in the market.

Moreover, the corrective measures required of (re)insurers could generate portfolio shifts with a consequent effect on asset markets. Depending on the timing of such action, in terms of prevailing market conditions, this could be destabilising.

2.3 EIOPA Capacity and Capability Development

This task has no precedent in any other international public institution and not only requires the production of a RFR, but also requires EIOPA to be able to justify the decisions made and be able to react to unforeseen circumstances. By way of comparison, the ECB publishes such curves for the euro, considerable resources are available for this task, but it does not have direct impact on companies' balance sheets. Not even the IMF is tasked with deriving (daily) and publishing (at least monthly/quarterly) the risk free curve of 30-35 currencies.

Human resources

EIOPA established a dedicated project to work out the conceptual framework, implement the relevant process and establish their ongoing review based on the final agreement of Omnibus II. This has involved 2.5 FTE on an annual basis as part of the core project team, supplemented by experts from NCAs. Substantial work from additional staff has been required, from support areas such as IT and procurement, for developing the required infrastructure and obtaining access to the required market data. These requirements have been captured in the Information and IT Environment Section.

Following consultation with NCAs and industry it was decided to deliver the RFR on a monthly basis. The regulation requires at least quarterly production – the monthly basis is deemed necessary for undertakings running monthly calculations, or for those undertakings having closing balance sheets different from year-end.

The ongoing operational delivery of the RFR relies on extensive financial market data. The work undertaken to continuously monitor the adequacy of the operational process and implement improvements also needs to be factored in the resources assessment in the first years.

The available resources allocated in 2014 and 2015 already take into account reallocation, amounting to 1 FTE from work on EIOPA's supervisory handbook (own initiative). EIOPA has also de-prioritised any additional support to consistent implementation of Solvency II, this includes limiting EIOPA's capacity to respond to direct questions from NCAs and undertakings. The RFR project has also necessitated the reallocation of 0.8 FTE from work on crisis prevention, and the de-prioritisation of follow-up actions to the 2014 stress test and the testing of college emergency procedures.

The resource gap in 2015 is identified to be 2 FTE at the principle expert level and a further 0.7 FTE at senior expert level. The amount and level of staff is required for the following reasons:

- The ongoing monitoring and review of the conceptual framework and the operational production of the RFR will require ongoing conceptual analysis. For example, as recently experienced, market data challenges the application of the concepts, leading to the need for further analysis, review of the implementation and audit by experts.
- The operational delivery of the RFR should be sufficiently backed-up to prevent operational failure (single-person risk) and supported by experts to ensure the validation of the steps and accuracy of the calculation.

The table below indicates the resources required for these two main stages.

Activity	Allocated FTE 2013	Allocated 2014 FTE	Available 2015 FTE	Required 2015 FTE	Required 2016 FTE	Required 2017 FTE	Required 2018 FTE
Conceptual development and implementation, including monitoring and review	2.9	2.5	1.5	3.2	2.2	2.2	2.2
Operate process/method and publish outcome	0	0	1	2	3	3	3
Total	2.9	2.5	2.5	5.2	5.2	5.2	5.2

Financial resources

The Title III budget represented in the table below predominately reflects the costs of the licences to secure access to the required market data providers. It also includes the additional cost per year for the MatLab tool currently being used to analyse the data, acquired for the purpose of the project. The substantial increase in cost between 2014 and 2015 represents the change in usage of the data (due to the need for EIOPA to store and publish the information) and the increase from 3 providers in 2013 to a minimum of 9 for 2015 onwards (see Annex III for list of current providers).

Following a review by its Members, it was recommended that EIOPA undertake an external audit of the programme code of the calculations. This will provide assurance on the quality and consistency of the calculations and production of the RFR project. With the aforementioned implications of an error in the programming and resultant inaccuracy of calculation, the recommendation would be to opt for a robust and rigorous exercise. In the table this substantial cost has been allocated to 2015, as ideally the audit would take place before the implementation of Solvency II. The current EIOPA 2015 budget makes it impossible for EIOPA to bear these costs without an appropriate budgetary amendment. That should take place as soon as possible, ideally within 2015 but otherwise in 2016, to ensure that, even during production phase, the process would benefit from such external assurance.

Budget Title	Allocated 2013	Allocated 2014	Available 2015	Required 2015	Required 2016	Required 2017	Required 2018
Title I	290,000	250,000	250,000	520,000	520,000	520,000	520,000

Title III	70,000	70,000	250,000	760,000	360,000	360,000	410,000
Total	360,000	320,000	500,000	1,280,000	880,000	880,000	930,000

3. Extension of the Recovery Period

3.1. Legal Basis

According to Article 138(4) EIOPA shall, following a request by the supervisory authority concerned, declare the existence of exceptional adverse situations, under which the recovery period for undertakings to restore their financial situation in case of non-compliance with the Solvency Capital Requirement may be extended.

The Directive defines 3 factors to be considered by EIOPA when assessing on a regular basis the existence of one or more of the three conditions: (i) an unforeseen, sharp and steep fall in financial markets, (ii) low interest rates or (iii) a catastrophic event.

