

EFAMA response to the Green Paper on Retail Financial Services

1. Introduction

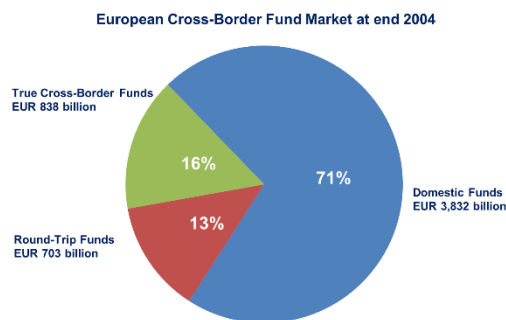
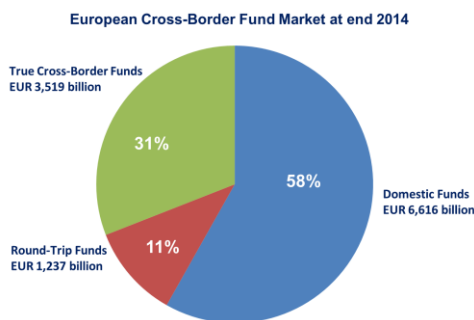
EFAMA welcomes the opportunity to respond to the European Commission’s Green Paper on retail financial services. Widening the opportunities for European citizens to save and invest will facilitate better outcomes both for savers and the wider European economy.

EFAMA fully shares the goals of a Single Market for retail financial services in the EU, i.e.:

1. Promoting an EU-wide market in retail financial services that can facilitate cross-border business and consumer choice.
2. Developing services through innovative digital technology that can decrease costs and improve market access and product comparability.
3. Building-up confidence among businesses and consumers.

EFAMA strongly supports the proposal to identify the current barriers and potential solutions for consumers and businesses to make full use of the European market for retail financial services.

Investment funds – UCITS in particular – are probably the best example to date of a well-functioning EU single market in the area of financial services. The share of funds distributed on a cross-border basis in Europe is regularly increasing and stood at 42% of total European investment fund assets in 2014 (from 29% at the end of 2004). This trend reflects the rise in the share of “true” cross-border funds, i.e. funds sold by fund promoters outside their home market, either elsewhere in Europe or in other parts of the world, from 16% in 2004 to 31% in 2014.¹ The market share of cross-border distribution of UCITS is therefore already significant, even though there is still room for further improvement.



This success is essentially based on the two following key components:

1. A robust, well-designed, EU legal framework that has been regularly updated since its inception in 1985 to keep up-to-speed with ongoing market developments and financial innovation whilst preserving state-of-the-art standards in terms of investor protection (most recently with the adoption of the UCITS V Directive);
2. A fund passport allowing a UCITS to be marketed in all other 27 EU Member States as soon as it has been authorised by the competent supervisory authority in the Member State where the UCITS is domiciled.

As a result of this, the choice of investment funds available to retail and institutional investors in each Member State is large and broadly diversified.

The fact that fund managers are competing on their domestic markets with investment funds and asset managers from other EU countries also led to an increase in the overall quality of the product offering available and – to a certain extent – also helped to reduce the costs and fees (although this was partly offset by an increase in operational and compliance costs to which asset managers are subject as a result of the wave of recently adopted post-crisis regulation).

Even though the UCITS cross-border distribution is working relatively well (certainly in comparison with other sectors), there is still room for improvement. In our responses to the Green Paper on the Capital Markets Union and to the more recent Call for Evidence on the EU regulatory framework for financial services we have identified a number of obstacles that are still hindering the cross-border distribution of investment funds. EFAMA therefore strongly supports the European Commission's willingness to remove any unwarranted barriers in this area and look forward to actively contribute to the separate consultation on remaining barriers to the cross-border distribution of investment funds that the European Commission has announced for later this year.

As a complementary observation, we wish to highlight that, although forming the "backbone" of the retail fund market, UCITS are only one part of the retail offer of investment funds. Certain types of AIFs are also of importance for retail investors in Europe and the AIFM Directive expressly provides that AIF products be accessible to retail investors as well, besides their more natural institutional and professional client base. Many of these types of AIFs are retail fund schemes regulated on Member State level.

Having said this, we see a clear potential to replicate the success of the UCITS model in other sectors, notably in the area of personal pensions.

