



Centre for European Policy Studies · European Capital Markets Institute
Work Plan and Registration Form of a CEPS-ECMI Task Force

SUPPORTING LONG-TERM INVESTING AND RETIREMENT SAVINGS

Chaired by Allan Polack, CEO of Nordea Asset Management

First meeting: 29th October 2012 (confirmed) · 11:00-17:00 · Brussels

The Centre for European Policy Studies (CEPS) and the European Capital Markets Institute (ECMI) are launching a new Task Force on long-term investing and the single market for long-term savings, with a focus on economic growth and the provision of adequate retirement incomes.

CEPS and ECMI wish to engage market participants, together with international experts, academics and regulators, in a discussion on long-term investing and long-term saving products, including private retirement savings. The purpose of this Task Force is to bring together a diverse group of stakeholders and deliver a list of policy recommendations to strengthen both (a) the single market for long-term savings, including private retirement savings, and (b) long-term investing in Europe, given its role in promoting growth and ensuring the provision of adequate retirement income.

The debate on these issues is gathering momentum prompted by the need to stimulate capital markets as a driver for growth in Europe, while strengthening the economic and social coordination of its member states. This Task Force comes at an opportune time, given the upcoming Green Paper on long-term investing and following the release of a White Paper on pensions earlier in 2012. One of the initiatives announced is the revision of the Directive on occupational pensions (IOPR Directive). It also comes at the right moment to take stock of the impact of Solvency II and other prudential rules on the ability of institutional investors to invest long-term but early enough to inform the process of implementation and phasing-in of these rules. In addition, the Task Force will feed into the legislative processes related to the Single Market Act and investor protection.

The ability of retail and institutional investors to access long-term investment opportunities is crucial to foster much-needed growth and competitiveness in Europe, as well as to provide for adequate, safe and sustainable pensions for its citizens. This Task Force will contribute to this debate by following a holistic approach and putting forward practical policy recommendations.

This prospectus contains a description of the objectives of the Task Force, invited stakeholders, work plan and background. To join this project, fill in the registration form at the end of this brochure.
For any questions contact, Research Fellow, Mirzha de Manuel at mirzha.demanuel@ceps.eu.

AT A GLANCE

Objectives

To explore:

- ✓ The market for long-term savings, including private retirement savings
- ✓ The link between long-term investing, economic growth and pension provision
- ✓ The impact of current or forthcoming legislation on the ability to invest long-term
- ✓ The reconciliation of short-term strategies with long-term investment horizons

To deliver:

- ✓ A targeted list of policy recommendations for legislators, regulators and industry
- ✓ A background report, drafted according to CEPS-ECMI's high academic standards
- ✓ A forum for policy-makers, experts and industry to discuss these issues

Invited Stakeholders

The following stakeholders are invited to join this Task Force (see below):

- | | |
|------------------|-------------------------|
| ✓ Insurers | ✓ European institutions |
| ✓ Pension funds | ✓ National governments |
| ✓ Asset managers | ✓ Experts from academia |

Other participants with a stake in long-term investing and retirement income provision, whether from an industry or consumer perspective, are welcomed to participate. CEPS-ECMI Task Forces usually benefit from the participation of national and international authorities and regulators as «observers», including the European Commission.

Timeline

The inaugural meeting will take place on 29th October 2012. A total of four meetings will take place until February 2012. A final report will be launched in the second half of 2013.

Methodology

CEPS-ECMI Task Forces are processes of structured dialogue among stakeholders, backed by the independent research and analysis of Europe's top think-tank. Based on the research agenda outlined in this prospectus, CEPS-ECMI will organise a number of private meetings for Task Force members, with the participation of academics, regulators and policy-makers. Based on the discussions at these meetings and its own independent research, CEPS-ECMI will publish a final report and the set of policy recommendations agreed by members.

Team

The research related to this Task Force will be carried-out by Mirzha de Manuel, Research Fellow and Karel Lannoo, Senior Research Fellow. The Task Force will be chaired by Allan Polack, CEO of Nordea Asset Management. Their biographies are found on page 5.

How to Join

To join please follow the instructions on page 8 and submit the form on page 9.

