

**Comments on EIOPA-CP-11/006
Response to Call for Advice on the review of Directive 2003/41/EC: second consultation**

**Deadline
02.01.2012
18:00 CET**

Company name:	BNP Paribas Cardif 8 rue du Port 92728 NANTERRE France
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Question	Comment
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General comment

BNP Paribas Cardif (www.bnpparibascardif.com) is the Life, Property & Casualty insurance subsidiary of BNP Paribas. It develops products, marketed under two brands. Products distributed through the BNP Paribas retail branch network in France are branded BNP Paribas. Those distributed by other channels in France and in international markets are branded Cardif.

BNP Paribas Cardif is one of the top 15 european insurers. Its life and non-life insurance units have received an AA- rating from Standard & Poor's.

It had gross written premiums of 25.3 billion euros in 2010. With a diversified geographic footprint, BNP Paribas Cardif has strong positions in Europe, Latin America and Asia. In 2010, BNP Paribas Cardif generated 48% of its gross written premiums outside France.

It counts close to 9,000 employees, 73% of them outside France.

BNP Paribas Cardif is grateful to the EIOPA for the opportunity given to express our views on the revision of the IORP Directive.

As a beginning we would like to state that the goal of the pensions European legislation must be to ensure a sound single market in the European union with a good protection for citizens and with a complete level playing field between providers, in particular between IORPs (subject to the IORP directive) and insurers (currently subject to the life insurance Directive 2002/83/CE and partially to the IORP directive; potentially subject in the future to Solvency II).

Solvency rules for IORPs should seek to guarantee a high degree of security for the beneficiaries, who must receive equal protection under risk-based economic rules whilst looking for an adequate prudential regime for long term guarantees, both for IORPs and insurers.

The aim for the Commission to launch a consultation on the revision of the IORP directive was in the first place to develop the cross border activity and moving towards a supervisory regime funded on a risk based

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approach.

1. Cross border activity

For cross-border activity to develop, it is necessary at European level to ensure level playing field within all occupational pension providers. This simple state leads to the following principle: *substance must prevail over form*.

BNP Paribas Cardif considers that any institution that offers products for occupational retirement provisions should be regulated not on its legal form, but rather according to product risk profile. The protection of members/beneficiaries should not depend on the legal form of the institution or its prudential supervisory regime.

Regarding retirement schemes, we cannot assume that pension funds and occupational retirement provision run by insurance companies have nothing in common. There is a concrete and direct competition between these two pension benefits providing systems, competition that will be more accurate as the cross-border activity will develop.

Level playing field between stakeholders therefore implies a consistent prudential approach that might be undermined by the upcoming introduction of Solvency II. Indeed, as pointed out by the EIOPA, institutions that are regulated under Article 4 of the Directive 2003/41/CE will fall under Directive 2009/138/EC. BNP Paribas Cardif considers that adequate prudential requirements for both IORP and Solvency II directives should be sought in order to ensure a consistency between stakeholders.

According to Article 4, Member States are not allowed to apply Article 17 of the regulatory own funds. Accordingly, Article 4 IORPs activities that, as of today, fall under the Directive 2002/83/EC will be repealed upon the entry into force of Directive 2009/183/EC. BNP Paribas Cardif urges the Commission to examine this issue as suggested by EIOPA whilst maintaining the possibility for occupational retirement provision business of insurance undertakings to be within the scope of the future directive.

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A transitional solution should be provided by the adoption of the Amendment No. 463 of the Omnibus II Directive:

Where, on the date of entry into force of this Directive, home Member States applied provisions referred to in Article 4 of Directive 2003/41/EC, such home Member States may, until the review of Directive 2003/41/EC is completed, continue to apply the laws, regulations and administrative provisions that had been adopted by them with a view to comply with Articles 1 to 19, 27 to 30, 32 to 35 and 37 to 67 of Directive 2002/83/EC as in force on the last date of application of Directive 2002/83/EC.

In order to retain a level playing field until the review of the IORP Directive is completed a transitional period for occupational pension provision should be introduced into the Solvency II Directive.

2. Risk based approach

The second point raised by the Commission is to propose an architecture funded on a risk based approach for the future IORP directive. If we look at the risks, it is to assess an appropriate level of protection for members/beneficiaries. BNP Paribas Cardif regrets that EIOPA seems to leave to the Commission the issue of protection of members/beneficiaries.

