

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

[^{XI}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 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.

Changes to legislation: Commission Delegated Regulation (EU) 2015/35, Subsection 7 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

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 [F¹Commission Implementing 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 [F²Article 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

- F1** 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)
- F2** 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)

Changes to legislation:

Commission Delegated Regulation (EU) 2015/35, Subsection 7 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.

View outstanding changes

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)