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Mr. Carlos Montalvo Rebuelta
Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS e.V.)
Westhafenplatz 1
60327 Frankfurt am Main
Germany

Comments on Consultation Paper No. 36:
Draft CEIOPS' Advice for Level 2 Implementing Measures on Solvency II:
Special Purpose Vehicles

Dear Sirs:

The European Securitisation Forum (ESF), an affiliate of the Securities Industry and Financial Markets Association (SIFMA), and in particular the members of its Solvency II Working Group, welcomes the Committee of European Insurance and Occupational Pension Supervisors (CEIOPS) consultation paper (CP) as it provides an opportunity to define a reliable framework for the establishment of special purpose vehicles (SPVs) under the Solvency II Directive.

We include the ESF comments on the issued raised in the CP in an Annex part of this letter for your consideration. We would be happy to discuss the input provided in further detail with you. Please do not hesitate to contact Rick Watson (Managing Director, Head of the ESF) at +44.20 77 43 93 33 or Marco Angheben (Director, ESF) at +44 20 77 43 93 35 should you have any questions.

Yours sincerely

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Annex

Comments on CEIOPS' Advice for Level 2 Implementing Measures

on Solvency II: Special Purpose Vehicles

General comments	The regulatory requirements should be aimed at fostering an adequate risk assessment, and should not complicate the establishment of SPVs. As in the banking sector, we believe it is more efficient to regulate the sponsor's treatment of the risk transfer (i.e., benefits taken), rather than regulate the "form" of the instruments or the vehicles used to realise the risk transfer. Whether an entity is or is not a SPV should not determine whether it is a regulated entity, however we support the high-level requirements for the establishment of a SPV within the scope of article 209 (i.e., those which assume insurance risk from a re-insurance undertaking). Furthermore the principles of economic substance over legal form should be applied in all respects. The ESF believes that it would be more appropriate to comment on non insurance SPVs outside of this CP, other than perhaps to reaffirm generally that all forms of risk transfer techniques can generate solvency benefits for an undertaking to the extent the risk transfer can be demonstrated to be effective. As the scope of this CP should only apply to insurance arrangements, and not to parametric/modelled loss arrangements which most often are derivatives and therefore do not need insurance SPV to be realised. Thus all references to the latter type of arrangements should be removed from the CP to avoid any confusion going forward. In various sections of the CP, the decision or approval of the supervisor is subject to a high degree of judgement, due to the fact that some information has not been detailed (e.g. definition of risk transfer) or clearly defined (e.g. level of information the supervisor can ask in addition to the minimum required). We recognise that this judgmental aspect of the approval does not ensure harmonisation across Member States; however we recognise that if the regulatory framework is to be proportionate, judgment is essential in assessing different types of transaction. We believe it would be inappropriate to attempt to clearly define the regulators' roles other than by stating the basic principles that: 1) the undertaking's regulator is responsible for assessing the effectiveness of the risk transfer and ensuring the benefits taken by the undertaking do not exceed the effectiveness of the risk transfer; 2) the SPV's regulator is responsible for the initial authorisation of the SPV, including that the SPV is fully funded with respect to benefits being taken by the undertaking, and for monitoring that the SPV is not insolvent over the course of the transaction. Finally, the extensive documentation requirements set forth in section 3.50 (the two sets of reporting– financial statements and Solvency II valuation) are considered very burdensome.
Scope of this paper	The definition of "special purpose vehicle" is: "any undertaking, whether incorporated or not, other than an existing insurance or

