

Pension Institutions' Contribution to Financial Stability and Economic Growth

Work of EIOPAs Financial Stability Committee (FSC)

*Patrick Darlap
Frankfurt, 16/11/2010*

On the plate:

1. The new stability agenda
2. Vulnerabilities of pension fund stability
3. Dependence of market stability on pension fund action
4. EIOPA work

The Financial Stability Landscape

- National Supervision
- EIOPA and the other European Supervisory Agencies (ESAs)
- European Systemic Risk Board

Closer attention to Pension Funds

- Consumer protection policy of the EC
 - Significance of funded pensions increases across the board
 - Importance ranging from 20 to 60 percent 40 years from now
- Macro-stability concerns of the ESAs and the ESRB
 - Size of the sector is significant for some countries with AUM equalling GDP
 - Customer confidence and long term economic cycle considerations

Workplan 2010

- Autumn Financial Stability Report
 - Half-yearly report on Pensions included
 - Pensions qualitative and quantitative
- Lessons learned from the 'national measures'
- Input to 3L3 report on cross-sectoral risks
- Preparing for EIOPA

EIOPA Mandate

New EU supervisory architecture – FSC tasks

- Stress-Testing (Art. 12b): Initiate and coordinate European-wide assessments of the resilience of financial institutions to adverse market developments
- Risk Dashboard (Art.12a(2)): Monitor and assess market developments
- Identify systemically relevant institutions (Art. 12b)
- Regular Stability Report (Art.17): EIOPA database
- Exchange of information with Systemic Risk Board (ESRB)

Workplan 2011

Descriptive Work

- Structural Report on the (Re)insurance and Occupational Pensions Markets.
- Database – Financial Stability Reporting.

Workplan 2011

Individual Entity Risk / Products

- Post-Crisis Risk Map.
- Guarantees.
- Securitisation.

Workplan 2011

Systemic Risk

- Development of systemic risk dashboard.
- Assessment of systemic relevance.
- Contagion within/from/towards the (Re)Insurance and Occupational Pension Funds Market.
- Stress-Testing Framework.

EIOPA Stability Assessment Issues

- DC vs. DB in shock absorption
 - DC schemes not the prevalent scheme in important countries (DE; NO; PT; NL; FI; UK; BE; LU)
- Asset management strategies market impact
 - procyclicality of valuation-driven asset management
- Pro and con of fair valuation rgd. funding levels:
 - interest rate movements and cover-ratio volatility

To Do

Foster cooperation in stability issues (consultative panel) for a well-informed ESRB debate.

Have issues addressed on a sound information basis.

Thank you

*www.ceiops.eu
patrick.darlap@fma.gv.at*