



64TH BOARD OF SUPERVISORS MEETING VIA VIDEOCONFERENCE

DATE: 29 SEPTEMBER 2020 09:00 - 13:30 CET

30 SEPTEMBER 2020 09:00 - 13:30 CET

LOCATION: N/A

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WELCOME AND INTRODUCTORY REMARKS BY THE EIOPA CHAIRPERSON

1. The Chairperson welcomed the attendees to the sixty fourth meeting of EIOPA's Board of Supervisors (BoS).

AGENDA ITEM 1: ADOPTION OF THE AGENDA

DECISION

2. BoS adopted the agenda by consensus.

CONCLUSIONS AND ACTION POINTS

3. The Chairperson concluded that there is no BoS Member that has any interest that could be considered prejudicial to their independence with regard to the any item of the adopted agenda following declaration by all BoS Members of absence of any such interests.

AGENDA ITEM 2: UPDATES BY CHAIRPERSON, EXECUTIVE DIRECTOR AND EUROPEAN COMMISSION

UPDATES BY THE CHAIRPERSON

4. The Chairperson started his updates by welcoming the newly appointed Executive Director of the European Banking Authority (EBA), Mr. François-Louis Michaud.

EU ECONOMIC AND FINANCIAL COMMITTEE (EFC-FST), 4 SEPTEMBER 2020

5. The Chairperson debriefed the BoS regarding his participation to the Financial Stability Table of the EU Economic and Financial Committee (EFC-FST), which took place on 4 September.
6. The overall assessment is that macro-economic risks are still high, exponentially pushed by the geo-political tensions and the week economic outlook, on top of the concerns about the economic consequences of a possible second wave of COVID-19 with infections already starting in Europe.
7. Other points discussed were the disconnection between market valuations and the underlying macro-economic developments and the potential increase of credit risk, downgrades and possible defaults.
8. In this sense, the Chairperson pointed out to the increase of the downgrades with prevalence on the US side, more than in European Union (EU). Though no procyclical behavior of the market participants has been spotted, the Chairperson informed the BoS on the uncertain evolution in the case of a rise in the downgrades.
9. The Chairperson pointed out also to the important work that is done at the level of the ESRB on the assessment of the impact of credit downgrades and defaults of corporates in the insurers' portfolio and to the importance of analyzing possible cliff effects on the economy and the financial sector coming from winding down national support measures.
10. The Chairperson concluded the update by raising awareness of the potential impact on the financial sector as a whole, outlining that the situation is evolving and risks are still on the horizon, which might trigger additional measures from the Member States.

BREXIT

11. The negotiations between the EU and the UK remain challenging and the possibility of an agreement seems less likely to happen.
12. The Chairperson highlighted the importance to stand ready for a non-equivalence situation that is linked to the need for workable Memoranda of Understanding (MoU), and for an assessment of the professional secrecy of the UK authorities' regime.
13. The Chairperson informed the BoS on the work done by EIOPA with the equivalence project group (PG) on the report for the three UK authorities (PRA, FCA, TPR), which should be ready by November 2020.

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14. In addition, the BoS has been informed of the work done by EIOPA in analysing the data received from the UK undertakings doing business in the EU. EIOPA intends to bring a note to the extraordinary BoS meeting in October.
15. Finally, the Chairperson informed the BoS that a communication is being prepared by EIOPA, to reinforce the need for readiness for the end of the transition period, reminding the industry to have a transitional plan in place as of January 2021. The communication will be circulated to the BoS Members beforehand.

INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS (IAIS), 22-23 SEPTEMBER

16. The Chairperson debriefed the BoS regarding his participation to the IAIS webinar at which the impact of the coronavirus disease (COVID-19) on the global insurance sector and the IAIS' activities has been discussed.
17. The Chairperson informed the BoS that in terms of data collected, there is a poor completion from the US side and that pressures are being made to increase the quantity of information from the US firms. This will ensure that the discussion will not be mainly based on EU firms' data.

INSURANCE CAPITAL STANDARD (ICS) TASK FORCE

18. The Chairperson informed the BoS on his attendance at the meeting of the ICS TF of the IAIS that took place on 25 September 2020. The main on-going discussion is on the high-level principles for the comparability assessment between the ICS and the aggregation method being developed by the US. While there is still no agreement, progress is being made in order to achieve a document for consultation by November 2020.
19. The Chairperson concluded by making reference to the excellent work done by the colleagues under the leadership of the Chair of the IAIS Macroprudential Committee (Dieter Hendrickx), for the preparation of a report on the global impacts of Covid-19 on the insurance industry.

JAPAN TEMPORARY EQUIVALENCE ON REINSURANCE

20. The Chairperson briefed the BoS on the temporary equivalence regime granted on 26 November 2015 by the European Commission under the Article 172(4) (reinsurance) of the Solvency II (SII) Directive. As Japan does not have in place a regime that fulfills the criteria of the SII Directive, the temporary equivalence regime cannot be renewed and therefore will expire by the end of 2020.
21. EIOPA is closely monitoring the developments and despite the Japanese significant progress and concrete plans for the adoption of an economic risk-based regime in line with the ICS and Solvency II, the estimated date for implementation is 2024, not in time for the renewal of the temporary equivalence regime.
22. The Chairperson informed the BoS that EIOPA and the European Commission (COM) have been in contact with the Japanese Financial Supervisory Authority (JFSA) and are coordinating with the Member States (MSs) where the presence of Japanese undertakings/branches is likely to be

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more material, to ensure sound cooperation and convergent practices across the EU to the extent possible.

