

Solvency regimes for IORPs



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Key messages



- Solvency II is not appropriate prudential regime for IORPs
- EU Commission Consultation on solvency regime for IORPs
 - Art. 17
 - cross-border activityunsuitable as a starting point for further work on prudential framework for IORPs
- Legislative pause ≠ no activity

Solvency II not appropriate prudential regime for IORPs



- **Strong political message** from EP and Council that a mechanical application of Solvency II to IORPs is inappropriate
 - EP and Council have each proposed a different method to safeguard IORPs' current legislation – EFRP supportive of EP solution
- Solvency II is tailor-made for insurers and IORPs are different from insurers
- Mechanical extension of Solvency II would have negative effect on financial markets and real economy
 - IORPs would be forced to sell equities...

EU Com consultation unsuitable as starting point



- Consultation seems to be triggered by Solvency II debate
- Scope of consultation
 - Only a few, if any, IORPs subject to Art. 17 exist
 - EFRP believes some Member States have implemented Art. 17 erroneously
 - IORPs classified as Art. 17 have superficial resemblances with insurers
 - Full effect of cross-border activity still to unfold
- More time, evidence and analysis are needed – implementation of IORP Dir. is still ongoing implying it is **too early to draw any conclusions**

Legislative pause ≠ no activity



- EFRP is convinced that it is **unrealistic to look for further harmonisation** of prudential framework **in the short term**
 - Institutional and cultural differences between MS supplementary pension systems remain substantial
- EFRP accepts that solvency rules for IORPs will be subject to further scrutiny - BUT:
 - process should not be rushed
 - **properly prepared** – in line with better regulation agenda
- Poor policy decisions jeopardizing the development of workplace pensions should be avoided