



Content:

1. [COVID-19 crisis](#)
2. [Final report of the High-Level Forum on the Capital Markets Union - A new vision for Europe's capital markets](#)
3. [PensionsEurope response to Commission's consultation on NFRD review](#)
4. [Joint letter on EU ESG data register](#)
5. [ESAs consult on ESG disclosure rules](#)
6. [PensionsEurope response to ESMA consultation on clearing solutions](#)
7. [It is time to improve WHT procedures across Europe](#)
8. [PensionsEurope comments EIOPA's draft ITS regarding the format of supervisory reporting and the cooperation and exchange of information between competent authorities for PEPP.](#)
9. [IORP II – almost all countries transposed the Directive](#)
10. [Update on the European Tracking Service Project](#)
11. [AML: towards a comprehensive Union policy on preventing money laundering and countering terrorism financing](#)
12. [Partnerships](#)

1. COVID-19 crisis

The COVID-19 crisis has posed serious challenges to funded/workplace pensions across Europe. As we all know, the European pension systems are very diverse. The IORP II Directive sets minimum prudential rules for IORPs in the EU and EEA and, in consequence, prudential regulation varies considerably between Member States. Also, occupational pension arrangements depend on national social and labour law, resulting in differences in the extent to which risks are borne by members and beneficiaries, the IORP itself, sponsors and possible pension protection schemes. This background leads to conclude that the COVID-19 impact on pensions varies from country to country.

PensionsEurope has been and is working on the COVID-19 crisis, which we consider our top priority in 2020. So far, we have:

- [published a statement](#) and discussed and shared our information with EIOPA, ECB and EC: we consider that this work has been reflected in [EIOPA's statement](#), which is mostly in line with ours;

- continuously discussed in detail with our members the COVID-19 impact on the EU economy and on pension funds;
- gathered information on the COVID-19 impact across countries and on the measures taken at the national level, in particular through two questionnaires addressed to our members;
- provided regular information to our members, sending between 20 March and 15 May weekly updates on COVID-19 related measures;
- discussed with other European and non-European associations and bodies about the impact of the COVID-19 on pension funds. Notably, we invited the OECD to present their views and findings at the meeting of the WG IORP held on 26 May.

PensionsEurope WG IORP is leading our work on this issue and will consider whether any further action is needed. This COVID-19 crisis has also been discussed at the kick-off meeting of the new Standing Committee on the Future of Pension that took place on June 15th. Furthermore, other WGs will be involved if necessary.

2. Final report of the High-Level Forum on the Capital Markets Union - A new vision for Europe's capital markets

On 10 June the High-Level Forum (HLF) on the Capital Markets Union (CMU) published its final report "A new Vision for Europe's capital markets" (available at [this link](#)).

The report sets out 17 interconnected recommendations aimed at removing the biggest barriers in the EU's capital markets. According to the report, the completion of the CMU is particularly important now, as it can speed up the EU's recovery from the coronavirus pandemic.

The HLF tabled three specific recommendations in the areas of pensions and several others are relevant for us and our members.

In the areas of pensions, the HLF is recommending that the Commission (i) develops a dashboard to measure Member States progress on pension adequacy and sustainability, (ii) encourages the development of pension tracking systems for individuals, and (iii) supports the introduction of auto-enrolment systems to stimulate adequate pension coverage across all Member States.

Among the other recommendations, it is worth mentioning the ones on withholding tax (in line with our position), on supervision, on an EU Single Access Point, on financial literacy/education and investment culture, on distribution, advice, and disclosure, on European long-term investment funds, on scaling up the European securitisation market, on open finance, and on insolvency.

All in all, we consider the report of strategic importance.

On 10 June, PensionsEurope published a [press release](#) welcoming report.



PensionsEurope Secretariat provided members with an overview of the relevant recommendations. Further internal discussions are taking place at the Standing Committee Future of Pensions and the working groups relevant for the topics addressed by the recommendations (e.g. WG IORP, PPP, LTSL, and FMR).

3. PensionsEurope response to Commission's consultation on NFRD review

On 12 June 2020, Pensions Europe released its response to the European Commission's consultation on the review of the Non-Financial Reporting Directive (NFRD).

