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Subject:	Working Party on Financial Services and the Banking Union (PEPP) 21.5.2026 - Presidency discussion paper on amendments to PEPP Regulation

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21st of May 2026

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.

Building on the discussions held during the previous five CWPs, the meeting on 21st of May provides an opportunity to provide a first draft compromise text on the PEPP proposal. MS will also receive the first draft compromise text in a table format in order to introduce their comments.

For ease of reference, the drafting suggestions in this PCY paper are based on the Commission's review proposal. PCY additions are indicated in *italics* and red, while deletions are shown using ~~strikethrough~~. The same approach is applied to the attached first draft compromise text of the PCY.

1. POG requirements and VfM assessment

1.1. Product oversight and governance requirements (Art 25)

Article 25 of the COM proposal amended the current POG requirements and introduced a VfM assessment by referring it to the VfM assessment provided in IDD as amended by RIS. While there was a strong support for strengthening the POG requirements, MS were more skeptical on the introduction of the VfM concept and did not consider the concept suitable to be introduced in PEPP, for the moment.

In light of the discussion held in the 29/04 CWP, and also taking in mind the written comments, the broad majority of MS expressed preference for Option 1 which entails having an enhanced POG requirements aligned with RIS but no VfM at this stage and a review clause to assess its introduction in the future. Only one MS disagreed with Option 1 since the fee cap is also removed.

In practice, Article 25 is amended and a review clause is added as per the text presented in the Annex to the 29/04 PCY note. Article 25 revised text is modelled on the POG provisions under IDD (art 25) and MiFID (Art 16) as agreed under RIS. In addition, the review clause will be

introduced in the existing Article 73 which already provides for a general review clause. Article 73 (2) will be amended to introduce POG as one of the elements the review shall focus on and a new subparagraph is added to substantiate the content of the assessment and to specifically refer to VfM as part of the assessment. Compared to version provided in last PCY paper, a sentence has been introduced at the end of the subparagraph providing a role for EIOPA in assisting the Commission for the assessment.

Below, the drafting suggestion by the PCY which was supported - as stated above - by the broad majority of MS.

Drafting proposal:

'Article 25

Product oversight and governance requirements

1. PEPP providers shall establish, maintain, operate and review a process for the approval of each PEPP, or significant adaptations of an existing PEPP, before that PEPP is marketed or distributed to PEPP customers.

The product approval process shall specify an identified target market for each PEPP, ensure that all relevant risks to such identified target market are assessed and that the intended distribution strategy is consistent with the identified target market, and take reasonable steps to ensure that the PEPP is distributed to the identified target market.

The product approval process shall be proportionate and appropriate to the nature of the PEPP, and shall ~~contain a value-for-money assessment which at the initial stage of the product design~~ and ~~approval process is~~ be based on reasonable projections and assumptions reflecting plausible expectations~~.~~

~~Article 25 of Directive (EU) 2016/97 of the European Parliament and of the Council*, together with any delegated acts adopted pursuant to that Article, shall apply mutatis mutandis.~~

2. The product approval process shall contain all of the following:

(a) a specification of an identified target market for each PEPP and of the intended distribution strategy associated to the identified target market;

(b) a clear identification of the target market's objectives and needs;

(c) an assessment of whether the PEPP is designed appropriately to meet the target market's objectives and needs;

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(d) an assessment of all risks relevant to the identified target market or arising from the distribution strategy and an assessment of whether the intended distribution strategy is consistent with the identified target market;

(e) reasonable steps to ensure that the PEPP is distributed to the identified target market;

(f) in relation to the tailored PEPP, an identification of the level of knowledge and experience needed to understand the product and the ability to bear losses;

(g) an assessment of the risk of misunderstanding of the main features, costs and risks of the product by the savers belonging to the target market;

(h) a clear identification and quantification of all costs and charges related to the PEPP, of its performance and of its benefits for the PEPP customer and an assessment of whether the identified costs and charges are justified and proportionate, having regard to the performance and other benefits for the identified target market, including the guarantees and insurance coverage of biometric and other risks, characteristics, objectives, the identified target market, distribution strategy and strategy of the PEPP.

3. A PEPP provider shall understand and regularly review the PEPP it offers or markets, taking into account any event or risk that could materially affect the identified target market and their performance, to assess whether the PEPP remain consistent with the objectives and needs of the identified target market, whether the intended distribution strategy remains appropriate. In the event it emerges from the review that a PEPP is no longer consistent with the objectives and needs of the identified target market, or the intended distribution strategy is no longer appropriate, the PEPP provider shall take appropriate action to mitigate the situation and prevent future detriment to existing and prospective PEPP savers. Any potential claim from a saver shall be subject to relevant national rules.

4. PEPP provider shall make available to PEPP distributors all information on the PEPP and its product approval process that is needed to fully understand that PEPP and the elements taken into consideration during the product approval process, including complete and accurate details on the identified target market and any costs and charges, features and objectives of the PEPP.

5. PEPP distributors, shall have in place adequate arrangements to obtain the information referred to in paragraph 4, to understand the characteristics and identified target market of PEPP, and the PEPP provider's product approval process.

A PEPP distributor shall regularly review PEPPs it distributes, during the whole duration of their distribution, taking into account any event or risk that could materially affect the identified target market and their performance, to assess at least whether the PEPP and pricing process remain

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consistent with the objectives and needs of the identified target market, whether the intended distribution strategy remains appropriate.

