

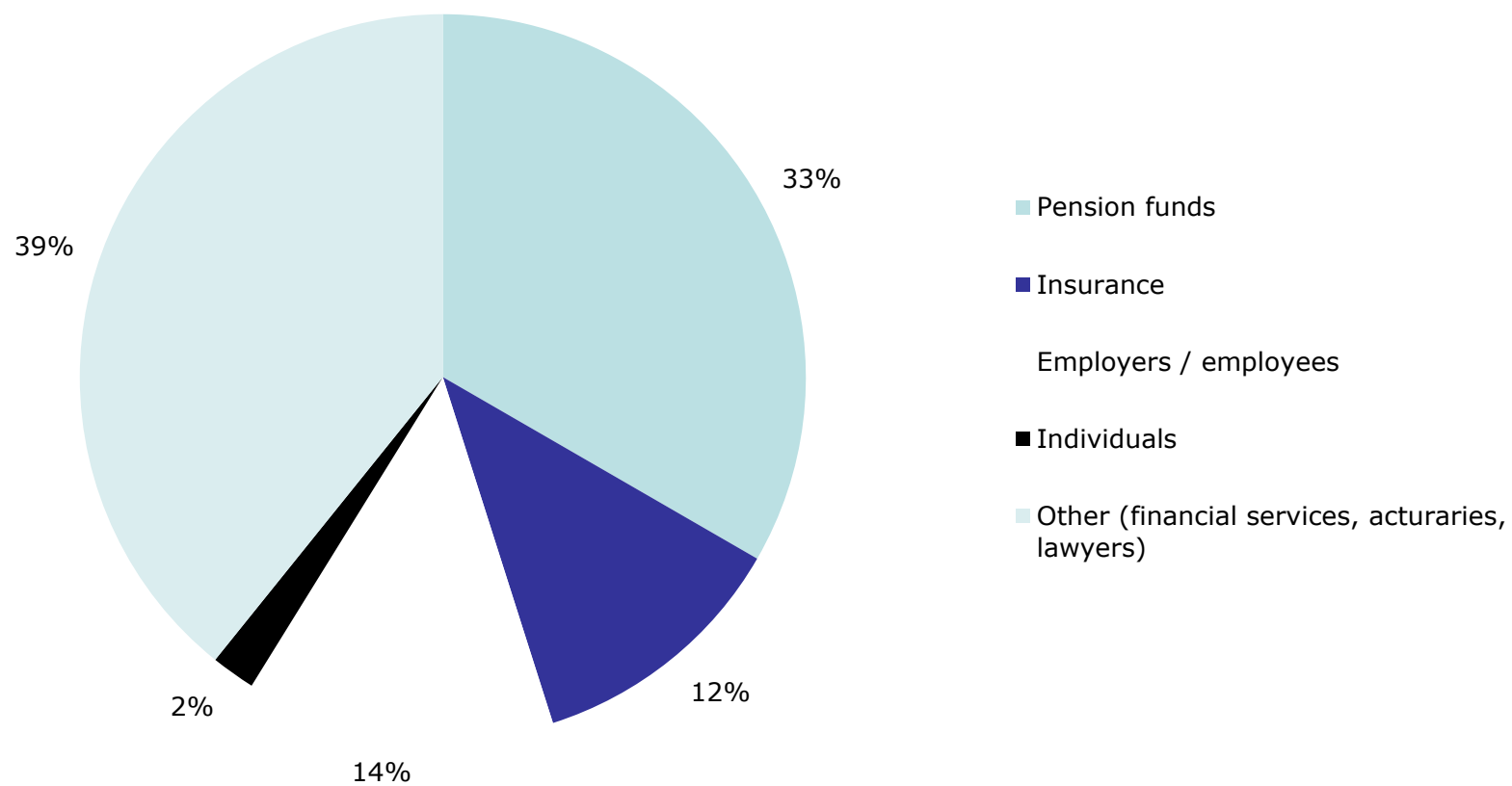
Call for advice: review of the IORP Directive

Joint OPSG/IRSG meeting
Frankfurt, 19 October 2011

1. Progress to date
 2. Feedback from the 1st consultation
 3. 2nd consultation from 25 October
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- CfA received in early April
 - Work started in early May
 - All deadlines to date met
 - Most of the CfA objectives achieved
 - First consultation on a selection of topics July/August
 - CP covering advice on all 23 questions approved by OPC in Ljubljana at end of Sep
 - BoS approval of the CP sought on 20 Oct
 - Second consultation starts 25 October
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- Covered:
 - o Scope
 - o Cross-border
 - o Prudential legislation
 - o Six governance topics
 - Received 51 responses
 - EIOPA feedback will be published on 25 October
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What has changed following 1st consultation



- Scope of the IORP Directive
 - Extension of the scope to all providers, including personal pensions, and extension to Pillar 1 bis on the grounds that they are occupational was rejected by the majority of respondents
 - Now clear advice not to extend the current scope, but
 - The possibility of “grey” areas recognised (where not clear whether the IORP Directive applies). For example voluntary application to schemes/institutions with dual character or to personal pensions
 - Recommendation that high standards of governance and supervision should apply to all types of pension schemes
 - Recommendation to examine impacts on the operation of Article 4
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What has changed following first consultation



