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From:	Presidency
To:	Working Party on Financial Services and the Banking Union (PEPP) Financial Services Attachés
Subject:	Working Party on Financial Services and the Banking Union (PEPP) 21.5.2026 - First Draft Compromise Text

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2025/0363 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) 2019/1238 on a pan-European Personal Pension Product (PEPP)

(Text with EEA relevance)

2025/0363 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) 2019/1238 on a pan-European Personal Pension Product (PEPP)

(Text with EEA relevance)

PUBLIC

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 114 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee[1],

After consulting the European Data Protection Supervisor,

Acting in accordance with the ordinary legislative procedure[2],

Whereas:

(1) In view of the Union's ageing population and the rising dependency ratio, strengthening complementary sources of retirement income has become indispensable to preserve intergenerational solidarity, social cohesion and the long-term stability of multi-layered pension systems across the Union.

(2) While the organisation of pension systems remains a national competence, the adequacy and financial sustainability of pensions are of common concern for the stability and cohesion of the Union. Ensuring that citizens have access to well-designed personal pension products contributes both to individual financial security and to the resilience of the Union's economy.

(3) Despite being among the world's highest savers, Union households still hold a large share of their financial wealth in short-term bank deposits with limited returns. Developing attractive occupational and personal pension products can help mobilise part of these savings for long-term investment, generating higher returns for savers, which would correspond to their retirement needs.

(4) Personal pensions are a key link between long-term savers and long-term investment opportunities, helping to deepen capital markets and expand the supply of stable funding for the real economy. Pensions funds are an important category of institutional investors that can help financing productive investments, supporting growth, innovation and the green and digital transitions, which will create better job opportunities and higher productivity.

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1 OJ C , , p. .

2 Position of the European Parliament of ..... and decision of the Council of .....

(5) The Savings and Investments Union (SIU) announced by the Commission in its Communication of 19 March 2015[3] aims to enable citizens to save and invest for their future, channel investments towards the priorities of the Union, deepen integration and scale in Union's capital markets, and ensure effective supervision across the single market. Among those four strands, helping citizens save and invest for their future is at the heart of the SIU's ambition. Ensuring that Union citizens can build adequate retirement income is one of the most concrete ways in which the Union can make a difference in people's lives. The work on supplementary pensions, and in particular on personal pensions, embodies that citizen-centred approach. The pan-European Personal Pension Product (PEPP) is designed to give Union citizens access to a simple, transparent, and portable product that they can trust, helping them to save with confidence and to plan for their retirement wherever they live or work in the Union. By revitalising the PEPP framework, the Union seeks not only to strengthen citizens' financial security but also to channel long-term savings towards productive investments that support the growth, resilience, and green and digital transitions of the Union.

(6) Experience with the pan-European Personal Pension Product (PEPP) established by Regulation (EU) 2019/1238 of the European Parliament and of the Council[4] has shown very limited take-up, with only two providers active across the Union at the end of 2025.

(7) In its conclusions of 20 March 2025[5], the European Council called 'on the Commission to swiftly propose, in 2025, improvements to the existing pan-European personal pension product'.

(8) To revive the initial objectives of Regulation (EU) 2019/1238, including the improvement of a level playing field for personal pension providers and the integration of the internal market for personal pensions, and to support the development of viable retirement savings options, it is necessary to create a more flexible and innovation-friendly framework. Such a framework should enable PEPP providers to offer diversified and cost-effective products that ~~deliver value for money and~~ serve citizens' long-term retirement interests and should enhance peoples' options for long-term savings in line with their financing needs in retirement.

