EUROPEAN INSURANCE
AND OCCUPATIONAL PENSIONS AUTHORITY

| Comment template for EIOPA's Consultation Paper on the proposed approaches and considerations for EIOPA's Technical Advice, Implementing and Regulatory Technical Standards under Regulation (EU) 2019/1238 on a Pan-European Personal Pension Product (PEPP) | EIOPA-19-628 29 November 2019 |
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**Please indicate very clearly if you do not consent to the publication of your response.**

**Key**

**The "No" column refers to the ordering of comments received by EIOPA**

**In the "Name" column, respondents should indicate their affiliation and Member State, where appropriate.**

**In the "Reference" column, the topic, section and page number should be inserted.**

**In the "Comment" column, respondents should insert their comments.**

**The "Processing" column i.e. the response to the feedback will be filled out by EIOPA.**

| No | Name | Reference | Comment | Processing |
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| 1. | AAE | Q1. Do you have any comments on the presentation of the information documents? Do you find the preliminary, | The AAE fully supports the text in the blue box on page 7 i.e.<br><br>*The PEPP KID and the PEPP Benefit Statement should provide relevant, simple and understandable information documents that engage consumers to actively plan their retirement savings. The proposals start from the presumption for the PEPP KID and PEPP Benefit Statement to become digital and to use layering of information. For an effective application, consumer and industry testing is particularly important.*<br><br>*Attention needs to be paid to the presentation of risks and performance, which requires tailoring and innovative thinking to address the long-term, pension objective of the PEPP.* | |

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| | | illustrative examples of the mock-up PEPP KID and PEPP Benefit Statements are translating well the outlined objectives? | In particular, we recognise the need to have digital-friendly information, and to provide detailed information in separate webpages which are linked to the page setting out the most important information i.e. a "layering" approach. Of course, it should also be possible to access and print all of the information in a single pdf document.<br><br>We are strongly supportive of consumer testing and industry testing to identify what is "understandable" and "deliverable"; these are more important than actuarial or technical perfection.<br><br>As PEPP will be a long-term product, it is important to ensure that the approach adopted to the presentation of information recognises that long term investment strategy, outcomes and risks are more important than the short term. Whilst consistency with PRIIPs KID requirements (whether the existing ones or any new ones following the current review) would be beneficial, this is not in our view as important as consistency between the PEPP KID and the PEPP Benefit Statement (BS), although noting that the former is generic and the latter personal so there will still be difficulty for the consumer to compare them. It would also be desirable for PEPP BS to be consistent, where possible, with the Pensions Benefit Statement required under the IORP Directive, to enable consumers who have both an IORP benefit and a PEPP to add together the two projected outcomes, so as to get a fair view of their ultimate retirement income (in addition to first pillar pensions).<br><br>Section 2.1 of the document sets out the layout/content of the KID and provides a draft Article xc (p11 et seq) which prescribes the issues to be covered in the KID under "what is this product?". Given the objective to have a KID which can be accessed by mobile devices, there will have to be a compromise between standardisation of the key information and flexibility in how it is communicated, which will develop over time as technology advances.<br><br>EIOPA provided two illustrative examples of KIDs with the consultation paper. We appreciate that these will be refined in the light of consumer testing but we note that as drafted they are not fully consistent with the requirements set out in the draft Article xc. In addition, we consider that some of the wording and the format in which some of the information is provided is likely to confuse consumers, although of course if this is the case it should emerge from the consumer testing exercise. | |

