



2. **Conditions:**

- The credit exposure to counterparties within tied assets is permitted only if the counterparty is a creditworthy and reliable debtor. This implies that the counterparty must have a good credit history and a strong financial position to ensure that it can repay its debts on time.
- The credit exposure to counterparties within tied assets is also permitted if the counterparty is a government or a government agency. This is likely due to the perceived stability and reliability of such entities in terms of their ability to repay their debts.
- The credit exposure to counterparties within tied assets is not permitted if the counterparty is a related party. This means that any exposure to a party that is closely related to the insurance company, such as a subsidiary or an affiliate, is not allowed.
- The credit exposure to counterparties within tied assets is not permitted if the counterparty is a party to a derivative transaction with the insurance company. This is likely to prevent conflicts of interest and ensure that the insurance company's exposure to the counterparty is not unduly influenced by the derivative transaction.

These limitations and conditions are designed to ensure that the insurance company's exposure to counterparties within tied assets is managed in a prudent and responsible manner, with a focus on creditworthiness and reliability of the counterparties, and to prevent conflicts of interest and undue influence from derivative transactions.

Answer 2:

The limitations and conditions for credit exposure to counterparties within tied assets, as outlined in the FINMA Circular 2016/5, include specific caps on exposure and requirements to ensure that credit risk is managed appropriately. Here are the key points:

Limitations on Counterparty Expos ↓



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