

Comments Template 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:	European Central Bank, Directorate General Statistics.	
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<p>The question numbers below correspond to Consultation Paper No. 06 (EIOPA-CP-11/006).</p> <p>Please follow the instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ <u>Do not change the numbering</u> in column "Question". ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a question, keep the row <u>empty</u>. ⇒ There are 96 questions for respondents. Please restrict responses in the row "General comment" only to material which is not covered by these 96 questions. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific question numbers below. <ul style="list-style-type: none"> ○ 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. ○ If your comment refers to parts of a question, please indicate this in the comment itself. <p>Please send the completed template to CP-006@eiopa.europa.eu, in MSWord Format, (our IT tool does not allow processing of any other formats).</p>		
Question	Comment	
General comment	The Directorate General Statistics (DG-S) of the European Central Bank (ECB) has the task to compile harmonised financial statistics for the euro area, which are input into the analyses and decision making of	

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02.01.2012
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the ECB. The ECB is also providing statistical support to the European Systemic Risk Board (ESRB), which will, amongst other information needed, also require statistical information on pension funds in the EU. The alignment of concepts and data collections for supervisory and monetary policy purposes is desirable in order to limit the reporting burden on the industry, and to enhance the coherence of statistical information. Against this background, DG-S welcomes the opportunity to provide comments on the consultation regarding the review of the Directive 2003/41/EC.

The enclosed comments are provided not only from a monetary statistics perspective but also from a macro-economic and financial stability perspective, providing a broad view on the statistical requirements of the ECB, and taking into account also comments received from the European System of Central Banks (ESCB) via the Working Group on Monetary and Financial Statistics. This consultation may contribute to the ECB's long term objective of bundling supervisory and statistical reporting requirements to the extent possible, in servicing the need for improved statistics for the pension funds sector. While the information needs of supervisors (micro-perspective) may differ from statistical and macro-prudential requirements, the reporting burden on undertakings can be reduced by aligning supervisory and statistical reporting to the extent possible, with differences (in concepts and definitions) being clearly identified.

The ECB's competencies to collect statistical data for the pension fund sector are laid down in Council Regulation (EC) 2533/98 as amended. Similar to the ongoing project to develop ESCB statistics based on the new supervisory reporting requirements under Solvency II for insurance corporations, the ECB considers that future supervisory reporting requirements concerning pension funds could significantly contribute to the information basis that will be required by the ESCB under a "steady-state approach" for pension funds statistics. While ECB regulations in the field of statistics contain reporting requirements which are binding for reporting agents resident in the euro area, the statistical reporting requirements could be met, in part or in full, through a re-use of existing or forthcoming other, e.g. supervisory, reporting.

Taking into account the early stage of the review of the IORP Directive, the ECB answers on this consultation do not go into details of future data reporting. Instead the answers explain the general requirements which future reporting would need to meet in order to be an appropriate basis for ESCB

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	<p>statistics. Answers are provided only to those questions in the consultation that might impact on future reporting requirements. No answers are provided on supervisory requirements and procedures, since these policy issues goes beyond the scope of ECB's statistical requirements.</p>	
<p>1.</p>	<p>No comments are provided on the preferred scope of the Directive, which is a policy decision that goes beyond statistical considerations.</p> <p>For the assessment of the possible use of data collected under the IORP for ESCB statistics it is, however, important to have a full understanding of the scope of the current and future IORP. For this purpose, please find below information on the definition of pension funds according to the draft European System of Accounts (ESA 2010), which applies for the ESCB statistical requirements. The ESA 2010 defines the sub-sector pension funds as follows:</p> <p><i>Pension funds (S.129)</i></p> <p><i>2.105 Definition: The subsector pension funds (S.129) consists of all financial corporations and quasi-corporations which are principally engaged in financial intermediation as the consequence of the pooling of social risks and needs of the insured persons (social insurance). Pension funds as social insurance schemes provide income in retirement, and often benefits for death and disability.</i></p> <p><i>2.106 Subsector S.129 consists of only those social insurance pension funds that are institutional units separate from the units that create them. Such autonomous funds have autonomy of decision and keep a complete set of accounts. Non-autonomous pension funds are not institutional units and remain part of the institutional unit that sets them up.</i></p> <p><i>2.107 Examples of participants in pension fund schemes include employees of a single enterprise or a group of enterprises, employees of a branch or industry, and persons having the same profession. The benefits included in the insurance contract can be the following:</i></p>	

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Response to Call for Advice on the review of Directive 2003/41/EC: second consultation**

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02.01.2012
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a) paid after the death of the insured to the widow(er) and children;

b) paid after retirement; and

c) benefits which are paid after the insured became disabled.