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SCHEDULE AND CONTENT OF MEETINGS

Meeting 1 – Monday 29th October 2012 (CEPS-Brussels, confirmed)

Key topic: Role of private retirement savings across member states

Research questions:

- ✓ Position of «complementary private retirement savings» in national pension systems
- ✓ Categorisation of second- and third-pillar pension products: commonalities and differences
- ✓ Role of other long-term saving products
- ✓ Anticipating the future needs of retirees: which product for which need?

Meeting 2 – Friday 7th December 2012 (CEPS-Brussels, confirmed)

Key topic: Fostering the single market for long-term saving products

Research questions:

- ✓ Level of integration of the single market for long-term saving products
- ✓ Problems referred to taxation
- ✓ Comparability of long-term saving products
- ✓ Promotion of competition in the market for long-term saving products

Meeting 3 – Thursday 17th January 2013 (CEPS-Brussels, confirmed)

Key topic: Reconciling market practices with long-term investing

Research questions:

- ✓ Use of short-term strategies with a long-term horizon
- ✓ Impact of speculative positions on buy and hold strategies
- ✓ Shortcomings of modern portfolio theory and its alternatives
- ✓ Product design, marketing and disclosure

Meeting 4 – Thursday 14th March 2013 (CEPS-Brussels, confirmed)

Key topic: Reconciling regulation with long-term investing

Research questions:

- ✓ The role of institutional investors in long-term investing and pension provision
- ✓ Impact of Solvency II on insurers and a possible extension of Solvency II to pension funds
- ✓ Impact of mark-to-market accounting
- ✓ Impact of discussions on 'shadow banking'

Launch Event – Second Half of 2013

Presentation of the Task Force report to policy-makers, media and the public

Presentation of the policy conclusions and recommendations and the main contents of the final report at CEPS Brussels, followed by a panel discussion with experts, industry and policy-makers.

OBJECTIVES

(1) To explore the market for long-term saving products, including complementary private retirement savings

In its 2012 White Paper, the European Commission identifies «complementary private retirement savings» as a key instrument to support pension adequacy and fiscal sustainability in the coming decades. Advancing the single market for these products holds the potential for efficiency gains so far largely untapped. Further market integration would stimulate competition and generate economies of scale, thereby encouraging innovation, facilitating risk diversification and delivering lower costs, that is, potentially higher returns net of fees for investors.

The Task Force will look at a number of member states and product solutions to illustrate: (a) the position of complementary retirement savings in national pension systems and (b) the range of product solutions available and their chief characteristics, in order to identify best practices.

The Task Force will also explore a range of potential policy actions to improve the functioning of the market for long-term saving products, and in particular in order to: (a) increase the level of integration of the single market, (b) stimulate competition and lower costs, and (c) improve pre-contractual disclosure and investor protection in the sale process.

(2) To explore the link between long-term investing, economic growth and the provision of adequate, safe and sustainable retirement incomes

Managed by institutional investors in the interest of end beneficiaries, pensions and long-term savings represent a market force with positive externalities in supporting economic growth and competitiveness. Long-term investment strategies are ultimately the best placed to generate the returns needed to meet long-term liabilities. The Task Force will explore the ways in which wider access to long-term savings products can facilitate economic growth and potentially generate superior returns.

(3) To explore the impact of current or forthcoming legislation on the ability to invest long-term

The adoption of Solvency II for insurers, and its possible extension to other institutions, is expected to have a material impact on allocation across asset classes and maturities. The Task Force will explore these effects and put forward concrete policy proposals to reconcile regulation with long-term investing. The input will feed into the discussions that will follow the Green Paper on long-term investing that will be published in the fall of 2012.

(4) To explore the reconciliation of short-term strategies with long-term investment horizons

Short-term strategies in financial markets, coupled with regulatory and accounting requirements, undermine the ability of institutional investors to invest long-term in line with their liabilities. Some market players and practices may induce downward pressures in prices that, while not justified by economic fundamentals, may force institutional investors into unwanted sales, to the detriment of the end beneficiaries. The Task Force will consider how to mitigate the impact of short-term volatility on long-term investing.

DELIVERABLES



(1) A targeted list of policy recommendations for legislators, regulators and industry

Building on the discussions during Task Force meetings and the input provided by members, the team of CEPS-ECMI researchers will put forward a set of policy conclusions and recommendations, to be reviewed, refined and finally approved by the Task Force members. Drafted in a concise and actionable manner, this set of conclusions will serve as the executive summary to the final report of the Task Force.

