

MEMO# 32711

August 27, 2020

Pan-European Personal Pension Product - EIOPA Publishes Its Proposals for PEPP Level 2 Regulation; Advise If a Call With EIOPA Could Be Helpful

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August 27, 2020 TO: Global Advocacy Coordination Advisory Committee
ICI Global EU Capital Markets Union Task Force
ICI Global Regulated Funds Committee
ICI Global Retirement Savings Committee RE: Pan-European Personal Pension Product - EIOPA Publishes Its Proposals for PEPP Level 2 Regulation; Advise If a Call With EIOPA Could Be Helpful

The PEPP project is moving along the required legislative steps, including the publication by the European Insurance and Occupational Pensions Authority (EIOPA) on 14 August 2020 of the draft Regulatory (RTS) and Implementing Technical Standards (ITS), following the PEPP consultation (on which we submitted a comment letter in March 2020^[1]). The next step in the process is for the European Commission to finalise the proposed standards (possibly by end of 2020).

We could organise a call with EIOPA to better understand its proposal to the Commission, if there is enough interest from our members. Please let me know (adriggs@ici.org) if you would be interested in such a call/virtual meeting.

Fee cap. At a quick glance, disappointingly but predictably, EIOPA kept its stance on the all-inclusive fee-cap approach for the 1% fee cap for the basic PEPP, and only allowing the cost of the capital guarantee to be excluded from the cap, thereby rejecting the arguments for excluding the cost of mandatory advice and portfolio transaction costs (more specifically, see Articles 12 and 5: [Draft RTS](#)).

In the transmission letter to the Commission, the EIOPA's Chairman, Gabriel Bernardino wrote:

I want to highlight that industry representatives stressed their negative assessment of the PEPP business proposition's viability in light of the Basic PEPP's cap on costs and fees namely due to the initial cost of advice. Factually, the level of maximum costs per annum of the Basic PEPP can be observed in

current, well established markets and cannot necessarily – over the long-term – be regarded as excessively low. However, it is important for us to bring to your attention that the cost cap’s reference to the accumulated capital may lead to a situation where the providers’ expenses cannot be matched in the initial phase of a contract and in the advanced stages of the contract, the costs to the consumer can be relatively high.

Further, we believe that the provision of advice to the consumer, in particular for the Basic PEPP, may deserve further consideration and guidance to allow for an advice process that is fitted to the specificities of the PEPP and to the opportunities of digitalisation and online distribution. The specific nature of the Basic PEPP, understood as the ‘default’ investment option that is expected to match the demands and needs of the majority of the future PEPP savers, would need to be considered in the advice process.

We will provide a more detailed analysis on the EIOPA’s text in a follow-up memorandum.

EIOPA’s materials:

The set of EIOPA’s documents delivered to the Commission includes the following:

- [Draft RTS](#) on the PEPP KID, Benefit Statement, costs and fees included in the cost cap, and risk-mitigation techniques
- [Draft ITS](#) on supervisory reporting and convergence
- [Technical Advice](#) on delegated acts in relation to EIOPA product intervention powers
- [Technical Advice](#) on delegated acts

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endnotes

[1] See Memorandum to ICI Global Members [32266], dated March 6, 2020.
<https://www.iciglobal.org/iciglobal/pubs/memos/memo32266>