PEPP distributor shall:

(a) identify and quantify any further costs and charges, in particular additional distribution costs, that are not already taken into account in the calculation of total costs and charges by the provider;

(b) assess whether the product meets the target market's objectives and needs;

(c) provide the PEPP provider regularly with all relevant information about the results of its assessments under points (a) and (c) of this subparagraph.

6. Competent authorities shall supervise the PEPP offered on their market *on a risk-based basis.* ~~monitor the PEPPs offered on their market and evaluate them against relevant supervisory benchmarks used for the value for money assessment. Competent authorities that identify PEPPs that deviate from the applicable benchmark or where they decide to carry out a control for any other reason, they shall require the PEPP provider concerned to provide evidence that, as a result of the value-for-money assessment carried out in accordance with paragraph 1, the costs and charges of the PEPP are justified and proportionate and the PEPP meets the objectives and needs of the target market.~~

Competent authorities that conclude that the evidence has not been provided or that the costs and charges of the PEPP are not justified and proportionate or that the PEPP does not meet the objectives of the target market, shall require the PEPP provider to take measures to ensure compliance with the product oversight and governance requirements. In the absence of such measures, the competent authorities shall use their powers under Articles 8, 62 and 63.

~~3. The Commission shall be empowered to supplement this Regulation by adopting delegated acts in accordance with Article 72 to further specify the principles set out in this Article, including,~~

~~(a)the adjustments to the methodology applicable to value for money benchmarks for insurance-based investment products under Article 25 of Directive (EU) 2016/97, that are necessary for the development of relevant supervisory benchmarks referred to in paragraph 2, first subparagraph, of this Article. The adjustments shall reflect the longer-term nature of the PEPP with limited redeemability, and shall ensure that PEPPs are compared with groups of comparable personal pension products manufactured and distributed in one or more Member States.~~

~~(b)the criteria to determine whether the costs and charges of a PEPP are justified and proportionate within the meaning of paragraph 2, first subparagraph.~~

~~Those delegated acts shall take into account in a proportionate way the activities performed, the nature of the PEPPs sold and the nature of the distributor.~~

Review Clause:

Article 73 is amended as follows:

(b) in paragraph 2 the following point (n) and the following subparagraph are added:

'(n) the Product Oversight and Governance (POG) requirements in Article 25.

The assessment referred to in point (n) of the first subparagraph shall evaluate whether the Product Oversight and Governance (POG) requirements in Article 25 provide adequate protection for PEPP savers, in particular by looking at costs of PEPPs in the market, and where relevant, gross returns, as well as a comparative analysis of the net performance of PEPP products across the European Union. In carrying out this assessment, the Commission shall take into account the experience gained with the implementation of the value-for-money framework under other Union acts. To facilitate this assessment, EIOPA shall monitor costs and performance of PEPP products on the market, and submit a report to the Commission on developments in the PEPP market including any challenges in delivering value for money to savers.

1.2 Fee cap

The fee cap will be removed as per COM proposal and suggested by the PCY in the last meeting. In the 29/04 no MS opposed PCY suggestions, but one MS insisted on a replacement mechanism if the fee cap is abolished and another supported the removal provided there is high transparency and strict checks.

1.3. Registration, Deregistration, Switching and Transferring – Art. 6, 8 56a and 56b

Overview of the discussions

Regarding the requirements in Article 6 to have VfM at registration there was broad support from MS on Option 2 which proposed to delete the requirement to demonstrate their ability

to provide VfM as part of the registration process and leave MS flexibility in terms of deadlines. MS also agreed with PCY suggestion not to introduce any changes to Article 8 and 56a.
On Art. 56b there was a broad majority of MS supporting the suggested wording provided by PCY with only 1 MS disagreeing. This would mean that Article 56b would be amended so that it would operate both ways by allowing also the possibility to transfer from PEPP to a national personal pension product. Below, the deletion and drafting suggestions proposed by the PCY which were supported - as stated above - by the vast majority of MS.

Drafting proposals:

Article 6:

'(fa) documentation that demonstrates compliance with product oversight and governance requirements referred to in Article 25~~, including information on how the PEPP is designed to provide value for money to PEPP savers~~;';~~(b) in paragraph 3, second subparagraph, the first sentence is replaced by the following:~~

~~'The competent authorities shall set a time limit, not exceeding 15 working days, by which the applicant is to provide additional information, if the application is not complete.';~~

~~(c) in paragraph 5, the first subparagraph is replaced by the following:~~

~~'Within five working days of taking a decision for registration of the PEPP, competent authorities shall communicate to EIOPA the decision, as well as the information and documents referred to paragraph 2, points (a), (b), (d), (f), (fa) and (g), and shall inform the applicant PEPP provider accordingly.';~~

Article 56b: Transfers ~~from~~ *between PEPPs and* other personal pension products

1. Member States shall allow transfers from other personal pension products to a PEPP*, as well as transfers from a PEPP to other personal pension products*.
2. Member States shall ensure that the transfers referred to in paragraph 1 are not subject to penalties, fees, or any other administrative requirement by either provider ~~of the personal pension product~~ that would make the transfer more costly than transfers between two personal pension products that are not PEPPs.

