

Subject: Draft Input of AEIP to CMU final paper

Please find below the recommendations included in the final CMU report of the HLF which are relevant to the activities of AEIP. The answers of AEIP are marked **in red**.

Recommendation 1: An EU Single Access Point

- *Propose legislation for ESMA to establish an EU-wide digital access point (ESAP) that would serve as a database centralising at EU level companies' public financial and non-financial information, as well as other financial product or activity-relevant public information. Access to the ESAP shall be freely accessible to the public.*
- *Ensure that companies (listed and non-listed) are required to submit all the public information only once through a single reporting channel, which may necessitate streamlining existing multiple reporting channels.*
- *Conduct work on harmonising the content and, if appropriate, the format of companies' public information to foster better comparability and usability of data. The use of technology as well as templates and standards should not impose additional language requirements causing significant burden.*
- *ESMA should be entrusted with the task of setting up the IT structure, equipped with adequate funds and resources.*

Do you agree this recommendation is important?

1 - Not important at all

2 - Rather not important

3 – Neutral

4 - Rather important

5 - Very important

Don't know / no opinion / not relevant

If you disagree with all or part of Recommendation 1, how would you amend it? (Max 2000 characters)

AEIP believes that access to objective and free-of-cost company data is one of the major challenges for many market participants and stakeholders in general, so this initiative could be a step in the right direction. Importantly, ESAP should also include comparable ESG-relevant data in line with the Non-

Financial Reporting Directive and the Sustainable Finance Disclosure Regulation, which would be freely available and linked to securities (e.g. ISIN code).

Recommendation 3: Encouraging insurers to provide more financing for capital markets

Recommendation 3a

In the Solvency II review, while maintaining its risk-based approach:

- *Better considering the long-term nature of the insurance business and assessing if the risk of forced selling of assets at adverse market prices is being estimated realistically when reviewing the treatment of equity and debt capital charges;*
- *Changing the criteria for the current long-term equity capital calibration to address the problem that almost no equity investment would currently qualify;*
- *Assessing whether the risk margin is too high and volatile for its policy purpose, reducing capacity for investment risk in capital markets;*
- *Ensuring that insurers' own funds are appropriately valued and are not too volatile, in particular looking at what improvements can be made to the Volatility Adjustment to avoid exaggerating either way the valuation of projected long-term liabilities and reduce artificial volatility;*
- *Improving the mitigation of pro-cyclical effects that requirements may have on insurers' investment behaviour, and proposing the necessary level 1 legislative changes and making the necessary level 2 legislative changes to give effect to the required policy changes.*

Do you agree this recommendation is important?

1 - Not important at all

2 - Rather not important

3 – Neutral

4 - Rather important

5 - Very important

Don't know / no opinion / not relevant

If you disagree with all or part of Recommendation 3, how would you amend it? (Max 2000 characters)

Recommendation 11: Pensions

Recommendation 11a: Pension dashboards for Member States

- *The Commission should develop a dashboard with indicators to monitor the state of play in Member States and, where applicable, the progress achieved by Member States with regard to pension sustainability and pension adequacy. Each indicator should take into account the three pillars and be composed of aggregated, anonymised data. Indicators should be accompanied by a pension adequacy target.*
- *The Commission should consider a reporting system whereby providers of Pillar II and Pillar III pensions annually report relevant anonymised aggregate information on their clients and on assets under management to National Competent Authorities.*
- *Member States should be obliged to submit the collected, aggregated data to a centralised point.*
- *Indicators should be calculated and published on an annual basis, reflecting the sustainability and adequacy of pension systems across the three pillars in the Member States. Where appropriate, these indicators should feature prominently in the European Semester and the country-specific recommendations. The methodology could be jointly agreed by the Commission and the Economic Policy Committee (EPC).*

Do you agree this recommendation is important?

