

**Subject: Commission call for feedback on amendments to the Solvency II delegated regulation
IACPM response to the consultation**

The International Association of Credit Portfolio Managers (IACPM) welcomes the opportunity to provide feedback of the European Commission draft amendments to the Solvency II delegated regulation.

This feedback aims at focusing on the impact of the proposal on risk sharing transactions between banks and insurers through SRT securitisation (cash or synthetic) and unfunded credit risk insurance, considering the separate European Commission proposal on the Securitisation Package of June 17, 2025.

- More consistency should be introduced between the prudential treatment of securitisation in CRR3 and Solvency 2, with some of the SECR safeguards for off balance-sheet (OBS) STS unfunded insurance protection being better dealt with via Solvency 2 amendments, to ensure coherency of regulatory framework for Solvency 2 firms.
- On the **asset side**,
 1. While the proposed calibration for STS senior tranches is a significant step forward, shocks/SCR for STS non-senior and for non-STS securitisations (senior and non-senior) remain too conservative compared to the long history of losses. **Capital requirements for non-senior tranches will not enable life insurers to invest in credit linked notes issued by SRT transactions.** Securitisations with similar credit ratings should benefit from comparable regulatory treatment in market risk on the asset side and be consistent with the observed history of losses vs expected cash flows, which have proven to be similar, if not better, than those of similarly rated corporates.
 2. Would differences persist in SCR between STS and non-STS transactions, these differences should be consistent with the ranking proposed in CRR, which introduced also the concept of **resilient transactions**, not included in the Solvency 2 revision. As on the banking side, insurers would accept the complexity of a prudential resilience label in Solvency 2 if it comes with prudential benefits comparable to the transactions that will be offered by the banks.
- On the **liability side**,
 1. Although SECR proposal published on June 17 supports - with safeguards - the STS eligibility of unfunded credit insurance protection, the Delegated Act contradicts the proposed trend by increasing the **standardized capital charge for premium risk on credit & surety insurance** products.
 2. To ensure coherency of the Solvency 2 regulatory framework and its **interplay with the SECR reforms relating to unfunded credit protection** under the off balance-sheet (OBS) STS framework, we want to put forward the below recommendations:
 - The two safeguards proposed in SECR for eligibility of insurance SRT protection relating to the requirement to use **supervisory approved internal models** and to have sufficient **Total Assets size/substance** are excluding more than 70% of the insurance groups currently participating in EU SRT market. As such, although undertakings

which are well capitalised and diversified (as they fit the other requirements on minimum credit rating, number of business lines and compliance with Solvency 2), these two safeguards will not enable the non-life insurance to support growth in EU STS transactions.

- **These two safeguards should be deleted and replaced with cross references to new provisions in Solvency 2 that introduce the new parameters relating to eligibility, supervision and reporting for providers of unfunded credit protection under the SECR OBS STS framework.** Such new parameters should build on some of the existing requirements of the Solvency 2 framework (for example, robust risk management and financial stability reporting). In this regard, we also refer to the IACPM presentation to the European Commission team on 2 September 2025 reporting on the results of the IACPM survey which illustrated that proposed safeguards relating to internal models and minimum size are not workable in practice and would exclude most multiline non-life insurers currently active (or which could be potentially active) in the European SRT market. Our members will need more time to propose some drafting or further ideas for incorporation of the relevant new provisions in Solvency 2, making sure that the use of a supervisory approved internal model is not a pre-requisite for the provision of unfunded credit protection and also ensuring that requirements relating to the size and substance are not too restrictive, assessed on a consolidated basis and do not hinder business restructuring. **We would welcome further dialogue with the European Commission on possible drafting approaches.**

For the sake of clarity, if this recommendation is adopted, the SECR safeguards will refer to the relevant new provisions introduced via Solvency 2 amendments and the originally proposed requirements for a minimum of two business lines and the CQS3 minimum rating.

- We refer to the IACPM position paper on the Securitisation Package of 17 June, 2025 and also recommend that the Commission updates the Solvency 2 pre-Brexit (2015) equivalence decisions and, in the new parameters for eligible providers of unfunded credit protection under the OBS STS framework, extends such eligibility beyond Solvency 2 to include insurers compliant with the prudential regulation requirements in third countries identified by the Commission as equivalent. This will address issues raised in the IACPM position paper relating to the need for diversification and to the constraints imposed by large exposures and concentration limits that will (if not addressed) create compliance challenges for EEA originator banks.
- Finally, the application date for the part of the Solvency II Delegated Act amendment relating to securitisation should be aligned with the wider Securitisation package of reforms, rather than being set in 2027.

We are available to discuss any aspect of this response at your best convenience.

Sincerely,



Som-lok Leung

Executive Director

IACPM