

Commission Delegated Regulation (EU) 2015/35 of 10 October 2014  
supplementing Directive 2009/138/EC of the European Parliament  
and of the Council on the taking-up and pursuit of the business of  
Insurance and Reinsurance (Solvency II) (Text with EEA relevance)

TITLE I

[<sup>X1</sup>VALUATION AND RISK-BASED CAPITAL REQUIREMENTS  
(PILLAR I), ENHANCED GOVERNANCE (PILLAR II)  
AND INCREASED TRANSPARENCY (PILLAR III)]

CHAPTER V

SOLVENCY CAPITAL REQUIREMENT STANDARD FORMULA

SECTION 5

*Market risk module*

*Subsection 1*

*Correlation coefficients*

*Article 164*

- 1 The market risk module shall consist of all of the following sub-modules:
- a the interest rate risk sub-module referred to in point (a) of subparagraph 2 of Article 105(5) of Directive 2009/138/EC;
  - b the equity risk sub-module referred to in point (b) of subparagraph 2 of Article 105(5) of Directive 2009/138/EC;
  - c the property risk sub-module referred to in point (c) of subparagraph 2 of Article 105(5) of Directive 2009/138/EC;
  - d the spread risk sub-module referred to in point (d) of subparagraph 2 of Article 105(5) of Directive 2009/138/EC;
  - e the currency risk sub-module referred to in point (e) of subparagraph 2 of Article 105(5) of Directive 2009/138/EC;
  - f the market risk concentrations sub-module referred to in point (f) of subparagraph 2 of Article 105(5) of Directive 2009/138/EC.
- 2 The capital requirement for market risk referred to in Article 105(5) of Directive 2009/138/EC shall be equal to the following:

$$SCR_{\text{market}} = \sqrt{\sum_{i,j} \text{Corr}(i,j) \times SCR_i \times SCR_j}$$

where:

- (a) the sum covers all possible combinations  $i,j$  of sub-modules of the market risk module;
- (b)  $\text{Corr}(i,j)$  denotes the correlation parameter for market risk for sub-modules  $i$  and  $j$ ;

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(c) SCR<sub>i</sub> and SCR<sub>j</sub> denote the capital requirements for sub-modules i and j respectively.

3 The correlation parameter  $Corr_{(i,j)}$  referred to in paragraph 2 shall be equal to the item set out in row *i* and in column *j* of the following correlation matrix:

<i>j i</i>	Interest rate	Equity	Property	Spread	Concentration	Currency
Interest rate	1	A	A	A	0	0,25
Equity	A	1	0,75	0,75	0	0,25
Property	A	0,75	1	0,5	0	0,25
Spread	A	0,75	0,5	1	0	0,25
Concentration	0	0	0	0	1	0
Currency	0,25	0,25	0,25	0,25	0	1

The parameter A shall be equal to 0 where the capital requirement for interest rate risk set out in Article 165 is the capital requirement referred to in point (a) of that Article. In all other cases, the parameter A shall be equal to 0,5.

#### Modifications etc. (not altering text)

- C1** Art. 164(3): power to amend and revoke conferred (31.12.2020) by [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\)](#), regs. 1(2), 4, [Sch. 3](#) (as amended by [S.I. 2020/1301](#), regs. 1, 3, [Sch. para. 27\(a\)](#) and [S.I. 2020/1385](#), regs. 1(2), 54(2))

### *[<sup>F1</sup>Subsection 1a*

#### *Qualifying infrastructure investments*

#### *Article 164a*

#### **Qualifying infrastructure investments**

[<sup>F2</sup>1 For the purposes of this Regulation, qualifying infrastructure investment shall include investment in an infrastructure entity that meets the following criteria:

- a the cash flows generated by the infrastructure assets allow for all financial obligations to be met under sustained stresses that are relevant for the risks of the project;
- b the cash flows that the infrastructure entity generates for debt providers and equity investors are predictable;
- c the infrastructure assets and infrastructure entity are governed by a regulatory or contractual framework that provides debt providers and equity investors with a high degree of protection including the following:
  - (a) the contractual framework shall include provisions that effectively protect debt providers and equity investors against losses resulting from the termination of the project by the party which agrees to purchase the goods or services provided by the infrastructure project, unless one of the following conditions is met:

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- (i) the revenues of the infrastructure entity are funded by payments from a large number of users; or
  - (ii) the revenues are subject to a rate-of-return regulation;
- (b) the infrastructure entity has sufficient reserve funds or other financial arrangements to cover the contingency funding and working capital requirements of the project;

Where investments are in bonds or loans, this contractual framework shall also include the following:

- (i) debt providers have security or the benefit of security to the extent permitted by applicable law in all assets and contracts that are critical to the operation of the project;
- (ii) the use of net operating cash flows after mandatory payments from the project for purposes other than servicing debt obligations is restricted;
- (iii) restrictions on activities that may be detrimental to debt providers, including that new debt cannot be issued without the consent of existing debt providers in the form agreed with them, unless such new debt issuance is permitted under the documentation for the existing debt;

Notwithstanding point (i) of the second subparagraph, for investments in bonds or loans, where undertakings can demonstrate that security in all assets and contracts is not essential for debt providers to effectively protect or recover the vast majority of their investment, other security mechanisms may be used. In that case, the other security mechanisms shall comprise at least one of the following:

- (i) pledge of shares;
  - (ii) step-in rights;
  - (iii) lien over bank accounts;
  - (iv) control over cash flows;
  - (v) provisions for assignment of contracts;
- d where investments are in bonds or loans, the insurance or reinsurance undertaking can demonstrate to the supervisor that it is able to hold the investment to maturity;
- e where investments are in bonds or loans for which a credit assessment by a nominated ECAI is not available, the investment instrument and other pari passu instruments are senior to all other claims other than statutory claims and claims from liquidity facility providers, trustees and derivatives counterparties;
- f where investments are in equities, or bonds or loans for which a credit assessment by a nominated ECAI is not available, the following criteria are met:
  - (i) the infrastructure assets and infrastructure entity are located <sup>F3</sup>... in the OECD;
  - (ii) where the infrastructure project is in the construction phase the following criteria shall be fulfilled by the equity investor, or where there is more than one equity investor, the following criteria shall be fulfilled by a group of equity investors as a whole:
    - the equity investors have a history of successfully overseeing infrastructure projects and the relevant expertise,

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- the equity investors have a low risk of default, or there is a low risk of material losses for the infrastructure entity as a result of the their default,
  - the equity investors are incentivised to protect the interests of investors;
  - (iii) where there are construction risks, safeguards to ensure completion of the project according to the agreed specification, budget or completion date;
  - (iv) where operating risks are material, they are properly managed;
  - (v) the infrastructure entity uses tested technology and design;
  - (vi) the capital structure of the infrastructure entity allows it to service its debt;
  - (vii) the refinancing risk for the infrastructure entity is low;
  - (viii) the infrastructure entity uses derivatives only for risk-mitigation purposes.]
- 2 For the purposes of paragraph 1(b), the cash flows generated for debt providers and equity investors shall not be considered predictable unless all except an immaterial part of the revenues satisfies the following conditions:
- a one of the following criteria is met:
    - (i) the revenues are availability-based;
    - (ii) the revenues are subject to a rate-of-return regulation;
    - (iii) the revenues are subject to a take-or-pay contract;
    - (iv) the level of output or the usage and the price shall independently meet one of the following criteria:
      - it is regulated,
      - it is contractually fixed,
      - it is sufficiently predictable as a result of low demand risk;
  - b where the revenues of the infrastructure project entity are not funded by payments from a large number of users, the party which agrees to purchase the goods or services provided by the infrastructure project entity shall be one of the following:
    - (i) an entity listed in Article 180(2) of this Regulation;
    - (ii) a regional government or local authority listed in the Regulation adopted pursuant to Article 109a(2)(a) of Directive 2009/138/EC;
    - (iii) an entity with an ECAI rating with a credit quality step of at least 3;
    - (iv) an entity that is replaceable without a significant change in the level and timing of revenues.

#### Textual Amendments

- F2** Substituted by [Commission Delegated Regulation \(EU\) 2017/1542 of 8 June 2017 amending Delegated Regulation \(EU\) 2015/35 concerning the calculation of regulatory capital requirements for certain categories of assets held by insurance and reinsurance undertakings \(infrastructure corporates\) \(Text with EEA relevance\).](#)

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**F3** Words in Art. 164a(1)(f)(i) omitted (31.12.2020) by virtue of [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\)](#), regs. 1(2), **11(16)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)

## *I* *F4 Article 164b*

### **Qualifying infrastructure corporate investments**

For the purpose of this Regulation, qualifying infrastructure corporate investment shall include investment in an infrastructure entity that meets the following criteria:

- (1) The substantial majority of the infrastructure entity's revenues is derived from owning, financing, developing or operating infrastructure assets located in <sup>F5</sup>... the OECD;
- (2) The revenues generated by the infrastructure assets satisfy one of the criteria set out in Article 164a(2)(a);
- (3) Where the revenues of the infrastructure entity are not funded by payments from a large number of users, the party which agrees to purchase the goods or services provided by the infrastructure entity shall be one of the entities listed in Article 164a(2)(b);
- (4) The revenues shall be diversified in terms of activities, location, or payers, unless the revenues are subject to a rate-of-return regulation in accordance with Article 164a(1)(c)(a)(ii) or a take-or-pay contract or the revenues are availability based;
- (5) Where investments are in bonds or loans, the insurance or reinsurance undertaking can demonstrate to the supervisor that it is able to hold the investment to maturity;
- (6) Where no credit assessment from a nominated ECAI is available for the infrastructure entity:
  - (a) the capital structure of the infrastructure corporate shall allow it to service all its debt under conservative assumptions based on an analysis of the relevant financial ratios;
  - (b) the infrastructure entity shall have been active for at least three years or, in the case of an acquired business, it shall have been in operation for at least three years;
- (7) Where a credit assessment from a nominated ECAI is available for the infrastructure entity, such credit assessment has a credit quality step between 0 and 3.]]

#### **Textual Amendments**

- F4** Inserted by [Commission Delegated Regulation \(EU\) 2017/1542 of 8 June 2017 amending Delegated Regulation \(EU\) 2015/35 concerning the calculation of regulatory capital requirements for certain categories of assets held by insurance and reinsurance undertakings \(infrastructure corporates\) \(Text with EEA relevance\)](#).
- F5** Words in Art. 164b(1) omitted (31.12.2020) by virtue of [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\)](#), regs. 1(2), **11(17)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)

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## Subsection 2

### Interest rate risk sub-module

#### Article 165

##### General provisions

1 The capital requirement for interest rate risk referred to in point (a) of the second subparagraph Article 105(5) of Directive 2009/138/EC shall be equal to the larger of the following:

- a the sum, over all currencies, of the capital requirements for the risk of an increase in the term structure of interest rates as set out in Article 166 of this Regulation;
- b the sum, over all currencies, of the capital requirements for the risk of a decrease in the term structure of interest rates as set out in Article 167 of this Regulation.

2 Where the larger of the capital requirements referred to in points (a) and (b) of paragraph 1 and the larger of the corresponding capital requirements calculated in accordance with Article 206(2) are not based on the same scenario, the capital requirement for interest rate risk shall be the capital requirement referred to in points (a) or (b) of paragraph 1 for which the underlying scenario results in the largest corresponding capital requirement calculated in accordance with Article 206(2).

#### Article 166

##### Increase in the term structure of interest rates

1 The capital requirement for the risk of an increase in the term structure of interest rates for a given currency shall be equal to the loss in the basic own funds that would result from an instantaneous increase in basic risk-free interest rates for that currency at different maturities in accordance with the following table:

Maturity(in years)	Increase
1	70 %
2	70 %
3	64 %
4	59 %
5	55 %
6	52 %
7	49 %
8	47 %
9	44 %
10	42 %
11	39 %
12	37 %

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13	35 %
14	34 %
15	33 %
16	31 %
17	30 %
18	29 %
19	27 %
20	26 %
90	20 %

For maturities not specified in the table above, the value of the increase shall be linearly interpolated. For maturities shorter than 1 year, the increase shall be 70 %. For maturities longer than 90 years, the increase shall be 20 %.

2 In any case, the increase of basic-risk-free interest rates at any maturity shall be at least one percentage point.

3 The impact of the increase in the term structure of basic risk-free interest rates on the value of participations as referred to in [F6 Article 68(6) of this Regulation] in financial and credit institutions shall be considered only on the value of the participations that are not deducted from own funds pursuant to Article 68 of this Regulation. The part deducted from own funds shall be considered only to the extent that such impact increases the basic own funds.

#### Textual Amendments

**F6** Words in Art. 166(3) substituted (31.12.2020) by [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\)](#), regs. 1(2), **11(18)** (as amended by [S.I. 2020/1385](#), regs. 1(2), 54(2) and with savings in [S.I. 2019/680](#), reg. 11)

### Article 167

#### Decrease in the term structure of interest rates

1 The capital requirement for the risk of a decrease in the term structure of interest rates for a given currency shall be equal to the loss in the basic own funds that would result from an instantaneous decrease in basic risk-free interest rates for that currency at different maturities in accordance with the following table:

Maturity(in years)	Decrease
1	75 %
2	65 %
3	56 %
4	50 %
5	46 %

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6	42 %
7	39 %
8	36 %
9	33 %
10	31 %
11	30 %
12	29 %
13	28 %
14	28 %
15	27 %
16	28 %
17	28 %
18	28 %
19	29 %
20	29 %
90	20 %

For maturities not specified in the table above, the value of the decrease shall be linearly interpolated. For maturities shorter than 1 year, the decrease shall be 75 %. For maturities longer than 90 years, the decrease shall be 20 %.