23. The Chairperson thanked the colleagues from different NCAs that have been working with EIOPA in responding to questions and clarifying doubts of the Japanese Authorities.
24. Moreover, the Chairperson confirmed EIOPA's engagement and support to the JFSA throughout the transition period and underlined the importance of a coordinated public communication on new developments, supporting an enhanced cooperation between EIOPA and the JFSA in the future.

EIOPA-SINGLE SUPERVISORY MECHANISM (SSM) COOPERATION ON CONGLOMERATE SUPERVISION

25. The Chairperson briefed the BoS on the increased regular cooperation with the SSM colleagues from the banking side, specifically on conglomerate supervision. More detailed exchange of information on topics of mutual interest, such as capital, liquidity, governance, business model and a broader horizontal view of cross-sectoral risks, have taken place, allowing for a better mutual understanding and beneficial discussion.
26. The Chairperson informed the BoS that EIOPA's oversight team will reach out to them should there be any follow-up needed on this more regular cooperation with SSM.

SHARED RESILIENCE SOLUTIONS (SRS)

27. The Chairperson informed the BoS on EIOPA's discussion paper published at the end of July 2020. A number of supportive comments and responses were received and EIOPA is currently analysing them.
28. The Chairperson briefed that EIOPA was invited to participate in the COM inter-service working group on solutions for pandemics. EIOPA will continue to engage with stakeholders to explore deeper areas such as mitigation and prevention measures, the role of capital markets, possibilities of multi-peril risk transfer.

ORGANISATIONAL ASPECTS – ELECTIONS

29. The Chairperson informed the BoS on the progress of the election of the new EIOPA Chairperson. He reminded the BoS of the dedicated extraordinary BoS meeting, scheduled on 19 November, at which interviews of the pre-selected candidates will take place. Both he and Mr. Steven Maijor, the Chairperson of ESMA, will have discussions with the European Parliament (EP) and European Council on the process to ensure transparency and readiness from the two institutions side.
30. The Chairperson concluded his update announcing the end of the current mandate of Mr. Peter Braumüller as BoS Vice-Chairperson. A call for candidates will be launched soon after this BoS meeting.

UPDATE BY THE EXECUTIVE DIRECTOR

FINANCIAL SERVICES COMMITTEE (FSC)

31. The Executive Director (ED) reported on EIOPA's work on **shared resilience solution** presented at the FSC meeting and which triggered a number of positive comments from MSs and COM, while some other showed concerns.
32. The ESAs presented the joint consultation paper on **ESG disclosures** regarding seven empowerments for Regulatory Technical Standards ("RTSs") addressing adverse impact reporting at entity and product levels, introduced by the Disclosure Regulation. The ECB and ESRB presented results of a joint report on "Measuring climate change risks to financial stability" published in June. Financial markets have yet to properly factor in climate change despite its inevitability. There was unanimous support for the EU to play a leading role in taking action, including its pivotal role in standard-setting.
33. EIOPA also updated FSC members on its strategy for the provision of insurance for **cyber-risks**.

COVID-19 - IMPACT ON THE ORGANISATION, UPDATE

34. On the organizational issues, the ED updated the BoS on EIOPA's operations and preparatory work for the return to the office, particularly the envisaged 2nd phase. Due to the recent developments of the COVID19-pandemic, the 2nd phase, with mandatory presence in the office, which was initially scheduled to take effect on 1 October 2020 is now postponed. EIOPA will continue with its 1st phase, return to office on a voluntary basis.
35. EIOPA is constantly monitoring the pandemic situation and the return-to-office approach taken by COM and other European Institutions and aligns its strategy accordingly.

ETHICS RULES FOR STAFF

36. The ED briefed the BoS on the Ethics rules for staff, following the events in the EBA concerning its former Executive Director's move as CEO to the Association of Financial Markets in Europe, and the resulting recommendations of the Ombudsman on handling such conflict matters in relation to senior staff members.
37. The ED informed the BoS of the ongoing discussion with the other ESAs on how to reinforce the ethics rules for senior staff members that can ensure very high standards of professional conduct.
38. A revised set of rules will run via written procedure to the Management Board (MB) and the elements coming from the process will be integrated into the report. BoS will be kept informed on the developments

STRUCTURAL REFORM SUPPORT SERVICES (SRSS) PROJECTS

39. The ED briefed the BoS on the new SRSS for 2021. Member States' national authorities interested to apply for technical support to complement their reform activities, should submit a request before October 31st.

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40. The ED explained that EIOPA is preparing two projects that could be of general interest to all NCAs. The first one is SupTech Register project, which is proposed to the COM. Details still need to be further developed by the Project Team. The BoS will be kept informed on the developments. The second one is entitled Digital Finance Supervisory Academy. The project's objective is to enhance the NCAs' staff capacity in terms of knowledge on different innovation related topics. EIOPA is developing a business case and will reach-out to the NCAs with a targeted date for feedback by the end of October 2020.

LEGAL ENTITY IDENTIFIER (LEI)

41. The ED updated the BoS on the latest developments. The ESRB finalised its recommendation regarding LEI at its General Board meeting on 24 September 2020. The main idea behind the ESRB Recommendation is to promote a wide LEI adoption in the EU. EIOPA will be asked to report on the steps taken to foster the adoption of the LEI.