1.4. Product intervention powers of competent authorities - (Art 63(1)) and 1.5. EIOPA's product intervention powers - (Art 65(3))

Overview of the discussions

On these two items, after the comments of the MS in previous CWPs, the PCY suggested the deletion of the amendments proposed by the COM. They related to empowering competent authorities as well as EIOPA to intervene in case of failure to offer VfM. In light of the discussions held in the 29/04 CWP and taking into account the written comments, the vast majority of MS supported the PCY proposal and the deletion of the Commission's amendment in Article 63(1). Only one MS disagreed and another asked for a Recital.

The PCY would like to clarify that the deletion of the amendment proposed by the Commission concerning Article 63(1) means going back to the status quo where competent authorities retain product intervention powers. The COM's amendment only added these words: "consistently fails to offer value for money", the rest remains as it is the current Article 63(1).

On EIOPA's powers all but one MS supported the PCY's proposal. Moreover, also in light of the deletion of the VfM requirements in Article 25 the amendments would have no reason to stay anymore.

2. Revised Provisions on Disclosure, Pre-Retirement Planning and Decumulation Phase Information - Art 38, 60, 18 and Recital 13

Overview of the discussions

Article 38 introduces a requirement for PEPP providers to supply each PEPP saver, prior to the start of the decumulation phase, with an explanatory guide accompanying the relevant pre-retirement information.

In light of the discussion held in the 29/04 CWP and taking in mind the written comments, there is clear preference by vast majority of MS to make the explanatory guide available on PEPP's provider website and inform the PEPP savers about the possibility of requesting the explanatory guide. Below, the drafting suggestion by the PCY on Article 38 which was supported - as stated above - by the vast majority of MS.

Drafting proposal:

Article 38

'1. In addition to the PEPP Benefit Statement, PEPP providers shall provide each PEPP saver two months before the dates referred to in Article 59(1), points (a) and (b), or at the request of the PEPP saver, with information about the upcoming start of the decumulation phase, the possible forms of out-payments, including the costs and charges associated with each form of out-

payment and the applicable tax treatment, and the possibility for the PEPP saver to modify the form of out-payments in accordance with Article 59(1).

PEPP providers shall inform PEPP savers of the possibility of requesting ~~the information shall be accompanied by~~ a concise explanatory guide, setting out:

(a)the main features, implications and potential effects of each form of out-payment on the PEPP saver and, where applicable, on the PEPP beneficiaries;

(b)the risks and factors that could adversely affect the level, stability or duration of retirement income;

(c)the circumstances and criteria that PEPP savers should take into account when assessing the suitability of the different forms of out-payment for their individual situation.

The explanatory guide shall be available on the PEPP provider's website. It shall also be provided to PEPP savers on request in accordance with the requirements of Article 24. Where one of the forms of out-payment offered by the PEPP provider is a variable annuity, the PEPP provider shall provide each PEPP saver two months before the dates referred to in Article 59(1), points (a) and (b), with projections to illustrate the potential variation in the amount of the out-payment over time.

2. During the decumulation phase, PEPP providers shall annually provide PEPP beneficiaries with information about the PEPP benefits due and the corresponding form of out-payments. The information shall describe the main factors that could affect the level or duration of retirement income, including investment and life-expectancy risks, and shall indicate, where applicable, the right to change the form of out-payment.

Where the PEPP saver continues to make contributions or to bear investment risk during the decumulation phase, the PEPP provider shall continue providing the PEPP Benefit Statement.'

As far as Article 60(1) is concerned, the proposed COM amendments seek to ensure that all PEPP savers have a clear understanding of their financial situation and of the options available as they approach retirement. Regarding Article 18 the proposed COM amendments seek to remove the mandatory requirement for PEPP providers to offer national sub accounts for at least two MS.

In light of the discussion held in the 29/04 CWP and taking in mind the written comments, there is clear preference that no changes are proposed to these Article and to the relevant Recitals (25 and 13), as proposed by the PCY.

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3. Revised provisions on the PEPP Key Information Document (KID) -Art. 28

4. PEPP Benefit Statement (PBS) – Art 36

Overview of the discussions

In light of the discussion held in the 29/04 CWP, and taking in mind the MS written comments:

- The PCY's suggestion to keep the COM's proposal in paragraph 28 (3) point (c)(iii), (xvi) to (xvii), to reflect the revised features of the Basic PEPP and tailored PEPP and to require the disclosure of information that all registered PEPPs are available in the central public register together with a reference to the internet link to that register referred to in Article 13(1) gained broad support.

Therefore, no changes will be proposed to Article 28(3)(c)(iii) and points (xvi) to (xviii).

- The addition of point (c)(xv), to reflect the amendments in Article 47(4) in relation to the voluntary employment contributions to a PEPP within workplace arrangements in light of the new proposed way forward presented by the PCY in section 9 the proposed changes by the COM and the PCY's previous suggestion will fall.

Therefore, the drafting proposal is for the deletion of 28(3)(c)(xv):

~~'(xv) where the PEPP is provided to an employee as part of a workplace arrangement using auto-enrolment , the following information:~~

~~the opt out rights agreed at the time of enrolment;~~

~~applicable vesting rules;~~

~~where applicable, the default decumulation pathways or the other different decumulation options;~~

- Regarding the cost disclosures:

MS expressed divergent views regarding the proposed amendments to Article 28(3)(f) on cost disclosures in the PEPP KID. A number of MS supported maintaining the COM's proposal, considering that the disclosure of the compound effect of costs is important to help PEPP savers understanding the long-term impact of recurring charges on their investment. Some of those MS nevertheless suggested also the inclusion of disclaimers regarding future performance and explanations of the assumptions underlying cost estimations.

