

# Technical input for the reviews of the IORP II Directive and the PEPP Regulation in the context of the Savings and Investments Union

Annex to the PEPP section of the technical input

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European Insurance and  
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# 1. PEPP ANNEX

## 1.1. Annex: Value for money

### 1.1.1. Step 1: PEPP product clustering

To enable meaningful comparisons, PEPPs would first be grouped into peer sets with similar features. Clustering ensures that benchmarks reflect comparable cost structures and risk-return expectations.

These clustering categories are like the methodology tentative. In particular, additional considerations for PEPP which are MOPs could need to be taken into account.

**Table 1 – Clustering categories and definitions**

Cluster Dimension	Categories	Definition
<b>Product category</b>	<ul style="list-style-type: none"><li>▪ ‘EuroPension’</li><li>▪ Variant</li></ul>	Distinguishes between products subject to the constraints of the ‘EuroPension’ label and those offered as Variants.
<b>Capital guarantee</b>	<ul style="list-style-type: none"><li>▪ Capital guarantee</li><li>▪ No capital guarantee</li></ul>	Identifies whether the product has a capital guarantee or not.
<b>Summary Risk Indicator</b>	<ul style="list-style-type: none"><li>▪ 1 – Low</li><li>▪ 2 – Low to medium</li><li>▪ 3 – Medium to high</li><li>▪ 4 – High</li></ul>	Indicator capturing investment risks.
<b>Pay-out structure</b>	<ul style="list-style-type: none"><li>▪ Annuity</li><li>▪ Lump sum</li><li>▪ Drawdown</li><li>▪ Mixed</li></ul>	Indicates how the PEPP benefit is delivered at decumulation. This affects both cost and benefit design.
<b>Biometric coverage risk</b>	<ul style="list-style-type: none"><li>▪ Yes</li><li>▪ No</li></ul>	Indicates whether the PEPP includes additional insurance components (e.g. death or disability cover).

### 1.1.2. Step 2: PEPP value for money indicators

A set of value for money indicators can be extracted directly from the PEPP KID. These indicators are simple, objective, and allow for cross-provider comparability. They are grouped below by type.

Like the methodology indicators are preliminary and require further consideration.

**Table 2 – PEPP Value for money indicators (KID-Based)**

Type	Indicator	Definition
Cost indicators	Reduction in wealth (RIW)	Annualised impact of total costs as a % of average accumulated capital (standardised for a saver contributing €100/month).
	Entry cost (if any)	Initial costs divided by expected annual cost, to highlight the financial burden of signing up to the contract.
	Exit cost (if any)	One-off fees incurred if the saver exits the contract within five years, as a % of accumulated capital at exit.
	Biometric risk premium	Biometric risk premium expressed as % of the annual contribution or in the form of the impact of the biometric risk premium on the investment return
Return indicators	Long-term lump sum	Accumulated capital after 40 years under moderate scenario.
	Long-term monthly income	Monthly income at 40 years under the moderate scenario.
	Short-term lump sum	Accumulated capital at 10 years under the moderate scenario.
	Short-term monthly income	Monthly income after 10 years under the moderate scenario.
Break-even indicator	Break-even horizon	The earliest time (10, 20, 30 or 40 years) at which projected accumulated capital exceeds the total contributions made.

All indicators are based on the standardised assumptions in the PEPP KID (notably a €100 monthly contribution), ensuring transparency and replicability. To note, the performance indicators would be theoretical as they are based on simulations.

While the tentative indicators outlined above serve as an ex-ante value for money assessment, it may also be possible to use data from PEPP reporting, which already envisages actual performance data, to carry out an ex-post value for money assessment.

### 1.1.3. Step 3: Benchmarks

Following the calculation of the indicators for the PEPP market, benchmarks would be established for each cluster based on the quartiles of the distribution of the indicators. Different flags could be established for ‘EuroPension’, to ensure that it remains a “safe product”, and for PEPP variant.

Additional indicators could be developed looking at performance to monitor value for money throughout the product lifecycle.

Type	Indicator	Supervisory flag
Cost indicators	Reduction in wealth (RIW)	> Quartile X
	Entry cost (if any)	> Quartile X
	Exit cost	> Quartile X
	Biometric risk premium	> Quartile X
Return indicators	Long-term lump sum	<Quartile X

	Long-term monthly income	<Quartile X
	Short-term lump sum	<Quartile X
	Short-term monthly income	<Quartile X
Break-even indicator	Break-even horizon	> Quartile X

