

FINAL REPORT

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on revised Guidelines on ring-fenced funds

EIOPA-BoS-26/284
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TABLE OF CONTENTS

1. Executive summary	3
2. Background	4
3. Revised Guidelines on ring-fenced funds	6
4. Explanatory text	15
Annex: Feedback statement	22

1. EXECUTIVE SUMMARY

INTRODUCTION

In accordance with Article 16 of Regulation (EU) No 1094/2010, EIOPA issued Guidelines in 2015 to provide guidance on how supervisory authorities should apply the requirements of Solvency II on ring-fenced funds.

In the context of the Solvency II review, EIOPA is reviewing all existing guidelines on Solvency II to ensure that they are up to date and in line with the amended legal framework. Another objective of the review is to simplify and shorten the guidelines.

This final report sets out the final text of the revised Guidelines, explanations on the amendments and a feedback statement on the public consultation.

CONTENT

The revised Guidelines reflect the changes to Directive 2009/138/EC and to Commission Delegated Regulation (EU) 2015/35, in particular that insurance and reinsurance undertakings, which use the matching adjustment, can calculate their Solvency Capital Requirement assuming full diversification between the assets and liabilities of the matching adjustment portfolio and the rest of the undertaking, unless that portfolio forms a ring-fenced fund. Furthermore, several guidelines are deleted or simplified.

PUBLIC CONSULTATION

EIOPA conducted a public consultation on the revised Guidelines between 9 October 2025 and 5 January 2026. A stakeholder event was held on 10 December 2025 to discuss the consultation paper. Two stakeholders provided feedback on the consultation paper. The stakeholder feedback did not result in changes to the consultation proposal.

NEXT STEPS

The Guidelines will be applicable from 30 January 2027.

2. BACKGROUND

In the context of the amendment to Directive 2009/138/EC¹ (Solvency II Directive), EIOPA reviews all existing guidelines on that Directive. In view of the large number of these guidelines, the review will be sequential. The main objective of the review is to ensure that the guidelines are up to date and in line with the legal framework as amended by the Solvency II review. Another objective of the review is to simplify and shorten the guidelines, in particular where the guidelines are relevant for insurance and reinsurance undertakings. The corpus of guidelines on Solvency II has grown over the years and the Solvency II review mandates EIOPA to issue additional guidelines. EIOPA believes that the corpus of guidelines should be limited to what is strictly necessary to ensure a sound and consistent application of Solvency II.

The European Commission amended² Commission Delegated Regulation (EU) 2015/35³ to allow insurance and reinsurance undertakings, which use the matching adjustment, to calculate their Solvency Capital Requirement on the basis of the assumption of full diversification between the assets and liabilities of the matching portfolio and the rest of the undertaking, unless that portfolio forms a ring-fenced fund. A consistent change needs to be implemented in several Guidelines on ring-fenced funds to avoid contradictions with the legal framework. Furthermore, EIOPA has identified several guidelines that can be deleted or simplified.

Guideline 4 is amended by deleting paragraph 1.15. This paragraph states that the assessments, assumptions and calculations set out in Articles 81, 216, 217 and 234 of Commission Delegated Regulation (EU) 2015/35 apply to matching adjustment portfolios and concludes that undertakings should apply Guidelines 6 to 17 where they have matching adjustment portfolios. The deletion of this paragraph reflects the amendments to Commission Delegated Regulation (EU) 2015/35.

Guideline 17 states that undertakings using the standard formula should identify the effects of non-diversification when calculating the amount of the Solvency Capital Requirement split by risk modules. In view of the above-mentioned amendments to Commission Delegated Regulation (EU) 2015/35, this Guideline is amended by deleting the reference to matching adjustment portfolios in the title.

In the introduction, paragraph 1.6 is deleted. This paragraph states that the Guidelines on ring-fenced funds, except for Guidelines 1 to 5, are relevant to the treatment of portfolios of assets and obligations

¹ Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of the business of Insurance and Reinsurance (OJ L 335, 17.12.2009, p. 1-155).

² See amendments to Articles 70, 81, 216, 217 and 234 of Commission Delegated Regulation (EU) 2015/35 by Commission Delegated Regulation (EU) 2026/269 of 29 October 2025 amending Delegated Regulation (EU) 2015/35 as regards technical provisions, long-term guarantee measures, own funds, equity risk, spread risk on securitisation positions, other standard formula capital requirements, reporting and disclosure, proportionality and group solvency (OJ L, 2026/269, 18.2.2026, ELI: http://data.europa.eu/eli/reg_del/2026/269/oj).

³ Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC (OJ L 12, 17.01.2015, p. 1-797).

to which a matching adjustment is applied. The deletion of this paragraph is a consequence of the deletion of paragraph 1.15 in Guideline 4, which states that undertakings should apply Guidelines 6 to 17 where they have matching adjustment portfolios. Further amendments to the introduction are made to simplify and streamline the wording.