Para 1.5	reinsurance undertaking, which assumes risks from insurance or reinsurance undertakings and which fully funds its exposure to such risks through the proceeds of a debt issuance or any other financing mechanism where the repayment rights of the providers of such debt or financing mechanism **are subordinated to the reinsurance obligations of such an undertaking**" Paragraph 1.5 of the Consultation Paper states that the paper deals with SPVs as defined in the Directive, that is SPVs "that reinsure risks from a (re)insurance undertaking **and that assume risks under an arrangement that has the economic substance of a reinsurance contract by transferring insurance risk from a (re)insurance undertaking to third parties (in this case investors)".** We would request confirmation that, if the nature of the contract under which risk is transferred is **not** reinsurance, then the SPV is outside the Consultation Paper. While we believe this is the effect of the words in bold cited from the definition of "special purpose vehicle" above, it is less clear, from the words in bold above extracted from paragraph 1.5 of the Consultation Paper that paragraph 1.5 is seeking so to confine itself. For example, the form and mechanics of parametric/model loss deals are most often derivatives (not (re)insurance) and so we consider would fall under the bullet points which state the matters the paper is not dealing with. In such cases the SPV would not need to comply with any of the listed requirements since only (re)insurance deals are required to adhere to these SPV requirements. In any case this paragraph requires clarification to stress that derivative risk transfer solutions are not subject to this regulation, thus we propose to delete *[and that assume risks under an arrangement that has the economic substance of a reinsurance contract……..(in this case investors)].* Otherwise this wording could inappropriately scope in alternative non-insurance arrangements not intended for this regulation such as contingent loans, contingent capital arrangements and parametric/modelled loss based transactions. Additional clarification could be achieved by amending the sixth bullet point as follows: Other forms of risk mitigation *[such as derivatives based arrangements (e.g. parametric/modelled loss),]* which could…
Para 1.5	It is important that under the principle of substance over form there should not be discontinuities in the recognition of capital relief of the sponsoring undertaking for example between (re)insurance (indemnity-based) arrangements and those non-(re)insurance arrangements (eg specific parametric/model loss deals with so little basis risk that they are close to "insurance"). This should not affect whether the counterparty (if a single purpose company) is required to be regulated. If it is not providing (re)insurance then it would not seem appropriate for it to be regulated within the proposals.
Advice Para 3.2	While we understand that CEIOPS believes the credit taken for the arrangements inside a group is more certain, it remains unclear why CEIOPS has the opinion that a SPV cannot be established by multiple undertakings from different groups, by means of jointly controlled entities or joint venture for example. It is common, for example, for bankruptcy remote vehicles to be set up to acquire receivables from more than one originator and it is difficult to see why similar techniques should not be available in the insurance sector. Some explanation would be helpful in this regard.

Para 3.3	Undertakings using insurance SPVs that are outside the scope of Art 209 (i.e. non EU area) should be given equivalent relief according to the substance of the risk transfer. Can the final sentence be amended so its introduction reads: "Failure to gain authorisation in the Member State in which such SPV is located would result …".
Para 3.4	The re-affirmation that an undertaking's use of SPVs which are outside the scope of article 209 (i.e., non-insurance SPVs) are to be given equivalent relief as those within the scope of art. 209 (insurance SPVs) according to the substance of the risk transfer is welcomed.
Para 3.5-3.6	Sixth bullet point is unclear and requires clarification as to what is the purpose of the reference to "traditional securitisation". Undertakings may not be in the position to make such comparisons particularly because these transactions are often private and information is thus not publicly available, so it would be best to delete this bullet
Para 3.7	The ESF supports this paragraph stating that level 2 measures which are adaptable to further developments are essential. Any more specific details at this level, restricting in effect the principles, are potentially counterproductive.
The scope of authorisation Para 3.10, 3.18	This paragraph states that the SPV is "only permitted to reinsure insurance risks". This definition seems more restrictive than the one included in the 2005 reinsurance directive and does not seem to be consistent with the definition of "special purpose vehicle" which refers to it as being an undertaking, "which assumes risks from insurance or reinsurance undertakings". We consider that as long as risks are clearly identified and measured, the use of a SPV should not be restricted to "insurance risks". With respect to the definition of insurance risk, we would ask for clarification of the fact that insurance risk covers all risks entailed within an insurance product. As the current wording might have unintended scope consequences and is redundant given that the regulation is aimed at insurance and / or reinsurance arrangements we would propose the following rewording: [The SPV is only permitted to reinsure insurance risks from undertakings i.e. delete *[(or assume insurance risks under 'reinsurance-like' arrangements)*].
Para 3.12, 3.19	We support the current drafting, which correctly emphasises that the reuse provisions are important. The reuse features anticipated under a programme, (for example, permitting issuance of up to €1 billion), can permit flexibility to issue subsequent series of notes based on payout triggers and financial terms different than the SPV's initial issuance (of, say, €200 million). However any subsequent issuance would need to be within the boundaries of the SPV's limited-scope approved by the regulator during the SPV's initial original authorisation. To this point, as part of the initial authorisation, the SPV should be able to demonstrate that its ability to remain compliant with the authorisation requirements as part of any subsequent new issuance. On that basis we believe that for subsequent issuances no "re-authorisation" process is warranted but that, instead, it would be more appropriate for the SPV to obtain an approval from the SPV's regulator. The expectation would be that such approval process would be very streamlined and quick, and essentially be limited to ensuring the SPV is acting within its original scope. Additionally, it is expected that the SPV would remain fully funded with respect to its increased potential obligations to the undertaking, and would remain fully funded and compliant with other applicable requirements subsequent to any new issuance.