UPDATE BY COM

42. The COM representative informed the BoS on the recent political shift at COM's leadership, particularly the appointment of Ms. Mairead McGuinness as Commissioner in charge of Financial Services, Financial Stability and the Capital Markets Union. Ms. McGuinness will replace Vice-President Valdis Dombrovskis as Commissioner for Financial Services, Financial Stability and the Capital Markets Union. The designated commissioner has her hearing with the EP, scheduled for Friday, 2 October and is expected to take the office on 1st or 15 November 2020.
43. The COM representative also mentioned that there is no expected impact on the business continuity agenda.
44. The COM representative informed the BoS of two action plans adopted last week by COM. One is on the Capital market Union (CMU) and the second one is on Digital future of financial markets. On the CMU action plan, the COM representative pointed to the actions directly relevant for the insurance and pension sectors, which are of importance in the context of the relaunch of the CMU project, particularly SII review. Also, few actions in the pensions area have been identified and where the COM is interested in EIOPA's advice, specifically in the area of pensions dash boards and collection of best practices for setting up national tracking systems to better inform the future retirees.
45. The BoS have been informed on the launch of COM's internal work on auto-enrolment in the form of a study. The objective is to identify the best practices in the MSs on the auto-enrolment systems with the view to reflect on possibilities to provide additional incentives for investors in the EU to further diversify the pension solutions, to fill-in the pension gap which is steadily growing and in particular in the context of the difficulties the EU economies are facing right now.
46. The COM representative also informed the BoS on the COM's work on pandemic issuance. An inter-service group was set up, with colleagues coming from DG ECFIN, DG BUDG and DG SANTE.

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The group will look at solutions for a better protection of small businesses and individuals facing the effects of the pandemic. EIOPA will be closely associated to this work, to build up on each other expertise and knowledge.

47. The COM representative concluded his intervention with an update on PEPP file. The COM has started the inter-service consultation process and the package is under revision by the legal services of the COM. The package is intended to be adopted by the end of 2020.
48. In the follow-up discussion, the Chairperson clarified that EIOPA will most likely organize remote interviews for the pre-selected candidate for the Chair position. A final BoS decision will be taken at the end of October keeping in sight the COVID-19 pandemic developments and also ensuring fair treatment to all candidates. With regards to the call for advice for KPI for sustainable finance taxonomy, the Chairperson informed that details on EIOPA's plans for this work will be shared soon.

DECISION

49. Not applicable

CONCLUSIONS AND ACTION POINTS

50. Not applicable

AGENDA ITEM 3: COVID-19: LATEST DEVELOPMENTS

51. The Risk and Financial Stability Committee (RFSC) Chair provided the update on the latest developments. Based on the new ECB estimates, the recovery is projected to continue during the next few quarters, but real GDP will only gradually recover towards pre-crisis levels. This year, eurozone GDP is expected at 8% contraction. High asset valuation remains suggesting decoupling from growth forecasts and earning prospects. Low yield environment was further intensified as the euro swap curve shifted downward and flattened at the beginning of Covid-19 crisis. The latest inflation figures correspond to a downward shift of the Euro swap curve in September compared to the end of the second quarter.
52. Finally, the outcomes of the last RFSC meeting (9th September) were mentioned. The analysis on rating downgrades was mentioned among others. The new structure of the Financial Stability Report (FSR) was agreed at the last RFSC meeting. While the structure of June FSR will remain unchanged, the December FSR will be more focused elaborating on the most relevant risks in depth. The next RFSC meeting is scheduled on Thursday, October 8.

DECISION

53. Not applicable.

CONCLUSIONS AND ACTION POINTS

54. The Risk and Financial Stability Steering Committee (RFSSC) should continue to monitor the situation and assess the risks. The fact that some shocks might be asymmetric across different member states and economic sectors should be taken into account in the analyses.

AGENDA ITEM 4: RENEWAL OF EXECUTIVE DIRECTOR (ED) MANDATE

4.1. APPROVAL OF EVALUATION REPORT

55. The Vice-Chairperson introduced the topic and explained the process carried out. The ED sent his self-assessment evaluation report to the two assessors appointed by the MB on 20 July 2020. Based on that self-assessment, the two MB assessors provided the MB with potential questions for the interview to be carried out with the ED on 14 September 2020. Following that interview, the two MB assessors finalised the report and sent it to the BoS on 25 September 2020.
56. The two MB assessors briefly presented the ED's Term of Office Evaluation Report on the past five years and the vision for the next five years.

DECISION

57. The BoS approved by simple majority the evaluation report under Article 51(4) of EIOPA's founding regulation.

CONCLUSIONS AND ACTION POINTS

58. Not applicable.

4.2. DECISION ON RENEWAL FOR 2ND TERM

59. Following the approval of the evaluation report by the BoS, the Vice-Chairperson lead the voting for the renewal of the ED for another five years' term.

DECISION

60. The BoS approved by simple majority the extension of Fausto Parente as Executive Director for a 2nd term of office of five years.

CONCLUSIONS AND ACTION POINTS

61. To amend Fausto Parente's contract to reflect the extension of his term of office by further five years, starting from 1 April 2021.
62. To inform the EP and Council of the extension of the term of office of Fausto Parente.

