

**Comments on Consultation 29-09 Draft L2 Advice on Own Funds - Criteria for supervisory approval of ancillary own funds**

**Name company: PricewaterhouseCoopers LLP UK**

**Please insert your comments in the table below, and send it to [secretariat@ceiops.eu](mailto:secretariat@ceiops.eu) in word format. In order to facilitate processing of your comments, we would appreciate if you could refer to the relevant section and/or paragraph in the Consultation Paper 29-09.**

<b>Reference</b>	<b>Comment</b>
General comment	<p>We support the clear articulation of the key issues and possible options for the approach to supervisory approval of ancillary own funds. Also the detailed criteria that a supervisory authority should consider in the approval process.</p> <p>However we are concerned that our clients may find the approval process unduly burdensome particularly the re-approval required every 12 months or in the eventuality of significant changes in circumstances of the counterparty providing the funds. This will be of particular relevant to the Lloyds market where use of letters of credit are currently permitted to support solvency.</p> <p>In addition, for clients that may need to rely on ancillary own funds to support their solvency, uncertainty of withdrawal of approval at short notice may give rise to solvency issues.</p> <p>It would be helpful to set out the expected maximum time frame for granting approval once a complete application has been received.</p>
Para 3.33	<p>Whilst we acknowledge the need to avoid where possible a mechanistic approach, it is difficult to see how supervisory authorities with different ranges of skills and competencies will ensure equivalence across the EU spectrum.</p>
Para 3.38	<p>An undertaking is likely only to seek approval for ancillary own funds where it has a need to support its solvency position. The uncertainty in respect of whether full, partial or no approval is forthcoming may make it difficult for capital planning.</p>
Para 3.39	<p>As approval is only granted for 12 months, the possibility exists that an item of ancillary own funds may not be granted re-</p>

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	approval and a firm may therefore need to find additional own funds at short notice. We believe that there should be flexibility in the term for which approval is granted.
Para 3.40.	We agree it is sensible to review the approved amount where the circumstances of the counterparty have changed significantly. However this may result in an item of ancillary own funds having approval suddenly withdrawn and a firm may therefore need to find additional own funds at short notice.