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| | | | Examples:<br>Some of the terminology used is unclear and may not be meaningful to consumers e.g. in Example A<br>In "What is this product?":<br>"This is an individual non-occupational pension product…"<br>"Inflation is partially covered."<br>In "What are the risks and what could I get in return?":<br>"lower than the best estimate outcome"<br>Also, as noted in the text, we would query the "risk indicator" in the table, the inclusion of possible exit penalties in the once-off costs table, the comparison of the past performance with a benchmark which we presume is a risk free rate, and the inclusion of this table under the heading "what could I get in return?" | |
| **2.** | | Q2. Do you agree to approach the areas of risk/ rewards, performance and risk mitigation for the PEPP in a holistic manner? | Yes | |
| **3.** | | Q3. Do you agree to measure the risk inherent in PEPP as the dispersion of pension | The introductory paragraph of Section 2.2 of the document states that "*the main risk of a pension product is the risk of not reaching the individual's retirement objective*".<br><br>We agree with this statement, but would point out that establishing appropriate and realisable retirement objectives for an individual is difficult, and is likely to be even more challenging if the product is sold without appropriate individual personal financial advice. | |

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| | | outcomes and to link it to objective of reaching at least the long-term risk-free interest rate? | EIOPA suggests a number of possible retirement objectives<br>• To recoup the capital invested (less costs and charges)<br>• To protect against inflation i.e. to recoup the capital invested plus inflationary growth<br>• "*to reach a high probability of recouping the inflation-protected capital and to have a good chance to earning additional investment returns and stable future retirement income*"<br><br>We presume that the consumer testing exercise will help to identify what retirement objective is favoured by consumers, although we would expect that an objective which promised (even if this "promise" fell short of a guarantee) downside protection plus adequate and stable retirement income would be well received. We would point out that in order to provide an adequate retirement income, it is necessary to pay an appropriate level of contributions; the investment strategy alone cannot deliver this.<br><br>We note that EIOPA considers that a relevant benchmark for investment returns would be the Ultimate Forward Rate (UFR) used in Solvency II; this is derived annually and is intended to reflect a real (i.e. inflation adjusted) long term "risk-free" rate which is determined on a somewhat subjective basis. We do not agree that this would be an appropriate benchmark, as it is set in the distant future as one point in time value to which the risk-free rate is expected to converge over 50 years. It does not represent the risk-free investment return that is assumed to be earned each year. UFR is intended for a different purpose (i.e. determining technical provisions for insurers) and is subject to review in this context; it would be difficult to explain why a downward reassessment of the UFR for technical reasons led to PEPP holders receiving KIDs or BSs showing lower projected benefits. In addition, it is not possible for a provider to guarantee that the product will earn the UFR as this is not investable.<br><br>Having identified the main risk as "retirement shortfall" (however defined), we support the need to inform the consumer of the merits (and potential downsides) of investing in real assets. We do not think that the consumer should have to understand the concept of stochastic modelling to be able to understand the illustrated dispersion of returns.<br><br>We strongly support EIOPA's proposal to require that 3 scenarios be shown i.e. including a "favourable" scenario as well as the "best estimate" and "unfavourable" required under the Regulation. As we noted in our March 2018 discussion paper, we do not think that "best | |

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| | | | estimate" is a meaningful term for consumers and may indeed be confused with "best possible outcome". We suggest using an alternative term such as the central, middle or median projection or scenario. We also have some reservations about the terms "good weather" and "bad weather" and how these might be illustrated.<br><br>Again, consumer testing will be crucial to enable a method of presentation to be found which illustrates the trade-off between risk and reward, whilst making it clear to the consumer that unless there is a guarantee of a return of capital at retirement, it is possible (with a small probability, although consumers may not have a proper understanding of this concept) that he or she will lose money.<br><br>In this context, the customer should be able to place reliance on the effectiveness of the risk-mitigation techniques (RMTs) underpinning the default/Basic PEPP to minimise this downside risk, which in turn places responsibility on national competent authorities, and EIOPA, to ensure that these RMTs are robust. We agree that stochastic modelling should be used to assess whether the proposed investment strategy is indeed risk-mitigating, although of course there is the additional risk that the stochastic modelling is subject to model and parameters errors.<br><br>We appreciate that the Regulation requires that past performance figures be shown, although it is accepted that past performance is not a guide to the future. We are concerned that in the mock up, this information is shown under the heading "what could I get in return" which suggests that it is indeed a guide to the future. We suggest that past performance information should not be provided in the first layer of information. The illustration in the KID of past performance for lifecycle products, or those which provide for smoothing, will be particularly challenging. In any event, if PEPPs are new products, there will be no actual past performance and the figures provided will be based on back testing, which is not ideal and may not be meaningful.<br><br>EIOPA proposes to compare the past performance figures with the UFR which we do not consider to be appropriate for the reasons outlined earlier in relation to using UFR as a benchmark. It may be that the intention is to use the risk-free rate, rather than the UFR, as the term over which past performance is measured is relatively short; our preference would be to use a benchmark relevant to the product design e.g. an equity index for a lifecycle product | |