Para 3.13[1]	This section seems to open the reuse in the case only of a "*very different purpose*". We understand that SPV are solely established for assuming risks from insurers and transfer these risks to the capital markets. Therefore, it remains unclear what "*very different purpose*" is supposed to mean in that context. For example, there are instances in which a specific tranche of the exposure is assessed as part of a transaction, but then due to strategic reasons is placed in the market in a staged manner rather than in one go. For clarity, the ESF proposes the following addition to 3.13.: ['*The practice of part issuance of specific tranches, assessed as part of a transaction, but then placed in the market in a staged manner should be considered as part of the original approval not as a reuse*.']
Para 3.14	We agree that reinsurance/retrocession of any additional risks to the SPV should require prior approval by the SPV supervisor and that the approval process should be proportionate in nature. For purposes of clarity, we suggest a distinction be made between subsequent issuance as anticipated under a "programme" – whereby approval of the regulator when the original programme is established should be appropriate and sufficient -- versus a new issuance relating to additional risks which were not contemplated at the time of initial authorisation). For the latter case a re-authorisation process should occur and be proportionate in nature.
Para 3.15	We understand CEIOPS' concern here and how the threat of an instant move to zero recognition will ensure ongoing oversight. However, it could cause instability for the ceding entity and precipitate unnecessary difficulties. ESF proposes redrafting as follows: *['... failure to gain authorisation may result in no regulatory relief from the SPV (………). The corresponding supervisors should take a proportionate approach to issues that might impair the relief accruing to the ceding entity but can be remedied in a reasonable time frame.']* We observe that a full loss of regulatory capital credit by an undertaking due to the SPV's loss of authorisation is wholly inconsistent with the principles based approach whereby an undertaking is permitted to take credit for all arrangements where effective risk transfer can be demonstrated. Under these principles, any loss of credit by the undertaking would only be warranted to the extent (i.e. amount) that the SPV's loss of authorisation negatively impacted the undertaking's ability to recover amounts otherwise due from the SPV. It is expected that such occasions would be rare. We suggest this provision be reviewed in light of the effective risk transfer principles, to ensure any loss of regulatory capital credit is proportionate.
Para 3.14, 3.19	The CP defines the changes leading to the need for approval as "additional risks reinsured into it (…), any changes made to the contracts involved". We consider that the CP should be more precise, and that the definition of changes should not be too extensive. In particular, we would like the confirmation that the following patterns are not leading to a need for additional approval: • clause of reset of portfolio, included in the initial contract, • change in a financial instrument counterparty (e.g. total return swap), having the same credit rating; and