- Prudential legislation
 - o Remains a list approach, but
 - o The list has been shortened
 - o Limited to the responsibilities of the Home State for the purposes of cross-border activity
 - o Recognition of 'grey areas' such as information, or elements of governance and organisation
 - o Proposal for the extension of a 'concurrent competence' regime between the Host and the Home state (such as for information requirements under Art 11) to 'grey areas'
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What has changed following the first consultation



- **Governance**

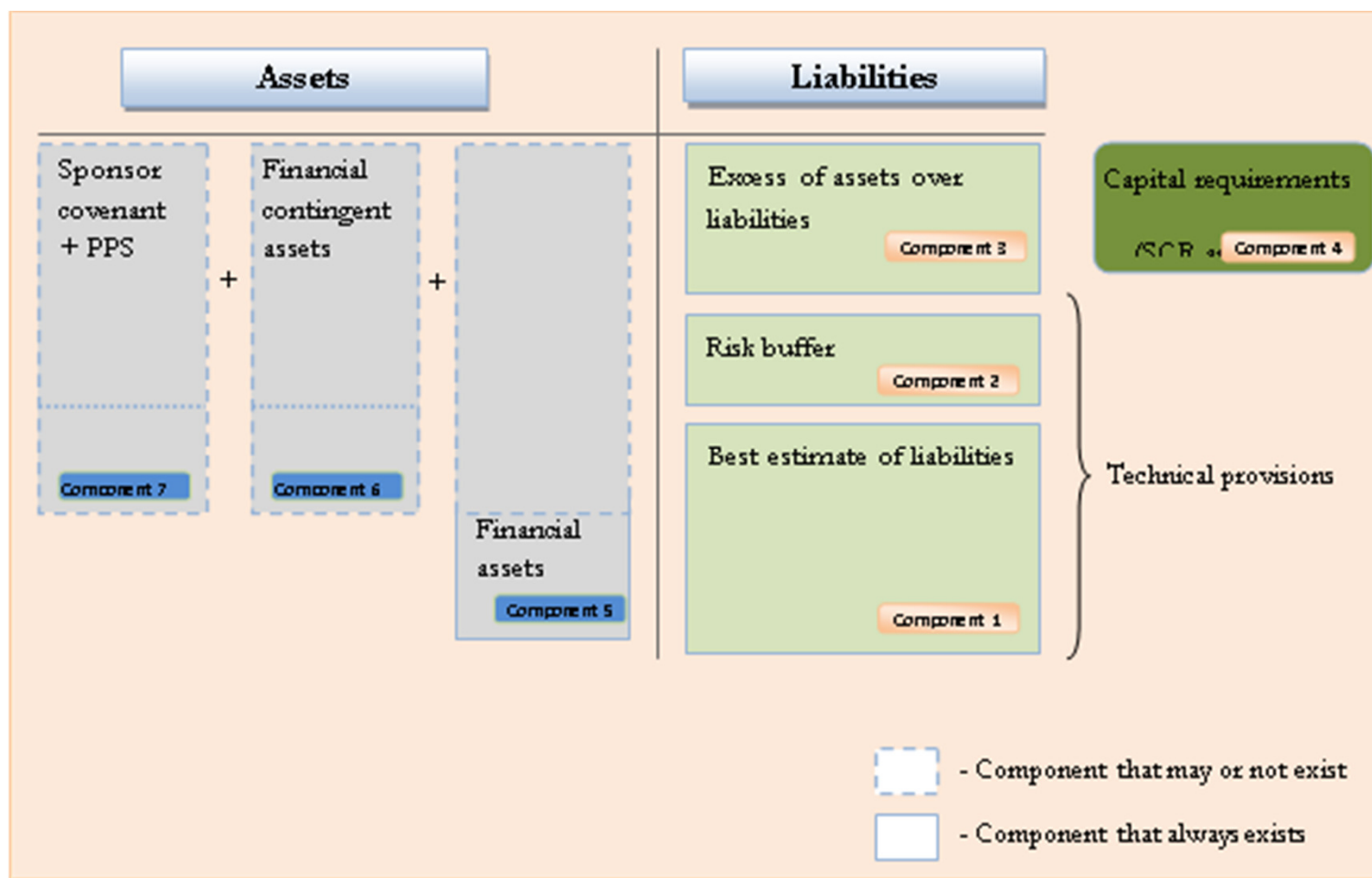
- Clarification that the fit and proper tests applies in either case to those who run IORPs or carry out key functions
 - Tightening of the requirement that there should be an option for a whistleblowing function by those who are responsible for compliance and internal audit
 - Greater emphasis that the governing body of an IORP remains responsible for the activities which it outsources
 - Clarified the role of the supervisory authority vis-à-vis IORP with regard to supervision of outsourced functions
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- Covers all 23 topics in the CfA
 - EIOPA BoS approval sought on 20 October
 - Consultation starts on 25 October
 - Closing date will be confirmed in the consultation document
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Holistic balance sheet essential to achieve the Commission's objectives:

