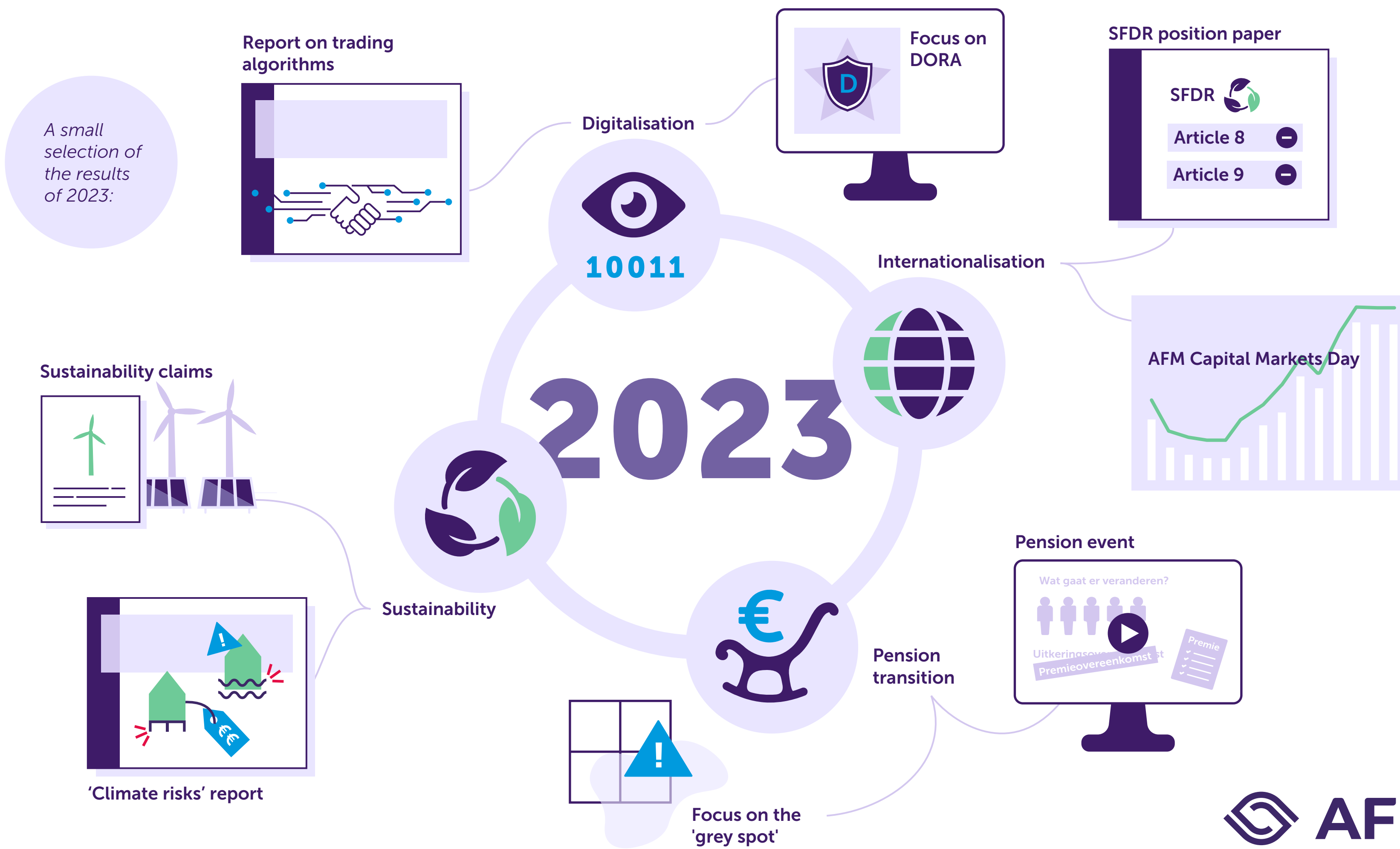
Annual Report 2023

In short Facilitating a smooth sustainability transition was a major focus in 2023. We prompted companies and audit firms to prepare for the new directive on corporate sustainability reporting, for instance. Additionally, in the area of digitalisation, we intensified our supervision of business operations, aimed at ensuring that customer data is secure. Most regulations of this type stem from Europe: we are striving to achieve alignment of supervision practices across Europe, such as the centralisation of capital market data. Finally, the transition to the new pensions system was at the forefront of our agenda. We focused on shaping our supervision, encompassing the broader sector.



AFM

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Developments

The year 2023 was characterized by ongoing geopolitical tensions, a gradual fall in inflation, rising interest rates and limited economic growth. Central banks' monetary policy tightening – including policy rate hikes – played a major role in the cooling of the economy. Tightness in the labour market prevented major shocks and the easing of the housing market was also short-lived.

The vulnerability of the economy is reflected in the financial position of households. For now, government intervention has limited the financial impact of the high inflation and interest rate rises on Dutch households. This temporarily averted the expected rise in the number of people in poverty. Vulnerable people nevertheless remained a major concern and they continued to be a focus of attention for policymakers and supervisory authorities.

In the financial sector, high inflation and rising interest rates significantly affected revenue models and asset valuation. Persistent uncertainty regarding economic growth and inflation led to continued volatility in fixed-income markets, requiring capital market participants to remain vigilant against sudden price fluctuations and liquidity constraints.

Ongoing digitalisation

The AFM prioritised the supervision of market participants that make products easily available through apps, as well as online marketing aimed at consumers. We intensified our supervision of the digital aspects of controlled business operations. We took steps to prepare for the supervision of the Digital Operational Resilience Act (DORA). We also took initial steps in readiness for the introduction of the Markets in Crypto Assets Regulation (MiCAR) to set the parameters for crypto supervision.

Sustainability

In 2023, we published the Sustainability Claims Guidelines, our aim being to prevent financial products being labelled as 'green' when in reality they are not. We want to encourage issuers and financial market participants to adequately control and integrate sustainability risks. We want companies to report in a coherent and well-balanced manner on the impact of environmental, social and governance (ESG) factors. With regard to sustainability, we also conducted an in-depth analysis of flooding and foundation risks and wrote a position paper with proposed improvements for the Sustainable Finance Disclosure Regulation (SFDR).

Transition to a new pension system

The transition to a new pension system in the years ahead will have a substantial impact on the sector and pension scheme members. Over the past year, as well as conducting supervisory reviews, we focused particularly on the design of our supervision policy. This also included providing guidance for the sector. Guidelines were finalised on new AFM supervision within the new system, such as decision-making guidance, the risk preference assessment and the engagement confirmation. Where we identified risks, we took action, as in the case of our communication on the order in council on the easing of indexation rules. We focused continuously on protecting the interests of the individual scheme member. We consider it important, for example, that scheme members are informed in good time of the impact of the transition on them personally. We also published studies on the risk preference assessments and on grey spots.

We maintained contact with the pension sector, including by organising round tables, the Pension Event and sending out regular Transition Bulletins. Asset managers also have a key role to play in this system change. For this reason, we devoted additional attention to the sound and controlled business operations of asset managers during the transition phase.

Giving central priority to the customer's interests

Consumers can get into financial difficulties due to overindebtedness, non-insurance or underinsurance and a lack of proper care, including aftercare, on the part of financial service providers. We also prioritised these themes in 2023 as part of 'giving central priority to the customer's interests'. We are conducting a dialogue with the sector and the legislator because the term 'advice' in the Financial Supervision Act does not cover the management phase of products and services. We are looking forward to the results of a ministerial review of the practical consequences and the advisory needs of consumers.

Renewed audit and reporting supervision strategy

In our supervision of the accountancy sector, we further developed data-driven supervision by expanding and where necessary building up our data position, thus making our supervision more risk-based. A great deal of attention was focused on transparency with regard to the extent to which sustainability objectives are achieved and reported on in preparation for the Corporate Sustainability Reporting Directive (CSRD). We also drew auditors' attention to their gatekeeper role in identifying fraud risks.

Use of data in and for supervision

In 2023, we gave priority to improving our own data position, for example in the Customer Relationship Management (CRM) system. Furthermore, requests for company data must always have a sound legal basis. With regard to that legal basis and the associated conditions, we consulted the ministry and the sector and are working on a legislative proposal for structural data requests. We also prioritised data to tackle cross-platform market abuse.

Influencing international developments

In international bodies such as the European Securities and Markets Authority (ESMA) and the International Organization of Securities Commissions (IOSCO), we advocated closer collaboration and alignment of supervision among the various countries. We argued that the 'host' supervisors must be given sufficient powers to achieve that objective. We also called for a European set of capital market data. We are represented at various levels in working groups and on the boards of supervisors of a number of international bodies.

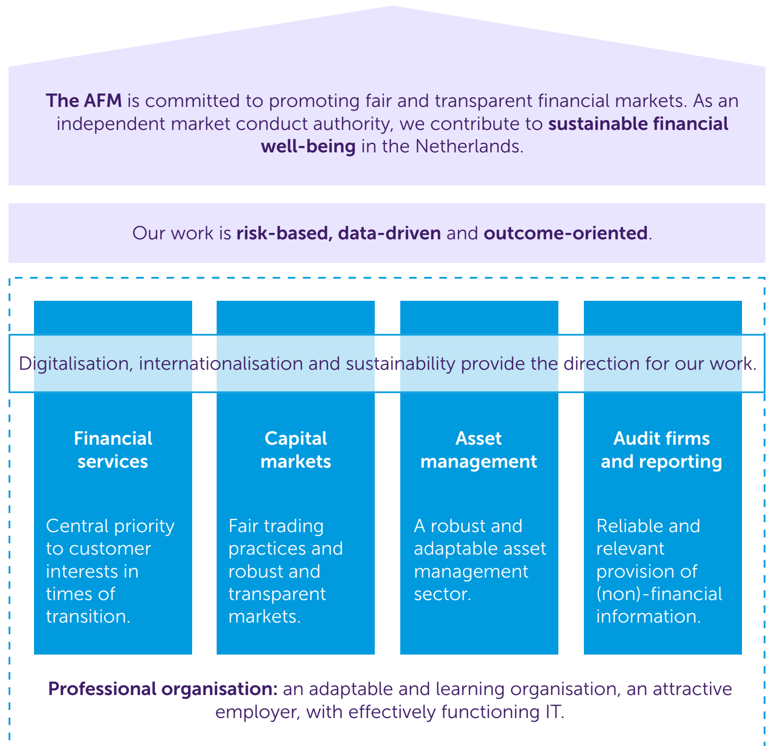
Our own professional organisation

We took steps in 2023 to ensure a learning and agile AFM organisation by means of rapid-response management and by adopting more multidisciplinary working methods. That makes us more result-oriented. We believe it also contributes to making us an attractive employer that attracts, develops and retains good people. In the IT field, important steps were taken to further develop our operating methods as a risk-based and data-driven supervisory authority.

AFM Strategy

The targets that we have set for itself in its Agenda for 2023 and the related activities are based on the 'AFM Strategy 2023-2026'. Digitalisation, internationalisation and sustainability improvement are the trends that have a decisive impact on the financial sector and our supervision. These form the common thread in the new strategy. We formulated four multi-year supervisory objectives in the strategy, one for each area of supervision. Having a solid foundation in the form of a professional organisation is very important. Alongside our mission and strategy, the risk analysis in the 'Trend Monitor 2023' was also an important factor in our supervision decisions in 2023.

Figure 1: Strategy house



This figure illustrates the AFM Strategy 2023-2026. At the top, our mission is stated: The AFM is committed to promoting fair and transparent financial markets. As an independent market conduct authority, we contribute to a sustainable financial system and prosperity in the Netherlands. Below that our supervisory approach is stated: Our work is risk-based, data-driven and outcome-oriented. The three trends of digitalisation, internationalisation and sustainability provide the direction for our work. We implement our mission with supervisory objectives for our four supervisory areas: financial services, capital markets, asset management and audit firms and reporting. The supervisory objectives are: giving central priority to customer interests in times of transition (financial services), fair trading practices and robust and transparent markets (capital markets), a robust and adaptable asset management sector (asset management) and reliable and relevant provision of financial and non-financial information (audit firms and reporting). Our professional organisation is the foundation for this: an adaptable and learning organisation, an attractive employer, with effectively functioning IT.