(9) ~~Tax incentives play an important role in encouraging the take-up of personal pension products in several Member States. Tax incentives for personal pension products can take different forms. In many Member States, the contributions paid for personal pension products qualify for some form of tax relief. Similarly, in many Member States, the investment results of the personal pension products are not subject to tax, either on the basis of an explicit exemption or de facto exemption, if the provider is subject to tax but can deduct the dotations to the pension reserve from the tax base. Tax incentives may also be granted in the decumulation phase, by applying a favourable tax rate to the out-payment of the personal pension. The national treatment principle applies to PEPP savers. Therefore, it should be possible for a PEPP that is objectively comparable to a personal pension product marketed in a given Member State to benefit from the same tax relief granted to the personal pension product in that Member State. That should also apply where the PEPP is provided by a provider from another Member State. The same~~

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3 Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the Regions of 19 March 2025, COM(2025) 124 final.

4 Regulation (EU) 2019/1238 of the European Parliament and of the Council on a pan-European personal pension product (PEPP), establishing a voluntary, standardised personal pension framework across the EU (PEPP) (OJ L 198, 25.7.2019, p. 1, ELI: http://data.europa.eu/eli/reg/2019/1238/oj)

5 European Council Meeting (20 March 2025) – Conclusions.

~~no less favourable treatment should also apply to measures under national law relating to other incentives for personal pension products or measures having an equivalent purpose or effect.~~

(10) To foster the uptake of PEPPs, it is essential that a PEPP ~~provides value for money to savers and~~ is ~~therefore~~ attractive and competitive. To ensure that potential PEPP providers design products in line with those objectives, the application for registration of a PEPP should demonstrate capacity to comply with the product oversight and governance requirements ~~and show how the product is designed to provide value for money to PEPP savers~~.

(11) 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* ~~willbe~~ available in the Key Information Document. To ensure accuracy and comparability, the information in the register should be updated at least annually.

(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~~.

(13) Article 18(3) of Regulation (EU) 2019/1238 requires each PEPP provider to offer national sub-accounts for at least two Member States. That requirement adds operational complexity and hinders the development and manufacturing of PEPPs. It also makes PEPPs effectively a niche product, targeting only a small portion of the Union's working-age population that may need a cross-border pension product, and thereby limiting the potential for economies of scale. For those reasons, the requirement to offer at least two sub-accounts should be removed.

(14) The level of costs and charges associated with personal pension products can have a significant impact on the final pension outcome for savers, which may not always be transparent or easily comparable. The absence of clear and harmonised criteria to assess whether costs are justified and proportionate to the returns offered risks undermining trust in PEPPs and discouraging participation. ~~It is therefore necessary to establish a structured value-for-money framework, ensuring that PEPPs deliver fair outcomes to savers and that their costs and performance are proportionate to their characteristics, objectives and risk–return profile, thus offering good value for money.~~

(15) To ensure that PEPPs are designed and distributed in the best interests of savers, ~~the value-for-money assessment should be embedded within the broader~~ *an enhanced* product oversight and governance framework *should be introduced*. The product approval process should identify the target market, objectives and needs of savers, and demonstrate, before the product is approved for distribution, that the total costs and

charges are justified and proportionate in view of the expected benefits and performance. To build consumers' trust in PEPPs, a PEPP that does not meet these criteria should not be approved, manufactured or distributed.

(16) To ensure a high level of protection for PEPP savers and to promote regulatory coherence, the product oversight and governance requirements applicable to PEPP providers should be strengthened. ~~This warrants aligning with those set out under Directive (EU) 2016/97[6] as amended in the context of the Retail Investment Strategy, and accounting for specificities of PEPP as a long-term savings product~~.

(17) ~~Since the registration of a PEPP takes place before it is possible to ascertain whether the product effectively delivers value for money to savers in practice, some PEPPs may in practice offer lower value for money than initially indicated. Competent authorities should have the powers to monitor developments and should be able to require corrective measures, where necessary.~~

(18) Article 42 of Regulation (EU) 2019/1238 requires that PEPP providers distribute the Basic PEPP if they also want to distribute alternative variants. That requirement constraints some providers' ability and interest in distributing PEPPs, as the Basic PEPP may not fit with their business model or strategy. In addition, the current limitation to a maximum of five alternative options restricts providers' ability to design products that reflect the preferences, circumstances and risk profiles of savers. Allowing providers to determine the number and nature of investment options would enable them to offer more tailored solutions, including personalised PEPPs suited to workplace arrangements ~~or auto-enrolment~~. It is therefore necessary to provide for greater flexibility to PEPP providers while ensuring that transparency, comparability and consumer protection remain safeguarded through appropriate disclosure and product governance requirements.