## 1.2. Annex: Investments: rules, life-cycling strategies, risk mitigation techniques

### 1.2.1. Implementing a default lifecycle investment strategy for ‘EuroPension’ products

**Table 3 - Considerations on the implementation of a default lifecycle investment strategy**

Lifecycle strategies should form the standard default risk-mitigation approach for ‘EuroPension’ products	<b>Proposed change to the PEPP Regulation</b>
	<ul style="list-style-type: none"> <li>▶ Clearly indicate that a lifecycle strategy is the default investment approach for ‘EuroPension’;</li> <li>▶ Exemptions (incl. alternative strategies including capital guarantees) are allowed but PEPP providers must document and justify their suitability for the target market – i.e. similar outcome in terms of costs and benefits;</li> <li>▶ Deviations should be defined with clear criteria in a standardized manner.</li> </ul>
A rigid, one-size-fits-all solution may fail to accommodate the heterogeneity of saver profiles, of pension systems across the EU and of exiting risk-mitigation techniques	<ul style="list-style-type: none"> <li>▶ Promote a “one-size-fits-most” approach;</li> <li>▶ Rather than mandating a single model, different criteria for lifecycle strategies could be developed in level 2;</li> <li>▶ The framework should remain sufficiently flexible to accommodate tailored solutions where appropriate (e.g. use of guarantees if it is in the best interest of the PEPP savers).</li> </ul>
Lifecycle strategies should rely on standardised but flexible de-risking strategies	<ul style="list-style-type: none"> <li>▶ Encourage PEPP providers to use a standardised but flexible structure for lifecycle glide path:</li></ul> <p><b>Option 1</b></p> <ul style="list-style-type: none"> <li>▶ Develop level 2 on glide path design, including recommended allocations to riskier assets (e.g. equity) at different saver ages, timing for de-risking phases, and maximum equity exposure at retirement, to promote greater harmonization across providers and Member States, e.g.: <ul style="list-style-type: none"> <li>○ <u>Initial phase</u>: high exposure to riskier assets (70-90%) during the early accumulation years;</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ <u>De-risking phase</u>: gradual exposure to riskier assets starting 10-15 years before retirement;</li> <li>○ <u>At retirement</u>: Exposure to riskier assets capped at 10-20% (to be determined and explored further).</li> </ul> <p><b>Option 2</b></p> <ul style="list-style-type: none"> <li>• Allow a limited set of standardised glide path profiles – e.g. "defensive," "balanced"– within the framework. While the 'EuroPension' should be a safe product the balanced approach, especially for younger saver could allow higher risks in the early years.</li> </ul>
Lifecycle strategies should reflect the retirement needs and the overall age of the intended savers segments	<ul style="list-style-type: none"> <li>▶ Default strategies should have a risk-return profile tailored to the characteristics of non-choosing members, often requiring a more protective approach;</li> <li>▶ Strengthen the requirement for providers to carry out ex-ante evaluations and regular ex-post reviews of all investment options, including default strategies.</li> </ul>
Variations in statutory retirement ages and typical savings behaviours across EU Member States must be taken into consideration	<ul style="list-style-type: none"> <li>▶ Allow providers to align the start of the de-risking phase with national retirement rules. For example, de-risking could begin at age 55 in one Member State and at 62 or 67 in another, as long as this is clearly disclosed and appropriately justified.</li> </ul>
<b>Disclosure requirements</b>	
PEPP savers should be informed on the use (or not) of a lifecycle investment strategy for each investment option and provided details on the lifecycle glide path	<p><b>Proposed change to the PEPP Regulation</b></p> <ul style="list-style-type: none"> <li>▶ PEPP KIDs should state explicitly the lifecycle strategy applied and detail the lifecycle glide path, de-risking logic, and implications for returns and capital protection, if applicable;</li> <li>▶ If an alternative to the lifecycle strategy is used, PEPP KIDs should specify how this leads to similar outcomes as the lifecycle strategy.</li> </ul>
Lifecycle strategies need to be cost effective	<p><b>Proposed change to the PEPP Regulation</b></p> <ul style="list-style-type: none"> <li>▶ Lifecycle strategies must remain cost-efficient and aligned with the objective of delivering value for money to PEPP savers.</li> </ul>
<b>Transition arrangements for existing PEPPs</b>	
Abruptly introducing new requirements could confuse	<p><b>Proposed change to the PEPP Regulation</b></p>

consumers and disrupt existing PEPP providers operating under earlier rules	<ul style="list-style-type: none"><li>▶ A 12–18-month transition period should be granted to existing PEPP providers without a lifecycle strategy to allow for necessary operational, system, and disclosure adjustments;</li><li>▶ Existing PEPPs could be grandfathered, allowing them to continue in their current form, provided the provider also offers a EuroPension that meets the new lifecycle requirements.</li></ul>
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The following potential amendments (in red) to the PEPP Regulation could be considered to make a built-in lifecycle investment strategy a standard feature of the EuroPension:

Recital 54

The EuroPension product should be a safe product and should act as a default investment option. The default risk-mitigation technique should be a life-cycling investment strategy, which progressively reduces the overall risk exposure over time in line with the objective of allowing the PEPP saver to recoup the capital. Guarantees (whether for capital protection purposes or to guarantee some returns) may be used either as a complementary tool alongside a lifecycle strategy, or as an alternative risk-mitigation technique, where they provide additional value to the identified target market, particularly for savers close to retirement or with lower risk tolerance. Such guarantees should at least cover the contributions during the accumulation phase after deduction of all fees and charges. Guarantees could also cover the fees and charges and could provide for full or partial coverage of inflation. Where applied, a guarantee on the capital invested should be due at the start of the decumulation phase and during the decumulation phase, where applicable.

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Article 4

PEPP contract

2. The PEPP contract shall in particular include the following:

(a) a description of the EuroPension product, as referred to in Article 45, including information on the default risk-mitigation technique for gradually adapting the investment allocation to mitigate the financial risks of investments corresponding to the remaining duration (life-cycling) in accordance with Article 46(2)(a) of this Regulation and, where offered, on the guarantee on the capital invested;

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Article 28

Content of the PEPP KID

3. The PEPP KID shall contain the following information:

(c) under a section titled 'What is this product?', the nature and main features of the PEPP, including:

(iii) a statement **that the EuroPension product applies a life-cycling investment strategy** as the default risk-mitigation technique, **and, where applied, that the EuroPension product has guarantees** consistent with the objective to allow the PEPP saver to recoup the capital

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## SECTION II

Investment options for PEPP savers

### Article 42

General provisions

3. **Without prejudice to Article 45(1) of this Regulation, all** investment options shall be designed by PEPP providers on the basis of a **risk-mitigation technique or guarantee** which shall ensure sufficient protection for PEPP savers.

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### Article 45

The EuroPension

1. The EuroPension product shall be a safe product representing the default investment option. It shall be designed by PEPP providers on the basis of **a risk-mitigation technique for gradually adapting the investment allocation to mitigate the financial risks of investments corresponding to the remaining duration (life-cycling) in accordance with Article 46(2)(a) of this Regulation in order to be** consistent with the objective to allow the PEPP saver to recoup the capital.

