

Technical Advice on delegated acts supplementing Regulation (EU) 2019/1238 (the PEPP Regulation) by specifying additional information regarding supervisory reporting

[Extract from the Call for Advice](#)

3.1 Specification of additional information, with a view to ensuring, to the appropriate extent, convergence of supervisory reporting (as laid down in the empowerment of Article 40(9) 1st subparagraph of the PEPP Regulation)

The Commission seeks EIOPA's technical advice with regard to the adoption of delegated acts pursuant to Article 40(9), 1st subparagraph of the PEPP Regulation.

EIOPA is asked to specify the additional information, including if applicable templates and means of communication, taking into account existing sectorial legislation, to be submitted by PEPP providers to national competent authorities, and subsequently to EIOPA, with a view to ensure efficient and effective supervisory review processes and to support taking appropriate supervisory actions. EIOPA's technical advice should ensure, to the appropriate extent, convergence of supervisory reporting on such additional information to be requested from PEPP providers by their respective national competent authorities.

In particular, EIOPA is asked to specify the additional information, depending on the type of PEPP provider, required to enable national competent authorities to assess the system of governance applied by the PEPP providers, the business they are pursuing, the valuation principles applied for solvency purposes (where applicable), the risks faced and the risk-management systems, and their capital structure, needs and management.

This additional information, which should be tailored to PEPP providers activities relating to PEPP, should include but not be limited to the following items, supplementing sectorial legislation:

- a description of the risk management system (including its governance) put in place by the PEPP provider in order to manage the risks deriving from PEPP products;
- a description of the business pursued by the PEPP provider relative to the sector in which the PEPP provider operates, including the type of investments made and how those investments are managed (eg active/passive, whether guarantees are offered or not), the

implementation of risk-mitigation techniques, the size in terms of contributions and asset values, and in which countries the PEPP provider operates and/or offers a PEPP;

- the determination of which written policies PEPP providers should have in place addressing relevant risks;
- information on the valuation principles applied for solvency purposes, where applicable;
- an overview of the relevant risks pertaining/linked to the provision of PEPP and how the PEPP provider intends to manage those risks, including but not limited to financial and liquidity risks, market risks, credit risks, reputational risks and ESG risks;
- determination of the appropriate reporting needs on the capital structure for each of the different PEPP providers, capital ratios and / or level of leverage;
- information on contracts held by PEPP providers or regarding contractual relationships with third parties, for example with a view to the obligations towards PEPP savers during the decumulation phase or for the provision of PEPP sub-accounts.

In its assessment of the required additional information, EIOPA should take into account whether and how the additional information could be presented in a comprehensive and comparable manner across PEPP providers. It should also take into account the historic, current or prospective elements of the additional information. EIOPA should also advise on the periodicity of the submission of the additional information and/or the events that should trigger the submission of such additional information and specify when and which additional information can be required from external experts, such as auditors or actuaries.

For all items, the advice should determine which information should be reported in a quantitative format and which in a qualitative manner or in a combination thereof. In case of qualitative information, the advice should indicate the qualitative parameters on which information should be provided. In addition and where appropriate, the advice should ensure that the requirements on reporting of additional information is proportionate to the nature, size and complexity of the reporting undertaking's business providing PEPPs.

Previous advice – not applicable

Relevant legal provisions

1. The legal provisions in place to take into account for this Advice are:
 - Article 40 of the PEPP Regulation.;
 - in particular, first subparagraph of Article 40(9) of the PEPP Regulation setting out that the Commission shall adopt delegated acts by specifying the additional information referred to in paragraphs 1 to 5 of that Article, with a view to ensuring to the appropriate extent convergence of supervisory reporting;

Other regulatory background

2. With regard to the other relevant regulatory framework, in particular the following needs to be considered: an assessment and comparison with Solvency II reporting requirements, pensions data requests (IORPs reporting to EIOPA) and close involvement of EBA and ESMA regarding current reporting requirements.

Elements of the supervisory reporting

Background

3. The PEPP Regulation sets out that competent authorities should receive appropriate information from PEPP providers to regularly supervise the PEPP business and its effects on the provider.
4. This Advice follows from an analysis of supervisory actions, measures and responsibilities and the corresponding information needs for the supervisory review process regarding PEPP for all competent authorities supervising PEPPs.
5. EIOPA provides technical advice to the European Commission pursuant to first subparagraph of Article 40(9) of the PEPP Regulation, relating to the additional information referred to in Article 40 (1) to (5) of that Regulation.