2 Notwithstanding paragraph 1, for negative basic risk-free interest rates the decrease shall be nil.

3 The impact on the value of participations as referred to in [F7Article 68(6) of this Regulation] in financial and credit institutions of the decrease in the term structure of basic risk-free interest rates shall be considered only on the value of the participations that are not deducted from own funds pursuant to Article 68 of this Regulation. The part deducted from own funds shall be considered only to the extent that such impact increases the basic own funds.

#### Textual Amendments

**F7** Words in [Art. 167\(3\)](#) substituted (31.12.2020) by [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\)](#), regs. 1(2), **11(19)** (as amended by [S.I. 2020/1385](#), regs. 1(2), 54(2) and with savings in [S.I. 2019/680](#), reg. 11)



### Subsection 3

## Equity risk sub-module

### Article 168

## General provisions

[<sup>F8</sup>]<sup>F21</sup> The equity risk sub-module referred to in point (b) of the second subparagraph of Article 105(5) of Directive 2009/138/EC shall include a risk sub-module for type 1 equities, a risk sub-module for type 2 equities, a risk sub-module for qualifying infrastructure equities and a risk sub-module for qualifying infrastructure corporate equities.]

2 Type 1 equities shall comprise equities listed in regulated markets in countries which are members of <sup>F9</sup>... the Organisation for Economic Cooperation and Development (OECD), or traded on multilateral trading facilities, as referred to in Article 4(1)(22) of Directive 2014/65/EU, whose registered office or head office is in EU Member States.

3 Type 2 equities shall comprise equities other than those referred to in paragraph 2, commodities and other alternative investments. They shall also comprise all assets other than those covered in the interest rate risk sub-module, the property risk sub-module or the spread risk sub-module, including the assets and indirect exposures referred to in Article 84(1) and (2) where a look-through approach is not possible and the insurance or reinsurance undertaking does not make use of the provisions in Article 84(3).]

[<sup>F13a</sup> Qualifying infrastructure equities shall comprise equity investments in infrastructure project entities that meet the criteria set out in Article 164a.]

[<sup>F43b</sup> Qualifying infrastructure corporate equities shall comprise equity investments in infrastructure entities that meet the criteria set out in Article 164b.]

[<sup>F24</sup> The capital requirement for equity risk shall be equal to the following:

[<sup>x2</sup>

$$SCR_{equity} = SCR_{2equ1} + 2 \times 0.75 \times SCR_{equ1} \times SCR_{equ2} + SCR_{quinf} + SCR_{quinc}$$

$$+ SCR_{equ2} + SCR_{quinf} + SCR_{quinc}$$

]

where:

- (a)  $SCR_{equ1}$  denotes the capital requirement for type 1 equities;
- (b)  $SCR_{equ2}$  denotes the capital requirement for type 2 equities;
- (c)  $SCR_{quinf}$  denotes the capital requirement for qualifying infrastructure equities;
- (d)  $SCR_{quinc}$  denotes the capital requirement for qualifying infrastructure corporate equities.]

5 The impact of the instantaneous decreases set out in Articles 169 and 170 on the value of participations as referred to in [<sup>F10</sup>Article 68(6) of this Regulation] in financial and credit institutions shall be considered only on the value of the participations that are not deducted from own funds pursuant to Article 68 of this Regulation.

6 The following equities shall in any case be considered as type 1:

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- [<sup>F2</sup>a equities, other than qualifying infrastructure equities or qualifying infrastructure corporate equities, held within collective investment undertakings which are qualifying social entrepreneurship funds as referred to in Article 3(b) of Regulation (EU) No 346/2013 of the European Parliament and of the Council <sup>(1)</sup> where the look-through approach set out in Article 84 of this Regulation is possible for all exposures within the collective investment undertaking, or units or shares of those funds where the look through approach is not possible for all exposures within the collective investment undertaking;
- b equities, other than qualifying infrastructure equities or qualifying infrastructure corporate equities, held within collective investment undertakings which are qualifying venture capital funds as referred to in Article 3(b) of Regulation (EU) No 345/2013 of the European Parliament and of the Council <sup>(2)</sup> where the look-through approach set out in Article 84 of this Regulation is possible for all exposures within the collective investment undertaking, or units or shares of those funds where the look through approach is not possible for all exposures within the collective investment undertaking;]
- c [<sup>F11</sup>as regards closed-ended alternative investment funds which are established in the [<sup>F12</sup>United Kingdom] or, if they are not established in the [<sup>F12</sup>United Kingdom], which are marketed in the [<sup>F12</sup>United Kingdom] in accordance with Article 35 or 40 of Directive 2011/61/EU and which, in either case, have no leverage in accordance with the commitment method set out in Article 8 of Commission Delegated Regulation (EU) No 231/2013<sup>(3)</sup>.]
- (i) [<sup>F2</sup>equities, other than qualifying infrastructure equities or qualifying infrastructure corporate equities, held within such funds where the look-through approach set out in Article 84 of this Regulation is possible for all exposures within the alternative investment fund;]
- (ii) units or shares of such funds where the look-through approach is not possible for all exposures within the alternative investment fund[<sup>F8</sup>.]
- [<sup>F2</sup>d equities, other than qualifying infrastructure equities or qualifying infrastructure corporate equities, held within collective investment undertakings which are authorised as [<sup>F13</sup>United Kingdom long-term investment funds] pursuant to Regulation (EU) 2015/760 where the look through approach set out in Article 84 of this Regulation is possible for all exposures within the collective investment undertaking, or units or shares of those funds where the look through approach is not possible for all exposures within the collective investment undertaking [<sup>F11</sup>.]]
- [<sup>F14</sup>e qualifying unlisted equity portfolios as defined in Article 168a.]

#### Editorial Information

- X2** Substituted by [Corrigendum to Commission Delegated Regulation \(EU\) 2017/1542 of 8 June 2017 amending Delegated Regulation \(EU\) 2015/35 concerning the calculation of regulatory capital requirements for certain categories of assets held by insurance and reinsurance undertakings \(infrastructure corporates\)](#) (Official Journal of the European Union L 236 of 14 September 2017).

#### Textual Amendments

- F1** Inserted by [Commission Delegated Regulation \(EU\) 2016/467 of 30 September 2015 amending Commission Delegated Regulation \(EU\) 2015/35 concerning the calculation of regulatory capital requirements for several categories of assets held by insurance and reinsurance undertakings](#) (Text with EEA relevance).
- F2** Substituted by [Commission Delegated Regulation \(EU\) 2017/1542 of 8 June 2017 amending Delegated Regulation \(EU\) 2015/35 concerning the calculation of regulatory capital requirements for](#)

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- certain categories of assets held by insurance and reinsurance undertakings (infrastructure corporates) (Text with EEA relevance).
- F4** Inserted by Commission Delegated Regulation (EU) 2017/1542 of 8 June 2017 amending Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for certain categories of assets held by insurance and reinsurance undertakings (infrastructure corporates) (Text with EEA relevance).
- F8** Substituted by Commission Delegated Regulation (EU) 2016/467 of 30 September 2015 amending Commission Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for several categories of assets held by insurance and reinsurance undertakings (Text with EEA relevance).
- F9** Words in Art. 168(2) omitted (31.12.2020) by virtue of The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(20)(a)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F10** Words in Art. 168(5) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(20)(b)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F11** Substituted by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019 amending Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance).
- F12** Words in Art. 168(6)(c) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(20)(c)(i)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F13** Words in Art. 168(6)(d) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(20)(c)(ii)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F14** Inserted by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019 amending Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance).

#### *[<sup>F14</sup> Article 168a*

### **Qualifying unlisted equity portfolios**

1 For the purposes of point (e) of Article 168(6), a qualifying unlisted equity portfolio is a set of equity investments that meets all of the following requirements:

- a the set of investments consists solely of investments in the ordinary shares of companies;
- b the ordinary shares of each of the companies concerned are not listed in any regulated market;
- c each company has its head office in [<sup>F15</sup>the United Kingdom];
- d more than 50 % of the annual revenue of each company is denominated in currencies of countries which are members of <sup>F16</sup>... the OECD;
- e more than 50 % of the staff employed by each company have their principal place of work in [<sup>F17</sup>the United Kingdom];
- f each company fulfils at least one of the following conditions for each of the last three financial years ending prior to the date on which the Solvency Capital Requirement is being calculated:
  - (i) the annual turnover of the company exceeds EUR 10 000 000 ;

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- (ii) the balance sheet total of the company exceeds EUR 10 000 000 ;
- (iii) the number of staff employed by the company exceeds 50;
- g the value of the investment in each company represents no more than 10 % of the total value of the set of investments;
- h none of the companies is an insurance or reinsurance undertaking, a credit institution, an investment firm, a financial institution, an alternative investment fund manager, a UCITS management company, an institution for occupational retirement provision or a non-regulated undertaking carrying out financial activities;
- i the beta of the set of investments does not exceed 0,796.

2 For the purposes of paragraph 1(i), the beta of a set of investments is the average of the betas for each of the investments in that set of investments, weighted by the book values of those investments. The beta of an investment in a company shall be determined as follows:

$$\beta = 0,9478 - 0,0034 \times GM + 0,0139 \times DebtCFO - 0,0015 \times ROCE$$

where:

- (a)  $\beta$  is the beta of the equity investment in the company;
- (b)  $GM$  is the average gross margin for the company over the last five financial years ending prior to the date on which the Solvency Capital Requirement is being calculated;
- (c)  $Debt$  is the total debt of the company at the end of the most recent financial year for which figures are available;
- (d)  $CFO$  is the average net cash-flow for the company from operations over the last five financial years ending prior to the date on which the Solvency Capital Requirement is being calculated;
- (e)  $ROCE$  is the average return on common equity for the company over the last five financial years ending prior to the date on which the Solvency Capital Requirement is being calculated. Common equity shall be understood as capital and reserves as referred to in <sup>F18</sup>the United Kingdom law which implemented Annex III to Directive 2013/34/EU of the European Parliament and of the Council <sup>(4)</sup> excluding preference shares and the related share premium account.]

#### Textual Amendments

- F14** Inserted by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019 amending Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance).
- F15** Words in Art. 168a(1)(c) substituted (31.12.2020) by The Risk Transformation and Solvency 2 (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1233), regs. 1(4), **6(5)(a)(i)**; 2020 c. 1, Sch. 5 para. 1(1)
- F16** Words in Art. 168a(1)(d) omitted (31.12.2020) by virtue of The Risk Transformation and Solvency 2 (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1233), regs. 1(4), **6(5)(a)(ii)**; 2020 c. 1, Sch. 5 para. 1(1)
- F17** Words in Art. 168a(1)(e) substituted (31.12.2020) by The Risk Transformation and Solvency 2 (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1233), regs. 1(4), **6(5)(a)(iii)**; 2020 c. 1, Sch. 5 para. 1(1)

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**F18** Words in Art. 168a(2)(e) inserted (31.12.2020) by [The Risk Transformation and Solvency 2 \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/1233\)](#), regs. 1(4), **6(5)(b)**; 2020 c. 1, Sch. 5 para. 1(1)

## *f<sup>11</sup>* Article 169

### Standard equity risk sub-module

1 The capital requirement for type 1 equities referred to in Article 168 of this Regulation shall be equal to the loss in the basic own funds that would result from the following instantaneous decreases:

- a an instantaneous decrease equal to 22 % in the value of type 1 equity investments in related undertakings within the meaning of Article 212(1)(b) and 212(2) of Directive 2009/138/EC where these investments are of a strategic nature;
- b an instantaneous decrease equal to 22 % in the value of type 1 equity investments that are treated as long-term equity investments in accordance with Article 171a;
- c an instantaneous decrease equal to the sum of 39 % and the symmetric adjustment as referred to in Article 172 of this Regulation, in the value of type 1 equities other than those referred to in points (a) and (b).

2 The capital requirement for type 2 equities referred to in Article 168 of this Regulation shall be equal to the loss in the basic own funds that would result from the following instantaneous decreases:

- a an instantaneous decrease equal to 22 % in the value of type 2 equity investments in related undertakings within the meaning of Article 212(1)(b) and 212(2) of Directive 2009/138/EC where these investments are of a strategic nature;
- b an instantaneous decrease equal to 22 % in the value of type 2 equity investments that are treated as long-term equity investments in accordance with Article 171a;
- c an instantaneous decrease equal to the sum of 49 % and the symmetric adjustment as referred to in Article 172 of this Regulation, in the value of type 2 equities other than those referred to in points (a) and (b).

3 The capital requirement for qualifying infrastructure equities referred to in Article 168 of this Regulation shall be equal to the loss in the basic own funds that would result from the following instantaneous decreases:

- a an instantaneous decrease equal to 22 % in the value of qualifying infrastructure equity investments in related undertakings within the meaning of point (b) of Article 212(1) and Article 212(2) of Directive 2009/138/EC, where those investments are of a strategic nature;
- b an instantaneous decrease equal to 22 % in the value of qualifying infrastructure equity investments that are treated as long-term equity investments in accordance with Article 171a;
- c an instantaneous decrease equal to the sum of 30 % and 77 % of the symmetric adjustment as referred to in Article 172 of this Regulation, in the value of qualifying infrastructure equity investments other than those referred to in points (a) and (b).