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| | | | where there is a long term to maturity. We would also question the relevance of providing past performance figures for a 1 year and 3 year period for a long-term product; we note that the Regulation refers to "performance of a minimum of 10 years".<br><br>EIOPA states that "*The summary risk indicator should link the riskiness of the investment option to the relative deviation of the projected pension projection from the best estimate result*". In our view, combining the investment risk and the shortfall risk into a single indicator is confusing and may not be understood by consumers. We consider that the risk indicator should focus on the long-term investment risk, and the illustration of the dispersion of the expected outcomes will illustrate the likelihood of a shortfall relative to the expected/desired retirement income. Moreover, the SRI has different meaning in the KID for PRIIPs, so using the same terminology is not advised, although we recognise that this term is used in the Regulation.<br><br>We agree that it is desirable to use a different approach to risk indicators to the numerical scale in the PRIIPs KID in order to make it clear that the risk being measured is different. We have no strong views on how the risk indicator should be presented but would recommend that the various approaches suggested are consumer tested. | |
| **4.** | | Q4. To ensure consistency in the application and comparability of the information on past performance, performance scenarios, pension projections, | Yes. We support the use of standardised inputs and assumptions based on "risk-free" interest rate plus risk premia based on historic data which would be determined by EIOPA. However, as noted earlier, we do not think that the UFR should be used for this purpose.<br><br>We recognise that inflation is not homogenous across Europe, or even across the Eurozone, and that it is necessary to strike a balance between providing meaningful information and complexity. The proposal that "*PEPP providers shall employ the headline inflation projections provided by the European Commission or by the MS Central Bank for the short run … for the countries for the correspondent currencies of the relevant financial amounts and then assume the corresponding inflation target for the remaining periods*" seems reasonable, although we would also be comfortable with the use of the long term target for the entire projection period, except where the period is short. It should be made clear that inflation is not a product feature but an external factor. | |

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| | | summary risk indicator and to assess the effectiveness of the applied risk-mitigation techniques - do you agree for EIOPA to set the key assumptions and inputs used for the necessary stochastic modelling? | | |
| **5.** | | Q5. Do you agree that PEPP's product supervision requires one set of relevant information to carry out the duties of home and host supervisors | No comment | |

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| | | as well as of EIOPA? | | |
| 6. | | Q6. Do you agree with the 'all inclusive' approach to the Basic PEPP's cost cap? Do you agree that the capital guarantee is a distinct feature, which costs should not be included? | AAE is fully supportive of full disclosure of costs of administration, distribution and investment as described in the consultation document.<br><br>AAE also believes that the consumer should be provided with information on any amounts which are applied to provide any guarantee of return of capital, and any biometric risk cover. This may be straightforward to determine in some circumstances, but we recognise that for some insurance products it may not be practical to identify the "cost" of the guarantee and any figures provided might be misleading. The most important issue is that all of the costs are reflected in the projection of benefit outcomes (see below).<br><br>To avoid confusion, we suggest that the term "cost" is not used for these items as the amounts are in effect premiums paid for these product features. Whilst it is true that in a lifecycle approach, the impact of the disinvestment out of the higher risk/return assets into the lower risk/return assets approaching retirement is an "opportunity cost", we consider that opportunity costs fall outside the scope of the requirement.<br><br>However, the impact of all of these costs, charges and features (whether inside the 1% cap or otherwise) should be captured in the projection of future outcomes in the risk/reward section of the KID.<br><br>The Regulation requires that the KID sets out costs in monetary and percentage terms, broken down between one-off and recurring costs, and the consultation document gives an illustration of a possible approach. We do not think that it is desirable to include the cost of early withdrawal in this table as this will not arise in many cases; it is important that the consumer is aware of the potential costs of early withdrawal but we consider that this should be disclosed separately with an appropriate narrative.<br><br>It is not clear what the amounts or percentages in the table represent; are these costs in year 1 or an annual average over the lifetime of the product? We consider that the latter would be more appropriate. | |