In this context, we believe that the current fragmentation of the market for retirement savings should be addressed in order to foster portability, competition and innovation in this market.

The creation of a standardised **Pan-European Personal Pension product (PEPP)**, as proposed by EIOPA, would allow progressing in that direction. Indeed, a single market for PEPPs would increase choice for consumers and facilitate mobility through the portability of PEPPs. The creation of a PEPP would also improve competition between providers, enable scale economies, thereby reducing costs and providing better returns to consumers.

The PEPP has also the potential to boost the flow of retail savings into capital markets and therefore the provision of long-term stable funding to the EU economy.

Of course, a key driver to the success of the PEPP will be the incentives that could be provided by Member States to encourage their population to save in PEPPs. Without receiving tax incentives, the PEPP would probably only attract the financially savvy.

Q 1 - For which financial products could improved cross-border supply increase competition on national markets in terms of better choice and price?

When products do not benefit from an EU legal framework, the costs and risks for firms to offer these products cross-border are very significant as the products need to comply with national rules.

This is the case today with personal pension products. Cross-border supply is blocked by different national rules that apply to product design, distribution arrangements, tax treatment and providers.

For this reason, EFAMA believes the creation of a PEPP would:

- open the door to scale economies due to easier cross-border supply. Scale would reduce costs and provide better returns to consumers.
- help achieve a more competitive domestic environment for personal pensions, enhancing the choice between different types of pension products and providers. More competition brought about by new market players would put pressure on prices, and enhance the quality of the service provided to the client.
- improve the portability of pension savings across Europe and simplify the life for people moving from one Member State to another.
- strengthen the three-pillar pension system in place in Europe and diversify the risks inherent to the three pillars. Along with occupational pensions, personal pension savings can help reduce the pension gap and contribute to the objective of achieving an adequate and sustainable retirement income for EU citizens in the future.

EFAMA agrees that the goal should not be to harmonise all types of existing personal pension products. Instead, the aim should be to create an EU regulation that establishes a simple, highly standardised, cost-effective and trustworthy product that could be offered across Europe thanks to an EU passport.

In this context, EFAMA recommends the adoption of a separate EU legal framework for the PEPP, to be used on a voluntary basis. EFAMA agrees with the Commission when it states in the Green Paper on retail financial services that the advantage of this approach *“would lie in providing standardisation between Member States and in overcoming many national regulatory differences in some areas. Moreover, it could be a useful means for offering comparable and easy-to-understand financial products, thus increasing consumer trust and confidence for shopping cross border.”*

Q 2 - What are the barriers which prevent firms from directly providing financial services cross-border and consumers from directly purchasing products cross-border?

Broadly speaking, we see four types of barriers to the cross-border distribution of financial services and products within the EEA:

1. Regulatory impediments/complexities resulting from the absence of an EU regulatory framework in certain areas, gold-plating of EU legislation and protectionist rules adopted by Member States. Examples of this are the fragmented marketing rules or the discriminatory withholding tax within the EU by Member States or national tax reportings required in several Member States which are detrimental for non-local players to test fund marketing in such Member States. In addition, national regulators themselves are often applying regulatory fees for foreign players and funds to be marketed in their jurisdictions. There are also different requirements of target EU countries with regard to the appointment of paying agents, representatives, the need of installing national sub-TA functions, different treatments of authorizations for institutional distribution, different rules of de-authorizing funds from distribution.
2. Lack of harmonisation in the tax treatment of financial services and products across EU Member States, resulting in an unlevel playing field between domestic and foreign products but also between different types of competing investment products or services.
3. National cultural preferences for domestic actors and products.
4. Different languages – before being able to offer their services or products outside of their domestic markets, EU financial services providers will first have to translate the product documentation and marketing materials in the local language(s) of the target markets, which is adding to the costs and complexity of cross-border distribution.

Whilst there is probably little to be done to remove the last two types of barriers that are inherent to the diversity of the EU population, we see clear room for improvement concerning the first two types of barriers.

