PensionsEurope Newsletter 2025/01

1. EC Competitiveness Compact

On 29 January 2025, EC published its EU Compass to regain competitiveness and secure sustainable prosperity.

On 27 November 2024, President von der Leyen announced a Competitiveness Compass as the first major initiative of the EC in this mandate, building on the Draghi report and providing the framework for the EC's work on competitiveness in this mandate. The compass sets three pillars to achieve the targets:

I. **Closing the innovation gap**
II. **A joint roadmap for decarbonisation and competitiveness**
III. **Reducing excessive dependencies and increasing security**.

In the compass, there are five horizontal enablers for competitiveness complementing the three pillars. Those are:

i. **Simplification**: This enabler aims at reducing drastically the regulatory and administrative burden. It also involves a systematic effort to make procedures for accessing EU funds and

getting EU administrative decisions simpler, faster, and lighter. The upcoming **Omnibus proposal** will simplify sustainability reporting, due diligence, and taxonomy.

ii. **Lowering barriers to the Single Market:** To improve its functioning across all industries, a **Horizontal Single Market Strategy** will modernise the governance framework, removing intra-EU barriers and preventing the creation of new ones.

iii. **Financing competitiveness**. The EC will present a **European Savings and Investments Union** to create new savings and investment products, provide incentives for risk capital, and ensure investments flow seamlessly across the EU.
   - The Commission also indicated that it will "*work on the potential of private and occupational pensions to help EU citizens plans for their retirement and channel their savings into the economy*".

iv. **Promoting skills and quality jobs**. To ensure a good match between skills and labour market demands, the EC will present an initiative to build a **Union of Skills** focusing on investment, adult and lifelong learning, future-proof skills creation, skill retention, fair mobility, attracting and integrating qualified talent from abroad and the recognition of different types of training to enable people to work across our Union.

v. **Better coordination of policies at the EU and national level.** The EC will introduce a **Competitiveness Coordination Tool**, which will work with Member States to ensure implementation at the EU and national level of shared EU policy objectives, identify cross-border projects of European interest, and pursue related reforms and investments. In the next Multiannual Financial Framework, a **Competitiveness Fund** will replace multiple existing EU financial instruments with similar objectives, providing financial support to the implementation of actions under the Competitiveness Coordination Tool.

2. Omnibus Simplification Package and the EC's simplification efforts

The upcoming **omnibus simplification package** is scheduled for 26 February. The omnibus legislative package will include amendments to the Taxonomy regulation, CSRD, and CSDDD.

The political pressure on the Commission is growing with President von der Leyen being directly involved in the preparation of the omnibus proposal together with Executive Vice President Stéphane Séjourné and Commissioner Valdis Dombrovskis. Overall, the future omnibus and the commitment by the EC to pursue broad simplification efforts have been subject to many discussions, including:

- On 4 December, MEP Axel Voss (EPP, DE) sent a letter to the Executive VP Stéphane Séjourné to request **further simplification under the omnibus package**, including expanding the scope of the package to e.g., CBAM or Deforestation Regulation.

- On 17 December, a joint letter from 4 German ministers was sent to Commissioners Maria Luis Albuquerque and Valdis Dombrovskis. The letter asks for a **postponement of sustainability reporting for "large undertakings"** (as considered under the CSRD), by two years. The letter also requests **to increase the threshold** for "large undertakings" under CSRD to align it with CSDDD, which would lower the scope of CSDDD.

- On 13 January, the Greens group published a letter **raising concerns** about the rushed process and timeline of the publication of the omnibus.

- On 17-18 January in Berlin, the EPP group in their meeting discussed the burdensome requirements of the CSRD and CSDDD on SMEs. They proposed **a two-year pause** on these laws, including the Taxonomy regulation, and urged the omnibus **to limit reporting requirements to companies with over 1,000 employees** and cutting them by 50%.

- On 20 January 2025, France proposed measures for regulatory and administrative simplification, citing Draghi's findings and increasing international competition. They called for a **"massive regulatory pause**," including a **two-year delay for the CSRD, targeted changes to Taxonomy regulation**, and **indefinite postponement of the CSDDD**.

- On 21st January 2025, MSs discussed the omnibus proposal during the last ECOFIN Council in **which ministers strongly supported the prospect of reducing and simplifying reporting requirements** for businesses to improve the competitiveness of the EU economy.

