

A Nonlinear Legislative Trajectory and its Market Implications in Multi-Pillar Pension Reform in Romania

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Abstract: Pension reform in Romania has unfolded within a context marked by legislative discontinuities and inconsistent policy commitment, reflecting broader instabilities at the level of the political decision-making process. The initial phase of reform was characterized by the adoption of two legislative acts that were never effectively implemented, followed by a more comprehensive and ambitious reform package that established the foundations of a multi-pillar pension system and introduced supervisory mechanisms for this segment of the financial market. Despite this promising institutional framework, the continuity of reform efforts weakened considerably. The early momentum was replaced by delays and partial implementation, most notably in the case of the pension guarantee fund, whose regulatory framework was significantly postponed, and the persistent lack of a fully operational system governing pension payments. These shortcomings illustrate the fragmented and non-sequential nature of the legislative process in this domain. A renewed phase of regulatory development emerged only after 2020, with the formal introduction of occupational pension schemes and the alignment of national legislation with European Union requirements through the adoption of provisions concerning the Pan-European Personal Pension Product (PEPP).

These developments signal a gradual re-engagement with the objectives of pension system diversification and market consolidation. Against this background, the present study investigates the impact of Romania's evolving and often inconsistent legislative trajectory – including both primary and secondary regulations – on the structure and functioning of the private pension market. The analysis is further extended to incorporate the broader structural determinants shaping the system, including demographic trends, labour market participation, and fiscal constraints. In addition, the paper examines key systemic challenges, such as the persistence of early retirement mechanisms, the limited inclusion of low-contributory population groups, and the effects of informal economic activity on contribution levels. These demand-side limitations are analysed in conjunction with supply-side developments, including public pensions, mandatory privately managed funds, voluntary schemes, and occupational pensions. The study also assesses the potential role of the PEPP framework in fostering greater integration and flexibility within the pension market, while addressing the financial and institutional implications associated with transitioning toward a more sustainable system. By providing a comprehensive and critically grounded analysis, the paper contributes to a deeper understanding of the Romanian pension reform process and outlines directions for enhancing its long-term effectiveness and resilience

Key words: pension legislation, public policy, multi-pillar pension system, social contributions, adjustment mechanisms, private pensions, guarantee fund, Pan-European Personal Pension Product (PEPP), voluntary pensions, occupational pensions.

JEL: G23, G28

Institutional Discontinuities and the Foundations of Private Pension Reform in Romania

The reconfiguration of pension systems in post-socialist economies has been shaped by a combination of structural pressures and institutional constraints, often resulting in uneven and non-linear reform trajectories. Romania represents a particularly illustrative case, where the transition from a state-dominated pension model to a multi-pillar architecture was marked by legislative instability, administrative fragmentation, and fluctuating political commitment.

The initial phase of pension reform unfolded against the backdrop of broader economic and institutional transformation during the late 1990s and early 2000s. In this context, efforts to establish a private pension sector were not only intended to diversify retirement income sources but also to contribute to the development of domestic financial markets. However, these objectives were pursued in the absence of sufficient regulatory experience and institutional preparedness, leading to a series of incomplete or reversed policy initiatives.

A first formal step in this direction was undertaken in 1999, when a draft law on the organization and functioning of universal pension funds was registered with the Chamber of Deputies (no. 9/28.01.1999) (Guvernul României, 1999). Although the proposal aimed to introduce a new institutional framework for private pension provision, its legislative trajectory revealed significant shortcomings in both procedural design and political coordination. The allocation of the draft to the Committee on Labour and Social Protection as the primary reporting body, with the Committee on Budget, Finance and Banking assigned only an advisory role, reflected a limited understanding of the financial implications of the proposed reform.

Subsequent developments further exposed the fragility of the legislative process. Divergent positions between parliamentary committees, coupled with inconsistent support from the initiators, resulted in procedural delays and ultimately in a legislative deadlock. The situation was further complicated by concerns regarding the mandatory nature of participation in pension funds and its potential implications for the sustainability of the public pension system.

In an attempt to overcome these obstacles, the government led by Mugur Isărescu intervened in 2000 by adopting an emergency ordinance that largely replicated the content of the initial draft law. However, this executive approach did not ensure policy continuity. Following the parliamentary elections and the subsequent change in political majority, Emergency Ordinance no. 230/24 November 2000 on the organization and functioning of universal pension funds was repealed within a month, through legislative measures aimed at aligning existing regulations with the government programme endorsed by Parliament on 28 December 2000. This repeal was carried out through Government Emergency Ordinance no. 295 of 30 December 2000, which suspended the application or repealed certain government ordinances and emergency ordinances, as published by the Government of Romania and available (Guvernul României, 2000).