	• structures that are recharged periodically with the recharge option initially planned in the contract. We feel the principles in 3.14 and 3.19 should clarify that only changes which adversely impact the SPV's fully funded nature or which were unanticipated at the SPV's setup should require prior regulatory approval; otherwise the language is appropriate as drafted and we believe extra precision is not required. Therefore, we suggest 3.14 be amended as follows: ["…, has any changes made to the contracts involved *which negatively impacts the SPV's fully funded status with respect to its obligations to the undertaking, were unanticipated at the time of initial authorisation, or change its risk characteristics* or has further capital raised…"].
Mandatory conditions to be included in the contracts used Para 3.20	We agree there should be open communication and cooperation by regulators as necessary in order to timely effect transactions. As drafted, however, the existing wording could result in a form of double regulatory approval and thus result in undue deliberations and delays. In practical terms, we propose clarifying that: 1) the SPV's regulator shall inform the undertaking's regulator the extent/amount to which the SPV shall be fully funded with respects to the SPV's potential obligations to the undertaking. With this information the undertaking's regulator can assess whether the undertaking is recognising the appropriate level of benefits for the transaction; and 2) the SPV's regulator shall inform the undertaking's regulator, and the undertaking's regulator shall accept, that the SPV has been duly authorised in accordance with art. 209. We feel the last sentence should be deleted as it is better suited for the regulators to determine which, if any, of the documentation accompanying the authorisation request should be exchanged. We propose to lighten this double review and to align the authorisation by the undertaking's supervisor with the authorisation by the supervisor where the SPV is established: we suggest the supervisor of the SPV to be in charge with the authorisation and approval, whereas the risk transfer treatment would fall under the charge of the undertaking regulator. This would avoid a burdensome process. Otherwise, the exchanges between supervisors should be clearly defined and include a time constraint to reply, as well as documented explanations if they have different opinions.
Para 3.22, 3.49	Sections 3.22 and 3.49 indicate that a breach of mandatory conditions could lead to withdrawing of the authorisation for the SPV. We consider that an "escalation" process could be introduced, with a defined letter from the supervisor, a precise period for the SPV / Undertaking to provide with a response, and deadline for the SPV or undertaking to find a solution to repair the breach. The CP should clearly define which regulator should act on which issue: 1) if the breach is relating to the operating management or the "fully funded" principle, the home supervisor of the SPV will be involved; and 2) if the breach is relating to the insurance risk transfer, the supervisor of the undertaking will be responsible.
Principle 1 – Fully Funded	We observe that the requirement to fully fund anticipated fees (i.e., those not yet incurred) is generally inconsistent with current practice for recognition of liabilities or contingent liabilities, and would result in inefficiencies. As such this paragraph