AGENDA ITEM 5: INSTITUTIONAL TOPICS

5.1 EIOPA ANNUAL WORK PROGRAMME 2020

5.1.1 EIOPA Annual Work Programme 2020: amendment

63. The ED introduced the second and final revision of the Annual Work Programme (AWP) 2020. In April, EIOPA revised its AWP to address the consequences of the COVID-19 crisis in terms of its tasks and powers, and the limitations on how it functions as an organisation. The second

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revision builds upon these changes and factors in the implications of the 1.1 million budget reduction amendment.

64. The ED also discussed EIOPA's planning on the 'new normal' working arrangements. EIOPA envisages to adopt an approach that exploits the efficiencies of the digital solutions, but at the same time ensures performance and ongoing positive interaction, both within the Authority and with its Members. This includes the best proportion of MB and BoS meetings held virtually compared to in person. EIOPA will return to both MB and BoS with its plans.

DECISION

65. The BoS adopted by consensus the proposal for the 'Revised AWP 2020' (EIOPA-MB-20-599, 29 September 2020).

CONCLUSIONS AND ACTION POINTS

66. Not applicable.

5.1.2 EIOPA budget 2020: amendment

67. The Head of Corporate Support Department presented the main changes of the proposed budget amendment. Due to the COVID-19 situation savings will be realized in 2020 in the areas of Human Resources, missions, trainings and events and meetings, while additional costs are forecasted for telecommunication, IT collaboration solutions, online tools supporting remote working arrangements as well as data center and business intelligence investments needed to further turn EIOPA into a data driven organization. The total budget reduction is EUR 1.1 million.

DECISION

68. The BoS adopted by consensus 'EIOPA's budget 2020 amendment' (EIOPA-MB-20-599, 29 September 2020).

CONCLUSIONS AND ACTION POINTS

69. EIOPA to include in the letters with the 3rd instalment request the information of estimated contributions for 2021.

5.2 Revised Single Programing Document (SPD) 2021-2023

5.2.1 Revised SPD 2021-2023, including Annual Work Programme 2021

70. The ED informed that given the evolving adverse effects of the COVID-19 pandemic on the insurance and occupational pensions sectors in Europe and beyond, the draft SPD from January 2020 has undergone stringent assessment.

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71. The revised planning document encompasses the following key elements, among others: Continued crisis monitoring, performance and risk assessments; Shared resilience solutions; Continuation of the existing cross-cutting themes (digitalisation and sustainability); Focus on new technologies for supervision; Comprehensive risk-based and preventive approach to conduct of business supervision; Enhanced market monitoring activities; activities to assist EIOPA in becoming a data-driven organisation; and continued performance and agility.
72. The Head of Corporate Support Department presented the revised draft budget for 2021-2023. The budget proposal is in line with draft EU Multi-Financial Framework (MFF) budgetary figures.

DECISION

73. The BoS adopted by consensus the proposal for the 'Revised EIOPA Single Programming Document 2021-2023' (EIOPA-BoS-20-596, 29 September 2020)

CONCLUSIONS AND ACTION POINTS

74. EIOPA to transmit the document to the EP, the Council and the European Commission.

AGENDA ITEM 6: PEER REVIEW WORK PLAN 2020-2022

75. EIOPA staff guided the BoS through EIOPA's Peer review work plan for the years 2020 – 2022. As it is the first work plan under the revised Regulation, being presented at the end of the first year, it covers a period of three years. The next work plans will be covering two years, reflect EIOPA's priorities looking forward and is consistent with its strategic objectives.
76. The Plan foresees four peer reviews and two follow-ups on past peer reviews. In addition to the two peer reviews performed in 2020 EIOPA will perform a peer review on Outsourcing and other on Product Oversight and Governance. The follow-ups will address the previous peer review on the supervisory practices for the application of the proportionality principle in governance requirements regarding key functions and the peer review on propriety of administrative, management or supervisory body members and qualifying shareholders.
77. In line with the ESAs Regulation EIOPA sought advice from the MB and the Plan will be published in EIOPA website, linked to EIOPA Multi Annual Work Plan.

DECISION

78. The BoS adopted, by consensus, the "Peer review work plan 2020-2022", (EIOPA-BoS-20-546, 29 September 2020).

CONCLUSIONS AND ACTION POINTS

79. EIOPA to publish the "Peer review work plan 2020-2022" on the website.

AGENDA ITEM 7: SOLVENCY II 2020 REVIEW

7.1. OUTCOMES OF INFORMATION REQUESTS

80. The Solvency II 2020 review programme manager presented the preliminary results from the complementary information request and the detailed results of the holistic impact assessment.
81. The Chairperson highlighted that the information requests confirm the balance of the package at the end of 2019 while in the complementary information request higher impact is observed mainly driven by the new extrapolation method due to the market rates at the end of Q2 2020.
82. The BoS recognised that the package is well designed and balanced in normal circumstances while also agreeing with the need for deeper analysis of the data and explore solutions to increase the balance in the current crisis environment.
83. In view of the current unprecedented situation, some Members suggested exploring the possibility of capital relief measures, notably a phasing-in with respect to the new extrapolation method.

DECISION

84. Not applicable.

CONCLUSIONS AND ACTION POINTS

85. The BoS took note of the preliminary results from the complementary information request and the detailed results of the holistic impact assessment.
86. EIOPA to further extend the granularity and detail of the analysis as well as to consider phasing-in with respect to the new extrapolation method for presentation at the October extraordinary BoS.

