	Comments Template for **Discussion paper on a possible EU-single market for personal pension products**	**Deadline** **16 August 2013** **18:00 CET**
Name of Company:	**APFIPP – Associação Portuguesa de Fundos de Investimento, Pensões e Patrimónios** **Portuguese Association of Investment Funds, Pension Funds and Asset Management**	
Disclosure of comments:	EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential. *Please indicate if your comments on this CP should be treated as confidential, by deleting the word **Public** in the column to the right and by inserting the word **Confidential**.*	**Public**
	Please follow the following instructions for filling in the template: ⇨ Do **not** change the numbering in the column "question"; if you change numbering, your comments cannot be processed by our IT tool. ⇨ Leave the last column empty. ⇨ Please fill in your comment in the relevant row. If you have no comment on a question, keep the row empty. ⇨ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. o If your comment refers to multiple questions, please insert your comment at the first relevant question and mention in your comment to which other questions this also applies. o If your comment refers to parts of a question, please indicate this in the comment itself. **Please send the completed template, in Word Format, to personalpensions@eiopa.europa.eu. Our IT tool does not allow processing of**	

any other formats.

Question	Comment	
General Comment	The sustainability of social security systems and the adequacy of pensions are issues on the top of the agenda of all EU Member States, as demographic constraints and also the financial and economic crisis have put under great pressure national systems/budgets. To address this major challenge, besides the need for the development of a mandatory and strong 2nd Pillar, we consider to be essential the development of 3rd Pillar products. Moreover, this will also contribute to increase the awareness of the european citizens towards their responsibility in the preparation of their retirement, as well as to the need of saving during their working years to ensure an adequate level of pension in the future. Taking this in consideration, we think that the initiative of creating a common framework for setting up a PPP - Personal Pension Product at the EU level is definitely a move forward in the future of pensions. We firmly believe that such a product should be based on substance rules, that is, it should have common characteristics and specific rules (such as type of assets allowed, limits, and so on). For the success of this European project, we consider that the EU PPP should be based on four pillars: I. Long Term – The product should only allow redemptions at a certain age or moment (for example, redemption would only be possible on the following situations: i) At the age of 65; ii) Once the participant retires (either based on age or sikness); iii) Death, in which case the beneficiaries/or successors could redeem. II. Transversal/not exclusive – The product should be universal in the sense that it can be presented either as: a Investment Fund, Pension Fund, or Life Insurance (with the advantage of all	

	having a legal framework already established at the EU level). III. Safety - The product should be seen and perceived as a product with some risk limitations. Although safety is of course a very subjective matter, and under particular market conditions one can reach different conclusions about it, we think the product should be based on specific rules in terms of investments allowed, observing principles of diversification and spreading of risk, as well as be consistent with the prudential principle of security, profitability and liquidity of the applications made. IV. Tax Regime – To stimulate long term retirement savings, it is fundamental that the EU PPP have an attractive tax regime. The EU PPP would be ideally totally tax free (both at the vehicle and at the participant level). This would facilitate portability and at the same time it would prevent any tax arbitrage between Member States due to different tax regimes. To limitate the benefit of the tax advantages offered, a limitation of the percentage of benefit or a maximum can be set in terms of the annual amount of subscriptions allowed per investor. This would be a Model eEE (that is, partial exempt) or, alternatively, it can be partialy taxed tEE. Note: We have concentrated our responses on the issues which we felt to be more relevant.	
Q1	In terms of the actual landscape of existent PPP, the list of features presented seems to be appropriate. When considering the desirable framework for the EU PPP, we would like to point out that, besides the features identified by EIOPA on paragraph 3.1.3. (that is: individual membership, payment of contributions to an individual account, retirement objective, limited withdrawal or penalized, private entities as providers, funding product), we think it is essential for the success of the initiative that the product be based on the four main pillars described above (see section “General Comment“)	

