EIOPA urges (re)insurers to temporarily suspend all discretionary dividend distributions and share buy backs

Today, the European Insurance and Occupational Pensions Authority (EIOPA) has published a statement on dividends distribution and variable remuneration policies in the context of COVID-19.

Taking due account of the current level of uncertainty on the depth, magnitude and duration of the impacts of COVID-19 in financial markets and on the economy, EIOPA urges (re)insurers to temporarily suspend all discretionary dividend distributions and share buy backs aimed at remunerating shareholders.

This suspension should be reviewed as the financial and economic impact of the COVID-19 starts to become clearer.
This prudent approach should also be applicable to the variable remuneration policies.

The statement builds on EIOPA’s statement of 17 March which stressed the importance of insurers preserving their capital position in balance with the protection of the insured, following prudent dividend and other distribution policies, including variable remuneration.

The statement represents one of a series of measures that EIOPA is recommending, in close cooperation with national supervisory authorities, to mitigate the impact of the Coronavirus/COVID-19 outbreak on the insurance sector, policyholders and beneficiaries.

Read the statement

ESMA consults on clearing solutions for Pension Scheme Arrangements under EMIR

The aim of the consultation paper

The consultation paper sets out the issues PSAs face in clearing their contracts, studies the rationale for the use of derivatives by PSAs and explores the different solutions already envisaged to facilitate PSAs to centrally clear their over-the-counter trades.

The consultation aims to gather views and data on potential central clearing solutions for PSAs, and more specifically on solutions to facilitate PSAs discharging their variation margin requirements. ESMA seeks detailed feedback on:

· the structure of PSAs' portfolios and on the potential reduction of portfolios' investment returns from increasing their cash holdings; and

· the solutions still being explored, such as relying on the ancillary services of collateral transformation of clearing members, a market-based repo solution or the access to alternative emergency liquidity arrangements.

EMIR Refit introduced a further extension of the exemption from the clearing obligation for PSAs, given the challenges that PSAs would face in providing cash for the variation margin calls related to their cleared derivative contracts. It also tasked ESMA with investigating whether CCPs, clearing members and PSAs have developed viable technical solutions to facilitate PSAs participation in central clearing by posting cash and non-cash collateral as variation margins, including the implications of those solutions on market liquidity and procyclicality and their potential legal or other implications.

Next steps

All interested stakeholders are invited to respond to this consultation paper, in particular, market participants, pension funds, banks, CCPs, central banks, regulatory authorities and trade associations of financial market participants.

Following the public consultation ESMA will consider all comments received by 15 June 2020 and expects to publish a second report and to submit it to the European Commission by the end of the year.

This work is being done in cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA) and the European Systemic Risk Board (ESRB).

Declaration by the High Representative on behalf of the EU on the alignment of certain countries concerning

restrictive measures against Zimbabwe

On 17 February 2020, the Council adopted Decision (CFSP) 2020/215[1] amending Council Decision 2011/101/CFSP.

The Decision extends the restrictive measures until 20 February 2021.

The Decision deletes one deceased person from the list of designated persons and entities in Annex I to Decision 2011/101/CFSP. The restrictive measures are renewed for four persons and one entity in Annex I to Decision 2011/101/CFSP. The restrictive measures are suspended for one person. The suspension of the restrictive measures is renewed for three persons listed in Annex II to Decision 2011/101/CFSP.

The Candidate Countries Republic of North Macedonia, Montenegro, Serbia and Albania[2], the country of the Stabilisation and Association Process and potential candidate Bosnia and Herzegovina, and the EFTA countries Iceland, Liechtenstein and Norway, members of the European Economic Area, as well as Ukraine, the Republic of Moldova and Georgia align themselves with this Council Decision.

They will ensure that their national policies conform to this Council Decision.

The European Union takes note of this commitment and welcomes it.

[1] Published on 18.02.2020 in the Official Journal of the European Union no. L 45, p. 4.

[2] The Republic of North Macedonia, Montenegro, Serbia and Albania continue to be part of the Stabilisation and Association Process.

Update on other measures impacted by COVID-19 pandemic

I. Introduction

1. The outbreak of COVID-19 has significantly impacted the activities of EIOPA, NCAs and financial institutions, ranging from the need to assess implications to the market and propose immediate regulatory measures relevant for the current situation, to the deployment of business continuity plans.

2. As announced, from 16 March 2020 EIOPA is continuing its operations with all EIOPA staff teleworking. NCAs are subject to similar challenges.

3. It is particularly important that insurers are able to maintain the services to their clients. In this sense, insurance companies should be ready to implement the necessary measures to ensure business continuity and it is important that EIOPA and NCAs offer operational relief to insurers when possible.

4. In this regard, in its Statement published on 17 March, EIOPA announced it would limit its requests of information and the consultations to the industry to essential elements needed to assess and monitor the impact of the current situation in the market.

5. To ensure that priorities are consistent with the current situation, EIOPA is re-prioritising and alleviating the burden by extending the deadlines or delaying projects where input from NCAs and/or industry is foreseen.

II. Currently open consultations/requests to the market

6. As the capacity of financial institutions to respond to EIOPA consultation papers or calls for evidence is supposed to be affected by the current situation, it is proposed that the consultation period is extended in relation to currently open consultations to the market. Details of the new consultation period end dates can be found in the points below:

a) Review of technical implementation means for the package on Solvency II Supervisory Reporting and Public Disclosure, comments deadline is extended by six weeks from 20 April to 1 June 2020;

b) Consultation on PEPP ITSs, comments deadline is extended by four weeks from 20 May to 17 June 2020;

c) Consultation on Discussion Paper on IBOR transitions, comments deadline is extended by nine weeks from 30 April to 30 June 2020;

d) Market and Credit Risk Comparative Study, information request deadline is extended by 5 weeks from 31 May to 3 July.

III. Public consultations in the process of BoS approval (including discussion notes) to the market

7. Discussion Note on value-chain/Insurtech, publication for comments delayed to a date to be determined.

8. Second discussion paper on methodological principles of insurance stress testing, publication for public comments delayed to a date to be determined.

IV. Data requests to financial institutions to start in Q1-Q2 (info from Calendar in the EIOPA AWP 2020)

9. The list of data requests is presented below:

a) It was planned in any event not to carry out this year the LTG review information request to undertakings. The information request to NCAs will be postponed from Q2 probably to Q3.

b) Climate risk sensitivity analysis 2020, data request to complete data available for top-down element and qualitative survey to groups reporting for FS purposes as agreed in the roadmap for the 2020 exercise on climate-related transition risks will be cancelled. The report will be performed with the available information.

c) Data collection for the work on the impact of ultra low yields on insurers to complement SII data planned for Q1/Q2 will be launched later also to incorporate COVID-19 reflections if necessary.

ESMA updates its risk assessment in light of the COVID-19 pandemic

The pandemic, in combination with existing valuation risks, has led to large equity market corrections since mid-February, driven by a sharp deterioration in the outlook for consumers, businesses and of the economic environment. Corporate bond, government bond markets and a number of investment funds show signs of stress. Market infrastructures have continued to function in an orderly manner despite significant surges in trading activity, the use of circuit breakers and increases in derivatives margins.

ESMA sees a prolonged period of risk to institutional and retail investors of market corrections and very high risks across the whole of ESMA’s remit.

This Risk Up-date complements our regular TRV and Risk Dashboard monitoring. The next Risk Dashboard covering the entire 1Q20 will be published according to the regular schedule in May 2020