

**Comments Template on Consultation Paper on the creation of a
standardised Pan-European Personal Pension product**

**Deadline
05 October 2015
23:59 CET**

Name of Company:		
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Confidential/Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP-15-006@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering refers to the Consultation Paper on the the creation of a standardised Pan-European Personal Pension product (see Annex 3 of consultation paper)</p>		
Reference	Comment	
General comment	<p>This document summarises the opinions of Assofondipensione, Assoprevidenza and Mefop on the public consultation for the creation of a standardized Pan-European Personal Pension Product issued by EIOPA.</p> <p>Assofondipensione embody the interests of 32 workplace Italian Pension Funds. Their members represent 1.9 million employees and AUM equal to 40 billion Euros. It is member of AEIP (European Association of Paritarian Institutions)</p> <p>Assoprevidenza embody the interests of more than 170 workplace Italian Pension Funds. Their members represent AUM exceeding 13 billion Euros. It is member of AEIP (European Association</p>	

	<p>of Paritarian Institutions).</p> <p>Mefop is jointly owned by the Italian Ministry of Economics and Finance, which is the main shareholder, and by 90 Italian Pension Funds (both occupational and personal). It is member of AEIP (European Association of Paritarian Institutions) and of PensionsEurope.</p> <p>Assofondipensione, Assoprevidenza and Mefop are in favour of all the initiatives that can encourage the participation of the employees to the supplementary pension schemes, so that they can achieve a pension treatment adequate to their needs and expectations at retirement. This goal is particularly important taking into account the growing need to adjust the public pensions, whose level of coverage is expected to fall in the coming years as a result of the overhauls of the pension systems adopted in many member states of the European Union.</p> <p>We also share the efforts of EIOPA to promote a simple, transparent and comparable personal pension product in order to develop an informed membership and prevent potential members (consumers) from the negative effects of asymmetric information on the market of personal pensions.</p> <p>Nevertheless, the EIOPA proposal to create a new Pan-European personal pension product shows some critical profiles related to the dynamics of the market of existing personal pension products (PPP) that should be carefully assessed. Without an in-depth analysis of this concerns there is the risk of damaging the interests of consumers instead of to protect them. In addition, the PEPP risk to curb the development of the supplementary pensions instead of to build up. In both cases the objectives declared by EIOPA to develop the PEPP risk to be contradicted. The new Pan-European personal pensions, which should be provided together with those already existing in each Member State, could be problematic especially in those countries where the already existing personal pension products are well regulated and developed, representing a significant percentage of the overall market of pension schemes of the country. The PEPP, that should be subject to different and weak rules than those currently applying to already existing PPP in every member states (at least in some Member states like Italy), is likely to favour the risk of regulatory arbitrage that, in the end, could decrease the level of protection of members (customers) and, at the same time, limits the development of pension funds.</p>	
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	<p>In Italy the effects of the regulatory arbitrage may be even more deeper as personal pension products and IOPR's share almost the same regulatory framework. Moreover, in Italy (but also in other Member States) in some cases, based on specific agreements between an employer and his employees, personal pension products act as a IORP. In that cases PPP are a second pillar scheme, both for employees and, to a greater extent, for self-employed workers.</p> <p>A PEPP should be clearly distinguished from 2nd pillar IORPs. A PEPP has to be considered as a 3rd pillar product, and as such, in no way comparable to occupational, work related pension schemes. In this context, it is up to each Member State to give a definition of what a pillar is. The key factor to distinguish between second and third pillar pension schemes should be the involvement of the employer in the contributions payment in favour of his employees.</p> <p>The idea of EIOPA to enable all financial intermediaries to provide PEPP, even those not subjected to EU directives on financial service provision, raises great concerns. Even though useful, a specific authorization process (stand-alone) does not seems to be sufficient to dismantle the uncertainties linked to the concern. There are two main concerns. First of all even providers far from the market of supplementary pensions provision and with a low skill on this field may be providers of PEPP. Furthermore, in the market there will be two different providers of personal pension products: those already existing, subjected to the authorization process of each Member State, and those offering the new PEPP subjected to the stand-alone authorization on the basis of the EU framework. Once again, EIOPA risk to fail matching the achievement of the objectives envisaged to establish PEPP, contradicting that goals.</p> <p>The need to properly define what a PEPP is and its providers is a particularly valuable issue, also taking into account the proposal of EIOPA to extend to PEPP the tax incentives that currently already benefit personal pension products at national level. Tax incentives for supplementary pension schemes are justified from their particular purposes: pension funds are not a purely financial investment, they are an investment in order to get an adequate income for old age. Allowing all financial intermediaries to provide PEPP, there is the risk that also investments far from "pension purposes", which do not offer an adequate level of coverage at retirement and which are a pure financial investment, may be considered as a pension plan, thus benefiting of the same tax incentives. Once again, such a distortion may be further worsened by the presence on the market of two different providers who deal with different and asymmetric regulatory</p>	
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	<p>environments. This risk is particularly relevant for Italy as PPP and IORP share the same tax treatment. The regulation of PEPP should allow national authorities to limit tax incentives only to providers of PEPP who:</p> <ul style="list-style-type: none"> - are provided by financial intermediaries with capital requirements, governance and organizational structure adequate and consistent to carry out the provision of PEPP, - provide to their members a level of protection at least not lower than those provided by the already existing PPP operating in the Member State of reference. <p>The regulation of PEPP, based on the coexistence of national and EU rules could create a lots of organizational problems for PEPP providers, particularly for those committed in the cross-border activity. In addition, there could be negative consequences also for consumers because the levels of protection assured by PEPP would not be homogeneous but differentiated on the basis of the national contexts. In assessing the degree of standardization of the PEPP, EIOPA should consider the effects that would occur on the markets of PPP at national level as well as the consequences on the consumer care.</p> <p>For all these concerns, it seems difficult to understand why EIOPA, with the agreement of the EU Commission, only concentrate on the potentialities and doubts of the so-called 2nd regime. As demonstrated by the brief analysis carried out by EIOPA at the beginning of the consultation paper, the market of personal pension products is already highly developed across EU, with the insurance companies as incumbent. The EU Authorities should even consider the other approach suggested in the Call for Advice of the European Commission released on July 2014, which is based on the establishment of a common regulatory framework as much uniform as possible for PPP (or at least the major ones) currently provided and on the release of a "passport" for the cross-border activity. The strengthening of the multi-pillar approach to promote the growth of supplementary pension schemes, one of the goals of PEPP's, may be better achieved by improving the effectiveness of the schemes already in place (both occupational and personal), rather than enrich the supply-side of the market with a new type of pension product. With the provision of the PEPP there will be only the risk to raise confusion among potential members and, thus, in the end, negatively affect the rights of consumers which, instead, EIOPA would like to protect.</p>	
Question 1	<i>Do stakeholders think there is a need for a stand-alone authorization requirement or would</i>	