(19) Article 45(2) of Regulation (EU) 2019/1238 requires that the Basic PEPP is subject to a cap on costs and fees of 1 %, while Article 34(2) of that Regulation obliges a PEPP provider or PEPP distributor to provide advice prior to the conclusion of a Basic PEPP contract. Those requirements have raised concerns among potential providers and distributors, as those requirements are deemed to limit the commercial viability of offering PEPPs, including through digital channels. Furthermore, the fixed 1 % cap on fees is not necessarily the most effective way to protect savers and beneficiaries, and does not reflect a proportional relationship between the benefits and returns offers to savers, the expenses borne by providers, and the fees charged. Providers often incur losses in the early years of a contract, when acquisition and setup costs are high, while savers may be disadvantaged by a fee cap in later years as their accumulated capital gros and the absolute costs charged increase, even though less management effort is required. The 1% fee cap may also lead to an unlevel playing field due to differences in VAT treatment across Member States. Therefore, to promote the uptake of the PEPP, and ensure a sustainable, high-quality product, it is necessary to remove those requirements. 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*

[6] Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (recast) (OJ L 26, 2.2.2016, p. 19, ELI: http://data.europa.eu/eli/dir/2016/97/oj)

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. For the same reason, the assets of the Basic PEPP should be invested predominantly in listed and non-complex assets within the meaning of Article 25(4), first subparagraph, of Directive 2014/65/EU of the European Parliament and of the Council[7]. To promote diversification while maintaining simplicity, providers of the Basic PEPP should be allowed to allocate a small portion of assets, not exceeding 5 %, to other financial instruments, including alternative assets.

(19a) 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.

(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.

(21) Article 41(1) of Regulation (EU) 2019/1238 currently refers to the prudent person rule, which has traditionally been associated with a prescriptive approach, specifying in detail the types of assets in which investments may be made. To promote flexibility, innovation and efficient portfolio management while maintaining a high standard of protection for savers, that rule should be replaced with the prudent person principle, which reflects a principle-based approach focused on the proper identification,

[7] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast), (OJ L 173 12.6.2014, p. 349, ELI: http://data.europa.eu/eli/dir/2014/65/oj)

measurement, monitoring and management of risks. Under that principle, all types of assets can be considered for investment, provided that the PEPP provider applies appropriate risk management practices and ensures that the overall portfolio remains aligned with the objectives, risk profile and best interests of the PEPP savers.

(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 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 Stats should also be able to allow PEPPs to be provided ~~as part of~~ *in* a workplace *context*~~arrangement 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, nor~~ 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.

(23) Savings accumulated in personal pension products are by nature long-term. However, to facilitate the take-up of PEPPs, it is important that Member States do not hinder the transfer of other retirement savings to PEPPs. To make such transfers attractive, Member States should ensure that PEPPs are not subject to discriminatory or disproportionate financial or administrative obstacles that would make a transfer to a PEPP more costly than transfers between other personal pension products. ~~For the same reason, PEPPs should also benefit from the same tax treatment as comparable national personal pension products.~~

(24) In addition, where a PEPP has been deregistered from the register referred to in Article 8(1) of Regulation (EU) 2019/1238, savers and beneficiaries should benefit from enhanced protection, including the right to switch to another PEPP provider or to transfer their accumulated capital to another personal pension product without delay and free of charge.

