



**PensionsEurope answer to the European
Commission public consultation on fitness check
on supervisory reporting**

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www.pensionsEurope.eu

About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace pensions. Some members operate purely individual pension schemes. PensionsEurope Members are large institutional investors representing the **buy-side** on the financial markets.

PensionsEurope has **23 member associations** in 18 EU Member States and 3 other European countries with significant – in size and relevance – supplementary pension systems¹.

PensionsEurope member organisations cover different types of workplace pensions for over **110 million people**. Through its Member Associations PensionsEurope represents more than **€ 4 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also has **25 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

What PensionsEurope stands for

- A regulatory environment encouraging workplace pension membership;
- Ensure that more and more Europeans can benefit from an adequate income in retirement;
- Policies which will enable sufficient contributions and good returns;

Our Members offer

- Economies of scale in governance, administration and asset management;
- Risk pooling and often intergenerational risk-sharing;
- Often “not-for-profit” and some/all of the costs are borne by the employer;
- Members of workplace pension schemes often benefit from a contribution paid by the employer;
- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment;
- Good governance and alignment of interest due to participation of the main stakeholders.

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¹ EU Member States: Austria, Belgium, Bulgaria, Croatia, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Lithuania, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden, UK. Non-EU Member States: Iceland, Norway, Switzerland.

1. Introduction and key messages

PensionsEurope welcomes the European Commission public consultation on fitness check on supervisory reporting. We find it important that the Commission regularly conducts fitness checks on supervisory reporting to ensure that the ESAs work effectively, and supervisory activities remain proportionate in their scope.

In general, pension funds are embedded in national social and labour law and supervisory reporting should take into account specificities of pension funds, National Supervisory Authorities are responsible for supervising pension funds, supervisors should consider very carefully which information is really relevant and needed (as reporting and collecting information always result in cost), and supervisors and policymakers should not have a bank bias towards pension funds.

Pensions funds are embedded in national social and labour law – National Supervisory Authorities are responsible for supervising pension funds

Pension funds across Europe have followed specific development paths in the Member States and are interwoven with the respective systems of social and labour. They are, first and foremost, social institutions active on the financial markets. Therefore, they cannot be compared directly to other financial institutions such as banks and insurers. This is recognised by the European Parliament and Council and codified in the IORP II Directive which clearly states that “IORPs are pension institutions with a social purpose that provide financial services”. Importantly, “such institutions should not be treated as purely financial service providers. Their social function and the triangular relationship between the employee, the employer and the IORP should always be adequately acknowledged and supported as guiding principles”.

Occupational pensions are also built on the foundation of first pillar pensions (state pension systems), which are different from Member State to Member State. Moreover, in some Member States occupational pensions are closely integrated with first pillar provision. Therefore, occupational pension design, in conjunction with widely-varying first pillar provision, aims to achieve adequate pensions overall, where the definition of adequacy is *highly* dependent on the social policies of a Member State (housing, health care, social welfare). **National prudential legislation and supervision take these national elements into account. A one-size-fits-all approach to the European legislation would be detrimental as it would not take into account the heterogeneity and complexity of the different combined first and second pillar systems.**

Reporting and collecting information always result in cost

We would like to stress that statistical reporting and collecting information always entail costs for pension funds, so it should be very carefully considered which information is really relevant and needed, and how often they should be reported. Any extra costs will be finally paid by the sponsor and/or Members and Beneficiaries. It should be kept in mind that contributions to occupational pensions in some EU Member States are voluntary for employers. Increasing regulation and other requirements make occupational pensions more expensive, making it less likely that pension schemes are being set up and contributions paid.

Reporting entails costs that ultimately weigh on the returns of pension funds and therefore reduce pensions. While supervisors need information to be able to supervise pension funds, it is right to assess on an on-going basis whether there is room to make reporting requirements and tools more efficient, whether all information requested is really necessary and whether potentially overlapping requirements can be streamlined. We invite the Commission to explore whether new ICT solutions, for example in the field of distributed ledger technology (e.g. by storing all related individual transactions store in groups, or blocks, which are attached to each other in chronological order to create a single data chain), can help to achieve these goals in the future.

