



# Capital Relief

## Overview

Banks, intermediaries and other regulated entities in the financial sector need to maintain specific levels of regulatory capital to act as a buffer against financial volatility. Further to growing regulation in this area, including Basel III and its implementation by regulators around the world, banks and other regulated entities are facing increasing challenges in relation to both the quantity and the quality of the regulatory capital they are required to maintain.

## Motivation

Our capital relief insurance assists financial institutions in meeting their growing regulatory capital requirements. Our solutions are often bespoke to our insureds but have typically been applied in the following areas:

- ▶ counterparty credit risk
- ▶ securitisation related risk weighted assets
- ▶ market and trading book risk
- ▶ operational risk

## What we look for

The purpose of capital relief insurance is to enable our insureds to effectively meet their regulatory capital requirements. The motivation for our insurance should always be to assist our insureds in achieving this goal, rather than the simple transfer of an undesirable risk.

## What we can provide

We have a dedicated and market-leading underwriting team who have a detailed knowledge of the capital requirement regulations and unique experience in providing regulatory capital solutions to a range of insureds in the regulated financial sector.

## Line size

Up to USD 50 million (or local currency equivalent) on any one transaction.

## Territories

We write business worldwide.



## Illustrative applications

### Securitisation related risk weighted assets

Financial institutions may have risk weighted assets on their balance sheet in the form of liquidity facilities or other exposures, as a result of their involvement in securitisations.

Notwithstanding the structural protections and high levels of collateralisation such exposures typically benefit from, financial institutions may nevertheless be required to apply a disproportionately penal risk weighting to such assets. Our bespoke capital relief policies de-risk these exposures and enable financial institutions to apply a less penal risk weighting to such assets, thereby releasing capital for the insured.

### Counterparty credit risk

Institutions such as clearing houses, broker-dealers, stock lenders and other financial intermediaries have to assume counterparty credit risk as part of their day to day operations.

Where an intermediary is required to apply a risk weighting to such counterparty credit risk that is disproportionate to the commercial risk, we are able to look at providing cover in order to provide capital relief to our insured.

## Contact us



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