Other MS supported the PCY's simplified Option 2 stressing the need to avoid overly complex or excessive cost information and questioning the added value of disclosures relating to the compound effect of costs over the previous 12 months or projections on final capital accumulated. At the same time, a third group of MS considered that neither options sufficiently addressed concerns regarding complexity and comparability and advocated stronger alignment with the PRIIPs Regulation, in particular through the use of the reduction in yield indicator.

In the interest of compromise, taking into account other changes in the text in particular the removal of VfM and of the fee cap, and considering the goal of protection (potential) PEPP savers, the PCY considers important to ensure that cost disclosures continue to provide meaningful information on the long-term impact of recurring costs on retirement savings.

Against this background, the PCY puts forward a new compromise proposal that seeks to strike a balanced approach between the calls for simplification and comparability on the one hand, and the need to ensure an appropriate level of consumer protection for long-term pension savers on the other. In particular, the compromise would remove the reference to the impact of costs over the "previous 12 months", retain the disclosure of the compound effects of costs in order to reflect their long-term impact on pension savings, and introduce disclosure of fixed accumulation periods of 5, 20 and 40 years to enhance comparability. The compromise would also simplify the structure of the provision by linking the disclosure directly to the impact of costs on the capital accumulated. At the same time, the PCY notes that PEPPs pursue a specific long-term retirement objective, which justifies certain disclosure elements tailored to the nature of the product.

While alignment with the PRIIPs framework can support consistency and comparability of disclosures, the PCY considers that a purely reduction in yield-based approach would not sufficiently reflect the specific long-term nature of PEPP as a pension product, nor adequately illustrate the cumulative impact of recurring costs on retirement savings accumulated over several decades. Given the pre-contractual nature of the KID, it is important that perspective PEEP savers are provided with meaningful information enabling them to understand the long-term effect of costs before taking an investment decision. Nevertheless, these comments have been taken into account in the development of the compromise proposal, notably through the removal of the reference to the impact of costs over the "previous 12 months", the introduction of fixed accumulation periods in order to enhance comparability and legal clarity, and the simplification of the structure of the disclosure by focusing on the impact of costs on the capital accumulated over time.

Drafting proposal:

Article 28(3)(f) (b) in point (f), the first subparagraph is replaced by the following:

''under a section titled 'What are the costs?', the costs associated with an investment in the PEPP, comprising both direct and indirect costs to be borne by the PEPP saver, including one-off and recurring costs, presented by means of summary indicators of those costs and, ~~to ensure comparability~~,*an estimation of the compound effects of the* total aggregate costs, expressed in monetary and percentage terms, *on the capital accumulated at five, twenty and forty years accumulation periods*~~. to show the compound effects of the total costs on the investment over the previous 12 months and an estimation of the impact of the costs on the final capital accumulated~~. Where applicable, the costs charged for the capital guarantee, *advisory and distribution* shall be explicitly and separately disclosed.';

Q1: Do MS agree with the proposed drafting?

- Regarding Article 36(1)(d) and 36(1)(m) the way forward proposed by PCY gained broad support. This means that COM proposal to include in 36(1)(d) a favourable scenario and point (m) to include an indication that EIOPA maintains a central public register of all PEPPs allowing for the comparison of costs and performance, together with a reference to the internet link to the register referred to in Article 13(1) is kept. Hence, no changes will be proposed to Article 36(1)(d) and 36(1)(m). Following the request of one MS, a new point (n) has been added about the information on the savers' rights to switch in case of deregistration according to Article 56a and to transfer according to Article 56b.

Drafting Proposal on Article 36(1)(n):

"Information on savers' rights to switch and transfer in accordance with Articles 56a and 56b."

- Regarding the cost disclosures:

Based on the views expressed in the 29/04 CWP and the written comments, there was no clear preference for the PCY suggestion for retaining the COM proposal regarding point (f) of Article 36(1). A large number of MS supported the PCY proposal with one requesting the description of the assumptions on estimations of the impact of costs. Various MS called for even more streamlining on cost disclosure particularly with respect to the breakdowns of the cost item and the compounded costs since the start of the contract term and over the previous 12 months. Also, MS called for maintaining coherence in cost disclosure between the PBS and the

PEPP KID and ensuring consistency with the PRIIPs Regulation or the IDD or with the revision of the IORP Directive.

Against this background and with the aim to find a possible compromise on the cost information to be included in the PBS, the PCY puts forward the below drafting suggestion to Article 36(1)(f) with the aim of:

- simplifying cost information by avoiding detailed technical calculations that do not provide understandable information to the average saver,
- ensuring an appropriate level of consumer protection given the long-term retirement nature of PEPP and the removal of the fee cap for the Basic PEPP,
- recognising the distinct role of PBS and the PEPP KID.

Drafting Proposal on Article 36(1)(f):

a breakdown of all costs incurred, directly and indirectly, by the PEPP saver over the previous 12 months and on a compounded basis since the start of the contract term, expressed both in monetary terms and as a percentage of contributions*, and an estimation of the* ~~on a~~ compound~~ed~~ *effects of the total aggregate cost on the capital accumulated at the next potential switch date as referred in Article 52(3) and the target date before decumulation begins, expressed in monetary and persentage terms* ~~basis over the previous 12 months and since the start of the contract term, indicating:~~

~~(i) the costs of administration;~~

~~(ii) the costs of safekeeping of assets;~~

~~(iii) the costs related to portfolio transactions:~~

~~(iv) the costs for any capital guarantee and other costs;~~

~~(v) an estimation of the impact of the costs on the final PEPP benefits~~.';

Q2: Do MS agree with the proposed drafting?