Furthermore, EIOPA shall, in cooperation with the supervisory authority concerned, assess on a regular basis whether the conditions leading to such declaration still apply.

Finally, EIOPA shall, in cooperation with the supervisory authority concerned, declare when an exceptional adverse situation has ceased to exist.

The European Commission Delegated Regulation (EU) No 2015/35[5] adds supplementary bottom up factors to be taken into account in declaring the existence of adverse situations. These relate to a further set of situations related to specific market conditions, in particular the appropriateness of the extension itself and the impact it may have on the market.

3.2. Description and Impact Assessment

The key elements of this task comprise:

- the agreement on a number of yet undefined concepts, which EIOPA needs to asses in order to declare the exceptional adverse situation and the ensuing prolonged recovery period, these include assessing the "market capacity", "reasonable price", "possibility for entities to raise additional capital", "the impact of subsequent decisions", etc.;
- a framework for analysing relevant datasets on an ongoing basis, the extent of the analysis and range of markets/assets to cover in consideration of the factors would need to be defined; and
- EIOPA will need to have the appropriate operational structure to take decisions in a transparent manner, including on how the criteria have been assessed, what thresholds, data sources, and valuation/pricing methods have been used, this will require resources and governance infrastructure involving experts on crisis management, financial stability and policy.

The identification of stressed market circumstances will require access and analysis of international market data, as well as national market and supervisory data. The validation of the analysis would be carried by principal experts and the evaluation and decision-making by EIOPA Senior Management. EIOPA shall, on a regular basis, assess whether the conditions for the extension are still given, in cooperation with the NCA, based inter alia, on the regular progress report by the undertakings submitted to the NCA.

[5] European Commission Delegated Regulation (EU) No 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

Impact on (re)insurance undertakings

The possibility for an extension of the recovery period, granted to an undertaking in exceptional market circumstances, may in a short to medium term support the survival of the company. The extension will only be granted in particular circumstances. A careful assessment of whether the circumstances apply to the particular market will impact the undertakings operating in that market.

Impact on consumers

Consumers benefit from the continuation of the servicing of their contracts or the offering of particular products, also where markets render this temporarily unattractive or burdensome for undertakings. The extension of the time needed by the undertaking to regain compliance with the regulatory requirements, when carefully monitored by the supervisors, would therefore support consumer confidence.

Set against this is the fact that undertakings would be operating below the SCR, albeit on the basis that they would be on an adjustment path back to compliance. The lower consumer protection provided in this case would be offset by the close scrutiny of firms' adjustment efforts by National Competent Authorities (NCAs) and EIOPA.

Impact on financial stability

Where a given market suffers from particularly adverse market circumstances, which are affecting the undertakings which may in other circumstances not have suffered (serious) breaches of their capital requirements, providing a more structural medium term relief may prevent a market from collapsing altogether. In addition, the extension of the recovery period may remove the incentive for undertakings to engage in portfolio restructuring that would further destabilise already fragile asset markets.

Lower than required solvency cover is accepted in this instance as the cost of preserving market stability, on the basis that undertakings would be on a progressive adjustment path towards SCR compliance. As the conditions supporting the extension of the recovery period unwind, it is important that undertakings are close to or at SCR compliance. Consequently, adjustment progress and the exit strategy for the extension of the recovery period have to be carefully monitored in order to prevent other systemic effects.

3.3. EIOPA Capacity and Capability Development

Human resources

EIOPA requires human resources for the conceptual development, implementation and review of the determination of the extension of the recovery period and, when implemented, the ongoing delivery of that task. So far, EIOPA has not been able to dedicate resources to this duty. Establishing the aforementioned frameworks and agreements requires considerable additional resource, not currently available.

Ensuring that a proper analysis framework is put into place requires staff with a "market value" being far in excess of even the highest grade that could be offered in the current HR framework: a very scarce and sought after pool of specialists, whose value in relation to assessing these factors is driven by their relevant market knowledge and expertise and are not usually available in supervisory authorities. Therefore, options would need to be considered around securing external consultancy support. Limiting the scope of the assessment to an ad-hoc analysis of data provided only after the request of an NCA, would not contribute to the efficiency of the decision making process. EIOPA would also need to establish a functional operational framework to make requests for detailed and firm specific data from NCAs, not currently collected in existing reporting templates.

EIOPA does not currently have the required level of expertise nor the number of additional staff required to undertake this task. Moreover, it is unlikely to be able to secure such staff within the current grading/remuneration structures.

In this case, the more optimal solution may be to build a framework involving internal staff, who would be supplemented by specialist, external resources with relevant market expertise. Such a model would require at least 2.5 extra FTE at principal expert level in order to ensure sufficient skills, expertise and maturity to operate the required internal processes and to manage the external providers. Specifically, the additional EIOPA staff would be required for procuring the external support, preparing the framework for regular monitoring and liaising with the external experts, manage the relations with the retained experts in running exercise and to ensure decisions through EIOPA's governance structures when needed. Considering the sensitivity of the task and of the data that will be handled, including the dialogue with the NCAs, the lack of resources and ensuing need for external support is also a critical risk factor.