Risk-based

Risk-based supervision means that we consciously consider which risks need to be addressed, and the degree of attention they require. Risk-based operation is necessary because we are not continually able to determine whether all forms of conduct are appropriate, we cannot establish whether all risks are being controlled and we cannot verify that the financial sector is complying with all regulations. We make periodic choices as to which risks will be prioritised. We assess the scale of the various risks and what powers and possibilities we have to address the risks or otherwise. This requires a clear distinction between what we are responsible for and a reasonable overview of all risks.

The AFM's annual central risk analysis is published in the 'Trend Monitor'. In many areas of supervision, we also have decentralised risk analysis, with monitoring of risks in individual subareas. For example, the risk analysis in Asset Management served as a basis for prioritising risks associated with liquidity risk control as a result of growing geopolitical tensions and rising interest rates. Data from a market-wide survey of Dutch managers of collective investment companies was used to analyse the availability and appropriateness of liquidity management tools (LMTs). This analysis yielded various recommendations for improvement that were shared with the market by means of a sector letter and a post on our website. This approach led to increased awareness among market participants, which was evident, among other things, in the resulting interpretation requests.

Ahead of legal changes in the UCITS directive and the AIFM regulation with regard to sustainability risks, we conducted an exploratory analysis of the control of sustainability risks by managers of Dutch collective investment companies. The observations from this study were shared with the market in 2023. The approach involving an exploration of market status prior to a change in the law and subsequent sharing of observations that market participants can use for the practical implementation of the legal change led to further embedding of legal requirements in the market and helped eliminate any ambiguities.

Data-driven

Data-driven supervision means making structural use of data and data analysis within the AFM for more effective supervision. By analysing the data made available to us, we gain insights that guide our risk-based supervision. Data-driven operation is a means, a method of working, and not an end in itself. It enables us to provide objective answers to the questions we receive in our supervision and to make informed choices in all areas of our supervision.

We applied this method of working in our supervision of trading venues during the past year. For example, we maintain a clear view of the financial instruments that are traded weekly or daily and by which counterparties. Any differences or underlying patterns may be grounds for closer examination. Data is also an integral part of our activities in the supervision of investments. For example, we analyse the behaviour of retail investors on the basis of the instruments in which they trade and the investment firm they use. We are then better able to interpret the signals we receive and determine on a targeted basis whether the standards we supervise are being complied with.

Result-oriented

Result-oriented supervision means that we focus on achieving maximum impact. The most effective form of intervention depends on the situation. We have a wide range of formal and informal instruments at our disposal. However, to achieve a lasting result, we need to be able to address the motivations and causes of behaviour. Result-oriented working requires an attitude of continuous learning. Our ability to intervene in a structured manner is a continuous focus of attention. This also applies to the measurement of the results of our supervisory interventions.

In order to direct our activities and determine whether we are achieving the desired impact, we began developing impact models for key strategic trends in 2023. An impact model is a policy theory in which we explicitly state the impact we wish to have on the companies we supervise, and what the consequences will be for the consumer and the market. Subsequently, we can assess whether the activities have indeed had the desired impact. That enables us to learn from our supervisory practice and be more accountable. The impact model for the strategic trend of ‘sustainability’ was drawn up in 2023. In 2024, this will be followed by the models for the strategic trends of ‘internationalisation’ and ‘digitalisation’.

2. Supervision of financial services

Society is facing major transitions that will affect everyone. The financial sector is digitalising fast, we are making the transition to a sustainable society and the transition to a defined-contribution second pillar pension system marks the biggest reform of our social system in years. These transitions will alter the range of financial products and services available and our supervision of them.

'Giving central priority to customer interests in times of transition' was the basic principle underlying our supervision of financial services in 2023. Due care in dealing with customers during these transitions is part of this process. This means that consumers need to know what they can expect, acquire products that are beneficial to them and do not take irresponsible risks.

In 2023

- The AFM conducted a number of reviews of responsible lending to gain a picture of compliance with lending standards and excessive lending, and thus to prevent financial problems due to problematic debt among consumers. These reviews led to the conclusion that all was not well in these areas, with evidence of excessive lending to large numbers of customers. We drew this to the attention of lenders, both formally and informally, and saw consequent improvements in both policy and processes.
- We were able to distil trends from a study of the effects of technological developments in the insurance sector for the period up to 2033. We used these trends as a basis for more detailed research into areas such as personalised pricing and embedded insurance. Parties must ensure that the duty of care remains guaranteed in a digital environment, particularly with an increase in data usage and distribution.
- The new Pensions Act was passed in Parliament. We continued our frequent contact with the pension sector to convey our expectations with regard to the transition and offer guidance, as well as to hear about developments in the sector. We familiarised sector participants with conduct supervision, explained the rationale behind it and gave them an introduction to the interpretation of new open standards. Our aim is to identify and address sector-wide issues in good time and ensure that the transition can be explained and implemented.

Digitalisation in the interest of the customer

During the reporting year, we focussed our attention on market participants that make products easily available through apps, as well as online marketing aimed at consumers. We want to prevent consumers being nudged towards products or services that do not primarily serve their interests.

Investor protection

Investors are increasingly opting for more independent investments through brokers (execution only), so we have intensified our supervision of this population. On the basis of a newly devised strategy, we engaged in a dialogue with brokers and conducted exploratory and in-depth studies of the extent to which brokers put the customer's interests central in the distribution and sale of their investment products through fully digital services. Since this often involves cross-border services, we also cooperated more closely in this area with other European supervisors to build up a full and accurate picture of the services provided by these neo-brokers. Specifically, we launched a review of the compliance function at the brokers in question.

To persuade consumers to invest, investment firms advertise their products extensively, including online through social media. Investment firms sometimes also use financial influencers for this purpose. These influencers then recommend followers to invest with the parties they work with. After an exploratory study in 2021, we followed up the influencer review in 2023 (first measurement) and included a number of other investment firms that were previously out of scope. This first measurement showed that most parties had ultimately made the necessary adjustments to their payment structure. Where this was not the case, we will take appropriate enforcement action after the reporting year.

Advertising is bound by all kinds of rules. In an international review of advertisements, we noted that companies had drawn up their own drafting guides to help their employees understand advertising law. We identified a number of areas for improvement among the firms we examined. In response, the firms stated that they would improve their processes for ongoing monitoring of their advertisements.

Such monitoring is particularly important when firms collaborate with third parties (such as influencers) to disseminate advertising. We also noted that decision-making was not always assigned to the appropriate level and that there was room for improvement in reporting. Firms will address these matters as a result of our review. The minor deficiencies we observed in advertisements were fed back and firms have rectified them. This review was conducted with other European supervisors such as those in Germany and Belgium and the results were also shared through ESMA.

In 2023, we sent a letter to investment funds informing them of the rules on advertisements, based on specific European compliance guidelines. These promote investor protection with regard to accurate, clear and non-misleading advertising. They contain specific standards and also address online aspects of advertising. We expect firms to pay particular attention to these advertising rules.

We ourselves also monitored advertisements by financial market participants on a weekly basis, including on social media. If information was inaccurate, unclear or misleading, we took this up with the parties concerned. This led to improvements in the information provided for consumers and investors.

Since 10 November 2023, all providers of crowdfunding services in the Netherlands are required to hold an ECSPR licence. ECSPR stands for European Crowdfunding Service Providers Regulation. We have now granted 18 European licences to Dutch providers. The transition period during which platforms were required to be licensed was initially due to expire on 10 November 2022. We planned to carry out a baseline measurement of compliance with the new rules in 2023. Due to the postponement granted by the European Commission until 11 November 2023, we decided to defer the baseline measurement until 2024.

We believe it is important that digital technologies are used in the interests of the customer on an European level. In 2023, we therefore contributed to the development of the ‘ESMA Discussion Paper on MiFID II investor protection topics linked to digitalisation’, on which a market consultation is now being conducted. In this paper, ESMA outlines various developments in the field of digitalisation and how the market should respond to these in the interests of the customer. The paper, together with the input received, will help ESMA to fulfil a possible mandate to draft further guidance and promote convergence in this area within the EU.

Responsible lending

The automation of the acceptance process for consumer credit and mortgages entails new risks. The aim of that process is to ensure that consumers are granted a loan that is appropriate for their financial situation. We received many incident reports from firms themselves about excessive lending due to system errors. In response, we launched an exploratory study of the automated acceptance process.

We called on providers to continuously monitor and test their credit acceptance processes so that incidents could be detected and addressed in good time. Proper IT risk control and monitoring of data quality are thus increasingly important pillars of 'sound and controlled business operations'. We will continue to conduct studies in this area in 2024 and discuss it with lenders and industry organisations.

Future of the insurance market

Digitalisation will have a major impact on the insurance market in the forthcoming decade. Consumer data will make it possible to tailor insurance policies more closely to the customer's needs. This will offer opportunities but will also entail risks, for example in terms of solidarity. We wrote this in an exploratory study of technological developments up to 2033.

This study received extensive attention in the media and by the public. This prompted us to discuss the issues with stakeholders, such as the Dutch Association of Insurers. We also disseminated our insights into digitalisation through presentations and lectures, including at the Actuarial Congress and through VU Amsterdam and the University of Amsterdam.

We also used the anticipated trends up to 2033 as a basis for further research into cross-border services, embedded insurance and personalised pricing. This includes among others loyalty penalty (a form of personalisation), for example where existing customers pay higher premiums for non-life insurance than new customers. The Dutch Association of Insurers called on insurers to treat new and existing customers in the same way as far as possible and endorses the AFM's active policy.

Our forward-looking study also attracted interest internationally. We were able to contribute to the risk indicators used by the International Association of Insurance Supervisors (IAIS) and various reports from the European supervisor EIOPA, including the Consumer Trends Report and the supervisory statement on margin personalisation. This contributes to a level European playing field and knowledge sharing between supervisors.

We note in any event that the insurance market is international. In the Dutch non-life insurance market, for example, around 30% of total premium revenue is currently generated by non-Dutch insurers. In 2023, we surveyed the various processes, products and countries involved. This was in response to the expectation that internationalisation would only increase. Digitalisation is expected to result in further internationalisation and will become a larger share in the Dutch market. We believe it is important to strengthen European cooperation further, including through EIOPA.

Cyber insurance

Another aspect of digitalisation in insurance concerns the opportunities that insurers see for products such as cyber insurance, where a company or private individual can take out cover against digital attacks. We examined these insurance policies and found that cyber insurances are difficult to compare. This is due to the complexity of the policy conditions, a lack of uniform definitions of key terms, and the fact that insurers do not explicitly state what is covered. Insurers do not yet have a shared taxonomy of cyber incidents. For example: what exactly is hacking? We called on the sector to jointly assess how it can improve the comparability of the product offering. Since this often involves major international insurers, we also drew attention internationally to the importance of a shared taxonomy.

Barriers to managing money online

In an exploratory study of the importance of digital skills, we used existing reviews and discussions with experts to try to understand the extent to which limited digital skills are a barrier to accessing financial services.

In practice, we see that some financial companies already have digital skills on their agenda. They are also taking steps to improve access to services for people with limited digital skills. But we also note that many financial companies still have some way to go on this issue. There is also a role for the government in this respect.

We have therefore made the following recommendations:
1. Recognise that there is a group of people experiencing problems (in some cases serious problems) with digital financial services;
2. Identify these people and engage in a dialogue with them;
3. Exchange knowledge on research and effective solutions.

Responsible choices for a healthy financial future

The new second pillar pension system, rising interest rates and high inflation entail risks and uncertainties for the financial situation of consumers. If providers and advisers do not offer them appropriate products and do not continue supporting their customers on an ongoing basis, there is a risk of suboptimal choices and reduced financial resilience. This would result in financial problems.

