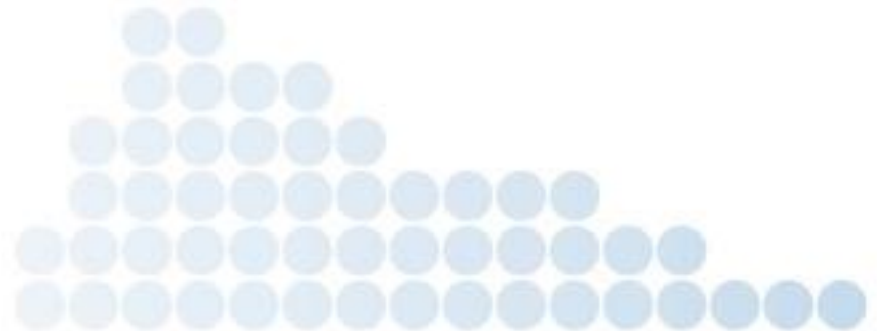


# Solvency II Update

## 24<sup>th</sup> September 2015

Gibraltar Financial Services Commission



# Solvency II Update

Less than 100 days to go

# Contents

- Progress towards SII Compliance
  - Pillar 1 - Capital
  - Pillar 2 – Governance
  - Pillar 3 – Reporting
- Groups
  - Art. 262 groups
  - Group Transitional Measures (Art. 308b)

# Pillar 1 - Capital

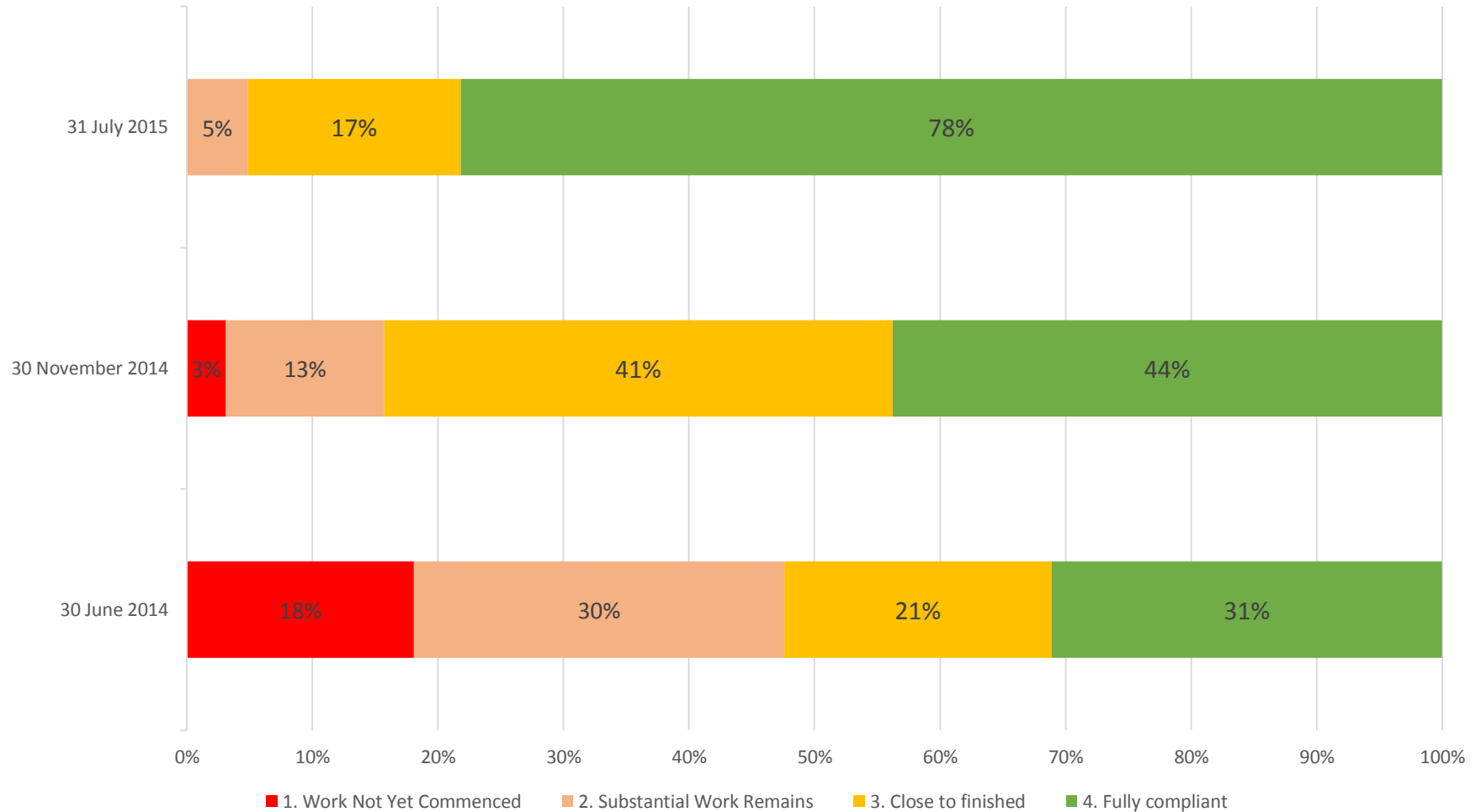
- Our expectation is that all firms will meet SII capital requirements by 1 Jan 2016 ; and
- Will not require transitional provisions
- Good progress made by firms over last 12 months
- Majority of the market either forecasting to meet their respective SCRs
- Have plans to be compliant by deadline date