4 The capital requirement for qualifying infrastructure corporate equities referred to in Article 168 of this Regulation shall be equal to the loss in the basic own funds that would result from the following instantaneous decreases:

- a an instantaneous decrease equal to 22 % in the value of qualifying infrastructure corporate equity investments in related undertakings within the meaning of point (b) of

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Article 212(1) and Article 212(2) of Directive 2009/138/EC where those investments are of a strategic nature;

- b an instantaneous decrease equal to 22 % in the value of qualifying infrastructure corporate equity investments that are treated as long-term equity investments in accordance with Article 171a;
- c an instantaneous decrease equal to the sum of 36 % and 92 % of the symmetric adjustment as referred to in Article 172 of this Regulation, in the value of qualifying infrastructure corporate equities other than those referred to in points (a) and (b).]

#### Textual Amendments

- F11** Substituted by [Commission Delegated Regulation \(EU\) 2019/981 of 8 March 2019 amending Delegated Regulation \(EU\) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance \(Solvency II\) \(Text with EEA relevance\).](#)

### Article 170

#### Duration-based equity risk sub-module

1 Where an insurance or reinsurance undertaking has received supervisory approval to apply [<sup>F19</sup>a duration-based equity risk sub-module], the capital requirement for type 1 equities shall be equal to the loss in the basic own funds that would result from the following instantaneous decreases:

- [<sup>F8</sup>a an instantaneous decrease equal to 22 % in the value of the type 1 equities corresponding to the business referred to in point (i) of Article 304(1) of Directive 2009/138/EC;]
- b an instantaneous decrease equal to 22 % in the value of type 1 equity investments in related undertakings within the meaning of Article 212(1)(b) and 212(2) of Directive 2009/138/EC where these investments are of a strategic nature;
- c an instantaneous decrease equal to the sum of 39 % and the symmetric adjustment as referred to in Article 172 of this Regulation, in the value of type 1 equities, other than those referred to in points (a) or (b).

2 Where an insurance or reinsurance undertaking has received supervisory approval to apply [<sup>F20</sup>a duration-based equity risk sub-module], the capital requirement for type 2 equities shall be equal to the loss in the basic own funds that would result from an instantaneous decrease:

- [<sup>F8</sup>a equal to 22 % in the value of the type 2 equities corresponding to the business referred to in point (i) of Article 304(1) of Directive 2009/138/EC;]
- b equal to 22 % in the value of type 2 equity investments in related undertakings within the meaning of Article 212(1)(b) and (2) of Directive 2009/138/EC, where these investments are of a strategic nature;
- c equal to the sum of 49 % and the symmetric adjustment as referred to in Article 172 of this Regulation, in the value of type 2 equities, other than those referred to in points (a) or (b).

[<sup>F13</sup> Where an insurance or reinsurance undertaking has received supervisory approval to apply the provisions set out in Article 304 of Directive 2009/138/EC, the capital requirement for qualifying infrastructure equities shall be equal to the loss in the basic own funds that would result from an instantaneous decrease:

- a equal to 22 % in the value of the qualifying infrastructure equity corresponding to the business referred to in point (i) of Article 304(1) of Directive 2009/138/EC;



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- b equal to 22 % in the value of qualifying infrastructure equity investments in related undertakings within the meaning of Article 212(1)(b) and (2) of Directive 2009/138/EC, where these investments are of a strategic nature;
- c equal to the sum of 30 % and 77 % of the symmetric adjustment as referred to in Article 172 of this Regulation in the value of qualifying infrastructure equities other than those referred to in points (a) or (b).]

[<sup>F4</sup> Where an insurance or reinsurance undertaking has received supervisory approval to apply the provisions set out in Article 304 of Directive 2009/138/EC, the capital requirement for qualifying infrastructure corporate equities shall be equal to the loss in the basic own funds that would result from an instantaneous decrease:

- a equal to 22 % in the value of the qualifying infrastructure corporate equity corresponding to the business referred to in point (i) of Article 304(1)(b) of Directive 2009/138/EC;
- b equal to 22 % in the value of qualifying infrastructure corporate equity investments in related undertakings within the meaning of Article 212(1)(b) and (2) of Directive 2009/138/EC, where these investments are of a strategic nature;
- c equal to the sum of 36 % and 92 % of the symmetric adjustment as referred to in Article 172 of this Regulation in the value of qualifying infrastructure corporate equities other than those referred to in points (a) or (b).]

#### Textual Amendments

- F1** Inserted by Commission Delegated Regulation (EU) 2016/467 of 30 September 2015 amending Commission Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for several categories of assets held by insurance and reinsurance undertakings (Text with EEA relevance).
- F4** Inserted by Commission Delegated Regulation (EU) 2017/1542 of 8 June 2017 amending Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for certain categories of assets held by insurance and reinsurance undertakings (infrastructure corporates) (Text with EEA relevance).
- F8** Substituted by Commission Delegated Regulation (EU) 2016/467 of 30 September 2015 amending Commission Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for several categories of assets held by insurance and reinsurance undertakings (Text with EEA relevance).
- F19** Words in Art. 170(1) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(21)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F20** Words in Art. 170(2) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(21)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)

### Article 171

#### Strategic equity investments

[<sup>F2</sup>For the purposes of Article 169(1)(a), (2)(a), (3)(a) and (4)(a) and of Article 170(1)(b), (2)(b), (3)(b) and (4)(b), equity investments of a strategic nature shall mean equity investments for which the participating insurance or reinsurance undertaking demonstrates the following:]

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- (a) that the value of the equity investment is likely to be materially less volatile for the following 12 months than the value of other equities over the same period as a result of both the nature of the investment and the influence exercised by the participating undertaking in the related undertaking;
- (b) that the nature of the investment is strategic, taking into account all relevant factors, including:
  - (i) the existence of a clear decisive strategy to continue holding the participation for long period;
  - (ii) the consistency of the strategy referred to in point (a) with the main policies guiding or limiting the actions of the undertaking;
  - (iii) the participating undertaking's ability to continue holding the participation in the related undertaking;
  - (iv) the existence of a durable link;
  - (v) where the insurance or reinsurance participating company is part of a group, the consistency of such strategy with the main policies guiding or limiting the actions of the group.

#### Textual Amendments

- F2** Substituted by [Commission Delegated Regulation \(EU\) 2017/1542 of 8 June 2017 amending Delegated Regulation \(EU\) 2015/35 concerning the calculation of regulatory capital requirements for certain categories of assets held by insurance and reinsurance undertakings \(infrastructure corporates\) \(Text with EEA relevance\).](#)

### *l<sup>F14</sup>* Article 171a

#### Long-term equity investments

1 For the purpose of this Regulation, a sub-set of equity investments may be treated as long-term equity investments if the insurance or reinsurance undertaking demonstrates, to the satisfaction of the supervisory authority, that all of the following conditions are met:

- a the sub-set of equity investments as well as the holding period of each equity investment within the sub-set are clearly identified;
- b the sub-set of equity investment is included within a portfolio of assets which is assigned to cover the best estimate of a portfolio of insurance or reinsurance obligations corresponding to one or several clearly identified businesses, and the undertaking maintains that assignment over the lifetime of the obligations;
- c the portfolio of insurance or reinsurance obligations, and the assigned portfolio of assets referred to in point (b) are identified, managed and organised separately from the other activities of the undertaking, and the assigned portfolio of assets cannot be used to cover losses arising from other activities of the undertaking;
- d the technical provisions within the portfolio of insurance or reinsurance obligations referred to in point (b) only represent a part of the total technical provisions of the insurance or reinsurance undertaking;
- e the average holding period of equity investments in the sub-set exceeds 5 years, or where the average holding period of the sub-set is lower than 5 years, the insurance or



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- reinsurance undertaking does not sell any equity investments within the sub-set until the average holding period exceeds 5 years;
- f the sub-set of equity investments consists only of equities that are listed in the [<sup>F21</sup>United Kingdom] or of unlisted equities of companies that have their head offices in [<sup>F22</sup>the United Kingdom];
  - g the solvency and liquidity position of the insurance or reinsurance undertaking, as well as its strategies, processes and reporting procedures with respect to asset-liability management, are such as to ensure, on an ongoing basis and under stressed conditions, that it is able to avoid forced sales of each equity investments within the sub-set for at least 10 years;
  - h the risk management, asset-liability management and investment policies of the insurance or reinsurance undertaking reflects the undertaking's intention to hold the sub-set of equity investments for a period that is compatible with the requirement of point (e) and its ability to meet the requirement of point (g).
- 2 Where equities are held within collective investment undertakings or within alternative investment funds referred to in points (a) to (d) of Article 168(6), the conditions set out in paragraph 1 of this Article may be assessed at the level of the funds and not of the underlying assets held within those funds.
- 3 Insurance or reinsurance undertakings that treat a sub-set of equity investments as long-term equity investments in accordance with paragraph 1 shall not revert back to an approach that does not include long-term equity investments. Where an insurance or reinsurance undertaking that treats a sub-set of equity investments as long-term equity investments is no longer able to comply with the conditions set out in paragraph 1, it shall immediately inform the supervisory authority and shall cease to apply Article 169(1)(b), (2)(b), (3)(b) and (4)(b) to any of its equity investments for a period of 36 months.]

#### Textual Amendments

- F14** Inserted by [Commission Delegated Regulation \(EU\) 2019/981 of 8 March 2019 amending Delegated Regulation \(EU\) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance \(Solvency II\) \(Text with EEA relevance\)](#).
- F21** Words in [Art. 171a\(1\)\(f\)](#) substituted (31.12.2020) by [The Risk Transformation and Solvency 2 \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/1233\)](#), regs. 1(4), **6(6)(a)**; 2020 c. 1, Sch. 5 para. 1(1)
- F22** Words in [Art. 171a\(1\)\(f\)](#) substituted (31.12.2020) by [The Risk Transformation and Solvency 2 \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/1233\)](#), regs. 1(4), **6(6)(b)**; 2020 c. 1, Sch. 5 para. 1(1)

### Article 172

#### Symmetric adjustment of the equity capital charge

- 1 The equity index [<sup>F23</sup>upon which the symmetric adjustment to the standard equity capital charge is to be based] shall comply with all of the following requirements:
- a the equity index measures the market price of a diversified portfolio of equities which is representative of the nature of equities typically held by insurance and reinsurance undertakings;
  - b the level of the equity index is publicly available;

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- c the frequency of published levels of the equity index is sufficient to enable the current level of the index and its average value over the last 36 months to be determined.
- 2 Subject to paragraph 4, the symmetric adjustment shall be equal to the following:
- $$SA = \frac{1}{2} \times \left( \frac{CI-AI}{AI} - 8\% \right)$$
- where:
- (a) CI denotes the current level of the equity index;
- (b) AI denotes the weighted average of the daily levels of the equity index over the last 36 months.
- 3 For the purposes of calculating the weighted average of the daily levels of the equity index, the weights for all daily levels shall be equal. The days during the last 36 months in respect of which the index was not determined shall not be included in the average.
- 4 The symmetric adjustment shall not be lower than – 10 % or higher than 10 %.

#### Textual Amendments

- F23** Words in Art. 172(1) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), 11(22) (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)

### *f<sup>F8</sup>* Article 173

#### Criteria for the use of transitional measure for standard equity risk

- 1 The transitional measure for standard equity risk set out in Article 308b(13) of Directive 2009/138/EC shall only apply to equities that were purchased on or before 1 January 2016 and which are not subject to the duration-based equity risk [<sup>F24</sup>sub-module].
- 2 Where equities are held within an collective investment undertaking or other investments packaged as funds, and where the look-through approach is not possible, the transitional measure set out in Article 308b(13) of Directive 2009/138/EC shall be applied to the proportion of equities held within the collective investment undertaking or investment packaged as funds in accordance with the target underlying asset allocation on 1 January 2016 , provided the target allocation is available to the undertaking. The proportion of equities to which the transitional is applied shall be reduced annually in proportion to the asset turnover ratio of the collective investment undertaking or investment packaged as funds. Where the target allocation for equity investments of the collective investment undertaking or investment packaged as funds increases, the proportion of equities the transitional is applied to shall not increase.]

#### Textual Amendments

- F8** Substituted by Commission Delegated Regulation (EU) 2016/467 of 30 September 2015 amending Commission Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for several categories of assets held by insurance and reinsurance undertakings (Text with EEA relevance).
- F24** Word in Art. 173(1) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), 11(23) (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)

**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 5 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

#### Subsection 4

### Property risk sub-module

#### Article 174

The capital requirement for property risk referred to in point (c) of the second subparagraph of Article 105(5) of Directive 2009/138/EC shall be equal to the loss in the basic own funds that would result from an instantaneous decrease of 25 % in the value of immovable property.

#### Subsection 5

### Spread risk sub-module

#### Article 175

### Scope of the spread risk sub-module

The capital requirement for spread risk referred to in point (d) of the second subparagraph of Article 105(5) of Directive 2009/138/EC shall be equal to the following:

$$SCR_{spread} = SCR_{bonds} + SCR_{securitisation} + SCR_{cd}$$

where

- (a)  $SCR_{bonds}$  denotes the capital requirement for spread risk on bonds and loans;
- (b)  $SCR_{securitisation}$  denotes the capital requirement for spread risk on securitisation positions;
- (c)  $SCR_{cd}$  denotes the capital requirement for spread risk on credit derivatives.

#### Article 176

### Spread risk on bonds and loans

1 The capital requirement for spread risk on bonds and loans  $SCR_{bonds}$  shall be equal to the loss in the basic own funds that would result from an instantaneous relative decrease of  $stress_i$  in the value of each bond or loan  $i$  other than mortgage loans that meet the requirements in Article 191, including bank deposits other than cash at bank referred to in Article 189(2)(b).