These early failures did not entirely halt the reform process but rather contributed to a gradual accumulation of legislative experience. Notably, approximately four years later, many of the provisions contained in the initial draft law and the subsequent emergency ordinance were incorporated – albeit with modifications – into the legal framework governing privately administered pension funds (Pillar II). This continuity suggests that, despite their lack of immediate implementation, early legislative initiatives played a formative role in shaping the architecture of the multi-pillar pension system.

At the same time, the period was marked by further attempts to regulate complementary components of the pension system. A relevant example is Law no. 249/2004 on occupational pensions (Parlamentul României, 2004), which sought to establish a legal basis for employer-sponsored pension schemes. While the law introduced a relatively comprehensive regulatory framework, its implementation was hindered by institutional inconsistencies and overlapping supervisory arrangements. The allocation of regulatory responsibilities to the Insurance Supervisory Commission, alongside subsequent references to a future Pension Fund Supervisory Commission, reflected a lack of coherence in institutional design.

These legislative inconsistencies, combined with political tensions within governing coalitions, ultimately led to the suspension and subsequent repeal of the law. As such, the early 2000s can be characterized as a period of institutional experimentation, in which multiple reform initiatives were introduced but few achieved operational status.

Against this background, the present study examines the structural implications of this fragmented legislative trajectory for the development of the private pension system in Romania. By situating legislative dynamics within a broader socio-economic and institutional context, the analysis seeks to provide a deeper understanding of the factors that have shaped the evolution of pension reform and to identify the conditions necessary for ensuring its long-term sustainability.

Early Legislative Initiatives and the Limits of Institutional Capacity (1999 – 2004)

The period between 1999 and 2004 represents a formative stage in the development of Romania's private pension system, characterized by repeated legislative initiatives, institutional uncertainty, and limited implementation capacity. This phase illustrates the challenges associated with introducing complex financial and social policy instruments in a transitional economic environment.

The first significant legislative attempt occurred in January 1999, when the Government submitted to Parliament a draft law concerning the establishment and operation of universal pension funds (Chamber of Deputies registration no. 9/28.01.1999). The proposed legislation aimed to create a new institutional framework that would facilitate the emergence of privately managed pension funds, thereby complementing the public pension system and contributing to the diversification of retirement income sources.

Despite its strategic importance, the legislative process was marked by procedural inefficiencies and institutional misalignment. The assignment of the draft law to the Committee on Labour and Social Protection, rather than to a committee with primary expertise in financial markets, limited the depth of technical evaluation. Although the Committee on Budget, Finance and Banking was consulted, its role remained secondary, reducing its capacity to influence the final outcome.

As the legislative process unfolded, disagreements between parliamentary committees became increasingly pronounced. These divergences were not limited to technical aspects but also reflected broader differences in political and ideological perspectives regarding the role of private pensions within the social security system. The lack of a coordinated approach, combined with sporadic engagement from government representatives, contributed to a protracted decision-making process.

Faced with this impasse, the executive sought to accelerate reform through the adoption of an emergency ordinance in 2000, under the government led by Mugur Isărescu. This ordinance largely reproduced the provisions of the initial draft law, including key elements such as mandatory participation, the institutional structure of pension funds (comprising administrators, custodians, and distribution agents), investment regulations, and mechanisms for benefit payment in the form of annuities.

However, the reliance on emergency legislation did not ensure stability. Following the parliamentary elections of 2000, the newly established political majority initiated a review of existing normative acts. As part of this process, Emergency Ordinance no. 230/24 November 2000 was repealed shortly after its adoption, in line with the government programme approved by Parliament on 28 December 2000. This episode underscores the vulnerability of reform initiatives to political turnover and the absence of cross-party consensus.

Despite these setbacks, the early legislative efforts had a lasting impact on the design of subsequent reforms. Many of the concepts and regulatory mechanisms initially proposed were later incorporated into the legal framework governing privately administered pension funds. Among these were the compulsory nature of participation, differentiated contribution schemes based on proximity to retirement age, detailed provisions regarding institutional actors, and rules governing investment strategies and member protection.