(25) Article 60 of Regulation (EU) 2019/1238 requires that PEPP providers offer PEPP savers who invest in a Basic PEPP personal retirement planning on the sustainable use of the capital accumulated in the PEPP. However, all PEPP savers should have a clear understanding of their financial situation and of the options available to them as they approach retirement. Access to timely and comprehensive pre-retirement advice is essential to enable savers to make informed decisions regarding the management of their retirement income. Therefore, the provision of pre-retirement advice should apply to all PEPP savers, and not only to those investing in the Basic PEPP.

(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.

(27) The provisions set out in Regulation (EU) 2019/1238 ensure a high level of protection for PEPP savers and PEPP beneficiaries. This Regulation removes the fee cap for PEPP. Accordingly, national provisions should not reintroduce such caps or similar limitations applicable to PEPP that would affect the uniform application of this Regulation.

(28) Regulation (EU) 2019/1238 should therefore be amended accordingly.

(29) Regulation (EU) 2016/679 of the European Parliament and of the Council[8] applies to the processing of personal data for the purposes of this Regulation. Member States should ensure that processing of data carried out in application of this Regulation fully respects Directive 2002/58/EC of the European Parliament and of the Council[9] where that Directive is applicable.

(30) Since the objectives of this Regulation, namely to enhance PEPP saver protection and improve PEPP saver confidence in PEPPs, including where those products are distributed cross-border, cannot be sufficiently achieved by the Member States but can rather, by reason of its effects, be better achieved at Union level the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.

(31) In order to allow competent authorities, PEPP providers and PEPP distributors sufficient time to adapt to the requirements of this Regulation, it is appropriate to allow for one

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[8] Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), (OJ L 119 4.5.2016, p. 1, ELI: http://data.europa.eu/eli/reg/2016/679/oj).

[9] Directive 2002/58/EC of the European Parliament and of the Council of 12 July 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector, (OJ L 201 31.7.2002, p. 37, ELI: http://data.europa.eu/eli/dir/2002/58/oj).

year for the application of this Regulation to ensure effective implementation and compliance.

HAVE ADOPTED THIS REGULATION:

Article 1

Amendments to Regulation (EU) 2019/1238

Regulation (EU) 2019/1238 is amended as follows:

(1) in Article 2(1), the following points ~~are~~ *is* added:

‘(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;~~

~~(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*.’;

(2) ~~in Article 3, the following subparagraph is added:~~

~~‘Member States shall ensure that PEPPs receive a tax treatment that is not less favourable than that granted to other personal pension products. Where a Member State applies different types or levels of tax relief with regard to such other personal pension products, PEPP shall be eligible for the most favourable treatment available under the law of that Member State.’;~~

(3) in Article 4(2), point (a) is replaced by the following:

‘(a) where the Basic PEPP referred to in Article 45 is offered, a description of the Basic PEPP, including information on the life-cycle investment strategy;’;

(4) Article 6 is amended as follows:

(a) in paragraph 2, the following point (fa) is inserted:

‘(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~~;’;

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~~(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.';~~

(5) in Article 8(4) the following subparagraph is added:

'The PEPP provider shall, immediately upon being notified of the deregistration referred to in the first subparagraph, inform all PEPP savers thereof in a clear, accurate and comprehensible manner. Such information shall include:

(a) the fact of deregistration and the date on which it takes effect;

(b) the options available to the PEPP saver, including the right to request, without delay and free of charge, a switch of his or her accumulated capital to another PEPP provider or a transfer to another personal pension product;

(c) any other relevant information necessary for the PEPP saver to exercise his or her rights effectively.';

(6) in Article 13, paragraph 1 is replaced by the following:

'1. EIOPA shall keep a central public register identifying each PEPP registered under this Regulation, the registration number of the PEPP, the PEPP provider of this PEPP, the competent authorities of the PEPP provider, the date of the registration of the PEPP, whether the PEPP is a Basic PEPP or a tailored PEPP, a complete list of Member States in which this PEPP is offered and a complete list of Member States for which the PEPP provider offers a sub-account. The register shall also indicate, for each PEPP registered, the total annual costs and the average past performance over the previous one, three, five and ten years, and summary risk indicators, all as disclosed in the key information document referred to in Article 26 The register shall be publicly available in electronic format and shall be kept up to date.';