(2) A background report, drafted according to CEPS-ECMI's high academic standards

Based on their own independent research, CEPS-ECMI researchers will draft a final report (background study) on the issues highlighted in this research proposal and discussed during Task Force meetings. The final report will be drafted following high standards of academic excellence and will benefit from the extensive experience of CEPS and ECMI in policy-oriented research. The report will have a length of between 100 and 175 pages and will be preceded by the set of policy conclusions and recommendations agreed by Task Force members.

The final report will be made available for free download from the CEPS and ECMI websites, SSRN and other web platforms, to ensure maximum exposure in expert and policy circles. In addition, printed copies of the report will be sent by mail to key policy-makers, industry practitioners and experts around Europe. The report will also be available for sale in printed format via the CEPS Online Bookshop and in electronic format via the web merchant Amazon.

The report will be presented at a public event in Brussels, featuring a panel discussion with key policy-makers, industry practitioners and media. Additional presentations of the report may be arranged in other European capitals.

(3) A forum for policy-makers, experts and industry to discuss issues of common concern

CEPS-ECMI Task Forces benefit from the participation of public officials from the European institutions, as well as national governments and agencies. In organising a Task Force, CEPS and ECMI pay particular attention to the balance of the interests represented and strive to gather the widest possible variety of stakeholders around the table, to ensure the quality and integrity of the research process.

TEAM AND METHODOLOGY

Chairman

The chairman will steer the discussions and contribute with his experience to the project's success.



Allan Polack

Allan Polack is CEO of Nordea Asset Management since 2007 and former CEO of Nordea Life & Pensions (2002-2007). With over twenty years experience in banking, life insurance and asset management, Allan Polack holds a M.Sc. in Economics and Business Administration, next to an Advanced Management Program from INSEAD. Nordea Asset Management is an international asset management firm based in the Nordics, with over € 130 bn AuM.

Rapporteurs

The «rapporteurs» are CEPS-ECMI researchers in charge of configuring and leading the research agenda, organising the Task Force meetings and drafting the final report.



Karel Lannoo

Karel Lannoo leads the three units working in financial markets at CEPS and has been the CEO of CEPS since 2000. Having published extensively on topics such as asset management, MiFID and economic governance, he will bring to this Task Force his exceptional expertise on financial markets, regulation and institutional design. Karel Lannoo is also an independent director at the BME Group, the company which runs the Spanish stock exchanges.



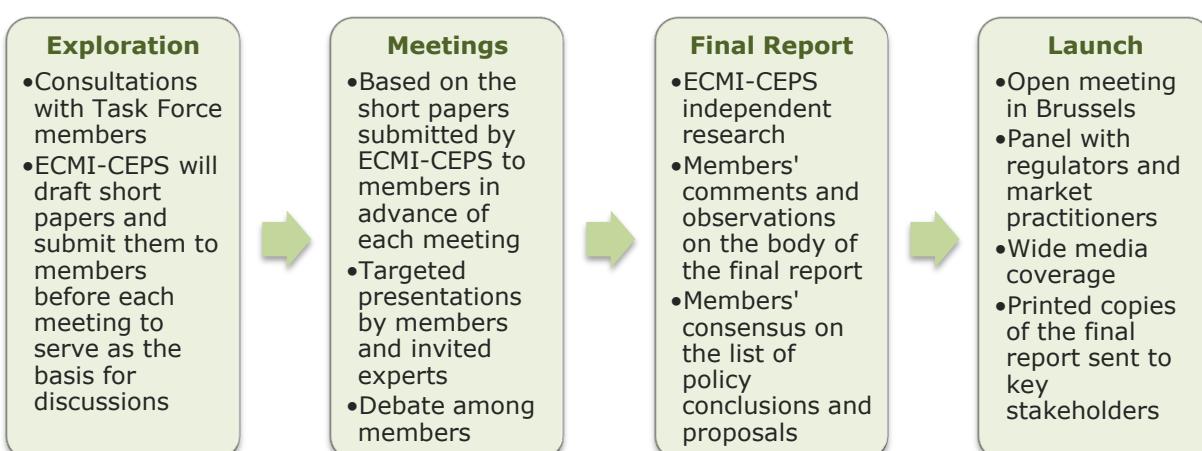
Mirzha de Manuel Aramendia

Mirzha de Manuel has proven expertise in the regulation of the asset management industry and has published on its links with financial stability, investor protection, product integrity, long-term and responsible investing. A frequent contributor to the FT on these issues, Mirzha earned an MA in European Economics from the College of Europe and is a qualified lawyer from the Bar of Madrid.