We support aligning reporting standards for pension funds

In general, we welcome that the ECB, EIOPA, Eurostat, and OECD are aligning their reporting standards for pension funds. We encourage them to align all the reporting standards together with the National Competent Authorities (NCAs) as much as possible, and EIOPA should align its reporting templates with the upcoming ECB Regulation on statistical reporting requirements for pension funds. We support a principle to leave flexibility to the NCAs in collecting data and providing it to EIOPA and the ECB. A starting point should remain the so-called 'one-stop-shop'-concept, and considering the amount of information already available, the NCAs should play a central role therein. The burden the data requirements set on IORPs can be minimized by assessing the information that the NCAs already have.

We also share the aim of EIOPA and the ECB to have better, comparable and relevant information regarding pension funds in Europe with respect to macro prudential risks and the assessment of market developments to comply with those two goals of EIOPA within its scope of competences. For fulfilling these tasks, we suggest that the NCAs will be required to use the technical formats and data which IORPs will have to deliver according to the published ECB regulation on statistical reporting requirements for pension funds.

General remarks about the questions in the consultation

The consultation addresses three main areas, namely: (i) assessing the effectiveness, efficiency, relevance, coherence, and added value of supervisory reporting requirements in place by the end of 2016, (ii) quantifying the cost of compliance with supervisory reporting requirements, (iii) and identifying possible ways to simplify and streamline supervisory reporting.

With regards to sections 1 and 3, we have formulated some answers which are in line with our previous feedback given to the ECB² and EIOPA³ consultations on the statistical data reporting requirements for pension funds. Even though these requirements are not yet in force, we would

² See [Regulation \(EU\) 2018/231 of the European Central Bank of 26 January 2018 on statistical reporting requirements for pension funds \(ECB/2018/2\)](#) and [PensionsEurope answer to the ECB consultation](#) (September 2017).

³ See [EIOPA Consultation paper on EIOPA's regular information requests towards NCAs regarding provision of occupational pensions information](#) and [PensionsEurope answer](#) to it.

like to highlight some of the issues related to them also in this consultation. In short, information requests must be coherent, effective and proportional in their burden. This requires the ‘one-stop-shop’-concept (all information flows through NCAs), efficient use of ICT solutions, the harmonization of definitions used in reporting templates, and using existing reporting templates to achieve the goals of the ESAs. Also, since IORPs are social institutions the mandate for supervising individual IORPs is national, not European.

On section 2, there is the problem of the (un)availability of reliable data concerning the costs of the reporting requirements. This problem stems for the fact that the definitions concerning reporting costs are insufficiently clear. The lack of clear definitions means all numbers concerning these costs are rough estimates and differ between IORPs (while the actual costs should be quite relatable to each other depending on size).

The abovementioned means that an extensive, accurate and coherent response on the consultation by the EC is deemed almost impossible at this time. Moreover, some of the current various reporting requirements which are burdensome and costly to pension funds (particularly the requirements of the Market in Financial Instruments Directive (MiFID II) and Regulation (MiFIR)) have not been in effect long enough to properly quantify cost-wise. Furthermore, pension funds will be subject to new reporting requirements by the ECB and EIOPA from 2019 onwards, as well as to reporting requirements according to the Securities financing Transactions Regulation (SFTR). In any case, the requirements for transaction-level reporting stemming from EMIR and SFTR show considerable differences in terms of reporting details, reporting channels, data repositories and applicable IT standards. Some of these new requirements will significantly increase pension funds’ costs and work, even more so than the current legislation. Therefore, it needs to be taken into account that the reporting burdens are set to rise significantly in the future. The specificities of pension funds need to be carefully considered in all new requirements and we urge the European Commission to repeat the fitness check on a biennial basis.

Because of the importance of this consultation and the significance of reporting costs for IORPs, we deem it necessary to consider these future reporting requirements. Unfortunately, it is too early to accurately respond at this moment, since we lack both a harmonized set of definitions of the costs of supervisory reporting⁴ and the regulations (MiFID II and the EIOPA & ECB statistical data reporting requirements) which will dramatically impact the majority of the costs made in service of the supervisory reporting requirements have not been in effect (long enough). We find that it would be useful to define supervisory costs in more detail, for instance to costs of (i) implementation (ii) technical expertise (including ICT solutions), and (iii) personnel (how many hours can be allocated).

⁴ For instance: the hours an employee of the reporting departments of IORPs spends on inputting the data concerning assets under management is an action he performs regardless of the supervisory reporting requirements, however, the reporting requirements do impact the length and complexity of these actions.

2. Our answers to the specific questions of the consultation

Section 1: Assessing whether the supervisory reporting requirements are fit-for-purpose

1.2 Are all of the existing supervisory reporting requirements relevant for maintaining financial stability and upholding market integrity and investor protection?