5. Pension Tracking Systems (PTS) - Art. 51a

In light of the discussion held in the 29/04 CWP and taking in mind the MS written comments, there is clear preference for the deletion of Article 51a and to exclude any reference to PTS in the Regulation.

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6. Central Public Registry - Art 13 (1) and Recital 11

In light of the discussion held in the 29/04 CWP, and taking in mind the MS written comments, there is clear majority supporting the proposed by the PCY suggestion for retaining the COM proposal and providing drafting suggestions in Recital 11.

Below, the drafting suggestion by the PCY on Recital 11 which was supported - as stated above - by the vast majority of MS with some minor changes proposed by some MS which do not change the substance of the suggestion:

Drafting suggestion:

"To ensure that the most cost-efficient products attract a growing share of savings, thereby contributing to the consolidation and development of the personal pension sector, competition in the PEPP market should be fostered. To support that objective and help prospective savers make informed choices, the central public register maintained by EIOPA should be extended to include information on the past costs and performance of PEPP products. That extension should be done without creating ~~undue~~ *additional* reporting burdens *neither* for PEPP providers *nor for the competent authorities, compared to the current situation,* as the relevant information *is* ~~will be~~ *available* in the Key Information Document. To ensure accuracy and comparability, the information in the register should be updated at least annually."

7. Collaboration platforms - Art 65a and Recital 12

In light of the discussion held in the 29/04 CWP, and taking in mind the MS written comments, there is clear majority supporting the proposed suggestion by the PCY, for the drafting of Article 65a and Recital 12.

Below, the drafting suggestions by the PCY to Article 65a, Recital 26 and Recital 12 which were supported -as stated above- by the majority of MS:

'Article 65a
Collaboration platforms

1. EIOPA shall perform a facilitation and coordination role, ~~including~~ in the case of justified concerns about potential harm to the interests of PEPP savers and PEPP beneficiaries. It shall, ~~on its own initiative or~~ at the request of one or more of the PEPP competent authorities, set up

and coordinate a collaboration platform, to strengthen the exchange of information and to enhance collaboration between competent authorities.

2. Paragraph 1 shall be without prejudice to the right of the relevant competent authorities to set up a collaboration platform where they all agree to do so.

3. The setting up of a collaboration platform pursuant to paragraphs 1 and 2 is without prejudice to the mandate of the ~~supervisory~~ *competent* authorities of the home Member State and host Member State provided for in this Regulation.

4. Without prejudice to Article 35 of Regulation (EU) No 1094/2010, at the request of EIOPA, *or any competent authority,* the relevant competent authorities shall provide all necessary information in a timely manner.

5. Where two or more competent authorities of a collaboration platform disagree about the procedure or content of an action to be taken, or inaction, EIOPA may, at the request of any relevant competent authority ~~or on its own initiative~~, assist the competent authorities in reaching an agreement in accordance with Article 19(1) of Regulation (EU) No 1094/2010.

~~6. Where EIOPA identifies a need to investigate possible detriment to the interests of PEPP savers or beneficiaries EIOPA may call for the home PEPP competent authority to carry out an on-site inspection. The competent authority of the home Member State shall launch the on-site inspection without delay and shall invite EIOPA and other competent authorities concerned to participate in it.~~

Recital 12:

(12) Effective supervision of cross-border PEPPs is essential to maintain trust in PEPPs and to protect savers. To ensure consistent application of Union rules and address cases where the competent authority of the home Member State fails to take appropriate measures, it is necessary to grant EIOPA powers to ~~directly~~ intervene in problematic cross-border cases. Such powers should include the possibility to settle disagreements in accordance with Article 19 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council, thereby ensuring coherent and effective supervision across the Union~~, or to require the home authority to organise a joint onsite inspection with host authorities and EIOPA, to swiftly address risks to PEPP savers~~.

Recital 26

Where a PEPP is distributed across borders, effective supervision of PEPP providers and distributors requires close cooperation and consistent approaches among competent authorities across the Union. Divergences in supervisory actions may create uncertainty for

market participants and lead to unequal levels of consumer protection. To strengthen supervisory coordination and ensure proportionate and consistent action in cases where the interests of PEPP savers or beneficiaries may be at risk, it is necessary to formalise the role of the European Insurance and Occupational Pensions Authority (EIOPA) as a facilitator in finding appropriate solutions. To that end, EIOPA should be empowered to ~~set up and~~ coordinate collaboration platforms, *at the request of one or more of the competent authorities,* bringing together the relevant competent authorities, to promote the exchange of information, support convergence of supervisory practices, and, where appropriate, assist in resolving disagreements between authorities in accordance with its powers under Regulation (EU) No 1094/2010.

8. Basic and tailored PEPP

8.1 Advice – Art. 34 and Recital 19, 20

In light of the discussion held in the 29/04 CWP, the PCY proposed the removal of mandatory advice for the Basic PEPP, with the objective of preserving its character as a standardised, simple and cost-efficient product that can be distributed easily, including through digital channels. In this context, the Basic PEPP would remain capable of being offered on an execution-only basis under the relevant sectoral frameworks, including MiFID, thereby supporting accessibility and facilitating cross-border distribution. The PCY also suggested the deletion of the concept of "independent advice", taking into account concerns expressed by several MS that, where advice is provided directly by the PEPP provider, it would be difficult in practice to ensure genuine independence.