Pension transition

With regard to the transition to the new second pillar pension system, we have been in continuous dialogue with the sector about implementing the new, mostly open standards flowing from the new Pensions Act that came into force on 1 July. Executive director Jos Heuvelman also attended an expert meeting in the Senate of Parliament to discuss the enforceability of the Future Pensions Act.

In those discussions with the sector, we expressed our expectations and also collected input, including on dilemmas and good practices. We conducted those discussions one-on-one, but also in plenary sessions at the AFM, for example during roundtable discussions. We held three roundtable discussions on the communication plan: one roundtable discussion for company pension funds and two sessions specifically for occupational pension funds facing specific challenges. In December, a roundtable discussion was arranged for pension administrators on matters such as participant communication during the pension transition.

Together with De Nederlandsche Bank (DNB), we also held three meetings of the Pension Transition Platform, which also includes the Dutch Federation of Pension Funds, the Dutch Association of Insurers and six selected pension funds. This forum provides an opportunity to identify and address specific market-wide issues, including on implementation, in a timely manner. We also engage with the sector by giving regular presentations and by participating in panels at external gatherings attended by large numbers of sector representatives.

We also organised the annual AFM Pension Event on 1 June with almost 250 directors of pension administrators (i.e. pension funds, insurance companies and PPIs), branch organisations and fellow supervisors. We delivered workshops on matters such as the new legal standards and our associated supervision. Evaluation feedback tells us that these are useful and valuable opportunities to meet and learn about the conduct supervision of the sector.

Guidance on new legal safeguards

To offer the sector clarity and guidance on the implementation of the new open standards in the law, we issued or updated the following guidelines: good practices for providing adequate guidance to scheme members in decision making regarding their pension (options) (November 2022); the risk preference survey (February 2023); the good practices for pension administrators' communication plan (February 2023); the the pension fund's confirmation of the establishment of its pension schemes(July 2023); and an update of the pension advice guideline (July 2023). We also conducted various reviews and shared our findings across the sector. In June, for example, we published the Study on the risk preference assessment and associated good practices. We also shared our findings on the communication plans after the first assessments.

In the periodic Transition Bulletin we also discussed various subjects, such as communication plans and complaints procedures. This newsletter was published nine times in 2023. We also continuously updated the pages on our website with information for pension administrators and consumers during the year as the new law was progressively implemented.

Reviews in preparation for the transition

In 2023, we published various review reports in the light of the transition to the new pension schemes.

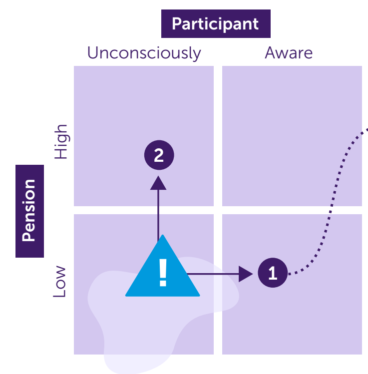
Order in council on indexation
We conducted a review of the communication on indexation based on the temporarily relaxed indexation rules, this being the first tangible impact of the forthcoming change to the pension system on scheme members. Transparency is not an end, but a means of preventing mistrust and foreseeable disappointments among scheme members.

The review showed that more than one third of the surveyed pension funds performed below par. For example, there was a lack of quantitative insight into the generational effects of the bonus decision. This is important information for participants, as it enables them to see what long-term effects the indexation decision could have on them. Although some scheme members see an improvement because they receive more benefits sooner, there are others who lose out.

We also expected pension funds to communicate clearly why, in the opinion of the pension fund board, the decision was well balanced and in the interests of the scheme members. We found that the information that pension administrators shared with scheme members mainly highlighted the positive impact of the decision.

We therefore expressly called on the sector to critically examine its communication on decisions that have consequences for scheme members' pensions, now and later during the transition, and to improve it where necessary. Scheme members have the right to be informed about these decisions and the consequences they may have. One-on-one feedback was also provided for individual pension funds where violations were detected in order to improve communication with scheme members. This was initially done by means of a standards compliance letter. In the light of the modified AFM-wide enforcement policy, this was subsequently replaced by a feedback letter. This feedback letter is not regarded as an informal measure and does not itself give rise to a supervisory antecedent.

Figure 2. Marginal pension schemes



How can we reduce the risk of the marginal pension scheme ('grey spots')?

1. Make sure that participants have **realistic expectations** and that they know that they have a low pension accrual. This way, they can still take action if necessary.
2. Make sure that the **grey spot is getting smaller**. The social partners, pension administrators and advisers have a role to play in this. Participant Pension

i In the new pension system, everyone will become a **contributor**. Participants who have **limited pension accrual** are referred to as **'grey spots'** in jargon.

Marginal pension schemes
The study of so-called 'marginal pension schemes' showed that for a large majority of the more than one million active scheme members who accrue their pension in a defined-contribution (DC) scheme this only happens to a limited extent, because the premium deposit is (very) low. Only a limited pension is accrued for them, of which they may be unaware. We called on the pension sector, including social partners and advisers, to consider ways to prevent unrealistic pension expectations among scheme members. We presented the findings, usually on request, to a number of external parties such as ministries and the Dutch Labour Foundation.

While conducting this review, we also assessed the methodology and views of various sector parties. We also organised two workshops on this subject at the Pension Event. These were attended by a wide audience drawn from the sector, including executive directors and managers.

Third-pillar pensions
We also noted in a study based on microdata from Statistics Netherlands that individual pension products (the 'third pillar') have different thresholds for consumers. This may be why relatively few people accrue pensions in the third pillar. People are unfamiliar with it, for example, and providers could take steps to improve accessibility and comparability. We urged the sector to take note of our recommendations, because the potential growth of the third pension pillar in the new system makes it even more appropriate to lower the barriers for consumers wishing to acquire a third pillar product.

Realistic expectations in projection of scenarios
Pension administrators must inform scheme members about the personal consequences of the pension transition. This includes the prescribed transition communication, where the old and new schemes are compared and scenario figures reflect the uncertainty of benefit amounts. Sector parties are preparing for this communication with scheme members. It became clear that if the scenario figures, as published in the transition plans, were shown on a like-for-like basis, scheme members would see high projections in euros. In 'good weather' scenarios (95% percentile) under the new scheme, those pension forecasts for scheme members aged up to 50 can turn out to be hundreds of percent higher than in the old system.

The discussions we had with various parties in the sector at the end of 2023 showed that no one wants to raise expectations that cannot be met. After the reporting year, we arranged meetings with various stakeholders to jointly find a solution within the legal framework. Timely and well before the actual transition communication will be sent to scheme members.

Failure to provide timely information in good time
Finally, an in-depth study revealed that some individual pension administrators failed to comply with various information obligations under the Pensions Act. Such violations may have serious consequences. For example, scheme members who receive information about their retirement too close to their retirement date, or even afterwards, will not have sufficient time to make often impactful and complex pension choices. In addition to warnings to providers, in two other cases we imposed administrative fines on an insurer and a pension fund. In both situations, one fine was imposed for violations of multiple standards and the pension administrators agreed to settle this fineable matter in accordance with the AFM's procedure for simplified settlement of administrative fine cases.

Interest-only mortgages

We welcome the results of our encouragements to mortgage providers, who have approached 1.68 million customers over the past five years about possible risks associated with their interest-only mortgage loan. By taking this action, the providers enable customers to make an informed choice about their interest-only mortgage and to act in good time. Over that period, the number of customers exposed to high risk fell sharply, by 63%. The rise in home values also helped, of course. Around 744,000 customers have taken action to improve their financial situation, for example, by making one-off or periodic mortgage repayments, switching to a part repayment mortgage or building up additional savings.

Providers have developed a tailor-made approach for financially vulnerable customers, involving the use of a range of preventive management tools to help customers.

We also evaluated the approach with the sector. Sector parties reported, among other things, that they had learned a lot about ways to engage customers. We will continue to focus attention to interest-only mortgages so that mortgage providers provide adequate aftercare for customers with such mortgages until the end of their term.

Tailor-made mortgage acceptance

Following our 2022 review on ensuring responsible lending in the acceptance policy for tailor-made mortgages, we conducted an in-depth file study of three parties. In the case of one party, we imposed an administrative fine for persistent lack of care in its operations. At least between mid-2019 and mid-2021, the firm provided tailor-made mortgages without any appropriate assessment of whether they were and would remain the right choice for customers. The acceptance policy lacked the necessary guidance and in key areas it failed to define situations in which a mortgage could be responsibly granted. Here, for the first time, we imposed an administrative fine linked to the level of turnover. The law provides for this possibility in the case of very strong companies. The firm temporarily halted the provision of tailor-made products and revised its acceptance policy.

Various errors were also found in files relating to the second party, but these were less structural and serious, so a warning letter was issued. This party has now made improvements. The investigation into the third operator is still ongoing. We sent out a sector letter informing the remainder of the sector about the requirements for the acceptance policy.

Excessive consumer credit lending

In 2023, various formal enforcement proceedings were initiated in response to a market-wide review of compliance with rules preventing excessive consumer credit lending. The review showed that several parties were not complying with these rules. All parties found to have deficiencies amended their acceptance policy. In the case of parties that were the subject of enforcement action, all affected customers received compensation.

Buy now, pay later

Following our exploratory study of buy now, pay later (BNPL) in 2022, this phenomenon has been the subject of much public attention. To prepare for the supervision of this new type of financial service, under the revised CCD, we held discussions with big tech and big retail operators that could potentially fall within our supervision. We also organised a sector meeting, issued data requests and spoke regularly to the main BNPL providers. Our attention was focused particularly on responsible lending, arrears management, revenue models and information disclosure. We are also considering the role that BNPL can play in increasing the sustainability of society.
Major technology companies are playing a role in BNPL. They often operate across national boundaries and for their activities in the Dutch market they will fall within the supervision of the supervisory authority in their home country. We therefore also invested in international cooperation for the supervision of BNPL providers.

We have a positive view of the code of conduct launched by the sector to provide better protection for consumers. This includes a number of points to which we drew attention. For example, an individual BNPL provider will combat phenomena such as ‘debt accumulation’ by blocking a customer’s account if payment arrears have already occurred. Since it will take several years to implement new rules, this code of conduct is a step forward in the meantime. We are particularly positive about the announced review of affiliation with the Credit Registration Agency (BKR) and urge providers to implement this rapidly.

We also welcome the commitment in the code of conduct whereby providers will examine the extent to which collection costs paid by the consumer for late payment reflect the actual collection costs borne by individual providers. Our study revealed that this could be a revenue model for providers, which would be inimical to customers’ interests.

Focus on financial situation/periodic insight

We called on financial service providers at various times to consider the need to support customers in keeping their financial affairs in order. We also engaged in discussions with parties launching initiatives aimed at giving people a greater understanding of their financial situation. It remains a challenge to encourage people to focus attention on their financial situation and to take action where necessary. This can be achieved, for example, by cutting back on spending, saving extra retirement capital or cutting costs by repaying consumer credit. We remain in dialogue with stakeholders to assess the scope to offer consumers easily accessible, periodic financial maintenance.

Giving central priority to the customer's interests in the case of closed-book portfolios

Many life insurers have so called 'closed-book' portfolios. These are insurance products that are no longer being sold, but will continue to run for many years for existing customers. Insurers continue to have a duty of care towards customers for products that are no longer available, whereas the systems are often obsolete and expensive to maintain. As the number of life insurance policies in the portfolio decreases, the management costs per policy increase.

During the reporting year, we examined the services and outsourcing of closed-book portfolios of individual life insurances. To our satisfaction, this revealed that all examined insurers had a strategy for dealing with their closed-book portfolio. We saw room for improvement in relationships between insurers and authorised agents. The sector responded positively to our publication on this subject. There appeared to be no immediate risks with regard to the services and information provided for customers. However, we will continue to monitor developments closely to ensure that customer interests also remain central in these products.