(7) Article 18 is amended as follows:

(a) paragraph 2 is replaced by the following:

'2. When proposing a PEPP, the PEPP provider or PEPP distributor shall provide prospective PEPP savers with information on the portability service and on which sub-accounts, if any, are immediately available.';

(b) paragraph 3 is deleted;

(8) in Article 23, the following paragraph 3 is added:

'3. Employers in the cases referred to in Article 47(3) ~~and (4)~~ shall not be considered acting as PEPP distributors.';

(9) Article 25 is replaced by the following:

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'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;

(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 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 (b) of this subparagraph.

6. Competent authorities shall monitor the PEPPs offered on their market *on a risk based basis* ~~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.~~

~~* Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (OJ L 26, 2.2.2016, p. 19, ELI: http://data.europa.eu/eli/dir/2016/97/oj).';~~

(10) Article 28(3) is amended as follows:

(a) point (c) is amended as follows:

(i) point (iii) is replaced by the following:

'(iii) the following indication:

– for the Basic PEPP, that the Basic PEPP product applies a life cycle investment strategy;

– for a tailored PEPP, that the PEPP applies a risk-mitigation technique which shall be described;';

(ii) the following points (xv) to (xvi~~i~~) are added:

~~'(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;~~

(xv~~i~~) where a PEPP provider offers several investment options, a description of the range of investment options offered by that provider;

(xvi~~i~~) an indication that under Union law a PEPP may be either Basic or tailored, and the main differences between the two types of PEPPs;

(xviii~~i~~) information that all registered PEPPs are available in the central public register referred to in Article 13, including the internet link to that register.';

(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.';

(11) ~~in Article 33, the following paragraph 2a is inserted:~~

~~'2a. Where the PEPP is provided to an employee as part of a workplace arrangement using auto-enrolment, the information referred to in paragraph 1 shall be provided to the employee promptly after the enrolment in the arrangement concerned.';~~

(12) Article 34 is amended as follows:

(a) in paragraph 2, the following subparagraph is added:

'The PEPP provider or PEPP distributor shall also clearly inform the prospective PEPP saver that comparative information on the costs and performance of all PEPPs is publicly available through the register referred to in Article 13(1), and shall indicate in a clear and prominent manner the internet link to that register.';

(b) paragraph 3 is replaced by the following:

'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 advice shall be disclosed to the saver separately.* ~~The PEPP provider or the PEPP distributor shall provide advice on an independent basis.';~~

~~(c) the following paragraph 4a is inserted:~~

~~'4a. 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.';~~

(13) Article 36(1) is amended as follows:

(a) the second sentence in point (d) is replaced by the following:

'If the pension benefit projections are based on economic scenarios, that information shall also include a best estimate scenario, a favourable scenario and an unfavourable scenario, taking into consideration the specific nature of the PEPP contract;';

(b) point (f) is replaced by the following:

'(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.~~';

(c) the following point*s* (m) *and* (*n*) ~~is~~ *are* added:

'(m) an indication that EIOPA maintains a register of all PEPPs, allowing for a comparison of cost and performance, and the internet link to the register referred to in Article 13(1).

(n) Information on savers' rights to switch and transfer in accordance with Articles 56a and 56b. ';

(14) Article 38 is replaced by the following:

'Article 38

Information to be given to PEPP savers during the pre-retirement phase and to PEPP beneficiaries during the decumulation phase

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.

