



GROUPE CONSULTATIF ACTUARIEL EUROPEEN
EUROPEAN ACTUARIAL CONSULTATIVE GROUP

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MINUTES
of a meeting of the
INVESTMENT AND FINANCIAL RISK COMMITTEE
held in Dublin
on Friday, 27 September 2013

Present:

Christoph Krischanitz (Chairman)	Aktuarvereinigung Osterreichs
Vladimir Krejci	Ceská Spolecnost Aktuáru
François Bonnin	Institut des Actuares
Dieter Köhnlein	Deutsche Aktuarvereinigung
Ken Forman	Institute and Faculty of Actuaries
Malcolm Kemp	Institute and Faculty of Actuaries
Helena Dumycz	Institute and Faculty of Actuaries
Liselotte Milting	Den Danske Aktuarforening
Henry Karsten	Instituto de Actuarios Españoles
Ad Kok	Groupe Consultatif Secretariat

Apologies for absence:

Françoise Gilles	Institut des Actuares en Belgique/ Instituut van Actuarissen en België
Plamen Hinkov	Bulgarian Actuarial Society
Steven Jones	Channel Islands Actuarial Society
Andreja Radic	Hrvatsko Aktuarsko Društvo
Marios Yiannas	Cyprus Association of Actuaries
Karin Kukk	Eesti Aktuaaride Liit
Pasi Laaksonen	Suomen Aktuaariyhdistys
Niki Agoglossaki	Hellenic Actuarial Society
Jozsef Szabo	Magyar Aktuárius Táraság
Steinunn Gudjonsdottir	Félag Íslenskra tryggingastærðfræðinga
Evelyn Ryder	Society of Actuaries in Ireland
Paolo De Angelis	Istituto Italiano degli Attuari
Antonella Chiricosta	Consiglio Nazionale degli Attuari
Elina Tilta	Latvijas Aaktuāru Asociācija
Evaldas Valeisa	Lietuvos Aktuarijų Draugija
Thierry Flamand	Association Luxembourgeoise des Actuares

Antoon Pelsser	Het Koninklijk Actuarieel Genootschap
Robert Meisingset	Den Norske Aktuarforening
Tomasz Krylowicz	Polskie Stowwarzyszenie Aktuariuszy
Rita Marques	Instituto dos Actuarios Portugueses
Ana Tripsa	Asociatia Romana de Actuarial
Jelica Klúčovská	Slovenská spoločnosť aktúárov
Liljan Belsak	Slovensko Aktuarsko društvo
Josep Ll. Alvarez	Col.legi d'Actuaris de Catalunya
Simon Kristoferson	Svenska Aktuarieföreningen
Petra Wildemann	Association Suisse des Actuaire
Şirzat Çetinkaya	Actuarial Society of Turkey
Iryna Yaremchuk	Society of Actuaries of Ukraine

1. **Opening of the meeting and adoption of the agenda**

The Chairman welcomed members of the Committee to Dublin and thanked the Society of Actuaries in Ireland for hosting the meeting and for their hospitality.

The agenda, as circulated, was adopted. A further copy is attached to these minutes as **Annex I**.

2. **Minutes of previous meeting**

The minutes of the Committee meeting held in Vienna on 22 March 2013 were confirmed.

3. **Solvency II**

The Chairman mentioned that the trilogue meeting to agree the Omnibus II Directive is still expected to take place in October. He also informed the meeting that there is to be some restructuring of the various Groupe working groups in order to spread the workload more evenly. Members provided updates on insurance companies' preparedness for SII in their home countries.

4. **Market Consistency**

4.1 The Chairman reported that the Pensions and Insurance Committees were drafting second stage papers. With the urgency having been removed from the insurance paper because the LTGA report has already been published, the pensions paper is expected to be ready first later this year. It will consider the requirements of different stakeholders and will be principles based with examples rather than detailed. The insurance paper will be more detailed including how to construct a risk-free rate.

4.2 Vladimir had expected to write a draft FAQ on the first stage paper but on reflection thought the issues were too complex, particularly in countries where there are no risk-free assets to match the liabilities. We expect that some of the potential content of the FAQ paper to be included in the insurance second stage paper and the requirement for a FAQ will be reassessed after it is produced.

4.3 The Committee noted the IAA paper on discount rates and concluded that no action was required.

4.4 The Chairman introduced a proposal for developing the MC web portal and recapped on the survey of associations which suggested there was a strong appetite for the concept. After discussing the issues, members agreed to put the proposal forward at the next Officers telephone meeting.