The PCY's approach found broad support among MS. At the same time, some MS expressed a preference for an approach proposed by FR, AT, GR, SL and inspired by the Insurance Distribution Directive (IDD), under which advice would remain mandatory subject to a possible MS derogation (opt out or opt in).

In the PCY's view, introducing such national options in the context of a Regulation would risk fragmenting the framework and would not be fully consistent with the objective of establishing directly applicable and genuinely common rules across the Union. As PEPP is intended to function as a truly pan-European product enabling savers to benefit from the Single Market, preserving a harmonised framework remains essential, also in light of the broader simplification agenda. Furthermore, maintaining mandatory advice requirements for PEPP providers would create an uneven playing field vis-à-vis MiFID providers offering execution-only services, thereby affecting consistency across financial distribution channels.

In light of the above, and taking in mind that there is clear majority supporting the PCY's approach which is the removal of advice as per the COM's proposal and also the removal of independent advice, the PCY invites MS to move forward on the basis of the PCY compromise as a balanced, simple and harmonised solution capable of ensuring legal clarity, facilitating distribution and preserving the pan-European nature of the PEPP framework.

Below, the drafting suggestion by the PCY which was supported - as stated above - by the broad majority of MS with some minor changes which do not change the substance of the suggestion.

Drafting proposal:

Article 34(3):

The requirement to provide advice to a prospective PEPP saver in accordance with paragraph 2, first subparagraph, shall not apply in relation to the distribution of the Basic PEPP.

"In case advice is provided in relation to the distribution of the Basic PEPP, advice shall be provided only upon request of the *prospective* PEPP saver *and the cost of the advice shall be disclosed to the saver separately*. ~~The PEPP provider or the PEPP distributor shall provide advice on an independent basis.'"~~

Article 4a will be deleted:

~~"By way of derogation from paragraph 4, where advice is provided in relation to distribution of the Basic PEPP, the PEPP provider or PEPP distributor shall be under no obligation to obtain information on the prospective PEPP saver's knowledge and experience."~~

Regarding the definition of independence advice, the deletion of the concept is suggested which means deletion of Article 2(1)(34):

~~"'(34) 'advice on an independent basis' means advice in relation to which the PEPP provider or PEPP distributor:~~

~~(a)assesses a sufficiently large number of personal pension products available on the market which are sufficiently diversified with regard to their type and product providers to ensure that the prospective PEPP saver's objectives can be suitably met and shall not be limited to personal pension products issued or provided by entities having close links with the PEPP provider or PEPP distributor;~~

~~(b)does not accept and retain fees, commissions or any monetary or non-monetary benefits paid or provided by any third party or a person acting on behalf of a third party in relation to the provision of the service to prospective PEPP savers;"~~

For further clarification and in order to avoid confusion and to ensure consistency, the following addition is proposed in Recital 20:

"To ~~ensure the quality of advice and to~~ safeguard the interests of prospective PEPP savers, any advice provided in relation to the Basic PEPP should be given ~~on an independent basis and~~ only upon the request of the client *and in accordance with the applicable obligations under Union Law*. ~~Considering both the non-complex nature of the Basic PEPP and the independent character of the advice, it is appropriate to provide that, where such advice is given, the PEPP distributor is under no obligation to obtain information on the prospective PEPP saver's knowledge and experience. That approach ensures that the advice remains objective, proportionate and efficient for distributors, while maintaining a high standard of investor protection and promoting the accessibility of the Basic PEPP across the Union through a variety of distribution channels.~~ For the tailored, more sophisticated PEPPs, advice remains essential to provide the most suitable and tailor-made offer to prospective savers, taking into account their knowledge, financial situation, and risk appetite."

8.2. Life-cycle investment strategy – Art. 2(1)(34) and Recital 19

Following the discussion in previous CWP where MS views were split between 2 options presented by the PCY to amend COM proposal, at the 29/04 the PCY proposed a compromise solution which would reconcile both camps also in light of the facts that the 2 options were not conceptually in opposition. The PCY compromise solution entailed a revised version of the life cycle investment strategy definition and clarification in Recital 19 about the meaning of the concept large losses. The definition of the life-cycle investment strategy is refined to bridge consumer protection with market flexibility. The revised definition upgrades the strategy from a purely age-based formula to a more flexible and personalised model that integrates individual risk appetite and cohort-specific data. By requiring a gradual and prudent risk reduction it aims to ensure that savers are protected from large losses both in the accumulation and decumulation phase Many MS expressed full support for the drafting suggestions provided by the PCY. One welcomed the direction but asked to remove the term "predetermined" from the glidepath description. Few expressed caution regarding the inclusion of "savers' risk appetite" in the text otherwise declaring their support. In light of these latest MS comments and drafting suggestions following the CWP, few small changes have been made both to the definition (deletion or words moved) and the recital (text clarified). The aim is to ensure more flexibility without changing the substance of the proposal.

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Below, the drafting suggestion by the PCY which was supported - as stated above - by a large of MS with some minor changes proposed by some MS which do not change the substance of the suggestion.

