

## **EIOPA publishes annual report on the use of capital add-ons under Solvency II**

The European Insurance and Occupational Pensions Authority (EIOPA) published today its annual Report on the use of capital add-ons during 2019. The objective of the capital add-on measure is ensure that the regulatory capital requirements reflect the risk profile of the undertaking or of the group. Therefore, it is important that it is used by national competent authorities (NCAs) when needed and it is also important to ensure a high degree of supervisory convergence.

This analysis included in the report is based on 2019 year-end data collected under Directive 2009/138/EC (Solvency II) as reported by the undertakings and insurance groups and complemented by a survey that entailed both qualitative and quantitative questions.

During 2019, nine NCAs have set capital add-ons to 19 solo undertakings, out of 2816 (re)insurance undertakings under the scope of the Solvency II Directive in the European Economic Area and the UK. These include nine non-life undertakings, five life undertakings, one composite undertaking and four reinsurance undertakings. The number of capital add-on was broadly in line with 2018 figures, when eight NCAs had set capital add-ons for a total of 21 solo undertakings including 10 non-life undertakings, eight life undertakings, two composites and one reinsurer.

The amount of capital add-ons imposed on undertakings using the standard formula remains very low overall in 2019, accounting for less than 0.5% of the total Solvency Capital Requirement (SCR). However, the amount of capital add-on is not insignificant when considering the amount at individual level. In sum, as of year-end 2019, the weight of the capital add-on over the total SCR for those undertakings using the standard formula with capital add-ons increased to 38% (32% in 2018).

[Download the report](#)

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## **Press release – MEPs: Hold companies accountable for harm caused to people and planet**



The draft [legislative initiative](#) (adopted by 21 votes in favour, one against and one abstention) calls on the Commission to urgently present a law that ensures companies are held accountable and liable when they harm – or contribute to harming – human rights, the environment and good governance. It must also guarantee access to legal remedies for victims.

### **Sustainability and good governance**

Binding EU due diligence rules would oblige companies to identify, address and remedy aspects of their value chain (all operation, direct or indirect business relations, investment chains) that could or do infringe on human rights (including social, trade union and labour rights), the environment (including contributing to climate change) and good governance.

### **Bringing about change beyond EU borders**

All companies that want to access the EU internal market, including those established outside the EU, would have to prove that they comply with environmental and human rights due diligence obligations. MEPs call for additional measures, including a ban on importing products linked to severe human rights violations such as forced or child labour. These aims should be included in trade and sustainable development chapters of EU trade agreements.

MEPs also stress that in order to guarantee effective reparations for victims, companies should be held liable for their actions and be fined for causing harm or contributing to it, unless they can prove that they have acted in line with due diligence obligations and taken measures to prevent such harm. The rights of victims or stakeholders in third countries – who are especially vulnerable – would also be better protected.

### **Broad scope and help for SMEs**

Any future legislative framework on due diligence should be broad and apply to all large undertakings in the EU, including those providing financial

services. The rules should also apply to publicly listed SMEs and high-risk SMEs, which should receive technical assistance to comply with the requirements.

### Quote

“A new law on corporate due diligence will set the standard for responsible business conduct in Europe and beyond. No longer will companies be able to harm people and the planet without being held accountable”, said rapporteur [Lara Wolters \(S&D, NL\)](#). “The new rules will hold companies legally responsible for avoiding and limiting risks in their entire value chain. They will give victims a legal right to support and to seek reparations, and will ensure fairness, a level playing field and legal clarity for all businesses, workers and consumers”, she added.

### Background

Existing international frameworks on due diligence, such as the [UN Guiding Principles on Business and Human Rights](#) and the [OECD guidelines for Multinational Enterprises](#), have proven that a voluntary approach does not sufficiently address the negative impacts of globalised business activities.

A Commission [study published](#) in February 2020 found that only one in three companies in the EU is currently taking due diligence measures, while around 70% of European businesses surveyed support EU-wide due diligence rules. During an [exchange of views](#) with the Committee on Legal Affairs, Justice Commissioner Reynders vowed that the upcoming legislative proposal, expected in the first half of the year, will be an integral part of the European Green Deal and the European Recovery Plan.