In order to simplify and shorten the Guidelines, Guidelines 6, 7, 11, 15 and 16 are deleted. The rationale for deletion is that the guidance they provide is sufficiently clear from the legal provisions of Solvency II.

This proposal for revised Guidelines is not accompanied by an impact assessment because the amendments ensure consistency with the changes that were made to the Solvency II Directive and to Commission Delegated Regulation (EU) 2015/35. These amendments have been duly assessed. Accordingly, we do not expect a material additional impact from the limited changes proposed.

The revised Guidelines in this final report keep their initial numbering. The revised Guidelines will be renumbered sequentially in the final version that will be published on EIOPA's website.

3. REVISED GUIDELINES ON RING-FENCED FUNDS

INTRODUCTION

1. In accordance with Article 16 of Regulation (EU) No 1094/2010 (EIOPA Regulation)⁴, EIOPA issues Guidelines on ring-fenced funds.
2. The Guidelines relate to Articles 80, 81, 216 and 217 of Commission Delegated Regulation (EU) 2015/35 (Commission Delegated Regulation)⁵ adopted under Articles 99(b) and 111(1)(h) of Directive 2009/138/EC (Solvency II)⁶.
3. These Guidelines are addressed to supervisory authorities under Solvency II.
4. These Guidelines are intended to promote a consistent approach by assisting undertakings and supervisory authorities in:
 - (a) the identification of whether any own-fund items have a reduced capacity to fully absorb losses on a going-concern basis due to their lack of transferability within the undertaking, having regard to the different national, legal and product frameworks in Member States which might give rise to ring-fenced funds and having regard to how these own-fund items are calculated;
 - (b) the determination of what constitutes assets and liabilities of the ring-fenced fund through identification of the assets and liabilities associated with any restricted own-fund items;
 - (c) the calculation of the notional Solvency Capital Requirement (SCR) for each ring-fenced fund where the SCR is calculated using the standard formula or using an internal model;
 - (d) the comparison of the amount of the restricted own-fund items within the ring-fenced fund with the notional SCR of the ring-fenced fund;
 - (e) the calculation by undertakings of the SCR where one or more ring-fenced funds exist;
 - (f) in the case where the SCR is calculated using an internal model, the nature of evidence undertakings should provide to supervisory authorities in order to assess the system for measuring diversification effects, taking account of any material restrictions on diversification which arise from the existence of ring-fenced funds.
5. The Guidelines apply from 30 January 2027 and repeal and replace the Guidelines on ring-fenced funds (EIOPA-BoS-14/169).

⁴ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48–83).

⁵ Commission Delegated Regulation (EU) 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) (OJ L 12, 17.01.2015, p. 1-797).

⁶ Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of the business of Insurance and Reinsurance (OJ L 335, 17.12.2009, p. 1-155).

6. If not defined in these Guidelines the terms have the meaning defined in the legal acts referred to in the introduction.

GUIDELINE 1 – CHARACTERISTICS AND SCOPE OF RING-FENCED FUNDS

7. Undertakings should identify ring-fenced funds by reference to the following characteristics:
- (a) the existence of a restriction on assets in relation to certain liabilities on a going-concern basis, which would lead to restricted own funds within the business of an undertaking, is the defining characteristic of a ring-fenced fund;
 - (b) ring-fenced funds may arise where profit participation forms part of the arrangement and also in the absence of profit participation;
 - (c) while the ring-fenced assets and liabilities should form an identifiable unit, in the same manner as though the ring-fenced fund were a separate undertaking, it is not necessary that these items are managed together as a separate unit or form a separate sub-fund for a ring-fenced fund to arise;
 - (d) where proceeds of, or returns on, the assets in the ring-fenced fund are also subject to the ring-fenced fund arrangement, undertakings are able to trace them at any given time, i.e. undertakings are able to identify items as covered by, or subject to, the arrangement giving rise to the ring-fenced fund.

GUIDELINE 2 – ARRANGEMENTS AND PRODUCTS THAT ARE GENERALLY OUTSIDE THE SCOPE OF RING-FENCED FUNDS

8. In the process of identifying ring-fenced funds, undertakings should consider the following arrangements and products as generally outside the scope of ring-fenced funds:
- (a) conventional unit-linked products, as referred to in Article 132(3) of Solvency II;
 - (b) conventional index-linked products, as referred to in Article 132(3) of Solvency II;
 - (c) provisions, including technical provisions and equalisation provisions and reserves set up in accounts or financial statements prepared under the requirements applying in a particular jurisdiction are not ring-fenced funds solely by virtue of being set up in such financial statements;
 - (d) conventional reinsurance business provided that individual contracts do not give rise to restrictions on the assets of the undertakings;
 - (e) coverage assets and similar arrangements that are established for the protection of policyholders in the case of winding-up proceedings, either for the policyholders of the undertaking as a whole or for separate sections or groups of policyholders of the undertaking, including assets identified in the register in accordance with Articles 275(a) and 276 of Solvency II (the special register);
 - (f) separation of life and non-life business in composite undertakings which carry out simultaneously life and non-life or health insurance activities set out in Articles 73 and 74 of Solvency II, but not disregarding the fact that a ring-fenced fund may still arise within either or both of the component parts of composite undertakings depending on the nature of the underlying business;