With regards investment funds, we see that the lack of harmonisation in relation to marketing requirements for UCITS is a barrier to their cross-border distribution. When an EU passport is granted, Member States should not goldplate this with additional requirements. Building more or less implicit barriers by host Member States tends to reduce the reality of the freedom to distribute products throughout Europe. Avoiding such goldplating of EU rules would in itself facilitate cross-border fund distribution. This is of particular importance in relation to the functioning of the EU passports, since additional requirements imposed by some Member States act as deterrents for mid-sized and smaller fund managers to offer their products cross-border. Currently, UCITS marketing and dealing with redemption requests/other payments to investors are subject to diverging national requirements under Art. 91(3) of the UCITS Directive. In this regard, some Member States require identification of a local financial institution as a paying agent who satisfies redemption requests and makes other payments to investors. This requirement, which is not foreseen by the UCITS Directive, significantly increases marketing costs of UCITS in the relevant jurisdictions. For this reason, we believe marketing standards (including but not limited to the means of communications) for UCITS making use of the EU passport for marketing their units cross-border should be harmonised. Such harmonisation of product-related marketing rules would have the potential of reducing costs and would in turn facilitate cross-border distribution.

The UCITS and ELTIF legislations impose some obligations on “facilities” for payments and information which have to be physically located in all Member States where marketing takes place. These requirements are now outdated, since nowadays information can more easily be received by internet or by phone, for instance. These provisions can also increase the administrative costs for instance in the case of the ELTIF and therefore the final costs for the end-investor. EFAMA believes that it would therefore be appropriate to give the possibility to the manager to put in place either physical facilities or online ones, bringing the requirements in line with the existing market conditions. The possibility of electronic or phone distance “facilities” would also be in line with the general Commission’s objective to achieve a Digital Agenda.

In the area of **personal pensions**, EFAMA agrees with the Commission’s assessment that the differences between Member States’ regulatory regimes have a significant impact on the cost and risk of providing retail financial services cross-border.

EIOPA has done an important work identifying the existing barriers to the cross-border activity of personal pensions in the EU. In its consultation paper on the PEPP², EIOPA referred particularly to the national rules of general good that domestic personal pension products have to meet, in particular to benefit from tax incentives.

² <https://eiopa.europa.eu/Publications/Consultations/EIOPA-CP-15-006-Consultation-paper-Standardised-Pan-European-Personal-Pension-product.pdf>

There are also Member States that only allow certain providers to offer personal pensions, which affects competition in the personal pensions market.

EFAMA has long advocated for the creation of an EU personal pension product as a solution to overcome the fragmentation of personal pension markets in the EU.

We would also like to draw attention to the European Parliament's resolution of 19 January 2016 on "*stocktaking and challenges of the EU Financial Services Regulation*"³, which calls for "*the delivery of adequate, safe and sustainable pensions, such as the development of a Pan-European Pension Product (PEPP), with a simple transparent design*".

Q 3 - Can any of these barriers be overcome in the future by digitalisation and innovation in the FinTech sector?

The ongoing trend towards greater digitalisation of financial services can be particularly helpful in bringing down distribution costs, both on a domestic and cross-border levels. Digitalisation, catering to the needs of future savers that have grown up with computers, promises to accelerate a move away from "hard" and more costly mediums towards digital supports that prove cheaper to adapt, maintain and access.

Looking ahead to the future needs of a growing, "tech savvy", generation of financial services consumers (i.e. the so-called "millennials"), digitalisation also promises to bring another dimension to the way fund products are to be marketed and sold and can ultimately facilitate the cross-border distribution in particular via the online sale of fund products.

Underpinning these innovative solutions are a number of key concepts of future protections which need to be re-evaluated for an increasingly digital age, in particular the notion of advice. There are currently different types of advice -investment advice, mortgage advice, insurance advice and pensions advice- which are subject to different standards but most importantly are designed around the traditional face-to-face conversation with an individual advisor. As with many other aspects of consumer interaction (e.g. travel agents) advice models delivered digitally can be reimaged. This does not mean however that consumers should not continue to benefit from face-to-face relationships, and human and physical relations (please see also our reply to Q4). Indeed, many areas of financial services are confusing and consumers will need support and guidance as to how to prioritise conflicting financial priorities, such as paying off debts, savings for a deposit for a house, saving for retirement, and validation of the choices they make.

Future regulation should therefore encourage Member States towards digitalisation, for example to reduce all the paperwork that goes with the legal life of a fund. In particular, this is most apparent in the current approach taken in providing information to customers. Even recent legislation such as the PRIIPs

³ <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P8-TA-2016-0006&language=EN&ring=A8-2015-0360>

requirements appear to be designed with paper in mind, without recognising how digitalisation can enable the information to be provided in different formats, according to the preference of the customer, in a dynamic way, with the customer deciding on the parameters and in a way that information can be obtained from several sources at once in order, for example, comparisons to be made.