5. Review of IORP Directive

Pillar 1 has been shelved following the results of the QIS which showed widely divergent results amongst responding countries. EIOPA will engage in further work on this issue but Pillars 2 and 3 are moving forward. The timetable may have to be extended because of next year's European elections.

The Pensions Committee is commenting on a discussion paper on sponsor support by EIOPA, putting forward the idea of reducing reliance on credit ratings as 95% of sponsors are unrated.

6. Review of Markets in Financial Instruments Directive (MiFID II)

It was observed that both MIFID II and UCITS V are focussed on governance issues rather than capital requirements. We discussed whether actuaries had anything to contribute on these issues and concluded that governance was part of risk management and therefore within our frame of reference. Malcolm has done some preliminary work on the comparison between MIFID II and UCITS V and agreed to distribute this to members.

7. Regulation of Benchmarks

It was noted that the Commission had taken account of most of the points we made in our consultation response. The Chairman suggested that we should now draft a high level position paper following on from the recent regulatory proposal. This might include examples of how it might work in practice, with particular focus on mortality tables used in annuity pricing. Ken and François volunteered to be involved under the Chairman's guidance.

8. Shadow Banking

The Committee discussed the Commission's draft proposal on the regulation of Money Market Funds. It was considered that the most radical element was the requirement for fund providers to maintain a 3% capital buffer if the fund is of a Constant NAV type. This has parallels with the Pillar 1 requirements in Solvency II but in the case of MMFs it may seriously damage the business model.

9. Green Paper on Long-Term Financing of the European Economy

The Groupe had intended to draw on the three technical committees for a co-ordinated response to the Green Paper but in the event it was largely the work of the IFR with some last minute input from the other two.

10. Review of 2006 Risk Management Survey

After some discussion we agreed to defer starting a follow-up survey until institutions had more fully implemented changes in their risk management practices to take account of recent regulatory changes. It was agreed that there would be value in continuity with the previous survey but we should think of expanding the number of questions as well as repeating those included last time. The Chairman asked members to let him know any suggestions for the structure of the survey.

11. Financial Stability

The FSB is interested to get the Groupe's views on an effective risk management framework. The SII Pillar 5 Working Group is currently drafting a paper. It was felt that this was more an issue for the IAA as it is not specifically related to Europe.

The Chairman reported on a meeting he had attended at the ECB where stress testing was discussed. The ECB is keen to get some input on stress testing from us and while they have been passed the IAA paper, the Chairman suggested that the IFR committee might prepare a paper specifically dealing with stress testing in a SII or Basel III context (perhaps applying the principles in the IAA paper). The earlier paper on comparing SII and Basel III may be a starting point. The Chairman will draft a proposal for discussion at the next meeting.

12. Review of European System of Financial Supervision

The Chairman reported that the Groupe has submitted a response to the EIOPA consultation paper.

13. Consumer Protection

13.1 The Chairman reported that the Consumer Protection Task Force had done some preliminary work and that so far he had represented the IFR Committee.

13.2 The EIOPA paper on retail risks prompted a discussion of various issues. It was suggested that EIOPA should first define their role and then we can decide how best to help them. There was a general feeling of discomfort amongst members in becoming too involved in protecting consumers as opposed to serving the public interest. It was suggested that a set of indicators to identify products likely to cause consumer detriment should include at least some that are forward looking and that our input might relate to the usefulness of indicators. It was felt that the Committee's role should be primarily to provide input on transparency and financial literacy.

14.1 Links with Other Organisations

14.1 *Internal Market DG*

The Chairman reported that an informal meeting was held between the Officers of the Groupe and the staff of Internal Market DG on 5 June 2013, although he had been unable to attend. The new head of the Insurance and Pensions Unit, Klaus Wiedner, was also unable to attend.

14.2 **EIOPA**

It was noted that a meeting was held between Officers of the Groupe and staff of EIOPA on 5 July 2013. The Chairman was also unable to attend this meeting.

14.3 **IAA**

The minutes of the meeting of the IAA Enterprise and Financial Risk Committee held in The Hague on 25 May 2013 were noted.

15. **Committee Report to General Assembly**

The Chairman reported that he would update the report to include proceedings of this meeting.

16. **Exchange of Information on Current Issues**

There were no issues raised.

17. **Any other business**

There was no other business.

18. **Date of next meeting**

It was noted that the next meeting would be held in Brussels on 9 May 2014, at the invitation of the Institut des Actuairens en Belgique / Instituut van Actuarissen en België.