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Q2	We are of the opinion that EIOPA should focus only on DC PPPs than on DB ones, since we think that the focus should be the development of a European capitalization product with retirement purposes (and this idea is already not easy to achieve only with DC solutions and very difficult to conceive with DB solutions). It should also be denoted that the latest developments, in the Pension Funds market, show a movement from DB towards CD plans.	
Q3	In Portugal, personal pension products areprovided by different entities, as Investment Funds Management Companies, Pension Funds Management Companies and Life Insurance Companies are allowed to manage 3rd Pillar pension products. These entities are regulated according to national and european regulations and we think that there is no need for further/additional regulation. However, we believe that some adjustments or adaptations may be necessary in certain EU jurisdictions, to take in consideration the specific nature of pension products.	
Q4	Creating or improving a single market for PPP will contribute to the development of pensions provisions and to ensure more adequate pensions in the future. It will also be a way to call the attention of the European citizens to the importance and need to save for retirement and to the active role they should perform in the preparation of that stage of life.	
Q5	EIOPA’s definition is simple and broad enough to include a large range of situations; however the concept should be more clarified. On the other hand, the OECD’s definition is more detailed and seems to be more complete, by trying to clarify that the establishment of the product does not has any intervention of the employer (making clear that it is not a 2º Pillar product) although allowing that the employer can also make contributions to these plans.	

	A combination of both definitions might be more appropriate.	
Q6		
Q7	We think that the first focus should be the creation of an EU PPP relying on the frameworks that already exist in terms of the single market, which are already in practice, coordinated and harmonized (that is EU framework for UCITS, IORP and Life Insurance). As these environments are already operating, it would be very helpful and would make the creation of the EU PPP easier, being only necessary to work on the product characteristics and to perform the adjustments needed to take in consideration its specific nature. Aspects concerning the cross border activity may also need adjustments or at least to be more coordinated and analysed, to diminuish or eliminate any existing obstacles (as stated on paragraph 3.2.3. of the consultation paper). However one of the key aspects for the success of the single market for PPPs is undoubtfully the tax regime adopted.	
Q8	Portability and transferability is essential, namely since the working labour market is increasily more flexible and one should have in mind the principle of free movement of people across the EU. The transference of the capital accumulated in one PPP should be allowed, at any time upon request from the client, independently of its form (that is Mutual Fund, Pension Fund or Life Insurance, as described in the Section “General Comments”), as long as it is from an PPP to another PPP. Portabilty and transferability will also allow participants to adjust their investment, according to their preferences and life stage. The transference of PPP will, in practice, function as a double act: redemption and subscription. But for all purposes the investment in the new PPP will maintain the same features and it will	

	keep record of the participant's history.	
Q9	We do not foresee specif prudential obstacles for creating a cross-border market, from the fact of PPP being provided by different type of entities. In fact, in Portugal, we already have that experience and so we believe that it is possible to expand this kind of model to the EU level, as we have stated in the General Comments Section and on Q3.	
Q10		
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Q14	As stated on the General Comments Section, we consider that transferability requires harmonisation of the tax treatment of PPP. The PPP should be ideally entirely exempt (EEE – Exempt contributions, capital and benefits). This would definitely facilitate transferability and prevent tax arbitrage between Member States due to tax regime differences. To limitate the benefit of the tax advantages offered, a limitation or a maximum can be set in terms of the annual amount of subscriptions allowed per investor. Alternatively, the PPP can be set as entirely exempt after contributions (TEE – taxed or not deducted contribution, exempt capital and benefits).	
Q15		
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Q20	We foresee that passporting may not be sufficient to develop a single market of PPP due to tax	