7.2. Internal finalisation of advice on specific chapters or part-chapters

87. EIOPA Staff noted that two highlighted issues remain on resolution authorities and the single Regular Supervisory Reporting (RSR).
88. The BoS considered the implications and role for EIOPA of setting up resolution authorities. Although several Members could see a role for EIOPA and the need to grant the Authority with additional powers, a majority of Members considered that it was premature and that this should only be considered once the framework had been finalised.
89. On the single RSR, Members generally welcomed the development of the proposal to accommodate the concerns expressed in previous discussions. Despite this, several Members continued having concerns with the proposal, particularly given the new burden which the new procedures could entail for supervisors. COM expressed appreciation for the work, encouraging EIOPA to continue working on it to find a good balanced solution.
90. Regarding the rationalisation and shortening of the Opinion EIOPA Chair emphasized that what matters the most is the quality of the advice, irrespectively of how it is ultimately presented.

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91. A request was raised that on the advice on Groups the issue of atypical/horizontal groups is explicitly addressed (e.g. by adding examples of such situations). A further request concerned reflecting the clarified wording agreed at Project Group level on assessment of availability of future profits at group level into the text. The Chairperson proposed on the first of these that relevant staff consider further and on the second, having already considered the revised wording, agreed that this should be included in the advice.

DECISION

92. Not applicable.

CONCLUSIONS AND ACTION POINTS

93. On EIOPA's role and possible additional tools, the BoS agreed to re-discuss the issue once the recovery and resolution framework is at a more advanced stage.
94. EIOPA to continue to work on the single Regular Supervisory Report (RSR) proposal, building on the progress achieved so far, addressing the remaining concerns expressed by BoS Members.
95. The BoS to submit any remaining concerns and proposals on how to further improve the single RSR proposal.
96. EIOPA to follow-up on the two points raised by the BoS concerning the advice on Groups issues.

7.3. REVISION OF ADVICE IN LIGHT OF COVID-19 SITUATION

97. On the Own Funds buffer for compressed spreads, although some Members agreed with were not in principle against the concept of the buffer in general terms from a macroprudential perspective, the majority raised concerns with regard to the design of the proposal in terms of consistency with other components of the framework such as the Volatility Adjustment or the spread risk capital requirements. The complexity of the proposal as well as concerns on level playing field were also highlighted. The ESRB supported the proposal and alerted BoS to the situation experienced in March when the impact of the COVID-19 crisis was very strong and it would have been helpful to have a buffer to be released. In addition, a number of members expressed concerns about the symmetric adjustment to the equity capital charge
98. In relation to the transitionals on risk-free interest rates and on technical provisions, several Members supported the proposed approach.
99. On credit and suretyship insurance Members expressed support for the proposed option.

DECISION

100. Not applicable.

CONCLUSIONS AND ACTION POINTS

101. EIOPA to reconsider the proposal on Own Funds buffer in light of the points raised.

102. EIOPA to further assess the impact of the widening of the corridor for the symmetric adjustment, in particular in circumstances where equity markets are high and the adjustment would assume high positive values.

7.4. SPECIFIC ITEMS FOR DISCUSSION

7.4.1. Insurance Guarantee Schemes

103. The BoS had an exchange of views regarding options to operationalise the home principle approach. Different views were expressed as to which one should be the preferred option. Option 5, as included in the EIOPA-BoS-2020-555 note, was supported by some Members as a compromise. However, other options, or not expressing any preference at all was also favored by other Members. The Chairperson concluded by acknowledging the different views. He proposed, however, to keep all options with pros and cons on the table, but include a soft reference in the sense that option 5 could be seen as a possible compromise.
104. Regarding the Core principles for insurance guarantee schemes and alternative mechanisms, Members agreed with the need to leave flexibility. The Chairperson explained that this was the main idea of the transitional phase proposed.

DECISION

105. Not applicable

CONCLUSIONS AND ACTION POINTS

106. The BoS agreed to include all options to operationalise the home principle approach, with the respective pros and cons. The advice could refer to Option 5 as a possible compromise.
107. The table with the core principles for insurance guarantee schemes and alternative mechanisms will be included. The idea of a transitional phase will also be considered to ensure flexibility in their application.

7.4.2. Equity Risk

108. The BoS supported the proposed approach although highlighting the need to develop sound prudential safeguards to ensure an appropriate balance, particularly given the lack of clear evidence for the proposed lower capital charge. The reduced complexity of the proposed approach was also welcomed.
109. COM highlighted the importance of this topic in the context of the CMU action plan and expressed appreciation for the effort which is made in reducing complexity on this topic.
110. The Chairperson took note of the concerns expressed by the Members and emphasised the longer time horizon for considering volatility of equities held for the long term consequential on linking such holdings to long term illiquid liabilities.

DECISION

111. Not applicable

CONCLUSIONS AND ACTION POINTS

112. EIOPA to continue developing the proposal and the overall narrative supporting it.

7.4.3. Proportionality

113. The BoS had an exchange of views on the proposals concerning the improvement of the application of the principle of proportionality under Solvency II.

114. The proposal was welcomed in general and Members agreed that could represent a good and fair balance considering the different approaches towards proportionality. However, areas of improvement were also identified: the complexity of the process, the clarification of the notification process and potential burden on supervisors.