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| | | | Overall, we consider that the table illustrated may be confusing to consumers and we recommend that various approaches are consumer tested. We suggest that consideration be given to having a brief outline of the charges in layer 1 with more detail in lower layers for those who wish to have it.<br><br>The BS must show the impact of costs on the projected outcome. In our view, the reduction in yield approach is more meaningful than the proposed reduction in wealth approach, which depends, for example on the term of the product.<br><br>The Regulation requires that, for the Basic PEPP, there is a cost cap of 1% of accumulated capital per annum.<br><br>We agree with EIOPA's view that the "costs" of any guarantee or biometric risk coverage should not be included in determining the costs for this purpose. It will, therefore, be important that the amounts attributed to these items are fully disclosed and transparent and calculated in a consistent manner across entities / countries, so that it is not possible to "hide" other costs under these headings and thereby circumvent the cap.<br><br>The costs of distribution include advice, and it may be challenging to provide the saver "*with a personalised recommendation explaining why a particular PEPP, including a particular investment option, if applicable, would best meet the PEPP saver's demands and needs*", as required under Article 34, within the cost constraints, even where that the Basic PEPP is as simple as possible. Simplicity would facilitate the use of robo-advice which would help to keep costs down, although we would question whether this is sufficiently developed in the market to remove the need for some human interaction with the customer. | |
| **7.** | | Q7. Which criteria should be added to foster the application | The AAE believe that there are two fundamental principles that the criteria should satisfy<br><br>1. Consistent and applicable to all RMTs<br>2. Able to be communicated and communicated appropriately<br><br>The criteria then need to consider:- | |

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| | | and development of superior risk-mitigation techniques? Which research and learnings should EIOPA consider in its further work? | a) What risk is being mitigated?<br>b) How effective is the mitigation?<br><br><u>Consistency</u><br>The PEPP Regulation gives three examples of RMTs<br>i) Life-cycling<br>ii) Establishing reserves which are allocated in a fair and transparent manner to mitigate losses<br>iii) Guarantees<br><br>The minimum criteria should be consistent across these and any other types of RMTs. Indeed, we believe that a technique should be regarded as being an acceptable RMT not through being able to be defined as falling into one of these categories, but rather because it meets a set of agreed criteria.<br><br>If there is a lack of consistency, then this will lead to arbitrage. It will not be in consumers' best interests if different approaches are preferred by providers based on arbitrage between criteria. Nor will it lead to confidence in the PEPP system if different types of providers are arguing about the effectiveness of their approach based on non-level playing fields.<br><br><u>Communications</u><br>The RMT needs to be understood and trusted. This makes it important that providers are able to communicate how their RMT meets the required RMT criteria. If this is not possible then it will lead to mistrust of PEPP solutions and in the extreme increase the risk of mis-use of the criteria.<br><br>*Layering*<br>One of the challenges within communication is the range of stakeholders that will be recipients of the information, e.g. consumers, advisers, regulators. Each different type of stakeholder might be expected to have different levels of understanding of pensions and financial products and also have different purposes for the information. | |