Excellence in Research

CEPS and ECMI have a multidisciplinary approach to their research, drawing from a team of experts in the fields relevant to this Task Force (functioning and regulation of financial markets, EU policy, macroeconomics). The experts of CEPS and ECMI are scholars and market practitioners who have significantly influenced the debate in European regulation over the past years. CEPS and ECMI also coordinate a large number of networks specialised in policy analysis, covering the EU27 and beyond, which can support the Task Force work and the drafting process.

Methodology



See annex for further reference as to the functioning of CEPS-ECMI Task Forces.

BACKGROUND

- **Long-term investing in Europe**

Long-term investing is essential for the economy since it directs resources towards those activities whose pattern of return is more skewed towards the long-term and therefore cannot be undertaken under short-term financing constraints. Activities such as innovation, research and development or infrastructure development are frequently characterised by the uncertainty of their short-term profitability but also by their potential to generate outsized returns in the long-run and many positive externalities. Investing long-term is in line with the horizon of the liabilities borne by some investors such as the provision of retirement income and others. However, its positive externalities benefit society in general by supporting economic growth and competitiveness (OECD, 2011). Moreover, long-term investors contribute positively to financial stability to the extent that they behave counter-cyclically by holding onto their investments in times of market stress and avoiding fire-sales or profiting from falling prices to increase their strategic stakes (WEF, 2011).

Prudential regulation may discourage long-term investing by imposing higher capital requirements on certain asset classes, coupled with heavier compliance burdens — for instance risk-adjusted capital charges are higher for equity than for high-grade corporate bonds under the Solvency II framework (BIS, 2011). Mark-to-market accounting also undermines the ability of institutional investors to hold onto their investments in stressful market circumstances. Is there a better equilibrium to be found?

- **Pension provision in Europe**

Pensions and pension reforms have attracted the attention of European policy-makers for some time, due to the changing demographic situation in most member states, which will become even more acute in the coming decades. As a result, in the past two decades, a number of member states have made substantial reforms to their public pension systems in order to increase their long-run sustainability. Overall, these reforms have tended to increase the emphasis on the multi-pillar nature of national pension systems: an increase in the role played by occupational pension schemes and individual pension savings in providing an adequate pension after retirement.

The crisis environment since 2008 – with the financial crisis and the subsequent and ongoing debt crisis – has brought renewed focus on the issue of pension provision and pension reforms. The continued deterioration of the fiscal and debt positions for a majority of member states means that pillars other than statutory public pensions will have to deliver a larger share of pension income in the future.

Public pension provision is the responsibility of member states. However, several issues surrounding the pension pillars within member states are related to or directly interfere with EU regulations and Council decisions. These include the functioning of the internal market for services in terms of cross-border provision of third pillar pension schemes, the internal market for labour in terms of portability of accrued second-pillar occupational pension rights, the requirements of the Stability and Growth Pact and the «six-pack» measures in terms of sustainability of public finances —not to mention member states' adherence to the Europe 2020 targets, notably, in terms of reducing poverty.

Against this background, the European Commission launched a consultation process in 2010 by publishing a green paper entitled «Towards adequate, sustainable and safe European pension systems». This was followed up by a white paper on the same issue published in February 2012. These two documents highlight a number of relevant issues: (a) strengthening the internal market for pensions, (b) supporting labour market flexibility, (c) improving consumer information and protection, (d) best practices for promoting adequate supplementary pensions, and (e) transparency of pension rights accrual. Which way forward?

JOINING THE TASK FORCE

Participation in the Task Force is subject to a fee to cover the organisational expenses. CEPS and ECMI members are entitled to a discount. Discounted fees will be considered for non-members if they decide to become a member of CEPS and/or ECMI.