A safe financial transition to a sustainable society

Sustainability in investment services and information provision

To gain a clear idea of how transparent financial companies are about the impact their products have on sustainability objectives, we sent banks, investment firms, insurers and pension administrators a self-assessment on the SFDR in 2023. This consisted of questions for parties to answer on their state of compliance with the SFDR and (if applicable) the integration of sustainability preferences and factors in the suitability assessment and the product development process (PARP).

Parties indicated that by completing the self-assessment they increased their knowledge of sustainability legislation and had a better idea of where they still needed to make improvements. The review also revealed that parties had energetically set about incorporating sustainability into their services and information provision.

To deepen the self-assessment, discussions were held with nine market participants to gain a fuller understanding of the practical implementation. For example, we gained a picture of the extent to which customers were able to purchase products matching their sustainability wishes. After 2023, we will share our findings with the market.

The full Taxonomy took effect on 1 January 2023 and the underlying technical standards (RTS) also came into force on that date. This means that almost all parties have had to take additional measures to comply with the SFDR and Taxonomy.

Sustainability Claims Guidelines

The Sustainability Claims Guidelines that we published in October 2023 give companies tools to comply with existing standards for providing information on sustainability. The financial sector has a crucial role in increasing the sustainability of the economy. Marketing by financial market participants often includes ambitions and claims surrounding sustainability. We received positive comments from the sector about the guidelines.

We believe that transparency regarding sustainability aspects is of great importance. We therefore consider that the growing attention devoted to this among market participants is a positive development. Information must be correct, clear and not misleading. This also applies to sustainability claims, the aim being to avoid greenwashing and hence disappointment among consumers. The guidelines apply three overarching principles regarding sustainability information. It must be:

1. accurate, representative and up to date;
2. specific and well substantiated;
3. understandable, appropriate and easy to find.

Sustainable mortgages

We informed the market about advertising rules in relation to credit, particularly for the advertising of mortgages where the customer can borrow an additional sum for sustainability measures. After this letter was sent, we saw the rules being applied correctly in many cases and only found a few advertisements that were not (fully) compliant.

Climate damage

The impact of climate change also affects consumers and their financial products.

Uninsured or underinsured

In 2023, based on continuous monitoring of insurance conditions, we found that insurability against flood damage due to local precipitation and flooding at secondary flood defences had increased. A secondary flood defence provides protection against flooding not originating in a major river or sea. Discussions are also ongoing between the sector and the government on possible solutions to further extend insurability to include damage from major floods from primary flood defences.

We see these developments as a positive step towards the insurability of climate risks. In 2021, we stimulated the debate on this with a study of the effect of climate change on non-life insurance. We called on the government and the sector to engage in a dialogue on this matter.

We are now also consulting stakeholders. We thereby promote awareness and action to address climate-related uninsurability and underinsurance at both national and international level, including by repeating the aforementioned call on the sector and government, sharing knowledge with stakeholders (including international supervisors) and taking part in international partnerships and conferences.

Factoring climate risk into home values

A study into the impact of climate risks on home values received extensive media attention in 2023. As a result of long-term drought, for example, almost 1 million homes in the Netherlands are at risk of damage to foundations. Flood damage is not always covered, while losses incurred due to flooding in the EU in the 2010s averaged €4 billion per year. These types of risks are not currently priced into home price valuations and we believe this merits closer examination. For example, consideration could be given to the introduction of a climate label for homes, similar to the energy label.

MiCAR

The advent of the Markets in Crypto Assets Regulation (MiCAR) will give rise to an important area of supervision for the AFM in 2024. In order to be well prepared for this impactful challenge, we worked on various objectives in 2023, such as acquiring knowledge, preparing market participants for the arrival of MiCAR and setting up supervisory processes, including the licence application process that will begin in the second quarter of 2024. We also invested in national and European collaboration, including through close cooperation with DNB and active contributions to ESMA's Technical Standards.

We carried out a variety of activities.

- We focused on European supervisory convergence with regard to the supervision of crypto assets and crypto service providers. For example, through ESMA we contributed case studies and maintained contact with supervisory authorities to exchange knowledge.
- We sought cooperation with DNB to prepare for the new supervisory duties.
- We developed our knowledge of the crypto market, for example by conducting various market surveys and analyses in order to better understand the risks in the market.

- We familiarised ourselves with new market participants, the so-called CASPs. Preparations for the licensing of CASPs and the related communication were among the main activities in this regard, since we will start receiving licence applications as early as the second quarter of 2024. We posted relevant information on our website and introduced a dedicated email address for market participants: crypto@afm.nl
- The new tasks flowing from MiCAR mark a significant change not only for the crypto sector but also for us. We invested a lot of time in 2023 in the implementation of new legislation and preparations for its supervision. We decided to set up a central team to prepare for MiCAR. To fulfil our new tasks, we recruited new people and established supervisory processes, particularly for assessing licence applications and organising the data and IT infrastructure.

Other activities and regular supervision

Need for sound and controlled business operations

Some financial service providers still do not meet the minimum licensing requirements, according to results from a repeated supervisory investigation and published in Marktindrukken 2023. The investigation focused on licensees on whom measures had previously been imposed, in order to gauge the effects of the measures. The results were disappointing. Failure to comply with licensing requirements or inadequate risk management, for example in the field of information security, can harm customer interests. At the AM-day, AFM Chair Laura van Geest reiterated the need for advisers to meet all minimum licensing requirements at any time.

We expect that every financial service provider who has a licence and wants to keep it will meet the basic requirements. Following reviews of compliance with laws and regulations related to the licensing requirements, 15 warnings were issued to non-compliant financial service providers. For this reason, compliance with 'sound and controlled business operations' will again be a key focus of our supervision on financial service providers in 2024.

In the case of one financial service provider, a review revealed that various violations had been committed over a period of more than three years, on a structural basis and sometimes deliberately. In several cases, inaccurate, unclear and/or misleading information was provided on insurances. This institution also tampered with customer reviews on its website, hiding negative reviews from view as far as possible. In addition, important insurance information, such as the policy schedule and conditions, was only provided by email or via the website, even though customers gave no clear consent for this. We conclude from the accumulation of violations that the institution had no appropriate policy to ensure that it acted ethically during its business. It was therefore fined.

Raising the level of product development and product reviews

Providers must take balanced account of customers' interests when developing financial products. Among other things, we saw products from non-life insurers, including home insurance and occupational disability policies, in which this was not the case. We therefore took enforcement action on a number of occasions. This led directly to an improvement in target group definition and scenario analyses. In the case of various providers, we also ensured that their product development and review processes were or would be improved. In 2023, we noted that providers were carefully following up the key points from our 2022 review. By constantly focusing attention on this subject, we can also guarantee that these providers maintain the quality of products over the long term.

Innovation

We had ongoing discussions with various external stakeholders last year to monitor innovative market developments, for example with market participants and fellow supervisors. Our attention was focused, among other things, on developments in embedded finance and decentralised finance. We are also monitoring developments in areas such as digital engagement practices.

During the year, we engaged in discussions with parties on various concepts (products and services) through the InnovationHub and clarified the legislation and regulations at an early stage.

Exemplary behaviour at the top

We examined example-setting behaviour at the top of major firms last year and shared proven methods with them. It is important that firms embed these working methods in their processes and continue to reflect on their tone at the top.

Supervision in the BES islands

In 2023, the AFM's supervision in the BES islands focused principally on responsible lending, appropriate advice and preventing money laundering and terrorist financing. The supervision took place both online and on site. File checks were the principal means of supervision. We also organised a seminar for the financial sector in the BES islands in 2023 jointly with DNB. In addition, we collaborated in various areas with supervisory authorities within the Kingdom of the Netherlands. We considered one licence application and assessed or reassessed 11 individuals in 2023.

Licences, signals and notifications

In 2023, we granted 240 licences to financial service providers. Twenty applications ultimately did not lead to the granting of a licence. On the other hand, 453 financial service providers left the market. This means there was an overall decrease in the number of financial service providers (advisers and intermediaries) established in the Netherlands with an independent licence. This is consistent with the consolidation that has been under way in the sector for a number of years. We see acquisitions reflected in the number of individual personal assessments, the size and nature of registrations for affiliated companies and the complexity of changes in legal form, for example. There were also 264 registrations of European passport holders in 2023, these being firms that are permitted to conduct activities in the Netherlands under the licence granted to them in their home country.

Figure 3. Licenses

Notifications and signals

Table 1. Overview of number of signals, notifications and incident notifications from market participants in financial services in 2022 and 2023. Signals are notifications affecting the AFM's supervision that may originate from consumers, market participants or AFM employees.

Notifications are mandatory and voluntary notifications from the sector regarding possible abuses or violations of legislation and regulations. Incident notifications are mandatory notifications of incidents within a company that may relate to the properness of policymakers and may affect the sound and controlled business operations and continuity of the company.

	2023	2022
Signals	469	415
Notifications	148	129
Incident notifications	28	27

AFM-wide supervisory priority: combating criminal behaviour in the financial sector

Financial-economic crime constitutes a threat to confidence in the financial sector. One of the AFM's core objectives is to tackle criminal behaviour in the financial sector.

Research into investment fraud

We reviewed and enriched the signals and notifications that we received from consumers and market participants and prioritised them using our risk analyses. It was on this basis, that we conducted more detailed investigations. In 2023, this research resulted, among other things, in 4 reports to the public prosecution service, all of which that put a stop to investment fraud. These fraud cases had duped investors to the tune of just under €100 million. The extensive media attention generated by these reports served to warn consumers not to take up these so-called 'too good to be true' offers.

Over the reporting year, we specifically targeted fraudulent, pushy sellers of financial products, so-called boiler rooms. We published 46 public warnings about such companies on our website. We also refined our working methods: for example, we now also publish IBAN numbers of malicious parties and, where possible, ask web hosts to take down the malicious parties' websites. We do this in order to limit any potential damage inflicted upon future consumers.

We also conducted reviews on the role of finfluencers in acquiring investors for an illegal investment firm. We are now assessing the need for enforcement action on the basis of these reviews.

Thematic reviews based on risk analysis

As well as conducting reviews in response to specific signals and notifications, we assess trends and developments in the financial sector for possible risks of criminal behaviour. For example, in 2023 we conducted an exploratory study of the way in which supervised companies manage the risks of cybercrime through their IT systems. This exploratory study has thus far not warranted a more in-depth analysis.

Preventing money laundering and terrorist financing and ensuring compliance with sanctions regulations

In recent years, we have observed better compliance by collective investment companies and investment firms (as well as by their managers) with key provisions of the Money Laundering and Financing of Terrorism (Prevention) Act and the Sanctions Act, for example with regard to risk assessment and policy, reporting unusual transactions and employee participation in training courses. There remains room for improvement in transaction monitoring and training for policymakers. That emerged from the answers to questionnaires that we send out every year. As a result of the improved compliance we have observed in recent years, we decided to send out our questionnaire every 2 years instead of annually.

We use the information from the periodic data requests as a basis for our risk-based supervision of compliance with the Money Laundering and Financing of Terrorism (Prevention) Act and the Sanctions Act. For example, we initiated thematic reviews of compliance with the Money Laundering and Financing of Terrorism (Prevention) Act by a total of six investment firms and managers of collective investment companies. We also conducted 10 institution-specific reviews, seven of which have been completed. Where violations were detected, we took action. This action led to 4 administrative fines along with several other formal and informal measures in 2023.

Money laundering, terrorist financing and sanctions are cross-border phenomena. It is with this knowledge that we sought international cooperation for various reviews and were closely involved in international partnerships. For example, in 2023 we took part in both the Standing Committee on Anti-Money Laundering & Countering Terrorist Financing (AMLSC) and the AML/CFT supervisory colleges. We also contributed to the development of national and international legislation and regulations. Examples of legislation to which we contributed include the modernisation of the Sanctions Act, the Anti-Money Laundering Authority Regulation (AMLAR) and the implementation of the regulation on information to be included with money transfers and transfers of certain crypto assets.

