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Finantsinspektsioon investigated banks, fund managers and investment firms to establish whether any new products were coming to the market because of the pension reform, and if so what they are and what the risks attached to them are. It was found that all the larger banks are starting to provide investment account options for pensions, but that no other major changes were planned. Fund managers and investment firms are not planning to bring any new products to the market however.

Chair of the Finantsinspektsioon management board **Kilvar Kessler** said that Finantsinspektsioon mapped the changes to savings and investment products following the pension reform to be aware of trends and risks at a time when large amounts may be released from pension funds. “By the middle of February, 101,199 people had applied to leave the second pension pillar, and they plan to withdraw a total of around 773 million euros between them from funds in the autumn. This is only 14% of the total amount in the system, but nature abhors a vacuum. We wanted to understand whether new savings and investment products would start to be promoted to the people withdrawing that money, but the information we currently have is that the financial sector that we supervise is not making major plans to do this”, he said.

All the larger banks in Estonia will start to offer investment account options for pensions because of the pension reform. A pension investment account is an account opened on behalf of the future pensioner at a bank that is an account manager in the pension register, and into which mandatory funded pension payments are made, and which is then invested by the future pension recipient in investment targets that are clearly restricted by law. Banks are planning information campaigns on the possibilities of pension investment accounts, especially for more experienced investors. The banks say they are not planning to bring any other new products and services to the market as a result of the reform. Fund managers and investment firms are not planning to market any new products because of the reform of the second pension pillar.

Finantsinspektsioon considers it important that the reorganisation of the second pension pillar not lead to future pensioners being offered savings and investment products that are more than their risk profile can bear.

Finantsinspektsioon also investigated whether the banks, fund managers and investment firms are forecasting growth in volumes of investment and savings products as a result of reform. The banks said that the increased interest in investment products is more a consequence of the Covid-19 pandemic and not directly a result of the reform of the second pension pillar. Pension fund managers forecast a little growth in sales volumes of voluntary pension funds. As the majority of investment firms in the market do not offer services and products to inexperienced investors, they do not expect any growth in sales volumes of their investment products.

Finantsinspektsioon remotely investigated nine banks, eleven fund managers and five investment

funds.