In its response, PensionsEurope highlights that the whole framework on sustainable finance needs to adopt a holistic approach. There are significant gaps between companies' current reporting and the information financial institutions need to be able to comply with the obligations imposed by the Sustainable Finance Disclosures Regulation (SFDR) as well as the Taxonomy Regulation.

- The mandatory indicators to be used under adverse impact due diligence under SFDR should be reported by companies and stored in a central European database.
- Under the Taxonomy regulation, companies will only report the Taxonomy compliant exposure, without needing to provide details on the “do not significantly harm” (DNSH) criteria and minimum requirements. This will not provide financial market participants with the necessary assurance; reporting should provide information on how the DNSH criteria and minimum requirements are met.
- Geographical reach: The Taxonomy and SFDR apply to the entire portfolio, NFRD only to EU companies. How will pension funds as well as all investors achieve the necessary environmental, social and governance (ESG) data on their non-EU investments?
- Timing gap: The new disclosure requirements for investors will be implemented in March 2021 while the legislative process on the reporting requirements for companies has just started.

A common standard for non-financial corporate reporting would be very helpful to satisfy the needs and obligations of the financial sector and enable the allocation of private capital to sustainable companies. Any common European ESG reporting standard should incorporate the principles and content of existing standards and frameworks.

It is necessary to differentiate different types of companies and to discuss the approach EU legislation should take:

- Companies which are capital-market-oriented should be required to provide a set of core data points and additional information specific to their sector, reflecting the respective company's material ESG topics.
- The inclusion of large private companies could be useful, as ESG data can be particularly problematic to get in private equity investments. It is also problematic that most private equity funds are domiciled outside the EU.
- Non-listed small companies should be subject to non-binding guidelines to avoid onerous administrative burden.

You can read our full position [here](#).

You can read the Commission's public consultation [here](#).

4. Joint letter on EU ESG data register

On 10 June 2020, PensionsEurope - jointly with EACB, EBF, EFAMA, ESG and Insurance Europe – addressed a letter to the European Commission calling for the establishment of an open source EU ESG data register.

The letter highlights that the recent regulatory developments in the context of the EU Sustainable Finance agenda create an urgent need for publicly available ESG data on investee companies as well as how to enhance their sourcing. The 6 associations jointly call the EU to build and / or support, based on existing solutions, a centralised electronic open source EU ESG data register with the following characteristics:

- The data register should focus on ESG disclosure in line with NFRD, EU taxonomy-based information, starting with climate change adaptation and mitigation objectives, as well as ESG data necessary to financial market participants to comply with the SFDR.
- The register should also include relevant ESG information already collected by European and national institutions such as governments, central banks, statistical bodies, etc.
- Such data should be gathered and made available digitally to users of non-financial information, not only investors, but also lenders, academia, researchers, authorities and others.

You can read the joint letter [here](#).

5. ESAs consult on ESG disclosure rules

The European Supervisory Authorities (ESAs: EIOPA, ESMA and EBA) have opened a consultation on their draft regulatory technical standards (RTS) on ESG disclosures. The draft RTS will define the content, methodologies and presentation of disclosures under the Sustainable Finance Disclosure Regulation (SFDR) and Taxonomy Regulation. The consultation runs until 01 September 2020.

The most important elements under discussion in the draft RTS relate to the requirements on principal adverse impact and product pre-contractual disclosures.

The consultation proposes a mandatory template for the disclosure on adverse sustainability impact of investment decisions. This template contains required reporting items on the principal adverse impacts of investments, policies on the identification of principal adverse impacts, actions taken and planned to mitigate the principal adverse impacts, compliance with international standards, and a historical comparison.

Financial markets participants with more than 500 employees will have to disclose aggregate information on all of their investments against a set of 32 mandatory environmental and social indicators (e.g.: scope 1, 2, and 3 carbon emissions; carbon footprint, biodiversity and ecosystem preservation practices; non-recycle waste ratio, Board gender diversity, human right policy, excessive CEO pay ratio). This core set of mandatory indicators would be deemed to always lead to principal adverse impacts of investment decisions on sustainability factors, irrespective of the result of the assessment by the financial market participant. Pension funds and other financial markets participants below the threshold of 500 employees should at least explain where they do not consider adverse

impacts of investments decisions on sustainability factors the reasons to not consider them and provide clear reasons why the adverse impacts are not considered.