## Pillar 1 - Capital (cont...)

- Most firms using standard formula
- USPs – 6 received to date
- Internal Models applications:
  - 1 full
  - Engaging with others on pre-application
  - Expect to receive more formal applications next year
- Pillar 1 thematic review

# Pillar 2

## Systems of Governance Progress



## Pillar 2- Governance

- Firms reported good progress being made across each of the governance requirements
- All firms now indicate that at an advanced stage
- Most areas still outstanding require only board approval to be deemed fully compliant
- Final sign-offs and any outstanding documentation forecast by year-end to bring full compliance across the market.

# Pillar 3- Reporting

- Preparatory Phase Firms
  - Comprised of all firms forming 80% of market
  - QRTs, RSR & SFCR
  - Preparatory phase feedback:  
<http://www.fsc.gi/firms/solvencyireporting.htm>
- All Other Firms (Non-Prep Phase)
  - Will be provided an instance of the Invoke Reporting Portal to submit reports
  - All firms should have received & submitted initial configuration templates (11/9)
  - Further communication to configure for each firm each QRT template required specific to its business
  - Firms can work in Excel both offline and online and upload templates in spreadsheet format.
  - Invoke will convert into XBRL and validate submissions.



## Pillar 3- Reporting

- Testing period (November – February)
    - Recommend all firms should test and submit a full set of annual templates based on the final 2.0 taxonomy
    - This will ensure that the firms have the necessary experience to submit under live conditions.
    - Invoke Technical presentation 30 Sept Finance Centre
    - Please read Preparatory Phase feedback
- <http://www.fsc.gi/firms/solvencyiireporting.htm>

# Pillar 3- Reporting

- Reporting deadlines (QRTs)
  - Reporting timetables for all firms on our website
  - Exemptions may be available for small firms (up to 20% of market share)
  - Will be for smallest firms first
  - Will not be available to all firms
- Quality Assurance
  - Considering what elements to cover
  - Current thinking:
    - SII Balance sheet
    - Own funds
    - SCR/MCR calculations for standard formula firms
  - Will consult

