

Gabriel Bernardino
Chairman



Mr Valdis Dombrovskis
Executive Vice-President
European Commission
B-1049 Bruxelles
Belgien

EIOPA-20/499
14/08/2020

Pan-European Personal Pension Regulation: submission of draft regulatory and implementing technical standards, as well as technical advice on delegated acts

Dear Vice-President Dombrovskis,

I am pleased to submit EIOPA's draft regulatory and implementing technical standards, as mandated by Regulation (EU) 2019/1238 (PEPP Regulation), as well as the requested technical advice on delegated acts in the areas of supervisory reporting and EIOPA's product intervention powers, accompanied by an assessment of the suggested policies' costs and benefits.

EIOPA developed the set of regulation specifying the requirements of the PEPP Regulation with the objective to ensure the future products will deliver on the promise to consumers for a simple, transparent, cost-efficient and reliable option to save for their retirement and to help closing the pension savings gap. We believe the PEPP is indeed a unique opportunity to empower European citizens to participate in the Capital Markets Union.

The draft legal instruments have been publically consulted and benefitted from the feedback from EIOPA's stakeholder groups and the inputs received from the ESAs, the ECB, the OECD and from outstanding academics in the field of pensions. Further, EIOPA set up an Expert Practitioner Panel specifically to obtain insights from product developers and to carry out industry testing. The PEPP information documents were thoroughly tested with consumers, providing valuable information complementing the learnings from behavioural economics.

EIOPA's proposals found wide support of that wide range of stakeholders. In particular, the coherent and consistent, principle-based design of the proposals

that is tailored to pension-specific risks of the product, paired with ambitious, yet realistic, targets.

However, I want to highlight that industry representatives stressed their negative assessment of the PEPP business proposition's viability in light of the Basic PEPP's cap on costs and fees namely due to the initial cost of advice. Factually, the level of maximum costs per annum of the Basic PEPP can be observed in current, well-established markets and cannot necessarily – over the long-term – be regarded as excessively low. However, it is important for us to bring to your attention that the cost cap's reference to the accumulated capital may lead to a situation where the providers' expenses cannot be matched in the initial phase of a contract and in the advanced stages of the contract, the costs to the consumer can be relatively high.

Further, we believe that the provision of advice to the consumer, in particular for the Basic PEPP, may deserve further consideration and guidance to allow for an advice process that is fitted to the specificities of the PEPP and to the opportunities of digitalisation and online distribution. The specific nature of the Basic PEPP, understood as the 'default' investment option that is expected to match the demands and needs of the majority of the future PEPP savers, would need to be considered in the advice process. In addition, gathering all relevant information to understand the consumer's sources of future retirement income remains a challenge in many Member States and underlines the need for a European pension tracking system.

EIOPA will continue its work on an efficient and effective implementation of the PEPP Regulation, focussing on a supervisory framework for the PEPP, to ensure supervisory convergence and to encourage good cooperation between competent authorities and EIOPA.

We remain at your disposal if you require any further information or clarification.

Yours sincerely,

[signed]

CC: Mr John Berrigan, Director-General, DG FISMA
Mr Martin Merlin, Director, DG FISMA
Mr Didier Millerot, Head of Unit, DG FISMA