Based on Article 40(9) of the PEPP Regulation, EIOPA has also developed draft implementing technical standards regarding the format of the supervisory reporting, and based on Article 66(5) of the PEPP Regulation, EIOPA has developed draft implementing technical standards specifying the details of cooperation and exchange of information. Further specifications of the technical means (a PEPP XBRL taxonomy), will be developed and published by EIOPA to promote the European data standardization for the technical transmission and validation of the required information.

Objectives of supervisory reporting

6. The objective is that each competent authority should receive one harmonised set of information on PEPP business, which is capable of building relevant indicators that support effective and efficient supervisory review processes. A standardised approach mitigates the use of substantial additional reporting requirements at national level, yet does not prevent national-specific reporting requirements.
7. Such harmonised set of information has the following benefits:
 - improved comparability;
 - greater efficiency;
 - ensuring consistent and harmonised application of the PEPP regulation and thereby avoiding regulatory arbitrage between Member States;
 - promoting data driven market monitoring to support risk-based supervision.

8. EIOPA acknowledges that PEPP providers are subject to different sectoral legislation and corresponding sectoral reporting requirements. In that respect, the reporting requirements for the PEPP complement the sectoral reporting requirements to address the specificities of, and to enable, the supervision of PEPP.
9. In the implementation, any double-reporting linked to sectoral information requirements should be avoided. As PEPP is a product that promotes the internal market and cross-border activities, close cooperation and exchange of information amongst competent authorities and between home and host competent authorities and EIOPA is of utmost importance for the different authorities to carry out their duties.

Reporting requirements at pre-defined intervals

10. For the purposes of regular supervisory reporting it is appropriate and justified by the required supervisory duties and by home/host responsibilities to cover the following areas in EIOPA's technical advice:
 - PEPP information documents: PEPP KID (new or revised) and a generic example of a PEPP Benefit Statement;
 - information on assets and liabilities relating to the PEPP provider's PEPP business, underlying investments should be reported separately for the basic PEPP and alternative investment options;
 - information on contracts/PEPP savers per investment option, for example number, contributions, benefit payments;
 - information on costs and charges, complaints and on distribution channels.
11. The delegated acts should set out that the information is to be submitted on a regular basis to the competent authorities. This information should contain all quantitative information necessary on a regular basis for the purposes of supervision. EIOPA should assess on a regular basis if the requirements concerning regular reporting are proportionate and sufficient to fit the supervisory processes.
12. Furthermore, in order to assess compliance and support the supervisory tasks that cannot be performed with quantitative data alone, competent authorities should receive a PEPP Supervisory Report (with both additional quantitative data and qualitative information).
13. It should be highlighted that this supervisory information will also form the basis for EIOPA's market monitoring duties, which may eventually trigger product intervention measures.
14. Point 35 of Annex I of this technical advice specify the information which should be contained in the PEPP Supervisory Report.

Reporting requirements upon occurrence of pre-defined events

15. The delegated acts should also set out the requirements regarding 'ad-hoc' supervisory reporting following pre-defined events or supervisory enquiries. The delegated acts should define the principles and processes for when a pre-defined event or supervisory enquiry arise and the principles and processes on how the PEPP providers should fulfil their reporting obligations in that respect, including which additional information can be required from external experts, such as auditors or actuaries.

Pre-defined events

16. PEPP providers should report to competent authorities any material changes to the supervisory reporting information submitted after the occurrence of an event that could affect the protection of the PEPP savers. These are events that can lead to, for example, material changes in PEPP's business and performance, governance and risk management, general extrinsic events and legal changes as well as PEPP savers' switching behaviour, lapses or changes to investment options etc, to the extent this is not already reported as part of other information processes. This information should be reported as soon as possible after the occurrence of an event and depending on the nature of the event, competent authorities may ask the PEPP provider to report information on a regular basis over a period of months or years to monitor the situation. In case of doubt, PEPP providers should consult the competent authorities to establish whether a certain event would classify as a pre-defined event.

Supervisory enquiries

17. Besides regular supervisory reporting and reporting after pre-defined events, competent authorities have the power to request ad hoc information during enquiries concerning the situation of the PEPP business. EIOPA interprets 'enquiries' as meaning any assessment of the PEPP business made by the competent authority either during off-site analysis or on-site inspections. Enquiries do not have to be part of a formal assessment. They could be designed for one specific PEPP provider's PEPP business, for a specific segment of the PEPP market or for all PEPP providers' PEPP businesses and may address specific information to be received by competent authorities regarding particular topics. Information from the PEPP provider should be reported to the competent authority in a clear and understandable manner.