The draft RTS will also require extensive disclosures for ESG-related financial products, including a description and monitoring of the promoted environmental and social characteristics or sustainable investment objective as well as information on the sustainability indicators. For sustainable investments under article 9 of SFDR, pre-contractual disclosures should indicate how the product complies with the “do not significantly harm” principle and reflect how the mandatory and additional indicators for adverse impacts are taken into account. The product disclosure requirements must be integrated into existing sectoral disclosure formats. Information on the methodologies and data can be detailed on the website. The consultation makes an explicit reference to PEPPs, IORPs and all individual pension products which confirms they would be included in the scope of articles 8 and 9 of SFDR and draft disclosure RTS. The ESAs have delayed the drafting of the mandatory template for pre-contractual disclosures and will launch a separate process to develop these templates.

The implementation timeline for the new ESG disclosure requirements raises concerns since it would only provide a very limited period between the finalisation of the ESAs draft RTSs and the entry into force of the requirements. In September 2019, PensionsEurope - jointly with other trade associations – already sent a letter to the Commission to request a postponement of the implementation of SFDR, which led to a meeting between the signatory associations and the Commission. The Commission confirmed that it will keep resisting any postponements of the SFDR. Recently, the Chairman of the joint Committee of the ESAs, Jose Manuel Campa, sent a letter to the Director General of DG-FISMA, John Berrigan, asking the European Commission for considering a delay in the application deadline in SFDR (10/03/2021) to allow financial market participants sufficient time to properly implement the provisions in the technical standards. The ESAs recognize that they will not be able to finalize the RTS within the initial deadline (30/12/2020). The current objective is to deliver these draft RTS to the European Commission by end of January 2021.

You can read the ESAs’ public consultation [here](#).

You can read the joint letter on the implementation calendar [here](#).

6. Joint response to ESMA’s consultation on clearing solutions

On 15 June 2020, together with various firms and institutional asset managers, PensionsEurope, Pensioenfederatie, iapf and Insurance and Pension Denmark released a joint response to the ESMA consultation on central clearing solution for pension schemes arrangements.

The response highlights that If pension funds are subject to the clearing obligation under EMIR and required to meet the variation margin (VM) requirements in cash, a large cumulative move in rates over a short time period would trigger a material short-term cash VM requirements. Without increasing their cash allocation, pension funds would be forced to rely on the repo market, which would be unlikely to provide enough liquidity at short notice in stressed conditions – which might force pension funds to sell assets in a stressed market environment.

Based on our estimates, a 1% shift in rates would cause a cash VM requirement of circa €95bn across Dutch, Danish and Irish pension funds using swaps. Since the daily average volume in the EU repo market would be between €300 bn and €350 bn and most of this volume is likely to be in inter-bank

transactions and not available to buy-side participants, it is unlikely the repo market would be able to fully absorb the potential additional cash demand from pension funds.

There is no guarantee that a provider of cash will be there when needed in times of market distress. Such as illustrated during the height of the COVID-19 crisis, the rush for cash to cover margin calls and the demand to access the repo markets significantly increase while banks' capacities to intermediate remain constrained. Liquidity is therefore scarce and often granted only to top tier clients. Requiring pension funds to post cash as VM would increase further the rush for cash and exacerbate the tensions observed in the repo markets in times of market distress.

There is a clear need to ensure that liquidity will be granted in the repo markets in times of market distress. If cash VM calls are not met within the short timeframes expected in a cleared framework, an entity can enter into technical default, even if it is asset rich. For this reason, we believe a second line of defence is needed – involving central banks as the only reliable provider of liquidity in stressed conditions. It is necessary for central banks to consider providing a facility that would allow pension funds to transform high quality collateral to cash, at a haircut and cost. A high credit-quality, regulated entity would intermediate between pension funds and central banks. This entity could be an existing CCP (central counterparty clearing house), or any other regulated entity set up purely for this purpose.

You can read our full position [here](#).

You can read ESMA's public consultation [here](#).

7. It is time to improve WHT procedures across Europe

On 1 July 2020, it will be Germany's turn to hold the Presidency of the EU Council for six months. Germany will have significant tax priorities for its upcoming EU Presidency period, including fair taxation of the digital economy, reducing tax evasion, simplification of taxation within the EU and increased cooperation between EU Member States' tax administrations. The new subcommittee on taxation at the European Parliament will also work on many of those topics.