3. Supervision of capital markets

Properly functioning capital markets are beneficial for the economy and the sustainable financial prosperity of households. The capital markets play an important role in the allocation of capital for economic activities, the transfer of financial risk, the funding of sustainability improvements and the energy transition. It is crucial that market participants have confidence that the market is functioning effectively. Our supervision therefore involves ensuring that all the market participants concerned meet their responsibility to ensure that trading is conducted reliably, transparently and fairly.

Technological developments and far-reaching digitalisation, continuous internationalisation and increasing attention to sustainability impact the structure of the markets and the behaviour of trading participants. In this changing environment, the AFM is committed to ensuring fair trading practices and robust and transparent capital markets. Again in 2023, we continued to devote attention to the impact of digitalisation, internationalisation and sustainability improvements on the market structure and behaviour of trading parties.

A European approach is needed to ensure that the capital markets function effectively. Fair trading practices prevent costs and risks being passed on to other parties and confidence in the market being undermined. Properly functioning capital markets are beneficial for the economy and the sustainable financial prosperity of households.

Results

- The supervisory approach has been reinforced by focusing closely on compliance with transaction reporting obligations arising from MiFIR, EMIR and SFTR. This will contribute to transparency and fair trading practices.
- The quality of the delivered transaction data has improved. Institutions' attention was drawn specifically to their own responsibility for this data and our supervision was focused on compliance with reporting obligations under MiFIR, EMIR and SFTR. In this way, we can ensure sufficient transparency in the capital markets.
- Our efforts mean that the market is better able to prepare for the arrival of DORA, the IFD/IFR review, MiCAR and sustainability regulations. We kept market participants constantly informed of developments and provided guidance. This helps us to ensure the robustness of the capital markets.
- We have drawn attention to the ESMA opinion that provides clarity as to when market participants' systems qualify as multilateral trading systems. The increased supervisory attention has resulted, among other things, in appropriate licence applications, helping to ensure the robustness and efficiency of the capital market as well as a level playing field.
- Institutions have improved the way in which they provide accurate and timely information for investors. By providing input for ESMA guidance on and discussions with the market, institutions know what is expected of them.
- We are committed to a more integrated European approach to capital market supervision. We have argued for a centralised EU set of capital market data, so that financial risks and cross-border market abuse can be identified at an earlier stage. This will promote greater integrity in the financial market throughout Europe.

Cross-platform supervision of market abuse

Promoting national and international collaboration

In order to take strong action against cross-platform market abuse, we collaborated with various national and international supervisory authorities in 2023. Specific attention was focused on commodity derivatives and the energy market (including TTF gas and emission allowances trading).

Supervision of the integrity of the TTF market was reinforced through collaboration with the Netherlands Authority for Consumers and Markets (ACM) in the field of market surveillance. Available gas supply and Title Transfer Facility (TTF) futures linked to this market are important for the proper functioning of the gas market. By collaborating we avoid duplicating our work. Clear agreements were also made as to who will examine what. In addition, the links with various international supervisors have been strengthened through working visits and internships, aiding effective coordination of cross-border supervision.

Supervision of algorithmic trading and machine learning

New technologies, such as algorithmic trading and machine learning, offer opportunities, but they may also entail risks, such as a lack of explainability and a risk of manipulation. We tightened our supervision of this trading last year to ensure that market participants acted with integrity and made proper use of algorithms and machine learning. We published a number of studies on these subjects, including 'Statistical Predictions of Trading Strategies in Electronic Markets' (Oxford-AFM Study) and 'Machine Learning in Algorithmic Trading'. The results of these studies were shared with the market, including at the AFM Capital Markets Day 2023, and with supervisory authorities worldwide (IOSCO, ESMA etc.). We thus endeavour not only to improve our own supervision but also to influence the sector and other supervisors.

Faster intervention

The correct use of insider lists by issuers (and their advisers) can help supervisors investigate potential insider trading by a person with access to such information. Platforms are also being encouraged to strengthen their surveillance activities.

For example, by means of bilateral meetings with platforms, the so-called Market Conduct Meetings, and thematic internal reviews of their maturity, we encouraged the platforms to increase the number of STORs and keep the systems and controls in order. These Market Conduct Meetings have become a permanent part of our supervision, as the market is continuously developing and this area requires constant attention.

Adequate control of key components of the capital market

In order to guarantee the robustness of the capital markets, we regularly assess whether the crucial components of the capital markets are still being adequately controlled. In 2023, we conducted several reviews of proprietary traders, trading platforms and post-trade parties. These focused, among other things, on information security, algorithmic trading, remuneration policy and the culture of the organisation.

We also examined risks that could disrupt the capital markets and assessed the control measures required to prevent these risks. For example, information security on trading platforms and at proprietary traders was examined on the basis of requested documentation and interviews to determine the need for control measures. The conclusions enabled us to assess the maturity of information security among proprietary traders and trading platforms. The good practices will be published in 2024.

We also intensified our supervision of institutions that play a major role in the robustness of the capital market. Various parties were placed under enhanced supervision. For reasons of confidentiality, these institutions cannot be named.

Finally, we made known our views and wishes for the MiFIR review, among other things. This has already led to a ban on Payment for Order Flow in the Netherlands; the extensive Consolidated Tape (centralised bundling of trading information) is also high on the European agenda as a result of our input. In addition, our proposals for promoting transparency (RTS 1 and RTS 2) have largely been adopted. On a European level, we championed the development of the European Single Access Point (ESAP).

Compliance with new sustainability regulations

Full, accurate and in time information for investors is essential in order to guarantee a transparent and ethical capital market. This also applies to sustainability claims. We examined the net zero claims made in various prospectuses and press releases, devoting particular attention to the validity of the evidence provided by issuers. We concluded that the press releases and draft prospectuses contained little information to substantiate the net zero claims.

In our sustainability claims guidelines, we provided clarity with regard to the requirements for these claims: sustainability information must, among other things, be correct, clear and not misleading. We called on the market to devote particular attention to this.

We want to stop issuers and financial market participants promoting themselves and/or their financial products as 'green' if this is not actually the case. We therefore took steps in 2023 to ensure in particular that the market knew what was expected of it. We did this by providing input for the relevant ESMA guidance, by engaging in a dialogue with the market and by conducting discussions with individual parties. We also contributed to various ESG events with issuers and their advisers. We were able to explain our expectations with regard to the substantiation of sustainability characteristics and market participants were able to inform us of their concerns. The AFM also shared these insights with ESMA.

Intensification of data-driven supervision

To promote the supervision of compliance with reporting obligations, the required EMIR, MiFIR and data is being made available systematically on our managed data platform (MDP). This improves regular automatic and ad hoc checks of data quality. Order book data is also used to verify MiFIR transactions against another source. In order to verify proper compliance with notification obligations, notification data was for the first time combined with other data sources such as annual reports and transaction reporting. This led to 19 corrections in public registers.

In 2023, we further automated our supervision and structured it on a data-driven basis. Our main data flows – EMIR, MiFIR and SFTR – are now being structurally processed, analysed and visualised. This has increased effectiveness and efficiency and enables us to follow new market developments even more closely.

To achieve further improvements in the quality of transaction data, we made visits to BaFIN and the AMF. These working visits were made to establish a structural exchange of knowledge on successful data-driven supervision of different transaction-reporting regimes. Working agreements were also entered into with a view to exchanging data quality issues detected at investment firms falling within the supervision of another NCA. This resulted a number of signals being received by the AFM. These were followed up and led to improvements in reporting.

Based on the notification obligations, a daily exchange of short-selling data was set up with ESMA (centralising and sharing data) to make our supervision more effective. The AFM is also participating in various ESMA data quality reviews in order to raise the bar ever higher.
In addition to the above results, we continuously test new methods in order to keep our supervision as effective as possible. A concrete example of this is our use of the order data from supervised trading platforms as an independent source to improve the quality of reported transactions.

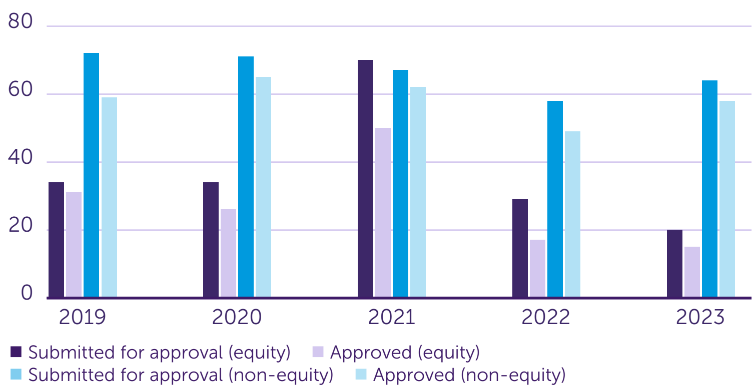
Other activities and regular supervision

Prospectus supervision

Within prospectus and offer supervision we refined our assessment strategy with the introduction of the 'Prospector' tool. This tool now enables us to assess a number of mandatory prospectus components automatically. As a result, the assessment process is more efficient.

During the year, we communicated clear expectations to the market and advisers with regard to information disclosure prior to the issuance or listing of sustainable bonds. In this way, we ensure that the prospectus presents all the necessary information required for an informed decision on whether to invest in these green products and we prevent greenwashing or poorly substantiated sustainability claims.

Figure 4. Number of prospectuses, equity and non-equity submitted, and equity and non-equity approved in 2013-2022.



Rules for trading platforms

In order to maintain a level playing field in Europe, parties that provide the same services and are in the same market must be subject to the same rules. We therefore further clarified the definition of the Trading Platform at the beginning of 2023 by issuing the 'Opinion on the Trading Venue Perimeter'. We also took part in a roundtable discussion to explain to advisers what is and what is not meant by a trading platform. This included a detailed explanation of previous legislation, resulting in greater clarity in the Dutch market.

Responding to signals and conducting enforcement procedures Market abuse investigation

In 2023 we received 816 reports of market abuse, 8% more than in the previous year. The number of mandatory reports (STORs - Suspicious Transaction and Order Reports) increased by 7% to 726. What is striking in the statistics is the increase in the number of STORs from abroad (+13%). The number of domestic STORs remained roughly the same as in the past 2 years

At the beginning of 2023, we were working on 33 ongoing investigations into potential market abuse violations. In 2023, we launched 19 new investigations into market abuse violations (insider trading and market manipulation) and 6 new investigations into suspected non-compliance with legal obligations arising from the Market Abuse Regulation, such as the timely publication of inside information, the preparation and monitoring of insider lists and accurate and transparent investment recommendations. The investigations launched in 2023 led to formal or informal enforcement measures on 26 occasions, including one instance of a report to the Public Prosecution Service. 25 investigations continued into 2024. Finally, in 2023, we suspended trading in a share twice. The reason for this was the information asymmetry that had arisen in the market. Edition 9 of AFM Market Watch provides more information on the how and why of circuit breakers and trading halts.

Public offers

Seven public offers were announced in 2023, compared to three in 2022. Five public offers were honoured by bidders in 2023, one more than in 2022.

In total, we approved six tender offers, compared to four in 2022. As in 2022, exemptions were granted from obligations in the offer rules on four occasions.

Contacts with external stakeholders

- Within ESMA, we began sharing experiences and expectations with regard to prospectuses for products on the blockchain. This includes work on European convergence in the supervision of innovative products.
- We participate in the IOSCO Primary Markets Network, where discussions are held at international level with other supervisors on risks and new developments in the market.
- In various forums (MIWG (Market Integrity Working Group), BoS (Board of Supervisors), ETEF (Energy Trading Enforcement Forum), MCR (Market Conduct Roundtable)), the AFM shared knowledge with other European and international supervisors concerning algorithmic trading.
- We are involved in the preparation of a Common Supervisory Action (CSA) through ESMA with regard to compliance with ESG requirements by benchmark managers. The information request will follow in 2024 and the AFM has succeeded in bringing Paris-Aligned & Climate Transition (PACT) benchmarks within the scope of this CSA.