2 The risk factor  $stress_i$  shall depend on the modified duration of the bond or loan  $i$  denominated in years ( $dur_i$ ).  $dur_i$  shall never be lower than 1. For variable interest rate bonds or loans,  $dur_i$  shall be equivalent to the modified duration of a fixed interest rate bond or loan of the same maturity and with coupon payments equal to the forward interest rate.

[<sup>F83</sup> Bonds or loans for which a credit assessment by a nominated ECAI is available shall be assigned a risk factor  $stress_i$  depending on the credit quality step and the modified duration  $dur_i$  of the bond or loan  $i$  according to the following table.

Credit quality step	0	1	2	3	4	5 and 6

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Duration ( $dur_i$ )	$stress_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$
up to 5	$b_i \cdot dur_i$	—	0,9 %	—	1,1 %	—	1,4 %	—	2,5 %	—	4,5 %	—	7,5 %
More than 5 and up to 10	$a_i + b_i \cdot (dur_i - 5)$	4,5 %	0,5 %	5,5 %	0,6 %	7,0 %	0,7 %	12,5 %	1,5 %	22,5 %	2,5 %	37,5 %	4,2 %
More than 10 and up to 15	$a_i + b_i \cdot (dur_i - 10)$	7,0 %	0,5 %	8,5 %	0,5 %	10,5 %	0,5 %	20,0 %	1,0 %	35,0 %	1,8 %	58,5 %	0,5 %
More than 15 and up to 20	$a_i + b_i \cdot (dur_i - 15)$	9,5 %	0,5 %	11 %	0,5 %	13,0 %	0,5 %	25,0 %	1,0 %	44,0 %	0,5 %	61,0 %	0,5 %
More than 20	$\min[a_i + b_i \cdot (dur_i - 20); 1]$	12,0 %	0,5 %	13,5 %	0,5 %	15,5 %	0,5 %	30,0 %	0,5 %	46,6 %	0,5 %	63,5 %	0,5 %

[<sup>F84</sup> Bonds and loans for which a credit assessment by a nominated ECAI is not available and for which debtors have not posted collateral that meets the criteria set out in Article 214 shall be assigned a risk factor  $stress_i$  depending on the duration  $dur_i$  of the bond or loan  $i$  according to the following table:

Duration ( $dur_i$ )	$stress_i$
up to 5	$3 \% \cdot dur_i$
More than 5 and up to 10	$15 \% + 1,7 \% \cdot (dur_i - 5)$
More than 10 and up to 20	$23,5 \% + 1,2 \% \cdot (dur_i - 10)$
More than 20	$\min(35,5 \% + 0,5 \% \cdot (dur_i - 20); 1)]$

[<sup>F14a</sup> Notwithstanding paragraph 4, bonds and loans that are assigned to a credit quality step in accordance with paragraph 1 or 2 of Article 176a or paragraph 1 of Article 176c shall be assigned a risk factor  $stress_i$  depending on the credit quality step and the modified duration

**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 5 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

$dur_i$  of the bond or loan  $i$  assigned in accordance with the table set out in paragraph 3 of this Article.]

5 Bonds and loans for which a credit assessment by a nominated ECAI is not available and for which debtors have posted collateral, where the collateral of those bonds and loans meet the criteria set out in Article 214, shall be assigned a risk factor  $stress_i$  according to the following:

- a where the risk-adjusted value of collateral is higher than or equal to the value of the bond or loan  $i$ ,  $stress_i$  shall be equal to half of the risk factor that would be determined in accordance with paragraph 4;
- b where the risk-adjusted value of collateral is lower than the value of the bond or loan  $i$ , and where the risk factor determined in accordance with paragraph 4 would result in a value of the bond or loan  $i$  that is lower than the risk-adjusted value of the collateral,  $stress_i$  shall be equal to the average of the following:
  - (i) the risk factor determined in accordance with paragraph 4;
  - (ii) the difference between the value of the bond or loan  $i$  and the risk-adjusted value of the collateral, divided by the value of the bond or loan  $i$ ;
- c where the risk-adjusted value of collateral is lower than the value of the bond or loan  $i$ , and where the risk factor determined in accordance with paragraph 4 would result in a value of the bond or loan  $i$  that is higher than or equal to the risk-adjusted value of the collateral,  $stress_i$  shall be determined in accordance with paragraph 4.

The risk-adjusted value of the collateral shall be calculated in accordance with Articles 112, 197, 198.

6 The impact of the instantaneous decrease in the value of participations, as referred to in [F25 Article 68(6) of this Regulation], in financial and credit institutions shall be considered only on the value of the participations that are not deducted from own funds pursuant to Article 68 of this Regulation.

#### Textual Amendments

- F8** Substituted by [Commission Delegated Regulation \(EU\) 2016/467 of 30 September 2015 amending Commission Delegated Regulation \(EU\) 2015/35 concerning the calculation of regulatory capital requirements for several categories of assets held by insurance and reinsurance undertakings \(Text with EEA relevance\)](#).
- F14** Inserted by [Commission Delegated Regulation \(EU\) 2019/981 of 8 March 2019 amending Delegated Regulation \(EU\) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance \(Solvency II\) \(Text with EEA relevance\)](#).
- F25** Words in Art. 176(6) substituted (31.12.2020) by [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\)](#), regs. 1(2), **11(24)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)

#### *[F14 Article 176a*

#### **Internal assessment of credit quality steps of bonds and loans**

1 A bond or loan for which a credit assessment by a nominated ECAI is not available and for which debtors have not posted collateral that meets the criteria set out in Article 214 may be assigned to credit quality step 2 if all of the criteria set out in paragraphs 3 and 4 are met with respect to the bond or loan.

**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 5 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

2 A bond or loan for which a credit assessment by a nominated ECAI is not available and for which debtors have not posted collateral that meets the criteria set out in Article 214, other than a bond or loan assigned to credit quality step 2 under paragraph 1, may be assigned to credit quality step 3 if all of the criteria set out in paragraphs 3 and 5 are met with respect to the bond or loan.

3 The criteria in this paragraph are as follows:

- a the insurance or reinsurance undertaking's own internal credit assessment of the bond or loan meets the requirements listed in Article 176b;
- b the bond or loan is issued by a company which does not belong to the same corporate group as the insurance or reinsurance undertaking;
- c the bond or loan is not issued by a company which is an insurance or reinsurance undertaking, an infrastructure entity, a credit institution, an investment firm, a financial institution, an AIFM, a UCITS investment management company, an institution for occupational retirement provision or a non-regulated undertaking carrying out financial activities;
- d no claims on the issuing company of the bond or loan rank senior to the bond or loan, except for the following claims:
  - (i) statutory claims and claims from liquidity facility providers provided that those statutory claims and claims from liquidity facility providers are in aggregate not material relative to the overall senior debt of the issuing company;
  - (ii) claims from trustees;
  - (iii) claims from derivatives counterparties;
- e the bond or loan provides a fixed redemption payment on or before the date of maturity, in addition to regular fixed or floating rate interest payments;
- f the contractual terms and conditions of the bond or loan provide for the following:
  - (i) the borrower is obliged to provide audited financial data to the lender at least annually;
  - (ii) the borrower is obliged to notify the lender of any events that could materially affect the credit risk of the bond or loan;
  - (iii) the borrower is not entitled to change the terms and conditions of the bond or loan unilaterally, nor to make other changes to its business that would materially affect the credit risk of the bond or loan;
  - (iv) the issuer is prohibited from issuing new debt without the prior agreement of the insurance or reinsurance undertaking;
  - (v) what constitutes a default event is defined in a way that is specific to the issue and the issuer;
  - (vi) what is to happen on a change of control;
- g the bond or loan is issued by a company that meets all of the following criteria:
  - (i) the company is a limited liability company;
  - (ii) the company has its head office in [<sup>F26</sup>the United Kingdom];
  - (iii) more than 50 % of the annual revenue of the company is denominated in currencies of countries which are members of <sup>F27</sup>... the OECD;

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**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 5 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

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- (iv) the company has operated without any credit event over at least the last 10 years;
- (v) at least one of the following conditions is fulfilled with respect to each of the last three financial years ending prior to the date on which the Solvency Capital Requirement is being calculated:
  - the annual turnover of the company exceeds EUR 10 000 000 ;
  - the balance sheet total of the company exceeds EUR 10 000 000 ;
  - the number of staff employed by the company exceeds 50;
- (vi) the sum of the company's annual earnings before interest, tax, depreciation and amortisation ( ' EBITDA ' ) over the last five financial years is larger than 0;
- (vii) the total debt of the company at the end of the most recent financial year for which figures are available is no higher than 6,5 times the average of the company's annual free cash flows over the last five financial years;
- (viii) the average of the company's EBITDA over the last five financial years is no lower than 6,5 times the company's interest expense for the most recent financial year for which figures are available;
- (ix) the net debt of the company at the end of the most recent financial year for which figures are available is no higher than 1,5 times the company's total equity at the end of that financial year.

4 The yield on the bond or loan, and the yield on any bonds and loans with similar contractual terms and conditions issued by the same company in the previous three financial years, is no higher than the higher of the following values:

- a the average of the yields on the two indices determined in accordance with paragraph 6;
- b the sum of 0,5 % and the yield on the index that meets the requirement in point (d) of that paragraph.

5 The yield on the bond or loan, and the yield on bonds and loans with similar contractual terms and conditions issued by the same company in the previous three financial years, is no higher than the higher of the following values:

- a the average of the yields on the two indices determined in accordance with paragraph 7;
- b the sum of 0,5 % and the yield on the index that meets the requirement in point (b) of that paragraph.

6 For the purposes of paragraph 4, the insurance or reinsurance undertaking shall determine, for the bond or loan referred to in paragraph 1, the yield, as at the time of issuance of that bond or loan, on two indices that meet all of the following requirements:

- a both indices are broad indexes of traded bonds for which an external credit assessment is available;
- b the constituent traded bonds in the two indices are denominated in the same currency as the bond or loan;
- c the constituent traded bonds in the two indices have a similar maturity date as the bond or loan;
- d one of the two indices consists of traded bonds of credit quality step 2;
- e one of the two indices consists of traded bonds of credit quality step 4.

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7 For the purposes of paragraph 5, the insurance or reinsurance undertaking shall determine, for the bond or loan referred to in paragraph 2, the yield, as at the time of issuance of that bond or loan, on two indices that meet all of the following requirements:

- a both indices meet the requirements set out in points (a), (b) and (c) of paragraph 6;
- b one of the two indices consists of traded bonds of credit quality step 3;
- c one of the two indices consists of traded bonds of credit quality step 4.

8 For the purposes of paragraph 4, where the bond or loan referred to in paragraph 1 has features, other than those related to credit risk or illiquidity, which materially differ from the features of the constituent traded bonds in the two indices determined in accordance with paragraph 6, the insurance or reinsurance undertaking shall adjust the yield on the bond or loan to reflect those differences.

9 For the purposes of paragraph 5, where the bond or loan referred to in paragraph 2 has features, other than those related to credit risk or illiquidity, which materially differ from the features of the constituent traded bonds in the two indices determined in accordance with paragraph 7, the insurance or reinsurance undertaking shall adjust the yield on the bond or loan to reflect those differences.

#### Textual Amendments

- F14** Inserted by [Commission Delegated Regulation \(EU\) 2019/981 of 8 March 2019 amending Delegated Regulation \(EU\) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance \(Solvency II\) \(Text with EEA relevance\)](#).
- F26** Words in [Art. 176a\(3\)\(g\)\(ii\)](#) substituted (31.12.2020) by [The Risk Transformation and Solvency 2 \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/1233\)](#), regs. 1(4), **6(7)(a)**; 2020 c. 1, Sch. 5 para. 1(1)
- F27** Words in [Art. 176a\(3\)\(g\)\(iii\)](#) omitted (31.12.2020) by virtue of [The Risk Transformation and Solvency 2 \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/1233\)](#), regs. 1(4), **6(7)(b)**; 2020 c. 1, Sch. 5 para. 1(1)

#### Article 176b

#### Requirements for an undertaking's own internal credit assessment of bonds and loans

The requirements to be met for the purposes of point (a) of Article 176a(3) by an insurance or reinsurance undertaking's own internal credit assessment of a bond or loan shall be as follows:

- (b) the bond or loan is allocated a credit quality step on the basis of the own internal credit assessment;
- (c) the insurance or reinsurance undertaking is able to demonstrate to the supervisory authority's satisfaction that the own internal credit assessment, and the allocation of a credit quality step to the bond or loan on the basis of that assessment, are reliable and properly reflect the spread risk of the bond or loan contained in the sub-module specified in point (d) of the second subparagraph of Article 105(5) of Directive 2009/138/EC;
- (d) the own internal credit assessment takes into account all factors which could have a material effect on the credit risk associated with the bond or loan, including the following factors:



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- (i) the competitive position of the issuer;
- (ii) the quality of the issuer's management;
- (iii) the financial policies of the issuer;
- (iv) country risk;
- (v) the effect of any covenants that are in place;
- (vi) the issuer's financial performance history, including the number of years that it has been operating;
- (vii) the issuer's size and the level of diversity in its activities;
- (viii) the quantitative impact on the issuer's risk profile and financial ratios of its having issued the bond or loan;
- (ix) the issuer's ownership structure;
- (x) the complexity of the issuer's business model;
- (e) the own internal credit assessment uses all relevant quantitative and qualitative information;
- (f) the own internal credit assessment, the allocation of a credit quality step on the basis of that assessment and the information used to support the own internal credit assessment is documented;
- (g) the own internal credit assessment takes into account the characteristics of comparable assets for which a credit assessment by a nominated ECAI is available;
- (h) the own internal credit assessment takes into account trends in the issuer's financial performance;
- (i) the own internal credit assessment is procedurally independent from the decision to underwrite;
- (j) the insurance or reinsurance undertaking regularly reviews the own internal credit assessment.