The second half of 2020 will be a good time to discuss various recent proposals to improve the current burdensome and costly withholding tax (WHT) procedures across Europe. On 10 June, the High Level Forum on the Capital Markets Union published its final report on '[A new vision for Europe's capital markets](#)'. On WHT, the report is very much in line with what PensionsEurope has stressed over the past years (see for instance [PensionsEurope position paper on the withholding tax refund barriers to cross-border investment in the EU](#) (April 2016)). The report e.g. recommends that the Commission puts forward a legislative proposal to introduce a standardised system for relief at source of withholding tax based on authorised information agents and withholding agents.

In [PensionsEurope position paper on smoothing WHT procedures beyond Code of Conduct - EU tax register of recognised pension institutions](#) (March 2018), beyond our tax register proposal, we also proposed developing and using one (standardised) form across the EU to determine whether a pension institution qualifies for tax relief in a respective Member State. Furthermore, the Next CMU High-Level Group proposed in its [report](#) (October 2019) developing a straightforward EU procedure for repayment of withholding taxes to investors.

There are also many other possible improvements including various possibilities and solutions for instance in the field of blockchain and cloud services. We hope and expect that the EC Action Plan on the Capital Markets Union (to be published in Q4 2020) will contain some follow-up to the [Code of Conduct](#) to improve the current burdensome and costly WHT procedures across Europe.

8. PensionsEurope comments EIOPA's draft ITS regarding the format of supervisory reporting and the cooperation and exchange of information between competent authorities for the PEPP

On 12 June 2020, PensionsEurope commented on EIOPA's draft Implementing Technical Standards regarding the format of supervisory reporting and the cooperation and exchange of information between competent authorities for the Pan-European Personal Pension Product (PEPP).

PensionsEurope shares the aim of EIOPA to have comparable and relevant information on PEPPs and agrees with EIOPA that, to facilitate the effective supervision of compliance with the PEPP Regulation, it is appropriate to establish the templates for the submission of quantitative information by the PEPP providers to the competent authorities.

However, while we understand that an appropriate level of detail of the information is crucial for the implementation of a risk-based supervisory review process and product-level supervision, we also highlighted that reporting requirements always imply costs for pension providers. The PEPP reporting requirements should be as close as possible to current supervisory reporting used for national personal pension products and occupational pension schemes to avoid useless additional workload and related costs for savers.

PensionsEurope also noted that the consulted reporting obligations and templates seem in line with the current reporting obligations of some potentially eligible PEPP providers in certain Member States, and much less in others. We highlighted that the consultation paper and the annexed impact assessment do not analyze and detail enough the impact of these reporting standards on different providers. This will be different between providers and across countries, as the current national approaches to product supervision are highly divergent. In particular, the main concern is related to the costs implied by the adaptation of overlapping reporting obligations among PEPP and local products through which providers may instrument PEPPs. Such overlap may entail duplicating compliance efforts, thus increasing the costs of those entities wishing to enter the PEPP market. Therefore, we suggested EIOPA to provide more details on the (different) administrative efforts and costs needed to comply with these standards.

You can read our full comments at this link.

You can access to EIOPA public consultation at [this link](#).

EIOPA will consider the feedback of stakeholders and send to the Commission its technical advice on the PEPP level-2 measures by 14 August 2020. This date is confirmed and not affected by the COVID-19 pandemic.

9. IORP II – almost all countries transposed the Directive

Almost all countries have now transposed the IORP II Directive. The exceptions are Ireland and Portugal, which are not yet complying with their obligation to transpose and to communicate such measures to the European Commission. Spain has only communicated partial measures.

In Portugal, the draft transposition law was presented (for the second time) in December 2019. In February 2020, this new draft was generally approved by the Members of the Parliament and it is now under a detailed analysis by the Competent Committee (“Budget and Finance Committee”). New changes may occur during this stage. The transposition of the IORP II Directive, was also a chance to review some details of the Legal Regime Governing Portuguese Pension Funds. Amongst the novelties, it is worth mentioning the extension of the “Flexible Pensions”, which is already in place for the payment of benefits originated in DC Plans, to the benefits paid by DB Plans.