- Yes, they are all relevant
- Most of them are relevant
- Some of them are relevant**
- Very few are relevant
- Don't know

If you do not think that all of the requirements are relevant, please provide specific examples of any requirements which in your view are superfluous and explain why you believe they are not necessary.

We find that some of the planned new supervisory reporting requirements for pension funds by EIOPA are not necessary for maintaining financial stability and upholding market integrity and investor protection. Noting the different roles and tasks of the NCAs and EIOPA, the NCAs should provide the aggregate data to EIOPA (in line with the ECB Regulation) and the NCAs should not be required to report the individual IORP data to EIOPA. The IORP II Directive and its minimum harmonization nature do not support the Solvency II type of very detailed individual IORP reporting to EIOPA. Furthermore, EIOPA does not need all that detailed information to fulfil its tasks, as EIOPA already gets very detailed individual IORP information from its IORP stress tests.

We agree with EIOPA that the NCAs should provide it with aggregated IORP information at the Member State level. However, we disagree that IORPs should be required to report data according to the templates suggested by EIOPA and get - in addition to the current national reporting requirements and the upcoming ECB reporting requirements - a new reporting requirement with a new format. Furthermore, in some countries pension funds already have two different statistical reporting requirements to NCAs: one for statistical purposes, and the other one for supervisory purposes. As the envisaged reporting requirements by the ECB and EIOPA are very different from the current national requirements, the new requirements would lead to additional reporting requirements and information flows for pension funds.

We support EIOPA in complying with its two duties as set out in Articles 18 and 32 of the EIOPA Regulation of macro prudential supervision and the assessment of market developments. The NCAs should provide the same data as the ECB is collecting with respect to financial stability aspects. Streamlining the required reports would adequately reduce the increase of financial and administrative burden for IORPs while delivering both EIOPA and the ECB the relevant data.

We would strongly advocate for the quarterly reporting requirements to align the threshold of IORPs to be obliged to report quarterly with the threshold set by the ECB. Having all pension funds require

to report on a quarterly basis will have a high cost impact on these funds in relation to their underlying assets.

1.3 Is there information that should be reported but which currently is not (i.e. there are reporting requirements that should be added)?

- Yes
- No**
- Don't know

1.4 To what extent are supervisory reporting requirements across different EU level reporting frameworks coherent (e.g. in terms of scope, content, methodology, timing/frequency of submission, etc.)?

- Fully coherent
- Mostly coherent (a few or minor inconsistencies)
- Somewhat coherent (numerous inconsistencies)**
- Not coherent (mostly or totally inconsistent)
- Don't know

Please provide specific examples of reporting requirements which in your view are inconsistent and explain why you believe they are inconsistent.

In some countries (e.g. in the Netherlands), currently pension funds already have two different statistical reporting requirements to NCAs: one for statistical purposes, and the other one for supervisory purposes. As the envisaged reporting requirements by the ECB and EIOPA are very different from the current national requirements, the new requirements would lead to additional reporting requirements and information flows for pension funds. Therefore, we would prefer that the European reporting requirements follow current national reporting templates and practices as much as possible.

1.5 To what extent is supervisory reporting in its current form efficient?

- Very efficient
- Quite efficient**
- Rather inefficient
- Very inefficient
- Don't know

If you think that supervisory reporting is not fully efficient, please provide specific examples and explain why you believe it is not efficient.

We find that EIOPA envisaged new reporting templates are neither efficient nor necessary. Under the Solvency II Directive it was deemed necessary to require insurers to report this kind of data, but IORPs are not covered by the Solvency II Directive and they should not be. The European Parliament and the Member States have been clear that the IORP II Directive is a minimum harmonisation Directive. Second pillar pension provision through IORPs is a matter pre-dominantly of social and labour law and consequently falls under Member States' competence (and not the EU competence).

The IORP II Directive does not stipulate the introduction of Pillar 3 Solvency II like requirements and EIOPA should refrain from moving to this direction. It cannot be deemed appropriate or acceptable if an initiative proposed solely by EIOPA leads to similar requirements for the pensions sector, as the requirement of the Solvency II Directive are for the insurers. We find that EIOPA's proposal is also against the better regulation agenda of the EU Commission.

We would like to note that certain items are currently not in IORPs' systems, and it would be costly to incorporate this information in their systems. For example:

- Country of custodian: many IORPs have only information on the 'top' custodian. We propose to change this requirement to reporting the country of the top custodian, only.
- LEI: many IORPs use ISINs and their own identifier for alternative investments. We propose to use ISINs.
- NACE code: we prefer to have some flexibility in using certain codes.
- CIC: most of the pension funds do not have this code in their system.