Information on contracts and from third parties

18. The information to be obtained from PEPP providers, regarding their PEPP business, on contracts held by PEPP providers or regarding contracts entered into with third parties, should be requested where it is considered necessary and important for the purposes of supervision. The PEPP provider should have, keep copies of or have immediate access to, contracts held by third parties. Contracts requested by the competent authority from the PEPP provider should be received on a timely manner and include full details of the contract.

Information from external experts

19. Competent authorities expect that the PEPP provider either has or has immediate access to the information from external experts, such as auditors and actuaries, as part of its recorded management procedures. The request for this information should therefore be made to the PEPP provider and not the external expert unless the competent authority deems it appropriate to obtain the information directly from the external expert.
20. Information requested by the competent authority from the PEPP provider, either during on-site inspections or off-site analysis, should be received in a timely manner and include full details of the scope and findings of the work performed.

Principles to be applied on requirements for reporting of information to the competent authorities

Proportionality

21. The content and structure of reporting should take into account the nature and complexity of the PEPP as a product. The frequency of reporting should follow a proportionate approach. EIOPA should evaluate on a regular basis whether the supervisory reporting requirements are needed and cost-effective.

Materiality

22. Some of the information (in the PEPP Supervisory Report) should not be reported if it has not changed materially. The information submitted to competent authorities is defined as material where its omission or misstatement could influence the decision-making or judgement of the competent authorities.

Reporting standardisation

23. The information to be provided by PEPP providers should be as far as possible harmonised with the requirements applied to different kinds of providers, partially or fully covered by sectoral legislation, in particular:
 - reusing existing definitions of business concepts (dictionaries) and structures (templates); facilitating data preparation and data comparability;
 - reusing existing reporting methodologies and standards, for example DPM and XBRL used under the Solvency II Directive, IORP II Directive and Capital requirements Directive IV;
 - promoting the single reporting; providing the means for single submission of information (like EIOPA+ECB add-on for insurance) and reusing information already reported in other obligations (like look-through).

Cooperation between competent authorities and EIOPA and supervisory convergence

24. To avoid duplications in reporting and promote cooperation between competent authorities, EIOPA believes that the reported information should feed into the regular exchange of information between competent authorities and EIOPA, promoting the idea of sharing standardised information centrally to facilitate the effective exercise of competent authorities' and EIOPA's duties.
25. This would contribute to a more efficient and effective supervision not only across Member States but also across sectors.

Frequency of the regular supervisory reporting

26. Considering the proportionality principle, EIOPA proposes that the PEPP quantitative regular reporting templates are submitted on an annual basis.
27. The PEPP Supervisory Report should be finalised in the reporting year in which the PEPP provider is registered. In subsequent years, only material changes should be reported with the full report submitted every three years.
28. Competent authorities should have the possibility to request more frequent submissions of the quantitative regular reporting templates and/or the PEPP Supervisory Report, subject to a risk-based, proportionate approach.

Deadlines of the regular supervisory reporting

29. Delegated acts should define the regular reporting timelines . EIOPA proposes the following timelines:
 - PEPP providers should report to competent authorities the annual quantitative information according to sectoral rules for annual reporting, but no later than 16 weeks after the PEPP provider's financial year in question ends; in EIOPA's view 16 weeks for quantitative reporting and 18 week for the narrative PEPP Supervisory Report, in line with current discussions for Solvency II 2020 Review, would also fit the supervisory needs;
 - competent authorities should report to EIOPA the annual quantitative information no later than 4 weeks after the deadlines described above.

Format of the regular supervisory reporting

30. The delegated acts should include a provision requiring that the regular reporting information is submitted by electronic means from the PEPP providers to the competent authority NCA, and a provision requiring that the regular reporting information is submitted by standardized electronic means

from the competent authorities to EIOPA in line with the agreed standards on data exchange formats.

31. To implement the agreed data exchange formats, EIOPA will publish and update the relevant PEPP XBRL taxonomy means for the standardized data exchange between the competent authority and EIOPA, and will promote its voluntary adoption by the competent authorities for the pan-European standardization of the technical means from PEPP providers to the competent authorities. The same approach is currently followed for the Solvency II and IORPs regular information reporting.
32. At least some parts of the PEPP KID are planned to be structured in a way to be machine-readable with the support of the XBRL taxonomy and on top of the more visual and content representation of it (e.g. iXBRL, pdf or similar). As well, the quantitative parts of the PEPP Supervisory Report should be requested to be submitted via digital format to EIOPA (e.g. iXBRL, pdf or similar) and may be requested to have text searchable capabilities (not simple scanned images but with codified text).

