

Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance)

TITLE I

[^{X1}VALUATION AND RISK-BASED CAPITAL REQUIREMENTS (PILLAR I), ENHANCED GOVERNANCE (PILLAR II) AND INCREASED TRANSPARENCY (PILLAR III)]

CHAPTER V

SOLVENCY CAPITAL REQUIREMENT STANDARD FORMULA

SECTION 5

Market risk module

Subsection 5

Spread risk sub-module

Article 180

Specific exposures

1 Exposures in the form of bonds referred to Article 52(4) of Directive 2009/65/EC (covered bonds) which have been assigned to credit quality step 0 or 1 shall be assigned a risk factor $stress_i$ according to the following table.

Credit quality step Duration (dur_i)	0	1
up to 5	0,7 % . dur_i	0,9 % . dur_i
More than 5 years	$\min(3,5\% + 0,5\% \times (dur_i - 5); 1)$	$\min(4,5\% + 0,5\% \times (dur_i - 5); 1)$

2 Exposures in the form of bonds and loans to the following shall be assigned a risk factor $stress_i$ of 0 %:

^{F1}a

[^{F2}b United Kingdom central government and Bank of England denominated and funded in pounds sterling;]

c multilateral development banks referred to in paragraph 2 of Article 117 of Regulation (EU) No 575/2013;

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d international organisations referred to in Article 118 of Regulation (EU) No 575/2013;

Exposures in the form of bonds and loans that are fully, unconditionally and irrevocably guaranteed by one of the counterparties mentioned in points (a) to (d), where the guarantee meets the requirements set out in Article 215, shall also be assigned a risk factor $stress_i$ of 0 %.

[^{F3}For the purposes of point (b) of the first subparagraph, exposures in the form of bonds and loans that are fully, unconditionally and irrevocably guaranteed by regional governments and local authorities listed in Article 1 of Commission Implementing Regulation (EU) 2015/2011 ⁽¹⁾, where the guarantee meets the requirements set out in Article 215 of this Regulation, shall be treated as exposures to the central government.]

3 Exposures in the form of bonds and loans to central governments and central banks other than those referred to in point (b) of paragraph 2, denominated and funded in the domestic currency of that central government and central bank, and for which a credit assessment by a nominated ECAI is available shall be assigned a risk factor $stress_i$ depending on the credit quality step and the duration of the exposure according to the following table:

Credit quality step	Duration (dur_i)	0 and 1		2		3		4		5 and 6	
		a_i	b_i	a_i	b_i	a_i	b_i	a_i	b_i	a_i	b_i
up to 5	$b_i \times dur_i$	—	0,0 %	—	1,1 %	—	1,4 %	—	2,5 %	—	4,5 %
More than 5 and up to 10	$a_i + b_i \times (dur_i - 5)$	0,0 %	0,0 %	5,5 %	0,6 %	7,0 %	0,7 %	12,5 %	1,5 %	22,5 %	2,5 %
More than 10 and up to 15	$a_i + b_i \times (dur_i - 10)$	0,0 %	0,0 %	8,4 %	0,5 %	10,5 %	0,5 %	20,0 %	1,0 %	35,0 %	1,8 %
More than 15 and up to 20	$a_i + b_i \times (dur_i - 15)$	0,0 %	0,0 %	10,9 %	0,5 %	13,0 %	0,5 %	25,0 %	1,0 %	44,0 %	0,5 %
More than 20	$\min [a_i + b_i \times (dur_i - 20); 1]$	0,0 %	0,0 %	13,4 %	0,5 %	15,5 %	0,5 %	30,0 %	0,5 %	46,5 %	0,5 %

[^{F3}3a Exposures in the form of bonds and loans to [^{F4}the United Kingdom's] regional governments and local authorities not listed in Article 1 of Implementing Regulation (EU) 2015/2011 (*) shall be assigned a risk factor $stress_i$ from the table in paragraph 3 corresponding to credit quality step 2.

3b Exposures in the form of bonds and loans that are fully, unconditionally and irrevocably guaranteed by [^{F5}the United Kingdom's] regional government or local authority that are not listed in Article 1 of Implementing Regulation (EU) 2015/2011, where the guarantee

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meets the requirements set out in Article 215 of this Regulation, shall be assigned a risk factor $stress_i$ from the table in paragraph 3 corresponding to credit quality step 2.]