- (g) surplus funds are not ring-fenced solely by virtue of being surplus funds, but could be if they are generated within a ring-fenced fund;
- (h) transfer of a portfolio into an undertaking during a reorganisation of a business, where the separation of assets in respect of the existing business of the receiving undertaking from the assets of the transferred portfolio does not constitute a ring-fenced fund, if this separation has been put in place under national law to protect the existing business from the fund that is being transferred-in only on a temporary basis;
- (i) experience funds, where policyholders are entitled to a share of the experience of the fund in a manner, typically a minimum predefined percentage, set out in the policy documentation, and have no rights to any amounts not allocated in accordance with that specified profit-sharing mechanism. Amounts allocated to policyholders are included in technical provisions. Amounts not allocated to policyholders are fully transferable, can be returned to the shareholders or other providers of capital, can be used to absorb losses as and when they occur or can be, but are not required to be, used to increase benefits to policyholders and can therefore form part of own funds not subject to restriction.

GUIDELINE 3 – RESTRICTIONS GIVING RISE TO RING-FENCED FUNDS

9. Undertakings should identify the nature of any restrictions affecting assets and own funds within their business and the associated liabilities in respect of the contracts, policyholders or risks for which such assets and own funds can be used.
10. In order to identify any such restrictions, which give rise to a ring-fenced fund, undertakings should consider at least:
 - (a) the contractual terms;
 - (b) any separate legal arrangement that applies in addition to the terms of a policy;
 - (c) provisions in the articles, statutes or other document giving rise to the undertaking's formation or organisation;
 - (d) national legislation or regulations in respect of product design or the conduct of the relationship between undertakings and their policyholders: ring-fenced funds would arise where, as a result of legal provisions protecting the general good in a Member State, an undertaking must apply particular assets only for the purposes of a particular part of its business;
 - (e) provisions of Union law, whether transposed or directly applicable;
 - (f) arrangements specified by order of a court or other competent authority which require separation of or restrictions on assets or own funds in order to protect one or more groups of policyholders.
11. Undertakings should take into account all restrictions affecting assets and own funds in place at the time that the SCR is calculated, irrespective of the time period for which those restrictions apply on a going-concern basis.

GUIDELINE 4 – SCOPE OF RING-FENCED FUNDS TREATMENT

12. Undertakings identifying characteristics and restrictions giving rise to ring- fenced funds treatment should at a minimum compare arrangements within their business with the following types of ring-fenced funds:

- (a) a fund of assets and liabilities in respect of profit participation ("with profits") business that is only available to cover losses arising in respect of particular policyholders or in relation to particular risks and where the following key features exist:
 - (i) policyholders within the ring-fenced fund have distinct rights relative to other business written by the undertaking;
 - (ii) there are restrictions on the use of assets, and the return on such assets, within this fund to meet liabilities or losses arising outside the fund;
 - (iii) an excess of assets over liabilities is generally maintained within the fund and this excess is restricted own funds, since its use is subject to the restrictions referred to in point (ii);
 - (iv) there is generally profit participation within the ring-fenced fund whereby policyholders receive a minimum proportion of the profits generated in the fund which are distributed through additional benefits or lower premium, and, if relevant, shareholders may then receive the balance of such profits;
- (b) a legally binding arrangement or trust created for the benefit of policyholders, where, within or separate to the policy documentation, an agreement calls for certain proceeds or assets to be placed in trust or subject to a legally binding arrangement or charge for the benefit of the specified policyholders;
- (c) ring-fenced funds, which reflect the restrictions on particular assets or own funds as specified in the articles, statutes or other document giving rise to the undertaking's formation or organisation;
- (d) ring-fenced funds that arise to reflect the effect of restrictions or arrangements specified in national law;
- (e) arrangements falling within the scope of Union law, including Solvency II and Commission Delegated Regulation:
 - (i) Article 304 of Solvency II, which introduces a requirement for ring- fencing regarding occupational retirement provision business and retirement benefits. As a result, this type of ring-fenced fund needs to be considered for a potential adjustment to own funds according to Articles 80 and 81 of Commission Delegated Regulation. However, the requirement in Article 217 of Commission Delegated Regulation to calculate the SCR as the sum of notional SCRs for the ring-fenced funds and the remaining part does not apply, as Article 304 of Solvency II permits diversification effects to be recognised provided that the interests of policyholders and beneficiaries in other Member States are safeguarded;
 - (ii) Article 4 of Directive (EU) 2016/2341, which provides an option for Member States to apply certain provisions of that Directive to the occupational retirement provision business of insurance undertakings, subject to a ring-fencing requirement applying to the assets and liabilities of that business. This provision may be relevant in respect of business dealt with in this manner for undertakings which have not received

authorisation under Article 304 of Solvency II. In this case, the requirements of Articles 81 and 217 of Commission Delegated Regulation apply.

