



ACTUARIAL ASSOCIATION OF EUROPE

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MINUTES
of a meeting of the
INVESTMENT AND FINANCIAL RISK COMMITTEE
held in London
on Friday 8 April 2016

Present:

Christoph Krischanitz (Chairman)	Aktuarvereinigung Osterreichs
Martin Jusko	Ceská Spolecnost Aktuáru
Alexander Schalk	Deutsche Aktuarvereinigung
Mika Mäkinen	Suomen Aktuaariyhdistys
Tjemme van der Meer	Het Koninklijk Actuarieel Genootschap
Marcin Zwara	Polskie Stowarzyszenie Aktuariuszy
Eduardo Trigo	Instituto de Actuarios Españoles
Petra Wildemann	Association Suisse des Actuaire
Philip Shier	AAE Chairman (<i>for item 5 only</i>)
Michael Lucas	AAE Secretariat

Apologies for absence:

Daphné de Leval	Institut des Actuaire en Belgique/ Instituut van Actuarissen en België
Maria Teofilova	Bulgarian Actuarial Society
Matthew Le Blond	Channel Islands Actuarial Society
Andreja Radic	Hrvatsko Aktuarsko Društvo
Marios Yiannas	Cyprus Association of Actuaries
Liselotte Milting	Den Danske Aktuarforening
Veikko Tamlak	Eesti Aktuaaride Liit
François Bonnin	Institut des Actuaire
Ioannis Sinos	Hellenic Actuarial Society
Gábor Malicskó	Magyar Aktuárius Táraság
Steinunn Gudjonsdottir	Félag íslenskra tryggingastærðfræðinga
Patrick McKenna	Society of Actuaries in Ireland
Paolo De Angelis	ISOA
Elna Tilta	Latvijas Aaktuāru Asociācija
Rokas Gylys	Lietuvos Aktuarijų Draugija
Thierry Flamand	Association Luxembourgeoise des Actuaire

Trond Killi	Den Norske Aktuarforening
Rita Marques	Instituto dos Actuários Portugueses
Ana Tripsa	Asociația Română de Actuarial
Jelica Ključovská	Slovenská spoločnosť aktúárov
Liljan Belsak	Slovensko Aktuarsko društvo
Marc Arias	Col.legi d'Actuaris de Catalunya
Simon Kristoferson	Svenska Aktuarieföreningen
Şirzat Çetinkaya	Actuarial Society of Turkey
Malcolm Kemp	Institute and Faculty of Actuaries
Antonina Redka	Society of Actuaries of Ukraine

1. **Opening of the meeting and adoption of the agenda**

The Chairman welcomed members of the Committee to London, particularly those for whom it was their first meeting, and thanked the Institute and Faculty of Actuaries for hosting the meeting.

The agenda, as circulated, was adopted. A further copy is attached to these minutes as **Annex I**.

2. **Minutes of previous meeting**

The minutes of the Committee meeting held in Bucharest on 25 September 2015 were confirmed.

3. **Solvency II**

The Chairman referred to the latest update on the Solvency II project which was presented to the Insurance Committee on 11 March by the Project Manager, Siegbert Baldauf. A copy of Siegbert's presentation is attached to these minutes (**Annex II**) for information.

4. **Market Consistency web portal**

The Chairman gave a brief presentation (slides 20-25 of **Annex III** attached to these minutes) summarising the current status of the Market Consistency web portal project. He regretted that the project had been delayed while a new chairman for the project steering group was found. However he 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.

5. **Review of IORP Directive**

Philip Shier gave a presentation (attached to these minutes as **Annex IV**) on the latest developments in the review of the IORP Directive, as given to the Pensions Committee. He explained that it is hoped to complete trilogue discussions of the proposed revisions to the Directive before the end of the Dutch Presidency. Philip also pointed out that the Pensions Committee is preparing a further AAE paper on the proposed revisions.

It is expected that the revised Directive will be approved in the summer or autumn this year, but there will then be a two year period for transposition into national legislation before it can come into effect.

6. EIOPA initiative on infrastructure investments

6.1 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.

6.2 Christoph 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 (see slides 27-30 of **Annex III** attached to these minutes). He drew attention to a further consultation paper due in the next few weeks: the Officers will consider whether AAE should respond.

7. Interconnectivities between financial sectors

This topic now has a low priority, and consequently no further action has been taken to develop a position paper. The Committee may return to this topic in the future.

8. 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. Tjemme believed that the actuarial profession should be seen to take a clear position in relation to the low/negative interest rate environment: Christoph will discuss this with the Chairman of the Insurance Committee and the other Officers.

9. Risk Management qualification

Christoph 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 (see slides 33-37 of **Annex III** attached to these minutes) 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: Christoph 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.

10. ESA final draft regulatory technical standards for EMIR

The Committee noted the final draft Regulatory Technical Standards (RTS) outlining the framework of the European Market Infrastructure Regulation (EMIR). Christoph pointed out that these included reference to the AAE's input.

11. **ESMA consultation on implementation of benchmarks regulation**

Christoph reported that he had submitted a brief response to this consultation (copy attached as **Annex V** to these minutes, and slide 39 of **Annex III**). He considered that AAE has little of value to add.

12. **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 (slides 5-18 of **Annex III** attached to these minutes) which summarised the problems facing the Committee: a large number of potential areas of interest but a low level of participation by members. Christoph's 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 Christoph within the next week. Thereafter Christoph will discuss with the Officers the view that the Committee should focus on options I and II on slide 17 of his presentation and, subject their comments, proceed with the further steps set out on slide 18.

13. **Links with other organisations**

13.1 ***EIOPA***

It was noted that a meeting was held between Officers of AAE and the Chairman and staff of EIOPA in Frankfurt on 18 December 2015 (not 2016 as shown on the report of the meeting).

13.2 ***European Parliament***

It was noted that a meeting was held between Officers of AAE and selected MEPs and/or their advisers at the European Parliament in Strasbourg on 16 December 2015.

13.3 **European Commission DG FISMA**

A meeting arranged with the Head of the insurance and Pensions Unit of DG FISMA was cancelled at their request. However there was instead a short but constructive meeting with the member of Commissioner Hill's cabinet responsible for insurance and pensions.

14. **Review of Committee priorities**

This item is dealt with under agenda item 12 (Future of IFR Committee) above.

15. **Exchange of information on current issues**

As already noted under agenda item 8 above, groups have been established by IA|BE in Belgium and the CRO Forum to assess the effects of negative interest rates.

16. **Any other business**

There was no other business.

17. **Date of next meeting**

It was noted that the next meeting of the Committee will be held on 23 September 2016 in Barcelona at the invitation of Col.legi d'Actuaris de Catalunya.