In terms of risk-based regime, Solvency II is a benchmark. If the calibration of Solvency II regarding long-term commitments and in particular pension scheme is not necessarily adequate, the principles of the

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	<p>Framework Directive can be very useful.</p> <p>In our view, the establishment of a risk based approach means that the following principle should prevail: <i>same risk, same rules, same capital ... and same protection.</i></p> <p>Consequently, technical rules adopted for pension should be integrated in Solvency II.</p> <p>A future prudential regime built according to these principles must reflect the specificities of each IORP (sponsor covenant, possible reduction of benefits ...) and that is why BNP Paribas Cardif supports the development of a holistic balance sheet that will bring greater transparency. In a citizen's protection approach, this holistic balance sheet should be made public.</p>	
<p>1.</p>	<p>BNP Paribas Cardif wants to point out that the Directive should apply to any IORP providing occupational pension schemes. Any institution that offers products for occupational retirement provisions should be regulated not on its legal form, but rather according to product risk profile. The protection of members/beneficiaries should not depend on the legal form of the institution or its prudential supervisory regime.</p> <p>Regarding retirement schemes, we cannot assume that pension funds and occupational retirement provision run by insurance companies have nothing in common. There is a concrete and direct competition between these two pension benefits providing systems, competition that will be more accurate as the cross-border activity will develop.</p> <p>Level playing field between stakeholders therefore implies a consistent prudential approach that might be</p>	

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	<p>undermined by the upcoming introduction of Solvency II. Indeed, as pointed out by the EIOPA, institutions that are regulated under Article 4 of the Directive 2003/41/CE will fall under Directive 2009/138/EC.</p> <p>According to Article 4, Member States are not allowed to apply Article 17 of the regulatory own funds. Accordingly, Article 4 IORPs activities that, as of today, fall under the Directive 2002/83/EC will be repealed upon the entry into force of Directive 2009/183/EC. BNP Paribas Cardif asks the Commission to examine this issue as suggested by EIOPA. A transitional solution could be provided by the adoption of the Amendment No. 463 of the Omnibus II Directive</p> <p>BNP Paribas Cardif is fully supportive of a Quantitative Impact study (QIS) and strongly asks for an extension of the impact assessment to French life insurance products. The future directive should indeed reinforce occupational pension internal market across Europe and French life insurance is a huge retirement market within Europe.</p> <p>The study should address the following questions: fair competition among stakeholders and regulatory arbitrage avoidance.</p>	
2.	<p>Not only occupational pension institutions but also any pension scheme that operates on a funded basis should be treated the same way. It would ensure that the rule “same risk, same capital” is respected. To ensure a real level playing field between stakeholders, Solvency II directive should be amended to fit to the future IORP’s regime.</p>	
3.	<p>If we must answer between option 1 and 3, option 3 should apply whether they are regulated or not.</p>	

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4.		
5.	Yes and in any case, the possibility of any regulatory arbitrage should be avoided.	
6.		
7.		
8.	BNP Paribas Cardif believes that ring fencing should be avoided as much as possible as it could lead to less risk spreading. However in particular cases and to safeguard the interests of scheme members and to ensure compliance with Host Member State rules in case of cross border activity, one ring fenced fund for all cross border activities could be sought.	
9.	We support the introduction of privilege rules. Similar privilege rules are applied in article 275 and 276 of the Solvency II Framework Directive. Moreover, in Article 275(1)(b)(i) claims by employees arising from employment contracts and employment relationships have the absolute priority. These articles should be implemented in the revised IORP Directive.	
10.	BNP Paribas Cardif fully supports option 2 which includes an article in the revised Directive describing the scope of prudential regulation as assigned in the home member state. BNP Paribas Cardif agrees that assigning the mentioned list of prudential domains to the home member state will avoid regulatory arbitrage because of the ‘social and labour law in the host member state’ and would strengthen protection for cross-border members.	