Activity	Allocated FTE 2013	Allocated 2014 FTE	Available 2015 FTE	Required 2015 FTE	Required 2016 FTE	Required 2017 FTE	Required 2018 FTE
Conceptual development and implementation, including monitoring and review	0	0	0	2.5	2	1	1
Operate process/method and publish outcome	0	0	0	0	0.5	1.5	1.5
Total	0	0	0	2.5	2.5	2.5	2.5

Financial resources

If the required staff would be in place, efforts in 2015 could begin with focusing on the conceptual scoping of this EIOPA task. From 2016 onwards, consultants with the required expertise and skills would be engaged to undertake much of the data analysis. EIOPA would also then need to retain budget in reserve to engage such expertise in response to a request from NCAs.

Budget Title	Allocated 2013	Allocated 2014	Available 2015	Required 2015	Required 2016	Required 2017	Required 2018
Title I	0	0	0	250,000	250,000	250,000	250,000
Title III	0	0	0	0	TBC	TBC	TBC
Total	0	0	0	250,000	250,000	250,000	250,000

4 Annual Report on Long-Term Guarantees

4.1 Legal Basis

According to Article 77f(1) EIOPA shall, on an annual basis and until 1 January 2021, report to the European Parliament, the Council and the European Commission about the impact of the application of the Long Term Guarantees (LTG) measures and of the measures on equity risk. According to Article 77f(2) EIOPA shall submit before 2021 an opinion on those measures to the European Parliament, the Council and the European Commission.

4.2 Description and Impact Assessment

The objective is to provide information to support the judgment of the availability of LTG in insurance products, the behaviour and role of insurance/reinsurance undertakings as long-term investors and more generally the impact on financial stability and consumer protection. For this purpose in particular the application and impact on the financial position of the insurance and reinsurance undertakings of the LTG measures and the measures on equity risk needs to be analysed. The key elements of this task comprise:

- the collection and analysis of data submitted through the reporting requirements for undertakings (templates under consultation by EIOPA) and dedicated templates and reports of the NSAs;
- the analysis of the impact of all measures arising from the long term package on the identified areas; and
- a regular process for writing and (potentially consulting) on the report, and ultimately on EIOPA's opinion. The process amounts to a "post-factum" impact assessment of the long term guarantee package, spread over the first five years of application of SII.

The work on the report on long-term investment, prepared by EIOPA in 2013, proves how labour-intensive such an exercise will be. The effectiveness of EIOPA's analysis will rely to a large extent on the quality of the data to which EIOPA will have access.

Impact on (re)insurance undertakings

The analysis of the data and the following report will contribute to the assessment of whether the long term measures as agreed in the Omnibus II negotiations contribute to the intended objectives of the availability of insurance products with long-term guarantees, long-term investment by insurance and reinsurance undertakings, policyholder protection and financial stability. Any conclusions that may lead to modifications to the package by the political parties will have an impact on undertakings that will have been benefiting from 2016 onwards from measures such as the matching adjustment, the volatility adjustment, the equity dampener or the transitional measure for the risk free rate.

Impact on consumers

As expressed in Omnibus II, the analysis should shed light on the availability of products (and their costs) for consumers and the impact of the LTG measures and the measures on equity risk on policyholder protection. Such analysis may contribute to ensuring the continued existence of long-term risk sharing solutions.

Impact on financial stability

The report will contribute to the assessment of the impact of the long-term guarantee measures on financial stability. Data analysis should allow detecting whether the risks created by market conditions or posed to the financial markets have been adequately addressed by the measures. Additionally, the analysis should be able to expose the risks/benefits of the measures to the financial stability as a whole. A failure to adequately reflect the long term nature of the insurance business as required in the regulation would negatively affect the capacity of insurers to invest in long term assets.

4.3 EIOPA Capacity and Capability Development

Human resources

The capacity in EIOPA for this task involves the conceptual development, implementation and review of the processes, along with their operational delivery. The conceptual effort includes defining the data needs and methodology for producing the report on an annual basis. The ongoing delivery of the report will involve extensive collection and analysis of data. This requires highly skilled staff and considerable levels of engagement with experts and stakeholders from academia, industry and NCAs.

A reallocation of resources from the preparation for the review of the SCR standard formula has been the only measure possible to be able to secure 1.3 FTE to this project in 2015. It is expected that, with the first quarterly and annual reporting in 2016, the resources that need to be devoted to this task, will need to increase.

Activity	Allocated FTE 2013	Allocated 2014 FTE	Available 2015 FTE	Required 2015 FTE	Required 2016 FTE	Required 2017 FTE	Required 2018 FTE
Conceptual development	0	0	1.3	2.3	1	1	1
Analysis of data and reporting on outcome	0	0	0	0	1.3	1.3	1.3
Total	0	0	1.3	2.3	2.3	2.3	2.3

Financial Resources

The major costs related to this task pertain to Title I. The annual report will also require access to market data, but so as to avoid double counting, this is only included under the RFR section. The gap between the available and required budget for 2015 equates to EUR 100,000.

