

MSCI REGULATORY REPORTING SERVICE FOR SOLVENCY II

SUPPORTING YOUR EUROPEAN REGULATORY REPORTING REQUIREMENTS

Complying with the European Union's Solvency II regulation is a complex task, requiring insurers to demonstrate that they meet Solvency Capital Requirements (SCR). Even when an insurer knows the contents of multiple portfolios, calculating the necessary capital reserves is complicated. When managers of alternative assets do not provide full transparency, the task becomes nearly impossible. MSCI's products can help both insurers and their asset managers analyze portfolios, even when alternatives are involved.

MEASURING MARKET RISK

The European Insurance and Occupational Pension Authority (EIOPA) monitors various types of risk in the portfolios under its jurisdiction. MSCI's tools can help an insurer determine whether it is meeting SCR by calculating a portfolio's market risk levels. Market risk is divided into six components: spread, interest rate, liquidity, concentration, currency and property.

MSCI's model uses the Standardized Approach dictated by EIOPA, a collection of stress tests based on a specified set of conditions, to aggregate portfolio risk levels by the six risk types, and by asset type, to produce a composite score for each portfolio. Risk is calculated at the position level, resulting in a more accurate reading of capital requirements at the portfolio level.

TRANSPARENCY AND THE LOOK-THROUGH APPROACH

Our model employs a look-through approach for opaque alternative portfolios. Because MSCI is a trusted third party, alternative managers can confidently divulge their portfolio positions to us. Without this full transparency, regulators require insurers to apply a 49% shock to the portfolio plus a symmetric adjustment of the equity capital charge, as published monthly by EIOPA. This necessitates larger capital requirements than would generally be necessary.

The portfolio-level result is based on a look-through to calculations on individual positions. Clients using RiskManager 4 receive a diagnostic report showing how the calculations were done.

MSCI DELIVERS A COMPLETE REGULATORY REPORTING SOLUTION

LATEST REGULATORY REQUIREMENTS

MSCI maintains and updates the stress tests linked to each of the six components of the market risk module. As regulators introduce new directives, we revisit and optimize existing stress tests in response to the new rules.

TRIPARTITE REPORT

MSCI also offers reports in the increasingly popular Tripartite Report template, a more detailed view created by French, German and British asset management industry groups, aimed at giving asset managers and their clients a more sophisticated understanding of the risks in their portfolios. This report can help managers understand the SCR calculation under the Standardized Approach.

CHOOSE FROM A VARIETY OF DELIVERY CHANNELS

MSCI report packages can be delivered via:

- **Managed Services** – Reports processed and delivered by MSCI. Clients receive daily or weekly reports via email or secure file transfer protocol.
- **Web Services** – Clients send files to MSCI's system and can integrate the Solvency II reports with their own processes.
- **Web Application (RiskManager 4)** – Clients have direct access to the RiskManager platform, which provides more than 800,000 time series, specific to market risk factors, as well as a global security master covering over 5 million unique securities and historical market data across asset classes.

LEARN MORE ABOUT MSCI'S REGULATORY REPORTING SERVICE

Let us show you how we can streamline your regulatory reporting process and add value to your organization. Call your MSCI representative or contact us at inquiries@msci.com

ABOUT MSCI

For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading investors build and manage better portfolios. Clients rely on our offerings for deeper insights into the drivers of performance and risk in their portfolios, broad asset class coverage and innovative research. Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research. MSCI serves 97 of the top 100 largest money managers, according to the most recent P&I ranking. For more information, visit us at www.msci.com

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