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From:	Presidency
To:	Working Party on Financial Services and the Banking Union (PEPP) Financial Services Attachés
Subject:	PEPP Regulation Review - WP meeting on 23 March 2026 - Presidency discussion paper on amendments to PEPP Regulation

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Presidency discussion paper on amendments to PEPP Regulation

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Introduction

On 20 November 2025, as part of a package of measures to help citizens secure adequate income in retirement by improving access to better and more effective supplementary pensions, the European Commission (COM) proposed the review of Regulation (EU) 2019/1238 on a pan-European Personal Pension Product (PEPP) - the PEPP Regulation with the aim to turn the PEPP into a genuinely European, cost-effective and flexible long-term savings product.

The amending Regulation was presented to Member States (MS) by the COM on 1 December along with the Staff Working Document that assessed the impact of the proposed amendments. MS were invited to provide the Presidency (PCY) with written comments by the 19th of December in preparation for Council Working Party (CWP) examination of the text from January onwards.

On the 29th of January the CWP discussed the design framework in general, features of Basic and tailored PEPPs, the treatment of PEPP national personal pension frameworks, interaction with Pillar II.

The CWP on the 27th of February discussed the Value for Money Provisions, revised provisions on disclosure, pre-retirement planning and decumulation phase, the revised provisions on the PEPP Key Information Document (KID), the revised provisions on PEPP Benefit Statement, the Pension tracking systems Provision and the role of EIOPA.

Topics of discussion on the PEPP proposal

The first reading of the proposal has been completed and the Presidency will continue its work by putting forward compromise options to facilitate further progress in the negotiations.

This note serves to structure the debate at the CWP meeting of 23rd of March which will focus on:

- Basic and tailored PEPP features;
- Employers Contribution in PEPP;
- Central public register and collaboration platforms.

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1. Basic and tailored PEPP features

1.1. Advice

Overview of the discussions

The discussions so far at the CWP and the MS written comments show support on the proposed overall architecture of the PEPP, which distinguishes between a Basic and a more tailored PEPP. MS have agreed with the removal of the obligation to offer a Basic PEPP when offering tailored PEPP.

The COM's proposal removes the mandatory advice requirement for the Basic PEPP, the rationale being that PEPP is a simple product, which can be distributed without advice on its features. Many MS have agreed with the removal of mandatory advice, which would enable execution-only distribution, while others have expressed consumer protection's concerns. Suggestions have been made on linking the removal of advice to a suitability or financial literacy test. Various MS expressed concerns on the proposed definition of the "advice on an independent basis", its practical implementation and how to ensure independency (i.e. how could the PEPP provider provide advice on an independent basis on a product that it has manufactured). They also stressed that the proposed definition would risk of creating confusion and misalignment with the concept of advice on independent basis which is already well established in EU legislation, notably under MiFID II and the IDD, as also recently modified by RIS.

Having outlined the above the following options are proposed by the PCY:

Option 1: Maintain the COM proposal.

Option 2: Keep the COM proposal which removes the mandatory requirement for advice for the Basic PEPP but delete the definition of advice on an independent basis. Additional clarification stressing the link with the concept as per other FS legislation would be introduced in the Recital in order to avoid confusion and ensure consistency.

Option 3: The objective of this option is to ensure that the distribution framework for Basic PEPP remains simple, proportionate and accessible, while maintaining an appropriate level of consumer protection.

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In order to achieve this balance, the distribution framework could distinguish between two different situations, depending on the complexity of the investment strategy and the level of customization of the product:

A. Basic PEPP with non-complex investment options

Where the Basic PEPP invests only in non-complex financial instruments, the product could be distributed on an execution-only basis.

In this case:

- the prospective PEPP saver decides independently to purchase a personal pension product;
- no investment advice is required (unless specifically requested by the saver); and, therefore, no suitability or appropriateness assessment would be necessary.

This approach is consistent with the execution-only regime under MiFID II, which allows non-advised distribution for non-complex products, unless requested by the client.

At the same time, a minimum level of consumer protection would be ensured through the collection of basic information necessary for the functioning of the PEPP, such as:

- the saver's age;
- the target retirement date; and
- the expected level of contributions, for example the monthly contribution.

This information would allow the PEPP provider to confirm that the product corresponds to the saver's retirement savings objective, thereby remaining consistent with the demands and needs test required under the IDD.