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| | | | EIOPA has recently been advocating a layering approach to communications, and the AAE is supportive of this layering approach being adopted for the communication of RMTs and how they meet the required minimum criteria.<br><br>For example, in describing the level of risk attached to a particular RMT regulators and advisors may be interested in seeing the detailed methodology and assumptions used to assess the risk and in being provided with some statistical output (e.g. means, variances, distribution functions) that measure the risk. In contrast it may be more appropriate to provide consumers with some simpler form of presentation which help a consumer better understand the risk.<br><br>*Enable choice of RMT*<br>From the discussions on PEPP to date it is clear that different parties have different views on the effectiveness and appropriateness of different types of RMT. The AAE believe that appropriate communication can help to remove the noise in this area.<br><br>If consumers and advisers receive effective communication on how an RMT works, what risks it mitigates and the level of effectiveness of this mitigation then consumers and advisers can make an informed choice on what RMT is best suited for their needs.<br><br><br>Risk Being Mitigated<br>There are various potential options as to the risk that is to be mitigated, e.g.<br>i) Return of capital in nominal terms<br>ii) Return of capital in real terms<br>iii) Return such that the fund can purchase a minimal level of income<br>iv) Return such that the fund can meet a minimal level of income through phased withdrawal/drawdown<br><br>Article 45 of the Regulation states that "*The Basic PEPP shall be a safe product representing the default investment option. It shall be designed by PEPP providers on the basis of a guarantee on the capital which shall be due at the start of the decumulation phase and* | |

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| | | | *during the decumulation phase, where applicable, or a risk-mitigation technique consistent with the objective to allow the PEPP saver to recoup the capital."*<br><br>Article 46 of the Regulation sets out the objective of risk-mitigation techniques *"to ensure that the investment strategy …is designed in order to build up a stable and adequate individual retirement income …and to ensure a fair treatment of all generations of PEPP savers."*<br><br>In turn each of the above can be impacted by market risk (volatility), credit risk (risk of default) and liquidity risk (which can impact ability to pay out).<br><br>There are various pros and cons of each approach. | |

| Risk being mitigated | Pros | Cons |
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| **Return of capital in nominal terms** | • Easy to understand<br>• Simple to measure<br>• Objective measure<br>• Consistent with article 45's reference to recouping capital | • Does not match consumers exposure to inflation risk<br>• References a lump sum amount rather than article 46's stable income measure |
| **Return of capital in real terms** | • Matches better consumers exposure to inflation risk<br>• Consistent with article 45's reference to recouping capital | • More difficult to understand<br>• More difficult to measure<br>• References a lump sum amount rather than article 46's stable income measure<br>• What measure of inflation?<br>• Inflation rate can vary from one EU country to another |

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| ***Ability to purchase a minimum level of income and/or to drawdown a minimum level of income*** | • Matches consumers need for retirement income<br>• References article 46's stable income measure | • Conceptually very difficult for consumer to translate an accumulating fund value to a protected level of income<br>• Not consistent with article 45's reference to recouping capital |

The AAE's belief is that the Return of Capital in Nominal terms is likely to be most suited to the basic PEPP given article 45's reference to recouping capital and the likely consumer profile for the product pointing to a risk that is most simple to understand.

However, the AAE believe that mitigation any of the above risks has merit and it should be permitted for providers to design solutions that can be described as RMTs that mitigate any of these risks. Referring to the "Communications" section above the important element is that a consumer (and adviser etc.) are effectively informed of which of these risks is being mitigated and how effective is it in doing so.