	<p><i>existing Union law sufficiently cover all potential PEPP providers, including those who would issue PEPP's but who are not already authorized by another existing authorization regime?</i></p> <p>It is important to stress that the provision of a PEPP should be only admitted for financial intermediaries which fulfil the requirements established by the competent authorities and which have a mission comparable with the provision of a pension product.</p> <p>Although for financial intermediaries not dealing with EU directives on financial services a stand-alone authorization process should be expected when providing a PEPP, the provision do not seems sufficient to avoid the risk of creating an "unlevelled playing field" between operators which refer to different regulatory frameworks. This condition, when occurring, will only worsen the interests of members/customers of both PPP and PEPP.</p> <p>For financial intermediaries falling within the scope of the EU Directives on financial services provision and which already provide personal pension plans or other forms of supplementary pensions, given the similarities with PEPP, no new authorization regime should be requested.</p>	
Question 2	<p><i>Do stakeholders agree that a highly prescriptive 2nd regime will achieve the policy objectives of ensuring a high minimum standard of consumer protection and encouraging more EU citizens to save for an adequate retirement income?</i></p> <p>The creation of a new EU harmonized 2nd regime of PPP, is likely to end up a weak regulation of the market, with the risk of worsening the protection of members/consumers, particularly in countries where the 3rd pillar is already developed and very well regulated. This achievement, not only contradicts one of the key reasons put forward by EIOPA to develop PEPP, but is likely to erode the trust of employees and other potential members on supplementary pension products, negatively affecting the membership of pension funds (both occupational and personal).</p> <p>The negative effects of this sort of "race towards the bottom" could be further exacerbated by the proposal of EIOPA to extend to PEPP the tax incentives currently supporting national PPP.</p> <p>To achieve the policy objectives of ensuring a high minimum standard of consumer protection and encouraging more EU citizens to save for an adequate retirement income could be really useful if EIOPA also access the other approach suggested in the Call for Advice of the European</p>	