Nevertheless, important adjustments were introduced in later legislation. Notably, the contribution rates envisaged in the initial proposals—approximately 10% of gross salary, shared equally between employer and employee—were significantly reduced in subsequent reforms, where contributions ranged between 2% and 6%. Similarly, the high administrative fees initially proposed (up to 12% of contributions) were revised downward, reflecting concerns regarding affordability and market attractiveness.

A further legislative initiative during this period was the adoption of Law no. 249/2004 on occupational pensions, which aimed to establish a framework for employer-sponsored pension schemes. The law introduced detailed provisions regarding fund establishment, governance, and investment, reflecting a cautious regulatory approach influenced by prior financial market crises, including investment fund failures and banking sector instability. However, the application of this law was subsequently suspended through Law no. 141 of 17 May 2005 on the suspension of the application of the provisions of Law no. 249/2004 on occupational pensions, as adopted by the Parliament of Romania and available (Parlamentul României, 2005).

However, the implementation of this law was hindered by institutional ambiguities. The designation of the Insurance Supervisory Commission as the regulatory authority, combined with subsequent references to the creation of a dedicated Pension Fund Supervisory Commission, created uncertainty regarding supervisory responsibilities. This lack of clarity undermined the effectiveness of the regulatory framework and contributed to delays in implementation.

Moreover, political dynamics played a decisive role in shaping the fate of the legislation. Divergent positions within the governing coalition, coupled with limited administrative capacity, led initially to the suspension of the law (Parlamentul României, 2005) and subsequently to its repeal, coinciding with the adoption of new legislation on voluntary pensions.

In retrospect, the period 1999–2004 can be interpreted as a phase of institutional learning, during which policymakers experimented with different regulatory models without achieving immediate success. While these efforts did not result in the immediate establishment of a functional private pension system, they provided a conceptual and legislative foundation for subsequent reforms.

The analysis of this period highlights the critical importance of institutional coherence, political stability, and technical expertise in the successful implementation of complex policy reforms. It also underscores the long-term impact of early legislative choices, even when these do not produce immediate outcomes, as they shape the trajectory of future policy development.

Institutional Consolidation and the Architecture of Private Pension Regulation in Romania (2004–2007)

The establishment of a functional legal framework for private pensions in Romania must be understood against the backdrop of earlier legislative discontinuities and institutional experimentation. Despite the repeated failures that characterized the pre-2004 period, the persistence of reform-oriented actors within both the policy and expert communities ultimately led to the articulation of a more coherent regulatory structure between 2004 and 2006. This phase marked

a transition from legislative uncertainty to a relatively stable framework governing the organization, administration, and supervision of private pension funds (Parlamentul României, 2005).

A defining milestone in this process was the adoption of Law no. 411/2004 on privately managed pension funds, which laid the foundation for the second pillar of the Romanian pension system. Although the title of the law suggests a broader scope, its substantive provisions are primarily concerned with mandatory pension funds, corresponding to Pillar II. Nevertheless, the act incorporates several general definitions and regulatory principles applicable across the private pension sector, thereby serving as a cornerstone for subsequent legislative developments.

The structure of the law reflects a comprehensive attempt to regulate the key institutional components of the system. It establishes detailed provisions concerning pension funds, including their financial resources, cost structures, participant eligibility, organizational requirements, and authorization procedures. In addition, the legislation defines permissible investment strategies, alongside reporting and transparency obligations intended to enhance market discipline and protect participants interests.

Equally significant is the regulatory framework governing pension fund administrators. The law specifies stringent conditions for authorization, including minimum capital requirements, governance structures, and operational constraints. It also addresses issues related to contractual arrangements, revenue models, and the prevention of conflicts of interest, thereby seeking to ensure the integrity and stability of fund management. Complementary provisions regulate the role of custodians and financial auditors, as well as the marketing and distribution of pension products.

The law further introduces mechanisms for special supervision and special administration, designed to address situations of financial distress or regulatory non-compliance. In addition, it establishes rules concerning technical provisions, guarantees, and sanctions, thereby creating a multi-layered system of prudential oversight. These elements collectively reflect an effort to align the Romanian regulatory framework with international standards in the field of pension fund governance. This framework was further complemented by Government Emergency Ordinance no. 50 of 9 June 2005 (Guvernul României, 2005) on the establishment, organisation and functioning of the Private Pension Supervisory Commission, subsequently approved with amendments and additions by Law no. 313 of 10 November 2005 (Guvernul României, 2005), as adopted by the Romanian authorities and available.