115. It was clarified that the compromise solution is based on a two steps approach that should not entail a burden neither for undertakings or supervisors. It does offer legal certainty to the undertakings while at the same time leaves sufficient flexibility for supervisors to react in case of concerns.

116. The need for legal amendments at the level of the Directive regarding the application of the supervisory review process were discussed and it was clarified that those amendments are needed to provide legal certainty to the development of supervisory convergence tools on the implementation of proportionality, such as in EIOPA's Supervisory Statement on the application of the proportionality principle in the supervision of the SCR.

117. The proportionality proposal should be read on top of other specific proposals for specific business models such as the proposals for the treatment of insurance and reinsurance captive undertakings which should apply regardless if the captives are classified as Low Risk Profile undertakings.

DECISION

118. Not applicable

CONCLUSIONS AND ACTION POINTS

119. The Chairperson concluded that there is overall support by the BoS Members for the work done and the compromises achieved, recognising at the same time that some Members still assess the overall process as a complex one.

120. The process, timelines, monitoring and consequences need to be further developed both for undertakings complying and not complying with the criteria. Undertakings not complying with criteria for low-risk undertakings should not benefit from an easier process.

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121. EIOPA to further work on the criteria for identifying Low-Risk Undertakings and calibration of the thresholds considering the impact in different Member States bearing in mind concerns regarding quantitative limits and possible inclusion of relative limits such as market share
122. EIOPA to continue working on the proportionality measures that will be available for the undertakings complying with the criteria.

AGENDA ITEM 8: CLOSED SESSION

AGENDA ITEM 9: PLACE HOLDER

AGENDA ITEM 10: INSURANCE STRESS TEST IN 2021 – ROADMAP

123. The Head of the Risks and Financial Stability Department introduced the roadmap and its enhancement derived from the written comments received from RFSC Members highlighting the key decisions to be made in the BoS meeting on the launch of the exercise and on the timeline.
124. Members expressed consensus on the launch of the 2021 Stress Test exercise according to the structure proposed in the roadmap.
125. In the light of the complexity brought by the innovative elements included in the framework such as the macro-prudential dimension and the liquidity component, the majority of the Members supported the “traditional” timeline.
126. The need of being cautious in conveying public messages on the results of the liquidity component was highlighted.

DECISION

127. The BoS adopted by consensus the Roadmap for the 2021 Stress Test and the establishment of the related Project Group under the RFSC.
128. The BoS adopted by simple majority the “traditional” timeline which implies the launch of the exercise in May 2021.

CONCLUSIONS AND ACTION POINTS

129. The BoS supported the proposed structure of the 2021 Stress Test exercise.
130. On the timeline, the majority of the BoS Members, despite acknowledging the advantages brought by an extended validation process, in the light of the innovative elements included in the 2021 Stress Test exercise, supported the traditional timeline.
131. Technical aspects, including the definition of the scope of the Stress Test will be treated in the newly established Project Group.

AGENDA ITEM 11: OPERATIONALISATION OF THE HOLISTIC FRAMEWORK FOR SYSTEMIC RISK IN EUROPE - PHASE 1 DELIVERABLES

132. The Head of the Risks and Financial Stability Department presented the Phase 1 deliverables of the Project Group on the Operationalisation of the Holistic Framework for Systemic Risk in Europe. The main focus was on the results of the gap analysis between the IAIS ICPs and ComFrame Standards that are specifically related to the Holistic Framework and the Solvency II framework (including the Consultation Paper on the Solvency II review), and also on the proposed way forward for Phase 2 of the project. He explained that the main written comments received from the RFSC on the two topics had been taken on board.
133. In relation to the gap analysis, some Members expressed their agreement with the gaps identified, but considered not to be feasible to suggest new amendments to the draft Opinion on the Solvency II Review at this stage of the discussions; potential refinements could be considered in Level 2 or Level 3 legislation and at a later stage.
134. On this topic the EIOPA Chairperson highlighted that the current proposals on the Solvency II review already close some of the gaps identified; the remaining gaps refer to small refinements that could eventually be addressed too.

DECISION

135. The BoS adopted by consensus the gap analysis and agreed with the proposed way forward for the Phase 2 of the Project Group activities.

CONCLUSIONS AND ACTION POINTS

136. The Project Group will develop and fine tune the proposals for Phase 2, according to the proposed timeline, and submit to BoS for discussion.

AGENDA ITEM 12: EIOPA'S APPROACH TO POG SUPERVISION

137. The Head of the Conduct of Business Oversight Unit introduced the item, highlighting that this document has been produced by the Project Group on Product Oversight and Governance (POG) following suggestions by and discussions with Members who highlighted more guidance on POG would help manufacturers and distributors in implementing these requirements.
138. In particular, it was highlighted that the document is not meant to be guidelines for the market, rather it is meant to explain what are the main objectives of POG supervision.
139. The BoS Members broadly supported the document highlighting its usefulness. Two Members, whilst supporting the substance of the document, raised concerns on the title highlighting that it may be confusing and that it may raise questions on the publication of the SRP Handbook. The Chairperson clarified the document is meant to outline how EIOPA and NCAs will approach POG supervision and that in the accompanying publication text the purpose will be clarified.

DECISION

140. The BoS approved by consensus the document outlining EIOPA's Approach to Product Oversight and Governance (POG) Supervision.