4. Supervision of asset management

The Dutch asset management sector is large, with more than €1,000 billion under management and more than 300 supervised asset management parties. And the market is set to continue growing. The relatively low interest on savings – interest rates have risen but are still low relative to inflation – means asset management plays an increasingly important role in the accumulation of private capital. With a view to future-proofing the asset management sector, attention was also devoted to various areas in this financial sector in 2023, including: the impact of sustainability and the sustainability transition; the impact and necessary adjustments in the context of the pension transition; the outsourcing of key tasks by asset management parties and the management of liquidity risks.

Through our supervision of asset management, we protect the interests of investors and consumers who have placed money directly or indirectly with asset managers. For this purpose, we supervise the market in collective and individual investments as well as the operators in this market.

In 2023
- Although asset managers have different arrangements in place to control sustainability risks, most comply with the requirements of the SFDR. A small majority of institutions have defined their attitude to risk by means of a risk appetite.
- The supervision of sustainable financial investment products has been further developed.
- The asset management sector is aware of and prepared for the consequences of the pension transition.
- Institutions are gaining fuller control of the risks relating to cybercrime and ICT. Among other things, the sector has followed up our guidance in relation to DORA.

Controlled and sound business operations in order, with control throughout the chain

We conducted reviews of the degree of asset segregation in (third-pillar) tax-facilitated investment products. In the published sector letter, we addressed asset segregation risks when customers switch provider. Not all asset managers had a sufficient licence to hold client funds. In response to our review and the guidance provided, these parties adjusted their business operations to meet the relevant requirements.

We also continued our account supervision of large and complex asset management parties during the year, including more intensive supervision of the consolidations that took place. We also conducted in-depth analyses among selected asset managers in areas such as outsourcing, the Money Laundering and Financing of Terrorism (Prevention) Act and the pension transition. These short-term, intensive reviews gave us a clearer picture of these areas with regard to the relevant risks among asset managers. Asset managers took measures to minimise these risks where necessary.

As part of this supervision, attention was also devoted to the culture and conduct within asset management. Some asset managers were deficient in this regard. We arranged support sessions to help these parties identify the key points. We then issued guidelines to these asset managers with a view to improvement.

Due to the entry into force of the EBA ESMA SREP guidelines, and our subsequent data requests, we have received good-quality data from the companies concerned. This also means we are able to identify the risks more fully and coherently and to provide feedback for the market. Asset managers can then see which elements of their business operations need to be improved. To ensure proper supervision of compliance with the IFR/IFD regulations, an integrated risk picture of the sector was also obtained using the SREP data.

In 2023, we continued to monitor the supply chain role of large asset management companies in the context of the transition in the pension system. It is important that the asset management sector is prepared in time for the transition to the new pension system, for example with regard to reviews of transition plans and the operational implementation of the transition, as well as assessments of the costs and risks of fiduciary management. Attention was drawn to the pension transition in presentations at seminars, during regular discussions with the sector (including with DUFAS and VV&A) and particularly in the supervision of large and complex asset managers. We note that the sector is aware of the implications.

In 2023, we followed up our review entitled Supply Chain in View (2018 and 2020). The Supply Chain in View reviews were exploratory and intended to provide a clear picture of the existing outsourcing of tasks to other parties, the tasks themselves, the size and the structure of the policy and procedures. As a follow-up to these reviews, measures were taken in 2023 against asset managers that did not have the correct policy and processes in place. We also began a review of the monitoring of outsourcing in 2023. The results will be published in 2024.

In 2023, an exploratory study was conducted into the costs charged by real estate funds offered to retail investors. The charges must be balanced and transparent. Although we see differences in the level of costs charged, we see no grounds for further investigation at this stage.

The handling of notifications (including from funds), correct signals, good assurance reports and custodian reports are crucial for the healthy functioning of the sector. In 2023, we provided feedback for the sector on the custodian reports for the January 2021 to December 2022 reporting period. The letter contains guidance for sector parties to implement improvements in their organisation.

A review was also conducted of the causes of the lack of incident notifications. Various causes were identified. For example, companies' incident policies are not clearly set out, but we also found that some companies were not keeping adequate records of decisions concerning incidents. We shared best practices with the market.

A sector letter was also issued drawing the attention of alternative investment funds to the importance of sufficient and appropriate liquidity management tools (LMTs). Although the majority of funds have three or more LMTs at their disposal, there are still some funds where this is not the case. This poses a danger that in a stressed situation a fund cannot be temporarily closed in time, possibly leading to fire sales. This sector letter lets the sector know that this subject is on our radar. Our recommendations will be included in their own work programmes.

Supervision of compliance with new sustainability regulations

In anticipation of the further elaboration of European sustainability policy, we continued to develop our supervision of sustainable financial investment products. Among other things, we looked at how managers of Dutch collective investment companies manage their sustainability risks. The study showed that most managers have proper processes in place for risk classification. It was notable that there were major differences in the availability and quality of the data and that stress tests and scenario analyses were only used to a limited extent. This subject will remain on the agenda in 2024, partly due to the increased European interest in the management of sustainability risks.

A study was conducted in 2023 into compliance with the Sustainable Finance Disclosure Regulation (SFDR) by asset management parties. The results are expected in 2024. The questions related partly to a European data request issued by the European supervisors at the behest of ESMA. Other questions were in line with those asked in previous years, to determine whether any changes had occurred in the parties.

In addition, improvements were proposed for the SFDR as part of the consultation by the European Commission. In our proposal, we argued that the legislation should be better aligned with investors' perceptions. The AFM proposes to introduce three product labels that match the expectations and objectives of sustainable investors: 'transition', 'sustainable' and 'sustainable impact'. These will help investors understand the differences between the various types of sustainable investment products.

Effects of digitalisation and technology under control

In 2023, in anticipation of the introduction of the AI Act, exploratory discussions were held with the sector on the integration of artificial intelligence (AI) in the risk function within asset managers' investment policy and portfolio management. The purpose of these discussions was to understand how Dutch asset managers view the opportunities and challenges of AI in their business operations, and how they deal with them from a management perspective. Our conclusion was that further research on this subject was warranted. With the AI Act having come into force at the end of 2023, we will conduct follow-up research into AI applications in 2024.

DORA

The Digital Operational Resilience Act (DORA) has been in force since January 2023. DORA is a European regulation that aims to ensure that financial firms improve the management of their ICT risks and thus become more resilient to cyber threats. Financial firms have until 17 January 2025 to comply with the rules.

We have taken a number of steps in advance of this date. A programme has been set up with the main intention of informing the sector about DORA and contributing to the development of further regulations. Our internal organisation is also being prepared for DORA supervision.

Various activities were carried out in 2023 in the context of our DORA supervision. These included the establishment of an implementation working group to further specify the supervision within the supervisory departments. One of the priorities was the recruitment of DORA supervisors.

Seminars and presentations were organised for trade associations to prepare the sector for DORA. DORA updates were also issued containing information and guidance. The presentations, seminars and DORA updates have been well received and market participants report that they help with the implementation of the regulations.

Finally, in collaboration with DNB and other European supervisors, we have contributed to further regulations (RTS/ITS). The first batch of further regulations has now been sent to the European Commission. The second batch will be sent to the European Commission after consultation, which is expected to be in mid-2024. Here we are using the consultation responses received from financial companies in the Nether*lands.*

Other activities and regular supervision

Improving data quality and data access

Managers of collective investment companies are required to report periodically on their funds and management activities. The AFM considers it important that these reports are of good quality and contain few errors. In the LMT reporting, we stressed the need for correct AIFMD reporting by institutions. We also provided a workshop and a webinar for Dutch and foreign reporters on the AIFMD reports. The aim of the workshop and webinar was to show how to submit accurate and complete reports to the AFM and to describe how the reports are used as part of the supervision. Judging by the reactions from market participants, this additional information had the desired effect.

Participation in international bodies and working groups

In 2023, the AFM/AM again contributed to international forums and the associated reports issued by the working groups. Co-writing these papers – five in total – enables us to disseminate our supervisory vision internationally.

Data requests

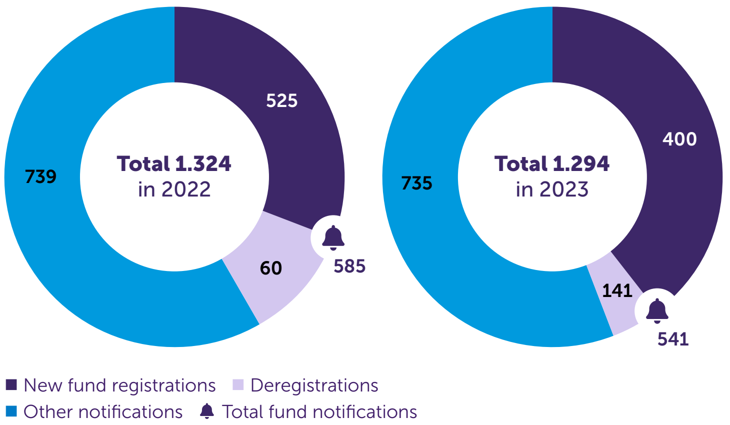
The AFM and DNB entered into additional agreements on the conduct of their supervision. One of the benefits of these agreements is the reduced overlap in data requests by the AFM and DNB.

Notifications

Investment firms, depositaries and managers of collective investment companies (both UCITS and AIFs) have a statutory obligation to provide certain notifications to the AFM. In addition to applications for and withdrawals of licences or registrations, these include notifications of material changes to business operations (outsourcing, remuneration policy, governance) and of incidents. Managers of alternative investment funds are also required to provide fund notifications and to notify prospectus changes. In 2023, 1,294 notifications were made, 541 of which were fund notifications (400 registrations of new funds and 141 deregistrations) by licence and registration holders, compared to 585 in 2022 (including 525 registrations).

There was a slight increase in the number of other notifications compared to 2022, from 739 to 753. There were a relatively large number of prospectus changes due to restructurings, acquisitions and the SFDR in 2023. There were also many outsourcing and pre-marketing notifications. Notifications are an important means of surveying the conduct of parties and the resulting risks in the sector. When dealing with these notifications, we were also able to make timely responses to changes to institutions' business operations.

Figure 5. Notifications by Investment firms, depositaries and managers of collective investment companies



Licensing

The AFM received 11 requests for new licences in the investment firms segment in 2023 (2022: 17). Nine management companies applied for an AIFMD licence (2022: 11). We also received one application for a UCITS licence (2022: 1). Since 2022, crowdfunding platforms have been able to apply for a licence under the new European Crowdfunding Service Providers Regulation. Five parties submitted such applications to the AFM in 2023. In total, we have granted licences to 18 parties, including nine in 2023. The AFM rejected one licence application in 2023.

Applications from investment firms are varied and still often concern companies that are part of an international group. The rising trend has not continued. The fund managers largely consist of parties who were initially able to use the AIFMD registration regime but had to apply for a full licence due to the growth of their assets under management. In 2023, six investment firms and three management companies surrendered their licences (2022: 11 investment firms and three management companies).

AFM-wide supervisory priority: financial stability

The AFM supervises financial stability from the perspective of the capital markets and conduct and thus supplements the stability supervision carried out by DNB. Within its areas of supervision, the AFM focuses on risks that could potentially affect financial stability. The AFM analyses whether there are stability risks in three areas that fall under its supervision, namely capital markets, the asset management sector and risks affecting many customers of financial institutions. We are also part of the Financial Stability Committee (FSC). The FSC is tasked with detecting risks to financial stability in the Netherlands and can make appropriate recommendations.

Stress tests

Asset managers of investment funds conduct regular stress tests to check how funds respond to different historical and hypothetical scenarios. In 2023, the AFM requested data from a number of asset managers on the use and application of liquidity stress tests by Dutch asset managers. This included examining the governance of the liquidity stress test policy and the results of stress tests on individual investment funds. Insights gained from this data request will be taken into account in the AFM's supervisory strategy. The results will be published in 2024.

The AFM and DNB also conducted an investigation into pension funds' liquidity risks at the request of the FSC. This produced a more detailed picture of the potential liquidity effects on large pension funds and the asset managers in exceptional stress situations. The results will be published in 2024.