Furthermore, the prospective PEPP saver should receive the PEPP KID as per Article 26 of the Regulation and this will ensure that clear information on the product's characteristics, risks and costs is provided.

This approach would allow the Basic PEPP to remain simple and easily accessible, while maintaining essential consumer protection safeguards.

B. Basic PEPP including complex investment elements

Where the Basic PEPP includes investment strategies involving complex financial instruments, additional safeguards would seem appropriate.

In such cases, a limited appropriateness/financial literacy assessment could apply.

This assessment would focus on key elements such as:

- the saver's basic knowledge and experience with investment products;
- understanding of the impact of costs and charges on long-term returns.

The objective is to ensure that PEPP savers understand the key characteristics of the investment strategy and of the product, while maintaining a proportionate and simple distribution process.

This framework would allow PEPP to function as a simple and widely accessible personal pension product, while ensuring stronger safeguards where the complexity of the product increases.

As per option 1, in option 2 the introduction of advice on independent basis (and its definition) will be deleted.

Question 1: Which of the above options do the MS prefer?

1.2. Life-cycle investment strategy

Overview of the discussions

The COM proposes life-cycle investment strategies as a default risk-mitigation mechanism for the Basic PEPP, while allowing tailored PEPPs to rely on a wider range of techniques, including guarantees, which received broad support from MS. The proposal also introduces a definition of "life-cycle investment strategy" as an investment strategy that adjusts the level of risk attached to investments according to a predetermined glide path. According to the proposed definition, the glide path takes into account: the individual's age or retirement date; and where relevant, the pay-out profile of the product, with the objective of minimising the risk of large losses. MS showed overall support with the proposed definition of life-cycle investment strategy but many MS requested adjustments or clarifications on the wording in particular concerning regarding the use of cohort-based approaches (and not only individual based ones), the definition of what constitutes "large losses", and the degree of flexibility allowed in glide-path design. In light of the above the PCY has put forward the following options to adjust the definition. While option 1 remains closely aligned with the COM proposal and takes a more prudent approach, option 2 offers greater flexibility by shifting the focus toward the saver's profile and removing specific loss-minimisation requirements but still having in mind the saver's protection.

Option 1: Clarify in a Recital the meaning behind the concept of "large losses" and introduce more flexibility by allowing the life cycle to be based either on individual or cohort basis.

Option 2: Adjust the definition by deleting the requirement "to minimise the risk of large losses", introduce the saver's risk appetite of the saver as criterion and specify as a safeguard that the aim is the protection of the value of accumulated savings. Similar to Option 1, it also allows for both individual and cohort-based glide paths.

Question 2: Which of the above options do MS prefer?

1.3. Risk mitigation-Qualitative criteria for risk-mitigation techniques by EIOPA

Overview of the discussions

The proposal requires that tailored PEPPs, similarly to Basic PEPPs, ensure an appropriate level of protection for PEPP savers. Such protection may, however, be achieved through a wider range of risk-mitigation techniques, rather than being restricted to life-cycle investment strategies. The COM proposal mandates EIOPA to develop regulatory technical standards (RTS) specifying qualitative criteria for risk-mitigation techniques. At the same time, the proposal explicitly limits the scope of these standards, excluding quantitative caps or stochastic modelling, in order to preserve flexibility for providers. During the CWP discussion on this point, MS views were split. Some MS expressed support in favour of EIOPA RTS stressing that the RTS should only look at qualitative aspect, others did not support any mandate to EIOPA, while several others asked to refine the mandate and insert some more principles/minimal baseline scenario specifications for the criteria in Level 1 so to leave very little discretion to EIOPA. It should be stressed that setting out the criteria for risk-mitigation techniques only in Level 1 without any EIOPA input might be challenging. On this basis, the following options could be discussed:

Option 1: Keep the RTS mandate as it is in Article 46(3) but highlight, in a Recital, that the mandate is strictly limited to qualitative criteria;

Option 2: Delete RTS mandate

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Option 3: Maintain the RTS mandate but refine it and introduce more guidance for the delineation of the criteria in Article 46(3) by specifying in Level 1 the core protection objectives and performance outcomes that any technique must target (to provide appropriate level of protection to PEPP savers), thereby narrowing EIOPA's technical discretion to the enforcement of those pre-defined principles.

Question 3: Which of the above options do MS prefer?