Budget Title	Allocated 2013	Allocated 2014	Available 2015	Required 2015	Required 2016	Required 2017	Required 2018
Title I	0.00	0.00	130,000	230,000	230,000	230,000	230,000
Title III	0	0	0	0	0	0	0
Total	0.00	0.00	130,000	230,000	230,000	230,000	230,000

5 Equivalence Verification to be carried out by the Group Supervisor and assisted by EIOPA

5.1 Legal Basis

Article 227(2) defines that, in circumstances where the European Commission has not taken a decision on the equivalence of a particular third country, the group supervisor shall carry out the verification of the equivalence of the third country regime for the purpose of the group solvency calculation, on its own initiative or at the request of the participating undertaking.

Similarly, under Article 260(1), where there is no decision of the European Commission on equivalence, the verification of whether a particular third country exercises equivalent group supervision to that provided for under Solvency II shall be carried out by the EU supervisory authority which would be the group supervisor if the criteria set out in Article 247(2) were to apply (acting group supervisor). The verification shall be undertaken at the request of the third country parent undertaking or of any of the insurance and reinsurance undertakings authorised in the Union or on the acting group supervisors' own initiative.

EIOPA shall assist the group supervisor in preparing equivalence decisions, in accordance with the criteria used by the European Commission, pertaining to supervisory regimes in third countries in accordance with Article 33(2) of the EIOPA Regulation. Article 227(2) and 260(1), enhance EIOPA's role from being consulted to providing that assistance.

Where supervisory authorities disagree with the decision taken, they may refer the matter to EIOPA and request its assistance in accordance with Article 19 of the EIOPA Regulation within three months after notification of the decision by the group supervisor. In that case, EIOPA may act in accordance with the powers conferred to it by that Article.

5.2 Description and Impact Assessment

In order to take account of the international aspects of insurance and reinsurance and to foster greater supervisory coordination and cooperation internationally, equivalence determination of third-country solvency and prudential regimes are carried out. The ultimate aim is to ensure a similar level of protection for policy holders and beneficiaries.

It is of utmost importance that (acting) group supervisors follow a consistent approach based on the Equivalence criteria set in the European Commission Delegated Regulation (EU) No 2015/35 and avoid to come to different decisions on the same third country regime through divergent assessment approaches. Therefore, a clear process needs to be set up to apply in practice the equivalence criteria as well as experienced and competent staff to assist with such assessments. The group supervisor can also request EIOPA to carry out the assessment instead of doing the verification of the third country regime itself.

Equivalence assessments are based on the criteria set in Articles 379 and 380 of European Commission Delegated Regulation (EU) No 2015/35 which set out the relevant supervisory principles embedded in Solvency II. Equivalence of professional secrecy regime in the third country is a precondition for a positive equivalence finding on the third country group supervisory regime.

The key elements of this task comprise:

- starting the assessment (incl. notification and communication);
- carrying out the assessment on the basis of the material requested (questionnaire) and according to the criteria mentioned above (desk-based reviews, on-site visits etc.);
- drafting a comprehensive report on the outcome and results of the equivalence assessment (call for evidence, public consultation); and
- mediating in case of diverging view of national supervisors.

It is important that the assessors have the right balance of expertise, knowledge and supervisory experience. At a minimum the following expertise needs to be represented:

- Financial requirements expertise (pillar I issues) including actuarial expertise;
- Group supervision expertise; and
- Legal expertise.

Impact on (re)insurance undertakings

Equivalence decisions are intended to support European insurers maintain competitiveness abroad. They bring real benefits to EU insurance groups by maintaining a level playing field with foreign competitors: when EU insurance groups calculate how their operations located in an equivalent third country contribute to the group-wide Solvency Capital Requirement, equivalence provisions allow them to use the third-country local rules instead of Solvency II rules, under certain conditions, eliminating duplication of calculations and reporting.

European insurers will also benefit from greater global supervisory coordination and cooperation and the trust established in the colleges (see below financial stability).

Impact on consumers

As mentioned, the ultimate aim is to ensure a similar level of protection for policy holders and beneficiaries through a robust assessment of third-country solvency and prudential regimes.

Impact on financial stability

Equivalence determinations are supposed to foster greater supervisory coordination and cooperation internationally which would benefit supervisors in case of crisis and thus ultimately consumers.

5.3 EIOPA Capacity and Capability Development

Human resources

Equivalence assessments are lengthy and labour-intense work, carried out by EIOPA together with experts from the relevant NCAs. The assessment process itself is well established and criteria are defined in the implementing measures of Solvency II.

Due to the close approval of the Internal Models and the SII inception date, informal requests for assessments are currently accumulating. Currently, there are about 25 to 30 third countries on the preliminary waiting list for an assessment (prioritisation criteria submitted to the Board for March 2015 Meeting), a number that well exceeds current EIOPA capacity. Resource investment will vary depending on the level of insurance regulation and supervision in the respective country, the development of the insurance industry, type of assessments requested and the quality of and language in which the material will be provided. Experience from the past shows the following for full assessments:

- Taking into account that NCAs involved (and EIOPA) should be provided with reasonable deadlines to ensure proper cooperation and quality of the assessment, a minimum period of at least 35 weeks is observed for the whole process (including communication, collection of information, and analysis).
- In 2011, a fully staffed EIOPA Equivalence Committee of around 15 experts (corresponds to 2 – 3 FTE) worked for 1 year on the full assessments of Switzerland, Bermuda and Japan.