Digitalisation also has the potential to reduce the launching and ongoing costs of investment funds, to the ultimate benefit of end-investors. To that end, there may be merits in amending the E-commerce Directive to facilitate the development of those distribution channels.

Over the longer term, we would invite the Commission to consider the idea of a “digital passport”, i.e. a single saving solution that once completed and validated by a single provider would allow a consumer to open securities accounts or purchase other investment services – including UCITS – with more providers (even in different Member States) and individually manage his/her digital account in a consolidated manner. This digitalisation of savings solutions will necessarily be adapted to fit both execution-only products, as well as those requiring investment advice.

In the area of personal pension products we need action at EU level through the build-up of a legislative framework that creates an EU-wide personal pension product. Once such framework is in place, digitalisation will facilitate access to new markets and new products. A pre-condition of a successful cross-border service embedded into a digital framework will be the significant reduction of gold plating issues. Existing national requirements lead to an inefficient approach and would make a digital solution virtually impossible.

The role played by digitalisation will be even more important if the PEPP legislation defines a standardised investment option that could be sold through the internet as a so-called “default option”.

EFAMA would support EU action in the following areas:

- Ensuring EU and global regulatory consistency would reduce the cost of developing a pan-European business by developing economies of scale. Regulations should be as global as possible as even small differences in individual markets prohibit an efficient global digital offering. It is important to ensure certainty in existing EU regulations and remove national and EU regulatory inconsistencies.
- Regulations should be neutral as regards technological developments and business models, and a regulatory level playing field for all providers of digital financial services should be ensured.
- The regulatory framework should be forward looking and flexible to adapt to the constant evolutions of technology.

Q 4 – What can be done to ensure that digitalisation of financial services does not result in increased financial exclusion, in particular of those digitally illiterate?

Digitalisation is one of the driving forces behind the transformation of the financial services industry, which is motivated by both customer demand and cost efficiency. Moreover, digitalisation is part of the competition toolbox for financial services companies. Digitalisation will also contribute to facilitate consumers' access to financial products in countries and regions where the network of traditional distributors is limited.

Having said that, we do not believe that the digitalisation of financial services will completely dismantle the traditional distribution channels because those channels offer the possibility of providing a face-to-face service to consumers. It is useful to note also that both channels are not mutually exclusive. Digital tools can facilitate interactions and enrich the dialogue in face-to-face meeting or allow for face-to-face meeting outside the physical presence of the interlocutors (e.g. video advisory). Hence, providers will always need to consider different distribution channels to target consumers with different profiles and needs. While millennials are a group that can be best targeted through digitalised means, many individuals are likely to be more comfortable taking advantage of new technologies provided they have ongoing access for the purposes of verification and validation with dealing with a provider or distributor, either on a face-to-face basis or by telephone, video chat, instant messaging or e-mail.

Furthermore, we wish to stress the importance of financial education to support the development of digitalisation in financial services. The digital revolution will only be able to generate its potential benefits in the area of financial services if ambitious educational initiatives are undertaken, targeting different groups of the population to avoid financial exclusion. With regard to this point, we consider that Member States and the financial services industry have an important role to play to enhance investor education and financial literacy. We also believe that the OECD, IOSCO, and IFIE⁴ have taken very useful initiatives at international level.

We believe that EIOPA and ESMA could also play an important role in this area by increasing awareness about financial illiteracy and promoting initiatives to develop the capacity of individuals to save for the long term to improve their future financial well-being.

The digital revolution and the Capital Markets Union initiative have the potential to transform the markets for retail financial services for the benefit of everyone. Therefore, it is our view that the European Commission should focus on this objective, notably through initiatives in the area of investor education but also through the development of standardised models for guidance which can be consistently given by regulatory and government bodies, industry participants and by the third sector such as financial advice charities.

⁴ IFIE stands for International Forum for Investor Education. More information here: <http://ifie.org/>

We believe that the acceleration of the benefits of digitalisation and automation of financial advice for European consumers can be helped through a concerted regulatory effort to create a unified innovation space (e.g. the work done by the UK FCA), which allows all actors in the market, incl. Fintech companies, to cooperate in exploring new innovations, shorten the time-to-market and allow to roll out those innovations for a broader customer base across country borders, including to non-EU countries.