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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.';

(15) the following Article 39a is inserted:

'Article 39a

Information during the term of contract to be provided in case employers contribute to a PEPP

In addition to the information referred to in Articles 36 to 39, where an employer contributes to a PEPP in accordance with Article 47, paragraphs 3 ~~or 4~~, the PEPP Benefit Statement shall contain information about the contributions paid by the employer and the PEPP saver into the PEPP, at least over the last 12 months, and on an accumulated basis since the beginning of the investment in both the local currency and as percentage of cumulated contributions over the given period.';

(16) Article 41(1) is amended as follows:

(a) the introductory wording is replaced by the following:

'PEPP providers shall invest the assets corresponding to the PEPP in accordance with the 'prudent person principle' and in particular in accordance with the following principles:';

(b) point (b) is replaced by the following:

'(b) within the prudent person principle, PEPP providers shall take into account risks related to and the potential long-term impact of investment decisions on ESG factors;';

(c) point (d) is replaced by the following:

'(d) the assets shall be predominantly invested on regulated markets as defined in Article 4(1), point (21) of Directive 2014/65/EU, multilateral trading facilities (MTFs) as defined in Article 4(1), point (22), of that Directive and organised trading facilities (OTFs) as defined in point (23) of that Directive;';

(17) in Article 42, paragraphs 1, 2 and 3 are replaced by the following:

'1. PEPP providers may offer different investment options to PEPP savers.

2. The investment options shall include at least one of the following:

(a) the Basic PEPP referred to in Article 45;

(b) a tailored PEPP with investment options different from the one referred to in Article 45.

3. PEPP providers shall design investment options on the basis of a risk-mitigation technique within the meaning of Article 46.';

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(18) in Article 43, the wording 'Having received the relevant information and advice,' is replaced by the wording 'Having received the relevant information and advice, where requested or required,';

(19) Article 45 is replaced by the following:

'Article 45
The Basic PEPP

1. PEPP providers shall design the Basic PEPP investment option on the basis of a life cycle investment strategy.

2. Without prejudice to the investment rules laid down in Article 41, at least 95 % of the assets of the Basic PEPP other than cash shall be invested into any of the financial instruments referred to in Article 25(4)(a), points (i) to (iv), of Directive 2014/65/EU.';

(20) Article 46 is amended as follows:

(a) paragraph 1 is replaced by the following:

'1. The use of risk-mitigation techniques shall ensure that the investment strategies for the PEPP are designed to build up a stable and adequate individual future retirement income from the PEPP and to ensure a fair treatment of all generations of PEPP savers. Those risk-mitigation techniques shall take into consideration the expected remaining duration of the PEPP saver's or group of PEPP savers' individual accumulation phase and the PEPP saver's chosen decumulation option. All risk-mitigation techniques shall be sound, robust and consistent with the risk profile of the corresponding investment option.';

(b) in paragraph 2, point (a) is replaced by the following:

'(a) the application of a lifecycle investment strategy;'

(c) the following paragraph 2a is inserted:

'2a. The PEPP provider shall design the life-cycle investment strategy referred to in paragraph 2, point (a), in such a way as to ensure that the PEPP savers furthest away from the expected end of the accumulation phase invest, to a contractually specified extent, in long-term investments which benefit from higher investment returns due to their specific higher risks and rewards characteristics, including illiquid or equity-type characteristics. For the PEPP savers closest to the expected end of the accumulation phase, the PEPP provider shall ensure that the investments are predominantly liquid, of high quality and exhibiting fixed investment returns.

The PEPP provider shall specify average exposures to equity and debt instruments whilst ensuring compliance with Article 41 for all potential sub-portfolios corresponding to the phases of the life-cycling.';

(d) in paragraph 3, the first two subparagraphs are replaced by the following:

'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. The criteria shall not impose maximum probabilities of losses or stochastic modelling. *Those criteria shall ensure that risk-mitigation techniques are effectively designed to*

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~~pursue capital preservation and the~~ maintai~~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].';

(21) 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.~~

~~(22) the following Article 51a is inserted before Chapter VII:~~

~~*'Article 51a*~~

~~**Pension tracking systems**~~

~~1. Member States shall ensure that, where pension tracking systems are in place, they cover the PEPP accrued retirement entitlements.~~