Experience from more limited assessments in terms of scope shows the following:

- Professional secrecy assessments normally take around 25 to 35 weeks (depending on quality of input and resources). The resource needs on the professional secrecy assessments will not vary as this is not underlying a proportionality approach.
- Experience gained during the gap analysis assessments shows that the work normally takes at least one year, from the moment that the third country is approached to the final approval by the BoS. Roughly estimated, gap analyses may request only 50% of an FTE of a full assessment.

Since most third countries engaged at international level have already been assessed, it is most likely that the assessment of the remaining third countries will take more time than foreseen.

Redeployment of resources has already been envisaged, to a limited extent, from other international work such as the EU US Project. Other areas of EIOPA may be less suitable for redeployment due to the skillset needed and experience required.

Activity	Allocated FTE 2013	Allocated 2014 FTE	Available 2015 FTE	Required 2015 FTE	Required 2016 FTE	Required 2017 FTE	Required 2018 FTE
Carrying out the assessments	0.2	0.2	0.5	2.5	3	3	2
Potential mediation	0	0	0	0.5	0.5	0.5	0
Supporting the Equivalence Committee of EIOPA	0.5	0.8	1	1	1	1	1
Total	0.7	1	1.5	4	4.5	4.5	3

Financial resources

Costs related to this task mainly pertain to Title I (staff). Under Title III, the main area of expenditure specific to the task will be mission costs for on-site visits. Such costs would be covered via efficiency gains and reprioritization of missions.

Budget Title	Allocated 2013	Allocated 2014	Available 2015	Required 2015	Required 2016	Required 2017	Required 2018
Title I	70,000	100,000	150,000	400,000	450,000	450,000	300,000
Title III	NA	NA	NA	NA	NA	NA	NA
Total	70,000	100,000	150,000	400,000	450,000	450,000	300,000

6 Information and Information Technology Environment

6.1 Description

The Omnibus II tasks are heavily dependent on the availability of extensive and accurate data sets. EIOPA needs reliable and comparable market information, coming from the National Authorities via the harmonised quantitative reporting templates (QRTs) and via market data collected from the ECB (centralised securities database) and commercial market providers. Given the wide area of its responsibilities, the need for data is considerable, much of which is of confidential nature. This dictates the requirements for a complex IT infrastructure capable of handling large volumes of potentially confidential data in an efficient and secure manner. The key elements of this task comprise:

- Two major projects are being run to support undertakings to submit valid data in a harmonised format to NCAs via the reporting templates. The first project relates to the development of the required XBRL taxonomy for reporting. A second project focuses on developing a Tool for Undertakings, reducing the burden and costs of fulfilling the reporting requirements under Solvency II.
- To establish the data architecture for collecting, storing and dissemination data received through various reporting channels in a safe and automated way, EIOPA initiated the Central Repository and EIOPA Hub projects.
- To identify EIOPA's market data needs and procure the required licences in an effective, efficient and compliant fashion, a specific project has also been initiated.
- Finally, to develop and implement the tools required for EIOPA's analysis, querying and reporting of the data it receives, a project has been initiated to procure and implement a business intelligence tool.

6.2 EIOPA Capacity and Capability Development

Human resources

Since 2013, EIOPA has increased the number of staff dedicated to undertaking these tasks. This includes the IT staff required to implement, but also considerable input from the business in terms of providing requirements on what data is needed and how it will be used. To put in place the organisational structures and capability to process and manage the data EIOPA receives, an information team has also been established, providing a key centralised role to the Authority.

Currently EIOPA faces an estimated gap of 1.3 FTE as a result of cutbacks in its staff requests for 2015. Considering current competing commitments and the specific skillsets involved, EIOPA is not in a position to re-allocate staff from other areas. This puts at considerable risk the development of the required infrastructure and reduces the ability of EIOPA to absorb changes in requirements or any future challenges in terms of implementation of systems.

Activity	Allocated FTE 2013	Allocated 2014 FTE	Available 2015 FTE	Required 2015 FTE	Required 2016 FTE	Required 2017 FTE	Required 2018 FTE
FTE for development, maintenance and running of EIOPA's information and IT infrastructure	4	7	9.4	10.7	10.7	10.7	10.7

Financial resources

Between 2013 and 2014, EIOPA has invested EUR 5,194,523 in developing the required systems and tools. In 2014 the Authority did not receive the requested allocation of staff; however, it did receive its requested budget allocation (factoring in the original Title I requirements). With the expectation of further cuts, EIOPA brought forward a number of commitments originally planned for 2015 (transferring available budget from Title I to III). The 2015 budget cuts have therefore been partially absorbed. Despite this, the available Title III budget EIOPA has to allocate to these projects is estimated to be EUR 630,000 short of the required figure. De-prioritisation of other non-Omnibus II projects (e.g. necessary infrastructure improvements) and Omnibus II related projects (e.g. Tool for Supervisors) and de-scoping of other directly relevant projects (e.g. Tool for Undertakings) has therefore been necessary.