We wish to stress the importance of financial education to support the development of digitalisation in financial services. We encourage the Commission to support ambitious educational initiatives, targeting different groups of the population to avoid financial exclusion. A programme coordinated at EU level (private and/or public) should be envisaged.

Q 5 - What should be our approach if the opportunities presented by the growth and spread of digital technologies give rise to new consumer protection risks?

As a matter of principle, EFAMA strongly believes that the same regulatory regime (including in particular investment protection rules such as the governance of conflicts of interest, disclosure standards and management of delegates and use of consumer data) should apply regardless of the distribution channel being used to sell financial services or product (i.e. digital tools or more traditional distribution channels). In other words, the development and use of new technologies and digital medias in the distribution of financial products and services to retail customers should not lead, per se, to lowering the regulatory standards of investor protection that are currently applicable.

Consideration needs to be given to whether digital methods of communication and execution give rise to additional risks (e.g. over-rapid actions by consumers because of the ease of execution) in which case these risks need to be identified, analysed and, if necessary, specific safeguards built in.

EFAMA believes that the potential risks linked to product distribution through digital means should be addressed by developing a PEPP as a standardised product with respect to consumer protection rules in order to set a high minimum standard for product quality and governance.

This is why EFAMA has proposed that the legal framework for the PEPP includes such rules.

Q 6 - Do customers have access to safe, simple and understandable financial products throughout the European Union? If not, what could be done to allow this access?

As far as the asset management industry is concerned, UCITS represent an outstanding example of a functioning internal market for retail investments. Being thoroughly regulated and authorised on the basis of individual product rules by the competent NCA, UCITS can certainly be considered as safe, simple and understandable financial products for European consumers. According to recent statistics, the cross-border marketing rate in UCITS is 42% (see introductory remarks for further details). Nonetheless, there are still some impediments to the EU-wide distribution of UCITS which result mainly from national divergences in

marketing standards, tax reporting requirements and administrative procedures. We are committed to elaborate further on these remaining barriers to the EU Single Market in the course of a dedicated Commission's consultation on the use of the EU fund passports.

Thanks to its EU passport, a UCITS domiciled in one Member State and managed in another Member State can be offered to consumers in other Member States. The same approach has been adopted in the recently adopted ELTIF regulation. As already highlighted in our introductory comments, we are strongly in favour of building on the UCITS success factors to create a PEPP for retirement saving.

Q 8 - Is there other evidence to be considered or are there other developments that need to be taken into account in relation to cross-border competition and choice in retail financial services?

Evidence based on the experience with UCITS confirms that the flexibility given to Member States to apply national rules (gold-plating of EU legislation) can, in some cases, seriously hamper the good functioning of the EU single market.

The experience with the UCITS Directive also confirms that it is possible to develop a regulatory regime for a PEPP that is sufficiently flexible while ensuring a high level of investor protection.

Following the approach taken in the UCITS Directive, the PEPP Regulation should contain a product passport regime, under which the provider of a PEPP can market a PEPP to retail investors in Member States other than its home Member State, upon notification to its home regulator in accordance with the process set out in the regulation.

Q 10 - What more can be done to facilitate cross-border distribution of financial products through intermediaries?

With regards to facilitating cross-border distribution of investment products, EFAMA would urge the Commission to take a look at the various distribution and disclosure rules which sit in the UCITS Directive, AIFM Directive, MiFID II, PRIIP Regulation and IDD. While this patchwork of overlapping and sometimes contradicting legislations already creates problems with national distribution, these problems are further aggravated through EU Directives having either been implemented slightly differently by EU Member States or being differently interpreted by National Competent Authorities.

Q 11 - Is further action necessary to encourage comparability and / or facilitate switching to retail financial services from providers located either in the same or another Member State? If yes, what action and for which product segments?

EFAMA welcomes the Commission's willingness to enhance consumers' choice and to facilitate switching between retail financial services or products.

In this context, however, EFAMA would like to point out that the MiFID II framework is likely to considerably inhibit switching of financial investments by requiring investment firms to demonstrate that the benefits of switching are greater than the costs⁵. While we agree that an analysis of potential benefits and costs of switching investments should be considered a core element of investment advice or decision taken on behalf of a retail client, it may be very cumbersome to demonstrate with certainty that the cost-benefit ratio will be positive. Performance of investment products other than those providing for a capital guarantee is generally exposed to fluctuations depending on the development of the underlying assets or reference values and cannot be predicted for the future. Since the envisaged tightening of rules will also entail higher liability risks for investment advisers and portfolio managers, we fear that the MiFID II framework will significantly curtail switching of investments including in cases in which higher benefits of a switch are likely, but cannot be actually demonstrated by the firm.