The institutional dimension of supervision was further clarified in 2005, through the adoption of legislation establishing the Private Pension Supervisory Commission. This authority was entrusted with the regulation and oversight of the private pension sector, with its organizational structure, competencies, and financial arrangements explicitly defined in the relevant legal act. The Commission was governed by a board composed of five members, including a president and a vice-president, appointed by Parliament, thereby ensuring a degree of institutional independence.

The financing model of the Commission was based on a combination of authorization fees, ongoing operational contributions from supervised entities, and supplementary revenues derived from publications, donations, and other lawful sources. This arrangement was intended to

ensure both financial sustainability and functional autonomy, while minimizing reliance on state budget allocations.

The consolidation of the legislative framework continued with the adoption of Law no. 204/2006 on voluntary pensions (Parlamentul României, 2006), which introduced the third pillar of the pension system. Similar in structure to Law no. 411/2004, this act regulates voluntary pension funds, albeit within a more flexible and permissive framework. Notably, the law expands the category of eligible administrators to include not only specialized pension management companies but also investment management companies and insurance undertakings, thereby enhancing market competition and diversification.

The provisions of Law no. 204/2006 address a wide range of regulatory aspects, including the authorization of pension schemes, the establishment and dissolution of funds, participant rights and obligations, contribution mechanisms, and asset valuation procedures. Additional provisions govern investment policies, prudential requirements, custodial arrangements, and transparency obligations. The law also establishes a legal framework for pension payments and defines the scope of legal liability for market participants.

Taken together, these legislative acts represent a significant step forward in the institutionalization of Romania's private pension system. They provide a structured and comprehensive regulatory environment, encompassing both mandatory and voluntary pension schemes, and establish the institutional foundations necessary for market development. However, as the subsequent evolution of the system demonstrates, the existence of a formal legal framework does not necessarily guarantee effective implementation or institutional coherence.

Regulatory Gaps, Delayed Implementation, and Emerging European Influences

Despite the apparent consolidation achieved through the adoption of Laws no. 411/2004 and no. 204/2006, the Romanian private pension system continued to face significant challenges related to regulatory completeness and implementation delays. One of the most notable examples in this regard is the protracted establishment of the Guarantee Fund, a key institutional mechanism intended to protect participants against financial losses arising from the inability of pension fund administrators or providers to meet their obligations.

Although the creation of the Guarantee Fund was explicitly provided in Law no. 411/2004, and subsequently reiterated in Law no. 204/2006, the actual legal framework governing its operation was adopted only after a delay of approximately five years (Parlamentul României, 2011). This discrepancy between legislative intent and implementation highlights the persistent difficulties in translating regulatory provisions into functional institutional arrangements.

The role of the Guarantee Fund is of critical importance within the architecture of the private pension system. Its primary function is to compensate participants and beneficiaries for losses incurred during both the accumulation phase and the payout phase, in situations where pension fund administrators or providers are unable to fulfil their contractual obligations. In addition, the Fund is designed to ensure the continuity of pension payments, thereby contributing to the overall stability and credibility of the system.

A similarly illustrative case of delayed implementation is the Law on the payment of private pensions, which, despite being provided for in the primary legislation, remained in draft

form for more than twelve years. Although the draft was made available for public consultation, it did not progress to formal parliamentary debate. In the absence of a dedicated legal framework, pension payments within the private system have been governed by a combination of fragmented and partially adapted provisions derived from existing legislation, resulting in a lack of coherence and predictability.

In contrast to these delays, the legislator demonstrated a more proactive approach in the field of occupational pensions, adopting a dedicated regulatory framework for this segment (Parlamentul României, 2020). However, the practical impact of this legislation has been limited. Since its entry into force, the market has recorded only a small number of authorization requests - primarily from entities already active in the pension system, along with a limited number of custodians and auditors - without the establishment of any fully operational occupational pension funds.

This outcome raises important questions regarding the necessity and timing of the legislation. Furthermore, financial literacy remains a key determinant of individuals' capacity to access and effectively use financial products and services (Oprea, 2025). From a conceptual perspective, occupational pensions can be regarded as a subset of voluntary pension arrangements, suggesting that their regulation could have been integrated into the existing legal framework established by Law no. 204/2006. The decision to create a separate regulatory regime may therefore be interpreted as an instance of legislative overextension, rather than a response to concrete market demand.