Para 3.26	should not apply to fully funding of anticipated fees and expenses. For a longer term transaction, the fees and expenses in total can be a significant amount to put aside upfront rather than paying them when payment is legally due together with funding costs and other anticipated expenditures. These ongoing expenses of the SPVs are normally well defined and budgeted for in the structuring of the transaction to ensure they can be covered by investment return or other income receipts generated by the SPV (such as from the sponsor's binding commitment to cover the SPV running expenses) can cover them. Additionally – alternatively the sponsor can commit to cover the running expenses of the SPV, a service provider's subordinated priority of payment and the sponsor's discretion to call/cancel/surrender the transaction should be taken into account for purposes of assessing whether the SPV will be able to fully fund its potential obligations to the undertaking.
Para 3.27	While initially requiring an economic balance sheet and subsequent determination of own funds, it seems CEIOPS is requiring a SPV to have more capital to fulfil the requirement of this paragraph since stress scenarios will lead to a higher requirement in fulfilling the fully funded principle. This requirement is too onerous and since SPVs are permanently fully funded it should be deleted. Indeed, the regular independent mark to market and minimum collateral ratings should provide sufficient comfort to avoid having stress tests.
Para 3.29	The use of a SPV will only transfer the risk faced by an (re-)insurer. The obligations towards the policyholder remains. A policyholder is always able to present its claim against the (re-)insurer. Whether the SPV is effective in reducing the risks is subject to the ORSA and should meet the considerations and requirements as presented by the other advice presented by CEIOPS. The risk of ineffective risk transfer should be assessed in Pillar II equally as applied for banking securitisations (e.g. the risks arising from securitisation transactions in relation to which the credit institutions are originator or sponsor shall be evaluated and addressed through appropriate policies and procedures, to ensure in particular that the economic substance of the transaction is fully reflected in the risk assessment and management decisions. CRD Annex V 6).
Para 3.30	It is important to recognise the funding of claims and reserves by future premiums receipts.
Para 3.31	If a SPV is fully independent from the undertaking then this requirement potentially cannot be enforced. If the SPV has economic ties then any deficiencies would normally already be included in the assessment of the undertaking. Also see comment to para 3.84.
Para 3.31	The ESF proposes this paragraph to be expanded as follows: *[“In assessing the fully funded requirement the impact on collateral of protection mechanisms, such as Total Return Swaps, interest rate swaps and currency swaps, should be assessed”.]* Furthermore, consistent with comments relating to the principles of fully funding, we propose the third sentence be modified as follows: *[“It is envisaged that at no period in time would its assets be insufficient to meet its liabilities to the undertaking as they fall due.”*]

Para 3.31	We would expect that the measures taken by any relevant regulator with respect to a SPV no longer maintaining its fully funded status would be proportionate to the circumstances and amount by which the SPV become less than fully funded. We consider that an “escalation” process could be introduced, with a defined letter from the supervisor, a precise period for the SPV / Undertaking to provide with a response, and deadline for the SPV or undertaking to find a solution to repair the breach.
Principle 2 – Investors have a subordinated claim on SPV assets Para 3.32	The subordination should be subject to the requirements in the directive. No additional requirement should be applicable as a SPV should not be subject to even more rigorous restrictions.
Para 3.32	In casualty deals, the aggregate limit is reduced over time, in line with the amortization of the notes. The implementing measures should recognise such cases.
Para 3.32	While we agree with the subordination principle, we are concerned that legally it may not be so much a question of subordination but rather recourse which is limited and defined by reference to available funds and a clear priority of payments. CEIOPS should check if replacing the references to subordination accordingly would remove such a potential legal debate.
Principle 3 – “Prudent person” Para 3.34	It is reasonable that the investment strategy should reflect the duration of the underlying liabilities arising from the reinsurance contracts. But 3.34 also demands that the term of the reinsurance contract should not exceed the term of the liabilities of the undertaking. This provision is not related to the realisation of the “prudent person investment principle” set forth in 3.33 and should be abandoned since there might be good reasons to extend the duration of the reinsurance contract.
Para 3.34	It’s potentially better to refer under this paragraph to the broader concept of “collateral structure”. The collateral structures can benefit from various layers of protection (TRS for instance, or in some cases Government guaranteed notes) and should be analyzed as a whole. Consequently, one should consider the notion of “impairment” of the collateral structure *vis-a-vis* potential liabilities.
Para 3.35-3.37	We believe the “prudent person” principles are sufficient and do not require additional levels of detail.
Principle 4 – Effective risk transfer Para 3.39-3.40	The CP states that a SPV is authorised when the payment obligations are dependent upon a pre-defined loss suffered by the undertaking. It also indicates that there can be capital relief based on effective transfer of insurance risk. The supervisor of the undertaking shall determine whether there is an effective risk transfer and the amount of credit to be taken by the undertaking. We believe principles pertaining to “effective risk transfer” would be difficult to clearly define for all facts and circumstances, and recommend it be reinforced wherever appropriate that: 1) the onus be on the undertaking to evidence effective risk transfer to the SPV; 2) discretion be given to the undertaking’s regulator in determining the amount of credit allowed for the risk transfer; and 3) cooperation and communication between regulators of the SPV and undertaking be focussed on ensuring the SPV is fully funded with regard to the