The Competitive Compass presented the omnibus package describing it as an ''unprecedented simplification effort'', which will cover areas in sustainable finance reporting, sustainability due diligence, and taxonomy.

3. IOPS consultation on revised principles of private pension supervision

On 20 December 2024, the International Organisation of Pension Supervisors (IOPS) launched a consultation on revised principles of private pension supervision**.**

The last 2010 version has been revised to support the OECD core principles of private pension supervision and incorporate the changes arising from digitalisation.

Those principles cover occupational and personal pensions.

Principle 1: Objectives and responsibilities

- *National laws should assign clear and explicit objectives and responsibilities to pension supervisory authorities*

Principle 2: Implementing the pension regulation

- *Pension supervisory authorities should implement and support national and relevant international pension regulation they adhere to*

Principle 3: Independence

- *Pension supervisory authorities should have operational independence*

Principle 4: Monitoring and Adaptability

- *Pension supervisory authorities should monitor any development of significant relevance to their functions and adapt the latter accordingly when necessary*

Principle 5: Adequate Resources

- *Pension supervisory authorities require adequate financial, human and other resources*

Principle 6: Adequate Powers

- *Pension supervisory authorities should be endowed with the necessary investigatory and enforcement powers to fulfil their functions and achieve their objectives*

Principle 7: Risk-based Supervision

- *Pension supervisory authorities should adopt a risk-based approach*

Principle 8: Proportionality and Consistency

- *Pension supervisory authorities should ensure that investigatory and enforcement requirements are proportional to the risks being mitigated and that their actions are consistent*

Principle 9: Consultation and Co-operation

- *Pension supervisory authorities should consult with the bodies they are overseeing and co-operate with other supervisory authorities domestically and internationally*

Principle 10: Confidentiality

- *Pension supervisory authorities should treat confidential information appropriately*

Principle 11: Transparency and communication

- *Pension supervisory authorities should conduct their operations in a transparent manner*

Principle 12: Governance

- *The supervisory authority should adhere to its own good governance practices – including governance codes, internal risk-management systems and performance measurement - and should be accountable*

Principle 13 Assessment and implementation processes

- *Pension supervisory authorities should regularly assess their implementation of the Principles*

The IOPS deadline is on 14 February 2025. We have already circulated our first draft for comments by 6 February 2025.

4. The Savings and Investments Union package and the EP's own initiative report on the SIU

The EC is set to present a communication on a Savings and Investments Union on 19 March 2025, which will fall under the responsibility of Executive Vice-President for Prosperity and Industrial Strategy Stéphane Séjourné.

The Competitive Compass, published on 29 January 2025, already mentioned the SIU proposal, emphasising the EU's significant financing needs, particularly in innovative sectors. It also highlighted the importance of mobilising private investments, including those from institutional investors, and improving capital markets.

The Compass also highlights that the Strategy on the SIU will promote ''low-cost savings and investments products at EU level'' and work on the **''potential of private and occupational pensions to help EU citizens plan for their retirement and channel their savings into the economy''**.

To prepare for this exercise, the EC has launched a consultation period on 3 February 2025 ending on 3 March 2025 asking for feedback on the overall approach of the SIU. PensionsEurope has been working on a position paper on the SIU, which we will use to respond to this consultation.

Meanwhile, **the EP is preparing its own initiative report named ''Facilitating the financing of investments and reforms to boost European competitiveness and creating a Capital Markets Union''** focusing on the Draghi Report. The ECON committee is responsible for this work and the rapporteur is Aurore Lalucq (S&D, FR). The committee for opinion is BUDG and the rapporteur for opinion is Karlo Ressler (EPP, DE).

5. Update from the EU Platform on Sustainable Finance

The Platform on Sustainable Finance serves as an advisory body to the European Commission on sustainable finance.

On 17 December 2024, **the Sustainable Finance Platform published its proposal for categorising products under the Sustainable Finance Disclosure Regulation**.

In the report, the Platform strongly advocates for a categorisation system with a limited number of categories including:

- **Sustainable Products**: These investment products focus on assets, activities, or entities that are already sustainable. They do not invest in any significantly harmful investments or activities.

- **Transition Products:** These products primarily invest in assets, activities, or entities undergoing a transition toward sustainability. They support actors transforming or upgrading their operations, such as companies with a high alignment of Taxonomy-related capital expenditures.

