



the insurer's obligations to policyholders and maintaining financial stability.



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You are a helpful assistant. Make direct answers with good explanations. Do not lie and if you do not know the answer, say you do not know. Answer this question:  
What specific limits are placed on investments in foreign currencies?

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According to the FINMA Circular 2016/5 for insurers, specific limits are placed on investments in foreign currencies to manage currency risk effectively. These limits are as follows:

#### 1. Foreign Currency Exposure Limit:

- Investments in foreign currencies must not exceed 20% of the target amount of the tied assets. This limitation helps ensure that the currency exposure remains manageable and does not disproportionately increase the risk to the financial stability of the insurance company.

#### 2. Currency Matching:

- Obligations arising from insurance contracts should be covered by investments in matching currencies. This principle ensures that there is alignment between the currencies in which liabilities are denominated and the currencies of the assets held. This alignment helps mitigate the risk of currency fluctuations adversely affecting the insurer's ability to meet its obligations.

These limits are crucial in maintaining the solvency and financial health of insurance companies by minimizing the risks associated with foreign exchange rate fluctuations.



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