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	<p>It should be made clear that the relationship between the employer and the employee is subject to the social and labour law, whereas prudential regulation in this context should regulate IORPs.</p>	
11.		
12.	<p>BNP Paribas Cardif considers that the Holistic Balance Sheet could be a good tool for the assessment of the overall financial statement of the IORP. It would be seen as a prudential supervisory solvency assessment tool. In BNP Paribas Cardif opinion, the Holistic Balance Sheet goes in the direction of greater transparency and disclosure, and would make comparable all the institutions together. This approach would acknowledge the existing variety of occupational pension systems and yet would capture all these systems into a single balance sheet.</p> <p>In a competitive environment, the beneficiaries could then make their choice knowing precisely who bears the risk. The protection of beneficiaries should be strengthened by disclosure requirements under Pillar III of the future IORP directive.</p> <p>HBS will only be relevant if based on a fully harmonised risk's measurements. For instance, there must be consistency between interest rates, pension protection scheme and insurance Guarantee Scheme...</p> <p>The HBS should be made public.</p>	
13.	<p>BNP Paribas Cardif agrees that assets of IORPs should be valued on a market-consistent basis and that article 75(1)(a) should be copied directly in the revised IORP Directive.</p>	
14.	<p>BNP Paribas Cardif considers the evaluation of liabilities should be carried out on a market consistent</p>	

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	<p>basis. The reference to transfer value, as developed in the Solvency II Framework should apply to IORPs.</p> <p>Insurance liabilities are very rarely transferred and still transfer value applies in the Solvency II regime.</p> <p>The existence of a deep and liquid market for IORP’s liabilities is not a necessary condition for the application of the concept of transfer value. The absence of such a market does not invalidate the application of the principle.</p> <p>In a fair, transparent and members protective objective, same rules should apply to IORPs. Applying the same principles would contribute to a level playing field. The evaluation of liabilities based on market consistent approach would give a careful and objective view of future cash flows.</p> <p>Consistency with the method of valuation of assets must be retained.</p> <p>The liability cash flows that cannot be replicated in a risk-free way using “deep and liquidly traded financial instruments” should be included in a risk margin to cover the cost of capital of those liabilities.</p>	
15.	<p>BNP Paribas Cardif agrees that the own credit standing of IORPs should not be taken into account when valuing liabilities. As such, the proposal of EIOPA with reference to article 75 should be included in the revised IORP Directive.</p>	
16.	<p>BNP Paribas Cardif agrees with EIOPA’s proposal in option 2, to include a recital – consistent with recital 46 of the Solvency II Directive - in the IORP Directive mentioning that supervisory valuation standards should, to the appropriate extent, be compatible with accounting standards. This can, as EIOPA indicates,</p>	

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	ensure that rules relating to accounting standards do not inappropriately impact on solvency rules.	
17.	<p>BNP Paribas Cardif agrees with EIOPA’s view to adopt Articles 76(1) and 76(5) with the appropriate amendments into the revised IORP Directive.</p> <p>Consistent with BNP Paribas Cardif preference for option 2 in question 14, BNP Paribas Cardif has a preference for option 2 requiring IORPs to calculate their technical provisions on a market consistent basis. As such, BNP Paribas Cardif agrees to include Article 76(3) in the revised Directive without amendments.</p>	
18.	<p>BNP Paribas Cardif supports option 2, to include a risk margin in the technical provisions, calculated according to Solvency II, Article 77(4). This is consistent with Solvency II-type transfer value approach. As EIOPA indicates, this measure will allow for a better comparability of technical provisions between IORPs and between IORPs and insurance undertakings and as a result increase harmonization.</p>	
19.	<p>BNP Paribas Cardif is supportive of amending article 77(2) of the Solvency II Directive as proposed by EIOPA. However, BNP Paribas Cardif invites EIOPA to clarify the possible cases “where there is no direct link between the contributions paid to the IORP and the pension rights accrued in a certain period”.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers</p>	

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<p>20.</p>	<p>BNP Paribas Cardif fully agrees with EIOPA that the best estimate of IORPs should be calculated gross without deduction of the amount recoverable from reinsurance contracts and special purpose vehicles. As such, no amendment should be made to article 77(2) subparagraph for of the Solvency II Framework Directive when including it into the revised IORP Directive.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers</p>	
<p>21.</p>	<p>As pointed out by the Commission in its Call for advice, the lessons learned from the adoption of Solvency II especially regarding long term guarantees should be taken into account. Many of the challenges are very similar for insurance and IORPs. As a result BNP Paribas Cardif militates for an approach consisting in solving these problems and introducing appropriate solutions in both IORP and Solvency II directives.</p> <p>In any case, prudential rules and principles should be the same among Member States without leaving any option to each MS.</p> <p>BNP Paribas Cardif favours option 2. Option 2 will lead to more consistency between different IORPs in different countries. BNP PARIBAS CARDIF suggests excluding option 3 since it appears too complex and burdensome for IORPs to deal with. In addition, this option would certainly lead to differences in interpretation and generate many discussions to come. Besides, option 3 is not in line with what the Commission wishes on the common level of security (cf. 8.3.1).</p> <p>The high volatility of results when dealing with a market consistent valuation could be absorbed using</p>	

