



ASSET MANAGEMENT, PERFORMANCE, REPORTING

SOLVENCY II AGGREGATED REPORTING FOR ASSET MANAGER

REDUCING THE COST AND WORKLOAD OF S2 REPORTING FOR
NON SIGNIFICANT INVESTMENTS

I. Acknowledgments

Since 2007 the Club Ampere has been gathering asset managers willing to improve the monitoring of the performance, the risks and the positions of the funds they manage. Within the Club, all the member companies are investing to meet the needs of their clients for a lot more transparency and a lot more understanding on investments.

In 2012 we started working with insurance companies on a common template for asset reporting under Solvency 2 regulation. The success of the Ampere Matrix, renamed “Tripartite Template” or “TPT” for Solvency 2 reporting, widely adopted across Europe is theirs.

The following paper is an introduction to the aggregated template which supports the proportionality principle of the regulation.

This report, based on the TPT, is presenting the holdings of a fund grouped in such a way that insurance companies can perfectly fulfill their reporting obligations under S2 regulation (QRT S.06.03 templates) and evaluate SCR for non-significant investments.

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II. Why use an aggregated template for S2 reporting ?

The TPT report is a very detailed reporting (over 140 data points) that can support SCR calculation and regulatory reporting production in a comprehensive manner for all kinds of investments through funds.

However it may be overdetailed for non-significant investments. The workload required to process it is sometimes disproportionate to the risks.

The aggregated template is fully derived from the TPT, fully compatible with QRT specifications of the transparency reports for funds (S.06.03...).

III. Presentation of the aggregated template

The aggregated template is based on the TPT template.

It has three components:

- One “aggregated position file” that presents the positions of the fund
- One “additional report for concentration risk” that presents the individual exposure on the top 10 issuer group
- One “additional report for currency risk” that presents forex exposures in case the fund holds cross currency transactions.

The latter should be necessary in very few cases.

Each report can be divided into three parts:

- The “Portfolio characteristics and valuation” part (data point 1 to 11) which is the same as in the TPT template.
- The “Consolidation key” part which presents the different variables used to make the aggregation.
- The “valuation & analytics” part which presents the results of the aggregation.

IV. Notes & remarks concerning the “Aggregated positions file”

The purpose of this template is to support the calculation of Interest rates, equity, spread and Forex risk sub modules, and to establish QRT S06.03 reports.

- Interest rates risk is calculated using a market exposure weighted average modified duration of aggregated positions by currency.
- Equity risk is calculated using the sum of market exposure of aggregated positions per Economic zone of quotation place.
- Spread risk is calculated using market exposure weighted average credit sensitivity, market exposure weighted maturity of aggregated positions by currency, credit quality step, issue country, type of issuer and type of instruments....
- Forex risk can be calculated through the sum of valuation weight by currency for all kind of instruments except forex derivatives. For derivatives it should be calculated using the sum of market exposures.
- The production of S.06.03 report can be based on aggregated positions per currency, issuer country, Asset type and Economic zone of quotation place (to segregate listed and non-listed securities).

The aggregation rule should not compensate “long” and “short” positions (minus or positive market exposures) so that the Insurance Company masters hedging rules.

V. Notes and remarks concerning the “additional report for concentration risk”

The purpose of this report is to support the calculation of the SCR sub module for concentration risk.

This concentration risk can be calculated using the sum of market exposure weight by issuers of the top 10 issuer groups of the fund. These market exposures are presented by credit quality steps.

This report should display the detail of the exposures for each issuer composing the top 10 group with their respective CQS.

VI. Notes and remarks concerning the “additional report for forex risk”

This purpose of this report is to support the calculation of the SCR sub module for currency risk in some very specific cases, when the fund has made forex transactions (forwards or derivatives) between 2 currencies different from the portfolio or fund currency.