
PRESS RELEASE

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FEPI sees pros and cons in pan-European pension progress

The FECIF European Pensions Institute (FEPI) supports the current European Commission's Pan-European Personal Pension (PEPP) initiative to develop third-pillar pension savings across Europe. This initiative has the potential to bring benefits to consumers, help support labour mobility and contribute to the Capital Markets Union (CMU).

“Overall, we believe that the PEPP is a very positive initiative, but that all participants in the current European Trilogue need to push further to deliver on its promise,” FEPI Secretary General Simon Colboc stated. “There is still significant ground to be covered in the Trilogue negotiation to turn this promising idea into a tangible success. Many of the issues that we covered in our Position Paper, published in September 2018, still remain - including tax treatment, default investment options and decumulation options.

Many important points still missing

Regardless of the merits of the current PEPP regulation, there remains alarming silence on taxation, the FEPI believes.

“Although taxation is the single most important driver for the success of any savings product, this aspect has been ruled out of the PEPP,” Colboc explained. “Obviously, taxation is a prerogative of the Member States, not the European Commission or European Parliament, and this is a sensitive point these days. However, FEPI and FECIF have made proposals to give the PEPP a clear tax advantage without requiring any change in local taxation. We still hope these can be revived, but until then this current proposal looks far less likely to succeed”.

Product design is also a collateral victim of the tax debate, according to the FEPI. “As no tax harmonisation was attempted around the PEPP, the issue was swept under the carpet by creating national compartments within the PEPP to accommodate local tax rules,” Colboc explained. “The likely impact, unfortunately, is that no consumer will go for a product that is just one more wrapper around an existing local product, and no provider will develop a cross-border product that requires the maintenance of local compartments, piling layers of complexity and cost”.

“As such, I believe that as long as these two issues are not tackled, the PEPP may unfortunately have no material impact on savers or providers,” FEPI Director Paul Stanfield indicated. “Instead, it could remain a theoretical construction, generating lots of talk in Brussels but no value to consumers.

“It is for this reason that FECIF, and particularly FEPI, will continue to demonstrate the importance of these aspects to all relevant stakeholders and remind them of the ease and simplicity of our solution. The more people who work with and support that project, the more effective it will be. Success would mean significant business opportunities for insurance companies, investment houses and pension operations, of course. Hence we are working with those entities as well as consumer groups and academics to try and ensure that any final product is suitable for investors and product manufacturers.”

Importance of advice

FEPI has recently issued a further Position Paper on the PEPP, this time focused on the **Information to be given to savers**, both at the pre-contractual stage and during the term of the contract, and **Distribution and advice**, which are left open in the latest PEPP projects. The FEPI believes that the

complexity, long-term nature and high stakes of pension matters make it vital that consumers have access to advice, to be able to make their own informed choices.

This position Paper is available on request to FEPI.

FECIF, the pan-European trade association for Financial Advisers and Intermediaries, formed FEPI in the summer of 2018, to support the development of pension solutions and most specifically those that address the pension gap in Europe and promote the development of personal pension offerings that are consumer-oriented. In addition, it looks to ensure that personal pension solutions allow financial advisers to fulfil their role in support of savers and investors, wherever relevant.

Ends

About FECIF

FECIF (The European Federation of Financial Intermediaries and Financial Advisers) is a Brussels-based non-profit organization, chartered in June 1999 for the defence and promotion of the role of financial advisers and intermediaries in Europe. FECIF recently added the protection of consumers as one of its main objectives.

FECIF represents in excess of 30 trade bodies or industry organisations; via these it acts on behalf of over 245,000 advisors and intermediaries in Europe - and around 640,000 individuals in total.

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