

Comments Template on CP EIOPA's advice on the development of an EU Single Market for personal pension products (PPP)

**Deadline
26 April 2016
23:59 CET**

Name of Company:	Institute and Faculty of Actuaries	
Disclosure of comments:	Please indicate if your comments should be treated as confidential:	Confidential/Public
<p>Please follow the following instructions for filling in the template:</p> <ul style="list-style-type: none"> ⇒ Do not change the numbering in the column "reference"; if you change numbering, your comment cannot be processed by our IT tool ⇒ Leave the last column <u>empty</u>. ⇒ Please fill in your comment in the relevant row. If you have <u>no comment</u> on a paragraph or a cell, keep the row <u>empty</u>. ⇒ Our IT tool does not allow processing of comments which do not refer to the specific numbers below. <p>Please send the completed template, in Word Format, to CP16-001@eiopa.europa.eu. Our IT tool does not allow processing of any other formats.</p> <p>The numbering of the paragraphs refers to Consultation Paper on the proposal for implementing technical standards on special purpose vehicles.</p>		
Reference	Comment	
General Comment	<p>The IFoA believes that there is one specific challenge to the aim of developing a single market for PPP in the EU. As long as Member States (MS) retain responsibility for tax and social security decisions, it will be very difficult to have a functioning single market for PPPs. With existing differences in tax and social security, it is unlikely that many providers would seek to offer products across borders given the regulatory barriers. Similarly, individuals would take up a PPP that offered them the best outcome in respect of their immediate personal circumstances, including tax. We welcome EIOPA's recognition in this paper of that challenge.</p> <p>However, the IFoA supports the general consumer protections outlined in the paper, noting that many of the proposals are already in force in the UK. Consequently, the comments in our</p>	

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	<p>response reflect the experience of our members in providing PPPs in the UK. Given that experience, we cannot comment on the consequences of EIOPA's proposals for less mature PPP markets in other EU MS.</p>	
<p>Q1</p>	<p>There is a significant amount of governance in respect of PPPs , as noted in the consultation paper (p16). The IFoA would suggest that these existing governance requirements should form the basis of any minimum standards. It is likely that consumers would benefit from the application of these minimum standards.</p> <p>Although the consultation recognises existing governance requirements (p23-25), there does appear to be some appetite for additional rules. The IFoA would question whether introducing these additional requirements would provide much benefit to consumers. Any requirements could also be disproportionate for providers.</p> <p>Harmonisation would provide minimum standards, but individual MS may have certain standards that exceed the minimum. We would draw EIOPA's attention to the operation of the Financial Services Compensation Scheme (FSCS) in the UK, which provides significant consumer protections. Not all providers in the UK fall within the remit of the FSCS. If there were a minimum standard for all providers, but it did not include provision for a scheme such as the FSCS, the new minimum standard would not meet existing consumer protections.</p> <p>For mature markets, minimum standards may not match existing protections; however, we recognize this could have a benefit for less developed markets.</p>	
<p>Q2</p>	<p>If all PPPs provided information in a standard format, there would be an obvious benefit for consumers identifying which PPP would be most suitable for them. As we highlighted in our response to question 1, existing governance standards can form the basis for minimum standards. Providing standardised information within those existing rules should be simple to achieve.</p> <p>However, recent changes to pensions legislation in the UK mean that there is greater competition in the long-term savings market. Pensions products are competing for new business against a</p>	

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	<p>range of other products. If the application of harmonised product governance rules were only to be for PPPs, there may be competing products offering similar benefits that would be exempt from the rules. Consequently, the operation of harmonized rules could distort the long-term savings market.</p>	
<p>Q3</p>	<p>The comments made in our response to question 2 (repeated in the following two paragraphs) are also appropriate for distribution models.</p> <p>If all PPPs provided information in a standard format, there would be an obvious benefit for consumers identifying which PPP would be most suitable for them. As we highlighted in our response to question 1, existing governance standards can form the basis for minimum standards. Providing standardised information within those existing rules should be simple to achieve.</p> <p>However, recent changes to pensions legislation in the UK mean that there is greater competition in the long-term savings market. Pensions products are competing for new business against a range of other products. If the application of harmonised product governance rules were only to be for PPPs, there may be competing products, exempt from the rules, that would have a competitive advantage in the long-term savings market.</p> <p>Different products will be distributed in different ways and will be subject to differences in rules. Harmonisation would have to apply in all circumstances to all products in order to ensure consistency across all products.</p>	
<p>Q4</p>	<p>We would highlight again our response to question 2 (repeated in the following two paragraphs).</p> <p>If all PPPs provided information in a standard format, there would be an obvious benefit for consumers identifying which PPP would be most suitable for them. As we highlighted in our response to question 1, existing governance standards can form the basis for minimum standards. Providing standardised information within those existing rules should be simple to achieve.</p> <p>However, recent changes to pensions legislation in the UK mean that there is greater competition</p>	

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	<p>in the long-term savings market. Pensions products are competing for new business against a range of other products. If the application of harmonised product governance rules were only to be for PPPs, there may be competing products, exempt from the rules, that would have a competitive advantage in the long-term savings market.</p> <p>Common disclosure will be most effective when it captures all products that are competing for the same funds.</p>	
Q5	We are not aware of any prudential or regulatory issues raised by the consultation. We support EIOPA's proposal not to add any further capital requirements.	
Q6	The IFoA considers that the powers discussed (p 69) are already available to regulators in the UK.	
Q7	<p>The IFoA supports EIOPA's view that a standardised PPP with flexible elements is preferable to all other policy options in respect of standardisation (policy option 1). This reflects the different levels of market conditions in MS.</p> <p>The IFoA also supports EIOPA's conclusion for policy issue 2 in respect of a voluntary second regime. A voluntary second regime would have no impact on those providers who did not wish to offer a PEPP. This would be of particular benefit to mature markets, such as the UK, where providers may not have much incentive to offer a PEPP.</p>	
Annex I : Impact Assessment		
Section 1. Procedural issues and consultation of interested parties		
Section 2. Problem definition		
Section 3. Objective pursued		

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Section 4. Policy options		
Section 5. Analysis of impacts		
Section 6: Comparison of options		