

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 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. [<sup>F1</sup>Exposures for which a credit assessment by a nominated ECAI is not available shall be assigned to credit quality step 5.]

*Status: Point in time view as at 31/01/2020.*

*Changes to legislation: Commission Delegated Regulation (EU) 2015/35, Subsection 6 is up to date with all changes known to be in force on or before 04 June 2024. 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)*

<sup>F26</sup> 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.

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 referred to in Article 51 of Directive 2009/138/EC. 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 deemed equivalent to that laid down in Directive 2009/138/EC in accordance with Article 227 of that Directive, 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

- F1** 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 \(Solvency II\) \(Text with EEA relevance\)](#).
- F2** 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](#)

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Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance).

## 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  $i$ .

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:

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

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)  $Assets$  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  $Assets$  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;

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- (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 Union;
- (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 Article 92(2) of Directive 2009/138/EC 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.

[<sup>F3</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

- F3** 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 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 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 %

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## 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).

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 %

F <sup>1</sup> <sub>2</sub>	.....
F <sup>1</sup> <sub>3</sub>	.....
F <sup>1</sup> <sub>4</sub>	.....
F <sup>1</sup> <sub>5</sub>	.....
F <sup>1</sup> <sub>6</sub>	.....

#### Textual Amendments

- F1** 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 %.

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

- a the European Central Bank;
- b Member States' central government and central banks denominated and funded in the domestic currency of that central government and central bank;
- 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.

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>F2</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>F2</sup>4a Exposures to Member States' 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 a Member State'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 Union;
- b the guarantee covers the insurance or reinsurance undertaking without any restriction;

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- c there is no double counting of such guarantee in the calculation of the Solvency Capital Requirement.

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#### **Textual Amendments**

- F2** 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).

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