- **ESG Collection Products**: These investments exclude significantly harmful activities and/or prioritise assets with better environmental, social, or governance performance within their sector (e.g., "best in class"). They may also target sustainable activities or assets, provided that enough safeguards are in place.

- **Unclassified Products:** These products do not meet minimum sustainability criteria but are subject to basic disclosures. FMPs must still assess sustainability risks and principal adverse impacts when relevant.

The Platform on Sustainable Finance also published two other reports:

- On 8 January, a draft report on Activities and Technical Screening Criteria to be updated or included in the EU Taxonomy (subject to public consultation).

- On 23 January, the report Building Trust in Transition: Core Elements for Assessing Transition Plans advised the EC on how to develop corporate transition plans aligned with the EU's commitments to the Paris Agreement.

6. Framework for financial data access (FIDA)

Trilogue

As both the Council and the Parliament validated in December 2024 their positioning on FIDA, the trilogues can start. However, the new priorities of the current EC as regards simplification and political pressure from member States including France (as indicated in the second article) to reassess the text delayed the start of the trilogues. They won't start until at least March 2025.

PensionsEurope position

PensionsEurope is working on a new paper on FIDA to reflect on the Council and EP positionings. The second draft paper will be circulated to members, either on 6 or 7 February 2025. To recall, PensionsEurope already published three papers on FIDA since the publication of the text by the EC in June 2023.

7. DORA

- On 17 January 2025, the ESAs published a joint report on the feasibility of further centralization of major ICT incidents reporting
  - To recall, Article 21 of DORA mandates the ESAs to publish this report assessing the feasibility of further centralization of incident reporting through the establishment of a single EU Hub;
  - While there are no legal provisions in DORA for further supervisory centralization for the ESAs (the ESAs have already been given the tasks of supervising directly CTTPs), the report explores two main scenarios; (1) the financial entities continue to send their incident reporting to NCAs but the HUB is acting as a coordination mechanism and (2) the financial entities send their incident reporting directly to the EU HUB;
  - The report has been forwarded to the Commission, Council, and EP;
  - It can be seen as a possible source of ideas for the Commission if any new ESAs review is being launched under its mandate as any further centralization of major ICT incidents reporting would give extra powers to the ESAs (and most likely also require some governance changes for the ESAs).

- On 23 January 2025, EIOPA published the answer of the Commission as regards the definition of ICT services and their interplay with financial services
  - To recall, on November 2024 we sent a document to the EC, asking for legal clarity on DORA's definition of ICT services. We appealed for clarification that '*regulated financial services*' do not fall within this definition.
  - The answer provides the following answer :
    - *The definition of 'ICT services' in Article 3(21) of Regulation (EU) 2022/2554 intentionally maintains a broad scope. Recital (35) of Regulation (EU) 2022/2554 indeed clarifies that, with the aim of maintaining a high level of digital operational resilience, the definition of ICT services should be understood in a broad manner to*

the extent that such services encompass digital and data services provided through ICT systems on an ongoing basis. Therefore, financial entities are responsible for undertaking an assessment on this basis to determine whether the services they rely on are ICT services, as defined under Article 3(21) DORA. Such assessment should be performed taking into account the clarifications from DORA Recital (63), which specifies that DORA should cover a wide range of ICT third-party service providers, including financial entities providing ICT services to other financial entities, and without prejudice to sectoral regulations applicable on regulated financial services.

- *Financial services may entail an ICT component. In the case that financial entities provide ICT services to other financial entities in connection to their financial services, the receiving financial entities should assess whether i) the services constitute an ICT service under DORA, and ii) whether the providing financial entities and the financial services they provide are regulated under Union law or any national legislation of a Member State or of a third country.* ***In case both tests are positive, then the related ICT service should be considered to predominantly be a financial service and should not be treated as an ICT service within the meaning of DORA Article 3(21).***

- *In case the service is provided by a regulated financial entity providing regulated financial services but is unrelated or is independent from such regulated financial services, the service should be considered as an ICT service under Article 3(21) DORA.*

- *The same rationale applies to ancillary services provided by an entity, depending on whether such ancillary services are regulated financial services or a service inseparable from, indivisible from, preparatory or necessary for the provision of a regulated financial service, and are not provided in a standalone manner.*

- *The clarification about the difference between financial services and ICT services is without prejudice to the requirements applicable to financial entities under DORA, other than the requirements related to ICT third-party risk management.*

- Preliminary assessment: While the bold part would concur with the fact that regulated financial services do not fall within the definition of ICT services, we are still assessing the implications of the last paragraph.