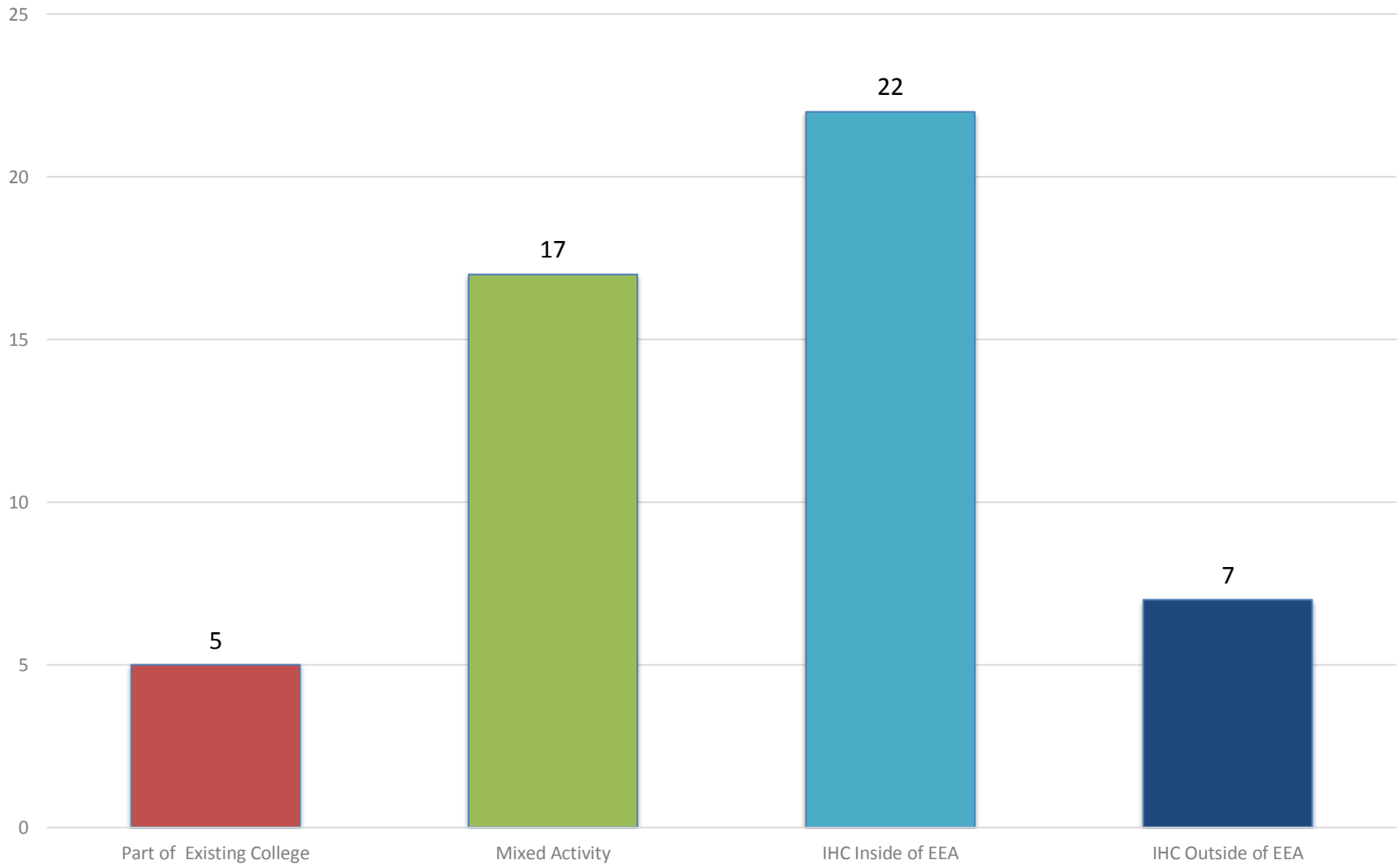
## Pillar 3- Reporting (Cont.....)

- **FLAOR/ORSA**
  - Expect another FLAOR submission prior to 31 Dec 2015 (Annual)
  - Submissions to take account of feedback to market (<http://www.fsc.gi/download/adobe/Solvency2FeedbackPaperSA.pdf>)
  - ORSA's live next year (1.1.16), firms should be preparing processes to meet this requirement
- **Solvency I Reporting**
  - This will still be required, final submission for year-ends

# Groups

- Written to all firms with respect to the determination of their group status under Solvency II. (except Art. 262 firms)
- Identified if IHC or Mixed Activity
- IHC – full reporting (QRTs etc..)
- Mixed activity – Intra group transactions (QRT templates S.36.01 – S.36.04)

# Groups by Category



## Groups (Cont...)

- Art 262 firms
  - Parent not in EEA, not SII equivalent
  - Application of directive not yet clarified
  - EIOPA meeting (1-2 Oct)
  - Aim to get clarity/consistency of approach
  - Will advise outcome as soon as received
  - Prudent plan to assume full weight of group requirements will apply

# Group Transitional Measures

- Transitional period of 2 years to meet group solvency requirement
- To qualify group must currently comply with “Adjusted Solvency” referred to in Art.9 of Directive 98/78/EC - IGD
- Firms currently submit this via Parental Undertaking Solvency Margin Calculation (PUSM)
- We want to take a pragmatic approach – use transitional provisions to meet requirements (c.f. solo entity)
- Expect firms to have credible plans to meet group solvency if applying for transitional provisions

# Final Thoughts

- Finishing line in sight
- Significant progress made in last 12 months
- Still more to do
- Important to deliver on S2 plans in remaining 98 days