#### Textual Amendments

**F14** Inserted by [Commission Delegated Regulation \(EU\) 2019/981 of 8 March 2019 amending Delegated Regulation \(EU\) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance \(Solvency II\) \(Text with EEA relevance\)](#).

#### Article 176c

#### Assessment of credit quality steps of bonds and loans based on an approved internal model

- 1 This Article shall apply in the following circumstances:
  - a an insurance or reinsurance undertaking has concluded an agreement ( ' co-investment agreement ' ) to invest in bonds and loans jointly with another entity;

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- b that other entity ( ‘ the co-investor ’ ) is one or other of the following:
    - (i) an institution as defined in point (3) of Article 4(1) of Regulation (EU) No 575/2013 which uses the Internal Ratings Based Approach referred to in Article 143(1) of that Regulation;
    - (ii) an insurance or reinsurance undertaking which uses an internal model [<sup>F28</sup>to calculate its Solvency Capital Requirement];
  - c pursuant to the co-investment agreement, the insurance or reinsurance undertaking and the co-investor invest jointly in bonds and loans for which a credit assessment by a nominated ECAI is not available and for which debtors have not posted collateral that meets the criteria set out in Article 214;
  - d the co-investment agreement provides that the co-investor shares with the insurance or reinsurance undertaking the probabilities of default produced by its Internal Ratings Based Approach or, as applicable, the credit quality steps produced by its internal model for the bonds or loans referred to in point (c) for the purpose of using that information for the calculation of the Solvency Capital Requirement of the insurance or reinsurance undertaking.
- 2 If all of the criteria set out in paragraphs 3 to 6 are met, the bonds and loans referred to in point (c) of paragraph 1 shall be assigned to credit quality steps determined as follows:
- a in a case where the co-investor falls within point (i) of paragraph 1(b), credit quality steps shall be determined on the basis of the most recent probabilities of default that the Internal Ratings Based Approach has produced;
  - b in a case where the co-investor falls within point (ii) of paragraph 1(b), credit quality steps shall be the credit quality steps produced by the internal model.
- 3 The criteria in this paragraph are as follows:
- a the issuer of each bond or loan does not belong to the same corporate group as the insurance or reinsurance undertaking;
  - b the issuer is not an insurance or reinsurance undertaking, an infrastructure entity, a credit institution, an investment firm, a financial institution, an AIFM, a UCITS investment management company, an institution for occupational retirement provision or a non-regulated undertaking carrying out financial activities;
  - c the issuer has its head office in [<sup>F29</sup>the United Kingdom];
  - d more than 50 % of the issuer's annual revenue is denominated in currencies of countries which are members of <sup>F30</sup>... the OECD;
  - e at least one of the following conditions is met for each of the last three financial years ending prior to the date on which the Solvency Capital Requirement is being calculated:
    - the annual turnover of the issuer exceeds EUR 10 000 000 ;
    - the balance sheet total of the issuer exceeds EUR 10 000 000 ;
    - the number of staff employed by the issuer exceeds 50.
- 4 The criteria in this paragraph are as follows:
- a the co-investment agreement defines the types of bonds and loans to be underwritten, and the applicable assessment criteria;
  - b the co-investor provides the insurance or reinsurance undertaking with sufficient details of the underwriting process, including the criteria used, the organisational structure of the co-investor and the controls conducted by the co-investor;
  - c the co-investor provides the insurance or reinsurance undertaking with data on all applications for bonds and loans to be underwritten;

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- d the co-investor provides the insurance or reinsurance undertaking with details of all decisions to approve or reject applications for bonds and loans to be underwritten;
  - e the co-investor retains an exposure of at least 20 % of the nominal value of each bond and loan;
  - f the underwriting process is the same as the underwriting process followed by the co-investor for its other investments in comparable bonds and loans;
  - g the insurance or reinsurance undertaking invests in all bonds and loans of the types referred to in point (a) for which the co-investor decides to approve the bond or loan application;
  - h the co-investor provides the insurance or reinsurance undertaking with information that allows the undertaking to understand the Internal Ratings Based Approach or, as applicable, internal model and its limitations, as well as its adequacy and appropriateness, in particular:
    - (i) a description of the Internal Ratings Based Approach or, as applicable, internal model, including the inputs and risk factors, the quantification of risk parameters and the underlying methods, and the general methodology applied;
    - (ii) a description of the scope of the use of the Internal Ratings Based Approach or, as applicable, internal model;
    - (iii) a description of the model validation process and of other processes which allow the model's performance to be monitored, the appropriateness of its specification to be reviewed over time, and the results of the Internal Ratings Based Approach or, as applicable, internal model to be tested against experience.
- 5 In a case where the co-investor falls within point (i) of paragraph 1(b):
- a the insurance or reinsurance undertaking clearly documents to which credit quality step the probability of default produced by the institution's Internal Ratings Based Approach corresponds;
  - b the mapping of probabilities of default to credit quality steps carried out by the insurance or reinsurance undertaking ensures that, for the bond or loan in question, the resulting level of capital requirement for the spread risk sub-module referred to in point (d) of the second subparagraph of Article 105(5) of Directive 2009/138/EC is appropriate;
  - c the mapping is based on Table 1 in Annex I to Commission Implementing Regulation (EU) 2016/1799 <sup>(5)</sup> ;
  - d adjustments are made in a prudent manner to the probabilities of default before the mapping is carried out, taking into account the qualitative factors set out in Article 7 of Implementing Regulation (EU) 2016/1799;
  - e an adjustment to the probabilities of default is made in either of the following situations:
    - (i) the time horizon covered by the Internal Ratings Based Approach deviates significantly from the 3-year time horizon set out in Article 4(2) of Implementing Regulation (EU) 2016/1799;
    - (ii) the definition of default used in the Internal Ratings Based Approach deviates significantly from the one set out in Article 4(4) of that Implementing Regulation.
- 6 In a case where the co-investor falls within point (ii) of paragraph 1(b), the internal model ensures that, for the bond or loan in question, the resulting level of capital requirement for the spread risk sub-module referred to in point (d) of the second subparagraph of Article 105(5) of Directive 2009/138/EC is appropriate.]

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### Textual Amendments

- F14** Inserted by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019 amending Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance).
- F28** Words in Art. 176c(1)(b)(ii) substituted (31.12.2020) by The Risk Transformation and Solvency 2 (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1233), regs. 1(4), **6(8)(a)**; 2020 c. 1, Sch. 5 para. 1(1)
- F29** Words in Art. 176c(3)(c) substituted (31.12.2020) by The Risk Transformation and Solvency 2 (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1233), regs. 1(4), **6(8)(b)(i)**; 2020 c. 1, Sch. 5 para. 1(1)
- F30** Words in Art. 176c(3)(d) omitted (31.12.2020) by virtue of The Risk Transformation and Solvency 2 (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1233), regs. 1(4), **6(8)(b)(ii)**; 2020 c. 1, Sch. 5 para. 1(1)

### <sup>F31</sup>Article 177

#### [<sup>F31</sup>Spread risk on securitisation positions: general provisions]

### Textual Amendments

- F31** Deleted by Commission Delegated Regulation (EU) 2018/1221 of 1 June 2018 amending Delegated Regulation (EU) 2015/35 as regards the calculation of regulatory capital requirements for securitisations and simple, transparent and standardised securitisations held by insurance and reinsurance undertakings (Text with EEA relevance).

### <sup>F32</sup>Article 178

#### Spread risk on securitisation positions: calculation of the capital requirement

1 The capital requirement  $SCR_{securitisation}$  for spread risk on securitisation positions shall be equal to the loss in the basic own funds that would result from an instantaneous relative decrease of  $stress_i$  in the value of each securitisation position  $i$ .

2 The risk factor  $stress_i$  shall depend on the modified duration denominated in years ( $dur_i$ ).  $dur_i$  shall not be lower than 1 year.

3 Senior STS securitisation positions which fulfil the requirements set out in Article 243 of Regulation (EU) No 575/2013 and for which a credit assessment by a nominated ECAI is available shall be assigned a risk factor  $stress_i$  depending on the credit quality step and the modified duration of the securitisation position  $i$ , as set out in the following table:

Credit quality step	0	1	2	3	4	5 and 6
Duration ( $dur_i$ )	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$

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up to 5	$b_i \cdot dur_i$	—	1,0 %	—	1,2 %	—	1,6 %	—	2,8 %	—	5,6 %	—	9,4 %
More than 5 and up to 10	$a_i + b_i \cdot (dur_i - 5)$	5,0 %	0,6 %	6,0 %	0,7 %	8,0 %	0,8 %	14,0 %	1,7 %	28,0 %	3,1 %	47,0 %	5,3 %
More than 10 and up to 15	$a_i + b_i \cdot (dur_i - 10)$	8,0 %	0,6 %	9,5 %	0,5 %	12,0 %	0,6 %	22,5 %	1,1 %	43,5 %	2,2 %	73,5 %	0,6 %
More than 15 and up to 20	$a_i + b_i \cdot (dur_i - 15)$	11,0 %	0,6 %	12,0 %	0,5 %	15,0 %	0,6 %	28,0 %	1,1 %	54,5 %	0,6 %	76,5 %	0,6 %
More than 20	$\min[a_i + b_i \cdot (dur_i - 20); 1]$	14,0 %	0,6 %	14,5 %	0,5 %	18,0 %	0,6 %	33,5 %	0,6 %	57,5 %	0,6 %	79,5 %	0,6 %

4 Non-senior STS securitisation positions which fulfil the requirements set out in Article 243 of Regulation (EU) No 575/2013 and for which a credit assessment by a nominated ECAI is available shall be assigned a risk factor  $stress_i$  depending on the credit quality step and the modified duration of the securitisation position  $i$ , as set out in the following table:

Credit quality step	Duration $(dur_i)$	0		1		2		3		4		5 and 6	
		$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$
up to 5	$\min[b_i \cdot dur_i; 1]$	—	2,8 %	—	3,4 %	—	4,6 %	—	7,9 %	—	15,8 %	—	26,7 %
More than 5 and up to 10	$\min[a_i + b_i \cdot (dur_i - 5); 1]$	14,0 %	1,6 %	17,0 %	1,9 %	23,0 %	2,3 %	39,5 %	4,7 %	79,0 %	8,8 %	100,0 %	0,0 %
More than 10 and up to 15	$a_i + b_i \cdot (dur_i - 10)$	22,0 %	1,6 %	26,5 %	1,5 %	34,5 %	1,6 %	63,0 %	3,2 %	100,0 %	0,0 %	100,0 %	0,0 %

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More than 15 and up to 20	$a_i + b_i \cdot (dur_i - 15)$	30,0 %	1,6 %	34,0 %	1,5 %	42,5 %	1,6 %	79,0 %	3,2 %	100,0 %	0,0 %	100,0 %	0,0 %
More than 20	$\min[a_i + b_i \cdot (dur_i - 20); 1]$	38,0 %	1,6 %	41,5 %	1,5 %	50,5 %	1,6 %	95,0 %	1,6 %	100,0 %	0,0 %	100,0 %	0,0 %

5 Senior STS securitisation positions which fulfil the criteria set out in Article 243 of Regulation (EU) No 575/2013 and for which no credit assessment by a nominated ECAI is available shall be assigned a risk factor  $stress_i$  depending on the modified duration of the securitisation position  $i$ , as set out in the following table:

Duration ( $dur_i$ )	$stress_i$	$a_i$	$b_i$
up to 5	$b_i \cdot dur_i$	—	4,6 %
More than 5 and up to 10	$a_i + b_i \cdot (dur_i - 5)$	23 %	2,5 %
More than 10 and up to 15	$a_i + b_i \cdot (dur_i - 10)$	35,5 %	1,8 %
More than 15 and up to 20	$a_i + b_i \cdot (dur_i - 15)$	44,5 %	0,5 %
More than 20	$\min[a_i + b_i \cdot (dur_i - 20); 1]$	47 %	0,5 %

6 Non-senior STS securitisation positions which fulfil the criteria set out in Article 243 of Regulation (EU) No 575/2013 and for which no credit assessment by a nominated ECAI is available shall be assigned a risk factor  $stress_i$  equivalent to credit quality step 5 and depending on the modified duration of the exposure, as set out in the table in paragraph 3.

7 Re-securitisation positions for which a credit assessment by a nominated ECAI is available shall be assigned a risk factor  $stress_i$  equal to the following formula:

$$stress_i = \min(b_i \cdot dur_i; 1)$$

where  $b_i$  shall be assigned depending on the credit quality step of re-securitisation position  $i$ , as set out in the following table:

Credit quality step	0	1	2	3	4	5	6
$b_i$	33 %	40 %	51 %	91 %	100 %	100 %	100 %

8 Securitisation positions not covered by paragraphs 3 to 7, for which a credit assessment by a nominated ECAI is available shall be assigned a risk factor  $stress_i$  equal to the following formula:

$$stress_i = \min(b_i \cdot dur_i; 1)$$

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where  $b_i$  shall be assigned depending on the credit quality step of securitisation position  $i$ , as set out in the following table:

Credit quality step	0	1	2	3	4	5	6
$b_i$	12,5 %	13,4 %	16,6 %	19,7 %	82 %	100 %	100 %

9 Securitisation positions not covered by paragraphs 3 to 8, shall be assigned a risk factor  $stress_i$  of 100 %.]

#### Textual Amendments

**F32** Substituted by Commission Delegated Regulation (EU) 2018/1221 of 1 June 2018 amending Delegated Regulation (EU) 2015/35 as regards the calculation of regulatory capital requirements for securitisations and simple, transparent and standardised securitisations held by insurance and reinsurance undertakings (Text with EEA relevance).