GUIDELINE 5 – MATERIALITY

13. Where a ring-fenced fund is not material, Article 81 of Commission Delegated Regulation permits undertakings to exclude the total amount of restricted own-fund items from the amount eligible to cover the SCR and the Minimum Capital Requirement (MCR). In this case, in accordance with Article 216 of Commission Delegated Regulation, undertakings are not required to calculate a notional SCR for the ring-fenced fund. However, undertakings should include the assets and liabilities of the non-material ring-fenced fund within the remaining part of the undertaking. These assets and liabilities will form part of the undertakings' overall SCR calculation.
14. Undertakings should consider the materiality of a ring-fenced fund by assessing:
- (a) the risks arising from or covered by the ring-fenced fund;
 - (b) the assets and liabilities within the ring-fenced fund;
 - (c) the amount of restricted own funds within the ring-fenced fund, the volatility of those amounts over time and the proportion of total own funds represented by restricted own funds;
 - (d) the proportion of the undertaking's total assets and capital requirements that the ring-fenced fund represents, individually or combined with other ring-fenced funds;
 - (e) the likely impact of the ring-fenced fund on the calculation of the SCR due to the reduced scope for risk diversification.

GUIDELINE 8 – FUTURE SHAREHOLDER TRANSFERS

15. When applying Article 80(2) of Commission Delegated Regulation, undertakings should consider future transfers attributable to shareholders as:
- (a) only relevant in the context of profit participation business;
 - (b) coming into existence when the corresponding future discretionary benefits are recognised in the best estimate liability;
 - (c) being part of the ring-fenced fund's excess of assets over liabilities, not as a liability of the ring-fenced fund;
 - (d) including transfers which relate to declared bonuses already included in guaranteed benefits but where the corresponding distribution to shareholders has not yet been transferred out of the ring-fenced fund.

GUIDELINE 9 – CALCULATING THE NOTIONAL SCR OF A RING-FENCED FUND: STANDARD FORMULA

16. Undertakings should perform the following steps in applying the methodology set out in Article 217 of Commission Delegated Regulation:
- (a) in applying the SCR calculation methodology to the assets and liabilities within a ring-fenced fund as if the ring-fenced fund were a separate undertaking, undertakings should include a capital requirement for operational risk as well as any relevant adjustments for the loss-absorbing capacity of technical provisions and deferred taxes;

- (b) in aggregating the capital requirements under the worst case scenario for the undertaking as a whole for each sub-module and risk module using the procedure for aggregation of the standard formula prescribed by Article 104 of Solvency II, undertakings may recognise diversification of risks within the ring-fenced fund;
- (c) the capital requirement at the level of each ring-fenced fund should be calculated net of the mitigating effect of any future discretionary benefits. Where profit participation exists, assumptions regarding the variation of future bonus rates should be realistic and have due regard to the impact of the shock at the level of the ring-fenced fund, including the impact on the value of future transfers attributable to shareholders, and to any contractual, legal or statutory requirements governing the profit participation mechanism;
- (d) if, as a result of bidirectional scenarios, the risk charge for the worst case scenario is negative, even after taking into account any potential increase of liabilities due to profit participation mechanisms, and would therefore result in an increase in basic own funds within the ring-fenced fund, then the charge should be set to zero.

GUIDELINE 10 – CALCULATION OF THE NOTIONAL SCR OF A RING-FENCED FUND: INTERNAL MODEL

17. In order to calculate the notional SCR for a ring-fenced fund in accordance with Article 81(1)(a) of Commission Delegated Regulation, undertakings should ensure that:

- (a) the internal model is capable of performing the calculation of the notional SCR for each ring-fenced fund as if each ring-fenced fund were a separate undertaking pursuing only the business included in that ring-fenced fund;
- (b) the calculation of each notional SCR is consistent with the calculation of the SCR for the undertaking as a whole;
- (c) the risk mitigation techniques and future management actions taken into account to calculate the notional SCR of each ring-fenced fund are consistent with the risk mitigation techniques and future management actions taken into account for the ring-fenced business in the calculation of the SCR for the undertaking as a whole, and with Guideline 9;
- (d) the methodology and assumptions applied in calculating the notional SCR for the purposes of each ring-fenced fund should be consistent with those used in respect of the same types of assets, liabilities and risks in the calculation of the SCR for the undertaking as a whole;
- (e) it only uses risk mitigation techniques, future management actions, methodologies or assumptions to calculate a notional SCR that differ from those used in the calculation of the SCR for the undertaking as a whole when necessary to produce a compliant notional SCR, and the justification for any differences is documented.

GUIDELINE 12 - CALCULATION OF THE SCR OF THE UNDERTAKING AS A WHOLE IN THE PRESENCE OF RING-FENCED FUNDS: STANDARD FORMULA

18. In calculating a separate notional SCR for the remaining part of the undertaking, undertakings should treat the assets and liabilities of that remaining part of the undertaking as though they were a separate undertaking and apply Guideline 9.