- High level of harmonisation of prudential rules
 - Uniform security level across Europe
 - Value all security mechanisms / uniform discount rate
 - No harmonisation of benefit mix
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CfA 5 & 6 – Holistic balance sheet

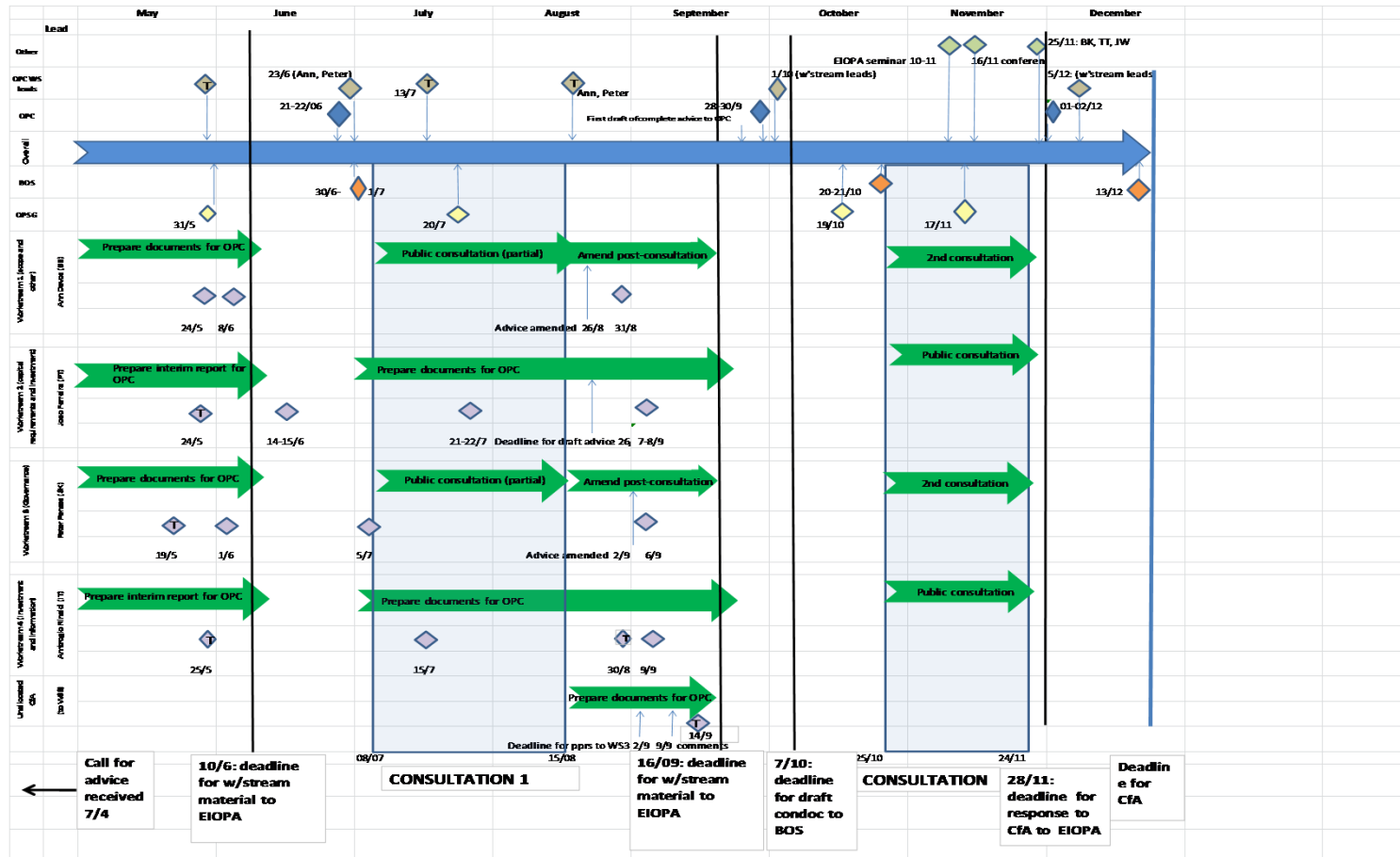


- **Defined benefit**
 - Rebalances home/host state powers
 - Relies on prudent person rule, as for SII
 - **Defined contribution**
 - SII recognises that prudent person rule alone not sufficient where policy holders bear investment risks
 - Additional rules and host state roles therefore options not recommendations
 - Options for minimum EU requirements where member does not make a choice e.g. lifestyling, default funds
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- Recommends SII standards for governance
- Subject to proportionality

- Pre-enrolment document similar to the Key Investor Information Document required for UCITs.
 - An annual statement to DC members containing their accrued balance and other items.
 - Option for minimum harmonisation of content and format (pre-enrolment document and annual benefit statements)
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Timeline remains demanding





Thank you

Pensions Team
