

Sue Forster

From: AREF Jacqui Bungay <JBungay@aref.org.uk>
Sent: 05 January 2024 09:45
To: 'CP19_23@bankofengland.co.uk'
Cc: Paul Richards; Ion Fletcher; Sue Forster; Jeff Rupp
Subject: AREF/BPF/IPF/INREV response to CP19/23 Review of Solvency II: Reform of the Matching Adjustment
Attachments: 240105 - Property industry representation on Solvency II MA reform.pdf

Our associations (AREF, BPF, IPF and INREV) represent investors and owners in UK real estate, and those who support them, (more details about our associations can be found at the end of the attached document), and we are jointly responding to **CP19/23 – Review of Solvency II: Reform of the Matching Adjustment**.

Last year we submitted a paper to HM Treasury, which we also shared with the PRA, setting out the importance of investment in real estate within the Matching Adjustment. A copy of this is attached. We therefore welcomed the policy change to widen the range of assets eligible for the Matching Adjustment through allowing investment in assets with highly predictable cash flows rather than just fixed cash flows.

However, we are concerned that the complexity of the rules as proposed by the PRA, the increased Fundamental Spread and the requirement for third party attestation will make the regime unattractive, thus undermining the policy objective of widening the range of eligible assets. This would defeat the government's broader objective of encouraging investment by insurers in infrastructure, housing and urban regeneration.

We are not in a position to comment in detail on the proposals but understand that other organisations will be doing so. However, we would welcome further engagement with the PRA on the concerns we have mentioned above and the points made in the attached paper. This can be arranged through Jacqui Bungay, Policy Secretariat, AREF (jbungay@aref.org.uk).

Please note that we agree to the publication of the names of our organisations in the PRA's feedback response to this consultation. Also, we are happy for our response to be shared with the FCA and HM Treasury.

Sent on behalf of:

Melanie Leech CBE, Chief Executive, British Property Federation
Sue Forster Chief Executive, Investment Property Forum
Paul Richards, CEO, Association of Real Estate Funds
Jeff Rupp, Director of Public Affairs, INREV

Jacqui Bungay | AREF Policy Secretariat

M: +44 7950 926044 **T:** 020 7269 4677
E: JBungay@aref.org.uk



Camomile Court, 23 Camomile Street, London, EC3A 7LL

www.aref.org.uk