19. Without prejudice to Article 217(2) of Commission Delegated Regulation, in calculating the SCR as the sum of the notional SCRs for each ring-fenced fund and for the remaining part of the undertaking, undertakings should not reflect any diversification benefits among ring-fenced funds or between ring-fenced funds and the remaining part of the undertaking.
20. Undertakings should set any negative notional SCRs to zero before aggregating such amounts with any positive notional SCRs of ring-fenced funds and the remaining part of the undertaking.

GUIDELINE 13 - CALCULATION OF THE SCR OF THE UNDERTAKING AS A WHOLE IN THE PRESENCE OF RING-FENCED FUNDS: INTERNAL MODEL

21. In accordance with Article 234(b)(ii) of Commission Delegated Regulation undertakings using an internal model should ensure that:
 - (a) they consider the manner in which the notional SCR for each ring-fenced fund is calculated;
 - (b) they consider how the system for measuring diversification effects takes into account any restrictions on diversification which arise from the existence of ring-fenced funds; and
 - (c) they provide evidence and information to supervisory authorities in relation to the following matters:
 - (i) the nature of the insurance business within each relevant ring-fenced fund and how this is the same as, or different to, the business carried on in other ring-fenced funds and the remaining part of the undertaking;
 - (ii) the degree of correlation of the risks attaching to those lines of business;
 - (iii) historical data demonstrating the incidence of losses affecting different parts of the business;
 - (iv) the rationale for and the nature of the restrictions affecting each relevant ring-fenced fund;
 - (v) an explanation of the source of diversification having regard to such restrictions and identification of key variables driving dependencies;
 - (vi) an analysis of any non-linear dependence and any material lack of diversification under extreme scenarios;
 - (vii) the extent to which the data provided in (i) to (vi) support the observation of diversification effects among ring-fenced funds or between ring-fenced funds and the remaining part of the undertaking.
22. In accordance with Article 234(b)(ii) of Commission Delegated Regulation supervisory authorities should assess:
 - (a) the manner in which the notional SCR is calculated, and diversification benefits are taken into account in the internal model;
 - (b) whether the assumptions underlying the system used for measuring diversification effects are justified on an empirical basis with regard to the items listed in paragraph 1.30(c).

GUIDELINE 14 - APPLICATION OF CALCULATION METHODOLOGY TO SIMILAR RING-FENCED FUNDS

23. Where an undertaking seeks to apply the same calculation methodology to multiple ring-fenced funds that exhibit similar characteristics, it should demonstrate to the satisfaction of the supervisory authority that the methodology produces sufficiently accurate results for each of the similar ring-fenced funds.

GUIDELINE 17 - REPORTING OF THE SCR SPLIT BY RISK MODULES FOR UNDERTAKINGS WITH RING-FENCED FUNDS

24. When calculating the amount of the SCR split by risk modules for the purposes of reporting in accordance with Article 311(2)(a) of Commission Delegated Regulation and public disclosure in accordance with Article 297(2)(b) of Commission Delegated Regulation, undertakings using the standard formula should identify the effects of non-diversification. For this purpose, undertakings should allocate by risk modules the difference between the sum of notional SCRs calculated in accordance with Article 217 of Commission Delegated Regulation and the SCR of the undertaking as if there was no loss of diversification. When calculating this difference, undertakings may use one of the simplifications set out in the Technical Annex. The approach used should be consistently applied over time.

COMPLIANCE AND REPORTING RULES

25. This document contains Guidelines issued under Article 16 of the EIOPA Regulation. In accordance with Article 16(3) of the EIOPA Regulation, competent authorities and financial institutions are required to make every effort to comply with guidelines and recommendations.
26. Competent authorities that comply or intend to comply with these Guidelines should incorporate them into their regulatory or supervisory framework in an appropriate manner.
27. Competent authorities are to confirm to EIOPA whether they comply or intend to comply with these Guidelines, with reasons for non-compliance, within two months after the issuance of the translated versions.
28. In the absence of a response by this deadline, competent authorities will be considered as non-compliant to the reporting and reported as such.

FINAL PROVISION ON REVIEWS

29. These Guidelines will be subject to a review by EIOPA.

TECHNICAL ANNEX - SIMPLIFICATIONS FOR THE CALCULATION OF THE SCR AS IF THERE WAS NO LOSS OF DIVERSIFICATION (GUIDELINE 17)

Simplification 1 (direct summation at sub-module level)

The SCR as if there was no loss of diversification is calculated as follows:

- (a) for each sub-module of life underwriting, non-Life underwriting, health underwriting, market and counterparty default risk modules, the (gross) capital charge of the entity is calculated as the sum of the (gross) capital charges across all ring-fenced funds and the remaining part;
- (b) the capital charges of the entity for life underwriting, non-Life underwriting, health underwriting, market and counterparty default risk modules are calculated by aggregating the sub-module results determined above, using the relevant correlation matrices;
- (c) the capital charge of the entity for operational risk and intangibles is calculated as the sum of the capital charges across all ring-fenced funds and the remaining part;
- (d) the adjustment for loss absorbing capacity of technical provisions and deferred taxes is calculated as the sum of those adjustments across all ring-fenced funds and the remaining part;
- (e) the SCR as if there was no loss of diversification is obtained by using the usual SCR formula (as defined by Article 103 of Solvency II), taking as inputs all the numbers calculated above.