The fee covers:

- The research carried out by CEPS and ECMI for the purpose of this Task Force
- Organisational, catering and other costs of all meetings
- Web access and documentation
- Launch of the final report in Brussels in a public event to maximise exposure
- Press release and communications management
- Printing and editing costs of the final report
- Distribution of the final report to key stakeholders in industry and policy-making
- Three printed copies of the final report per member (mailing included)
- It does not cover travel and accommodation costs for Task Force members

Upon request, CEPS and ECMI will mail additional copies of the final report to members, at their expense. The final report will be launched at a public event in Brussels, open to the press, with the presence of high-level policy-makers and market participants. Additional launch events in other European capitals may be organised, if sponsored by members.

Fee Structure (+21% VAT if applicable)	
CEPS Corporate Members	€ 2,000
ECMI Members	€ 2,500
Non-Members	€ 7,000
Academics	€ 500 [upon request]
Policy-makers	Free of charge [upon request]

Discounted fees for this Task Force will be considered for non-members if they decide to become member of CEPS and ECMI.

To join the Task Force Group, please fill in the application form in the next page. If you have any questions do not hesitate to contact us:

Questions related to the Task Force:

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REGISTRATION FORM

Supporting Long-term Investing and Retirement Savings



Person attending the meetings

Salutation: First name: Last name:

Job title:

E-mail: Telephone:

Company / Institution

Company / Institution name:

Postal address:

Postcode: City: Country:

Contact Person:

E-mail: Telephone:

Billing information

Tax register number (VAT for Europe):

Your reference, Customer Purchase Order No. or Cost Code N:

Department:

Postal address:

Postcode: City: Country:

Contact person:

Telephone: Fax:

E-mail: Other:

CEPS and ECMI members – check the applicable fee (+21% VAT)

CEPS Corporate Member | EUR 2,000

ECMI Member | EUR 2,500

Non-members - check the applicable box (+21% VAT)

Full Fee | EUR 7,000 My company is interested in becoming a member of CEPS and ECMI*

Date:

Signature:

Return to: Karin Lenk | karin.lenk@ceps.eu | +32 2 229 39 78 | Centre for European Policy Studies | 1 Place du Congrès | 1000 Brussels | Belgium

More information: If you would like to become a member or need more information, please contact *Mirzha de Manuel*, Research Fellow at mirzha.demanuel@ceps.eu +32 2 229 3917 or *Staffan Jerneck*, Director for Corporate Relations, at staffan.jerneck@ceps.eu or +32 475 903 924.

*Discounted fees for this Task Force will be considered for non-members if they decide to become member of CEPS and ECMI.

ANNEX

Principles and Guidelines for CEPS-ECMI Task Forces

This annex offers guidance to Task Force members and other interested parties in understanding the functioning of a CEPS-ECMI Task Force and the process of drafting a Task Force report. Task Forces are processes of structured dialogue among industry representatives, policy-makers, consumers and NGOs, who are brought together over several meetings. Task Force reports are the final output of the research carried out independently by ECMI-CEPS in the context of the Task Force.

Participants in a Task Force

- ✓ Members are any for-profit entities, consumer groups or NGOs which participate in a Task Force and contribute to its expenses by paying a fee.
- ✓ Rapporteurs are CEPS-ECMI researchers who organise the Task Force, conduct the research independently and draft the final report.
- ✓ Chair is an expert appointed by CEPS-ECMI to steer the dialogue during the meetings and advise as to the general conduct of the activities of the Task Force.
- ✓ Observers are any regulators or supervisors who are invited to attend the Task Force meetings and provide oral and written input.

Objectives of a Task Force report

- ✓ Task Force reports are meant to contribute to policy debates by presenting a balanced set of arguments, based on the members' views, available data and literature.
- ✓ Reports seek to provide readers with a constructive basis for discussion. Conversely, they do not seek to advance a single position or misrepresent the complexity of any subject matter.
- ✓ Task Force reports also fulfil an educational purpose, and are therefore drafted in a manner that is easy to understand, with any technical terminology fully defined.

The role of the Task Force members

- ✓ Member contributions may take the form of participation in informal debate or a formal presentation in the course of the meetings, or a written submission.
- ✓ Input from members is encouraged and will be made available to all members, if it is to be used for the final report.
- ✓ Members are expected to consider the market as a whole when providing input, in order for it to be meaningful to policy-makers.
- ✓ Members represent their institutions but are asked to provide input as experts.
- ✓ Members are given ample opportunity to review the Task Force report before it is published, as detailed below.

