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Subject: EIOPA Preliminary Report– Towards an EU Single market for personal pensions

Dear Mr. Faull,

I am pleased to present you with the EIOPA Preliminary Report – “Towards an EU-single market for personal pensions” in response to your July 2012 request for EIOPA to provide technical input on the prudential regulations and consumer protection measures needed to create a single market for personal pensions.¹ In your letter you specified that EIOPA analysis should consider at least two approaches:

- Developing common rules to enable cross-border activity in the field of PPPs (similar to the IORP Directive); or
- Developing a 2nd regime by way of a Regulation

Furthermore, the terms of reference you have set required that the main issues to be dealt with by EIOPA at the early stage of the work should focus on:

- Identification of common features of personal pensions
- Establishing the regulatory and disclosure issues with regard to personal pensions.

EIOPA is a strong supporter of COM initiatives² regarding development of personal pensions and today's Preliminary Report should lay the foundation for future EU initiatives aimed at fostering adequate, safe and sustainable pensions for EU citizens.

Building on these outcomes, EIOPA has identified two main options for creating a single market for personal pensions:

- to introduce by way of a Directive common EU consumer protection rules for all existing and future personal pensions covering transparency and information disclosure, distribution practices, professional requirements and product governance arrangements; and

¹http://ec.europa.eu/internal_market/pensions/docs/calls/072012_call_en.pdf

² 2012 COM White Paper on adequate, safe and sustainable pensions at <http://ec.europa.eu/social/main.jsp?catId=752>

- to introduce a 2nd regime, in the form of a Regulation. This 2nd Regime should be designed in a way that accommodates the tax and possibly also other differences among Member States. It should enable transferability of accumulated capital and highly standardised product rules ensuring a high level of protection for personal pension holders.

EIOPA's analysis has revealed that taxation, social law, as well as difficulties in the area of harmonisation of contract law, appear to be the most significant hurdles to developing a single market for personal pensions.

Nonetheless, the findings of the EIOPA analysis support both a proposal to establish a Directive providing for enhanced consumer protection requirements to cover the whole spectrum of existing products together with a Regulation that would focus only on a 2nd regime for personal pensions, assumed to be a newly introduced highly standardised product.

This conclusion is consistent with the stakeholders' contributions to the EIOPA consultation which preceded this Preliminary Report. Stakeholders are aware of the advantages and the incentives that would arise from a single market for PPPs and agree that a single market for PPPs would be advantageous for consumers, providers, and for the broader EU economy.

In the course of developing this Preliminary Report, EIOPA has also concluded that 1st pillar bis arrangements found in certain Member States meet all elements of a PPP definition. Whilst EIOPA acknowledges the relation these arrangements have with the social security systems of those Member States, the discussion recognised the case for enhanced convergence between MS and EU requirements in the areas of consumer protection and pension product development standards.

EIOPA is committed to strongly promoting a EU single market for personal pensions as this has the potential to maximise scale economies while increasing the level of competition in the marketplace, and delivering high-quality and low-cost pension solutions to beneficiaries. EIOPA stands ready to assist the Commission in its future work on creating a single market for personal pensions.

Yours sincerely,