Simplification 2 (direct summation at module level)

The SCR as if there was no loss of diversification is calculated as follows:

- (a) for each risk module (life underwriting, non-Life underwriting, health underwriting, market and counterparty default), the (gross) capital charge of the entity is calculated as the sum of the (gross) capital charges across all ring-fenced funds and the remaining part;
- (b) the capital charge of the entity for operational risk and intangibles is calculated as the sum of the capital charges across all ring-fenced funds and the remaining part;
- (c) the adjustment for loss absorbing capacity of technical provisions and deferred taxes is calculated as the sum of those adjustments across all ring-fenced funds and the remaining part;
- (d) the SCR as if there was no loss of diversification is obtained by using the usual SCR formula (as defined by Article 103 of Solvency II) taking as inputs all the numbers calculated above.

4. EXPLANATORY TEXT

AMENDED: Introduction

~~According to Article 16 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (hereinafter “EIOPA Regulation”)~~¹ ~~EIOPA is drafting Guidelines on ring-fenced funds.~~ **In accordance with Article 16 of Regulation (EU) No 1094/2010⁷, EIOPA issues revised Guidelines on ring-fenced funds.**

The Guidelines relate to Articles 80, 81, 216 and 217 of Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC (Commission Delegated Regulation)³ adopted under Articles 99(b) and 111(1)(h) of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of the business of Insurance and Reinsurance (Solvency II)².

These Guidelines are addressed to supervisory authorities under Solvency II.

These Guidelines are intended to promote a consistent approach by assisting undertakings and supervisory authorities in:

- (a) the identification of whether any own-fund items have a reduced capacity to fully absorb losses on a going-concern basis due to their lack of transferability within the undertaking, having regard to the different national, legal and product frameworks in Member States which might give rise to ring-fenced funds and having regard to how these own-fund items are calculated;
- (b) the determination of what constitutes assets and liabilities of the ring-fenced fund through identification of the assets and liabilities associated with any restricted own-fund items;
- (c) the calculation of the notional Solvency Capital Requirement (hereinafter “SCR”) for each ring-fenced fund where the SCR is calculated using the standard formula or using an internal model;
- (d) the comparison of the amount of the restricted own-fund items within the ring-fenced fund with the notional SCR of the ring-fenced fund;
- (e) the calculation by undertakings of the SCR where one or more ring-fenced funds exist;
- (f) in the case where the SCR is calculated using an internal model, the nature of evidence undertakings should provide to supervisory authorities in order to assess the system for measuring diversification effects, taking account of any material restrictions on diversification which arise from the existence of ring-fenced funds.

~~The requirement to calculate a notional SCR in respect of a ring-fenced fund does not require undertakings to maintain an amount of own funds within a ring-fenced fund equal to or greater than the notional SCR. However, where the amount of own funds within a ring-fenced fund is less~~

⁷ OJ L 331, 15.12.2010, p. 48–83

~~than the notional SCR, the undertaking will not be in compliance with its SCR unless the total of the own funds within the ring-fenced fund and within the remaining parts of the undertaking combined are sufficient to cover that SCR, after application of the limits set out in Article 82 of Commission Delegated Regulation 2015/35.~~

~~These Guidelines, except for Guidelines 1 to 5, are relevant to the treatment of portfolios of assets and obligations to which a matching adjustment is applied following supervisory approval.~~

~~The Guidelines apply from 30 January 2027~~^{1 April 2015} **and repeal and replace the Guidelines on ring-fenced funds (EIOPA-BoS-14/169).**

If not defined in these Guidelines the terms have the meaning defined in the legal acts referred to in the introduction.

Paragraph 1.5 is deleted to further streamline the wording of the introduction. Its content is clear from the legal provisions of Solvency II.

The deletion of paragraph 1.6. reflects the deletion of paragraph 1.15. in Guideline 4 (see below), the second sentence of which states that undertakings should apply Guidelines 6 to 17 where they have matching adjustment portfolios.