Ratio of equity to debt

The AFM also supervises the ratio of debt to equity in Dutch investment funds, which is known as leverage. This is important because leverage can amplify liquidity risks.

Together with DNB, the AFM regularly examined the amount of leverage in investment funds over the past year and discussed the results among themselves.

By means of fund monitoring, the AFM contributed to the leverage risk assessment that DNB is required to conduct under Article 25 AIFMD. Regular consultations also took place with DNB concerning possible liquidity risks arising from the use of leverage in LDI (liability-driven investment) funds.

Finally, the AFM devoted attention in its annual reporting to the main risks in the use of leverage by investment funds ahead of the annual roundtable discussions held by De Nederlandsche Bank (DNB), CPB Netherlands Bureau for Economic Policy Analysis and the AFM with the standing parliamentary committee for Finance.

Financial stability

Within the ESRB, we co-wrote the ESRB issues note, including proposals to improve the macroprudential framework for investment funds. In this way we contribute to the international discussions on financial stability.

We are also involved in preparing IOSCO papers for the development of guidance on anti-dilution tools. This report was published on 18 December 2023.

Blockchain

An exploratory study was due to be conducted in 2023 into the effects of using the blockchain system in the capital markets, examining the impact on the stability of the financial markets. As a result of deprioritisation, this did not take place, because this system is still being used to a marginal extent in the Netherlands.

5. Supervision of quality of audit firms and reporting

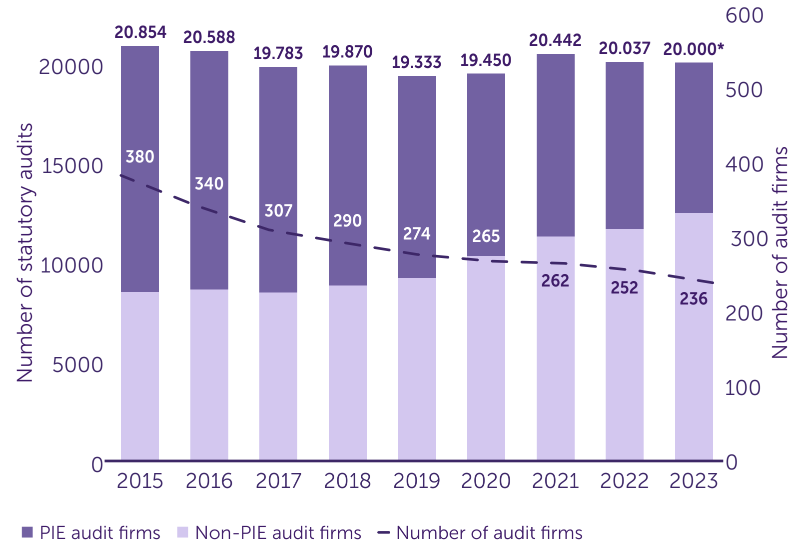
Relevant and reliable reporting, subjected to a high-quality statutory audit, is crucial for fair and transparent financial markets. Critical auditors were therefore very much needed again in 2023. As a beacon of calm and stability, such auditors act as a counterweight to the shift towards a low-trust society. They generate trust by staying close to information and asserting its correctness. This is an important social role, which is becoming ever wider. Developments are moving quickly, particularly in the areas of sustainability and digitalisation.

The accountancy sector faces a large number of challenges simultaneously. For example, how will it cope with the surge in assurance engagements for sustainability reporting? Digitalisation is also a key development, particularly with regard to the recent AI models in the corporate sector. Closer attention must also be paid to fraud and continuity (or discontinuity), the attractiveness of the profession and the new governance requirements for the largest non-PIE audit firms.

Our ‘Snapshot of the Sector 2023’ report shows that the number of organisations authorised to conduct the 20,000 or so annual statutory audits also continues to decline. The market share is also shifting towards non-PIE audit firms. Non-PIE audit firms now account for more than 61% of regular statutory audits. In 2014, the figure was still 40%.

As a supervisor, we keep an eye on developments and what is needed to conduct incisive and effective supervision. External pressure remains necessary to guarantee quality in the accountancy sector, as the coordinators emphasised again in their final report entitled ‘Pressure and counterpressure’ in November 2023.

Figure 6. Market share is shifting from PIE to Non-PIE AFs, sector is consolidating.



In 2023

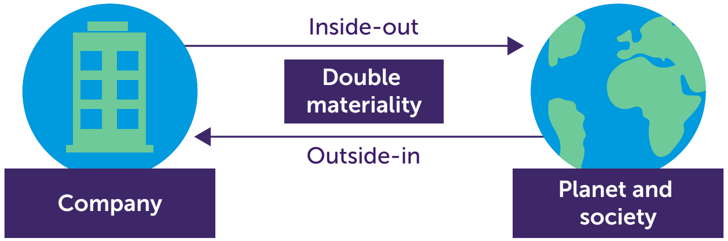
- We urged companies, auditors and audit firms to be sufficiently prepared for the Corporate Sustainability Reporting Directive (CSRD). Our own research has shown that major steps are still needed, so there is no time to lose.
- Proper identification of fraud risks is a core task of auditors. In 2023, we published a critical report on the fraud risk analysis. This needs more attention to ensure that the statutory audit does not get off to a false start.
- The engagement quality control review (EQCR) is an important measure for audit firms to guarantee the quality of the statutory audit. We conducted a review of the EQCR in 2023. This shows that the EQCR needs to be conducted in greater depth, by both PIE and non-PIE audit firms.
- Our supervision of accountancy and reporting is data-driven as far as possible. For example, in 2023 we received data points from approximately 9,000 statutory audits from non-PIE audit firms, enabling us to further develop our data position. In 2024, we expect to implement various supervisory actions in response to this data. With a data pilot and intensive contacts with the firms, we also finalised the data request for PIE audit firms and sent it out in Q4 2023.

Transparency with regard to the impact on the environment, people and society

Users of reports are paying increasing attention to companies' sustainability factors and how those impact the business model. From 1 January 2024, stricter transparency requirements will apply to the reporting of sustainability information in the annual reports of the largest listed companies under the new Corporate Sustainability Reporting Directive (CSRD). From 2025, these new rules will apply to all large companies and from 2026 to small and medium-sized listed companies, with the exception of micro entities.

The CSRD and European Sustainability Reporting Standards will make a strong contribution to the coherent and balanced way in which companies are required to report on this subject. This means that companies must report both on the impact (financial and otherwise) of the environment, such as climate change, on the company (the internal impact of external developments) and on the companies' positive and negative impact on the environment and society (the external impact of internal activities).

Figure 7. Double materiality in reporting on impact of and on planet and society



CSRD: no time to lose

Ahead of the introduction of the CSRD, the AFM conducted an exploratory study into companies' climate reporting and the related assurance provided by audit firms. This showed that much still needs to be done to comply with the new regulations on time. The study was conducted at 27 of the approximately 80 listed companies to which these rules will apply from 2024. In addition, the four largest PIE audit firms were examined to see how they dealt with the climate aspect in their voluntary assurance statement on non-financial information.

Broad influence campaign

A broad influence campaign was devised to get our message across. We generated a lot of attention on mainstream and social media and spoke at external events. We also explained our findings to the audit firms that fell outside the scope of the study and sent the report to the executive and supervisory boards of 80 listed companies.

In-depth study of net zero targets

The exploratory study was an initial step in raising awareness and influencing the sector with regard to the CSRD. During the remainder of the year, we conducted an in-depth study of the net zero targets in the 2022 annual reports, with the aim of further encouraging transparent reporting, specifically on net zero targets. The key findings of this study were shared in a sector report in November 2023, and the full report followed in February 2024.

Preparing supervision for the CSRD

The AFM itself is also actively preparing for supervision of the CSRD. This preparation includes drawing up the supervisory strategy and determining the number of FTEs and the in-house expertise and competences required for this new supervisory task. We also continue to advocate high-quality, detailed sustainability reporting, both nationally and internationally, based on clear and achievable international standards.

Audit firms as gatekeepers in the prevention of fraud and bankruptcies

Social and political attention continues to be focused nationally and internationally on discontinuity and integrity (including fraud, corruption, money laundering and cybercrime) and specifically on the gatekeeper role of the external auditor. External auditors must have sufficient knowledge, skills, expertise and an adequate perception of their role to identify fraud risks and the risk of impending bankruptcy. It is also important that the audit firm's internal culture and quality control system promote this mindset. We will continue to draw attention to this in the years head, as we did in 2023.

More rigorous stance needed by auditors in fraud risk analysis

In May 2022, we published the position paper entitled 'How audit firms deal with fraud and fraud risks at audited companies', in which we announced that the theme of fraud would be permanently on the supervisory agenda in the years ahead. The thematic review entitled 'More attention for fraud risks!' on the quality of fraud risk analysis was published at the beginning of June 2023 and is the first in a series of reviews conducted on the theme of fraud.

The aim of this review was to gain a clear picture of the quality of the fraud risk analysis performed by auditors for statutory audits. We aimed to hold a mirror up to the sector and present examples of good practices that we have observed. We assessed a total of 32 statutory audits for the 2021 financial year by 13 audit firms.

Report shakes up the sector

Auditors must conduct more incisive, in-depth fraud risk analyses. That message generated a lot of media attention, and caused a stir. In this way, the report has contributed to increased attention to fraud risks in the audit.. We conclude this not only from the attention paid to the report in the media but also from the interest shown by the NBA and the SRA and the discussions with PIE and non-PIE audit firms during and after our review. Our review prompted the NBA to start working on a fraud risk analysis Practice Note to provide the sector with tools for the further improvement of fraud risk analysis.

In order to further increase the impact of the report's results, we engaged in discussions with a large number of stakeholders during the remainder of 2023, including during meetings of the SRA, the NBA Young Profs, the NBA fraud working group, NBA leaders and with advisers of audit firms. We also participated in an NBA webinar on fraud for all non-PIE audit firms. Finally, we organised a meeting for audit committees at the end of 2023 to discuss their role in fraud (and the CSRD). The second thematic review on the follow up of fraud risks (audit procedures addressing fraud risks) will be conducted in 2024.

Building up a data position on fraud and continuity risks
In the years ahead, we aim to build a strong data position on fraud and continuity risks, both at sector and segment level and at the level of the individual audit firm.

In 2023, we asked non-PIE audit firms to supply data from statutory audits. We ultimately received data from around 9,000 statutory audits. This means that around 90% of all audit firms responded to this data request. We are naturally very satisfied with this result, particularly because it enables us to rapidly improve our data position. We subsequently approached a number of audit firms because the supplied data raised questions, for example why so few fraud risks had been identified.

Our data questionnaire for PIE audit firms includes questions to indicate fraud and continuity risks in each statutory audit. In the years ahead, a data position will be built for each organisation and at segment level.

SIRA review of auditors

In 2023, a review was conducted of the way in which non-PIE audit firms have implemented the systematic integrity risk analysis (SIRA) in their organisation. The SIRA model is an effective instrument that can provide insight into integrity risks. This insight will enable them to manage any identified integrity risks. The insight into and control of integrity risks contributes to sound and controlled business operations. The review is a follow-up to a similar review conducted in 2016/2017. A particular feature of this review is that it was conducted with the Financial Supervision Office (BFT). Together with the BFT, we reviewed 18 audit firms, assessing procedures and policy documents, 20 statutory audits and 14 non-assurance (NAS) files.

Although the sector has taken steps in terms of policy, compliance with that policy remains deficient. The results were shared with the reviewed audit firms in the form of an firm-specific report. We also shared the review's most important conclusions, as well as the identified pitfalls and good practices, with the rest of the sector. The aim of this was to raise the systematic integrity risk analysis to a higher level throughout the sector.

Disincentives in statutory audits and independence of the external auditor

There is an ongoing debate about the structural vulnerabilities of the accountancy sector and the disincentives these vulnerabilities create in relation to statutory auditors' independence and the quality of statutory audits. The final report of the 'Coordinators for the Future of the Audit Sector' brought no end to the debate. In a less than ideal world, counterpressure remains necessary, and the AFM plays its role in providing this.