<u>How effective is the mitigation</u>
Having established the risk that the RMT is aiming to mitigate, it is then important to determine how effective is the technique in achieving this goal. The following elements need to be considered:-
i) The statistical measure used to assess the risk?
ii) The quantum, level of acceptable risk mitigation?
iii) The method for calculating whether the RMT effectively meets the required level of mitigation

*Statistical Risk measurement*
There are various options as to the risk measure, e.g.
a) Spread of potential returns (e.g. volatility, standard deviation)

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| | | | b) Percentage of likely scenarios returning less than a certain amount (e.g. Value at Risk ('VAR'))<br>c) Average value of scenarios returning less than a certain amount (e.g. Tail VaR/Conditional Tail Expectation ('CTE'))<br><br>A paper produced by the OECD[1] concludes that a regulator should be most interested in the level of return associated with the worst possible outcomes, rather than the standard deviation of returns, which appears to be EIOPA's focus based on the inclusion of a "deviation of returns" RMT objective within the consultation document. It is the AAE's view that consumers would also be most interested in level of return associated with the worst possible outcomes. This points to either a VaR or CTE measure. There are pros and cons of each approach. The VaR is conceptually easier providing a measure of the probability of a "bad event". However, CTE gives a better indication of how bad it is likely to be if the "bad event" happens. The AAE has no very strong views on which of these measures would be more appropriate but would tend to favour a measure that is easier for a consumer to understand over academic debate about the technically more appropriate approach. This is likely to be the VaR measure, however, we believe that EIOPA may want to consider some consumer testing before landing on a final decision.<br><br>*Quantum of Acceptable Risk*<br>If we suppose that a VaR measure is preferred then the next step is to consider what minimum quantum should be attached to the VaR measure, i.e. a 95% VaR of loss of nominal capital would indicate that there is 5% probability of the RMT resulting in the consumer not getting their capital back.<br><br>The acceptable quantum of risk is ultimately a public policy issue and therefore not one for the AAE to give judgement on. However, the AAE would be willing to perform further analysis to help EIOPA arrive at their preferred maximum quantum of risk. | |

[1] OECD Working Papers on Finance, Insurance and Private Pension No. 2: Assessing Default Investment Strategies in Defined Contribution Pensions Plans

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| | | | When considering the quantum of risk, it is necessary to consider the time horizon over which to measure the risk. The most natural time horizon is a forward-looking measure from "present day" to the expected retirement date. "Present day" reflects that risk mitigation techniques are concerned with mitigating future risk and cannot be expected to mitigate events that have already occurred. Whilst the natural future time horizon is the expected retirement date, EIOPA should consider whether there is value in also (or alternatively) considering the risk over shorter or longer time horizons, e.g. to reflect early or late retirement.<br><br>Some countries' regulations already permit pension holders to take retirement within a range of minimum and maximum dates whereas others are more restrictive, both within employment contract law and pensions regulations. Retiring later than expected can be regarded by some as being itself a risk mitigation technique - if the PEPP fund is less than expected at the expected retirement date then the ability / option to defer retirement can provide time for markets to correct and/or further contributions to be made. The ability to late retire as a risk mitigation technique will be relevant in countries that allow the possibility to stay invested in products e.g. income drawdown solutions beyond retirement age and/ or allow accumulation beyond the standard normal retirement age.<br>The AAE would be cautious in not wanting to over-complicate matters however if EIOPA believe that deferring retirement may be an acceptable risk mitigation technique then it should consider this further within any further calibration work on determining the correct quantum of risk.<br><br>*Calculation Methodology*<br>There are a number of different approaches that can be used in assessing whether an RMT meets the required minimum risk criteria. E.g.<br>a) Past performance (and a decision over what 'past performance' period is needed here)<br>b) Monte Carlo simulations: A stochastic model should be chosen which is neither too complex nor too simple[2]. | |

[2] PRIIP has shown us that too simple methodology can be quite misleading. E.g. the use of bootstrap methodology resulted in overly procyclical results. Models should not just project the recent past into the future.

c) Scenario analyses: Suitable scenarios have to be chosen which illustrate possible risks and how the RMT mitigates those. Scenarios need to fit the product characteristics.

d) Simple deterministic approaches based on 'averages' for each of the variables e.g. assumed returns

All of these different approaches have pros and cons and have advocates and detractors.