AMENDED: Guideline 4 – Scope of ring-fenced funds treatment

Undertakings identifying characteristics and restrictions giving rise to ring-fenced funds treatment should at a minimum compare arrangements within their business with the following types of ring-fenced funds:

(a) a fund of assets and liabilities in respect of profit participation ("with profits") business that is only available to cover losses arising in respect of particular policyholders or in relation to particular risks and where the following key features exist:

(i) policyholders within the ring-fenced fund have distinct rights relative to other business written by the undertaking;

(ii) there are restrictions on the use of assets, and the return on such assets, within this fund to meet liabilities or losses arising outside the fund;

(iii) an excess of assets over liabilities is generally maintained within the fund and this excess is restricted own funds, since its use is subject to the restrictions referred to in point (ii);

(iv) there is generally profit participation within the ring-fenced fund whereby policyholders receive a minimum proportion of the profits generated in the fund which are distributed through additional benefits or lower premium, and, if relevant, shareholders may then receive the balance of such profits;

(b) a legally binding arrangement or trust created for the benefit of policyholders, where, within or separate to the policy documentation, an agreement calls for certain proceeds or assets to be placed in trust or subject to a legally binding arrangement or charge for the benefit of the specified policyholders;

(c) ring-fenced funds, which reflect the restrictions on particular assets or own funds as specified in the articles, statutes or other document giving rise to the undertaking's formation or organisation;

(d) ring-fenced funds that arise to reflect the effect of restrictions or arrangements specified in national law;

(e) arrangements falling within the scope of European Union law, including Solvency II and Commission Delegated Regulation:

(i) Article 304 of Solvency II, which introduces a requirement for ring-fencing regarding occupational retirement provision business and retirement benefits. As a result, this type of ring-fenced fund needs to be considered for a potential adjustment to own funds according to Articles 80 and 81 of Commission Delegated Regulation. However, the requirement in Article 217 of Commission Delegated Regulation to calculate the SCR as the sum of notional SCRs for the ring-fenced funds and the remaining part does not apply, as Article 304 of Solvency II permits diversification effects to be recognised provided that the interests of policyholders and beneficiaries in other Member States are safeguarded;

(ii) Article 4 of Directive 2016/2341, which provides an option for Member States to apply certain provisions of that Directive to the occupational retirement provision business of insurance undertakings, subject to a ring-fencing requirement applying to the assets and liabilities of that business. This provision may be relevant in respect of business dealt with in this manner for undertakings which have not received authorisation under Article 304 of Solvency II. In this case, the requirements of Articles 81 and 217 of Commission Delegated Regulation apply. ~~Until 31 December 2019, Article 308b(15) of Solvency II provides a transitional measure for this business permitting the use of the laws, regulations and administrative provisions adopted by Member States concerning the relevant articles of Directive 2002/83/EC.~~

~~Undertakings should recognise that the reduced transferability of assets and scope for diversification between the assigned portfolio of the matching adjustment and the remainder of the undertaking means that the assessments, assumptions and calculations set out in Articles 81, 216, 217 and 234 of Commission Delegated Regulation 2015/35 apply to such portfolios of the matching adjustment. Undertakings should apply Guidelines 6 to 17 where they have matching adjustment portfolios.~~

The deletion of the last sentence of point (e)(ii) of paragraph 1.12 reflects that the transitional measure to which this sentence refers expired on 31 December 2019.

The deletion of paragraph 1.15 of the Guidelines 4 reflects:

- Recital 53 of the amending Directive for the Solvency II Review, which sets out that insurance and reinsurance undertakings which use the matching adjustment should be allowed to calculate their SCR on the basis of the assumption of full diversification between the assets and liabilities of the portfolio and the rest of the undertaking, unless the portfolios of assets covering a corresponding best estimate of insurance or reinsurance obligations form a ring-fenced fund; and
- the following proposed amendments to Commission Delegated Regulation, namely the removal of all the references to “matching adjustment portfolios” in the following articles:

- Article 70 – Reconciliation Reserve
- Article 81 – Adjustment for ring-fenced funds and matching adjustment portfolios
- Article 216 – Calculation of the Solvency Capital Requirement in the case of ring-fenced funds and matching adjustment portfolios
- Article 217 – Solvency Capital Requirement calculation method for ring-fenced funds and matching adjustment portfolios
- Article 234 – Diversification effects

DELETED Guideline 6 – Assets in a ring-fenced fund

~~Undertakings should identify the assets in a ring-fenced fund as comprising any specified assets or pools of assets, and any related cash flows, which are restricted by the arrangements giving rise to the ring-fenced fund as described in Guideline 3.~~

This Guideline is deleted since its content appears to be a straightforward implication of the Solvency II legal provisions.

DELETED Guideline 7 – Liabilities in a ring-fenced fund

~~Undertakings should identify the liabilities in a ring-fenced fund as only comprising those liabilities properly attributable to the policies or risks covered by the ring-fenced fund or those for which the assets subject to restriction can be used. When determining liabilities of a ring-fenced fund in respect of profit participation business, undertakings should include within the best estimate liabilities any future discretionary benefits which the undertaking expects to pay.~~

~~Undertakings should ensure that the valuation of liabilities, including where appropriate future discretionary benefits, used for the purpose of the ring-fenced fund calculations is the same as the valuation which would have been derived for those liabilities if they were not included in a ring-fenced fund.~~

This Guideline is deleted since its content appears to be a straightforward implication of the Solvency II legal provisions.