	<p>Commission to the Authority released on July 2014: establishment of a common regulatory framework as much uniform as possible for all PPP (or at least the major ones) currently provided at national level and on the release of a "passport" for the cross-border activity.</p>	
<p>Question 3</p>	<p><i>Do stakeholders agree that EIOPA has identified the correct challenges associated with introducing a 2nd regime? If so, how might these challenges be overcome? If not, what do stakeholders believe might be other challenges associated with introducing 2nd regime?</i></p> <p>Correctly EIOPA recognizes that the main risk related to the introduction of a 2nd regime of PEPP is the regulatory arbitrage between PEPP and PPP already issued at national level. The risk of regulatory arbitrage is higher when national regulation is already very well structured and functioning.</p> <p>Unfortunately there are a lot of concerns on the effectiveness of the measures envisaged by EIOPA to overcome regulatory arbitrage. Given certain conditions, we agree with the assumption that an increased competition may end up with a more efficient market and, in the end, with more consumers protection. Nevertheless the market of supplementary pension products, particularly 3rd pillar products, shows some peculiarities that EIOPA should take into account. In fact, the financial and economics literature find out huge information gaps and inertia on the demand-side that very often prevent members/potential members to take an effective advantage from the opportunities offered by the market. When leaving to the only competition between providers the achievement of a more efficient market and, consequently, a higher consumers protection, EIOPA should take in mind such information asymmetries, which end up with a market failure if not well addressed. EIOPA should carefully evaluate the possible spillover of this failures on the income of the members of PEPP when retire.</p> <p>Once again, The EU Authorities should even consider the other approach suggested in the Call for Advice of the European Commission released on July 2014, which is based on the establishment of a common regulatory framework as much uniform as possible for PPP's (or at least the major ones) currently provided and on the release of a "passport" for the cross-border activity. The strengthening of the multi-pillar approach to promote the growth of supplementary pension schemes, one of the goals of PEPP's, may be better achieved by improving the effectiveness of the schemes already in place (both occupational and personal), rather than enrich the supply-</p>	

	side of the market with a new type of pension product which, up to now, does not seem very well defined, at least as regards the profile of customer care.	
Question 4	<p><i>Do stakeholders believe that an investment option containing a guarantee, e.g. a 0% minimum return guarantee, does not require in addition a life-cycle strategy with de-risking when approaching retirement?</i></p> <p><i>Do stakeholders believe that an investment option containing a guarantee, e.g. a 0% minimum return guarantee, does not require in addition a life-cycle strategy with de-risking when approaching retirement?</i></p> <p>We agree on the fact that an investment option containing a guarantee (e.g. a 0% minimum return guarantee) and a life cycle strategy should be alternatives. The providers should be free to decide whether to offer a guarantee or a life-cycle strategy, but there seems to be little value in combining in the same option a life-cycling strategy and a guarantee.</p> <p>In some Member States it is mandatory to have a life-cycle strategy option available, in other countries a guarantee is mandatory. For example in Italy the default line has to provide members with a minimum guarantee (either a 0% minimum return or a fixed return, for example 1%). The provision of a minimum guarantee is usually more expensive than a life-cycle strategy, particularly in the current low interest rates environment. Thus if the national law requires a given default option, providers of PEPP need to abide by the national legislation in offering at least the investment option that responds to national rules.</p>	
Question 5	<p><i>Do stakeholders agree to limit the number of investment options, e.g. to five?</i></p> <p>We agree on the need to limit the number of investment options in order to achieve a high level of protection for members/consumers. A redundant number of investment lines may increase the risks linked to the asymmetric information among characters of the market, particularly relevant when members/potential members show a poor financial skill. Into this framework providers should be free to set up the number of lines of their PEPP.</p>	
Question 6	<p><i>Do stakeholders agree that the default investment option should either be based on a life-cycle strategy with de-risking or be assisted by a guarantee, e.g. a 0% minimum guarantee?</i></p> <p>It should be up to Member States to define the investment option that better fits with national view on what the optimal default option is.</p>	

