Comments Template on Consultation Paper on the proposal for Implementing Technical Standards with regard to the adjusted factors to calculate the capital requirement for currency risk for currencies pegged to the euro		Deadline XX March 2015 23:59 CET
Name of Company:	Insurance Europe	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Public
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Reference	**Comment**	
General Comments	Insurance Europe welcomes the Implementing Technical Standards (ITSs) with regard to the adjusted factors to calculate the capital requirement for currency risk for currencies pegged to the Euro, and the opportunity to comment on them. The issue related to this paper which is of major concern for us is the following: **The absence of a review process of the adjusted factor calibrations.** We find it odd that these calibrations, which vary due to market conditions, are enshrined in a legally binding document. Given that there is no Review Clause in the EIOPA Regulation for ITSs, we seek clarification as to the process regarding the	

	frequency of the future updates of the adjusted factors.	
Article 1	The source of data and the type of exchange rate (Bid/Ask, valuation time) data used to derive the adjusted factors for currency risk is unclear. For the purposes of transparency, we request that EIOPA discloses this information and provides a justification for its use. In addition, we find it odd that these calibrations, which vary due to market conditions, are enshrined in a legally binding document. Given that there is no Review Clause in the EIOPA Regulation for ITSs, we seek clarification as to the process regarding the frequency of the future updates of the adjusted factors.	
Article 2	The methodology used to derive the reduced shock factors between two currencies pegged to the Euro should be clarified. In particular, it is unclear whether it is based on a transitive approach, whereby the resulting factor is the product of the two shock factors for each currency (the factors will not be transitive for countries pegged to the Euro if the economies are not broadly of the same scale). Please also refer to equally applicable comments for Article 1.	
Appendix	<u>Section III: Approach used to calibrate the shock factors:</u> • The use of a limited period of data between 2005-2014 is not substantiated, in spite of the availability of data further into the past.	
Annex I	Section 4: How can the "de jure" approach be considered as an alternative model to the de facto model, when this methodology is approximate, with no indication that it leads to the 99.5% percentile shock? Section 5: The sentence in subsection Option 1.1: "The risk charge is set at least at 50% of the width of the fluctuation band irrespective of the observed historical volatility." This is hardly a benefit for a model that wants to fit a 99.5% percentile. It could be considered as a benefit for a model that wants to get "at least 99.5% percentile" but that is not the case. Being overly prudent is not a benefit of the model.	

Template comments