### <sup>F33</sup> Article 178a

#### Spread risk on securitisation positions: transitional provisions

1 Notwithstanding Article 178(3), securitisations issued before 1 January 2019 that qualify as type 1 securitisations in accordance with Article 177(2) in the version in force on 31 December 2018 shall be assigned a risk factor  $stress_i$  in accordance with Article 178(3) even where those securitisations are not STS securitisations which fulfil the requirements set out in Article 243 of Regulation (EU) No 575/2013.

2 Paragraph 1 shall apply only in circumstances where no new underlying exposures were added or substituted after 31 December 2018 .

3 Notwithstanding Article 178(3), securitisations issued before 18 January 2015 that qualify as type 1 securitisations in accordance with Article 177(4) in the version in force on 31 December 2018 shall be assigned a risk factor  $stress_i$  in accordance with Articles 177 and 178 in the version in force on 31 December 2018 .

4 Notwithstanding Article 178(3), securitisations issued before 1 January 2019 that qualify as type 1 securitisations in accordance with Article 177(5) in the version in force on 31 December 2018 shall, until 31 December 2025 , be assigned a risk factor  $stress_i$  in accordance with Articles 177 and 178 in the version in force on 31 December 2018 .

<sup>F34</sup> [ For the purposes of paragraphs 3 and 4, Article 177 (in the version of this Regulation which was in force on 31 December 2018) continues to have effect notwithstanding its deletion by Article 1(3) of Commission Delegated Regulation (EU) 2018/1221, and has effect for those purposes with the following modifications—

a paragraph 2 is to be read as if—

- i) a reference to Regulation (EU) No 575/2013 were a reference to the version of that Regulation which was in force on 31 December 2018;
- ii) in point (b) “the EEA or” were omitted;
- iii) in point (h)(i)—

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- aa) for “national law of the Member State where the loans were originated” there were substituted “loans were originated in the United Kingdom and the law of the United Kingdom”;
  - bb) “, and that Member State has notified this law to the Commission and EIOPA” were omitted;
- iv) point (h)(ii) were omitted;
- v) in point (h)(iv) for the words from “agricultural” to “tracked” there were substituted “tractors as defined in point (8) of Article 3 of Regulation (EU) No 167/2013 of the European Parliament and of the Council (as it had effect immediately before IP completion day), powered two-wheelers or powered tricycles as defined in points (68) and (69) of Article 3 of Regulation (EU) No 168/2013 of the European Parliament and of the Council (as it had effect immediately before IP completion day) or tracked”;
- vi) in points (r) and (s) for the words “countries that are not members of the Union”, both times it occurs, substitute “a country other than the United Kingdom”;
- vii) in point (t)—
  - aa) the words from “and discloses information” to “stress tests” were omitted;
  - bb) for “Union”, in both places it occurs, there were substituted “United Kingdom”;
- b paragraph 4 is to be read as if for “the entry into force of this Regulation” there were substituted “18 January 2015”; and
- c paragraph 5 is to be read as if, in points (a) and (c), for “the date of entry into force of this Regulation” there were substituted “18 January 2015”.[]

#### Textual Amendments

- F33** Inserted by [Commission Delegated Regulation \(EU\) 2018/1221 of 1 June 2018 amending Delegated Regulation \(EU\) 2015/35 as regards the calculation of regulatory capital requirements for securitisations and simple, transparent and standardised securitisations held by insurance and reinsurance undertakings \(Text with EEA relevance\).](#)
- F34** Art. 178a(5) inserted (31.12.2020) by [The Financial Services \(Miscellaneous\) \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/710\)](#), regs. 1(4), **28(2)** (as amended by [S.I. 2020/1301](#), regs. 1, 3, Sch. para. 43(f)); 2020 c. 1, Sch. 5 para. 1(1)

### Article 179

#### Spread risk on credit derivatives

1 [F8The capital requirement  $SCR_{cd}$  for spread risk on credit derivatives other than those referred to in paragraph 3 shall be equal to the higher of the following capital requirements:]

- [F8a the loss in the basic own funds that would result from an instantaneous increase in absolute terms of the credit spread of the instruments underlying the credit derivatives;]
- b the loss in the basic own funds that would result from an instantaneous relative decrease of the credit spread of the instruments underlying the credit derivatives by 75 %.

For the purposes of point (a), the instantaneous increase of the credit spread of the instruments underlying the credit derivatives for which a credit assessment by a nominated ECAI is available shall be calculated according to the following table.



**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 5 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

Credit quality step	0	1	2	3	4	5	6
Instantaneous increase in spread (in percentage points)	0,3	1,5	2,6	4,5	8,4	16,20	16,20

2 For the purposes of point (a) of paragraph 1, the instantaneous increase of the credit spread of the instruments underlying the credit derivatives for which a credit assessment by a nominated ECAI is not available shall be 5 percentage points.

3 Credit derivatives which are part of the undertaking's risk mitigation policy shall not be subject to a capital requirement for spread risk, as long as the undertaking holds either the instruments underlying the credit derivative or another exposure with respect to which the basis risk between that exposure and the instruments underlying the credit derivative is not material in any circumstances.

4 Where the larger of the capital requirements referred to in points (a) and (b) of paragraph 1 and the larger of the corresponding capital requirements calculated in accordance with Article 206(2) are not based on the same scenario, the capital requirement for spread risk on credit derivatives shall be the capital requirement referred to in paragraph 1 for which the underlying scenario results in the largest corresponding capital requirement calculated in accordance with Article 206(2).

#### Textual Amendments

**F8** Substituted by [Commission Delegated Regulation \(EU\) 2016/467 of 30 September 2015 amending Commission Delegated Regulation \(EU\) 2015/35 concerning the calculation of regulatory capital requirements for several categories of assets held by insurance and reinsurance undertakings \(Text with EEA relevance\)](#).

### Article 180

#### Specific exposures

1 Exposures in the form of bonds referred to Article 52(4) of Directive 2009/65/EC (covered bonds) which have been assigned to credit quality step 0 or 1 shall be assigned a risk factor  $stress_i$  according to the following table.

Credit quality step	0	1
Duration ( $dur_i$ ) up to 5	0,7 % . $dur_i$	0,9 % . $dur_i$
More than 5 years	$\min (3,5\% + 0,5\% \times (dur_i - 5); 1)$	$\min (4,5\% + 0,5\% \times (dur_i - 5); 1)$

2 Exposures in the form of bonds and loans to the following shall be assigned a risk factor  $stress_i$  of 0 %:

<sup>F35</sup><sub>a</sub> .....

**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 5 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- [<sup>F36</sup>b United Kingdom central government and Bank of England denominated and funded in pounds sterling;]
- c multilateral development banks referred to in paragraph 2 of Article 117 of Regulation (EU) No 575/2013;
- d international organisations referred to in Article 118 of Regulation (EU) No 575/2013;

Exposures in the form of bonds and loans that are fully, unconditionally and irrevocably guaranteed by one of the counterparties mentioned in points (a) to (d), where the guarantee meets the requirements set out in Article 215, shall also be assigned a risk factor  $stress_i$  of 0 %.

[<sup>F14</sup>For the purposes of point (b) of the first subparagraph, exposures in the form of bonds and loans that are fully, unconditionally and irrevocably guaranteed by regional governments and local authorities listed in Article 1 of Commission Implementing Regulation (EU) 2015/2011 <sup>(6)</sup>, where the guarantee meets the requirements set out in Article 215 of this Regulation, shall be treated as exposures to the central government.]

3 Exposures in the form of bonds and loans to central governments and central banks other than those referred to in point (b) of paragraph 2, denominated and funded in the domestic currency of that central government and central bank, and for which a credit assessment by a nominated ECAI is available shall be assigned a risk factor  $stress_i$  depending on the credit quality step and the duration of the exposure according to the following table:

Credit quality step		0 and 1		2		3		4		5 and 6	
Duration ( $dur_i$ )		$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$
up to 5	$b_i \times dur_i$	—	0,0 %	—	1,1 %	—	1,4 %	—	2,5 %	—	4,5 %
More than 5 and up to 10	$a_i + b_i \times (dur_i - 5)$	0,0 %	0,0 %	5,5 %	0,6 %	7,0 %	0,7 %	12,5 %	1,5 %	22,5 %	2,5 %
More than 10 and up to 15	$a_i + b_i \times (dur_i - 10)$	0,0 %	0,0 %	8,4 %	0,5 %	10,5 %	0,5 %	20,0 %	1,0 %	35,0 %	1,8 %
More than 15 and up to 20	$a_i + b_i \times (dur_i - 15)$	0,0 %	0,0 %	10,9 %	0,5 %	13,0 %	0,5 %	25,0 %	1,0 %	44,0 %	0,5 %
More than 20	$\min [a_i + b_i \times (dur_i - 20); 1]$	0,0 %	0,0 %	13,4 %	0,5 %	15,5 %	0,5 %	30,0 %	0,5 %	46,5 %	0,5 %

[<sup>F14</sup>3a Exposures in the form of bonds and loans to [<sup>F37</sup>the United Kingdom's] regional governments and local authorities not listed in Article 1 of Implementing Regulation (EU) 2015/2011 (\*) shall be assigned a risk factor  $stress_i$  from the table in paragraph 3 corresponding to credit quality step 2.

**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 5 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

3b Exposures in the form of bonds and loans that are fully, unconditionally and irrevocably guaranteed by [<sup>F38</sup>the United Kingdom's] regional government or local authority that are not listed in Article 1 of Implementing Regulation (EU) 2015/2011, where the guarantee meets the requirements set out in Article 215 of this Regulation, shall be assigned a risk factor  $stress_i$  from the table in paragraph 3 corresponding to credit quality step 2.]

4 Exposures in the form of bonds and loans to an insurance or reinsurance undertaking for which a credit assessment by a nominated ECAI is not available and where this undertaking meets its Minimum Capital Requirement, shall be assigned a risk factor  $stress_i$  from the table in Article 176(3) depending on the undertaking's solvency ratio, using the following mapping between solvency ratios and credit quality steps:

Solvency ratio	196 %	175 %	122 %	95 %	75 %	75 %
Credit quality step	1	2	3	4	5	6

Where the solvency ratio falls in between the solvency ratios set out in the table above, the value of  $stress_i$  shall be linearly interpolated from the closest values of  $stress_i$  corresponding to the closest solvency ratios set out in the table above. Where the solvency ratio is lower than 75 %,  $stress_i$  shall be equal to the factor corresponding to the credit quality steps 5 and 6. Where the solvency ratio is higher than 196 %,  $stress_i$  shall be the same as the factor corresponding to the credit quality step 1.

For the purposes of this paragraph, 'solvency ratio' denotes the ratio of the eligible amount of own funds to cover the Solvency Capital Requirement and the Solvency Capital Requirement, using the latest available values.

5 Exposures in the form of bonds and loans to an insurance or reinsurance undertaking which does not meet its Minimum Capital Requirement shall be assigned a risk factor  $stress_i$  according to the following table:

Duration ( $dur_i$ )	risk factor $stress_i$
up to 5	7,5 %. $dur_i$
More than 5 and up to 10	37,50 % + 4,20 %. ( $dur_i - 5$ )
More than 10 and up to 15	58,50 % + 0,50 %. ( $dur_i - 10$ )
More than 15 and up to 20	61 % + 0,50 %. ( $dur_i - 15$ )
More than 20	$\min(63,5\% + 0,5\% \times (dur_i - 20); 1)$

6 Paragraphs 4 and 5 of this Article shall only apply as of the first date of public disclosure, by the undertaking corresponding to the exposure, of the report on its solvency and financial condition referred to in Article 51 of Directive 2009/138/EC. Before that date, if a credit assessment by a nominated ECAI is available for the exposures, Article 176 of this Regulation shall apply, otherwise, the exposures shall be assigned the same risk factor as the ones that would result from the application of paragraph 4 of this Article to exposures to an insurance or reinsurance undertaking whose solvency ratio is 100 %.

7 Exposures in the form of bonds and loans to a third country insurance or reinsurance undertaking for which a credit assessment by a nominated ECAI is not available, situated in

**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 5 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

a country whose solvency regime is deemed equivalent <sup>F39</sup>... in accordance with [<sup>F40</sup>Article 379A of this Regulation], and which complies with the solvency requirements of that third-country, shall be assigned the same risk factor as the ones that would result from the application of paragraph 4 of this Article to exposures to an insurance or reinsurance undertaking whose solvency ratio is 100 %.

8 Exposures in the form of bonds and loans to credit institutions and financial institutions within the meaning of points (1) and (26) of Article 4(1) of Regulation (EU) No 575/2013 which comply with the solvency requirements set out in Directive 2013/36/EU and Regulation (EU) No 575/2013, for which a credit assessment by a nominated ECAI is not available, shall be assigned the same risk factor as the ones that would result from the application of paragraph 4 of this Article to exposures to an insurance or reinsurance undertaking whose solvency ratio is 100 %.

9 The capital requirement for spread risk on credit derivatives where the underlying financial instrument is a bond or a loan to any exposure listed in paragraph 2 shall be nil.