Furthermore, the existing budget constraints mean that there is no tolerance in the projects for any deviance from original planning. IT projects rarely go completely to plan, including delays, changes to requirements and many other issues. None of these can be accommodated by the EIOPA projects under current circumstances. With the immovable deadlines imposed by application of Solvency II, this presents a major threat to EIOPA fulfilling its obligations.

The budget 2016 to 2018 will cover continued development and maintenance of the tools and a planned major upgrade for 2018.

Budget Title	Allocated 2013	Allocated 2014	Available 2015	Required 2015	Required 2016	Required 2017	Required 2018
Title I	400,000	700,000	940,000	1,070,000	1,070,000	1,070,000	1,070,000
Title III	2,443,002	2,751,521	1,104,000	1,604,000	1,300,000	1,100,000	1,000,000
Total	2,843,002	3,451,521	2,044,000	2,674,000	2,370,000	2,170,000	2,070,000

7 Review of the SCR Standard Formula

According to the European Commission Delegated Regulation (EU) No 2015/35, the review of the SCR Standard Formula should be completed for the first time in 2018. It should make use of the experience gained by insurance and insurance undertakings during the transitional period and the first years of application of these delegated acts. Based on Article 111(3), it is expected that EIOPA will be called to provide advice on the review of the SCR standard formula. Having in mind that evidence is a key part of assessing the right level of its calibration; work should start as soon as Solvency II data is available, i.e. when the first reports based on the so-called Preparatory Guidelines will be sent to EIOPA.

The scope of the exercise includes the methods, assumptions and standard parameters used when calculating the Solvency Capital Requirement with the standard formula, in particular those applied in the main modules covering market risk, non-life underwriting risk, life underwriting risk the parameters for the use of undertaking-specific parameters as well as operational risk. A large part of the data necessary for the review will be in addition to current Member States reporting requirements as outlined in the reporting templates of EIOPA. The calibrations have significant impact on the capital requirements of European insurers, thus the need to ensure that they appropriately reflect the underlying risk.

EIOPA aims at delivering on this task on the basis of a reallocation of existing expertise available in house, starting on the second half of 2015. However, where additional resources would not be made available for EIOPA to appropriately deal with other tasks, in particular regarding the RFR project and the delivery on an annual basis of a report on LTG as requested by Omnibus II, a reprioritization exercise would need to take place, leading to a delay until 2016 of the work to be performed in order to assess the appropriateness or not of current calibrations.

In addition to the expected work on the recalibration of the standard formula risk modules, EIOPA has been asked to provide advice to the European Commission on the calibration of infrastructure investments by June 2015. For this additional task, which was not anticipated in the 2014/2015 budget, 1.3 FTE have been freed up, by reallocation of policy work for the finalisation of the Solvency II ITS and by de-prioritisation of the initiation of the SCR standard formula review exercise. Under the time and resource constraints, EIOPA’s contribution to the European Commission's Advice on Infrastructure Investments is expected to be limited in scope and will, to a large extent, depend on readily available analysis and data from market participants.

With the complex and challenging nature of the original task on the SCR standard formula review exercise and constant internal re-allocation of resources (e.g. also for the LTG Report) that were initially planned for this task, the available resources shrink to only 0.4 FTE. Thus, the gap between available and required resource is high with 2.8 FTE.

Activity	Allocated FTE 2013	Allocated 2014 FTE	Available 2015 FTE	Required 2015 FTE	Required 2016 FTE	Required 2017 FTE	Required 2018 FTE
Conceptual development	0	0	0.4	3.2	0.7	0.7	0.7
Analysis of data and reporting on outcome	0	0	0	0	2.5	2.5	2.5
Total	0	0	0.4	3.2	3.2	3.2	3.2

<u>Financial resources</u>

Based on the gap in human resources, the difference in budget between what is required and what is available is EUR 280,000 for 2015.

Budget Title	Allocated 2013	Allocated 2014	Available 2015	Required 2015	Required 2016	Required 2017	Required 2018
Title I	0	0	40,000	320,000	320,000	320,000	320,000
Title III	0	0	0	0	0	0	0
Total	0	0	40,000	320,000	320,000	320,000	320,000