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	lengthy recovery periods.	
22.	<p>BNP Paribas Cardif agrees that expenses incurred by the IORP in servicing accrued pension rights should be taken into account in technical provisions as introduced by article 78 of solvency II. This will lead to adequate technical provisions. However, clarification is needed on the scope of contracts in which the costs related to future accruals should not be considered.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers</p>	
23.	<p>BNP Paribas Cardif favours option 3. According to BNP Paribas Cardif, the technical provisions should present an overall view of all benefits to be expected.</p> <p>BNP Paribas Cardif agrees that discretionary benefits should be included in the best estimate of technical provisions. BNP Paribas Cardif is not in favour of including the option of the Member State to treat discretionary benefits as surplus fund in a consistent approach with Solvency II regime.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers.</p>	
24.	BNP Paribas Cardif fully agrees with EIOPA's view of introducing Article 79 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive.	

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	In all cases the same principle should apply for retirement schemes provided by the insurers.	
25.	BNP Paribas Cardif agrees with EIOPA's view of introducing Article 80 of the Solvency II Directive.	
26.	<p>BNP Paribas Cardif believes that an introduction of Article 81 of Solvency II in the revised IORP Directive with minor amendments in order to address IORP specificities is the most appropriate. The use of reinsurance contracts is widely spread e.g. to cover against death benefits. BNP Paribas Cardif supports the EIOPA proposal regarding the expected losses due to default of the counterparty.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers.</p>	
27.	<p>BNP Paribas Cardif fully agrees with EIOPA's view of introducing Article 82 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers.</p>	
28.	BNP Paribas Cardif agrees that introducing Article 83 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive is necessary. There no	

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	<p>reason why this article should not be applicable to IORPs.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers.</p>	
29.	<p>BNP Paribas Cardif fully agrees with EIOPA’s view of introducing Article 84 of the Solvency II Directive including the amendments as proposed by EIOPA in its Advice in the revised IORP Directive to demonstrate to the supervisor on request, the appropriateness of the level of their technical provisions and the applicability of the methods used.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers.</p>	
30.	<p>As EIOPA correctly indicates, it is important that supervisors are able to ensure that IORPs set an appropriate level of technical provisions. As such, BNP Paribas Cardif fully agrees that Article 85 of the Solvency II Framework Directive should be included in the revised IORP Directive without the need for specific amendments.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers.</p>	
31.	<p>It is necessary to maintain a level playing field with providers of similar risks and to ensure greater and consistent members/beneficiaries protection.</p>	

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	BNP Paribas Cardif agrees that the new IORP Directive should allow for the Commission to adopt level 2 implementing measures regarding the calculation of technical provisions as introduced by Article 86 of the Solvency II Framework Directive.	
32.	As the aim should be to facilitate cross border activities and, as addressed by the Commission, to attain a level of harmonization where EU legislation does not need additional requirements at national level (paragraph 7.1 of the CfA), article 15(5) is no longer required otherwise the HBS would be questioned in the development of cross border activity.	
33.	<p>BNP Paribas Cardif does not support treating the sponsor support as an asset but suggests treating sponsor support and sponsor covenant as ancillary own funds. Sponsor support should not be seen as reinsurance since the sponsor is out of the scope of IORP directive whereas reinsurer is itself regulated under Solvency II type regime.</p> <p>BNP Paribas Cardif believes that the treatment of the sponsor covenant as ancillary own funds is the best approach as the availability of cover has to be proven to the authorities. Articles 89 and following of the Solvency II Directive Framework provide a definition of ancillary own funds that perfectly match with sponsor covenants.</p> <p>The current EIOPA proposal seems dangerous in that it tends to value an asset (without any compensation on the liability side in the sponsor accounting statement), and lower the SCR. An IORP, even under funded, would easily meet its capital requirements and would even be encouraged to do so.</p> <p>If sponsor covenant were to be considered as an asset, assessment should be similar to reinsurance (cf.</p>	

