2. Furthermore, the limit for investments in foreign currencies is also set at 10% of the target amount of the tied assets for each individual tied asset. This means that for each specific tied asset, the investment in foreign currencies should not exceed 10% of the target amount of that tied asset. This limit is designed to prevent excessive exposure to foreign currency risks for individual tied assets.

These limits are in place to manage the risks associated with foreign currency investments, particularly the risks of currency fluctuations and the potential for losses due to exchange rate movements. By setting these limits, the regulatory framework aims to ensure that insurance companies do not overexpose their tied assets to foreign currency risks, thereby safeguarding the stability and security of the tied assets.
Answer 2:
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