Q 15 - What can be done at EU level to facilitate the portability of retail financial products – for example, life insurance and private health insurance?

Currently, providers that want to offer personal pension products need to comply with national legislation with regard to product design, especially if they want that their clients receive beneficial tax treatment. This increases the costs of engaging in cross-border activity and makes it virtually impossible to offer portable pension products. So once a citizen changes residence, providers do not accept that s/he continues saving into that pension product and the accumulated capital remains blocked until the legal retirement age of that country.

In March 2015, EFAMA published its second report on an EU-wide standardized personal pension product.⁶

One of the sections in this report illustrates how portability would work for a consumer named Alex who started to save into a PEPP while living in Belgium could continue saving into the same PEPP when moving to Portugal.

Whilst recognising that different tax treatment for the PEPP would complicate cross-border business, we may foresee that some PEPP providers will organise the administration of their cross-border PEPPs using national compartments that would deal with local tax rules. These providers would then coordinate their activities in a centralised administration department.

Under such arrangements, Alex's savings into his PEPP could be managed using two different "sub-accounts" (or "share classes") corresponding to Belgium and Portugal. This would help the provider deal with the taxation rules in those countries.

⁵ Cf. Art. 49(11) of the draft Commission Delegated Regulation on Directive 2014/65/EU as regards organisational requirements and operating conditions for investment firms and defined terms for the purpose of that Directive (text from December 2015).

⁶ The title of the report is "*Towards a Single Market for European Personal Pensions: building blocks for an EU framework*" and is available here:

Such scenario would only be possible if there is a standardised product as the PEPP than can be sold in different Member States.

Q 17 - Is further EU-level action needed to improve the transparency and comparability of financial products (particularly by means of digital solutions) to strengthen consumer trust?

Much has been done in this area over the last few years to ensure that retail investment products are subject to appropriate transparency requirements under EU-legislation (notably under UCITS, MiFID, PRIIPs and the IDD) enabling retail investors to compare between different types of retail investment products and to make informed investment decisions. We are still concerned, however, that some options currently taken by policymakers in developing the implementing measures to the above mentioned EU regulations could lead to an unlevel playing field between different types of substitutable retail investment products, hindering the objective of comparability that the European Commission is seeking to achieve.

Up until now, however, these initiatives pay little or no attention to the technological progress and the increased use of digital devices by consumers. In view of the emergence of new digital distribution channels, we believe that the legal requirements for providing information to investors should be put under closer scrutiny. For example, the UCITS Directive and the PRIIPs Regulation still consider provision of the investor information document in paper as the standard case while requiring additional safeguards for the use of a website as an information tool⁷. Provision of the key information with interactive features or in a more interactive way, e.g. by means of a mobile app, is generally considered not sufficient to meet the legal requirements, even in cases the investor agrees and even though it would be more engaging for the younger generation of investors used to deal with their personal matters on mobile devices (cf. also our answer to Q3).

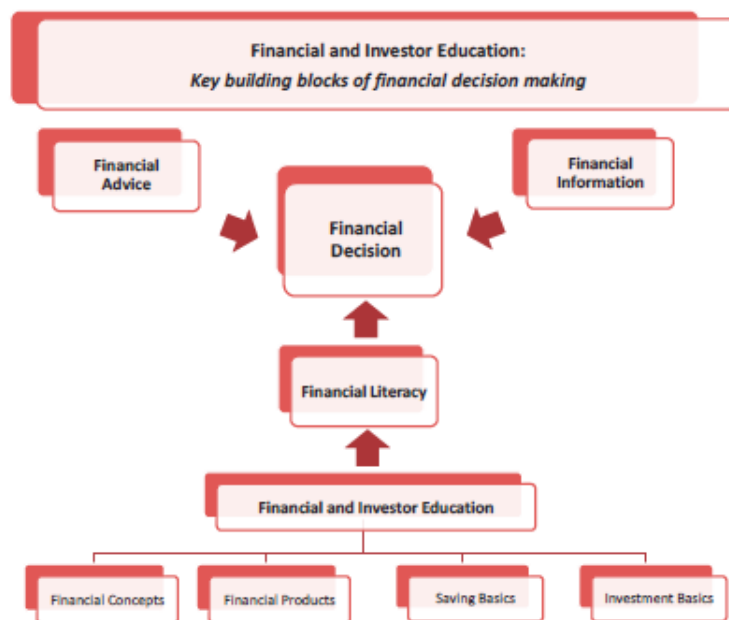
As explained in our answer to Q4, financial education also needs to be considered to ensure that consumers can fully benefit from the regulatory framework concerning financial innovation and financial advice. The chart below, which was taken from the EFAMA's 2014 Investor Education report⁸, highlights the importance of this point.

