European Federation of Building Societies
Fédération Européenne d'Epargne et de Crédit pour le Logement
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Mailing list Supervision/Accounting/Money Laundering
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Brussels, 7 July 2017
JP

Proposal for a Regulation on a pan-European personal pension product

Dear Sir or Madam,

On 29 June 2017, the European Commission published a proposal for a Regulation on a pan-European personal pension product (PEPP), with a view to supplementing the existing range of personal pension products on offer. The PEPP opens up a new possibility to citizens in the EU to make provision for retirement. It is foreseen that this pension contract will be portable in the case of a change of residence to another Member State.

According to the European Commission, the product characteristics of a PEPP include equal tax treatment as similar national products in the State of residence of the product holder. In the case of a change of residence to another Member State, it is to be possible to continue to make payments into the scheme. For new savings contributions, the tax regimes of the new State of residence of the product holder would then apply. In a Recommendation published in parallel to the proposal for a Regulation, the European Commission encourages Member States to allow the same tax relief on PEPPs as that granted to comparable national products, even if the PEPP does not meet the criteria applicable at national level to obtain such tax relief in full. This Recommendation is not binding, however.

Furthermore, it is planned that, when acquiring a PEPP, a customer can choose from up to five investment options. A default investment option must always be contained, which is characterised by a particularly conservative investment strategy and precludes the loss of the capital invested. Every five years, it is to be possible for customers to switch investment strategy free of charge. Before concluding the contract, the customer is to be informed about its content by means of a standardised product information sheet.

Rules concerning the accumulation and the decumulation phases, such as for example age limits and minimum saving period, are to be established predominantly by the Member States.

PEPP providers may be insurance undertakings, banks, occupational pension funds, securities firms or asset management companies. It is planned that the PEPP, after initial authorisation by the European Insurance and Occupational Pensions Authority (EIOPA), can be offered in all EU Member States. The customer is to be given the right to change provider every five years. Costs charged for

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the switching process may not exceed 1.5% of the capital saved up to that point in time. The Commission proposal also contains the provision that, after authorisation by EIOPA, existing private pension products can be converted into a PEPP. All authorised PEPPs, as well as their providers and the respective competent supervisory authority, are to be listed in a central public register kept by EIOPA. Insurance intermediaries, registered in accordance with Insurance Intermediary Directive 2016/97/EU, are also to be entitled to distribute PEPPs.

The European Commission expects that the market volume of EU-wide private pensions will not double, but triple by 2030 thanks to the introduction of PEPPs.

The legislative proposal will now be discussed by the European Parliament and the Council of the European Union. After adoption, the Regulation will enter into force 20 days after its publication in the Official Journal of the European Union.

Please find enclosed the relevant documents, which so far are available only in English. We should appreciate receiving your replies, observations and comments for the further legislative procedure at the European Office. If you have any questions, please contact us at any time.

Yours sincerely,

Andreas J. Zehnder
Managing Director
European Federation of Building Societies

Annexes:

- Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on a pan-European Personal Pension Product (PEPP) (English original version)

- COMMISSION RECOMMENDATION on the tax treatment of personal pension products, including the pan-European Personal Pension Product (English original version)