**1.a. As a complementary measure where appropriate, the EuroPension product** may include a guarantee on the capital which shall be due at the start of the decumulation phase and during the decumulation phase, where applicable.

#### 1.2.2. Divergences in investment rules at national level

**Investment rules for domestic personal pension products vary across the EU.** These discrepancies have a direct impact on the PEPP and pose limitations to its development and hinder the creation of a truly pan-European pension market. In some cases, Member States impose investment rules that favour investment in domestic assets and capital markets, often granting preferential tax treatment to such investments. In other cases, Member States impose more detailed or stricter investment rules than the minimum harmonized standards set by EU Directives. For instance, the

IORP II Directive, while establishing general principles for investment management such as the prudent person principle, allows Member States to have more detailed rules on asset allocation, diversification or restrictions on certain types of investments.

This flexibility can help in accommodating differing legal, economic and market conditions across Member States, but can also lead to variations in how pension funds operate within the EU. It can create regulatory fragmentation, leading to inconsistencies and barriers to cross-border activity. This can hinder the development of a truly integrated EU pensions market by increasing compliance costs and administrative burdens for providers operating in multiple countries. Ultimately, it may reduce competition, limit saver choice, and hinder the scalability and attractiveness of the PEPP.

These reflections on regulatory flexibility and its challenges should be carefully considered. However, EIOPA acknowledges that overcoming such fragmentation is highly complex and would necessitate amendments to legal frameworks beyond the PEPP Regulation, which falls outside the scope of EIOPA's input to the current consultation.

### 1.3. Annex: PEPP in the workplace

#### 1.3.1. Operationalising the workplace PEPP

##### **Facilitating employer contributions to the PEPP through tax incentives**

The success and feasibility of integrating the PEPP into the workplace largely depends on whether employers can contribute with relevant incentives. One PEPP provider has reported that treating employer contributions as non-cash benefits, which are exempt from income tax and social security contributions in certain jurisdictions, has significantly enhanced the PEPP's appeal to both employers and employees, and has been a key factor in its success in Member States where it is currently offered.

For example, in Slovakia, where employers can contribute to employees' PEPP accounts, various companies have already included the PEPP in their employee benefit packages. Evidence shows that when the PEPP is positioned in an occupational context, employer contribution levels tend to be higher and employee participation increases, mirroring patterns seen in traditional occupational pension schemes.

#### 1.3.2. Technical changes to make the default PEPP option suitable for auto-enrolment

Required change	Rationale	Suggested change
Introduce a legal basis for the possibility for employers to decide to auto-enrolment into	The PEPP Regulation currently lacks any	Addition of new article in General Provisions Chapter, specifying:

employees in EuroPension as an employment benefit	provisions for auto-enrolment mechanisms	<ul style="list-style-type: none"> <li>▶ The possibility for employer to automatic enrol eligible savers into a PEPP (i.e., where there is no occupation pension sector and/or agreement and as an add-on benefit which some employer may decide to offer);</li> <li>▶ The EuroPension is the default investment option;</li> <li>▶ PEPP savers can opt out at any time;</li> <li>▶ All consumer protection standards continue to apply for auto-enrolled PEPP savers;</li> <li>▶ It is left up to employer to decide to offer this as an additional benefit</li> </ul>
Introduce rules for default allocation and opting-out for PEPP savers	Establishes the EuroPension product as the default option and opt-out rights	<p>Addition to Article 20 (opening of a PEPP account) supplementing provisions in General Provisions Chapter, specifying:</p> <ul style="list-style-type: none"> <li>▶ If the employers opt for auto-enrolment, EuroPension is the product by default;</li> <li>▶ PEPP savers shall be clearly informed of their opt-out rights at the time of enrolment.</li> </ul>
Introduce a targeted exemption for advice for default	Mandatory advice is not necessary in default auto-enrolment systems	<p>Amend Article 34 (specification of demands and needs and provision of advice), specifying:</p> <ul style="list-style-type: none"> <li>▶ Where a PEPP saver is auto-enrolled into a EuroPension product, the requirement to provide personalised advice shall not apply.</li> </ul> <p>Advice on out-payments under Article 60 (Retirement planning and advice on out-payments) should still be offered.</p> <p>Recitals and Article 43 must be amended in accordance.</p>
Introduce default decumulation pathways for auto-enrolled PEPP savers	Auto-enrolment frameworks often include pre-set and guided decumulation; This is insufficiently defined in the PEPP Regulation	<p>Addition of new article in Chapter VIII Decumulation Phase, setting out mandatory reference to default decumulation pathways.</p> <p>The PEPP Delegated Regulation, specifically the PEPP KID, needs to be amended in accordance, making reference to default decumulation pathways in Section 1 What is the product – what happens when I retire?</p>
Clarify role of employers in auto-enrolment and in onboarding	Auto-enrolment requires employer involvement in setting up accounts and facilitating/managing contributions	<p>Addition of new article in Chapter IV Distribution and Information Requirements to ensure streamlined mass onboarding.</p> <p>For auto-enrolled PEPP savers, reassign or eliminate duties currently assigned to PEPP providers, such as</p>

		identity verification, AML/CFT compliance, disclosure, and data protection obligations, by either streamlining these processes or delegating them to employers, where appropriate.
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## 1.4. Annex: Supervision and registration

Table 4 - Summary of the roles different authorities may have in the PEPP supervisory process