	issues and also to the need, as we stated on our General Comments, to ensure a common tax regime for the success of the PPP.	
Q21		
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Q27	In Portugal, almost all of the personal pension products available to the individual investor have a pre-contractual information document, similar to the KII. In this document it is disclosed the necessary information to allow the investor to make informed decisions on the proposed investment. It includes, namely: identification of the provider, custodian, auditor, supervisory authority, distributors; information on investment objectives and investment policy and risk profile; the profile of the type of investor; historical evolution of the product results; information about subscription, redemption and transfer commissions, as well as other costs and associated charges.	
Q28		
Q29		
Q30	We consider that the KII should be adopted by PPPs as their main information document, contributing to the goal foreseen in PRIPS - Packaged Retail Investment Products, of setting up a common information document for each retail product, with a similar structure and more consumer friendly, enabling the comparison between the different products available and ultimately choose the product that best suits their needs. The KII seems to be a suitable option, since it intends to provide information on the product's main features, as well as the risks and costs associated with the investment, in order to help them	

	to reach informed investment decisions.	
Q31	The risk reward used in the UCITS Directive seems to be appropriate, including the synthetic indicator.	
Q32		
Q33	Transparency and a comphrensive discloser of information is a fundamental aspect, making the investor aware of all the existing costs associated with making the investment and also the charges foreseen throught the different stages of the investment. In terms of costs, we think it is appropriate to disclose the Ongoing Charges and information about the costs assigned to participants (Subscription Commission, Transfer Commission, Redemption Commission, Supervision Fee); and the costs assigned to the Pension Fund (Management Commission - Fixed Component/Variable Component, Deposit Commission, Supervision Fee, Other Costs). The approach can be similar to what is foreseen in the UCITS Directive, and as foreseen in the UCITS Directive, the Ongoing Charges should not include transaction costs.	
Q34		
Q35		
Q36	Pre-contractual information should be provided in a durable medium or by means of a website. A paper copy shall be delivered to the investor on request and free of charge.	
Q37	As described on Q30, we consider that the KII should be adopted by PPPs as their main information document. The KII presents an adequate structure, composed by well defined sections, with the aim of being more consumer friendly and to provide information on the product's main features.	
Q38		

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Q39	We are of the opinion that UCITS Directive is a good source of inspiration for PPP.	
Q40	The participants should be regularly informed (a quarterly disclosure seems to be appropriate) about the level of capital accumulated in the PPP, allowing them to keep track of the evolution of the investment made and awareness towards what can be expected in the future in terms of income.	
Q41		
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Q43	On switching, the PPP holders should be informed about the amount that will be transfered, the date of transference and, if it is the case, about any costs associated with the process. Before the termination, the PP holder should be informed about the options available for the payment of benefits and, if it is the case, of any costs associated.	
Q44		
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Q46	In terms of the presentation of on-going information, we think there is not the need to standardise the format, but it should be ensured that it includes information concerning about the total value of the investment/capital accumulated, as well as the number and value of the units held. The option for a more flexible presentation in terms of format, will allow this information to be provided jointly with other that may also need to be disclosed regulary to the investor.	
Q47		
Q48	The participants should be regularly informed and a quarterly disclosure seems to be appropriate.	
Q49	Specific information provision should be required for example when the following situations occur: i) significant changes of the investment policy; ii) significant changes in the frequency of the calculation or disclosure of the units value; iii) increases of the commissions charged.	

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Q50	On request, it should be provided any information that may be considered suitable/adequate for an effective understanding of the decision to investment in the PPP, that is, of what is foreseen in the product rules or contractual rules/instruments of incorporation.	
Q51		
Q52	In general terms, information should be provided along all stages of the investment (pre-contractual, on-going, pre-retirement, pay-out phase). When retirement is approaching, the focus should be to remind the participant about the options available in terms of payment of the capital accumulated (either capital or annuity).	
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Q69		
Q70	We consider the certifification of products useful. However, we think the introduction of certification at the European level should have limits, in the sense that it should only focus on the relevant areas that should be evaluated in terms of certification, for example: definition on pensionable earnings, level of contributions, commission limits, acquisition of vested rights… Any specific details should be defined under self-regulation, since there are differences at national level that can not be ignored, for example, at this stage it is not appropriate to set the same value of contributions for all Member States.	
Q71		