1 - Not important at all

2 - Rather not important

3 – Neutral

4 - Rather important

5 - Very important

Don't know / no opinion / not relevant

Recommendation 11b: Pension tracking systems for individuals

- *The Commission should put in place a requirement for Pillar II and Pillar III providers to report on an annual basis their respective data of individuals' savings, to complement information (submitted by Member States) on individuals' accrued rights under Pillar 1. The process by which this is achieved should be developed in consultation with the European Data Protection Board. National tracking systems should feed into an EU portal, such as the European Tracking System, which would allow EU citizens with mobile careers to check their pension status irrespective of the Member States of their accrued rights.*
- *For this purpose, the submitted information needs to be standardised and requires the possibility to extend the reported information. Upon successful implementation of pension tracking systems, the Commission is to work towards extending reporting requirements to additional suitable products and initiatives, e.g. long-term investments comparable to pension products and retirement saving initiatives (e.g. sidecar savings accounts).*
- *The HLF calls on the industry to support and contribute to financing the full roll-out of the European Tracking System, considering that public-private partnerships would be a good solution for funding such a system, which should be supervised by public authorities to ensure trust.*

Do you agree this recommendation is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 – Neutral
- 4 - Rather important
- 5 - **Very important**
- Don't know / no opinion / not relevant

Recommendation 11c: Auto-enrolment in occupational pension schemes

In line with the report of the High Level Group of Experts on Pensions, to stimulate adequate pension coverage across all Member States the Commission should consider ways to support the introduction of auto-enrolment, in particular where there is no mandatory occupational scheme in place. Increasing levels of pension coverage and savings will reduce the risk of future old-age poverty and contribute to deeper, more integrated and more liquid European capital markets. To this end:

- *The Commission should identify best practices in automatically enrolling workers into occupational pensions with a view to developing a blueprint to provide principles and proposals on good occupational schemes and how engagement and guidance can be harnessed to secure adequate retirement incomes for EU citizens in the future, which Member States can tailor to their particular pension landscape.*
- *The Commission should stimulate pension accrual and pension adequacy in alignment with the Pension Dashboard approach referenced above, by providing best practices for applicable occupational pension systems at Member State level.*
- *The Commission should table a legislative proposal to require auto-enrolment into default occupational pension schemes at Member State level with the intent of delivering adequate pension savings over a working life. That proposal must be subject to a full impact assessment specifying the objectives, making the case for auto-enrolment and identifying the main elements and minimum requirements that should form part of the legislative proposal.*

Do you agree this recommendation is important?

- 1 - **Not important at all**
- 2 - Rather not important
- 3 – Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

If you disagree with all or part of Recommendation 11, how would you amend it? (Max 2000 characters)

Recommendation 11a: AEIP welcomes as a positive development that complementary funded pensions could be taken into consideration for the pension systems' sustainability and for pension adequacy. However, any reporting system related to this initiative should not increase the reporting burden for occupational pension funds, which are social institutions by nature and contribute significantly to pension adequacy.

Recommendation 11b: AEIP is very positive towards the creation of a European Tracking System portal.

Recommendation 11c: A principle-based, best-practice blueprint by the European Commission that would provide guidance on adequate retirement incomes is welcome. Also, AEIP understands the advantages and strengths of auto-enrolment to pension schemes, since the literature and experience show that it is beneficial for the pension adequacy of individuals. Nevertheless, an EU legislative proposal requiring auto-enrolment at a national level does not seem to be in line with the limited competences of the EU in the social field (Art. 140 EC) as well as with the principle of subsidiarity. AEIP would like to stress that each national social protection and pensions system has its own particular characteristics, formed by historical legacy and participation of stakeholders and social partners, so a 'one-fits-all' approach is not the preferred way to go forward. Moreover, it would be challenging to determine which countries have a sufficient existing coverage of 'mandatory' second pillar pensions. For example, occupational pensions may not be legally mandatory, but de facto universal due to collective bargaining. It would also have to deal with the question of pillar 1bis systems, that are typically not considered 'occupational pensions' but are capital funded, earnings-related and play a significant role in delivering adequacy in some countries. Finally, AEIP believes that, in the context of the European Semester, Country Specific Recommendations focusing on occupational pensions auto-enrolment and pension adequacy should be more prominent over the years. In that way, member states would be able to address the issue and take measures aiming at constantly enhancing pension adequacy, to which funded pensions can play a big role. All in all, AEIP recognizes that auto-enrollment can be a positive development in countries with low 1st bis and 2nd pillar coverage, but this should not be enforced through EU law.