	Home PEPP CA	Host PEPP CA – as relevant	EIOPA
<b>Registration</b>	<ul style="list-style-type: none"> <li>Assessment of application</li> <li>Collaboration with host NCAs, where relevant (if sub-account application together with the PEPP and the PEPP is sold cross-border upfront)</li> <li>Notifications to applicant and EIOPA who will inform relevant host NCAs</li> </ul>	<ul style="list-style-type: none"> <li>Cooperation with Home PEPP CA</li> <li>Collaboration with Host NCAs, where relevant (if sub-account application together with the PEPP and the PEPP is sold cross-border upfront)<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>Cooperation with Home PEPP CA and Host PEPP CA as relevant</li> <li>Communication of registration to Home PEPP CAs</li> </ul>
<b>Cross border provision of PEPP</b>	<ul style="list-style-type: none"> <li>Notifications to PEPP provider and host NCAs for sub-accounts</li> <li>Notifications to PEPP provider and host NCAs for cross-border provision</li> <li>Analysis for IOPRs and EU AIFM and notifications to PEPP provider and host NCAs for cross-border provision</li> <li>Ongoing sharing of information</li> </ul>	<ul style="list-style-type: none"> <li>Acknowledgement of sub-accounts</li> <li>Acknowledgment of notifications</li> </ul>	<ul style="list-style-type: none"> <li>Coordination</li> </ul>
<b>Market monitoring</b>	<ul style="list-style-type: none"> <li>Ongoing monitoring personal pension market (Art. 61(2))</li> <li>Collaboration with other home NCAs, where applicable</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing monitoring personal pension market (Art. 61(2))</li> <li>Cooperation with Home PEPP CA</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing monitoring personal pension market (Art. 61(2))</li> <li>Ongoing monitoring for risks identification (Art. 9 EIOPA Regulation, Art. 65)</li> <li>Preparation of relevant reports on European trends to facilitate risk-based supervision</li> </ul>

<sup>1</sup> Based on the information to be provided under Art. 6(2)(g), once the application is received and complete, the home competent authority should notify – following the procedure laid down in Art. 21(1) – the relevant host authorities where the provider wants to operate a sub-account or where it wants to market PEPP products. To facilitate the information sharing process, the home NCAs would inform EIOPA which shall then share the information with all relevant host NCAs. While the role of the host NCAs is limited to acknowledging the receipt of the information specific in Art 21(2), other requirements in the PEPP Regulation (e.g., the operation of sub-accounts in compliance with national requirements) entail a cooperative process to also ensure that host market specific risks are established.

			<ul style="list-style-type: none"> <li>Cooperation with Home PEPP CA and Host PEPP CA by functioning as an information hub and assisting when specific divergent approaches emerge</li> </ul>
<b>Interventions and de-registration</b>	<ul style="list-style-type: none"> <li>Sharing of information on evidence of irregularities</li> <li>Request to carry out product reviews</li> <li>Cooperation with host PEPP CAs and EIOPA</li> <li>Notifications to PEPP provider or PEPP distributor and EIOPA</li> <li>Product intervention measures</li> <li>Sanctioning powers</li> <li>Deregistration</li> </ul>	<ul style="list-style-type: none"> <li>Sharing of information on evidence of irregularities</li> <li>Request to portfolio reviews and/or remedial plans after having consulted the home NCA</li> <li>Cooperation with home PEPP CA and EIOPA</li> <li>Product intervention measures</li> <li>Sanctioning powers</li> </ul>	<ul style="list-style-type: none"> <li>Cooperation with home PEPP CA and host PEPP CA where relevant</li> <li>Notifications to home and host PEPP CAs</li> <li>Product intervention measures, when NCAs do not act or measures taken do not adequately address the threat</li> <li>BUL</li> </ul>

**Table 5 – Possible cross-border scenarios**

PEPP provider also acting as distributor on a freedom to provide services basis (FoS) – Scenario 1

In this scenario, the PEPP provider is both the manufacturer and the only distributor (i.e., the PEPP will not be distributed by other undertakings or intermediaries) operating on a freedom to provide services basis.

In this situation, the PEPP provider's intention is to develop a product for the European market or specific host markets, of which it will be the sole distributor. Envisaged competent authorities in this scenario are the home competent authority and the host competent authority – which should be the one responsible for supervision of the relevant type of provider and distribution of the relevant product – in line with sectoral regulations and the PEPP Regulation – in the host Member State.

PEPP provider also acting as distributor on a freedom of establishment (FoE) – Scenario 2

This scenario is similar to that set out above, insofar as the PEPP provider is both the manufacturer and only distributor of a PEPP created also for cross-border distribution.

However, in this instance, the PEPP operates a branch in one or more other Member States. Envisaged competent authorities in this scenario are the home competent authority and the host competent authority for some aspects outlined in the PEPP Regulation and in sectoral regulation such as the host CA having the power to examine establishment arrangements and request changes.

PEPP provider and distributors being different entities but both operating on an FoS – Scenario 3

In this scenario, the PEPP provider is the manufacturer and another or multiple other undertakings/intermediaries are the distributors of the PEPP. Distributors also operate cross-border on a freedom to provide services basis only. In this instance, relevant rules regarding passporting of intermediaries/distribution activities apply. Depending on the number of distributors and the type of distributors there may be multiple competent authorities:

- One home competent authority responsible for the PEPP provider;

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- One or more home competent authorities responsible for the PEPP distributors responsible for the registration and supervision of the different types of distributors;
- One or more host authorities – responsible for the supervision of the relevant types of distributors.

PEPP provider and distributors being different entities but both operating on a FoE – Scenario 4

In this scenario, the PEPP provider is the manufacturer and another or multiple other undertakings/intermediaries are the distributors of the PEPP, which is also sold cross-border via a branch. In these instances, relevant rules regarding passporting of intermediaries/distribution activities apply. Depending on the number of distributors and the type of distributors there may be multiple competent authorities:

- One home competent authority responsible for the PEPP provider;
- One or more home competent authorities responsible for the PEPP distributors responsible for the registration and supervision of the different types of distributors;
- One or more host authorities – responsible for the supervision of the relevant types of distributors (see Scenario 3).

PEPP provider (FoS) and distributor (from host Member State) being different entities – Scenario 5

In this scenario, the PEPP provider is the manufacturer of the PEPP, operating in the host Member State on a FoS basis, and another or multiple other undertakings/intermediaries are the distributors. However, the distributors are licensed/authorised and regulated in the relevant host Member State.

