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Mr Gabriel Bernardino
Chairman
European Insurance and
Occupational Pensions Authority
(EIOPA)
Westhafenplatz 1
60327 Frankfurt am Main
Germany

Subject: Quantitative Impact Study (QIS) for the review of the IORP Directive

Dear Gabriel,

Thank you again for having participated in our Public Hearing of 1 March. Your keynote address has provided a decisive contribution to the preparation of the review of Directive 2003/41/EC on the activities and supervision of institutions for occupational retirement provision (IORP II).

The review of this directive is a key action point on the Commission's Single Market agenda. Many millions of Europeans rely on their occupational pension for an adequate income after retirement. We have to ensure that occupational pension promises are delivered. This calls for proper prudential regulation of IORPs because pension schemes involve explicit and implicit contracts over long periods of time. In some Member States occupational pensions are already regulated by a modern risk-based supervisory framework. To the extent that IORPs underwrite risks similar to those in the life assurance sector, they should be regulated by similar rules.

It is also important to improve the functioning of the Single Market for occupational pensions in order to open up new choices to Europeans for their retirement preparation. This is particularly important for the younger workers and those that will enter the labour market in the coming years. Europe's contribution to ensure adequate and sustainable pensions needs to address the intergenerational challenge. The Single Market can provide

a decisive contribution by ensuring a regulatory framework that supports efficient and safe occupational retirement provision. Not only current but also future workers should have a wide choice of occupational pensions available. Their supply should be efficient to avoid trapping unnecessarily scarce capital that sponsoring employers need to finance growth and employment.

Following the Public Hearing of 1 March, we have taken the necessary time to reflect on the best way forward. You will recall that participants overwhelmingly expressed strong concern in relation to the quantitative solvency requirements that are being considered for IORPs. Looking ahead, I think that we now need to collect data on the possible impact of the holistic balance sheet on IORPs and their sponsoring undertakings. The next milestone is therefore the conduct of a Quantitative Impact Study (QIS). Considering that the quantitative requirements are innovative, politically sensitive and technically complex, I think that the test needs to be carried out on a thorough basis and that it is important to carry out a consultation before it is launched.

The need to carry out a QIS was already mentioned in our Call for Advice of April last year and I am aware that, following the delivery of EIOPA's technical advice in February 2012, EIOPA has already started the preparation of the technical specifications for the QIS.

I am pleased that EIOPA will finalise a draft of the technical specifications by mid-June. My colleagues have been collaborating in its preparation and I am confident that the draft provides a sound basis for the consultation. I think that the QIS for the IORP sector should test the QIS5 approach and the additional work that has been done in the meantime, notably for insurance products with long-term guarantees.

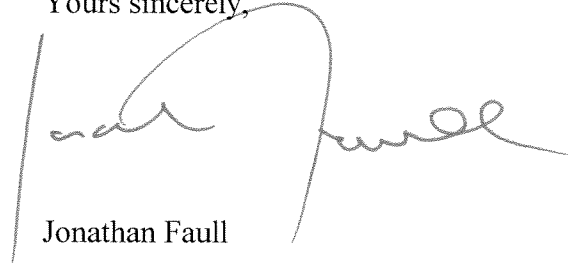
As regards timing, I believe that more time is needed to allow for a thorough preparation of the legislative proposal. The aim is to present the Commission's proposal by June 2013.

In order to meet this timing, I invite EIOPA to launch a short consultation on the draft technical specifications for the QIS as soon as possible in June 2012 with a deadline to respond in the course of July 2012. The intention is to carry out the QIS in the Autumn 2012. I ask EIOPA to analyse the data to ensure consistency of outcomes within and between Member States and to make available the results, possibly on a preliminary basis, before the end of this year or at the very latest in January 2013.

Finally, please be aware that it is likely that the timing of the review does not allow the running of a follow-on QIS. I therefore agree with the current draft of the technical specifications requiring QIS participants to test all options. In particular, participants should return results based on a Value-at-Risk at the 99.5%, 97.5% and 95% confidence levels.

I remain at your disposal for any comments or questions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jonathan Faull', written over a vertical line that serves as a separator between the closing and the name.

Jonathan Faull

c.c.: Mr Brendan Kennedy, Chairman of the OPC
Ms Teresa Turner, Secretary of the OPC