Q&A

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Question

We would like to know what type of credit quality step is meant to be used with respect to equity positions when they are applied to the market concentration risk module? Is it correct to use credit ratings with respect to equity positions? Do insurance undertakings have to adjust these ratings by a certain number of notches so as to consider the higher risk that is connected to equity position compared to debt positions? Do insurance undertakings have to pursue another approach?

EIOPA answer

For the purpose of the calculation of market concentration risk such equity positions should be seen as “unrated" and therefore be allocated to CQS 5.