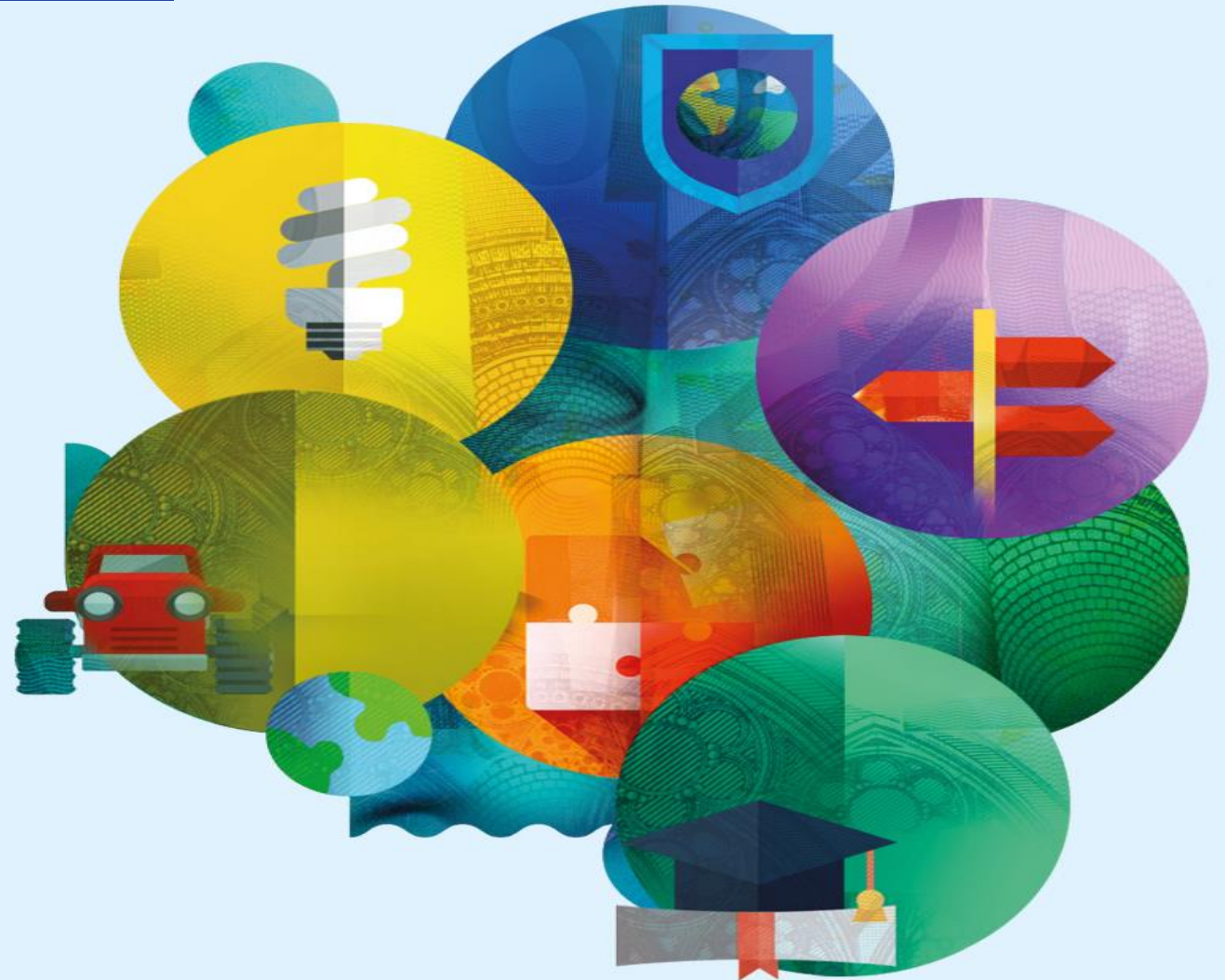


Risk Methodological Framework

Preparing InvestEU

19th June 2019, Luxembourg

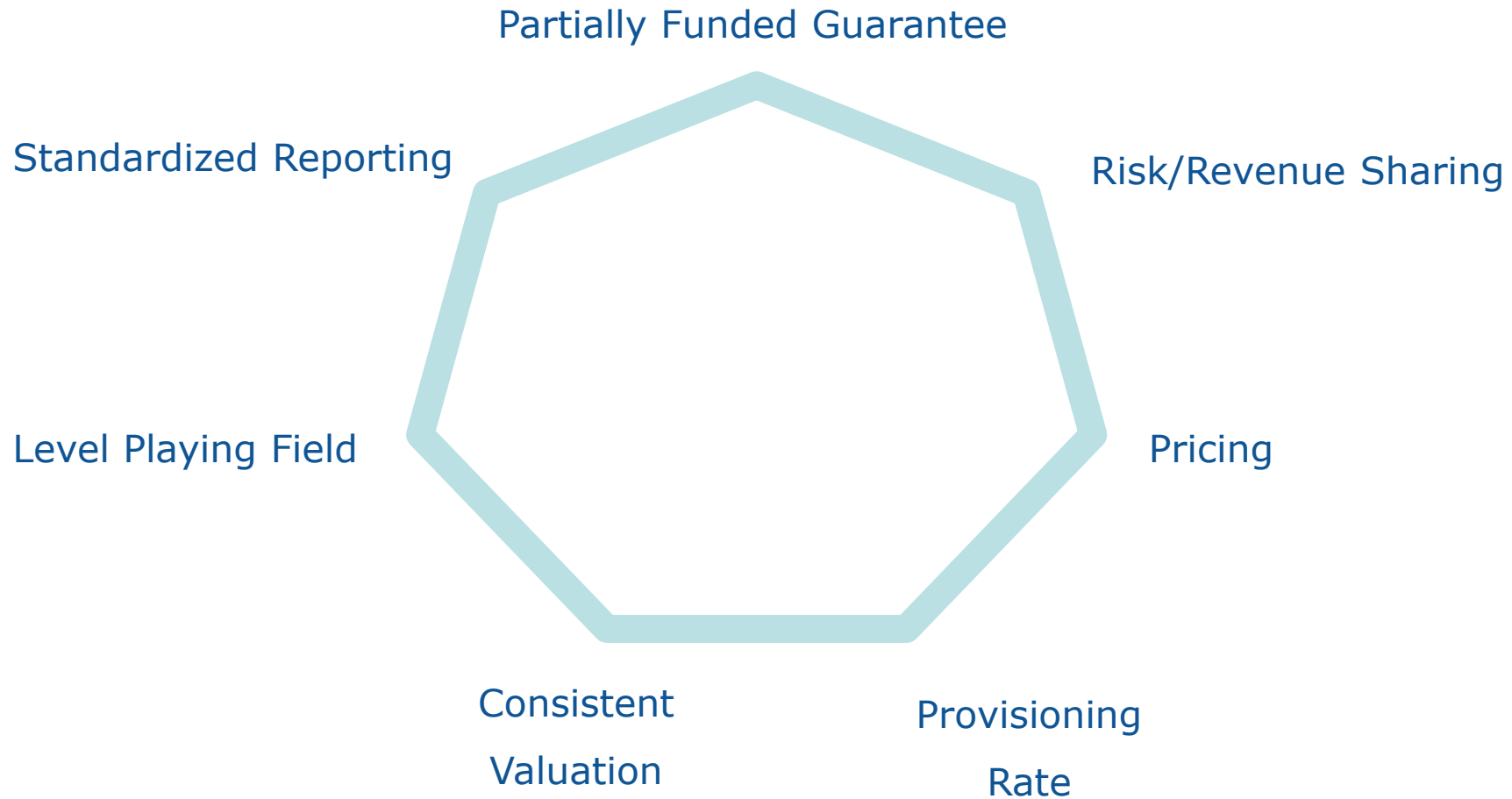
Andreas Fischer (DG ECFIN)



Overview

- ***Why do we need risk management?***
- ***Expected Timeline***
- ***Risk Management System***
- ***Risk Methodological Framework***
- ***Risk Management Principles***
- ***Risk Management Network***

Why do we we need risk management in InvestEU?



InvestEU risk management system

- *compatibility of the allocation of the InvestEU guarantee with its **provisioning rate** and the overall **risk appetite of the Commission***
- ***adequacy of the provisioning rate over the lifetime** of InvestEU guarantee*
- ***regular reporting and monitoring** of the underlying financing and investment operations during the lifetime of InvestEU*
- ***consistent risk terms** for the set of financial products to be deployed by the implementing partners under InvestEU*

InvestEU Risk Methodological Framework

- *a **risk methodology**, including risk valuation models for the various financial products and for the aggregation of risks from different implementing partner portfolios*
- *a **risk mapping system** relating to the financing and investment operations of the implementing partners, in order to allow such operations to be assessed on a common rating scale*
- *a **risk profile indicator** to be included by implementing partners in the Scoreboard and submitted for each financing and investment operation to the Investment Committee*
- ***standardised monitoring and reporting requirements** in relation to the relevant risk parameters of financing and investment operations under the InvestEU Fund*

Risk management principles (1/2)

- A pre-defined set of **standardised financial products** with specific **risk and revenue-sharing**