DELETED Guideline 11 – Determining whether restricted own funds within a ring- fenced fund exceed the notional SCR: standard formula and internal model

~~Undertakings should compare the amount of the restricted own fund items within the ring fenced fund with the notional SCR of the ring fenced fund calculated, as set out in Guidelines 9 or 10.~~

~~The effect of the adjustment required by Article 81(2) of Commission Delegated Regulation 2015/35 is to allow only an amount of own funds equal to the notional SCR to contribute to the coverage of the SCR of the undertaking as a whole and to the coverage of the MCR.~~

~~If the amount of own funds within a ring fenced fund is equal to or less than the notional SCR of the ring fenced fund, undertakings should not make any adjustment to own funds as there are no restricted own fund items in excess of the notional SCR. In this case, all of the own funds within the ring fenced fund are available to meet the SCR and the MCR.~~

This Guideline is deleted since its content appears to be a straightforward implication of the Solvency II legal provisions.

AMENDED Guideline 12 – Calculation of the SCR of the undertaking as a whole in the presence of ring-fenced funds: standard formula

In calculating a separate notional SCR for the remaining part of the undertaking, undertakings should treat the assets and liabilities of that remaining part of the undertaking as though they were a separate undertaking and apply Guideline 9.

Without prejudice to Article ~~227(2)~~**217(2)** of Commission Delegated Regulation, in calculating the SCR as the sum of the notional SCRs for each ring- fenced fund and for the remaining part of the undertaking, undertakings should not reflect any diversification benefits among ring-fenced funds or between ring-fenced funds and the remaining part of the undertaking.

Undertakings should set any negative notional SCRs to zero before aggregating such amounts with any positive notional SCRs of ring-fenced funds and the remaining part of the undertaking.

The amendment corrects a wrong legal reference.

DELETED Guideline 15 - Ongoing assessment: actions by the undertaking using an internal model

~~In the event of changes to circumstances, which affect the accuracy of the evidence or information provided in accordance with Guideline 13, and which may affect the supervisory authority's assessment as to whether the reduction of diversification is appropriately reflected in the outputs of the undertaking's internal model, undertakings should determine whether a change to the internal model is needed, following the policy for changing the internal model. Undertakings should report to supervisory authorities any subsequent minor change as part of the quarterly reporting of minor changes. Undertakings should submit to supervisory authorities an application for approval of changes classified as major following the policy for changing the internal model.~~

This Guideline is deleted since its content appears to be a straightforward implication of the Solvency II legal provisions.

DELETED Guideline 16 - Ongoing assessments: actions by supervisory authority for internal models

~~Supervisory authorities should establish procedures to review information received from undertakings regarding any changes to the ongoing ability of an internal model to provide results which properly reflect the diversification between or among the relevant ring-fenced funds and remaining part of the undertaking to which it is applied.~~

This Guideline is deleted since its content appears to be a straightforward implication of the Solvency II legal provisions.

AMENDED: Guideline 17 – Reporting of the SCR split by risk modules for undertakings with ring-fenced funds ~~or matching adjustment portfolios~~

When calculating the amount of the SCR split by risk modules for the purposes of reporting in accordance with Article 311(2)(a) of Commission Delegated Regulation and public disclosure in accordance with Article 297(2)(b) of Commission Delegated Regulation, undertakings using the standard formula should identify the effects of non-diversification. For this purpose, undertakings should allocate by risk modules the difference between the sum of notional SCRs calculated in accordance with Article 217 of Commission Delegated Regulation and the SCR of the undertaking as if there was no loss of diversification. When calculating this difference, undertakings may use one of the simplifications set out in the Technical Annex. The approach used should be consistently applied over time.

Guideline 17 states that "undertakings using the standard formula should identify the effects on non-diversification". However, this is no longer applicable to undertakings with matching adjustment portfolios, as Recital 53 of Directive (EU) 2015/2365 sets out that insurance and reinsurance undertakings which use the matching adjustment should be allowed to calculate their SCR on the basis of the assumption of full diversification between the assets and liabilities of the portfolio and the rest of the

undertaking, unless the portfolios of assets covering a corresponding best estimate of insurance or reinsurance obligations form a ring-fenced fund. In accordance with this explanation and the corresponding changes to the Delegated Regulation, the reference to the MA in the title of the Guideline 17 should be deleted.

ANNEX: FEEDBACK STATEMENT

This feedback statement sets out a high-level summary of the consultation comments received and EIOPA's assessment of them. The full list of all the non-confidential comments provided can be found on EIOPA's website.

As part of the consultation EIOPA held a workshop with stakeholders to discuss the Guidelines on 10 December 2025.

EIOPA would like to express its appreciation for the feedback of the stakeholders during the preparation of the Guidelines.

EIOPA received two comments from two stakeholders. The first comment suggested with reference to recital 53 of Directive (EU) 2025/2 other cases of ring-fenced funds where full diversification should be allowed in the Solvency Capital Requirement calculation. The Guidelines have not been amended following this comment, as recital 53 and the corresponding amendments to Commission Delegated Regulation (EU) 2015/35 are specific for matching adjustment portfolios and therefore should not be extrapolated to other kinds of portfolios. The second comment generally supported the proposed amendments to the Guidelines.