Annex I Overview of Powers and Duties

Legal basis	Duties/Powers
Article 25a	Publication and continuous update of a list on EIOPA's website with the name of authorized insurance and reinsurance undertakings.
Article 31(5)	Draft implementing technical standards to specify the templates and structure of the disclosure provided for in Article 31 (Transparency and accountability).
Articles 33, 38(2), 155(3) and 158(2)	Settlement of disagreement between competent authorities related to the supervision of cross border business.
Article 33 and 38(2)	Participation in on-site examinations where they are carried out jointly by two or more supervisory authorities related to the supervision of cross border business.
Article 35(10)	Draft implementing technical standards on regular supervisory reporting with regard to the templates for the submission of information to the supervisory authorities in order to ensure uniform conditions of application of Article 35 (Information to be provided for supervisory purposes).
Article 35(11)	EIOPA shall issue guidelines to further specify the methods to be used when determining the market shares referred to in the third subparagraph of paragraphs 6 and 7 of Article 35 (Information to be provided for supervisory purposes)
Article 37(8)	Draft implementing technical standards on the procedures for decisions to set, calculate and remove capital add-ons.
Article 44(4)(a)	Draft implementing technical standards on the procedures for assessing external credit assessments.
Article 52(3)	Collection of annual information on capital add-ons to be submitted by the national supervisory authorities.* Annual disclosure of information on capital add-ons.* Information to the European Parliament, the Council and the European Commission, together with a report outlining the degree of supervisory convergence in the use of capital add-ons between supervisory authorities in the different Member States.*
Article 56	Draft implementing technical standards on the procedures, formats and templates for the solvency and financial condition report.
Article 58(9)	Draft implementing technical standards on the procedures, forms and templates for the consultation process between the relevant supervisory authorities as referred to in Article 60 (Acquisitions by regulated financial undertakings).
Article 77(e)	Quarterly publication of the following technical information for each relevant currency: (a) a relevant risk-free interest rate term structure to calculate the best estimate referred to in Article 77(2), without any matching adjustment or volatility adjustment (b) for each relevant duration, credit quality and asset class a fundamental spread for the calculation of the matching adjustment referred to in Article 77c(1)(b) (c) for each relevant national insurance market a volatility adjustment to the relevant risk-free interest rate term structure referred to in Article 77d(1)
Article 77f(1)	Annual report to the European Parliament, the Council and the European Commission about the impact of the application of Articles 77a to 77e and 106, Article 138(4) and Articles 304, 308c and 308d, including the delegated or implementing acts adopted pursuant thereto. (until 1 January 2021)
Article 77f(2)	EIOPA, where appropriate after consulting the ESRB and conducting a public consultation, shall submit to the European Commission an opinion on the assessment of the application of Articles 77a to 77e and 106, Article 138(4), and Articles 304, 308c and 308d, including the delegated or implementing acts adopted pursuant thereto.
Article 86(3)	Draft implementing technical standards on the procedures for the approval of the application of a matching adjustment referred to in Article 77b(1).
Article 92(3)	Draft implementing technical standards on the procedures for granting supervisory approval for the use of ancillary own funds.
Article 109a(2)	Draft implementing technical standards on: (a) lists of regional governments and local authorities, exposures to whom are to be treated as exposures to the central government of the jurisdiction in which they are established, provided that there is no difference in risk between such exposures because of the specific revenue-raising powers of the former, and specific institutional arrangements exist, the effect of which is to reduce the risk of default; (b) the equity index referred to in Article 106(2), in accordance with the detailed criteria established under Article 111(1)(c) and (o); (c) the adjustments to be made for currencies pegged to the euro in the currency risk sub-module referred to in Article 105(5), in accordance with the detailed criteria for the adjustments for currencies pegged to the euro for the purpose of facilitating the calculation of the currency risk sub-module,

	as established under Article 111(1)(p).
Article 109a(3)	Publication of technical information including information concerning the symmetric adjustment referred to in Article 106 (Calculation of the equity risk sub-module: symmetric adjustment mechanism) on at least a quarterly basis.
Article 109a(4)	Draft implementing technical standards, taking into account the calculations provided by the supervisory authorities of the Member States concerned, on standard deviations in relation to specific national legislative measures of Member States which permit the sharing of claims payments in respect of health risk amongst insurance and reinsurance undertakings and which meet the criteria in paragraph 5 and any additional criteria established by delegated acts.
Article 111(2)	Draft implementing technical standards on the procedures for supervisory approval of undertaking-specific parameters referred to in point (k) of paragraph 1.
Article 114(2)	Draft implementing technical standards on the procedures for: (a) the approval of an internal model in accordance with Article 112; and (b) the approval of major changes to an internal model and changes to the policy for changing an internal model referred to in Article 115.
Article 138(4)	EIOPA shall, following a request by the supervisory authority concerned, declare the existence of exceptional adverse situations. EIOPA shall, in cooperation with the supervisory authority concerned, assess on a regular basis whether the conditions referred to in the second subparagraph still apply. EIOPA shall, in cooperation with the supervisory authority concerned, declare when an exceptional adverse situation has ceased to exist.
Article 172(2) and (4)	EIOPA shall assist the European Commission in the assessment of equivalence of the solvency regime of third countries in relation to reinsurance. EIOPA shall assist the European Commission in the regular review of equivalence decisions on the basis of annual progress reports to be submitted by the relevant third countries. EIOPA shall publish and keep up to date on its website a list of all third countries for which the solvency regime applied to reinsurance activities is temporarily equivalent.
Article 211(2a), (2b)	Draft implementing technical standards on the procedures for granting supervisory approval to establish special purpose vehicles and on the formats and templates to be used for the purposes of accounting, prudential and statistical information requirements. Draft implementing technical standards on the procedures for the cooperation and exchange of information between supervisory authorities, where the special purpose vehicle which assumes risk from an insurance or reinsurance undertaking is established in a Member State which is not the Member State in which the insurance or reinsurance undertaking is authorised
Article 227(2 and 4) and 260(1 and 3)	Equivalence concerning related third-country insurance and re-insurance undertakings: Assist the group supervisor in the decision on equivalence; Assist the European Commission for the adoption of the delegated acts determining that the supervisory regime of a third country is equivalent; Publish and keep up to date on its website a list of all third countries for which the solvency regime applied to insurance activities is temporarily equivalent.
Article 227, 231, 237, 238(5), 239(4) 247(4) and 248(2, 4)	Settlement of disagreement between competent authorities concerned related to the group supervision.
Article 231(4)	Draft implementing technical standards to ensure uniform conditions of application of the joint decision process with regard to the applications for permissions related to group internal models.
Article 237(4)	Draft implementing technical standards to ensure uniform conditions of application of the joint decision process with regard to the applications for permissions related to the group solvency for groups with centralised risk management.
Article 244(6)	Draft implementing technical standards on the forms and templates for reporting on risk concentrations.
Article 245(6)	Draft implementing technical standards on the procedures, forms and templates for the reporting on such intra-group transactions.
Article 247(7)	Inform the European Parliament, the Council and the European Commission of any major difficulties regarding the identification of the group supervisor on at least an annual basis.*
Article 248(6)	EIOPA shall issue guidelines for the operational functioning of colleges of supervisors. Draft regulatory technical standards to specify the operational functioning of colleges of supervisors.