- On 21 January 2025, as expected, the EC sent a letter to the ESAs about the long-awaited RTS on subcontracting (the draft RTS was sent by the ESAs on 26 July 2024). The letter confirms that the ESAs went beyond their legal mandate in the level 1 text as regards the requirements in Article 5 of the draft RTS, regarding the conditions for subcontracting within the chain of ICT subcontractors, highlighting that those provisions do not match the empowerment given at Article 30(5) of DORA with requirements not linked to the conditions for subcontracting. Thus, the EC request the ESAs to remove Article 5, recital 5, and other minor changes. The ESAs have 6 weeks to come up with a revised RTS as provided by the consolidated ESAs regulation.
    - To recall, during the ESAs consultation process, we highlighted in our answer how burdensome was Article 5 and indicated our concerns about overregulation. The changes made by the ESAs between the version under consultation and the text sent to the EC didn't change substantially the content of Article 5.

- Furthermore, EBA put forward on its website all necessary documentation for compliance as regards the ITS on the register of information. NCAs are also involved in that matter at the national level, and they must set up new transmission channels for IORPs.

8. UK Clearing exception

The UK Government announced that it will remove any further time limit on the clearing exemption for UK-defined benefit pension schemes, which no longer expires on 18 June 2025.
This means that the divergence since summer 2023 between the EU and the UK on the clearing exception will continue.

9. Liquidity risks

At the end of December, PensionsEurope answered EIOPA's consultation about the liquidity risks in IORPs.

FSB report

On 10 December 2024, the Financial Stability Board (FSB) published its final report Liquidity Preparedness for Margin and Collateral Calls. The FSB's report sets out policy recommendations to enhance the liquidity preparedness of non-bank market participants for margin and collateral calls in centrally and non-centrally cleared derivatives and securities markets (including securities financing such as repo).
The FSB's eight policy recommendations in this report cover liquidity risk management and governance, stress testing and scenario design, and collateral management practices of non bank market participants, focussing on liquidity risks arising from spikes in margin and collateral calls, including under extreme but plausible stressed conditions.

ESRB report

On 3 February 2025, European Systemic Risk Board (ESRB) published its report on a monitoring framework for systemic liquidity risks in financial system. The report outlines a monitoring framework for systemic liquidity risks in the financial system. The framework focuses on two major dimensions of liquidity: funding liquidity and market liquidity.

Funding liquidity captures the ability of financial institutions to obtain funding, while market liquidity captures the ability of market participants to trade financial assets quickly and in large amounts without significant price changes.

The monitoring framework expands the scope of existing frameworks which until now have focused on banks and sovereign bond markets. It will now include non-bank financial intermediaries and additional key markets. It also introduces a new measure to address the propensity for contagion and amplification within the financial system.

10. EIOPA Consumer Trends Report 2024

On 15 January 2025, EIOPA published **the 2024 Consumer Trends Report**.
The report covers both the insurance and the pension sectors, identifying market developments, trends, and risks for consumers and members/beneficiaries.

Some elements linked to occupational and personal pensions in the report:

- **Value for Money (VFM) (Chapter 2)**
  - Limited focus from NCAs on VFM issues in supplementary pensions compared to insurance products.
  - For EU citizens, low costs and good returns are the main factors determining if products provide VFM.

- **Decision-making and digitalisation (Chapter 3)**
  - Digital tools can support the decision-making process from members and benefits, especially as only 55% of participants find it easy to understand their pension schemes and overall pension benefits.
  - Possible risks with digitalisation identified in the report.

- **Trends in uptake of supplementary pensions (Chapter 4)**
  - Only 20% of EU citizens participate in occupational pension schemes and 18% have a PPP.
  - The main regulatory obstacle identified by NCAs is taxation.
  - The chapter also includes a short analysis of the PEPP highlighting that the NCAs agree with the EIOPA's analysis concerning the obstacles to its uptake, which were put forward in the EIOPA staff paper on the PEPP.