2.108 In some countries all these types of risks can be insured by life insurance corporations as well as through pension funds. In other countries it is required that some of these classes of risks are insured through life insurance corporations. In contrast to life insurance corporations, pension funds are restricted by law to specified groups of employees and self-employed.

2.109 Pension fund schemes may be organised by employers or by general government; they may also be organised by insurance corporations on behalf of employees; or separate institutional units may be established to hold and manage the assets to be used to meet the pension entitlements and to distribute the pensions.

2.110 Subsector S.129 does not include:

d) institutional units which fulfil each of the two criteria listed in paragraph 2.117 [i.e. social security funds with mandatory coverage or contributions and managed by General Government].

e) head offices which oversee and manage a group consisting predominantly of insurance corporations, but which are not insurance corporations themselves.

f) non-profit institutions recognised as independent legal entities serving insurance corporations, but not engaged in financial intermediation.

It is understood that the IORP Directive refers to the same definition of autonomous pension funds.

**Comments Template 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**

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13.	Irrespective of the appropriate valuation of assets for supervisory purposes, for the purpose of ESCB statistics a valuation of assets at market values is required, which is also the basis in Solvency II, Art. 75(1)(a).	
14.	Irrespective of the appropriate valuation of liabilities for supervisory purposes, for the purpose of ESCB statistics a valuation of liabilities at market values is required.	
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**Comments Template 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**

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**Comments Template 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**

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53.	In view of its statistical requirements and the potential use of supervisory data for statistical purposes, the ECB supports the adoption of Solvency II requirements in respect of the general principles of supervision in the context of the availability and disclosure of statistical data. Increased harmonisation of practices in terms of a common reporting format is most welcome in order to fulfil the European System of Central Banks (ESCB) statistical requirements. The reporting format should allow for a standardised, sufficiently frequent and timely reporting of information as this is a precondition of the use of such data for the compilation of statistics. A common reporting format would also contribute to the minimisation of the reporting burden of the reporting IORPs .	
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**Comments Template 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**

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Comments Template 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

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The development of new ESCB statistics for pension funds based on supervisory reporting would require a regular and timely (quarterly and annual) reporting by pension funds under supervision according to a common and mandatory reporting scheme.

For this reason, the ECB agrees with the analysis of the options as laid out in this advice and supports Option 2, i.e. to use the material elements of Article 35 of the present Solvency II Directive as a basis for the reporting by pension funds. In particular, separate information on Defined Benefit (DB), Defined Contribution (DC) and Hybrid pension schemes are deemed necessary, not only for monetary statistical purposes but also for economic analysis and financial stability purposes. The main examples of the categories and type of information required are the following:

1. **Balance sheet data**, reported *quarterly* on **solo/non-consolidated basis** and on a **group/consolidated basis**. Detailed information on the assets held and liabilities issued by IORPs is essential, not only in terms of **outstanding amounts** at the end of a period, but also in terms of **transactions** which occur between two reporting periods. Information including **instrument breakdown, their original maturities** and a breakdown of the **geographical residency** and **institutional sector** of the counterparts according to ESA 2010 would be also required. Information regarding *technical provisions* should be made separately available for different **types of pension schemes** (DB, DC, and Hybrid schemes). Quarterly **security-by-security** reporting for the securities portfolio of IORPs is important in underpinning macro-economic and macro prudential analyses. This will enable to monitor and better interpret changes of the securities portfolio, the interlinkages with other financial intermediaries, and will also contribute to the assessment of risks (e.g. by counterpart sector and issuer country).
2. **Other statistical requirements may concern statistical aggregates derived from supervisory information on capital adequacy, capital ratios and solvency information.** Furthermore, basic information that allows to derive main components of statistics on the **profit and loss accounts** may be needed for statistical purposes.

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**Deadline
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	<p>Therefore, the ECB favours the view that the adoption of the present Article 35 of the Solvency II Directive in its entirety would provide for the appropriate basis for future reporting, and future detailing of the requirements through implementing measures. Furthermore, it is suggested that the general provisions contained in the IORP Directive guiding the future collection of data should avoid any undue limitation of the contents of the future actual reporting requirements (e.g. regarding frequency, coverage or level of detail (e.g. security-by-security reporting), as these technical specifications of the reporting should be defined in subsequent implementation measures.</p>	
90.	<p>The ECB supports the view of (i) completely converging information to supervisors with respect to data comparability and harmonisation for all information categories specified in our response to the previous question (Q. 89 above). While comparable and standardised reporting is a precondition for any statistics compiled by the ECB, the IORP and the subsequent implementing measures will leave sufficient room to adapt the details of the data collection to national specificities, and take account of proportionality as appropriate.</p>	
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