Recommendation 12: Financial literacy/education and investment culture

Recommendation 12a: Recognition of financial knowledge and skills as a priority

- *The Commission should propose to review the Council Recommendation "Key Competences on Lifelong learning" to introduce financial competence as a stand-alone key competence. The Commission should also identify financial skills as a priority in an update of its Communication on "A new Skills agenda for Europe".*

Do you agree this recommendation is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 – Neutral
- 4 - Rather important**
- 5 - Very important
- Don't know / no opinion / not relevant

Recommendation 12b(i): EU competence framework on financial competence

- *The Commission should set up an EU competence framework on financial competence. The framework on financial competence should outline key areas of financial competence (for instance, plan a budget, invest, borrow). The framework should provide the theoretical basis to support the development of competences through various applications and in various settings. The framework should be made available to public authorities and private bodies to promote a shared understanding of financial competences and provide the basis for the development of policies and applications. In particular, its uptake would be facilitated through working groups with Member States, organised and moderated by the Commission.*

- *In the long run, the competence framework on financial competence could provide the basis for a range of applications developed by public authorities and/or public bodies. These applications can cover not only school and university formal education, but also adult formal, non-formal and informal learning, including consumer engagement aspects. For instance, the framework could be used as a basis by financial guidance bodies (see recommendation 12e) to develop and structure their offer. The framework could be used to develop digital tools for consumers to assess their risk profile, or to show retail investors how their current consumption/savings choices may impact their future return. The framework could also provide a basis for setting up centres of financial education to provide pupils, students and adults with basic financial education. Such centres could be run in the form of public-private partnerships.*

Do you agree this recommendation is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 – Neutral
- 4 - Rather important**
- 5 - Very important
- Don't know / no opinion / not relevant

Recommendation 12b(ii): Working groups with Member States

- *The Commission should set up and moderate working groups with Member States to facilitate the uptake of the above-mentioned competence framework and to exchange*

best practices, including on: curricula reforms (school, university, vocational and adult education), financial guidance measures and promotion of employee share ownership.

Do you agree this recommendation is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 – Neutral
- 4 - Rather important**
- 5 - Very important
- Don't know / no opinion / not relevant

Recommendation 12b(iii): Indicator on financial education

- *The Commission should create a new indicator on financial education in Member States. The indicator should be monitored in the framework of the European Semester and/or in thematic country reports of Commission Services. A minimum threshold should be defined, below which a country-specific recommendation should be triggered for the given country.*

Do you agree this recommendation is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 – Neutral**
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

Recommendation 12e: Financial guidance

- *Member States should promote measures that support financial guidance to consumers in relation to investing and pension saving, including through digital means. In particular, Member States should set up national financial guidance bodies for consumers and/or fund existing organisations representing financial end-users capable of providing financial guidance and financial planning services to consumers.*
- *The EU should encourage Member States to set up such national financial guidance bodies by adding the exchange of best practices on such national bodies in the scope of the Member States working groups set up in recommendation 2. The scope of the working groups should cover best practices of national financial guidance bodies coordinating their activities with other public sector initiatives providing financial guidance to citizens, at a member state and EU level, including pension tracking systems.*

Do you agree this recommendation is important?

- 1 - Not important at all
 - 2 - Rather not important
 - 3 – Neutral
 - 4 - Rather important
 - 5 - **Very important**
- Don't know / no opinion / not relevant

If you disagree with all or part of Recommendation 12, how would you amend it? (Max 2000 characters)

Recommendation 15: Withholding tax

- *The Commission is invited to set out in EU law common definitions, common processes, and a single form, relating to withholding tax relief at source procedures and their streamlining. In order to achieve significant alleviations for stakeholders, the Commission should make a proposal to introduce a standardised system for relief at source of withholding tax based on authorised information agents and withholding agents (e.g. the TRACE1 project by the OECD).*
- *The objective is that a standardised relief at source system becomes the principal mechanism for withholding tax relief procedures and their streamlining. Reclaim procedures should remain as a back-up (to cover cases in which an investor has been unable to benefit from relief at source). Reclaim procedures should be based on the common definitions and processes throughout the EU, should use a single form, and should be effected speedily and efficiently.*
- *The Commission is invited to support the development of new digital solutions to facilitate the creation of a standardised relief at source system that is both efficient, and resistant to fraud.*

Do you agree this recommendation is important?