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	article 81 of the Solvency II Directive). Default risk should be taken into account.	
34.	In general, BNP Paribas Cardif agrees that the articles 87-99 of the Solvency II Framework Directive on own funds should be applied to IORPs. A tiering system with quantitative limits could ensure an overall good level of protection for IORPs.	
35.	BNP Paribas Cardif agrees with EIOPA that subordinated loans from employers to IORPs should be allowed in the revised IORP Directive.	
36.	<p>BNP Paribas Cardif favours a market maximal harmonisation approach as this will lead to equal member/beneficiary protection, independent of the Member State, the security mechanisms or the pension provider. This would also lead to increased comparability and consistency across the different Member States.</p> <p>BNP Paribas Cardif does not share EIOPA analysis regarding the difference existing in the adjustment mechanisms between insurers and IORP. When an IORP is underfunded, the scheme relies first on the sponsor covenant before ex-post benefit adjustments mechanisms. The adjustment mechanism is very similar to the raise of new capital. In both cases, for insurers and IORPs, to reduce benefits is a last resort measure that should be avoided by implementing an adequate prudential regime.</p> <p>Quantitative requirements are meant to guarantee a level of security to pension beneficiaries and this</p>	

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	<p>should be the main concern regarding pension benefits provided by insurers or IORPs.</p> <p>The different security mechanisms should be taken into account in the calculation of the Solvency Capital Requirements. Mechanisms to reduce benefits could easily be included in this calculation. However, the situation of the company should be made public and strong disclaimers will be needed in the information to members and beneficiaries to inform people of the likelihood that benefits could be reduced in the near future.</p> <p>In case no harmonization was to be found, it would be a problem regarding cross border activity.</p> <p>As such transparency regarding the final confidence level can be obtained while not touching upon the VaR of 99.5%.</p>	
37.	<p>As mentioned in the general comments, the current calibration of Solvency II is not suitable for long-term commitments, particularly in retirement. The adoption of a time horizon longer than a one year horizon would reduce the level of SCR but would also - if linked to the recovery plan - reduce the excessive volatility that Solvency II could produce when dealing with pension schemes.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers.</p>	
38.	<p>The form of the sponsor covenant should in any case ensure security for the members and beneficiaries and be consistent with the Solvency II principles.</p> <p>BNP Paribas Cardif believes that the process for insurers and IORPs should be similar. This would lead to</p>	

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	<p>increased consumer transparency and confidence.</p> <p>The risk-based approach of calculating the required solvency capital used for insurance companies as stated in Articles 100 to 127 and 304 can also be made applicable to IORPs. The promises made to members and beneficiaries by IORPs and/or employers are comparable to those made by life insurance companies to policy holders.</p>	
39.	<p>As an annual assessment of the Solvency Capital Requirement leads to greater Members' and Beneficiaries' protection, BNP Paribas Cardif supports an annual calculation.</p> <p>A lower frequency of assessment would imply a slower identification of a possible problem and also a slower response.</p>	
40.	<p>BNP Paribas Cardif believes that the process for insurers and IORPs should be similar. As such the Minimum Capital Requirement should also be applied to IORPs. Imposing a MCR would allow the supervisor to step in progressively and adequately regarding the potential breach respectively of the SCR and MCR.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers.</p>	
41.	<p>In general, protection schemes should not be taken into account as taking them into account could lead to "moral hazard" problems. The inclusion of protection schemes was not taken on board in Solvency II.</p>	

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	<p>Similar arguments apply for pension protection schemes.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers.</p>	
42.	<p>BNP Paribas Cardif fully agrees that capital requirements for operational risk should also be applied to DC schemes where the investment risk is borne by the plan members.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers.</p>	
43.	<p>BNP Paribas Cardif agrees with EIOPA that Article 136 and 141 of Solvency II measures are suitable for IORPs.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers.</p>	
44.	<p>The general principles of the Articles 138 and 139 of the Solvency II Directive should apply to IORPs. However, the recovery period should be consistent with the time horizon (see Q33). It should also be made a distinction between recovery plans regarding SCR, MCR and technical provisions, these situations does not require the same response.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers.</p>	