Drafting proposal:

(35) 'life-cycle investment strategy' means an investment strategy that adjusts the level of risk attached to investments according to ~~a predetermined~~ glide path directed at mitigating investment risk and providing a reasonable degree of long-term appreciation, taking into account, *on an individual or cohort basis,* the individual's age or retirement date ~~*on an individual or cohort basis*~~*, as well as the saver's risk appetite*, and where relevant, the pay-out profile of the product, to minimise the risk of large losses*. Such strategy assumes a higher level of risk when the saver's remaining investment horizon is long, while reducing that level gradually and prudently as the saver advances through the accumulation phase and, where applicable, the decumulation phase.*

In Recital 19

".....To preserve consumer protection and ensure that the Basic PEPP remains a simple product suitable for retirement purposes, it should be designed with an embedded life-cycle investment strategy, providing a suitable balance between growth and risk mitigation *and designed to protect retirement outcomes by mitigating the risk of large losses. A 'large loss' should be understood as any significant drop in the value of accumulated capital that would significantly jeopardise an individual's ability to meet their retirement income goals. The impact of such a loss is heightened by the lack of recovery time as the saver approaches the retirement date; therefore, investment strategies should be* ~~*calibrated to minimize the probability*~~ *designed to mitigate the risk of substantial value fluctuations, as the time to retirement decreases. While the glide path should remain flexible enough to accommodate different market models, approaches and saver's risk appetite, it should ensure that the asset allocation shifts gradually and prudently toward high-quality, low-risk assets in the final stages of the accumulation phase to safeguard the value of accumulated savings, or during the decumulation phase in the case of annuity."*

8.3 Risk mitigation techniques – Art. 46(3)

As per the previous point also on Art 46 (3), following previous discussion MS views were split between two options. In the spirit of compromise and in light of the fact that the two more

favoured options were not in antithesis, the PCY proposed for the 29/04 CWP a combination of two which would entail highlighting in a Recital that the EIOPA mandate is strictly limited to qualitative criteria and refining the RTS mandate. This would mean introducing more guidance for the delineation of the criteria 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). This approach found large support among MS. Only 3 MS disagreed and not for the same reasons. Following the written comments received one MS asked for very few deletions in the first sentence and in point c arguing that the criteria mentioned would not be fully applicable to different risk mitigation techniques, especially to life cycle. The PCY took on board the suggestions (deletions highlighted in yellow) but added a clarification in point c following the deletion as otherwise there would have been a significant risk for consumers as no risk mitigation may be in place until the decumulation. The proposed redrafting of point c still allows flexibility but some more protection for consumers. Finally, as requested by various MS, the PCY has also clarified in the Recital that risk mitigation techniques are applicable only to tailored PEPP.

Below, the drafting suggestion the PCY which was supported - as stated above - by a large of MS with some minor changes proposed by some MS which do not change the substance of the suggestion.

Drafting proposal:

Recital

In the case of tailored PEPP, the PEPP's risk-mitigation techniques are essential to foster appropriate investment strategies that are capable of achieving better pension benefit outcomes. In order to promote a flexible and investment-led framework, clear criteria are needed to enable the assessment of the effectiveness of these techniques in a consistent way. Such criteria should be qualitative and should not use rigid quantitative thresholds or mandatory stochastic modelling that may unduly restrict investment freedom or market adaptation. By focusing on key principles such as the structural integration of risk management within the investment strategy, the security of accrued capital, and the equitable treatment of savers, the framework remains neutral to the specific technical methods employed. This approach ensures that the regulation is open to any new, innovative risk-mitigation techniques that can foster better retirement outcomes while remaining subject to robust governance and product oversight.

Art 46(3)

In order to ensure the consistent application of this Article, EIOPA shall, after consulting the other ESAs, develop draft regulatory technical standards specifying the minimum qualitative

criteria that the risk-mitigation techniques have to satisfy, taking into account the various types of PEPPs and their specific features, as well as the various types of PEPP providers and the differences between their prudential regime, where relevant and applicable depending on the type of the risk mitigation technique offered. The criteria shall not impose maximum probabilities of losses or stochastic modelling. *Those criteria shall ensure that risk-mitigation techniques are effectively designed to ~~pursue capital preservation and the~~ maintain ~~enance of~~ the purchasing power of the accumulated capital. The criteria shall specify requirements regarding:*

(a) the effectiveness of the risk-mitigation technique in addressing the PEPP saver's or group of PEPP savers specific retirement objectives and risk profile, ensuring that the risk exposure remains appropriate for the remaining duration of the accumulation phase and the intended decumulation form;

(b) the use of broad diversification and asset quality standards to mitigate the risk of significant capital shortfalls;

(c) the implementation of safeguards to protect the capital accrued, the intensity of which shall be progressively calibrated to the proximity of ~~particularly in the years leading up to~~ the decumulation phase;

(d) general principles for a robust governance framework and monitoring process, particularly in response to adverse economic developments, and

(e) safeguards for transparency and non-discrimination, aiming to ensure equitable treatment of PEPP savers having selected the same investment option.

EIOPA shall submit those draft regulatory technical standards to the Commission by [PO= please insert 6 months after entry into force of this Regulation]

8.4 Investment rules – Art 45

The discussions with MS revealed a clear divide regarding investment limits for the Basic PEPP. One group asked for more flexibility, advocating for raising the limit to 15% or removing it entirely. Conversely, a more cautious group favoured the original 5% limit to ensure consumer protection. A few MS even proposed a 0% limit (restricting investments entirely to MiFID non-complex assets). In light of the situation and of the Basic PEPP's objective as a simple, low-risk, and cost-efficient product, the PCY proposed maintaining the 5% threshold as per COM proposal. The solution found support of various MS or no opposition. Several MS asked for higher limits (at least 15%) or no limits at all. Few MS asked to delete the limit and have only non-complex assets.