<sup>F41</sup> 10 .....

<sup>F42</sup> 10a .....

[<sup>F11</sup> Exposures in the form of bonds and loans that fulfil the criteria set out in paragraph 12 shall be assigned a risk factor  $stress_i$  depending on the credit quality step and the duration of the exposure according to the following table:

Credit quality step		0		1		2		3	
Duration ( $dur_i$ )	$stress_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$
up to 5	$b_i \cdot dur_i$	—	0,64 %	—	0,78 %	—	1,0 %	—	1,67 %
More than 5 and up to 10	$a_i + b_i \cdot (dur_i - 5)$	3,2 %	0,36 %	3,9 %	0,43 %	5,0 %	0,5 %	8,35 %	1,0 %
More than 10 and up to 15	$a_i + b_i \cdot (dur_i - 10)$	5,0 %	0,36 %	6,05 %	0,36 %	7,5 %	0,36 %	13,35 %	0,67 %
More than 15 and up to 20	$a_i + b_i \cdot (dur_i - 15)$	6,8 %	0,36 %	7,85 %	0,36 %	9,3 %	0,36 %	16,7 %	0,67 %
More than 20	$\min[a_i + b_i \cdot (dur_i - 20); 1]$	8,6 %	0,36 %	9,65 %	0,36 %	11,1 %	0,36 %	20,05 %	0,36 %

**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 5 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

12 The criteria for exposures that are assigned a risk factor in accordance with paragraph 11 shall be:

- a the exposure relates to a qualifying infrastructure investment that meets the criteria set out in Article 164a;
- b the exposure is not an asset that fulfils the following conditions:
  - it is assigned to a matching adjustment portfolio in accordance with Article 77b(2) of Directive 2009/138/EC,
  - it has been assigned a credit quality step between 0 and 2;
- c a credit assessment by a nominated ECAI is available for the exposure;
- d the exposure has been assigned a credit quality step between 0 and 3.

13 Exposures in the form of bonds and loans that meet the criteria set out in paragraph 12(a) and (b), but do not meet the criteria set out in paragraph 12(c), shall be assigned a risk factor  $stress_i$  equivalent to credit quality step 3 and the duration of the exposure in accordance with the table set out in paragraph 11.]

[<sup>F4</sup>14 Exposures in the form of bonds and loans that fulfil the criteria set out in paragraph 15 shall be assigned a risk factor  $stress_i$  depending on the credit quality step and the duration of the exposure according to the following table:

Credit quality step		0		1		2		3	
Duration	$stress_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$	$a_i$	$b_i$
up to 5	$b_i \cdot dur_i$	—	0,68 %	—	0,83 %	—	1,05 %	—	1,88 %
More than 5 and up to 10	$a_i + b_i \cdot (dur_i - 5)$	3,38 %	0,38 %	4,13 %	0,45 %	5,25 %	0,53 %	9,38 %	1,13 %
More than 10 and up to 15	$a_i + b_i \cdot (dur_i - 10)$	5,25 %	0,38 %	6,38 %	0,38 %	7,88 %	0,38 %	15,0 %	0,75 %
More than 15 and up to 20	$a_i + b_i \cdot (dur_i - 15)$	7,13 %	0,38 %	8,25 %	0,38 %	9,75 %	0,38 %	18,75 %	0,75 %
More than 20	$\min[a_i + b_i \cdot (dur_i - 20); 1]$	9,0 %	0,38 %	10,13 %	0,38 %	11,63 %	0,38 %	22,50 %	0,38 %

15 The criteria for exposures that are assigned a risk factor in accordance with paragraph 14 shall be:

**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 5 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- a the exposure relates to a qualifying infrastructure corporate investment that meets the criteria set out in Article 164b;
- b the exposure is not an asset that fulfils the following conditions:
  - it is assigned to a matching adjustment portfolio in accordance with Article 77b(2) of Directive 2009/138/EC,
  - it has been assigned a credit quality step between 0 and 2;
- c a credit assessment by a nominated ECAI is available for the infrastructure entity.
- d the exposure has been assigned a credit quality step between 0 and 3.

16 Exposures in the form of bonds and loans that meet the criteria set out in paragraph 15(a) and (b), but do not meet the criteria set out in paragraph 15(c), shall be assigned a risk factor *stress<sub>i</sub>* equivalent to credit quality step 3 and the duration of the exposure in accordance with the table set out in paragraph 14.]

#### Textual Amendments

- F1** Inserted by Commission Delegated Regulation (EU) 2016/467 of 30 September 2015 amending Commission Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for several categories of assets held by insurance and reinsurance undertakings (Text with EEA relevance).
- F4** Inserted by Commission Delegated Regulation (EU) 2017/1542 of 8 June 2017 amending Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for certain categories of assets held by insurance and reinsurance undertakings (infrastructure corporates) (Text with EEA relevance).
- F14** Inserted by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019 amending Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance).
- F35** Art. 180(2)(a) omitted (31.12.2020) by virtue of The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(26)(a)(i)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F36** Art. 180(2)(b) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(26)(a)(ii)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F37** Words in Art. 180(3a) substituted (31.12.2020) by The Risk Transformation and Solvency 2 (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1233), regs. 1(4), **6(9)(a)**; 2020 c. 1, Sch. 5 para. 1(1)
- F38** Words in Art. 180(3b) substituted (31.12.2020) by The Risk Transformation and Solvency 2 (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1233), regs. 1(4), **6(9)(b)**; 2020 c. 1, Sch. 5 para. 1(1)
- F39** Words in Art. 180(7) omitted (31.12.2020) by virtue of The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(26)(b)(i)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F40** Words in Art. 180(7) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(26)(b)(ii)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F41** Art. 180(10) omitted (31.12.2020) by virtue of The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(26)(c)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F42** Art. 180(10a) omitted (31.12.2020) by virtue of The Financial Services (Miscellaneous) (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/710), regs. 1(4), **28(3)**; 2020 c. 1, Sch. 5 para. 1(1)

**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 5 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

## Article 181

### Application of the spread risk scenarios to matching adjustment portfolios

Where insurance undertakings apply the matching adjustment referred to in Article 77b of Directive 2009/138/EC, they shall carry out the scenario based calculation for spread risk as follows:

- (a) the assets in the assigned portfolio shall be subject to the instantaneous decrease in value for spread risk set out in Articles 176, 178 and 180 of this Regulation;
- (b) the technical provisions shall be recalculated to take into account the impact on the amount of the matching adjustment of the instantaneous decrease in value of the assigned portfolio of assets. In particular, the fundamental spread shall increase, by an absolute amount that is calculated as the product of the following:
  - (i) the absolute increase in spread that, multiplied by the modified duration of the relevant asset, would result in the relevant risk factor  $stress_i$ , referred to in Articles 176, 178 and 180 of this Regulation;
  - (ii) a reduction factor, depending on the credit quality as set out in the following table:

Credit quality step	0	1	2	3	4	5	6
Reduction factor	45 %	50 %	60 %	75 %	100 %	100 %	100 %

[<sup>F2</sup>For assets in the assigned portfolio for which no credit assessment by a nominated ECAI is available, and for qualifying infrastructure assets and for qualifying infrastructure corporate assets that have been assigned credit quality step 3, the reduction factor shall be 100 %.]

#### Textual Amendments

- F2** Substituted by [Commission Delegated Regulation \(EU\) 2017/1542 of 8 June 2017 amending Delegated Regulation \(EU\) 2015/35 concerning the calculation of regulatory capital requirements for certain categories of assets held by insurance and reinsurance undertakings \(infrastructure corporates\) \(Text with EEA relevance\).](#)

**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 5 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

### Subsection 6

#### Market risk concentrations sub-module

#### Article 182

#### Single name exposure

1 The capital requirement for market risk concentration shall be calculated on the basis of single name exposures. For this purpose exposures to undertakings which belong to the same corporate group shall be treated as a single name exposure. Similarly, immovable properties which are located in the same building shall be considered as a single immovable property.

2 The exposure at default to a counterparty shall be the sum of the exposures to this counterparty.

3 The exposure at default to a single name exposure shall be the sum of the exposures at default to all counterparties that belong to the single name exposure.

4 The weighted average credit quality step on a single name exposure shall be equal to the rounded-up average of the credit quality steps of all exposures to all counterparties that belong to the single name exposure, weighted by the value of each exposure.

5 For the purposes of paragraph 4, exposures for which a credit assessment by a nominated ECAI is available, shall be assigned a credit quality step in accordance with Chapter 1 Section 2 of this Title. [F43Exposures for which a credit assessment by a nominated ECAI is not available shall be assigned to credit quality step 5.]

[F146 For the purposes of paragraph 4, exposures to an insurance or reinsurance undertaking for which a credit assessment by a nominated ECAI is not available and where the undertaking meets its Minimum Capital Requirement shall be assigned to a credit quality step depending on the undertaking's solvency ratio using the following mapping between solvency ratios and credit quality steps:

<b>Solvency Ratio</b>	<b>196 %</b>	<b>175 %</b>	<b>122 %</b>	<b>100 %</b>	<b>95 %</b>
Credit quality step	1	2	3	3,82	5

Where the solvency ratio falls in between the solvency ratios set out in the table above, the credit quality step shall be linearly interpolated from the closest credit quality steps corresponding to the closest solvency ratios set out in the table above. Where the solvency ratio is lower than 95 %, the credit quality step shall be 5. Where the solvency ratio is higher than 196 %, the credit quality step shall be 1.

For the purposes of this paragraph, ' solvency ratio ' denotes the ratio of the eligible amount of own funds to cover the Solvency Capital Requirement and the Solvency Capital Requirement, using the latest available values.

7 For the purposes of paragraph 4, exposures to an insurance or reinsurance undertaking for which a credit assessment by a nominated ECAI is not available and where the undertaking does not meet its Minimum Capital Requirement shall be assigned to credit quality step 6.



**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 5 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

8 Paragraphs 6 and 7 of this Article shall only apply as of the first date of public disclosure, by the undertaking corresponding to the exposure, of the report on its solvency and financial condition [<sup>F44</sup>report]. Before that date, the exposures shall be assigned to credit quality step 3,82.

9 For the purposes of paragraph 4, exposures to a third country insurance or reinsurance undertaking for which a credit assessment by a nominated ECAI is not available, situated in a country whose solvency regime is [<sup>F45</sup>determined to be equivalent] in accordance with [<sup>F46</sup>Article 379A of this Regulation], and which complies with the solvency requirements of that third country, shall be assigned to credit quality step 3,82.

10 For the purposes of paragraph 4, exposures to credit institutions and financial institutions, within the meaning of points (1) and (26) of Article 4(1) of Regulation (EU) No 575/2013 which comply with the solvency requirements set out in Directive 2013/36/EU and Regulation (EU) No 575/2013, for which a credit assessment by a nominated ECAI is not available, shall be assigned to credit quality step 3,82.

11 Exposures other than those to which a credit quality step is assigned under paragraphs 5 to 10 shall, for the purpose of paragraph 4, be assigned to credit quality step 5.]

#### Textual Amendments

- F14** Inserted by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019 amending Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance).
- F43** Deleted by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019 amending Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance).
- F44** Word in Art. 182(8) substituted (31.12.2020) by The Risk Transformation and Solvency 2 (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1233), regs. 1(4), **6(10)(a)**; 2020 c. 1, Sch. 5 para. 1(1)
- F45** Words in Art. 182(9) substituted (31.12.2020) by The Risk Transformation and Solvency 2 (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1233), regs. 1(4), **6(10)(b)(i)**; 2020 c. 1, Sch. 5 para. 1(1)
- F46** Words in Art. 182(9) substituted (31.12.2020) by The Risk Transformation and Solvency 2 (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1233), regs. 1(4), **6(10)(b)(ii)**; 2020 c. 1, Sch. 5 para. 1(1)

### Article 183

#### Calculation of the capital requirement for market risk concentration

1 The capital requirement for market risk concentration shall be equal to the following:

$$SCR_{conc} = \sqrt{\sum_i Conc_i^2}$$

where:

- (a) the sum covers all single name exposures  $i$ ;
- (b)  $Conc_i$  denotes the capital requirement for market risk concentration on a single name exposure  $i$ .

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2 For each single name exposure  $i$ , the capital requirement for market risk concentration  $Conc_i$  shall be equal to the loss in the basic own funds that would result from an instantaneous decrease in the value of the assets corresponding to the single name exposure  $i$  equal to the following:

$$XS_i \times g_i$$

where:

- (a)  $XS_i$  is the excess exposure referred to in Article 184;
- (b)  $g_i$  is the risk factor for market risk concentration referred to in Articles 186 and 187;

#### Article 184

#### Excess exposure

1 The excess exposure on a single name exposure  $i$  shall be equal to the following:

$$XS_i = \text{Max}(0; E_i - CT_i \times \text{Assets})$$

where:

- (a)  $E_i$  denotes the exposure at default to single name exposure  $i$  that is included in the calculation base of the market risk concentrations sub-module;
- (b)  $\text{Assets}$  denotes the calculation base of the market risk concentrations sub-module;
- (c)  $CT_i$  denotes the relative excess exposure threshold referred to in Article 185.