Nevertheless, the law on occupational pensions introduces several innovative elements, including detailed provisions on fund prospectuses, the calculation and coverage of technical provisions (analogous to insurance reserves), and the regulation of cross-border activities. It also incorporates advanced corporate governance requirements, reflecting the influence of European regulatory standards, in accordance with Directive 2016/2341/EC of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs), published in the Official Journal of the European Union (OJEU), L 354 of 23 December 2016 (European Union, 2016)

An important operational feature of this framework is the obligation imposed on employers to withhold and transfer both their own contributions and those of participating employees, alongside mandatory social security contributions. This mechanism is intended to streamline the contribution process and to enhance compliance, although its practical effectiveness remains contingent on broader administrative capacity.

The influence of European integration on the Romanian pension system is further illustrated by the adoption of Law no. 65 of 27 March 2023, which implements Regulation (EU) 2019/1.238 of the European Parliament and of the Council of 20 June 2019 on a pan-European personal pension product (PEPP), of certain provisions of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2.088, as well as amending and supplementing certain regulatory acts in the field of private pensions (Parlamentul României, 2023). This legislative development reflects Romania's commitment to aligning its regulatory framework with the evolving *Acquis Communautaire* in the field of financial services and sustainable finance.

At the time of adoption, however, the practical implications of this legislation remain limited, as the institutional and market conditions necessary for the effective deployment of PEPP products are still in the process of development. Nonetheless, the introduction of this framework signals a shift toward greater integration with European financial markets and a diversification of pension products.

Finally, it is important to note that the legislative core of the Romanian private pension system has undergone continuous adaptation over time. These modifications have been driven by multiple factors, including the accumulation of practical experience, the need to ensure consistency with other areas of national legislation, and the requirements of European integration. A key institutional development in this regard was the establishment of the Financial Supervisory Authority through Emergency Ordinance no. 93 of 18 December 2012 (Guvernul României, 2012) on the establishment, organisation and functioning of the Financial Supervisory Authority, as amended and supplemented, which assumed the responsibilities previously held by the Private Pension Supervisory Commission, thereby contributing to the consolidation of financial sector oversight.

In conclusion, while the period following 2004 witnessed significant progress in the formal structuring of private pension legislation, it also revealed persistent challenges related to implementation, institutional coherence, and market development. The interplay between legislative ambition and practical constraints continues to shape the evolution of the system, underscoring the need for a more integrated and forward-looking approach to pension reform.

The Role and Limits of Secondary Legislation in Romania's Private Pension Framework

The establishment of the private pension system in Romania, characterized by the innovative nature of its primary legislation, necessitated the subsequent development of an extensive body of secondary legislation. This regulatory layer has played a critical role in operationalizing the legal framework governing both Pillar II (mandatory private pensions) and Pillar III (voluntary pensions), reflecting both the complexity of the system and the specificities of the Romanian legislative tradition.

In the case of Pillar II, a comprehensive set of rules, norms, and decisions has been adopted initially by the Private Pension Supervisory Commission and, following institutional restructuring, by the Financial Supervisory Authority (ASF). These regulatory instruments primarily address the authorization and ongoing supervision of participating entities. Key provisions relate to the minimum share capital requirements of pension fund administrators, the evaluation and approval of individuals occupying management and key positions, as well as the prudential assessment of acquisitions and increases in shareholdings within regulated entities.

Furthermore, the secondary regulatory framework extends to the outsourcing of specific activities, particularly those concerning the administration and investment of pension fund assets. The authorization and content of the prospectus of the private pension scheme also fall within the scope of these regulations, ensuring a standardized and transparent communication of rights and obligations to participants.

Additional regulatory provisions govern essential operational aspects of the system,

including the registration and record-keeping of participants, the collection and allocation of contributions, and the protection of participants in situations such as fund mergers. Specific rules address the use of net personal assets in cases of disability or death, as well as the procedures governing the transfer of participants between pension funds.

From a prudential perspective, the regulatory framework incorporates detailed provisions concerning technical provisions, minimum rates of return, and the approval of advertising materials. Transparency is reinforced through extensive reporting obligations, designed to ensure the continuous disclosure of relevant financial and operational information. Moreover, corporate governance requirements – covering internal control systems, internal audit functions, and risk management frameworks – constitute a central component of the supervisory architecture.

