

annually to FINMA, detailing the usage, risk exposure, and compliance with the set regulatory requirements.

Liquidity Management

When using derivatives as part of their investment strategies, maintaining sufficient liquidity is crucial:

- **Liquidity Reserves:** Insurance companies must ensure they have enough liquid assets or cash equivalents to meet obligations from derivatives at all times. This is especially critical for derivatives with potential future financial obligations like margin calls.
- **Cash and Cash Equivalents:** These can include readily available funds such as cash deposits and highly liquid government bonds, which are counted towards covering potential derivative payouts.
- **Prohibitions on Double Usage:** The same assets or liquidity must not be used to cover multiple derivative positions unless they cover different aspects of the same underlying asset, ensuring clear and unambiguous coverage for each position.

Organizational and Infrastructure Requirements

- **Qualified Personnel:** Companies must employ staff with specific qualifications and knowledge suitable for managing derivatives.
- **Adequate Systems:** Adequate systems and infrastructure must be in place to support the complex nature of derivative transactions, including robust risk management and investment monitoring systems.

Compliance with Internal and Regulatory Guidelines

- **Adherence to Investment Strategies:** All derivatives used must align with the company's broader investment strategies and risk management frameworks.
- **Compliance Monitoring:** Continuous monitoring and control of compliance with both internal directives and external regulatory requirements are mandatory.

Through these stringent management, reporting, and liquidity maintenance requirements, insurance companies can ensure that their use of derivatives aligns with regulatory



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