2 The calculation base of the market risk concentration sub-module  $\text{Assets}$  shall be equal to the value of all assets held by an insurance or reinsurance undertaking, excluding the following:

- a assets held in respect of life insurance contracts where the investment risk is fully borne by the policy holders;
- b exposures to a counterparty which belongs to the same group as the insurance or reinsurance undertaking, provided that all of the following conditions are met:
  - (i) the counterparty is an insurance or reinsurance undertaking, an insurance holding company, a mixed financial holding company or an ancillary services undertaking;
  - (ii) the counterparty is fully consolidated in accordance with Article 335(1)(a);
  - (iii) the counterparty is subject to the same risk evaluation, measurement and control procedures as the insurance or reinsurance undertaking;
  - (iv) the counterparty is established in the [F47]United Kingdom];
  - (v) there is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities from the counterparty to the insurance or reinsurance undertaking;
- c the value of the participations as referred to in [F48]Article 68(6) of this Regulation] in financial and credit institutions that is deducted from own funds pursuant to Article 68 of this Regulation;
- d exposures included in the scope of the counterparty default risk module;
- e deferred tax assets;
- f intangible assets.

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[<sup>F113</sup> The exposure at default on a single name exposure  $i$  shall be reduced by the amount of the exposure at default to counterparties belonging to that single name exposure and for which the risk factor for market risk concentration referred to in Articles 186 and 187 is 0 %.]

#### Textual Amendments

- F11** Substituted by [Commission Delegated Regulation \(EU\) 2019/981 of 8 March 2019 amending Delegated Regulation \(EU\) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance \(Solvency II\) \(Text with EEA relevance\).](#)
- F47** Words in Art. 184(2)(b)(iv) substituted (31.12.2020) by [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\), regs. 1\(2\), 11\(27\)\(a\)](#) (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F48** Words in Art. 184(2)(c) substituted (31.12.2020) by [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\), regs. 1\(2\), 11\(27\)\(b\)](#) (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)

### Article 185

#### Relative excess exposure thresholds

Each single name exposure  $i$  shall be assigned, in accordance with the following table, a relative excess exposure threshold depending on the weighted average credit quality step of the single name exposure  $i$ , calculated in accordance with Article 182(4).

Weighted 0 average credit quality step of single name exposure $i$	0	1	2	3	4	5	6
Relative excess exposure threshold $CT_i$	3 %	3 %	3 %	1,5 %	1,5 %	1,5 %	1,5 %

### Article 186

#### Risk factor for market risk concentration

1 Each single name exposure  $i$  shall be assigned, in accordance with the following table, a risk factor  $g_i$  for market risk concentration depending on the weighted average credit quality step of the single name exposure  $i$ , calculated in accordance with Article 182(4).

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Weighted average credit quality step of single name exposure $i$	0	1	2	3	4	5	6
Risk factor $g_i$	12 %	12 %	21 %	27 %	73 %	73 %	73 %

<sup>F43</sup>2 .....

<sup>F43</sup>3 .....

<sup>F43</sup>4 .....

<sup>F43</sup>5 .....

<sup>F43</sup>6 .....

#### Textual Amendments

**F43** Deleted by [Commission Delegated Regulation \(EU\) 2019/981 of 8 March 2019 amending Delegated Regulation \(EU\) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance \(Solvency II\)](#) (Text with EEA relevance).

### Article 187

#### Specific exposures

1 Exposures in the form of bonds as referred to Article 52(4) of Directive 2009/65/EC (covered bonds) shall be assigned a relative excess exposure threshold  $CT_i$  of 15 %, provided that the corresponding exposures in the form of covered bonds have been assigned to credit quality step 0 or 1. Exposures in the form of covered bonds shall be considered as single name exposures, regardless of other exposures to the same counterparty as the issuer of the covered bonds, which constitute a distinct single name exposure.

2 Exposures to a single immovable property shall be assigned a relative excess exposure threshold  $CT_i$  of 10 % and a risk factor  $g_i$  for market risk concentration of 12 %.

3 Exposures to the following shall be assigned a risk factor  $g_i$  for market risk concentration of 0 %:

<sup>F49</sup>a .....

[<sup>F50</sup>b the United Kingdom central government and Bank of England denominated and funded in pounds sterling;]

c multilateral development banks referred to in Article 117(2) of Regulation (EU) No 575/2013;

d international organisations referred to in Article 118 of Regulation (EU) No 575/2013.

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Exposures that are fully, unconditionally and irrevocably guaranteed by one of the counterparties mentioned in points (a) to (d), where the guarantee meets the requirements set out in Article 215, shall also be assigned a risk factor  $g_i$  for market risk concentration of 0 %.

[<sup>F14</sup>For the purposes of point (b), exposures that are fully, unconditionally and irrevocably guaranteed by regional governments and local authorities listed in Article 1 of Implementing Regulation (EU) 2015/2011, where the guarantee meets the requirements set out in Article 215 of this Regulation, shall be treated as exposures to the central government.]

4 Exposures to central governments and central banks other than those referred to in point (b) of paragraph 3, denominated and funded in the domestic currency of that central government and central bank, shall be assigned a risk factor  $g_i$  for market risk concentration depending on their weighted average credit quality steps, in accordance with the following table.

Weighted average credit quality step of single name exposure $i$	0	1	2	3	4	5	6
Risk factor $g_i$	0 %	0 %	12 %	21 %	27 %	73 %	73 %

[<sup>F14a</sup> Exposures to [<sup>F51</sup>the United Kingdom's] regional governments and local authorities not listed in Article 1 of Implementing Regulation (EU) 2015/2011 shall be assigned a risk factor  $g_i$  for market risk concentration corresponding to weighted average credit quality step 2 in accordance with paragraph 4.

4b Exposures that are fully, unconditionally and irrevocably guaranteed by [<sup>F52</sup>the United Kingdom's] regional government or local authority that is not listed in Article 1 of Implementing Regulation (EU) 2015/2011, where the guarantee meets the requirements set out in Article 215 of this Regulation, shall be assigned a risk factor  $g_i$  for market risk concentration corresponding to weighted average credit quality step 2 in accordance with paragraph 4.]

5 Exposures in the form of bank deposits shall be assigned a risk factor  $g_i$  for market risk concentration of 0 %, provided they meet all of the following requirements:

- a the full value of the exposure is covered by a government guarantee scheme in the [<sup>F53</sup>United Kingdom];
- b the guarantee covers the insurance or reinsurance undertaking without any restriction;
- c there is no double counting of such guarantee in the calculation of the Solvency Capital Requirement.

#### Textual Amendments

**F14** Inserted by [Commission Delegated Regulation \(EU\) 2019/981 of 8 March 2019 amending Delegated Regulation \(EU\) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance \(Solvency II\) \(Text with EEA relevance\).](#)

**Changes to legislation:** Commission Delegated Regulation (EU) 2015/35, SECTION 5 is up to date with all changes known to be in force on or before 11 October 2023. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes

- F49** Art. 187(3)(a) omitted (31.12.2020) by virtue of [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\)](#), regs. 1(2), **11(29)(a)(i)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F50** Art. 187(3)(b) substituted (31.12.2020) by [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\)](#), regs. 1(2), **11(29)(a)(ii)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F51** Words in Art. 187(4a) substituted (31.12.2020) by [The Risk Transformation and Solvency 2 \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/1233\)](#), regs. 1(4), **6(11)(a)**; 2020 c. 1, Sch. 5 para. 1(1)
- F52** Words in Art. 187(4b) substituted (31.12.2020) by [The Risk Transformation and Solvency 2 \(Amendment\) \(EU Exit\) Regulations 2019 \(S.I. 2019/1233\)](#), regs. 1(4), **6(11)(b)**; 2020 c. 1, Sch. 5 para. 1(1)
- F53** Words in Art. 187(5)(a) substituted (31.12.2020) by [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019 \(S.I. 2019/407\)](#), regs. 1(2), **11(29)(b)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)

### Subsection 7

### Currency risk sub-module

#### Article 188

1 The capital requirement for currency risk referred to in point (e) of the second subparagraph of Article 105(5) of Directive 2009/138/EC shall be equal to the sum of the capital requirements for currency risk for each foreign currency. Investments in type 1 equities referred to in Article 168(2) and type 2 equities referred to in Article 168(3) which are listed in stock exchanges operating with different currencies shall be assumed to be sensitive to the currency of its main listing. Type 2 equities referred to in Article 168(3) which are not listed shall be assumed to be sensitive to the currency of the country in which the issuer has its main operations. Immovable property shall be assumed to be sensitive to the currency of the country in which it is located.

For the purposes of this Article, foreign currencies shall be currencies other than the currency used for the preparation of the insurance or reinsurance undertaking's financial statements ('the local currency').

2 For each foreign currency, the capital requirement for currency risk shall be equal to the larger of the following capital requirements:

- a the capital requirement for the risk of an increase in value of the foreign currency against the local currency;
- b the capital requirement for the risk of a decrease in value of the foreign currency against the local currency.

3 The capital requirement for the risk of an increase in value of a foreign currency against the local currency shall be equal to the loss in the basic own funds that would result from an instantaneous increase of 25 % in the value of the foreign currency against the local currency.

4 The capital requirement for the risk of a decrease in value of a foreign currency against the local currency shall be equal to the loss in the basic own funds that would result from an instantaneous decrease of 25 % in the value of the foreign currency against the local currency.

5 For currencies which are pegged to the euro, the 25 % factor referred to in paragraphs 3 and 4 of this Article may be adjusted in accordance with <sup>F54</sup>Commission Implementing

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Regulation (EU) 2015/2017 of 11 November 2015 laying down implementing technical standards with regard to the adjusted factors to calculate the capital requirement for currency risk for currencies pegged to the euro in accordance with Directive 2009/138/EC of the European Parliament and of the Council], provided that all of the following conditions are met:

- a the pegging arrangement shall ensure that the relative changes in the exchange rate over a one-year period do not exceed the relative adjustments to the 25 % factor, in the event of extreme market events, that correspond to the confidence level set out in Article 101(3) of Directive 2009/138/EC;
- b one of the following criteria is complied with:
  - (i) participation of the currency in the European Exchange Rate Mechanism (ERM II);
  - (ii) existence of a decision from the Council which recognises pegging arrangements between this currency and the euro;
  - (iii) establishment of the pegging arrangement by the law of country establishing the country's currency.

For the purposes of point (a), the financial resources of the parties that guarantee the pegging shall be taken into account.

6 The impact of an increase or a decrease in the value of a foreign currency against the local currency on the value of participations as defined in [<sup>F55</sup>Article 68(6) of this Regulation] in financial and credit institutions, shall be considered only on the value of the participations that are not deducted from own funds pursuant to Article 68 of this Regulation. The part deducted from own funds shall be considered only to the extent such impact increases the basic own funds.

7 Where the larger of the capital requirements referred to in points (a) and (b) of paragraph 2 and the largest of the corresponding capital requirements calculated in accordance with Article 206(2) are not based on the same scenario, the capital requirement for currency risk on a given currency shall be the capital requirement referred to in points (a) or (b) of paragraph 2 for which the underlying scenario results in the largest corresponding capital requirement calculated in accordance with Article 206(2).

#### Textual Amendments

- F54** Words in Art. 188(5) substituted (31.12.2020) by [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019](#) (S.I. 2019/407), regs. 1(2), **11(30)(a)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F55** Words in Art. 188(6) substituted (31.12.2020) by [The Solvency 2 and Insurance \(Amendment, etc.\) \(EU Exit\) Regulations 2019](#) (S.I. 2019/407), regs. 1(2), **11(30)(b)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)



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- (1) [<sup>F2</sup>Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds (OJ L 115, 25.4.2013, p. 18).]
- (2) [<sup>F2</sup>Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds (OJ L 115, 25.4.2013, p. 1).]
- (3) [<sup>F11</sup>Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (OJ L 83, 22.3.2013, p. 1).]
- (4) [<sup>F14</sup>Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (OJ L 182, 29.6.2013, p. 19).]
- (5) [<sup>F14</sup>Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016 laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for credit risk in accordance with Articles 136(1) and 136(3) of Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 275, 12.10.2016, p. 3).]
- (6) [<sup>F14</sup>Commission Implementing Regulation (EU) 2015/2011 of 11 November 2015 laying down implementing technical standards with regard to the lists of regional governments and local authorities, exposures to whom are to be treated as exposures to the central government in accordance with Directive 2009/138/EC of the European Parliament and of the Council (OJ L 295, 12.11.2015, p. 3).]

#### Textual Amendments

- F2** Substituted by Commission Delegated Regulation (EU) 2017/1542 of 8 June 2017 amending Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for certain categories of assets held by insurance and reinsurance undertakings (infrastructure corporates) (Text with EEA relevance).
- F11** Substituted by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019 amending Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance).
- F14** Inserted by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019 amending Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance).



### Changes to legislation:

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### Changes and effects yet to be applied to :

- Regulation revoked by [2023 c. 29 Sch. 1 Pt. 3](#)
- Recital 53 Sentence 1 replacement by [EUR 2016/2283](#) Regulation

### Changes and effects yet to be applied to the whole legislation item and associated provisions

- Art. 177(2)(b) words omitted by [S.I. 2019/407 reg. 11\(25\)\(a\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(h)(i) words omitted by [S.I. 2019/407 reg. 11\(25\)\(b\)\(ii\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(h)(i) words substituted by [S.I. 2019/407 reg. 11\(25\)\(b\)\(i\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(r) words substituted by [S.I. 2019/407 reg. 11\(25\)\(c\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(s) words substituted by [S.I. 2019/407 reg. 11\(25\)\(c\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(2)(t) words substituted by [S.I. 2019/407 reg. 11\(25\)\(d\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(5)(a) words substituted by [S.I. 2019/407 reg. 11\(25\)\(f\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)
- Art. 177(5)(c) words substituted by [S.I. 2019/407 reg. 11\(25\)\(f\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11(25)(39) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1(2), 22)