	Draft regulatory technical standards to specify the coordination of group supervision. Comprehensive review of the work of the colleges of supervisors to assess the level of convergence, at least every three years.*
Article 249(4)	Draft implementing technical standards on the procedures and templates for the submission of information to the group supervisor as well as the procedure for the cooperation and the exchange of information between supervisory authorities.
Article 255(2)	Participation in on-site examinations where they are carried out jointly by two or more supervisory authorities concerning an undertaking, whether regulated or not, which is part of a group.
Article 256(5)	Draft implementing technical standards on the procedures and templates for, and the means of, disclosure of the single and group solvency and financial report as laid down in this Article.
Article 259	EIOPA shall report to the European Parliament annually in accordance with Article 50 of EIOPA Regulation. EIOPA shall report, inter alia, on all relevant and significant experiences of the supervisory activities and cooperation between supervisors in the framework of Title III, and, in particular: (a) the process of the nomination of the group supervisor, the number of group supervisors and their geographical spread; (b) the working of the college of supervisors, in particular the involvement and commitment of supervisory authorities where they are not the group supervisor. EIOPA may, for the purposes of paragraph 1 of this Article, also report on the main lessons drawn from the reviews referred to in Article 248(6), where appropriate.
Article 301b(3)	By 24 May 2016, EIOPA may submit draft regulatory technical standards to the European Commission to adjust to technical developments on the financial markets the delegated acts provided for in Articles 17, 31, 35, 37, 50, 56, 75, 86, 92, 97, 99, 109a, 111, 114, 127, 130, 135, 143, 172, 210, 211, 216, 217, 227, 234, 241, 244, 245, 247, 248, 256, 258, 260 and 308b.
Article 308b(13)	Draft implementing technical standards on the procedures for the calculation of the standard parameters to be used for equities that the undertaking purchased on or before 1 January 2016, when calculating the equity risk sub-module.

Annex II Required Establishment Plan

Cate-gory and grade	Establishment plan in EU Budget 2014	Establishment plan in voted EU Budget 2015	Revised Establishment Plan 2016	Revised Establishment Plan 2017	Revised Establishment Plan 2018
AD 15	1	1	1	1	1
AD 14	1	1	1	1	1
AD 13	3	3	3	3	3
AD 12	5	5	6	8	9
AD 11	7	7	9	12	13
AD 10	8	8	11	14	16
AD 9	8	8	18	21	24
AD 8	11	11	16	18	21
AD 7	12	12	16	16	15
AD 6		9	12	13	11
AD 5	8	10	5	4	4
Total AD	64	75	98	111	118
AST 11	0	0	0	0	1
AST 10	0	0	1	1	1
AST 9	1	1	1	1	1
AST 8	1	1	2	3	4
AST 7	1	1	2	3	4
AST 6	3	3	3	4	4
AST 5	1	1	2	3	3
AST 4	3	3	3	2	2
AST 3	3	3	2	1	1
AST 2	2	2	0	0	0
AST 1	0	0	0	0	0
Total AST	15	15	16	18	21
TOTAL	79	90	114	129	139

Annex III Current Market Providers

Type of Services	Name of Contractor	Net value per year (or estimated value where applicable)
Market yield indices (including market yield curves) for corporate bonds for calculation of Volatility Adjustment in Risk Free Rate Project	Markit Indices Limited	54,615.00 EUR
S&P Capital IQ License for Access to Sovereigns, Insurance Companies and Banks (Financials)	Standard & Poor's Financial Services LLC	9,537.40 EUR
Credit Rating Transition matrices and Probability of Default Tables for calculation of Volatility Adjustment in Risk Free Rate Project	Standard & Poor's Financial Services LLC	20,400 EUR
DataStream	Thomson and Reuters	9,900.00 EUR
Swaps and overnight interest rates and sovereign bonds for calculation of basic risk free rates in Risk Free Rate Project – for Purpose of Validation	Thomson and Reuters	35,400.00 EUR
Swaps and overnight interest rates and sovereign bonds for calculation of basic risk free rates in Risk Free Rate Project	Bloomberg	24,000.00 EUR
	Total value	153,852.40 EUR