Drafting of conclusions and recommendations

- ✓ Task Force reports feature a set of conclusions. To draft these conclusions, rapporteurs will summarise members' views. Wherever members' views do not lead to clear conclusions, general phrasing will be employed.
- ✓ Task Force reports feature a set of policy recommendations. These recommendations are meant to reflect members' views.
 - For a recommendation to be featured in the report, there needs to be 'consensus' or 'broad agreement' among Task Force members. Consensus does not however mean unanimity nor full agreement as to every aspect of a given recommendation.
 - Where 'consensus' co-exists with a significant minority view, the report will feature this minority view next to the relevant recommendation.

- Where there is no 'consensus' but several contradictory views, the report will feature all these views and either refrain from making any recommendation or simply advise policy-makers to clarify the given subject matter.
- In all cases, the report will seek to identify the points where there is some form of agreement, for instance a common understanding of facts or opinions.
- ✓ Both conclusions and policy recommendations will be summarised at the beginning of the report in the form of an 'executive summary'.
- ✓ Members will be given ample opportunity to review the text of both conclusions and recommendations.

Drafting of the main text

- ✓ In the main text, rapporteurs detail the results of the research carried out independently in the framework of the Task Force. This part of the report will refer to the discussions during the task force meetings but also to available data and literature.
- ✓ Members' views are not simply presented as such but are also put into context. Wherever there is fundamental disagreement, the rapporteurs will ensure that all views are presented in a clear and fair manner.
- ✓ Scientific literature may be cited in this part of the report. Members are not purported to endorse any reference to this literature. A general disclaimer is inserted to clarify this aspect.
- ✓ The conclusions for each section will be clearly presented –and highlighted if appropriate. For the drafting of these conclusions please refer to the section above.

Use of data

- ✓ Task Force reports feature data that are considered both relevant and accurate by the rapporteurs.
- ✓ Task Force members are encouraged to contribute with any data or propose any sources they may consider relevant.
- ✓ Members may question either the relevance or accuracy of any given data. After consultation with other Task Force members, rapporteurs may decide either to exclude this data or to mention these concerns in the main body of the text.

Sample structure of a Task Force report

1. Editorial information
2. Disclaimer
3. Executive summary
4. Outline
5. Main text
6. Summary of conclusions
7. References
8. Annexes, if any
9. List of participants

Sample disclaimer

"This report is based on the discussions in the CEPS-ECMI Task Force on Rethinking Asset Management, which met on four separate occasions in 2011. The policy recommendations offered at the beginning of this report reflect a general consensus reached by Task Force members, although not every member agrees with every aspect of each recommendation. A list of members, observers and invited guests of the Task Force can be found in Annex 3. The members were given the opportunity to comment on the draft final report, but its contents may only be attributed to the rapporteurs."

About CEPS – Centre for European Policy Studies

Founded in Brussels in 1983, the Centre for European Policy Studies (CEPS) is among the most experienced and authoritative think tanks operating in the European Union today. CEPS serves as a leading forum for debate on EU affairs, and its most distinguishing feature lies in its strong in-house research capacity, complemented by an extensive network of partner institutes throughout the world.

CEPS' funding is obtained from a variety of sources, including membership fees, project research, foundation grants, conferences fees, publication sales and an annual grant from the European Commission.



www.ceps.eu

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About ECMI – European Capital Markets Institute

ECMI is an independent non-profit organisation created to provide a forum in which market participants, policy-makers and academics alike can exchange ideas and opinions concerning the efficiency, stability, liquidity, integrity, fairness and competitiveness of European capital markets and discuss the latest market trends.

These exchanges are fuelled by the publications ECMI regularly produces for its members: topical commentaries and analytical research papers, as well as the frequent workshops and conferences it organises. ECMI also advises European regulators on policy-related matters, acts as a focal point for interaction between academic research, market sentiment and the policy-making process, and promotes a multidisciplinary and multidimensional approach to the subject.

ECMI is managed and staffed by the Centre for European Policy Studies (CEPS) in Brussels. Its membership is composed of private firms, regulatory authorities and university institutes.



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