	<p>However, when arranging for the default line, EIOPA should take into account the national regulations already existing in this field. In some Member States it is mandatory to have a life-cycle strategy option available, in other countries a guarantee is mandatory. For example in Italy the default line has to provide members with a minimum guarantee (either a 0% minimum return or a fixed return, for example 1%). The provision of a minimum guarantee is usually more expensive than a life-cycle strategy, particularly in the current low interest rates environment. Thus if the national law requires a given default option, providers of PEPP need to abide by the national legislation in offering at least the investment option that responds to national rules.</p>	
Question 7	<p><i>Do stakeholder agree that providers should have a duty of care concerning the sustainability of investment options? What should be its extent? For example, should providers prevent switching to high risk investment options close to retirement?</i></p> <p>Providers have a duty of care to offer suitable investment options for every risk profile and time horizon, and they have a duty of care with regard to providing consumers with the information and tools to make informed decisions.</p> <p>We do not fully agree with the EIOPA proposal to ban switching to high risk investment options close to retirement. Members of PEPP should always be free to modify their investment decisions based on their need for retirement. EIOPA should consider to link the switch to high risk investment options close to retirement with the provision to the member of adequate information on the possible effects and risks associated to his choice. This information tools are easy to provide particularly for on line distributed PEPP.</p>	
Question 8	<p><i>Alternatively, would it be better for all investment options to contain either a life-cycling strategy with de-risking or a guarantee?</i></p> <p>We disagree on the fact that all the investment options should contain a life-cycle strategy or a guarantee. Presumably, this solution will only end up with an excessive burden in terms of costs for members. Moreover, different investment options than life-cycle or guarantee may be preferable.</p>	
Question 9	<p><i>Could you elaborate on whether PEPP providers, offering a PEPP with minimum return guarantees, should be subject to one identical solvency regime to support these guarantees or whether it would be sufficient that different, but equivalent, solvency rules apply?</i></p>	

	<p>It is better for every provider to refer to its own regulation instead of to elaborate a specific solvency regime for PEPP.</p> <p>Great concerns arise on this matter for PEPP providers not covered by EU Directives on financial services provision. A possible solution could be to apply the rules currently in place for other providers of PEPP with similar features.</p>	
Question 10	<p><i>Considering the fact that the PEPP aims to maximise returns outweighing inflation, should retirement savers be allowed to buy a PEPP if the remaining duration of the product is, e.g. only 5 years?</i></p> <p>We agree on the fact that PEPP have to try to maximize returns outweighing inflation and on the fact that to reach this achievement a long time horizon is usually needed.</p> <p>However we disagree on the fact that retirement savers should be prevented to buy a PEPP if the remaining duration of the product is, e.g. only 5 years. Membership of a PEPP should be only based on the evaluation by the potential member of his own need for retirement. Providers of PEPP could provide the potential members close to retirement with the tools to evaluate whether the proposed investment fit for their need. This information tools are easy to provide particularly for on line distributed PEPP.</p>	
Question 11	<p><i>What is the stakeholders' view on the desire of the PEPP holders on the one hand to have the comfort of knowing they can switch products or providers compared with the desire on the other hand to maintain the benefits of illiquid, long-term investments?</i></p> <p>Generally we share the idea to let members change PEPP without specific costs. If national Personal pension plans are already submitted to more strict rules with a higher degree of members protection, and particularly if they act as second pillar regime, possibility and conditions for switch should be fixed by national control authorities, as this kind of switch could lead to a deterioration in the degree of member/consumer wealth, instead of an improvement.</p>	
Question 12	<p><i>Under what conditions do stakeholders think that the concepts of periodically switching providers and illiquid, long-term investments are reconcilable?</i></p> <p>It is a quite complex question. If the total PEPP exposure face to illiquid assets is limited, the possibility to transfer his personal account could not lead to particular problems in the portfolio management. Anyway the switch option could be made only if a period of time coherent with</p>	