- **Governance and risk management in pensions (Chapter 5)**
  - Pension funds' governance is increasingly a focus of NCAs and must be subject to more analysis, according to EIOPA.
  - EIOPA highlights the lack of trust from members in pension funds, despite a small increase compared to 2023. EIOPA suggests improving the alignment between the interests of the governing board with those of the pension scheme's objectives and members and beneficiaries.
  - Good governance must also take into account the ongoing digitalisation and the protection of members and beneficiaries from digital and cyber risks.

- **Developments and trends (Chapter 7) include:**
  - Developments in pension access.
  - Pension market overview on both occupational and personal pensions.

A statistical annex provides:
- A detailed overview of the occupational pension landscape for each country;
- The IORP sector size based on the number of members and AuM;
- Some information on PPPs across MSs.

A heatmap outlines the key findings of the report.
To recall, we sent our informal input on the Consumer Trends Report questionnaire to EIOPA on 17 July 2024.

11. FASTER level 2 and the EP own-initiative report on tax

FASTER

On 10 January 2025, FASTER was published at the OJEU. To recall, the text introduces two systems to tackle cross-border investment barriers, that the Member States can use, either only one of them or both:

- A "relief-at-source" procedure with the relevant tax rate being applied at the payment of dividends or interest;
- A "quick refund" system where MSs have to reimburse the overpaid withholding tax within 60 days.

The text also introduces a common EU digital tax residence certificate (eTRC), while certain MSs still use paperwork as indicated in our press release published in May 2024.

Member states will have to transpose the directive into national legislation by 31 December 2028, and the text will become applicable from 1 January 2030.

In September 2024, the EC started working on level 2 measures as empowered by the level 1 text. In addition, the EC intends to publish guidelines.

The list of level 2 and 3 measures is the following:

- eTRC (Article 4(6) and Annex I) ;
- European Portal (Article 5(8) and Article 5a) + guidelines about registration process ;
- Reporting forms+ communication channels (Article 9(4) and Annex II) + guidelines on how to fulfil the forms and send them via a common interface ;
- Registered owner declaration (Article 11(6)) + guidelines on due diligence ;
- Request form Quick Refund System + communication channels (Article 13(4));
- Request QRS under special provision for indirect investments+ communication channels (Article 13a(6)) ;
- Yearly statistical data for the evaluation process (Article 19(3)) ;
- Delegated act: Regulatory Technical Standards on the methodology for the calculation of market capitalisation ratio (Article 17a).

DG TAXUD mandated its own IT services and some contractors to work on three technical studies:

- Technical study on reporting and QRS forms ;
- Technical study on EU Portal ;
- Technical study on eTRC.

PensionsEurope is a member of the EC large group on FASTER and thus we circulated the three studies to members for comments by 21 February 2025.

EP's own initiative report on tax

In January 2025, the EP FISC commitee started working on a tax initiative report, named: on a coherent tax framework for the EU's financial sector. We understand that MEP Mathias Ecke (S&D, DE) will most likely be the rapporteur. The shadows would be Regina Doherty (EPP, IE), Rasmus Andresen (Greens, DE), and Gilles Boyer (Renew, FR).

On 6 February 2025, the FISC Subcommittee will host a public hearing on that topic with experts invited to '*present and discuss innovative solutions for the taxation of the EU's financial sector that help its further integration, facilitate cross-border operations and foster digitalisation and innovation*'. They will discuss different issues, including the VAT treatment of financial services and the discussions will feed into the EP's own initiative report.

To recall, the mission letter of Commissioner Wopke Hoekstra, responsible for tax topics tasks him to identify "'*innovative solutions for a coherent tax framework for the EU's financial sector that helps further integrate the EU's financial sector, facilitate cross-border operations, and foster digitalization and innovation*".

In September 2024, PensionsEurope already spoke with the consultancy that is tasked by the EC to contribute to the preparation of any tax initiative that may arise from the above-mentioned task. We also invited this consultancy to our working group last October 2024. We will continue working on the topic of the VAT regime for pension funds and we can expect a consultation on VAT topics in Q2 2025.

12. PensionsEurope Annual Conference 2025

The PensionsEurope Annual Conference will take place on **10 April 2025** at the National Bank of Romania (NBR), in Bucharest. The conference is organised together with the support of our Romanian member APAPR.

This year's theme is ''The Way to Better Pensions''. We secured high-level speakers from EIOPA and OECD. The programme will be available very soon.

We sent our invitations to all our members. We kindly ask you to register on our website here, should you wish to participate.