In the interest of compromise and in order to allow progress on this file, the PCY invites MS to support maintaining the 5% threshold as proposed by the Commission, while recalling that the prudent person principle will continue to apply. The PCY considers that this approach strikes an appropriate balance between calls for greater investment flexibility that a 0% limit would prohibit and the objective of preserving the Basic PEPP as a simple, standardised and consumer-oriented pension product. By maintaining this threshold, the product remains true to its core mandate of being simple, low-risk, and cost-efficient, which is essential for building the consumer trust necessary for the uptake of PEPP which is the overarching goal of the reform. Higher exposure to complex assets would risk of driving up due diligence and operational costs, making the product unviable for providers or overly expensive for savers. Finally, the PCY would like to point out that the PEPP framework allows for alternative investment options where higher (or no) limits can be applied.

Q3: Do MS agree with the proposed way forward?

9. Employers Contributions – Art 47 and Recital 22

Based on the views expressed in the 29/04 CWP and the written comments there was support from MS on the proposed way forward by the PCY, with some MS calling for deletion of the references to auto enrolment, other calling for the deletion of the Article or for introducing MS option.

In light of the fragile support expressed by MS and in the interest of finding a balanced compromise allowing progress on the file, the PCY proposes to maintain the COM approach while deleting the references to auto-enrolment and the related KID amendments and also amending the Recital as per the PCY suggestion in the previous CWP. The PCY considers that this solution responds to concerns raised by several MS regarding the interaction between Pillar II and Pillar III pension arrangements and reflects also concerns raised regarding the compatibility of auto-enrolment with the personal contractual relationship between the PEPP saver and provider while preserving the core objective of facilitating employer contributions within the PEPP framework.

Drafting suggestion:

in Article 47, the following paragraph~~s~~ 3~~, 4 and 5 are~~ is added:

'3. Without prejudice to national social and labour law on the organisation of pension systems and the autonomy of social partners, including compulsory membership and the

outcomes of collective bargaining agreements, and insofar as it does not interfere with the existing occupational pension schemes, Member States shall not prevent employers from voluntarily contributing to a PEPP for their employees that are PEPP savers and who agree to this.

~~4. Without prejudice to national social and labour law regarding the organisation of pension systems and the autonomy of social partners, including compulsory membership and the outcomes of collective bargaining agreements, and insofar as it does not interfere with the existing occupational pension schemes, Member States may allow the PEPP to be provided to an employee as part of a workplace arrangement using auto-enrolment.~~

~~In the case the PEPP is provided to an employee as part of a workplace arrangement using auto-enrolment, the PEPP saver shall have the right to opt out and rejoin in accordance with the national framework governing auto-enrolment, including relevant social and labour law on the organisation of pension systems, compulsory membership and the outcomes of collective bargaining agreements.~~

Recital 22:

(22) Employers' contributions, ~~including through auto-enrolment arrangements,~~ have proven effective in overcoming behavioural barriers to savings, including inertia or lack of financial literacy, while fostering trust, engagement, and participation in supplementary pensions. *It is appropriate to clarify that the PEPP remains a personal pension product within the third pillar, intended to complement existing pension arrangements.* Explicitly recognising that employers are allowed to make voluntary contributions to a PEPP could significantly enhance the visibility, relevance, and uptake of PEPPs, particularly among underserved groups, including low-income and part-time workers and young workers early in their careers. ~~Similarly, allowing employers *to facilitate access to a PEPP in a workplace context, including through arrangements using autoenrollment,* select the PEPP in the context of a workplace arrangement using auto-enrolment could further strengthen the uptake of the PEPP and offer employees, especially in Member States with less developed occupational pension systems, the possibility to invest their savings for retirement in well-regulated and cost-effective products. *Without prejudice to the personal, third pillar, nature of PEPP,*~~ Member States should ~~therefore~~ not prevent employers from contributing to PEPPs and should ensure that such contributions are supported by clear rules on the provision of information to employees. *Such contributions would not change the personal, third pillar nature of the PEPP and would not make the PEPP into occupational pension scheme.* Without prejudice to the personal nature of the PEPP, Member States should also be able to allow PEPPs to be provided *in a workplace context, ~~including through~~* ~~as part of a workplace arrangement~~*s* ~~using auto-enrolment,~~ where this is in line with national social and labour laws, compatible with the organisation of pension systems and with collective

agreements, and does not interfere with the existing occupational pension schemes. *Workplace arrangements facilitating access to a PEPP should ~~not replace or interfere with existing occupational pension schemes,~~ not affect Member States' competences in organising their pension systems. In cases that a PEPP is used in a workplace context the conclusion of a PEPP contract should remain subject to the consent of the PEPP saver and the contractual relation between the PEPP saver and PEPP provider. ~~PEPP savers should be able to opt out or discontinue contributions in accordance with national law.~~* To facilitate the use of the PEPP in a workplace context, several amendments to Regulation (EU) 2019/1238 are necessary to ensure that no undue obstacles hinder employers' contributions and to adapt the relevant framework to the specificities of workplace arrangements.

Q4: Do MS agree with the proposed way forward and drafting suggestion?

10. Equal Tax treatment - Art. 3 and Recital 9

In light of the previous discussions and the strong majority of MS supporting the deletion of both Article 3 and corresponding Recital 9, the PCY incorporated the change in the text.