	illiquid degree of assets has occurred.	
Question 13	<p><i>What do stakeholders believe is an appropriate interval for switching without incurring additional charges?</i></p> <p>It is a quite complex question. If the total PEPP exposure face to illiquid assets is limited, the possibility to transfer his personal account could not lead to particular problems in the portfolio management. Anyway the switch option could be made only if a period of time coherent with illiquid degree of assets has occurred.</p>	
Question 14	<p><i>What do stakeholders think of the proposition that the starting point for disclosure during the pre-contractual phase should be the PRIIPs disclosure elements? Please explain any aspects of these which you believe would be specifically unsustainable for PEPPs?</i></p> <p>We share the idea of basing the PEPPs pre-contractual informative on KID as stated for PRIIPs, also considering the aim of selling them in a Pan-European context in order to offer to potential members the possibility of comparison on the bases of few and clear information.</p> <p>Therefore if, at national level, there are already rules about disclosure for existing Personal pension plans that provide more complete and exhaustive information, particularly where these plans operate in the context of second pillar and/or a fiscal incentive is given to PEPP, national control authorities must have the power to align the information of PEPPs with national rules.</p> <p>Otherwise you can have the same risk of ruling arbitrage that could lead providers to focus on the entity that presents less administrative and bureaucratic costs, with a reduction of protection for consumers.</p>	
Question 15	<p><i>What do stakeholders think of facilitating sales of PEPP's via the internet? What should be the consumer protection requirements for internet sales?</i></p> <p>Even it is always necessary to pay attention to the risk of “dumping” underlined in a previous answer, generally we share the idea to facilitate of on-line PEPPs sale, also because it should reduce the price of product, but we underline that potential members must have clear information about PEPP. Moreover it should always be possible for member to contact an operator that must give all support needed from the member or potential member in his own language.</p>	
Question 16	<p><i>Where advice is not given what are stakeholders views on requiring the distributor to apply an appropriateness test to the sales of a PEPP?</i></p>	

	Without advisory, we share the idea to require the distributor to apply an ad hoc appropriateness test to potential member when he chooses the investment line. The on-line sale should facilitate the implementation of these tests.	
Question 17	<p><i>What are stakeholders' views on the level of standardization for the PEPP proposed in sections 4.1 and 4.2 of the paper? Is the level of standardization sufficient bearing in mind the objective to achieve critical mass, cost-effectiveness and the delivery of value for money?</i></p> <p>Generally speaking, concerning harmonization, as said in General comments, we believe that the coexistence of national and EU rules could create a lots of organizational problems for PEPP providers, particularly for those committed in the cross-border activity. In addition, there could be negative consequences also for consumers because the levels of protection assured by PEPP would not be homogeneous but differentiated on the basis of the national contexts. In assessing the degree of standardization of the PEPP, EIOPA should consider the effects that would occur on the markets of PPP at national level as well as the consequences on the consumer care. Moreover we have some doubts about investment limits and costs.</p> <p>Concerning harmonization of investment limits, there are problems about portfolio definition, and about who is in charge to decide about that, also considering that pension funds, either occupational or individual, generally have relevant shares of public debt in each member state.</p> <p>Concerning costs ceiling, harmonization seems practically difficult, because pension plan costs depend on all aspects of the plan itself. The coexistence of national and EU rules should lead providers to differentiate costs (and ceilings) between national personal pension plans and PEPPs. Concerning transfers costs see answer to question 13.</p> <p>Finally the coexistence of national and EU rules should be very complex from an administrative point of view, with high costs that will be charged on members/consumers and that is against the aims of the idea of second regime.</p>	
Question 18	<p><i>With regard to offering biometric risk covers should providers offering a PEPP with biometric risk cover be subject to identical or equivalent solvency requirements? Please motivate your answer.</i></p> <p>It should be subject to equivalent solvency requirements in order to not low the level of members protection. See also answer question 2.</p>	
Question 19	<i>What do stakeholders think of requiring a cap on the level of costs and charges of PEPPs, or a</i>	

	cap on individual components of costs and charges?	
	See answer question 17 and 13.	
Question 20	Do stakeholder's believe that other flexible elements could be offered by PEPP providers?	
Question 21	<p>Do stakeholders agree with the concept of a "product passport" comprising notification/registration of PEPPs? If not, what alternative would they suggest?</p> <p>Generally we share EOPA proposal to make more easy the authorization process relating to cross-border activity, in order to facilitate worker mobility, but the possibility to operate cross-border only on the base of his national authorization, without any control possibility for member states where PEPP operate, propose again dumping problems already mentioned (see particularly answer to question 2).</p> <p>We stress again our preference for the other approach suggested in the Commission Call for Advice of July 2014: definition of a legal framework as uniform as possible for individual pension Plans (or, at least, the principal ones) actually sold and the issue of a specific authorization for cross-border activity for their providers. To improve efficiency of existing products seems the best solution to strengthen the multi-pillar approach and to facilitate supplementary pensions, in comparison to offer a new kind of product with characteristics uncertain under the aspect of consumer protection.</p>	