CONCLUSIONS AND ACTION POINTS

141. The BoS Members supported the content and the publication of the document.
142. A few BoS Members highlighted that the title may raise confusion for the industry and also that it is important to ensure this document is differentiated from the SRP Handbook. It was concluded that the communication should clarify these elements.
143. The document will be published on EIOPA's website.

AGENDA ITEM 13: HIGHLIGHTED ISSUES ON THE REVISION OF THE GUIDELINES ON CONTRACT BOUNDARIES

144. EIOPA presented the issues at discussion, clarifying in particular that the proposal regarding unbundling would not mean unbundling in all cases. Also under EIOPA's proposal some contracts will not be able to be unbundled. However, cases were identified where similar contracts are treated differently in terms of unbundling and EIOPA should aim a convergent approach.
145. While agreeing with the need to strengthen supervisory convergence in this area, some Members highlighted the importance of having an impact assessment of the unbundling proposal albeit some Members were still raising some strong concerns.
146. The BoS Members supported the EIOPA proposal regarding the discernible effect.

DECISION

147. The proposal was tabled off for decision at the meeting.

CONCLUSIONS AND ACTION POINTS

148. The BoS generally supported EIOPA's proposal regarding the assessment of discernible effect of 0% guaranteed interest rate and the treatment of non-discretionary profit sharing mechanisms.
149. EIOPA to further work on the proposal regarding the unbundling of different parts of the product for valuation purposes, in particular further assessing the impact of the proposal and the possibility for a common approach.

AGENDA ITEM 14: GUIDELINES ON ICT SECURITY AND GOVERNANCE

150. EIOPA highlighted the most important steps during the drafting process of the Guidelines, also highlighting the cooperation/coordination aspects of the work done with the other ESAs, while keeping in mind the specificities of the insurance sector.

FINAL MINUTES

151. With regard to the public consultation, EIOPA highlighted that no major changes have occurred to the draft, except adding an extra Guideline on 'proportionality' and other minor clarifications.
152. EIOPA explained that the European Commission's initiatives in the context of Digital Finance released the week before addresses the same objectives as the Guidelines and the future Regulation now being proposed, together with the regulatory and implementing technical standards to be developed by the ESAs, will overlap parts of the Guidelines in future. However, no incompatibility has been identified and EIOPA sees this Guidelines as instrumental for the preparation of the insurance sector to the future specific requirements in the area of digital operational resilience and should enable the sector to ensure the good governance of ICT risks and the security of their systems and data.

DECISION

153. The BoS adopted, by consensus, the "Guidelines on ICT Security and Governance", (EIOPA-BoS-20-600, 30 September 2020).

CONCLUSIONS AND ACTION POINTS

154. EIOPA to publish the Guidelines on EIOPA website and proceed with translation of the Guidelines.
155. EIOPA to prepare a Communication clarifying the context of the Guidelines in light of COM recent publication of legislative proposals on the area of Digital Operational Resilience.

AGENDA ITEM 15: SUSTAINABLE FINANCE: CONSULTATION ON CLIMATE CHANGE SCENARIOS IN THE ORSA

156. The Head of Policy Department introduced the consultation paper on the draft opinion. The draft opinion is a follow-up to last year's Opinion on Sustainability within Solvency II, aiming to balance the need for consistency and allowing for the specificities of undertakings in their Own Risk Solvency Assessment (ORSA). The information request showed that only a small minority of undertakings consider climate change scenarios in their ORSA. The draft opinion sets out expectations on the inclusion of climate change-related risks by undertakings in their ORSA and provides practical guidance on how to select and use climate change scenarios.
157. The BoS expressed their support for the consultation paper on the draft opinion. In discussion it was mentioned that it would be challenging for undertakings, in particular smaller ones, to conduct climate change scenario analysis, due to a lack of data, sophisticated modelling tools and the long-term time horizons. There was appreciation that the draft opinion embeds sufficient flexibility, given that the ORSA is supposed to be an own assessment of the undertaking's risk profile. A suggestion was made that proportionality may have to be further developed after having received the feedback of stakeholders, also considering the advice of the ACP.

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158. The Chairperson recognised that scenario analysis of climate change risk is not without challenges, but emphasised that the insurance sector has to evolve in this area. Considering the low incidence of climate change analysis in ORSA and the low rates of disclosure of climate-related information in line with the TCFD recommendations, the Chairperson stressed that supervisors need to send clear signals to the insurance market.

DECISION

159. The BoS approved by consensus the draft opinion on the supervision of the use of climate change risk scenarios in Own Risk Solvency Assessment (ORSA) for public consultation.

CONCLUSIONS AND ACTION POINTS

160. EIOPA to publish the consultation paper on the draft opinion for a three-month public consultation of stakeholders.

AGENDA ITEM 16: AOB

DECISION

161. Not applicable

CONCLUSIONS AND ACTION POINTS

162. The Chairperson informed the BoS Members on the upcoming BoS Meetings, particularly mentioning the extraordinary BoS on 19 November 2020, dedicated to the interviews of the pre-selected candidates for the new Chairperson position.