The scope of secondary legislation also encompasses special regulatory measures, including special supervision and special administration, as well as detailed rules governing pension fund investments, accounting practices, and system control mechanisms. Particular attention is given to compliance with regulations aimed at preventing and combating money laundering, reflecting broader international regulatory standards.

Comparable regulatory structures have been developed for Pillar III (voluntary pensions) and, more recently, for occupational pensions, thereby ensuring a degree of consistency across the different components of the private pension system.

Despite its breadth and functional importance, secondary legislation remains inherently limited in scope, as it cannot substitute or compensate for deficiencies in primary legislation. This limitation becomes particularly evident in the context of the absence of a comprehensive legal framework governing the private pension payment system.

In practical terms, this legislative gap has led to a significant divergence between the theoretical design of the pension system and its actual functioning. Although private pensions – both within Pillar II and Pillar III - are conceptually intended to provide long-term retirement income, the absence of specific legislation regulating pension payouts has resulted in a system that operates, in effect, in a manner analogous to investment funds. Rather than delivering life annuities, pension funds primarily facilitate the withdrawal of accumulated assets.

Under the current regulatory arrangements, participants in the private pension system may access their benefits through two principal mechanisms. The first consists of a lump sum payment, corresponding to the total value of the participant's net personal assets accumulated over the contribution period. The second option involves the payment of accumulated assets in equal monthly instalments, distributed over a maximum period of five years.

These instalments are subject to a minimum threshold of 500 lei per month, with the exception of the final payment, from which administrative fees associated with the disbursement process are deducted. While these arrangements provide a degree of flexibility for participants, they fall short of fulfilling the fundamental objective of pension systems, namely the provision of stable, long-term income streams during retirement.

This situation underscores the structural dependency of the private pension system on the completeness and coherence of its legislative framework. In the absence of a dedicated law on pension payments, the effectiveness of both primary and secondary legislation remains constrained, highlighting the need for a more integrated and comprehensive approach to regulatory design.

Conclusions

The evolution of the private pension system, particularly regarding Pillar II pension funds, cannot be fully understood in the absence of an analysis of the political and institutional environment that has shaped its development. In this context, recurrent public statements by representatives of the Ministry of Finance – recognized as the primary initiator of primary legislation in the financial sector – regarding the potential nationalisation of Pillar II pension funds have contributed to a climate of uncertainty. Such positions, even when not materialized into concrete legislative measures, have generated instability, and have influenced both market expectations and regulatory continuity.

This environment reflects a broader structural issue, namely the limited consistency of political commitment to pension reform. The combination of fluctuating political priorities and the insufficient technical expertise of decision-makers across various levels of public administration has resulted in a legislative trajectory characterized by discontinuities and delays. The development of the regulatory framework has thus followed a non-linear pattern, marked by procedural bottlenecks, partially implemented initiatives, and postponed reforms. Despite these shortcomings, the cumulative effect of successive legislative efforts has contributed to the gradual construction of a functional regulatory matrix governing the private pension sector.

A notable exception within this framework remains the absence of a comprehensive legal act regulating the payment of private pensions. This legislative gap continues to limit the system's capacity to deliver its core function, namely the provision of long-term retirement income in the form of life annuities, ideally coordinated with benefits from the public pension system. As a result, the private pension system remains incomplete in structural terms, with its accumulation phase more developed than its payout mechanisms.

Another defining feature of the Romanian regulatory approach is the tendency toward over-regulation, particularly in the early stages of system development. This inclination can be traced to the legacy of financial instability experienced in the late 1990s, including episodes such as bank failures and the investment fund crisis. In response, both primary legislation and secondary legislation incorporated extensive prudential safeguards, governance requirements, and supervisory mechanisms aimed at preventing systemic risks and protecting participants.

Over time, however, these regulatory provisions have required recalibration. Market developments, along with the need for alignment with broader domestic legal frameworks and Community legislation, have necessitated a process of gradual adaptation and simplification. This dynamic adjustment reflects the ongoing tension between regulatory rigor and market efficiency, as policymakers seek to balance the objectives of financial stability, competitiveness, and accessibility.

At present, the legislative framework governing the private pension system can be considered, in general terms, sufficiently developed to support the effective functioning of the market. Nevertheless, the system remains exposed to a range of political and regulatory risks, which have the potential to undermine investor confidence and generate significant reputational risk. In this sense, the sustainability of the private pension system depends not only on the quality of its legal architecture but also on the predictability and consistency of the policy environment in which it operates

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