	benefit permitted to the undertaking by the undertaking's regulator. Therefore, we propose that Para 3.39-3.41 should be amended accordingly, so that the responsibilities of the regulator of the SPV are limited to ensuring the SPV is fully funded with regard to the benefit permitted to the undertaking by the undertaking's regulator.
Para 3.41	We agree with the principles that the SPV's payment to the undertaking must be dependent on the undertaking suffering a loss. Transactions which pay out regardless of whether a loss has been incurred do not require an insurance SPV and, thus, are outside the scope of this CP. To this point, the reference to "reinsurance-like" payments and "parametric triggers" introduce unnecessary confusion as to the scope of this CP and should be removed.
Principle 5 – Intra-group reinsurance Para 3.43	This paragraph underlines that "the undertaking cannot use an internal SPV to achieve a regulatory capital reduction at group level". A SPV could be considered "internal" when an element of finance is not raised externally, but the CP could give more detail on when to consider a SPV internal or external (level of capital, investment in debt…). The "intra-group" analysis could be based on SIC 12 guidance under IFRS. In 3.87 the alignment of interests between the insurance undertaking and the SPV is addressed. This conflicts with 3.84.
Para 3.43	It appears that even if the SPV is externally funded by the capital markets, guarantee declarations or other comparable arrangements provided by intra-group subsidiaries might lead to intra-group reinsurance not being acceptable for regulatory capital relief. The implementation measures should address the effective risk transfer achieved by such arrangements.
Principle 8 – Documentation Para 3.46	We support the flexibility provided for in the existing drafting with respect to the extent and scope of documents to be submitted to the SPV regulator as part of the authorisation process.
Para 3.47	We consider that the external legal opinion could also be charged to the originator or trustee of the SPV, and not necessarily to the undertaking.
Para 3.50	We support the flexibility provided for in the existing drafting with respect to the extent and scope of documents to be submitted to the SPV regulator as part of the authorisation process. Using existing material should provide efficiency and sufficient information and assurance for supervisors assessing whether the risk transfer is effective and the rights of the policyholders are not damaged. Further, we propose that the introduction be amended as follows: *['The documentation requirements should be determined on a case by case basis, as relevant, to avoid creating an undue burden and to retain focus on important issues. A selection from the following documents is likely to be required to be submitted, in writing, in relation to a proposed SPV authorisation'].*
Para 3.50	Section d) mentions an actuarial review of underlying business. We consider this actuarial review could be internally performed, whether by the SPV or undertaking's actuaries and that there is no need for any external actuarial review (i.e. per appointed external actuary). We would like this to be stated clearly in the para-