In Ireland, no Government is in place since the general election in February, so there is no prospect of legislation soon.

In Spain, the IORP II Directive was partially transposed by Royal Decree-law 3/2020, of 4 February. There exists a preliminary draft regulation that should complete the transposition in all remaining areas, but the date of publication of the final text is still unknown.

10. Update on the ETS Project

Since the kick-off event in October 2019, when the project partners presented the results of an initial survey providing an overview of the state of play on digital pension communication across the EU, the ETS consortium made good progress in the project implementation.

In these months, they worked on the Proof of Concept with Sigedis, the Belgian partner, and refined the concept for the creation of the Find Your Pension Pilot Website. Moreover, they further worked on the possible business models, and tried to address issues related to data and privacy protection.

PensionsEurope is cooperating with the ETS project consortium. Recently, we have sent to our members a questionnaire on pension communication. The ETS consortium aims to systematically analyse the pension communication process, the objectives of informing citizens, the content and presentation of information and ways or digital tools of communication about pensions. The consortium will share the aggregated results in an online seminar that will take place on Monday 6 July at 15:30 – 17:00.

If you need more information on the event or you want to register, please visit [this page](#) and contact ETS-events-registration@vbl.de.

11. AML: towards a comprehensive Union policy on preventing money laundering and countering terrorism financing

The European Commission recently opened a consultation on its action plan towards a comprehensive Union policy on preventing money laundering and countering terrorism financing. The consultation runs until 29 July 2020. The Commission will propose a legislative package in Q1 2021 with the objectives of getting an integrated AML system by 2023.

The anti-money laundering directives (AMLD) are intended to establish a consistent regulatory environment across the EU, addressing emerging money laundering and terror financing typologies. For the moment, AML is supervised and regulated at national level, under the specificities of the EU AMLD which are themselves based on the international recommendations of the Financial Action Task Force (FATF) on Money Laundering. The scope of the recommendations and EU Directives covers all financial institutions, including pension funds even if the requirements set up by the EU Directive are sometimes relaxed for pension funds at national level.

The consultation opens the debate on the possibility to adopt a single AML rulebook (through the adoption of a EU Regulation instead of the current Directive) in order to achieve a higher level of harmonization across the EU. Discussions are also underway on the possibility to set up a new European Supervisory Authority which would be responsible for AML across the whole financial system. One of the envisaged alternatives would be to provide this responsibility to the European Banking Authority and strengthen its competences.

The consequences of the forthcoming developments on AML might be relevant for pension funds since the burden in terms of reporting requirements could be increased and pension funds as well as all other institutions may have to deal with a new European supervisor in the future. The most immediate duties under the AML framework relate to record-keeping and the provision of information when entering into a transaction or business relationship with parties (such as banks and some advisers) that are required to carry out money laundering checks. Trustees could have to be registered as “ultimate beneficial owners” where information is made public and pension funds would have to gather information on companies and individual members. Failure to comply may carry criminal sanctions.

You can read the Commission public consultation [here](#).

12. Partnerships

PensionsEurope regularly receives requests from conference and event organisers to become a partner/sponsor for an event. Most of these requests are denied, but some requests are accepted, as they fit well into the goals and objectives PensionsEurope has set out in line with its vision and mission statement, as you can see below.

Responsible Investors Live – 7 October 2020 – Paris

PensionsEurope supports the [Responsible Investors Live](#) produced by Skills Communication on October 7, 2020 in Paris, to accelerate the ESG momentum in Europe.

Responsible Investors Live will gather European asset owners to discuss and develop their understanding of suitable and sustainable ESG policies. 170 European Institutional Investors and decision makers will lead the show.

The draft programme is available [here](#). More information will be delivered to your inbox soon.

Global Invest Forum – 8&9 October 2020 – Paris

PensionsEurope supports the [Global Invest Forum](#) organized by L'AGEFI on October 8-9, 2020 in Paris. The 19th edition of the [Global Invest Forum](#) will gather over 500 attendees, including 70+ world-class speakers.

During these two days, there will be ample opportunity for debating with leading investment decision makers, attending inspiring keynotes and intense networking. You will gain insights from top-level experts from all over Europe and have a chance to share your experiences with peers, and expand your horizons.

The draft agenda is available [here](#) and more information will be delivered to your inbox soon.