4 Exposures in the form of bonds and loans to an insurance or reinsurance undertaking for which a credit assessment by a nominated ECAI is not available and where this undertaking meets its Minimum Capital Requirement, shall be assigned a risk factor $stress_i$ from the table in Article 176(3) depending on the undertaking's solvency ratio, using the following mapping between solvency ratios and credit quality steps:

Solvency ratio	196 %	175 %	122 %	95 %	75 %	75 %
Credit quality step	1	2	3	4	5	6

Where the solvency ratio falls in between the solvency ratios set out in the table above, the value of $stress_i$ shall be linearly interpolated from the closest values of $stress_i$ corresponding to the closest solvency ratios set out in the table above. Where the solvency ratio is lower than 75 %, $stress_i$ shall be equal to the factor corresponding to the credit quality steps 5 and 6. Where the solvency ratio is higher than 196 %, $stress_i$ shall be the same as the factor corresponding to the credit quality step 1.

For the purposes of this paragraph, 'solvency ratio' denotes the ratio of the eligible amount of own funds to cover the Solvency Capital Requirement and the Solvency Capital Requirement, using the latest available values.

5 Exposures in the form of bonds and loans to an insurance or reinsurance undertaking which does not meet its Minimum Capital Requirement shall be assigned a risk factor $stress_i$ according to the following table:

Duration (dur_i)	risk factor $stress_i$
up to 5	7,5 % . dur_i
More than 5 and up to 10	37,50 % + 4,20 % . ($dur_i - 5$)
More than 10 and up to 15	58,50 % + 0,50 % . ($dur_i - 10$)
More than 15 and up to 20	61 % + 0,50 % . ($dur_i - 15$)
More than 20	$\min(63,5\% + 0,5\% \times (dur_i - 20); 1)$

6 Paragraphs 4 and 5 of this Article shall only apply as of the first date of public disclosure, by the undertaking corresponding to the exposure, of the report on its solvency and financial condition referred to in Article 51 of Directive 2009/138/EC. Before that date, if a credit assessment by a nominated ECAI is available for the exposures, Article 176 of this Regulation shall apply, otherwise, the exposures shall be assigned the same risk factor as the ones that would result from the application of paragraph 4 of this Article to exposures to an insurance or reinsurance undertaking whose solvency ratio is 100 %.

7 Exposures in the form of bonds and loans to a third country insurance or reinsurance undertaking for which a credit assessment by a nominated ECAI is not available, situated in a country whose solvency regime is deemed equivalent^{F6}... in accordance with [F7Article 379A of this Regulation], and which complies with the solvency requirements of that third-country, shall be assigned the same risk factor as the ones that would result from the application of paragraph

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4 of this Article to exposures to an insurance or reinsurance undertaking whose solvency ratio is 100 %.

8 Exposures in the form of bonds and loans to credit institutions and financial institutions within the meaning of points (1) and (26) of Article 4(1) of Regulation (EU) No 575/2013 which comply with the solvency requirements set out in Directive 2013/36/EU and Regulation (EU) No 575/2013, for which a credit assessment by a nominated ECAI is not available, shall be assigned the same risk factor as the ones that would result from the application of paragraph 4 of this Article to exposures to an insurance or reinsurance undertaking whose solvency ratio is 100 %.

9 The capital requirement for spread risk on credit derivatives where the underlying financial instrument is a bond or a loan to any exposure listed in paragraph 2 shall be nil.

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[^{F10}11 Exposures in the form of bonds and loans that fulfil the criteria set out in paragraph 12 shall be assigned a risk factor $stress_i$ depending on the credit quality step and the duration of the exposure according to the following table:

Credit quality step	Duration (dur_i)	0		1		2		3	
		a_i	b_i	a_i	b_i	a_i	b_i	a_i	b_i
up to 5	$b_i \cdot dur_i$	—	0,64 %	—	0,78 %	—	1,0 %	—	1,67 %
More than 5 and up to 10	$a_i + b_i \cdot (dur_i - 5)$	3,2 %	0,36 %	3,9 %	0,43 %	5,0 %	0,5 %	8,35 %	1,0 %
More than 10 and up to 15	$a_i + b_i \cdot (dur_i - 10)$	5,0 %	0,36 %	6,05 %	0,36 %	7,5 %	0,36 %	13,35 %	0,67 %
More than 15 and up to 20	$a_i + b_i \cdot (dur_i - 15)$	6,8 %	0,36 %	7,85 %	0,36 %	9,3 %	0,36 %	16,7 %	0,67 %
More than 20	$\min[a_i + b_i \cdot (dur_i - 20); 1]$	8,6 %	0,36 %	9,65 %	0,36 %	11,1 %	0,36 %	20,05 %	0,36 %

12 The criteria for exposures that are assigned a risk factor in accordance with paragraph 11 shall be:

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- a the exposure relates to a qualifying infrastructure investment that meets the criteria set out in Article 164a;
- b the exposure is not an asset that fulfils the following conditions:
 - it is assigned to a matching adjustment portfolio in accordance with [F11the Insurance and Reinsurance Undertakings (Prudential Requirements) Regulations 2023],
 - it has been assigned a credit quality step between 0 and 2;
- c a credit assessment by a nominated ECAI is available for the exposure;
- d the exposure has been assigned a credit quality step between 0 and 3.

