

associated with the allocation of investments to tied assets help to ensure transparency and accountability. This is important for demonstrating to regulators and stakeholders that the insurance company is managing its tied assets in a responsible and effective manner.

In summary, the criteria and process for allocating an investment to tied assets are designed to ensure that the investments in the tied assets portfolio are suitable for their intended purpose, are managed effectively to reduce risk, and are subject to rigorous documentation and review processes to ensure transparency and accountability.

Answer 2:

The criteria and process for allocating an investment to tied assets are comprehensively outlined in the FINMA Circular 2016/5. Here's a detailed explanation based on the guidelines:

Criteria for Allocating Investments to Tied Assets

Permissibility and Eligibility: The investment must be a permissible value under the applicable regulations (Art. 79 or Art. 68 para. 2 SO) and must comply with the specific requirements set out in the Circular.

Valuation: The investment should be easily valued without significant problems.

Liquidity: Investments must exhibit a high level of liquidity relative to their investment category.

Expertise and System Requirements: There must be the necessary expertise and appropriate systems and processes in place for selecting, managing, and controlling the investment.

Risk Understanding: The financial, legal, and operational risks associated with the investment should be fully understood.