1.4. PEPP investment rules and prudent person principle

Overview of the discussions: Proposed alignment with Article 25(4) MiFID II and the 5% threshold on Basic PEPP

The COM proposal replaces the existing prudent person rule in Article 41 with a prudent person principle, thereby shifting from a more prescriptive set of investment requirements to a principles-based framework. The prudent person principle is intended to operate as a key counterbalance to the increased investment flexibility introduced by the proposal, including for the Basic PEPP. The assets shall be predominantly invested on regulated markets, multilateral trading facilities, or organised trading facilities. The COM's intention is to combine it with a limited degree of flexibility to allow diversification into other asset classes. This is also meant to contribute to achieving the broader SIU objectives of mobilising household savings for productive investment. Increased participation in financial markets, and stronger pension funds will also contribute to enhancing funding opportunities for the EU economy and helping financial institutions to achieve scale and global competitiveness.

For the Basic PEPP, however, the proposal retains a more constrained investment universe. Article 45(2) restricts the range of financial instruments in which Basic PEPP savers' assets may be invested to a list aligned with Article 25(4)(a) points (i) to (iv) of MiFID II. The underlining idea is that the instruments referred in Article 25(4) are considered simple and non-complex.

A more constrained investment approach is therefore proposed for the Basic PEPP, for simple and non-complex assets, leaving the door open to a maximum 5% of other assets in which Basic PEPP savers' assets may be invested.

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Here, MS views are split: A couple of MS asked for the list to be narrower citing consumer protection concerns, with several other asking either to adjust the list and align it with other FS legislation or widen the list to allow more assets to be eligible. The rationale for a wider list would be that the lifecycle investment strategy would act as a safeguard to reduce the share of those assets as savers get closer from retirement. MS also referred to the broader SIU objectives and the need enhance interest and capacity of investors for investing in private assets.
A number of MSs have also pointed out that the threshold of 5% is too restrictive and should be increased.

Against this background, the following options could be envisaged:

Option 1: Maintain the COM proposal.

Option 2: Increase the cap of non-simple assets to a maximum of 15% of the total portfolio value for the Basic PEPP;

Option 3: Remove the 5% cap – ie. No constraint in the initial phase of accumulation but mandate an automatic reallocation from illiquid/complex assets into liquid, low-risk UCITS or government bonds. An additional safety buffer rule could be envisaged: for the final 10 years before retirement, the allocation to non-complex ("MiFID II simple" as per Article 25(4)(a) points (i) to (iv)) instruments must reach 100% to ensure liquidity during the decumulation phase.

Question 4: Which of the above options do MS prefer?

2. Removal of the fee cap for the Basic PEPP

Overview of the discussions

MS displayed broad support for the deletion of the mandatory fee cap for the Basic PEPP, as proposed by the COM, recognizing that cost efficiency remains a key objective for the Basic PEPP. Few MS were concerned that removing the fee cap could weaken consumer protection and reduce comparability. Some questioned whether alternative safeguards would be sufficient to prevent excessive costs. At the same time, several MS stressed the importance of ensuring that the removal of the fee cap is accompanied by appropriate safeguards to maintain cost efficiency and protect PEPP savers.

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In its proposal, the COM addresses this concern through the introduction of a Value for Money (VfM) framework, which aims to ensure that the costs and charges of PEPP products remain proportionate to the value delivered to savers. This approach relies on enhanced transparency requirements, supervisory assessment mechanisms and benchmarking tools. In the COM proposal, this new VfM framework is also very much inspired and linked to the framework set up under the Retail Investment Strategy (RIS).

However, the file is currently undergoing technical finalisation and many MS warned that in any case the concept is new and never been tested. In addition, benchmarking tools and supervisory data needed to make the VfM fully operational may take time to develop once the revised framework becomes applicable.

Against this background, the PCY invites MS to consider the following options.

Option 1: Maintain the COM proposal

Option 2: Adjust the fee cap during a transitional period until the introduction of the VfM

Under option 2, the fee cap would be retained for a transitional period and its design would be adjusted in order to balance the need to ensure that the PEPP remains commercially viable for providers with the objective of reflecting all costs that affect the saver's accumulated capital.

The mandatory fee cap for the Basic PEPP would ultimately be removed in line with the COM proposal and replaced by the VfM. However, given that the VfM framework is currently being developed in the context of RIS technical finalisation and that benchmarking tools for PEPP may require time to become operational, the existing fee cap would be adjusted during a transitional period.