13 Exposures in the form of bonds and loans that meet the criteria set out in paragraph 12(a) and (b), but do not meet the criteria set out in paragraph 12(c), shall be assigned a risk factor $stress_i$ equivalent to credit quality step 3 and the duration of the exposure in accordance with the table set out in paragraph 11.]

[F12]14 Exposures in the form of bonds and loans that fulfil the criteria set out in paragraph 15 shall be assigned a risk factor $stress_i$ depending on the credit quality step and the duration of the exposure according to the following table:

Credit quality step	Duration (dur_i)	0		1		2		3	
		a_i	b_i	a_i	b_i	a_i	b_i	a_i	b_i
	up to 5	—	0,68 %	—	0,83 %	—	1,05 %	—	1,88 %
	More than 5 and up to 10	$a_i + b_i \cdot (dur_i - 5)$	3,38 %	0,38 %	4,13 %	0,45 %	5,25 %	0,53 %	9,38 %
	More than 10 and up to 15	$a_i + b_i \cdot (dur_i - 10)$	5,25 %	0,38 %	6,38 %	0,38 %	7,88 %	0,38 %	15,0 %
	More than 15 and up to 20	$a_i + b_i \cdot (dur_i - 15)$	7,13 %	0,38 %	8,25 %	0,38 %	9,75 %	0,38 %	18,75 %
	More than 20	$\min[a_i + b_i \cdot (dur_i - 20); 1]$	9,0 %	0,38 %	10,13 %	0,38 %	11,63 %	0,38 %	22,50 %

15 The criteria for exposures that are assigned a risk factor in accordance with paragraph 14 shall be:

- a the exposure relates to a qualifying infrastructure corporate investment that meets the criteria set out in Article 164b;

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- b the exposure is not an asset that fulfils the following conditions:
 - it is assigned to a matching adjustment portfolio in accordance with [F13 the Insurance and Reinsurance Undertakings (Prudential Requirements) Regulations 2023],
 - it has been assigned a credit quality step between 0 and 2;
- c a credit assessment by a nominated ECAI is available for the infrastructure entity.
- d the exposure has been assigned a credit quality step between 0 and 3.

16 Exposures in the form of bonds and loans that meet the criteria set out in paragraph 15(a) and (b), but do not meet the criteria set out in paragraph 15(c), shall be assigned a risk factor $stress_i$ equivalent to credit quality step 3 and the duration of the exposure in accordance with the table set out in paragraph 14.]

Textual Amendments

- F1** Art. 180(2)(a) omitted (31.12.2020) by virtue of The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(26)(a)(i)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F2** Art. 180(2)(b) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(26)(a)(ii)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F3** Inserted by Commission Delegated Regulation (EU) 2019/981 of 8 March 2019 amending Delegated Regulation (EU) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (Text with EEA relevance).
- F4** Words in Art. 180(3a) substituted (31.12.2020) by The Risk Transformation and Solvency 2 (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1233), regs. 1(4), **6(9)(a)**; 2020 c. 1, Sch. 5 para. 1(1)
- F5** Words in Art. 180(3b) substituted (31.12.2020) by The Risk Transformation and Solvency 2 (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/1233), regs. 1(4), **6(9)(b)**; 2020 c. 1, Sch. 5 para. 1(1)
- F6** Words in Art. 180(7) omitted (31.12.2020) by virtue of The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(26)(b)(i)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F7** Words in Art. 180(7) substituted (31.12.2020) by The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(26)(b)(ii)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F8** Art. 180(10) omitted (31.12.2020) by virtue of The Solvency 2 and Insurance (Amendment, etc.) (EU Exit) Regulations 2019 (S.I. 2019/407), regs. 1(2), **11(26)(c)** (as amended by S.I. 2020/1385, regs. 1(2), 54(2) and with savings in S.I. 2019/680, reg. 11)
- F9** Art. 180(10a) omitted (31.12.2020) by virtue of The Financial Services (Miscellaneous) (Amendment) (EU Exit) Regulations 2019 (S.I. 2019/710), regs. 1(4), **28(3)**; 2020 c. 1, Sch. 5 para. 1(1)
- F10** Inserted by Commission Delegated Regulation (EU) 2016/467 of 30 September 2015 amending Commission Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for several categories of assets held by insurance and reinsurance undertakings (Text with EEA relevance).
- F11** Words in Art. 180(12)(b) substituted (30.6.2024) by The Insurance and Reinsurance Undertakings (Prudential Requirements) (Transitional Provisions and Consequential Amendments) Regulations 2024 (S.I. 2024/594), regs. 1(2), **6(6)** (with reg. 3)
- F12** Inserted by Commission Delegated Regulation (EU) 2017/1542 of 8 June 2017 amending Delegated Regulation (EU) 2015/35 concerning the calculation of regulatory capital requirements for certain

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categories of assets held by insurance and reinsurance undertakings (infrastructure corporates) (Text with EEA relevance).