- 1 - Not important at all
 - 2 - Rather not important
 - 3 – Neutral
 - 4 - **Rather important**
 - 5 - Very important
- Don't know / no opinion / not relevant

If you disagree with all or part of Recommendation 15, how would you amend it? (Max 2000 characters)

Recommendation 16: Insolvency

Recommendation 16a

- *The Commissions is invited to adopt a legislative proposal for minimum harmonisation of certain targeted elements of core non-bank corporate insolvency laws, including a*

definition of triggers for insolvency proceedings, harmonised rules for the ranking of claims (which comprises legal convergence on the position of secured creditors in insolvency), and further core elements such as avoidance actions.

Do you agree this recommendation is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

Recommendation 16b

- *The Commission is invited to set up an expert group tasked with elaborating common terminology for principal features of the various national insolvency laws.*

Do you agree this recommendation is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

Recommendation 16c

- In cooperation with the EBA, the Commission is invited to analyse how the current bank supervisory reporting framework should be modified so that banks provide to supervisors the data on non-performing exposures that allows an analysis of the effectiveness of national insolvency systems of Member States. On the basis of this supervisory reporting data, EBA should start providing the Commission with bi-annual monitoring reports on the effectiveness of national insolvency systems of Member States.

Do you agree this recommendation is important?

- 1 - Not important at all
- 2 - Rather not important
- 3 - Neutral
- 4 - Rather important
- 5 - Very important
- Don't know / no opinion / not relevant

If you disagree with all or part of Recommendation 16, how would you amend it? (Max 2000 characters)

Recommendation 17: Supervision

Recommendation 17b: EIOPA

- *The HLF recommends that the Commission strengthens EIOPA's mandate to enhance European supervisory convergence, including by reforming its governance and strengthening its powers and toolkits as well as by entrusting it with wider powers in crisis management and ensuring that it is granted adequate resources. To that effect, the Commission should review the relevant sector-specific legislation as well as the founding Regulations of EIOPA.*

Do you agree this recommendation is important?

1 - Not important at all

2 - Rather not important

3 - Neutral

4 - Rather important

5 - Very important

Don't know / no opinion / not relevant

If you disagree with all or part of Recommendation 17, how would you amend it? (Max 2000 characters)

AEIP's members are paritarian institutions of social protection in the field of pensions and health care insurance and as such are functioning with a defined social purpose. They fall under the provisions of national social and labour law (SLL) and are subject to national supervision. The European Commission and EIOPA should acknowledge their social function and the triangular relationship between the employee, the employer and the institution (IORPs or provident institutions). We think that the opportunity for supervisory convergence in this specific context is rather limited, convergence of supervisory practices is different in a framework of minimum harmonization.

Moreover, it is important to take note of the fact that for the moment IORPs and provident institutions primarily operate within the borders of their home country. As they exist to serve the interest of employees and employers and are not profit-maximizing financial institutions, there is

typically less interest to expand abroad. While more direct supervision may be warranted in sectors of the financial system that see a lot of cross-border selling, this does not hold for IORPs and provident institutions, which are pension providers managed by social partners based on collective agreements and in accordance to national social and labour law. AEIP underlines that paritarian funds should not be treated as purely financial service providers even though they are active on financial markets.

AEIP strongly believes that National Competent Authorities (NCAs) are best placed to judge the risks, vulnerabilities, threats and weaknesses of the system given the local labour market, the social and labour legislation as well as the local social environment, and to take any action required. Therefore, we strongly call for a status quo in the tasks and powers of EIOPA being the most relevant supervisory authority for our members. NCAs should stay independent in deciding on the supervisory policy for national paritarian institutions -as pension funds or healthcare insurers -which remain under the national SLL.

In a similar vein, we strongly oppose the statement that all Directives should be transformed into Regulations, particularly in the case of the IORP II Directive.