

<b>Comments Template on Implementing Technical Standards On the procedures to be followed for the approval of the application of a matching adjustment</b>		<b>Deadline 30 June 2014</b>
Name of Company:	Actuarial Association of Europe (AAE)	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> <li>⇒ Do <b>not</b> change the numbering in the column "reference"; <b>if you change numbering, your comment cannot be processed by our IT tool</b></li> <li>⇒ Leave the last column <u>empty</u>.</li> <li>⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>.</li> <li>⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below.</li> </ul> <p><b>Please send the completed template, in Word Format, to CP-14-007@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</b></p> <p>The numbering refers to Implementing Technical Standards on the procedures to be followed for the approval of the application of a matching adjustment.</p>		
Reference	Comment	
General Comment	<ul style="list-style-type: none"> <li>▪ While the ITS provides detail on what evidence is required from undertakings, it does not provide much information on the criteria and manner in which the National Competent Authority (NCA) will make the decision on approval of the application. We would appreciate more transparency on how supervisors will assess the evidence and make the decision. Will this question be answered in Level 3 guidelines?</li> <li>▪ The ITS does not provide sufficient clarity on the treatment of new business vs in-force business. In the situation where an undertaking is continuing to write new business that is identical in nature to the portfolio of eligible insurance obligations and is managed in</li> </ul>	

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the same way, we might expect that it is appropriate for the matching adjustment to be applicable. However, it would be unduly burdensome and inefficient to be required to repeat an application for matching adjustment regularly in respect of that new business, if it is identical in nature to the portfolio of eligible obligations that have already been approved. A possible compromise would be to allow matching adjustment on the future new business (without need to submit a further application), subject to an internal assessment by the Actuarial Function that the criteria for applicability are unaffected for the new business. EIOPA may want to consider updating the ITS to deal with the question of new business.

- For Article 4 (the evidence that the portfolio of insurance obligations meet the criteria) we would expect that for certain product types in some markets, entities will be duplicating effort in demonstrating that the relevant product meets the criteria. We think that it may be useful for NCAs to set out a list of standard product types from the national market which they consider to be eligible by default, and request that entities only submit evidence for exception cases where either the product has some unique features that deviate from the standard product type, and/or there is a product that should be eligible but is not on the NCA list of products that are eligible by default.
- It might be useful to make it more explicit that undertakings do not need to re-apply for matching adjustment on a regular basis once it is approved (this may be self explanatory or implied by other articles elsewhere in the regulations, but it is helpful to re-iterate this in the ITS).
- The ITS includes requirements for SCR information. It may be helpful to clarify whether this would be on internal model and/or standard formula, in the situation where an undertaking is submitting this application in parallel to an IMAF (and hence, it is not yet confirmed whether the internal model is approved).
- We note that the decision on approval matching adjustment for an undertaking could

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affect the capital position materially and hence, any intended capital management actions by the undertaking (e.g. restructuring assets). We note that the 6 month timeframe for decision leaves a very short timeframe (ahead of Solvency II go-live) to implement any necessary remedial capital management actions should the decision be unfavourable. It may be worthwhile EIOPA further considering how NCAs can help to manage this source of uncertainty for undertakings, for example providing an earlier advance decision in principle ahead of the formal application.

- The ITS could also be extended to include a template for submitting the application. While the ITS itself is a template for the content, an illustrative document/spreadsheet template for the whole application pack (e.g. template tables to populate, indicative size of commentaries required) may also be useful to give more detail - we note that for certain items(e.g. Article 4 on the insurance obligations) the requirement is described in a relatively open ended manner (which could lead to inconsistency in the depth and form of evidence submitted by different undertakings).
- The ITS does not set out what is acceptable in relation to the valuation date for quantitative evidence submitted – is this at the discretion of the NCA?
- Regarding the period of 6 months for the NCA to provide a response, we note that for some other approval processes the timeframe is different (e.g. ancillary own funds has a period of 3 months for a response) – why is a period of 6 months chosen for matching adjustment approval?

Recital (1)

Recital (2)

Recital (3)

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Recital (4)		
Recital (5)		
Recital (6)		
Recital (7)		
Recital (8)		
Article 1 (1)		
Article 2 (1)		
Article 2 (3)		
Article 2 (4)		
Article 2 (5)		
Article 3 (1) a		
Article 3 (1) b		
Article 3 (1) c		
Article 4 (1) a		
Article 4 (1) b		
Article 5 (1) a		
Article 5 (1) b		
Article 5 (1) c		
Article 5 (1) d		
Article 6 (1) a		
Article 6 (1) b		
Article 6 (1) c		

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Article 6 (1) d		
Article 6 (1) e		
Article 6 (1) f		
Article 7 (1)		
Article 7 (2)		
Article 7 (3)		
Article 7 (4)		
Article 7 (5)		
Article 7 (6)		
Article 7 (7)		
Article 7 (8)		
Article 7 (9)		
Article 7 (10)		
Article 8 (1)		
Article 8 (2)		
Article 8 (3)		
Article 8 (4)		
Article 8 (5)		
Article 8 (6)		
Article 9 (1) a		
Article 9 (1) b		
Article 9 (1) c		
Article 9 (2)		
Article 10 (1)		
Annex I: Problem definition		

