

**REPORT  
of the  
Investment and Financial Risk Committee  
to be presented to the  
Meeting of the General Assembly  
in Barcelona on 23 September 2016**

The Committee has met once during the year, in London on 8 April, and presents this report of its activities to the General Assembly. The Chairman will report orally on the meeting of 23 September.

**1. Market Consistency web portal**

The project has been delayed while a new chairman for the project steering group was found. However it is hoped that it would be possible to have the first publications on the web portal by the summer. Member associations which have not yet nominated contacts will be invited once more to do so, and existing volunteers will be asked to confirm that they are still willing to participate in the steering group.

**2. EIOPA initiative on infrastructure investments**

The Committee noted EIOPA's call for evidence relating to identification and calibration of other infrastructure investment categories (i.e. infrastructure corporate), to which AAE did not respond. The Chairman summarised the timetable of Commission/EIOPA activities relating to infrastructure investments, and the key points from the EIOPA round-table discussion which he attended on 12 February. There will be a further consultation paper due in the next few weeks: the Officers will consider whether AAE should respond.

**3. Low interest rate environment and Ultimate Forward Rate**

The Committee noted the papers on low interest rate environment and UFR which were presented to the Insurance Committee at its meeting on 11 March. It was also noted that groups have been established by IA|BE in Belgium and CROs in the Netherlands to assess the effects of negative interest rates. It was suggested that the actuarial profession should be seen to take a clear position in relation to the low/negative interest rate environment: The Chairman would discuss this with the Chairman of the Insurance Committee and the other Officers.

#### **4. Risk Management qualification**

The Chairman referred to his draft paper on requirements for a risk management qualification which he had developed in response to comments by the EBA that there are no objective criteria to verify what constitutes 'fit and proper'. He highlighted a list of skills, qualification measures and controls which might form the basis of a model for use by the ESAs. Members of the Committee offered some additional suggestions for the list of skills: The Chairman will incorporate these into a revised draft which will be circulated for comments. He also plans to discuss his paper with Kathrin Blanck-Putz at the European Commission.

#### **5. Future of IFR Committee**

The Chairman referred to his discussion paper on the future of the Committee which had been circulated to members for their comments. He gave a short presentation which summarised the problems facing the Committee: a large number of potential areas of interest but a low level of participation by members. His presentation also described the overall context of the AAE's vision, mission and strategic objective, the comments on his discussion paper received from members of the Committee, and his own conclusions based on these comments.

During an extensive discussion a number of points were made, in particular –

- it is essential to define a role for the Committee which encourages long-term commitment by and engagement with its members
- focus should be on traditional (insurance and pensions) areas – more likely to generate and sustain interest
- possible role to assess new and emerging risk areas in Insurance and Pensions, which may then be referred to the Insurance and Pensions Committee as appropriate
- involvement in topics in banking and other financial institutions should be omitted, although we may learn from observation of these sectors
- know when to reject topics where the Committee does not have the necessary expertise to comment
- need for greater interaction with Insurance and Pensions Committees to discuss how to allocate issues for optimum input and delivery
- embrace Enterprise Risk Management – there was some resistance to this

Members of the Committee were invited to submit any further concrete suggestions to the Chairman. Thereafter he would discuss with the Officers the view that the Committee should focus on the options which he had outlined in his presentation and, subject their comments, proceed with the further steps he had set out.