Depending on the number of distributors and the type of distributors there may be multiple competent authorities:

- One home competent authority responsible for the PEPP provider;
- One or more host authorities responsible for the registration and supervision of PEPP distributors (see Scenario 3).

PEPP provider (FoE) and distributor (from host Member State) being different entities – Scenario 6

In this scenario, the PEPP provider is the manufacturer of the PEPP, operating in the host Member State on a FoE basis, and another or multiple other undertakings/intermediaries are the distributors. However, the distributors are licensed/authorised and regulated in the relevant host Member State.

Depending on the number of distributors and the type of distributors there may be multiple competent authorities:

- One home competent authority responsible for the PEPP provider;
- One or more host authorities responsible for the registration and supervision of PEPP distributors.

#### 1.4.1. Proposed way forward – simplification of the supervisory architecture

**Option 1 – Status quo:** this entails keeping the current registration and supervisory approach, which gives rise to the challenges outlined in Sections **Error! Reference source not found.** and **Error! Reference source not found.** and even for the few PEPPs, it has proven that supervision is burdensome and fragmented.

**Option 2 – Centralised registration for all PEPPs:** this entails centralising at EU level the registration of all PEPPs. Consistent supervision is crucial to ensure the success of the PEPP across all EU Member States, centralising at EU level (EIOPA Governance with EIOPA's Board of Supervisors being ultimately responsible) the registration process would ensure equal approval processes for all products and would avoid issues of market fragmentation as registration requirements would be applied consistently and uniformly. It would further enhance legal certainty, with no risk that different requirements would be interpreted differently (e.g., presentation of costs) and efficiency by limiting administrative burden compared to the current process whereby the home NCA is responsible but then EIOPA needs to verify before registration and often host NCAs also need to be involved. In particular, considering there would be one authority responsible for the EU market, while home and host NCAs may need to provide inputs on specific issues within their competence, there will not be overlaps in competence and differing interpretations.

This would also be aligned with the view expressed by a few Members on EIOPA's response to the COM's consultation on the SIU<sup>2</sup> where some Members – albeit the minority – expressed support to have EU level supervision on new competences and areas, thus achieving economies of scales. Under this Option, registration would be done at EU level and supervision of distribution aspects would remain at Home State level in case of domestic business and at Host State level in case of cross-border business. Different options for the supervision of PEPP product requirements (i.e., POG, compliance with registration and value for money) could be envisaged:

- ▶ **Option 2.a – National supervision of PEPPs with coordination at EU level (in addition to the centralised registration for all PEPPs):** this would be the status quo for the supervision of PEPPs, as CAs would retain the supervision of PEPPs while EIOPA would ensure coordination at EU level, particularly in the case of cross-border PEPP issues. The challenges highlighted would remain.
- ▶ **Option 2.b – Supervision of POG and value for money for cross border PEPPs at EU level (in addition to the centralised registration for all PEPPs):** this would mean that CAs would retain the supervision of PEPPs that are offered only at a national level, while PEPPs distributed in more than one MS would be subject to product and POG supervision at EU level. Certain aspects even for cross-border PEPPs would remain outside of EU level supervision such as distribution and decumulation. This option ensures consistent supervision of key product governance and design elements which make the PEPP a safe and portable product for every cross-border PEPP. It also increases legal certainty and efficiency for cross-border providers as they are supervised only by one entity reduces burden on CAs in supervising cross border PEPPs for which they would need to interact with various other CAs. Supervision of national aspects such as distribution and decumulation would remain national. The downside of this model is that there

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<sup>2</sup> [EIOPA's reply to the European Commission's public consultation on the integration of EU capital markets](#)

may be consistency issues between the POG supervision of national PEPPs and cross-border PEPPs.

- ▶ **Option 3: Centralised registration with supervision of POG and value for money only for cross-border PEPPs:** this entails centralising the registration at EU level only for cross-border PEPPs, and to supervise the product features of cross border PEPPs at EU level (e.g. POG, value for money). However certain cross-border PEPP aspects would remain outside of EU level supervision such as distribution and decumulation. This option ensures a consistent registration process and POG and value for money supervision. It also increases legal certainty and efficiency for cross-border providers as they are supervised by one entity for most aspects and reduces burden on CAs in supervising cross border PEPPs for which they would need to interact with various other CAs. It would keep the supervision of national aspects such as distribution and decumulation at the national level. This would also echo the view expressed by a few Members in EIOPA's response to the COM's consultation on the SIU<sup>3</sup> where a few Members expressed support to have EU level supervision on new competences and areas thus achieving economies of scales. However, this may mean that there would be consistency issues between the national PEPPs and cross-border PEPPs in the way they are registered and supervised.
- ▶ **Option 4: Centralised registration and supervision with a 28<sup>th</sup> regime for cross border PEPPs:** same as option 3 with the additional supervision of decumulation aspects in a centralised manner.
- ▶ **Option 5: Limited / no registration:** same as option with 3 with the exception that:
  - In option 5 (a) there is no registration;
  - In option 5(b) there is registration only of EuroPension at EU level.

### 1.5. Annex: Distribution (Research carried out to support answer to Question 37)

Distribution rules are a “core feature” of the PEPP Regulation to be harmonised as, along with other core features, this will help to “improve the level playing field for personal pension providers at large and help boost the completion of the CMU and the integration of the internal market for personal pensions”<sup>4</sup>. Furthermore, the objective was that a PEPP would “increase competition between providers on a pan-European basis and create economies of scale that should benefit savers”<sup>5</sup>.

