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Mr Jonathan Faull  
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**Subject: EIOPA's report on Long Term Investments**

Your reference: MARKT/m/KVH/BH/hz (2012) 1239027 FS/050.105/0008

Dear Mr Faull,

Following your request to EIOPA to analyse the calibration for certain long-term investments, I am pleased to submit the final EIOPA Report.

EIOPA has performed a thorough and unbiased analysis of the asset classes listed in your letter. A discussion paper gave stakeholders the opportunity to give their input. Views were exchanged with a range of experts from industry, regulatory bodies and the academic world.

As a result of the analysis EIOPA proposes a more granular treatment of securitisations. In order to identify securitisations with a better risk profile EIOPA developed a set of criteria on structure, quality of the underlying assets, underwriting processes and transparency. Given the complexity and poor performance of some securitisations, especially those backed by subprime mortgages, securitisations are sometimes met with a degree of scepticism. However, securitisations meeting the criteria developed by EIOPA have performed well in terms of low default rates.

A number of the criteria are based on the eligibility criteria for securitisations that the European Central Bank (ECB) uses in its refinancing operations, representing for a part of the EU a type of market standard.

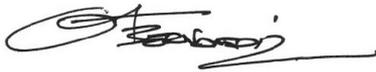
For the other assets that were analysed (including private equity, loans to small and medium sized enterprises and socially responsible investments) the currently proposed risk charges were confirmed. One important reason why lower capital requirements for infrastructure could not be justified was the difficulty in finding reliable and representative performance data with a sufficiently long history for this relatively new and heterogeneous

asset class. We intend to work on closing these data gaps in cooperation with the relevant parties and expect that progress in this area may allow a reassessment of the capital requirements in the future.

EIOPA is convinced that the envisaged capital charges will allow the insurance sector to provide meaningful long-term financing. One important reason is the incentive for investing in longer-term infrastructure or corporate debt created by the combined effect of a reduced interest risk charge (due to a better match of assets and liabilities) and the "kinked approach" in the calibration of the spread risk sub-module. This aspect is often overlooked by studies on the implications of the standard formula calibration for investment behaviour because focus is put on the stand-alone risk charges.

EIOPA will continuously monitor the appropriateness of the calibration of the standard formula and capital charges as well as the availability of performance data in order to provide a thorough basis for future reviews.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gabriel Bernardino', with a long horizontal flourish extending to the right.

Gabriel Bernardino  
Chair of EIOPA

cc: Nadia Calviño, Klaus Wiedner