F13 Words in Art. 180(15)(b) substituted (30.6.2024) by [The Insurance and Reinsurance Undertakings \(Prudential Requirements\) \(Transitional Provisions and Consequential Amendments\) Regulations 2024 \(S.I. 2024/594\)](#), regs. 1(2), **6(6)** (with reg. 3)

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- (1) [^{F3}Commission Implementing Regulation (EU) 2015/2011 of 11 November 2015 laying down implementing technical standards with regard to the lists of regional governments and local authorities, exposures to whom are to be treated as exposures to the central government in accordance with Directive 2009/138/EC of the European Parliament and of the Council (OJ L 295, 12.11.2015, p. 3).]

Textual Amendments

- F3** Inserted by [Commission Delegated Regulation \(EU\) 2019/981 of 8 March 2019 amending Delegated Regulation \(EU\) 2015/35 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance \(Solvency II\)](#) (Text with EEA relevance).

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Changes and effects yet to be applied to :

- [Recital 53 Sentence 1 replacement by EUR 2016/2283 Regulation](#)

Changes and effects yet to be applied to the whole legislation item and associated provisions

- [Art. 1\(18a\) words substituted by S.I. 2024/705 Sch. 2 para. 27\(a\)](#)
- [Art. 1\(18b\)\(a\) substituted by S.I. 2024/705 Sch. 2 para. 27\(b\)\(i\)](#)
- [Art. 1\(18b\)\(a\) word omitted by S.I. 2024/705 Sch. 2 para. 27\(b\)\(ii\)](#)
- [Art. 1\(18b\)\(c\) and word inserted by S.I. 2024/705 Sch. 2 para. 27\(b\)\(iii\)](#)
- [Art. 1\(19\) words substituted by S.I. 2024/705 Sch. 2 para. 27\(c\)](#)
- [Art. 1\(20\) words substituted by S.I. 2024/705 Sch. 2 para. 27\(d\)](#)
- [Art. 1\(21\) words substituted by S.I. 2024/705 Sch. 2 para. 27\(e\)](#)
- [Art. 1\(22\) words substituted by S.I. 2024/705 Sch. 2 para. 27\(f\)](#)
- [Art. 1\(23\) words substituted by S.I. 2024/705 Sch. 2 para. 27\(g\)](#)
- [Art. 177\(2\)\(b\) words omitted by S.I. 2019/407 reg. 11\(25\)\(a\) \(This amendment not applied to legislation.gov.uk. Reg. 11\(25\)\(39\) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1\(2\), 22\)](#)
- [Art. 177\(2\)\(h\)\(i\) words omitted by S.I. 2019/407 reg. 11\(25\)\(b\)\(ii\) \(This amendment not applied to legislation.gov.uk. Reg. 11\(25\)\(39\) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1\(2\), 22\)](#)
- [Art. 177\(2\)\(h\)\(i\) words substituted by S.I. 2019/407 reg. 11\(25\)\(b\)\(i\) \(This amendment not applied to legislation.gov.uk. Reg. 11\(25\)\(39\) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1\(2\), 22\)](#)
- [Art. 177\(2\)\(r\) words substituted by S.I. 2019/407 reg. 11\(25\)\(c\) \(This amendment not applied to legislation.gov.uk. Reg. 11\(25\)\(39\) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1\(2\), 22\)](#)
- [Art. 177\(2\)\(s\) words substituted by S.I. 2019/407 reg. 11\(25\)\(c\) \(This amendment not applied to legislation.gov.uk. Reg. 11\(25\)\(39\) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1\(2\), 22\)](#)
- [Art. 177\(2\)\(t\) words substituted by S.I. 2019/407 reg. 11\(25\)\(d\) \(This amendment not applied to legislation.gov.uk. Reg. 11\(25\)\(39\) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1\(2\), 22\)](#)
- [Art. 177\(5\)\(a\) words substituted by S.I. 2019/407 reg. 11\(25\)\(f\) \(This amendment not applied to legislation.gov.uk. Reg. 11\(25\)\(39\) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1\(2\), 22\)](#)
- [Art. 177\(5\)\(c\) words substituted by S.I. 2019/407 reg. 11\(25\)\(f\) \(This amendment not applied to legislation.gov.uk. Reg. 11\(25\)\(39\) omitted immediately before IP completion day by virtue of S.I. 2019/710, regs. 1\(2\), 22\)](#)
- [Art. 257\(1A\) inserted by S.I. 2024/705 Sch. 2 para. 28\(3\)](#)
- [Art. 257\(6\) inserted by S.I. 2024/705 Sch. 2 para. 28\(7\)](#)