FESE response to the Commission consultations on prudential treatment of equity exposures under CRR & Solvency II Delegated Acts

3rd September 2025, Brussels

Solvency II

FESE supports the proposal to introduce a dedicated treatment for long-term equity investments by insurers. A more tailored and risk-reflective approach is essential to adjust the overly conservative calibration of capital charges in the current Solvency II framework. This review is a timely opportunity to enhance insurers' capacity to invest in equity markets and thereby strengthen their role as key providers of long-term capital in Europe.

To ensure this approach is appropriately targeted, FESE supports the notion that preferential treatment should be conditional on undertakings demonstrating their ability to avoid forced sales under stressed conditions (Art. 171a–c), with safeguards ensuring supervisory consistency. Type 1 funds, such as EuSEF, EuVECA, ELTIFs, and closed-ended AIFs, should be recognised as lower-risk when invested in qualifying infrastructure equities (Art. 171d). However, we note that reverse repurchase transactions were not included in the amendment and urge the Commission to address this gap. Furthermore, we welcome the initiative to assess, together with EIOPA, how the benefits of centrally cleared SFTs can be recognised. On that basis, we hope that the preferential capital treatment for direct derivatives exposure will be extended to SFTs as well. FESE also welcomes alignment between Solvency II and the CRR, ensuring consistency between banking and insurance legislation. This alignment is critical to removing unjustified barriers and promoting a coherent regulatory framework across financial sectors.

To facilitate broader access to clearing and support EU markets' diversification and liquidity, FESE welcomes the Commission's recognition of innovative CCP access models tailored to buy-side needs. Several (re-)insurance companies already use these models to clear derivatives and SFTs, building direct exposure to CCPs. Yet, Solvency II currently only recognises indirect CCP exposure, resulting in unfavourable capital treatment of (re-)insurance companies when they use direct access models. FESE therefore supports the Commission's decision to follow EIOPA's advice and align capital treatment of direct and indirect CCP exposures for derivatives.

More generally, any Solvency II review should be ambitious and lead to (1) an increase in insurers' capacity to invest equity instruments that support real economic growth, and (2) a prudential framework that eliminates unjustified barriers to equity investment, particularly in SMEs. Against this background, legislative programs that meet CRR eligibility (Art. 133(5)) should also qualify under Solvency II where they demonstrably reduce credit risk (Art. 173). Similarly, group-level treatment of long-term equity portfolios should reflect actual risk, unless significant liquidity or intragroup exposures exist (Art. 336a). However, these measures alone will not be sufficient to substantially increase equity exposure in pension funds. To mobilise more capital and boost equity investments, FESE encourages the Commission to review the IORP II Directive and consider targeted economic incentives. Please see FESE's response to the IORP consultation for further details.

Exchanges support insurers in maintaining their crucial role as providers of long-term savings and pension products. As noted in the FESE strategy paper on the SIU (here), Europe must unlock its vast pool of household savings and institutional assets. The €11 trillion held in EU household cash and deposits could be more productively channelled through capital markets — with insurers playing a critical intermediation role. FESE encourages the Commission to ensure that the final framework delivers a clear reduction in capital requirements for long-term equity holdings, under conditions that genuinely reflect long-term risk characteristics and investment horizons.

CRR

FESE welcomes the European Commission's guidance on the application of Article 495a of the Capital Requirements Regulation (CRR) concerning equity exposures incurred under public legislative programmes. We support the objective of ensuring legal certainty, fostering a consistent interpretation across Member States and market participants, and, most of all, applying a favourable treatment for equity exposures incurred under legislative programmes to stimulate the economy.

Whilst FESE welcomes the Commission's initiative, we advocate for a broader approach to defining eligibility for the Article 495a exemption. In particular, we encourage the Commission to adopt a flexible and inclusive interpretation of what constitutes "significant public subsidies or guarantees" under legislative programmes. This would be in line with the spirit of Article 495a, which aims to support public policy objectives through targeted investment facilitation. This approach would enhance the ability of banks to participate in equity investment schemes without facing undue prudential capital charges that act as a deterrent.

As highlighted in FESE's strategy paper for the Savings and Investments Union (SIU) (here), Europe must mobilise more long-term capital toward productive investments, especially equity financing. Public legislative programmes play a key role in de-risking such investments and catalysing private sector participation.