	graph.
Para 3.50	If authorisation is dependent on finalised versions of e) and f) then there could be considerable and unwelcome delays to the normal execution timetable of a SPV.
Para 3.50	Section p) mentions the investor concentration as a documentation to be provided in the authorisation process. However, since the SPV has not been established yet, this information is not relevant. We suggest replacing the investor concentration by the investors' target. Also the reference to management share is not relevant and should be removed.
Documenta-tion require-ments Para 3.50	Section r) mentions that the supervisor can ask for "any other document deemed necessary". We consider this is not helping to implement the harmonisation principle, and could lead to major differences / requirements across the countries. Thus, we recommend suppressing r).
Para 3.51-3.79	Proportionality is important in all aspects relating to the establishment, running and credit for SPV but in particular in the application of these paragraphs.
Para 3.53-3.68	ESF asks CEIOPS to better align the governance requirements as included in the CP on Governance and the ones in the current paper. CEIOPS could take the view of putting all such requirements under one CP only; however it will remain important to ascertain that the governance requirements applying to SPVs are proportionate to their purpose.
Para 3.55	Art. 42 of the Level 1 text does not require insurance undertakings to have in place documented (probably it is meant "written") policies and procedures to ensure that all persons who are subject to Article 42 are fit and proper. According to the Level 1 text, it suffices that these persons comply with the fit and proper requirement. Requiring written policies puts an unnecessary burden upon the SPV without creating better results. As this requirement is unnecessary for an insurer it is even more so for a SPV. We suggest deleting 3.55.
Para 3.52–3.56, 3.62-3.68	If the SPV is independent from the undertaking than the requirements are potentially not applicable as the supervisor cannot enforce these requirements.
Para 3.67	As stated by the CP, the proportionality principle has to be taken into account to apply standard governance requirements to the SPV. In this context, a SPV should not be required to have all functions required by Solvency II Directive (internal audit function, actuarial function…). We regard this proportionality as essential. Any requirements should result from active dialogue between the supervisor and the SPV Thus, we suggest removing the sole reference to the supervisory authority and we propose the following text: [*"A SPV should not be required to comply with all the requirements of the system of governance (…), unless the nature of the business or the complexity of the SPV requires these governance functions."*]
Supervisory reporting Para 3.69-3.75	The exhaustive documentation requirements set forth in section 3.5 (Supervisory reporting) (the two sets of reporting– financial statements and Solvency II valuation) are: 1) disproportionally burdensome and costly relative to their value; 2) not useful with respect to the ability to assess the appropriateness of benefits taken by an undertaking (i.e., is the SPV fully funded with re-

	spect to its potential obligations to the underlying); 3) will not provide additional meaningful information to investors in the SPV in a manner consistent with the burden; 4) the statements may inadvertently conflict, and therefore undermine, the nature of financial reporting elements the capital markets investors have determined are relevant for each particular transaction. As the two sets of reporting requirements – financial statements and Solvency II valuation – would create a significant reporting burden for the SPV, we propose that Para 3.69-3.75 should be amended accordingly; given the limited scope of such entities, the reporting of its financial effects should be limited to reporting prepared by the sponsoring undertaking, i.e. taking into consideration the credit taken and any related disclosures to that. Therefore there is no need for two sets of reporting requirements for SPVs. Although for certain SPVs filing financial statements in accordance with national law could be appropriate, but this should be determined on a case by case basis.
Para 3.73, 3.75	The powers granted towards the supervisor are not totally in line with ensuring a European level playing field. In our opinion clear and objective principles should be set before additional information is provided. Also, section 3.73 states that this information can be required by the SPV or undertaking supervisor. It would be meaningful to limit the request for information to one party, i.e. in priority the SPV supervisor, in order to reduce the number of stakeholders and the burden of the required documentation.
Para 3.77	The valuation basis for assets and liabilities needs to be consistent and reflect reality. In particular we note that for an EV securitisation, the commission paid to the sponsor reflects the expected excess value of the reserves transferred and the future premiums over claims and needs to be reflected in the SPV balance sheet. Artificial constraints on valuation could result in the SPV erroneously appearing insolvent as the debt securities issued will be shown as a liability.
Solvency requirements Para 3.81	ESF agrees to this important conclusion.
Para 3.84	This requirement is only applicable when a SPV is under "control" of the (re-)insurance undertaking.
Para 3.84	This paragraph refers to a "corresponding fall". This could be read to imply a 1 for 1 decrease in the reinsurance asset. This is not necessarily the case and ESF recommends this is modified to *['...should be reflected in a reassessment of the reinsurance asset within the undertaking'.]*
Para 3.87	A SPV is normally set up to transfer insurance risk or a pre-defined portion of such risks. Some arrangements will have the characteristics of quota share where alignment is obvious, and we feel this should be taken into account as part of the alignment of interest of the undertaking. Insurance linked securities are significantly different from credit risk vehicles like ABS or MBS and do not normally require measures like risk retention obligations in order to ensure the alignment of interests. It is important that CEIOPS notes this in 3.87