- **Pricing** (when relevant)

The Commission will decide upon the risk valuation model underlying each financial product.

- Ex-ante **pillar assessment**
- Before the signature, the **risk profile** of each financial product included in a guarantee agreement will be estimated
- Risk estimates **will be based on data provided by the implementing partners** for each type of financial product
- The **EIB** will provide a **non-binding opinion** on the financial risk and terms of each guarantee agreement with an implementing partner

Risk management principles (2/2)

- *Implementing partners will **periodically provide** to the Commission **risk data** on the operations using the **standardised risk reporting templates***
- *The Commission may request additional data from the implementing partners in duly justified cases*
- *The EIB Group will support the Commission*
 - **by carrying out simulations and projections on the financial risk and remuneration of the aggregate InvestEU portfolio**
 - **carrying out financial risk measurement and financial reporting of the aggregate portfolio**
- *In order to achieve a balanced portfolio of InvestEU operations that is overall in line with the risk appetite of the Commission, **additional conditions can be defined** in the guarantee agreements with implementing partners.*

InvestEU Risk Management Network

- *In the **set-up phase** of the InvestEU Fund, a risk management network will be created **to support the Commission**, in particular, for the **preparation of the risk methodological framework***
- *It will be composed of representatives of the Commission and of **senior risk management experts** representing the implementing partners **as agreed with the Commission.***



Q&A Session

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