Content of the regular supervisory reporting

Quantitative reporting

33. The regular reporting package will contain all the regularly reported information necessary for the purposes of PEPP supervision both from a home and host perspective and therewith promoting the collaboration between competent authorities and PEPP providers as well as between competent authorities and EIOPA. The regular reporting package needs to be sent by the PEPP provider to the home competent authority. The draft implementing technical standards regarding the format of supervisory reporting and the cooperation and exchange of information between competent authorities is specifying the annual reporting templates. In line with the factors and criteria outlined, this information should support EIOPA and the competent authorities in monitoring the PEPP market and may provide evidence to determine when there is a significant PEPP saver protection concern, for the purpose of EIOPA's intervention powers.

PEPP Supervisory Report

34. The PEPP Regulation includes supervisory information that cannot be assessed by quantitative information alone. EIOPA understands that some of that information can and will be verified by peer comparisons and on- and off-site analysis. The PEPP Supervisory Report should therefore refer to the information needed for supervisory analyses that require a more regular monitoring mainly focused on material changes. The regular supervisory report shall include all of the qualitative information that is needed for competent authorities to assess compliance of the PEPP regulatory

requirements, in line with the PEPP's registration file and to identify and monitor potential detriment to PEPP savers. EIOPA's aim is to keep the qualitative reporting principle-based and not to set out detailed requirements, thereby providing a degree of flexibility in how to meet these requirements.

35. The proposed content of the PEPP supervisory report is specified in Annex I.

Based on the above technical advice EIOPA proposes the following text for the delegated acts to be adopted pursuant to Article 40(9) of the PEPP Regulation

<p>Article x Elements of the regular supervisory reporting</p> <p>1. The information, which competent authorities require PEPP providers to submit at predefined periods in accordance with Article 40 of Regulation (EU) 2019/1238, shall comprise the following:</p> <p>(a) annual quantitative templates specifying in greater detail and supplementing the information presented the PEPP Supervisory Report; and</p> <p>(b) the PEPP Supervisory Report comprising the information referred to in Annex x.</p> <p>2. Paragraph 1 shall be without prejudice to the power of competent authorities to require PEPP providers to report any other information.</p>
<p>Article x General Principles</p> <p>1. The information referred to in Article 1 shall comply with the following principles:</p> <p>(a) it reflects the nature, scale and complexity of the PEPP concerned, and in particular the risks inherent with the provision of PEPP;</p> <p>(b) it is accessible, complete in all material respects, comparable and consistent over time; and</p> <p>(c) it is relevant, reliable and comprehensible.</p> <p>2. For the purposes of the regular supervisory report referred to in point (b) of Article 1(1), the information submitted to competent authorities shall be considered as material where its omission or misstatement may influence the decision-making or judgement of the competent authorities.</p>
<p>Article x Deadlines for the regular supervisory reporting</p> <p>1. PEPP providers shall adhere to the following timelines to submit supervisory information to the competent authorities:</p> <p>(a) the annual quantitative templates referred to in point (a) of Article 1(1) of this Regulation, no later than 16 weeks after the PEPP provider's financial year's end; and</p> <p>(b) the PEPP Supervisory Report referred to in point (b) of Article 1(1) of this Regulation at least every 3 years and no later than 18 weeks after the PEPP provider's financial year in question ends.</p>

Article x
Ad-hoc supervisory reporting

1. Competent authorities shall determine the nature, the scope and the format of the information requested to be reported in addition to the regular reporting:

- (a) upon occurrence of an event that could affect the protection of PEPP savers;
- (b) during enquiries regarding the situation of a PEPP business of the PEPP provider;
- (c) on contracts held by PEPP providers regarding contracts entered into with third parties where it is considered necessary and important for the purposes of the supervision of the PEPP business; and
- (d) from external experts, such as auditors and actuaries, as part of its records management procedures.

2. The information referred to in point(a) of paragraph 1 shall be reported without undue delay after the occurrence of the event. Depending on the nature of the event, competent authorities may ask PEPP providers to report information on a regular basis over a period to monitor the situation.

3. PEPP providers may consult the competent authority to establish whether a certain event classifies as a pre-defined event according to this Article.