~~2. For the purposes of paragraph 1, PEPP providers and PEPP distributors shall transmit to pension tracking systems, where pension tracking systems are in place in the Member State where the PEPP is distributed,, all information necessary to provide~~

~~customers with a comprehensive, reliable and up-to-date overview of their entitlements.~~

~~3. The information referred to in paragraph 2 shall be transmitted in standardised and interoperable format enabling pension tracking systems to aggregate data on accumulated value, accrued rights and projected benefits in a coherent and comparable manner.~~

~~4. PEPP providers shall remain fully responsible for the completeness and accuracy of the data transmitted and for the fulfilment of all communication obligations provided for in this Article.~~

~~5. Competent authorities shall monitor and enforce compliance with this Article and take corrective measures where PEPP providers fail to provide complete, accurate or timely information.~~

~~6. The format and structure of the information to be transmitted to pension tracking systems shall be consistent with the format and structure laid down in the Delegated Regulation adopted pursuant to Article 37.';~~

(23) Chapter VII is amended as follows:

(a) the heading of the Chapter is replaced by the following:

'SWITCHING OF PEPP PROVIDERS AND TRANSFER FROM AND TO OTHER PERSONAL PENSION PRODUCTS';

(b) the following Articles 56a and 56b are inserted:

'Article 56a

Switching and transfer rights in case of deregistration

Without prejudice to any additional remedies that may be available under national law, where a PEPP is deregistered in accordance with Article 8, paragraphs 1, the PEPP savers and beneficiaries shall have the right to switch to another PEPP provider or to transfer the accumulated capital to another personal pension product without delay and free of charge.

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 the provider of the personal pension product~~ that would make the transfer more costly than transfers between two personal pension products that are not PEPPs.';

(24) ~~in Article 57, the following paragraph 3 is added:~~

~~'3. In the case of PEPPs provided to an employee as part of a workplace arrangement using auto-enrolment, the provisions referred to in this Chapter shall be without prejudice to the right of an employer to determine default decumulation pathways where this is provided for under the law of the Member State concerned.';~~

(25) in Article 60(1), the introductory wording is replaced by the following:

'1. At the start of the decumulation phase, the PEPP provider shall offer the PEPP saver personal retirement planning on the sustainable use of the capital accumulated in the PEPP sub-accounts, taking into account at least;';

~~(26) in Article 63(1), point (a) is replaced by the following:~~

~~'(a) the competent authorities are satisfied that there are reasonable grounds to believe that the PEPP gives rise to significant or reiterated saver's protection concerns, consistently fails to offer value for money or poses a risk to the orderly functioning and integrity of financial markets or the stability of whole or part of the financial system within at least one Member State;';~~

(27) in Article 64(1), the first sentence is replaced by the following:

'EIOPA shall perform a facilitation and coordination role, including by setting up a collaboration platform in accordance with Article 65a in relation to action taken by competent authorities in accordance with Article 63.';

~~(28) in Article 65(3), first subparagraph, point (a), the following text is added:~~

~~'or the consistent failure to offer value for money;';~~

(29) the following Article 65a is inserted:

'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.';~~

(30) ~~in Article 73(1),~~ *Article 73 is amended as follows:*

(a) in paragraph 1 the first sentence is replaced by the following:

'By [PO = please insert the date corresponding to five years after the application date of this Regulation], and every five years thereafter, the Commission shall carry out an evaluation of this Regulation, and after consulting EIOPA and the other ESAs where appropriate, present a report on the main findings to the European Parliament and the Council.'.

(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.

Article 2
Repeal

In the Commission Delegated Regulation (EU) 2021/473, Article 13, Article 14, paragraphs 2 and 3, and Article 15 are repealed.

Article 3
Entry into force and date of application

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall apply from [PO = please insert 1 year after entry into force of this Regulation].

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

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