[http://www.efama.org/Publications/Public/EFAMA%20EPP_Report_FINAL4March2015\).pdf](http://www.efama.org/Publications/Public/EFAMA%20EPP_Report_FINAL4March2015).pdf)

⁷ Cf. Article 38(2) of Regulation (EU) 583/2010 (UCITS KIID Regulation, Article 14(5) of the PRIIPs Regulation.

⁸ The EFAMA 2014 Investor Education report is available here:

https://www.efama.org/Publications/EFAMA_Investor_Education_Report.pdf



In other words, efforts undertaken to strengthen financial information and financial advice will only have their full effect if they go hand in hand with policies to improve the level of literacy of individuals.

Q 31 - What steps would be most helpful to make it easy for businesses to take advantage of the freedom of establishment or the freedom of provision of services for innovative products (such as streamlined cooperation between home and host supervisors)?

The freedom of establishment and of provision of services can be made easier and possible (respectively) if there is a PEPP Regulation with a product passport regime. Thanks to the passport regime the provider of a PEPP can sell it to retail investors in Member States other than its home Member State, upon notification to its home regulator in accordance with the process set out in the regulation.

Home Member State supervisors would be responsible for ensuring PEPPs meet all the requirements of the regulation at all times. Where a PEPP is marketed in other Member States, it would be the home Member State supervisor's responsibility to pass on all relevant information to the host Member State supervisors, at which point the PEPP could be distributed in that country. The duties of the host Member State should be limited to having systems in place to receive notification.

EFAMA welcomes EIOPA's idea in its PEPP consultation paper to create a centralised EU Register in order to facilitate the access to the host Member States' markets. It is our understanding that the EU Register would exempt any requirement to the provider to notify the host Member State.

EFAMA sees the EU register as a database centralised at EIOPA where national authorities would register the PEPPs they have authorised.

Once authorisation is approved, the PEPP could be admitted to the EU register and receive automatic registration in all Member States. This database would be publicly accessible and could, at a later stage, serve as an information platform for consumers to consult and compare the PEPPs by consulting the pre-enrolment information document.

Q 32 - For which retail financial services products might standardisation or opt-in regimes be most effective in overcoming differences in the legislation of Member States?

Pan-European Personal Pension Product.

EFAMA believes that the goal should not be to harmonise all types of existing products but to create a new standardised product through an opt-in regime would help to overcome the differences in legislation between Member States while respecting their existing framework for local pension products.

Regarding the definition and content of an opt-in regime, EFAMA would suggest taking the route of a “standard” EU regulation similar to the ELTIF regulation, when considering an opt-in regime for the PEPP.

The ELTIF Regulation is a good example of an opt-in regime that is voluntary applied only by those who wish to sell long-term investment funds with an ELTIF label by complying with the rules in that regulation.

An ELTIF-like regulation could be the most practical way to implement an opt-in regime to create a PEPP. Adopting a regulatory solution that is well known by Member States and the industry would also offer the best understanding in terms of implementation with respect to consumer protection.

Following the approach taken in the ELTIF regulation (and in the UCITS directive), the PEPP Regulation should contain a product passport regime, under which the provider of a PEPP can market a PEPP to retail investors in Member States other than its home Member State, upon notification to its home regulator in accordance with the process set out in the regulation.

Similar to an entry/exit stamp that is placed in a passport to validate travel, the product passport in the PEPP regulation would build on the “PEPP label”. Compliance with the labelling features would authorise the distribution of PEPPs across the EU to retail investors.

Finally, EFAMA would like to understand the reasoning behind the Commission’s reference to the possible creation of a pan-European life insurance product.