163. The meetings will most probably follow the current set-up, remote meetings.

ANNEX: LIST OF DECISIONS ADOPTED BY WRITTEN PROCEDURE FROM 22.07.2020 TO 30.09.2020

BOS-2020-59

164. Decision adopting EIOPA Statement on Solvency II supervisory reporting in the context of COVID-19.

BOS-2020-62

165. Decision adopting the Questionnaire on DC risk management & cost reporting of IORPs” (EIOPA-BoS-20-486).

BOS-2020-63

166. Decision adopting the Minutes of the 62nd EIOPA Board of Supervisors Meeting.

BOS-2020-64

167. Decision adopting the proposal of the update of the Risk free rate technical documentation (TD).

BOS-2020-65

168. Decision adopting the revised and consolidated Rules of Procedure (RoP) of EIOPA’s working groups implementing relevant QCC recommendations.

BOS-2020-66

169. Decision adopting the Minutes of the 63rd EIOPA Board of Supervisors Meeting.

BOS-2020-67

170. Decision adopting the PEPP draft Regulatory and Implementing Technical Standards as well as Advice on Delegated Acts.

BOS-2020-68

171. Decision adopting EIOPA’s Opinion on the position of the European Parliament in the discharge procedure for the financial year 2018 (2019/2091(DEC)).

BOS-2020-69

172. Decision adopting the April 2020 Risk Dashboard.

BOS-2020-70

173. Decision adopting the Joint Committee Annual Work Programme for 2021.

BOS-2020-71

174. Decision adopting the Joint Committee 2020 Autumn Report on Risks and Vulnerabilities in the EU Financial System (JC 2020 67).

BOS-2020-72

175. Decision of the Board of Supervisors on the Amendment of the Structure of EIOPA's Budget.

BOS-2020-73

176. Decision adopting EIOPA's PEPP Feedback statements to CP-19-007 and CP-20-001.

BOS-2020-74

177. Decision adopting EIOPA's Supervisory Statement on the use of risk mitigation techniques by insurance undertakings.

BOS-2020-75

178. Decision adopting EIOPA's data request on diversification in Internal Models.

Participants at the Board of Supervisors Meeting via videoconference**29 - 30 September 2020****Chairperson:** Gabriel Bernardino

<u>Country</u>	<u>Voting member/ Alternate</u>	<u>Accompanying Experts</u>
Austria	Peter Braumüller	Gerlinde Taurer
Belgium	Jean Hilgers/ Dieter Hendrickx	Geoffroy Herberigs
Bulgaria	Vladimir Savov (PoA)/[-]	
Croatia	Ante Žigman/Ilijana Jeleč	
Cyprus	[-]/Nicos Koullapis	
Czech Republic	Zuzana Silberová / [-]	Hana Marčíková
Denmark	[-]/ Per Plougmand Bærtelsen	
Estonia	[-]/Andres Kurgpõl	
Finland	Anneli Tuominen/Teija Korpiaho	
France	Patrick Montagner	Mary-Cécile Duchon
Germany	Frank Grund/ Thomas Schmitz-Lippert	Petra Faber-Graw
Greece	Ioanna Seliniotaki/Ioannis Chatzivasiloglou	
Hungary	[-]/Ferenc Szebelédi	
Ireland	Domhnall Cullinan/Gerry Cross	Zita Culliton
Italy	Alberto Corinti/ Alessia Angelilli	
Latvia	Santa Purgaile/Dina Mikelsone	
Lithuania	Renata Bagdonienė/Mindaugas Salcius	
Luxembourg	Claude Wirion/[-]	Yves Baustert
Malta	Ray Schembri /Luciano Micallef	
Netherlands	Else Bos/Petra Hielkema	Véronique Hijl
Poland	Damian Jaworski/ Mariusz Smętek	
Portugal	Margarida Corrêa de Aguiar/Hugo Borginho	Ana Byrne
Romania	Valentin Ionescu (PoA)/[-]	
Slovakia	Júlia Cillíková/Lucia Štefunková	
Slovenia	Goraz Čibej/ Mojca Rome	
Spain	Sergio Alvarez /Francisco Carrasco Bahamonde	
Sweden	Åsa Larson/[-]	

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<u>Country</u>	<u>Permanent Representative/ Alternate</u>	<u>Accompanying Experts</u>
Belgium	Henk Becquaert	
Ireland	[-]/Andrew Nugent	
Italy	[-]/Ambrogio Rinaldi	

<u>EEA EFTA Country</u>	<u>Non-Voting Member/ Alternate</u>	<u>Accompanying Experts</u>
Iceland	[-]/Rúnar Guðmundsson	
Liechtenstein	André Hoffmann/[-]	
Norway	Runa Sæther (PoA)/[-]	Brita Hrenovica

<u>Institution</u>	<u>Non-Voting Member/ Alternate</u>	<u>Accompanying Experts</u>
European Commission	Didier Millerot	
ESMA	François-Louis Michaud	Tomas Borovsky
EBA	Tijmen Swank	
ESRB	Francesco Mazzaferro	
EFTA	Marco Uccelli	Marta Margret Runarsdottir

<u>Observers</u>	<u>Representative</u>	<u>Accompanying Experts</u>
N/A	[-]	

EIOPA Staff

Executive Director	Fausto Parente
Head of Corporate Support Department	Danny Janssen
Head of Policy Department	Justin Wray
Head of Risk and Financial Stability Department	Dimitris Zafeiris
Head of Oversight Department	Patrick Hoedjes
Head of Supervisory Processes Department	Ana Teresa Moutinho