Annex I: Proposed content of the PEPP Supervisory Report

Product Governance for the PEPP

PEPP product-related aspects

A description should be provided setting out the nature of the PEPP provider's PEPP business, investment options and external environment, any significant business or external events that have occurred over the year and general information regarding the PEPP, which should include:

- a) the PEPP registration number;
- b) the name and address of the external auditors for the PEPP product;
- c) a description of the PEPP investment option and of the guarantees (including also a description of the pricing of the guarantees), which the provider writes and the countries, in which it writes those options in (specifically highlighting any changes over the year);
- d) a description of the target market as well as a description of the actual savers. That description should refer at least to the age of the target PEPP savers and on how the assessment of the PEPP savers' financial situation and capacity to bear losses is considered for the investment profile;
- e) any significant business or external events that have occurred over the year (if not reported more specifically elsewhere) that have had a material effect on the PEPP savers' objectives, on the PEPP provider or on its PEPP business models and PEPP strategy;
- f) the main trends and factors that have contributed positively or negatively to the development, performance and position of the PEPP over the last three years;
- g) a description of the distribution channels used to sell the PEPP and controls to ensure adequate distribution;
- h) a description of the switching procedures in place for PEPP business and implemented over the reporting period;
- i) a high-level description of the complaints received including: the outcomes of the complaints, the average maturity of the contracts for which the complaints was received, to what the complaint refers (e.g. costs, investment, distribution including advice, administration, transferability, benefits, information) and the relevant actions undertaken by the provider to address the specific complaints as well as broader actions to address any issue relating to the design and/or distribution of the PEPP.

PEPP business-related aspects

The PEPP provider shall provide an overview of the governance structure relating to the PEPP business including at least:

- a) the administrative and accounting procedures in place that enable the PEPP provider to deliver reports which reflect a true and fair view of the PEPPs investments and liabilities and which comply with all applicable accounting standards in a timely manner;
- b) information on the main tasks of, if applicable, the compliance function implemented for the PEPP business;
- c) information on the systems and controls in place to ensure that the product oversight and governance policy is adhered to;
- d) where relevant, a description of how the main tasks of the actuarial function are implemented for the PEPP business.
- e) a high-level explanation of the partnerships and contracts with external parties for the PEPP and on the functioning of these contracts or partnerships, as well as their terms and conditions, and their performance for the affected PEPP contracts.

Investments

The PEPP provider should provide a description of its investment strategy for each investment option of the PEPP. This description should include at least:

- a) a description of the systems in place to ensure compliance with Article 41 of the PEPP Regulation;
- b) an identification of the risk factors and sources of return of the investment strategy;
- c) a description how the asset strategy was determined in a manner consistent with the interests of the PEPP savers, having in mind their specific profile and taking into account ESG factors;
- d) a description of the systems in place to monitor the PEPP investment strategy as well as the policy to change the strategy when required;
- e) where relevant, a description of the liquidity management plan as well as the actions that PEPP provider can undertake if such event occurs.

Investment performance

A description should be provided detailing the financial performance from PEPP related investments that should include:

- a) administrative or management body's analysis of the PEPP related investments overall performance;
- b) information on gains or losses from PEPP investments and, where relevant, components of such income from appropriate subsets of the investments (e.g. equity, bonds);
- c) the impact of derivatives on PEPP investment performance;
- d) information on PEPP investment expenses incurred over the year compared to prior years, and reasons for material changes.

Risk management

Risk management system

A PEPP provider should provide an overview of its risk management system with regard to the provision of PEPP, including its risk strategy and written policies in place to ensure compliance with its strategy. It should also detail how the risk management system is able to identify, measure, monitor, manage and report, on a continuous basis, the PEPP risks to which they are or could be exposed, and their interdependencies.

Information should also include:

- a) the risk management framework implemented for the PEPP business, based on written policies on how to address the risks, having regard to the nature, volume and complexity of the offered PEPP;
- b) the systems that are in place to ensure compliance with the requirements of the PEPP Regulation;
- c) the scope and nature of risk management systems, based on written policies on how to manage risks, including a description of management tools used to identify, measure, monitor, manage and report the risks related to the provision of the PEPP, capturing the PEPP provider's approaches to the management of, at least, financial and liquidity risks, market risks, credit risks, reputational risks and ESG risks;
- d) the effectiveness of the risk management and internal control systems in place having regard to the PEPP related risks they are designed to control;
- e) a high-level review of the scope, frequency and requirements of the management information presented to the administrative or management body regarding the PEPP;
- f) details of how the PEPP provider monitors the risks arising from any off derivative positions.

Risk mitigation

A PEPP provider should provide details on its risk-mitigation techniques, which should include at least:

- a) details of allocation mechanisms, approaches, methodologies for and the actual performance of the risk-mitigation techniques used for the PEPP investment options;
- b) processes for monitoring the continuing effectiveness of these risk-mitigation practises.

Prudential aspects

A PEPP provider should provide the following details:

- information on the valuation principles applied for solvency purposes, where applicable;
- information on the capital structure for each of the different PEPP providers, capital ratios and / or level of leverage, where applicable.