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## [New COVID-19 slot relief to help airlines and avoid ghost flights: Council adopts mandate](#)

The EU is preparing **new temporary rules to help air carriers cope with the drastic decline in air traffic** caused by the Coronavirus crisis and **avoid operating empty flights**. Today, member states’ ambassadors agreed on a negotiating mandate for granting airlines **relief from airport slot use requirements** for summer 2021, while taking initial measures to start relaunching the industry and encourage competition. The new rules will also give flexibility to adapt to different scenarios and allow for measures to be taken up to the summer 2022 scheduling period.



With COVID-19 still very much around, it would be premature to go back to the old 'use it or lose it' rule. The new slot relief provisions strike a balance by providing much-needed help to airlines, encouraging competition in the industry and preparing for a gradual return to normality as soon as that becomes possible, while avoiding ghost flights and reducing emissions. I would like to highlight the excellent cooperation between the European Parliament and the Council, allowing both institutions to envisage a swift adoption of this legislation.

*Pedro Nuno Santos, Portuguese Minister for Infrastructure and Housing, President of the Council*

Under the general EU airport slot requirements, airlines must use at least 80% of their take-off and landing slots in order to keep them the following year. The **Council text** grants airlines the possibility to return 50% of their slot series but expects them to use at least 50% of the remaining slots.

The Commission will be empowered to adopt delegated acts for one year to cover the following two seasons. With these acts, the Commission may change the minimum utilisation rate to between 30% and 70%. This grants the necessary flexibility to adapt to different air traffic levels based on traffic data and forecasts and other indicators.

## **Procedure and background**

Today's mandate was approved by ambassadors meeting in the Council's Permanent Representatives Committee (Coreper). Both the Council and the European Parliament will need to agree on the final text.

The negotiations between the co-legislators on the proposal are being held as a matter of urgency, with a view to having the new rules in place in time for the start of the summer 2021 season on 28 March 2021.

The Commission adopted the proposal on temporary slot relief on 18 December 2020. Before that, in March 2020, the EU adopted a full slot waiver for summer 2020. That slot waiver was then extended by secondary legislation covering winter 2020-2021.

Eurocontrol figures indicate a continued year-on-year fall in air traffic of around 74% as from mid-June 2020. Based on forward bookings, Eurocontrol forecasts and epidemiological forecasts, it is not possible to predict when the period of severely depressed demand is likely to end.

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# ESMA reports on the resources and staffing it will need to apply new rules for third-country firms under MiFIR

The European Securities and Markets Authority's (ESMA), the EU securities markets regulator, has published its [Report](#) containing the assessment of ESMA's staffing and resources needs arising from the assumption of powers and duties in accordance with the new MiFIR regime for third-country firms.

This report is published following the changes to MiFIR regime for the provision of investment services and activities in the EU by third-country firms, introduced by the Investment Firms Regulation (IFR), which entrusted ESMA with new responsibilities and powers for the supervision of third country firms providing investment services.

ESMA has assessed the staffing and resources needs arising from the assumption of its powers and duties in accordance with the changes to the MiFIR regime for third-country firms and submitted a report on that assessment to the European Parliament, to the Council and to the Commission.

In the absence of equivalence declarations to date, ESMA has elaborated two possible scenarios on the basis of which the staffing and resources needs have been estimated:

- Scenario 1: A total cost of €8.7M per year for **47 FTEs monitoring 880 firms; and**
- Scenario 2: A total cost of €5.9M per year for **30 FTEs monitoring 550 firms.**

## **Next Steps**

The report has been submitted to the European Parliament, Council and Commission.

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## Article – Radicalisation in the EU: what is it? How can it be prevented?



## How and where do people become radicalised?

Radicalisation processes draw on social networks for joining and staying connected. Physical and online networks provide spaces in which people can become radicalised and the more closed these spaces are, the more they can function as echo chambers where participants mutually affirm extreme beliefs without being challenged.

The internet is one of the primary channels for spreading extremist views and recruiting individuals. Social media have magnified the impact of both jihadist and far-right extremist propaganda by providing easy access to a wide target audience and giving terrorist organisations the possibility to use “narrowcasting” to target recruits or raise “troll armies” to support their propaganda. According to the [2020 EU Terrorism Situation and Trend report](#), over the last few years, encrypted messaging applications, such as WhatsApp or Telegram, have been widely used for coordination, attack planning and the preparation of campaigns.

Some extremist organisations have also been known to target schools, universities and places of worship, such as mosques.

Prisons can also be fertile ground for radicalisation, due to the closed environment. Deprived of their social networks, inmates are more likely than elsewhere to explore new beliefs and associations and become radicalised, while understaffed prisons are often unable to pick up on extremist activities.