The AAE's main recommendation is that to avoid arbitrage the calculation methodology is consistent across all RMTs. In addition, it would be beneficial if the approach was also consistent across all countries.

| Methodology | Pro | Con |
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| **Past Performance** | • Easy methodology for market traded product<br>• Easy to understand | • No methodology for with-profit products<br>• Only one scenario. For path-dependent products this can be misleading<br>• Survivorship bias<br>• Does not deliver quantum / threshold? How is a probability of a loss calculated? |
| **Simulations** | • Large number of scenarios<br>• Consistent approach across all product types and RMT possible -> comparability | • Need for calibration (and regular updates for calibration)<br>• Who calibrates?<br>• What are the underlying market assumptions (calibration)?<br>• Implementation costs |

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| **Scenario analyses** | • Relatively easy to implement<br>• Easy to understand | • Who generates scenarios?<br>• What are the underlying market assumptions (calibration)?<br>• What is the right number of scenarios?<br>• Who decides on scenarios?<br>• Does not deliver quantum / threshold? How is a probability of a loss calculated or how many scenarios are needed to give meaningful results? |
| **Deterministic approach** | • Easy to implement<br>• Easy to understand | • Who determines the assumed returns?<br>• What are the underlying market assumptions?<br>• Many risk mitigation algorithms (like CPPI) cannot be tested on constant scenarios.<br>• Does not deliver quantum / threshold? How is a probability of a loss calculated? |

An assessment of the different approaches is not considered further within this response however the AAE would be very happy to provide thoughts on this matter as follow up work.

*Ongoing Assessment*
An RMT should be subject to ongoing assessment as to its appropriateness for future new policies.  This is consistent with article 25 of the Regulation which requires PEPP providers to "*maintain, operate and review a process for the approval of each PEPP.*"  The method for

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| | | | reviewing the appropriateness of an RMT should be consistent with the approach used for its initial approval. I.e. risk being mitigated, measure of risk and calculation methodology.<br><br>**<u>Criteria or Principles for Lifestyling Approaches</u>**<br><br>The AAE believe that Lifestyling approaches should not have "special" criteria but rather that the minimum criteria for all RMTs (as discussed above) should apply equally to Lifestyle strategies. This is in keeping with the AAEs views that the criteria should be applied consistently across all RMTs and that these criteria should be sufficiently flexible to accommodate not only the three types of RMTs described in the PEPP regulations but also to accommodate different or hybrid versions that may emerge over time.<br><br>**<u>Conclusion</u>**<br>The AAE believe that the criteria for RMTs should put the consumer at the centre and be described in terms of the impact on the consumer rather than the mechanics of the RMT itself.<br><br>As such the criteria should be <u>output</u> measures rather than <u>input</u> descriptions. | |
| **8.** | | Q8. Do you have any comments on the draft Impact Assessment? Do you have any evidence which could further enrich the draft Impact Assessment? | No comments | |

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| **9** | | Q9. Do you have any other general comments to the proposed approaches? | None | |
| **1** | | Q10. Do you have any views on the opportunities for PEPP in a digital environment, for example regarding digital information provision and online distribution? | We recognise the need to have digital-friendly information, and to provide detailed information in separate webpages which are linked to the page setting out the most important information i.e. a "layering" approach. Of course, it should also be possible to access and print all of the information in a single pdf document.<br><br>The costs of distribution include advice, and it may be challenging to provide the saver "*with a personalised recommendation explaining why a particular PEPP, including a particular investment option, if applicable, would best meet the PEPP saver's demands and needs*", as required under Article 34, within the cost constraints, even where that the Basic PEPP is as simple as possible. Simplicity would facilitate the use of robo-advice which would help to keep costs down, although we would question whether this is sufficiently developed in the market to remove the need for some human interaction with the customer. | |
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