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<sup>3</sup> [EIOPA's reply to the European Commission's public consultation on the integration of EU capital markets](#)

<sup>4</sup> Recital 21 of the PEPP Regulation

<sup>5</sup> Also Recital 21

EIOPA is aware that certain stakeholders have raised concerns regarding potential inconsistencies between the distribution rules applicable to PEPPs and those applicable to registered insurance intermediaries. N.B. Although the question from the Commission relates to “licensed distributors”, EIOPA has focussed its input on distributors in its legal remit, specifically insurance intermediaries. In particular, the fact that national regulations in some Member States may limit the ability of insurance intermediaries to distribute PEPPs only manufactured by insurance undertakings, rather than PEPPs also manufactured by other “financial undertakings” e.g. asset managers or banks listed in Article 6(1) of the PEPP Regulation.

The first part of the question posed by the Commission brings into focus the interpretation of Recital 29<sup>6</sup>, Articles 10(2) and 23(1)(a)<sup>7</sup> of the PEPP Regulation. However, the main issue centres around the wording currently used in Article 10(2) (emphasis added):

*“Insurance intermediaries registered in accordance with Directive (EU) 2016/97 and investment firms authorised in accordance with Directive 2014/65/EU for the provision of investment advice as defined in point 4 of Article 4(1) of Directive 2014/65/EU may distribute PEPPs **which they have not manufactured.**”*

Insurance intermediaries can already avail themselves of separate licences under IDD and MiFID II and Article 10(2) is understood to mean that insurance intermediaries can distribute PEPPs which they have not manufactured – i.e. this could also potentially cover PEPPs designed by any “financial undertaking” under Article 6(1) of the PEPP Regulation.

**EIOPA conducted its own research and stakeholder engagement to obtain an initial European overview of whether national legislation restricts insurance intermediaries from distributing PEPPs not manufactured by insurance undertakings (see below).**

#### EIOPA’s research among stakeholders:

The research amongst current providers of the PEPP and other stakeholders such as trade organisations showed that most of them, with exception of a few PEPP providers, do not detect any

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<sup>6</sup> Recital 29 (emphasis added): “PEPP providers should be able to distribute PEPPs that they have manufactured and PEPPs that they have not manufactured provided that this would be in compliance with the relevant sectorial law. PEPP distributors should be entitled to distribute PEPPs which they have not manufactured. **PEPP distributors should distribute only those products for which they have the appropriate knowledge and competence in accordance with the relevant sectorial law**”.

<sup>7</sup> Article 23(1)(a) (emphasis added): “For the distribution of PEPPs, the different types of PEPP providers and PEPP distributors shall comply with the following rules: (a) insurance undertakings as referred to in point (b) of Article 6(1) of this Regulation and **insurance intermediaries as referred to in Article 10(2) of this Regulation shall comply with the applicable national law giving effect to the rules set out in Chapters V and VI of Directive (EU) 2016/97, with the exception of Articles 20, 23, 25 and Article 30(3) of that Directive for the distribution of insurance-based investment products, with any directly applicable Union law adopted under those rules with respect to the distribution of such products and with this Regulation, with the exception of Article 34(4);**”

divergence in distribution legislation amongst the Member States or rather no such issue was raised in the past 5 years.<sup>8</sup>

#### Informal Survey of restrictions by National Competent Authorities

Additionally, an informal consultation was carried out with NCAs so as to identify possible restrictions in national law on the distribution of PEPPs by insurance distributors intermediaries which they have not manufactured, or which have not been manufactured by insurance undertakings, such as asset managers or banks.

In particular, NCAs were asked:

*Notwithstanding the fact that PEPPs may not yet be offered by financial entities in your Member State, does existing national legislation transposing the IDD or supplementary national rules/legislation supporting the application of the PEPP Regulation, restrict insurance intermediaries registered in your Member State from distributing PEPPs which they have not manufactured or which have not been manufactured by insurance undertakings, but by other financial undertakings such as asset managers or banks?*

The results of this informal survey can be seen in the table below:

Member State	Comments
LV	Financial entities in Latvia are not currently offering PEPPs. However, national legislation does not restrict insurance intermediaries from distributing PEPPs that they have not manufactured. There is no distinction between PEPPs manufactured by insurance undertakings and those manufactured by other financial undertakings. According to the law, an insurance intermediary is entitled to distribute a PEPP plan in accordance with Regulation No 2019/1238.
FR	After further analysis, France is in the same situation as the Czech Republic (below) - no additional obligations have been created on PEPPs, however, insurance intermediaries can only distribute insurance-based PEPPs (unless they can also act as a financial intermediary under MiFID II) due to article 3 (b) (ii) of the PEPP Regulation.
SI	In accordance with Article 9 of the PEPP Implementation Act (ZIUVOOP), the first paragraph stipulates that PEPPs may only be distributed by natural persons who hold a certificate as an insurance intermediary or broker issued by the national competent authority (NCA). The scope of distribution is limited to services as defined under the Insurance Act (IA-1). Moreover, the second paragraph introduces an additional condition, stating that the NCA may only issue such authorisation to individuals who have successfully passed the PEPP distributor examination and who meet the professional requirements set out in the IA-1. Therefore, apart from the need for relevant

<sup>8</sup> EIOPA assessed public statements on the PEPP made by a variety of external stakeholders, in particular trade associations. One trade association did raise this issue in their position paper on PEPP proposal in 2018 stating that since MiFID and IMD rules have been differently transposed in the Member States' national legislative framework, applying MiFID and IMD rules would create differences in the rules applicable to providers distributing the same PEPP in different Member States.