Regarding an 'investment fund with a hedge funds strategy', many IORPs do not have the information on underlying assets in their systems. We suggest to refrain from a look-through for an investment fund with a hedge fund strategy, but to report those funds as a separate category 'hedge fund' instead of investment funds.

1.6 How well are the supervisory reporting requirements adapted to developments in the fields of modern information and communication technologies (ICT) and digital processes?

- Very well
- Fairly well
- Not very well**
- Not at all
- Don't know

Please elaborate and provide specific examples.

In general, we find particularly important the use of efficient and user-friendly ICT solutions.. We invite the Commission to explore whether new ICT solutions, for example in the field of distributed ledger technology (e.g. by storing all related individual transactions store in groups, or blocks, which

are attached to each other in chronological order to create a single data chain), can help to make reporting requirements and tools more efficient.

EIOPA Consultation Paper on EIOPA's regular information requests towards NCAs regarding provision of occupational pensions information (26 July 2017) indicates changing the requirements from Excel templates to XBRL.

With respect to the possible XBRL format of the templates we see a big (financial) burden for IORPs. This technical standard is not required by the IORP II Directive or current national regulatory reporting requirements, and it would be thus only a big “side effect” or “accessory part” of EIOPA’s reporting request. We strongly suggest not requiring IORPs to deliver data according to the XBRL format to the NCAs. Also, under the Solvency II regime, XBRL is only “the mandatory technical format to be used for reporting from NCAs to EIOPA (so-called 'second level reporting')” but not the mandatory format from IORPs to the NCAs as stated by EIOPA. According to EIOPA only a number of countries also request Solvency II submissions in XBRL from insurance companies to the relevant NCAs ('first level reporting'). If this is the case within the fully harmonized regulatory regime of Solvency II, the principle of not requiring institutions to deliver XBRL format to the NCAs must be even more applicable for IORPs. Thus, current national standards for data delivery of IORPs should be sufficient and in case – if at all – the NCAs should be in charge to transform the data to the format required by EIOPA.

In any case, we are against the XBRL standard and we propose a much longer implementation period to allow IORPs and their service providers to prepare for the XBRL format of the templates. In those countries (such as Germany) where insurance companies have to deliver the data in the XBRL format to the NCA, the insurance sector has been given much more time to prepare to the XBRL standard (that was only required by the fully harmonized regulatory regime of Solvency II). Moreover, in case of requiring XBRL directly from IORPs it would at least be appropriate to provide without cost for an XBRL-editor similar to EIOPA’s Solvency II reporting tool T4U for especially smaller IORPs. We suggest this although we know that the tool T4U will not be supported anymore because of budget restrictions according to EIOPA from the second half of 2017 and for the 2.2.0 and all following taxonomies of Solvency II reporting. As the T4U was oriented toward small and medium sized insurance companies to create, edit, correct, complete and validate XBRL documents, we see an even stronger case for assisting IORPs in coping with XBRL.

In summary, we call for EIOPA not to require using XBRL formats. Second, if EIOPA requires, only the NSAs should be required to use them. Third, if EIOPA requires IORPs to use XBRL formats, it should provide an updated tool free of charge for IORPs to do it.

Section 3: Identifying possible ways to simplify and streamline supervisory reporting

3.4 Are there any prerequisites for the development of a common financial language?

X Yes

- o No
- o Don't know

If you answered 'yes', please elaborate and provide specific examples.

In general, we would like to highlight that the current best national practices should be taken into account when exploring possibilities for a common financial language.

Comment on EIOPA envisaged new reporting templates:

We would like to note that certain items are currently not in IORPs' systems, and it would be costly to incorporate this information in their systems. For example:

- Country of custodian: many IORPs have only information on the 'top' custodian. We propose to change this requirement to reporting the country of the top custodian, only.
- LEI: many IORPs use ISINs and their own identifier for alternative investments. We propose to use ISINs.
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We support a clear definition of the separate expense categories. For example, the classification of management fees, auditor's fees, legal costs, etc. We support an alignment with the national prudential report and accounting standards.

In general, the list of information on assets is too extensive. Instead for requesting all this information from the IORPs, EIOPA should use the Centralized Securities Database to obtain the requested information. This would be a major cost saving for IORPs and be in line with the reporting request from the ECB.