If this option was to be supported by the MS there are several ways that could be explored for the transitional adjustment of the existing annual fee cap including:

2.1. Recalibrating the existing annual fee cap by excluding certain cost components from the scope of the fee cap defined in the Commission Delegated Regulation (EU) 2021/473 that would not reduce the saver's accumulated capital and would not lead to an unlevel playing field. For example, the Value Added Tax (VAT) born by the saver on fees paid for PEPPs could be considered to be excluded as it may lead to an unlevel playing field due to divergent treatment of VAT across MS.

2.2. Turning the existing annual fee cap into a lifetime cost cap. Under this approach, a cap on costs would apply over the life duration of the PEPP accumulation phase, (ranging between 30-

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40 years across EU), with the aim to provide greater flexibility in costs within the life time cost cap and safeguarding that the Basic PEPP would remain a product suitable for retirement purposes.

2.3. Introducing an average fee cap. Under this approach, the annual fee cap would be calculated as an average fee cap over a five-year period or more, with the aim to provide flexibility in costs in the early years where PEPPs may have higher fees and allow temporary fluctuations in costs without breaching the cap in a given year. 2.4 Introducing targeted fee caps. Under this approach differentiated fee caps would be introduced by applying targeted caps on specific cost components rather than a single cost ceiling, with the aim to align costs with actual value delivered and prevent excessive charges while maintaining cost discipline.

2.5. Introducing a step-down fee. Under this approach a step-down fee cap structure would be applied under which a higher fee cap could be applicable during the first years of operation of a PEPP where set-up and operational costs are typically higher, and then it would be progressively decreased once the system becomes fully operational as stated below and benefits from economies of scale.

Once the VfM framework is in place and supervisory benchmarking mechanisms are operational, the transitional fee cap would be removed and consumer protection would be ensured through the VfM framework, including transparency requirements, supervisory assessments and benchmarking tools.

This option aims to ensure a smooth transition towards the VfM framework while maintaining an appropriate safeguard for PEPP savers during the initial phase of the revised framework.

Option 3: Removal of the fee cap and introduction of a simpler cost-related safeguard within the PEPP framework.

Under this option, the mandatory fee cap for the Basic PEPP would be removed without relying on the VfM currently under negotiation in the RIS. Instead, cost efficiency and consumer protection would be ensured through other safeguards to be established within the PEPP framework itself, focusing in particular on transparency, comparability of costs and supervisory oversight.

This option would envisage the introduction of a **Cost-Performance Ratio (CPR)**. The idea would be to link the level of fees that can be charged to the performance delivered to participants. Instead of applying rigid cap on fees alone, the framework would assess whether the fees charged are proportionate to the value or returns generated. Such an approach would

be supported by simple cost indicators, such as an aggregated cost ratio allowing PEPP savers to better understand and compare the overall level of costs, enhanced transparency and comparability of costs and charges and supervisory monitoring, enabling competent authorities to assess the cost efficiency of PEPP products and identify potential outliers.

This approach could contribute to ensuring an appropriate level of consumer protection following the removal of the fee cap while providing greater clarity regarding the relationship between costs and performance.

Question 5: Which of the above options do MS prefer?

3. Employer Contribution in PEPP

MSs showed broad understanding that voluntary employer contributions to a PEPP within workplace arrangements may help increase participation in supplementary pension savings, particularly in MSs where occupational pension options are limited.

At the same time, several MS expressed reservations regarding the use of PEPP in workplace arrangements, as provided for in Article 47 of the proposal and in particular, MS stressed that such arrangements should remain entirely at their discretion, highlighting the importance of maintaining a clear distinction between Pillar II (occupational pensions) and Pillar III (personal pensions).

Several MS also requested additional clarifications and safeguards, including with regard to the practical implementation of workplace PEPP arrangements. Other MS questioned the rationale for including optional provisions in the Regulation if no harmonisation of such arrangements is intended.

Against this background, the PCY invites MS to consider the following options.

Option 1: Maintain the COM proposal.

In practice this would mean:

- Employers contribution: MS shall not prevent employers from voluntarily contributing to a PEPP on behalf of their employees, provided that employees are already PEPP savers and agree to such contributions and provided that these contributions do not interfere with existing occupational pension schemes;

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- MS discretion: MS may allow PEPPs to be offered to employees through workplace arrangements using auto-enrolment, subject to national social and labour law and provided that such arrangements do not undermine existing occupational pension schemes;

- Employees freedom: Where a PEPP is offered through workplace arrangement using auto-enrolment, employees should have the right to opt out and to rejoin later, in accordance with national rules governing auto-enrolment and the applicable social and labour law.