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	authorisation and compliance with professional requirements, national registration does not impose any additional restrictions on the distribution of PEPPs that are not related to insurance.
IE	There are currently no PEPPs in the Irish market. The transposition of the IDD into Irish law has not introduced any restrictions on insurance intermediaries distributing PEPPs they have not manufactured.
PL	In Poland, The Act of 7 July 2023 on a Pan-European Personal Pension Product has been in force since September 2023. Any aspect of the functioning of PEPPs that is not regulated by the Act on PEPPs is subject to the Regulation on PEPPs (2019/1238). The PL's national legislation does not restrict insurance intermediaries from distributing PEPPs that they have not manufactured. However, the insurance intermediaries may distribute PEPP products based on their insurance distribution authorisation provided the product itself is an insurance-based product. For other types of products and activities (e.g. while acting as investment firm or credit institution) the insurance intermediary would need additional, appropriate authorisation. According to Recital 29 of Regulation on PEPPs. "(...) PEPP distributors should distribute only those products for which they have the appropriate knowledge and competence in accordance with the relevant sectorial law".
CZ	Czech transposition has not imposed any additional obligations above IDD and PEPP regulation. As regards the particular query, the Czech National Bank published a Q&A regarding this issue (Czech version suitable for machine translation at <a href="https://www.cnb.cz/cs/dohled-financni-trhu/legislativni-zakladna/stanoviska-k-regulaci-financniho-trhu/RS2024-44/">https://www.cnb.cz/cs/dohled-financni-trhu/legislativni-zakladna/stanoviska-k-regulaci-financniho-trhu/RS2024-44/</a> ). Briefly summarized, an insurance intermediary as defined under IDD and registered in the Czech Republic is authorised to distribute only insurance PEPPs; to be authorised to distribute a non-insurance product, he needs the appropriate authorization (ex. investment, pension). In other words, our existing national legislation transposing the IDD doesn't restrict insurance intermediaries registered in the Czech Republic from distributing PEPPs manufactured by other financial undertakings (different from insurance undertakings), but in that case they must have the appropriate authorization to distribute these other PEPP products (including professional requirements).
SK	In Slovakia, there is one PEPP provider, which is a MiFID investment firm. The PEPP product is based on individual portfolio management – an investment service regulated under MiFID. We have assessed specifically the question, what are the options to distribute this product – as under the PEPP regulation insurance intermediaries can distribute the PEPP product not manufactured by them but under our IDD transposition these persons can only distribute insurance products (including insurance-based PEPP products). On the other hand, investment brokers (firms or persons operating under national regime - Art. 3 exemption of MiFID) are not allowed to distribute PEPP under the PEPP regulation per se, but under the domestic law they can distribute investment products (including PEPPs based on transferable securities and/or investment services).
SE	There is no national legislation transposing the IDD or supplementary national rules/legislation supporting the application of the PEPP Regulation that restricts insurance intermediaries registered in our Member State from distributing PEPPs which they have not manufactured or which have not been manufactured by insurance undertakings, but by other financial undertakings such as asset managers or banks.

HR	Existing legislation transposing IDD does not restrict registered insurance intermediaries from distributing PEPPs which they have not manufactured or which have not been manufactured by insurance undertakings, but by other financial undertakings such as asset managers or banks.
NL	Dutch legislation does not restrict insurance intermediaries from distributing PEPPs that are not manufactured by insurance undertakings. In the Netherlands, insurance intermediaries are allowed to distribute financial products, including third pillar pension products, regardless of the type of manufacturer, provided the products meet applicable legal requirements. This approach is supported by the Dutch ban on commissions ("provisieverbod") for complex financial products, which includes pension products. Intermediaries are remunerated directly by the customer, rather than by product providers. As a result, intermediaries are expected to offer objective advice, focused on the best interests of the customer, rather than being influenced by commercial incentives from manufacturers. This regulatory framework ensures that intermediaries in the Netherlands are not bound to a specific provider and are free to distribute PEPPs from a wide range of financial entities.
DK	Danish national regulation does not restrict this type of distribution of PEPPs.
DE	Since the PEPP Regulation is directly applicable; no national rules on distribution have been implemented
BG	There are no provisions in Bulgarian national law that would create legal obstacles to the distribution of PEPPs and at the present time PEPPs not yet be offered by financial entities in our State. The possibility of PEPPs being offered by investment intermediaries is provided for in Art. 9, paragraph 7 of the Markets in Financial Instruments Act (MFIA), and the relevant provisions for management companies and licensed persons managing alternative investment funds are respectively in Art. 86, paragraph 3 and Art. 198, paragraph 6 of the Collective Investment Schemes and Other Undertakings for Collective Investments Act (CISOUCIA). Accordingly, the possibility of PEPPs being offered by insurance intermediaries is provided for in Art. 286 paragraph 2 of the Insurance Code "When distributing insurance products with the designation "pan-European Personal Pension Product" or "PEPP", developed by a supplier under Article 6(1)(b) of Regulation (EU) 2019/1238, the relevant insurer licensed for the classes of insurance policies set out in Section I of Annex No. 1 and the insurance intermediaries pursuant to Article 294(1) shall apply the provisions of Article 146, Paragraphs (6) – (8), Article 288, Paragraphs (1) and (3), Article 288a(2), Article 299, Article 301(5), Article 324, Paragraph (1), Items 1, 3 – 5 and 7 and Paragraph (5), Article 325, Article 325a(1), Articles 329, 333, 338a, 340, 341, Article 342, Paragraphs (1) – (4) and (7) – (13) and the instruments on their implementation." Restrictions are foreseen in relation to persons registered as "Ancillary insurance intermediary", accordance Art. 294, Paragraphs 2 "Ancillary insurance intermediary" shall be any natural or legal person, other than a credit institution or an investment firm within the meaning of Item 1, respectively Item 2 of Article 4 (1) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012 (OJ, L 176/1 of 27 June 2013) and who, for remuneration, takes up or pursues the activity of insurance distribution on an ancillary basis in the territory of the Republic of Bulgaria, provided the following conditions are met at the same time: 1. the principal professional activity of that natural or legal person is other than insurance distribution; 2. the natural or legal person only distributes certain insurance products in addition to a good or service; 3. the insurance products distributed by it do not cover life assurance or liability risks, unless that cover complements the good or service which the intermediary offers as its principal professional activity.

