

ANNEX: Simplification and burden reduction while developing a new framework: the case of IRRD

EIOPA fully supports the European Commission's objective of simplifying EU-regulation and significantly reducing the administrative burden on businesses. At the same time, the IRRD mandates the EIOPA to develop a series of guidelines and technical standards, of which most will have an impact on undertakings and national competent authorities (NCAs). In order to strike a balance between the objective of burden reduction and the need to develop sound instruments, EIOPA has made an effort to keep the burden on both NCAs and undertakings, where possible, to a minimum. A full list of examples of burden reduction or simplification of regulation for each instrument can be seen in the table below.

Furthermore, where possible, the approach adopted draws on existing regulatory practices, enabling undertakings to leverage their existing experience and expertise in financial regulation, and promoting a level playing field across the financial sector. Generally, EIOPA has sought to minimize the new information and level of details to be collected by fostering the use of existing information and avoiding unnecessary requests.

Examples of burden reduction or simplification of regulation in the instrument currently under development

Preliminary remark: the examples are classified according to whether the simplification and burden reduction affects undertakings **(a)** and/or authorities **(b)**

Instrument	Burden reduction and simplification of regulation
RTS on operational functioning of resolution colleges	<ul style="list-style-type: none"> - Flexible applicability of process and simplification of procedures^b: less prescriptive and cumbersome formalities on the administrative procedures to be followed by the resolution college (e.g. agreement of the written arrangements with fewer steps without overburdening authorities; reaching the joint decisions process allowing for flexibility in engaging in dialogue and for the signature of the joint decision process) - No specific articles addressing emergency situations^b: The current RTS is robust enough to ensure that Resolution Colleges work efficiently in crisis situations without the need of specific arrangements for emergency situations. A dedicated framework for emergency situation may result confusing instead giving the impression that there would be a different structure than the Resolution College to act in case of failure (e.g., by asking for contact details/channels in an emergency situation).
ITS on procedures and information (forms and templates) for resolution plans	<ul style="list-style-type: none"> - Reliance on Solvency II and other data sources^{a,b}: The resolution reporting relies on existing data collections, in particular Solvency II, to strictly avoid redundancies, reduce reporting burden and ensure procedural consistency. Examples for reliance on Solvency II data include, but are not limited to, data on assets, cash flows, liquidity, profits, loss absorption capacity and own funds.

- **Integration of reinsurance into template on services^a:** With a view to proportionality, no dedicated template on reinsurance has been established. Rather this topic has been integrated into the template on services, to ask only those details that are strictly necessary for resolution planning.
- **Avoiding provisions that pose unproportional obligations^{a,b}:** Resolution planning introduces concepts, like resolution tools, critical functions or relevant services, that supervisory reporting does not capture. Thus, tailored resolution reporting templates are necessary. However, their development was guided by a deliberate effort to minimize the reporting burden, balancing the essential needs of authorities and the interests of reporting entities to avoid unproportional burden on either side.
- **Best practice of existing reporting frameworks^{a,b}:** The experience of the competent national authorities that have already introduced resolution reporting frameworks was carefully taken into account, to make use of best practices, while avoiding pitfalls. For example, regarding some data on Critical Functions, EIOPA uses value ranges instead of point estimates, make fields optional instead of mandatory, and give the opportunity to elaborate qualitatively on the input.
- **No granular liabilities template^a:** While granular information on liabilities, for example regarding securities lent at instrument level, might have provided some additional value for resolution planning, the additional burden of reporting it would have been immense and unproportional. Therefore, liabilities will be collected in aggregated terms and the need for more granular information will be reassessed in a potential revision.
- **Exclusion of less important entities^{a, b}:** Based on the ITS only entities needed for resolution planning shall report the templates, covering 40% of the market and as such leaving flexibility to exclude less important entities (with no public interest or critical function), e.g. those which are foreseen to go through normal insolvency proceedings.
- **Flexibility to apply simplified obligations^{a, b}:** The resolution authority has full flexibility to apply simplified obligations as regards amount and timing of the information to be reported, using criteria such as criticality, size, business model, risk profile, interconnectedness, etc. Thus, the ITS leverages on their expertise wrt. undertaking and market characteristics, without prescribing burdensome procedures upfront.
- **Extended deadline in 1st reporting^a:** It is to be expected that providing the resolution reporting for the first time will be a material challenge for insurers. Extending the reporting deadline by two weeks in the first year, avoids that the deadline overlaps with Solvency II reporting, where they are otherwise intentionally aligned.
- **Reporting every two years^a:** Based on the impact assessment, reporting is required, as a principle, every two years, instead of

	<p>yearly, also in alignment with the frequency for the update of the resolution plan. Moreover, the data request every two years refers to the information of the previous year only and not to the previous two years.</p> <ul style="list-style-type: none">- Valuation of liabilities in regular reporting^a: The regular reporting templates provide the Solvency II “going concern” value of those liabilities excluded and those not excluded from write down and conversion according to the IRRD. However, in the context of resolution this valuation would need to be adjusted, and more detailed information may be needed, in particular concerning the technical provisions. Requesting such information upfront in the regular reporting would have presented an unproportional burden for insurers.
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