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45.	<p>BNP Paribas Cardif agrees with EIOPA to include the articles 137 and 140 in the revised IORP Directive.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers.</p>	
46.	<p>BNP Paribas Cardif strongly supports EIOPA's view that the content of Article 142 of the Solvency II Directive should be included in the revised IORP Directive.</p> <p>In all cases the same principle should apply for retirement schemes provided by the insurers.</p>	
47.	<p>In general BNP Paribas Cardif believes that the prudent person principle and other investment requirements as in the Solvency II Framework Directive are sufficient.</p> <p>In this context – given that solvency II regulations should be the basis – we believe that the prudent person principle together with the freedom of investment principle, as introduced in the Solvency II Framework Directive, are sufficient to protect the consumers assets in pension funds. However, the combination of these two principles without limitations will only be adequate under the condition that the valuation of assets and calculation of the technical provisions follows a solvency II like approach.</p> <p>Riskiness of the assets should be taken into account in the capital requirement.</p>	
48.	<p>There should be no exception of the freedom of investment principle, as long as the prudent person</p>	

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	principle is retained.	
49.		
50.	BNP Paribas Cardif suggests taking the investment principles as described in the Articles 132 – 135 of the Solvency II Directive as a basis. These could be amended, where appropriate, with the specificities of IORPs. More detailed measures should be included in the level 2 implementing measures.	
51.	We agree with EIOPA that the current prohibition on borrowing should be retained including its current exception. However, as EIOPA correctly indicates, it should be made clear that subordinated loans are exempted from the prohibition of borrowing.	
52.	<p>BNP Paribas Cardif strongly agrees that the main objectives of supervision, as stated in Article 27 of the Solvency II Framework Directive, should be applied to the reviewed IORP Directive. As EIOPA correctly indicates, it is important to clearly define the goals set by this Directive and implemented by the Supervisory Authorities as they will result in strengthening the protection of the members and beneficiaries.</p> <p>Regarding the measures to avoid pro-cyclical behaviour, BNP Paribas Cardif agrees with EIOPA that Article 28 of the Solvency II Directive, which obliges supervisors to consider the potential impact of their decisions on the stability of the financial systems and to take into account the potential pro-cyclical effects of their actions in case of extreme stress, should be included in the revised IORP Directive. In addition, BNP Paribas Cardif agrees that at least Pillar I and Pillar II dampeners of the Solvency II Directive should</p>	

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	be included in the revised Directive.	
53.	The Commission has correctly indicated in its call for advice that effective pension fund regulation should be based on supervision that is prospective and risk based, proportionate as well as transparent and accountable. BNP Paribas Cardif is fully supportive of applying the proposed articles of the Solvency II Framework Directive also to IORPs.	
54.	The aim of the revised Directive must be to increase harmonization of practice and therefore result in reporting in a common format that would be both useful and comparable across Member States. BNP Paribas Cardif strongly disagrees with EIOPA's view on the fact that the differences of IORPs across Europe are much higher than in the insurance sector. According to EIOPA this diversity would justify a less ambitious prudential regime for IORPs. BNP Paribas Cardif rejects this idea and as regarding France, high level harmonized prudential rules (Solvency II framework) have been adopted by very different entities such as private insurance companies, mutual and cooperative insurers and paritarian institutions.	
55.	BNP Paribas Cardif believes that Article 34(4) of the Solvency II Framework Directive should apply directly to IORPs.	
56.	BNP Paribas Cardif agrees on using article 36 as a starting point.	
57.	BNP Paribas Cardif believes that knowledge of the imposition of penalties should be public. This is consistent with a better transparency in the members/beneficiaries best interest.	

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58.	<p>BNP Paribas Cardif agrees with EIOPA to include the articles 155(1), 155(4) and 155(8) of the Solvency II Framework Directive in the revised IORP Directive.</p> <p>In the context of article 155(1) this will allow the Host supervisor to immediately and directly approach the IORP to request stopping a breach to its legislation. This could shorten the time needed to remedy the irregular situation.</p> <p>Finally, articles 155(4) and 155(8) are necessary to allow the host supervisor the additional powers to conduct its supervision and interfere directly in case of emergency.</p>	
59.	<p>BNP Paribas Cardif agrees with EIOPA that a supervisory review process needs to be in place to check the compliance of IORPs with the regulations of the revised IORP Directive. Therefore, BNP Paribas Cardif believes that article 36 of the Solvency II Framework Directive should apply to IORPs as it clarifies what supervision is about.</p> <p>BNP Paribas Cardif can agree on the suggestion made by EIOPA to include the reference to security mechanisms in article 36.</p>	
60.	<p>According to Article 37 of the Solvency II Directive, the possibility for capital add-ons shall exist only in two cases: “risk-profile add-ons” (i.e. if the risk profile deviates significantly from the assumptions underlying the Solvency Capital Requirement) and “governance add-ons” (i.e. the supervisory authority concludes that the system of governance of an insurance or reinsurance undertaking deviates significantly from the standards). This restriction should also be retained for IORPs. In addition, similar requirements should also be applied to the level of funding of technical provisions according to Article 85 (increase of technical provisions) of the Solvency II Directive. This inclusion implies those solvencies II like (risk based) quantitative requirements are imposed to IORPs.</p> <p>For DC schemes where members bear all the risks, BNP Paribas Cardif suggests having a treatment comparable to the one for unit-linked life insurance products.</p>	