LI	The PEPP-Regulation will only apply in Liechtenstein when it is adopted by the EEA. However, a national supplementary law has already been created. Both this law and the regulation implementing IDD do not set up additional restrictions for registered insurance intermediaries regarding the distribution of PEPPs.
FI	There are no significant or clear legal obstacles that would restrict the offering.
RO	“As regards the specific legislative framework governing the private pensions system in Romania, the PEPP Regulation is supported by Law no. 65/2023 for the implementation of Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European Personal Pension Product (PEPP), certain provisions of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088, as well as for the amendment and completion of certain normative acts in the field of private pensions (Law no. 65/2023). This legal act is aligned with the provisions of the PEPP Regulation, allowing insurance intermediaries to distribute PEPPs, including those they have not created themselves. No other primary or secondary legal acts have been issued that include provisions applicable to intermediaries in the context of PEPP. In conclusion, the specific legislative framework governing the private pensions system in Romania does not restrict in any way insurance intermediaries in the context of PEPP.
IT	The Italian legislation does not restrict insurance intermediaries from distributing PEPPs that are not manufactured by insurance undertakings. Nevertheless, the distribution of products manufactured by other financial entities is subject to the requirements stated by the related sectoral legal framework (such as the registration requirements).
PT	The Portuguese legislation transposing the IDD does not restrict insurance intermediaries registered in Portugal from distributing PEPPs which they have not manufactured, or which have been manufactured by other financial undertakings such as asset managers or banks. However, if they do distribute products manufactured by financial undertakings of other sectors, they are not subject to the legislation of the insurance sector, but to the legislation of the product of said sector (e.g. banking).
HU	The Hungarian national regulation on the distribution of PEPP products – based on Article 34(6) of the 2019/1238/EU PEPP Regulation – solely sets out professional training requirements necessary for selling PEPPs. Neither the national regulation on insurance intermediaries nor the provisions of the Hungarian legislation on IOPRs on the provision and distribution of PEPPs do not prevent insurance intermediaries from distributing PEPPs that they have not manufactured themselves or which have not been manufactured by insurance undertakings, but by other financial institutions (such as banks or investment firms).
EE	Existing legislation transposing IDD does not restrict registered insurance intermediaries from distributing PEPPs which they have not manufactured or which have not been manufactured by insurance undertakings, but by other financial undertakings such as asset managers or banks. However, due to the lack of PEPPs on the Estonian market, we do not have practical experience in supervising the distribution of the aforementioned PEPPs, including registration and listing.
BE	Belgian legislation does not contain any specific provisions regarding the distribution of PEPPs, either in implementation of the PEPP Regulation or in implementation of IDD. Under Belgian insurance legislation, insurance intermediaries may only act as intermediaries in the sale of insurance products

	and therefore not, for example, in the sale of investment funds or alternative investment funds. This seems logical, given that the rules on professional knowledge and competence are specifically tailored to insurance products and not to other financial products. This is also the case in the IDD Directive (Annex I). Given this context, the FSMA is inclined to conclude that it is not possible for insurance intermediaries to distribute PEPPs that do not take the form of an insurance product. It goes without saying that if the provisions of the PEPP Regulation were to be interpreted as granting insurance intermediaries an absolute right to distribute any PEPP, regardless of its nature, the Regulation should also be applied in this way in Belgium. However, we are not sure whether the Regulation should be interpreted in this way. Recital 29 states that the right to distribute PEPPs applies only to products for which the distributor possesses the appropriate professional skills and knowledge in accordance with sectoral legislation. It is doubtful whether this is the case, as regards insurance intermediaries and taking into account the provisions of IDD, to products other than insurance products. Moreover, the distribution of investment funds (not linked to an insurance contract) by insurance intermediaries also appears problematic from the perspective of the MiFID Directive. In any case, this should be further clarified from a legal perspective.
LT	The national regulation transposing IDD does not restrict insurance intermediaries registered in Lithuania from distributing PEPPs.
MT	There are no restrictions on insurance intermediaries registered in Malta from distributing PEPPs which they have not manufactured, or which have not been manufactured by insurance undertakings by insurance undertakings, but by other financial undertakings such as asset managers or banks in line with the PEPP Regulation and the Legal Notice which was issued following the publication of the Regulation.

## 1.6. Annex: Level playing field PEPP and national pension products (Q36)

Table 6 – Summary table of the key features of national pension products in the EU

Member State	AT	DE	DE	ES	FR	IE	IT	PL	PL	PT
Product	Prämienbegünstigte Zukunftsvorsorge (PZV)	Riester-Rente	Rürup-Rente (Basisrente)	Plan de Pensiones Individual (PPI)	Plan d'Épargne Retraite (PER)	Personal Retirement Savings Account (PRSA)	Piano Individuale Pensionistico (PIP)	Indywidualne Konto Emerytalne (IKE)	Indywidualne Konto Zabezpieczenia Em. (IKZE)	Plano Poupança Reforma (PPR)
Distribution without advice	No	Possible	Possible	Yes (with appropriateness test)	No	Yes (for standard PRSA)	Yes (questionnaire)	Yes	Yes	Possible
Cost Cap	No	No	No	Yes	No	Yes (for standard PRSA)	No	No	No	No
Portability/transfer (within national borders)	Yes	Yes	Yes	Yes	Yes (limited in first 5 years)	Yes	Yes (after 2 years)	Yes	Yes	Yes
Contribution from employer	No	Yes (limited)	No	Not explicit	Yes	Yes	Yes (limited)	Not explicit	Not explicit	Yes (limited)
Capital guarantee	Yes	Yes	Yes	No	No	No	Yes (depending on the option chosen)	Not required	No required	Not required
Tax (deductibility)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes
Tax (deferral)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Tax (matching)	Yes (state bonus)	Yes (state allowances)	No	No	No	No	No	No	No	No

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