Option 2: Maintain the COM proposal in Article 47 and clarify the interaction with Pillar II in Recital 22.

Under this option, COM's proposal in Article 47 would remain unchanged as per Option 1. However, additional clarifications would be introduced in Recital 22 in order to address the concerns raised by MSs regarding the distinction between personal pension products (Pillar III) and occupational pension schemes (Pillar II).

In particular, Recital 22 could clarify amongst others that:

- the PEPP remains a personal pension product within the third pillar, intended to complement existing pension arrangements;

- workplace arrangements facilitating access to a PEPP should not replace or interfere with existing occupational pension schemes, nor affect MS competences in organising their pension systems;

- where employers facilitate access to a PEPP or make voluntary contributions on behalf of employees, the contractual relationship remains between the PEPP saver and the PEPP provider; and

- such workplace arrangements should be understood as facilitating access to a personal pension product and should not constitute occupational pension schemes.

This option would aim to provide additional legal clarity while maintaining the structure of the COM proposal.

Option 3: MS are invited to outline other options to the PCY. In particular, the PCY would be open to consider MS ideas on ways to facilitate PEPP participation through employer contributions, specifically for employees without access to occupational pension schemes or whose employers do not provide occupational pension schemes.

Question 6: Which of the above options do MS prefer?

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4. Central public register

The COM proposes expansion of Article 13(1) of the existing PEPP Regulation to reflect the existing structure of the PEPP central register maintained by EIOPA. The register already includes information on the type of PEPP as well as information on past costs and risk indicators. The COM proposes to include in the central register also information on past performance, which PEPP providers are already required to disclose pursuant to Article 26(9) of the PEPP Regulation. It should be noted that the existing PEPP central register already provides access to the KID for all available PEPPs and competent authorities are already required to transmit the KID to EIOPA pursuant to Articles 6(5) and 6(6) second subparagraph of the PEPP Regulation.

The rationale provided by the COM for the changes is to ensure that the most cost-efficient products attract a growing share of savings and thereby contribute to the consolidation and development of the personal pension sector. According to the COM, achievement of the above objective is ensured if savers have more information on past costs, performance and risk indicators, in order to make informed decisions.

Based on MS reactions, there is broad support in principle for reflecting the current situation and for extending the scope and content of EIOPA central register, while several MSs stressed the need to avoid duplication with European Single Access Point and KID disclosures, the need to ensure alignment with RIS, minimise administrative burden and focus on meaningful, comparable information that delivers clear added value to prospective PEPP savers.

Having outlined the above the following options are proposed:

Option 1: Maintain the COM proposal.

Option 2: Maintain the COM proposal that reflects the current structure of the EIOPA central register and extend its scope, while clarifying in a Recital that this extension should not entail any additional administrative burden neither for PEPP providers nor for the NCA's compared to the current situation. The only minimal additional burden would be for EIOPA that will need to extract the relevant performance information from the PEPP KID and present it in the register in the form of average past performance over the previous one, three, five and ten years.

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Question 7: Which of the above options do MS prefer?

5. Collaboration platforms

According to the COM the purpose of the establishment of the collaboration platforms is the effective supervision of PEPP providers and distributors in cases where a PEPP is distributed abroad. The COM highlighted that collaboration platforms exist and are already used under Solvency II. According to Article 65a, EIOPA is empowered to step in, either at its own initiative or at the request of a PEPP competent authority, to set up and coordinate collaboration platforms, in order to assist in solving disagreements between relevant authorities. Some MSs supported the establishment of collaboration platforms, while many expressed concerns on the extra powers granted to EIOPA, on the onsite inspections, on the right of EIOPA to step in on its own initiative and on the perceived vagueness on the conditions for setting up such collaboration platforms.

Having outlined the above the following options are proposed:

Option 1: Maintain the COM proposal.

Option 2: Modify Article 65a (1) in order to align it with Solvency II provisions in order to frame the specific reasons that may trigger the setting up of a collaboration platform and remove para 6 (EIOPA onsite inspections).

Option 3: Further to Option 2 also delete the right of EIOPA to step in on its own initiative in case of disagreement as per para 5. EIOPA would be involved only when invited by at least one competent authority.

Question 8: Which of the above options do MS prefer?