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	In all cases the same principle should apply for retirement schemes provided by the insurers.	
61.	<p>The provisions of Article 38 of the Solvency II Directive should apply to IORPs and are appropriate to replace article 13 of the current IORP Directive. However, it has to be clarified, how the provisions of Art. 38 of the Solvency II Directive shall apply in case some functions or activities are outsourced to the sponsoring undertaking, especially if the IORP outsources certain governance functions (particularly internal audit and compliance).</p> <p>Moreover, the competent authorities should have the same general supervisory powers as it is the case for insurance and reinsurance undertakings. Thus, also the provisions of Article 34(7) should apply to IORPs.</p>	
62.	BNP Paribas Cardif shares EIOPA's view on chain outsourcing and location of the main administration. However, in the event that an entity is already supervised by another authority clarification is needed to avoid overlap of supervision	
63.	<p>BNP Paribas Cardif supports EIOPA's view that the governance requirements for IORPs should be similar to those of insurance and reinsurance undertakings according to the "same risks, same rules" principle whilst taking into account the specific characteristics of the pension products or schemes. The governance system of an IORP should be aligned with the aims of the insurance industry which: (i) ensure that management is sound and prudent, (ii) secure a high standard of Members' and Beneficiaries' protection and (iii) assist the management board if appropriate.</p> <p>Pillars 2 and 3 of the Solvency II Framework Directive offer useful principles that are also applicable to IORPs, particularly in areas around governance, risk management supervisory reporting and public disclosure and as such, certain pillar 2 and 3 provisions should be directly applied to IORPs, such as</p>	

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	<p>Article 41 of the Solvency II.</p> <p>As a general approach, pillar 2 and 3 principles should be used at least as a basis.</p> <p>BNP Paribas Cardif does not agree with the exclusions from the revised IORP Directive by means of membership size. This could be done using the amount of technical provisions – similarly to article 4 of the Solvency II Framework Directive - provided that these are calculated in a transparent and harmonised basis.</p>	
64.	<p>BNP Paribas Cardif agrees on the differences between insurers and IORPs on general governance requirements as indicated by EIOPA. However, EIOPA should keep in mind that mutual insurance companies should have similar requirements when they have a similar structure as IORPs.</p> <p>BNP Paribas Cardif supports the principle that there should be a legal separation between the sponsoring undertaking and the IORP as is currently stated in Article 8 of the IORP Directive. This principle should be retained in the revised IORP Directive.</p> <p>Furthermore, consistent with solvency principles; BNP Paribas Cardif believes that written policies should be subject to prior approval by the administrative management or supervisory body.</p>	
65.	<p>BNP Paribas Cardif strongly suggests including the full solvency II framework Directive article 42 in the revised IORP Directive.</p>	
66.	<p>Yes</p>	
67.	<p>The powers should be substantially the same as the powers used under the Solvency II regime.</p>	

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68.	<p>BNP Paribas Cardif believes that the provisions of Article 44 of the Solvency II Directive should apply directly to IORPs. However, BNP Paribas Cardif strongly suggest deleting the proposed amendments regarding outsourcing. They are not necessary since outsourcing risk is already included in operational risk. As such there is no need for a statement "all risks".</p>	
69.	<p>BNP Paribas Cardif fully agrees with EIOPA that ORSA is suitable for IORPs. Indeed as EIOPA correctly indicates, there are arguments against but the arguments in favour of including ORSA into the revised IORP Directive are much stronger. Not only should ORSA help the management body to understand the sources of risk – resulting in informed decision. But also, it is a self-evaluating tool, helping to assess whether the objectives are met. All pension providers should be able to manage the risks, inherent to its business.</p> <p>In addition, BNP Paribas Cardif suggest EIOPA to keep a reference to article 45 of the solvency II Directive to at least use it as a basis for defining level 1 measures in the revised IORP Directive.</p>	
70.	<p>The main purpose of the ORSA is to ensure a comprehensive assessment of the undertaking’s risk profile and risk management in view of its business strategy. Hence, the ORSA could also be suitable for IORPs where members bear all risk.</p> <p>All pension providers should be able to understand the risks they face or could face in the short and long term and to assess the adequacy of the security mechanisms.</p>	

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71.	<p>The Holistic balance sheet approach cannot be a substitute for the ORSA process as ORSA gives a dynamic and prospective view of the risks.</p> <p>But of course ORSA should be applied proportionally to the nature, scale and complexity of IORPs.</p>	
72.	<p>BNP Paribas Cardif agrees the principle of Article 46 of Directive 2009/138/EC that IORPs should have an effective internal control system and that a regular assessment of compliance is part of this effective internal control system.</p> <p>It should be clarified that due to corporate law that Supervisory authorities may be only entitled to request reports from the board of management but not from the compliance function itself</p>	
73.	<p>The fact that the compliance function should include all regulatory legislation relative to the operations of the IORP would be a real improvement.</p>	
74.	<p>BNP Paribas Cardif supports EIOPAs views on the introduction of the internal audit, using the material elements of article 47 of the Solvency II Directive. The implementation should be proportionate</p>	
75.	<p>Internal audit function should apply the same way for insurers and IORPs.</p>	

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76.	BNP Paribas Cardif fully support EIOPAs views on the role and duties of the actuarial function, using article 48 of the Solvency II Framework Directive and that the implementation should be proportionate.	
77.	BNP Paribas Cardif agrees that Solvency II is a correct starting point for the actuarial function.	
78.	Independence is necessary for the actuarial function. Furthermore, BNP Paribas Cardif considers reporting lines, segregation of duties, avoiding conflict of interest as necessary criteria.	
79.	BNP Paribas Cardif agrees on the analysis and prefers option 2.	
80.	BNP Paribas Cardif agrees with EIOPA's view that the material elements of Article 49 of Solvency II are generally applicable to IORPs. In addition, as is currently the case, the ultimate responsibility for outsourced functions should be borne by the IORP as correctly indicated by EIOPA.	
81.	BNP Paribas Cardif agrees on EIOPA's with the standardisation of outsourcing process in order to enlarge the cross border activity.	
82.	The minimum outsourcing contract elements should at least include: - requirements to safeguard continuity,	

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	<ul style="list-style-type: none"> - obligation to inform the IORP in case of problems, - necessary powers for the IORP to issue instructions and obtain information, - requirements on exit provisions, - minimum data protection requirements - explicit or implicit costs ceilings. - confidentiality clause, - information duty and cooperation with auditor and Competent authority, 	
83.		
84.		
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89.		
90.	<p>BNP Paribas Cardif suggests using article 35 of the Solvency II Framework Directive also for IORPs. Moreover, the provisions in article 35 should apply without amendments as they generally make sense and apply to all types of pension schemes, e.g. to DB; DC and hybrid schemes.</p>	

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91.	<p>BNP Paribas Cardif is supportive of greater information to members / beneficiaries to capture the relevant features of IORPs to enable members / beneficiaries to understand their pension product and the level of protection they have.</p> <p>BNP Paribas Cardif is of the opinion that even though there are some articles on information requirements already in the IORP Directive, they are far from complete.</p>	
92.	<p>BNP Paribas Cardif would support the introduction of a unique format for DC schemes, which would provide identical information for all schemes and make them comparable.</p> <p>However the KIID for UCITS funds does not provide an appropriate starting point for information members and beneficiaries of IORPs.</p>	
93.	<p>BNP Paribas Cardif considers the synthetic risk indicator used by UCITS-Funds as inappropriate for the following reasons:</p> <ul style="list-style-type: none">• Too many classes• Unstable classification• Wrong risk measure (Volatility -> return above average is considered as a risk)	

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	<ul style="list-style-type: none"> No consumer perspective 	
94.	In this regard, BNP Paribas Cardif would suggest that IORPs at least provide their members with the information requirements of article 185(5) of the solvency II Framework directive. This information should be consistent between the different providers and easily understandable by the scheme members.	
95.	Public disclosure requirements are important to enhance market discipline, if appropriate, and complement requirements under Pillars I and II. In the Solvency II framework the rules on public disclosure are addressed in Articles 51-56. These provisions should apply to IORPs without amendments.	
96.	BNP Paribas Cardif can agree on the impact assessment.	