Study into incentives and disincentives in non-PIE audit firms' business models

The AFM aims to play a part in reducing obstacles to quality. We therefore sought a better understanding of the possible positive and negative effects of incentives in the business models of non-PIE audit firms. The purpose of this study was to better understand the role of such firms in the financial system. The study was published as part of the publication entitled 'Snapshot of the sector 2023'.

For our review, we examined a selection of possible incentives, namely the provision of non-assurance services, tenure and familiarity. The revenue model and the partner model were outside the scope of the project. Non-PIE audit firms, as well as their audit clients, are heterogeneous groups. A nuanced approach must therefore be taken when assessing the existence and impact of incentives in non-PIE audit firms' business models. The study shows that incentives can have a negative impact and introduce risks but can also have a positive effect and create opportunities. We acquired more knowledge of the context in which non-PIE audit firms operate and at the same time new questions arose.

We discussed the results with stakeholders in the accountancy sector, such as the coordinators and the Non-PIE Platform. We will also continue to explore the follow-up questions. For example, in 2024 we will conduct a policy exploration on the social value of statutory audits at companies around the threshold values for compulsory audits.

Risks of private equity outweigh possible opportunities
Private equity firms have also been investing in audit firms since 2022. This entails a number of risks. Their commercial interests may interfere with the sustainable assurance of statutory audit quality. The AFM is therefore closely monitoring this development and we published our positions in 2023.

We believe that private equity risks outweigh the possible opportunities. We therefore expect audit firms considering such collaboration to carefully consider the risks in the short and long term.

Engagement Quality Control Review (EQCR)

The EQCR quality guarantee is an important measure for audit firms to guarantee the quality of the statutory audit. The aim of the EQCR is to prevent serious deficiencies in statutory audits before an audit opinion is issued. As a quality guarantee, the EQCR is thus directly related to the quality of the statutory audit.

In 2023, we conducted reviews of the EQCR at all six PIE audit firms and 15 non-PIE firms. We examined a total of 52 statutory audits. This revealed that the EQCR needed to operate more effectively as a quality guarantee. The non-PIE audit firms are not in control and the PIE audit firms are not sufficiently in control.

The results of this review will enable both non-PIE and PIE audit firms to strengthen the EQCR and thus make further lasting improvements to the quality of statutory audits.

We are improving our risk-based and data-driven supervision

The supervision of audit firms and reporting is risk-based. The AFM is undergoing a transition to also make this supervision more data-driven. Our analyses, reviews and decisions are therefore gradually being fed with data, and processes have been or will be standardised and automated where possible. This will also benefit our adaptability and shorten the turnaround times of reviews.

9,000 statutory audits provided by non-PIE audit firms

In 2023, we asked non-PIE audit firms to supply data from statutory audits. We ultimately received data from around 9,000 statutory audits. It is also important to monitor data quality. The forms were therefore improved in 2023, allowing more monitoring of data quality and reducing the occurrence of input errors. Some audit firms now supply the data largely automatically and they also use the data for their own quality-related management information.

In the coming years, we expect to use this data to actively manage risks. An example of this is the suitability of high-risk customers with smaller non-PIE audit firms. We regularly see that statutory audit clients of large size and with a high-risk profile are audited by small, regular licence holders. We will discuss this with these non-PIE firms.

The 2023 reporting year was mainly focused on building up the data position and monitoring the data quality. In the Agenda for 2023, we promised that where possible we would return data to audit firms for each benchmark. This intention proved overly ambitious. We now aim to start this in 2024.

First data request sent to PIE audit firm

In 2023, we ran a data pilot and maintained intensive contacts that enabled us to improve and finalise the data request for PIE audit firms. This generated greater support. We also agreed on a transition phase for each firm in the PIE segment. The individual transition phases give the firms proportionate time to adapt their systems so as to enable automated data extraction and avoid manual work in the future. This resulted in the first data request being sent to PIE audit firms at the end of 2023. The firms appreciate the importance of our data-driven supervision and the data points on which it is based.

Examination fraud
In 2023, two PIE audit firms announced that a supervisory board chairman and two executive directors had resigned due to examination fraud. As the supervisory authority for the Dutch accountancy sector, we take examination fraud extremely seriously. At the end of 2022, we therefore expressly requested all large PIE audit firms to investigate this subject within their organisations. These investigations are still ongoing.

It is now particularly important that the PIE audit firms conduct a thorough, rapid investigation into the nature, scale and causes of examination fraud and tackle the underlying problems, after which we can hopefully continue on the path to restoring trust. There is no room for doubt about the integrity and professional competence of auditors.

Audit firms play an important role in society. Everyone must be able to rely on the opinions expressed by an auditor in the audit report in financial statements. Investors, analysts, suppliers and other users of the financial statements base key economic and other decisions on this opinion. It is the responsibility of audit firms to prevent examination fraud and to detect and deal with any misconduct.

New technologies that improve the efficiency of our supervision

In 2023, we further improved our quantitative risk analysis as a selection model for identifying the riskiest financial statements. This led to a better understanding of the model used and to the development of new combinations of variables. We also examined the effect of giving greater weight to errors discovered in desktop reviews performed during the training of the model. The 'explainer dashboard' was also introduced to increase explainability. This dashboard provides insight into the variables that affect the model predictions.

In 2023, we also examined the text analysis options for the purpose of analysing annual and transparency reports. This led to the identification of several potentially valuable applications of Natural Language Processing (NLP), such as identifying specific passages or carrying out semantic searches in annual reports. These applications can be used in the future to generate new insights and improve existing processes.

Ongoing supervision

Thematic review of alternative performance measures
During the year under review, we conducted a thematic review of the transparent use of alternative performance measures (APMs) in half-year reports for 2023. Our review and experiences in the 'regular' supervision of annual reports and prospectuses show that ESMA's guidelines on the use of APMs are often not properly complied with. Consequently, the disclosure of information to report users is not transparent. We asked issuers, their auditors and advisors, as well as users of the reports, to pay greater attention to this.

Table 2. Supervision of audit firms and reporting in figures

Regular supervision	Number in 2023	Number in 2022
Regular licences granted	2	4
Regular licences withdrawn	17	22
Registrations granted to audit firms from another Member State	1	0
Registrations granted to audit firms from a third country*	1	0
Signals concerning audit firms	319	234
Warnings to audit firms	0	3
Administrative fines imposed on audit firms	0	1
Notifications to companies in connection with reporting	2	1
Disciplinary complaints filed	2	1
Rulings of the Disciplinary Court for Audi-tors	0	3
Rulings of the Trade and Industry Appeals Tribunal (CBb)	0	1

*Article 3a, inserted in the Audit Directive 2006/43/EC in 2014, allows an audit firm approved in one Member State to carry out statutory audits in another Member State if they register in the host Member State. Since 1 January 2017, this registration option has been implemented in Dutch law in Section 12e of the Wta. In 2023, this registration option was used for the first time in the Netherlands. We will continue to actively monitor new registrations.

6. Assessments relating to individuals and measures

Assessments relating to individuals

Persons who determine the policy of an enterprise either solely or collectively or who supervise such policy must be proper and/or suitable for the performance of their tasks. Persons joining an enterprise are assessed by the AFM and/or De Nederlandsche Bank (DNB) for properness and suitability. Around 95 per cent of the 1,500 to 2,500 initial assessments conducted by the AFM each year result in a positive opinion.

We assessed 1,930 persons in 2023, including advisers, intermediaries and holders of exemptions for callable funds. This number includes both new initial assessments as well as persons who had been previously assessed and reassessments. A reassessment takes place if we see facts and circumstances that provide reasonable grounds for making a new assessment of the person's suitability and/or properness. The relative decrease in the total compared to 2022, mainly in the investment firms and institutions category, is associated with a new task assigned to us in 2022, namely Crowdfunder assessments. This involved many additional assessments in a short period of time in 2022 and 2023, with the majority being conducted in 2022. There were also more licence applications in 2022, which also resulted in more assessments of individuals.

The table in this section shows the total number of AFM assessments, broken down into the various categories. The 'double' assessments referred to concern assessments by both the AFM and DNB.

Table 3 Overview of assessments

Number of assessments per category	2023	2022	2021
Advisers/intermediaries/credit providers	1.307	1.229	1.577
Investment firms/collective investment companies	441	544	439
Investments and stock exchange	8	11	15
Audit firms*	168	199	224
Double assessments	5	8	12
Reassessments*	1	7	8
Total number of assessments	1.930	1.998	2.275

*** 2021 data adjusted due to redefinition**

Measures

The issues that led to formal enforcement in 2023 varied widely and were in line with the Agenda for 2023. For example, we looked at the importance of correct information for pension scheme members, preventing excessive lending and reporting obligations for capital market participants.

In 2023, we imposed 12 administrative fines, a similar number to that in 2022. The total amount of administrative fines was striking, at almost €21 million. This was mainly the result of two high fines in the autumn. For the first time, the AFM used the option of imposing a turnover-related fine for serious and culpable violations. We should also mention that in the case of four fines we applied a simplified settlement procedure for the first time. In cases where this is appropriate and the violation is acknowledged, we may reduce the fine if the offender refrains from further proceedings. We also consider an abridged administrative fine decision to be sufficient in such cases. One of the advantages is that consumers and the market can be informed more quickly.

Finally, we would point out that there are also cases in which we decide not to impose a fine after sending a notice of intended fine and receiving a statement of opinion. For example, there may be a high risk of evidence of a violation or there may be reasons why imposing a fine is not appropriate. This occurred in seven cases in 2023. General information on how and why measures are imposed can be found in 'Enforcement in perspective'.

The number of instructions in the reporting year was zero. We sent notices of intention to issue an instruction to six companies in 2023. All these companies took measures within the specified period to cease the observed violations. We also sent nine companies notice of our intention to impose an order for incremental penalty payments. Six companies fulfilled the conditions, so it remained an intention. A penalty was imposed in only three cases. Both the instruction and the order for incremental penalty payments are enforcement instruments that the AFM uses to put an end to ongoing violations. The fact that the majority of intentions lead to the desired remedy demonstrates the effectiveness of this approach. In order to provide a complete picture of the enforcement activities, we are adding the notices of intention to impose an instruction or order for incremental penalty payments to the overview with effect from 2023.

The number of informal measures increased compared to 2022. These related mainly to financial service providers.

Table 4 Overview of supervisory measures

Overview of measures	**2023***	**2022**	**2021**
Formal supervisory measures			
Administrative fines	12	11	2
Orders for incremental penalty payments	3	4	5
Intentions to impose an order for incremen-tal penalty payments	9	-	-
Reports to Public Prosecution Service	5	2	5
Licence withdrawals	0	1	8
Instructions	0	3	4
Intention to issue an instruction	6	-	-
Public warnings	54	25	14
Notification without recommendation (Finan-cial Reporting (Supervision) Act)	1	1	6
Public statement	1	-	-
Rulings of the Disciplinary Court for Auditors	0	3	-
Total number of formal measures imposed	**76**	**50**	**44**

* From 2023, we are adding the number of notices of intended instructions and orders for incremental penalty payments to the overview. To avoid double counting, we will only include the measures actually imposed in the totals.

Overview of measures	2023*	2022	2021
Informal measures			
Warning letters on compliance with stand-ards	150	119	105
Instructive letters/interviews on compliance with standards	79	74	255
Total number of informal measures**	**229**	**193**	**360**

Overview of measures	2023*	2022	2021
Total number of formal measures imposed	76	50	44
Total number of informal measures**	229	193	360
Total number of formal and informal measures	**305**	**243**	**404**

* From 2023, we are adding the number of notices of intended instructions and orders for incremental penalty payments to the overview. To avoid double counting, we will only include the measures actually imposed in the totals.
** As of 2022, the number of informative letters on standards is not included in the table of enforcement measures, as no violation was established in these cases. As a result, the total numbers of informal measures for 2021 are not the same as stated in the 2021 annual report.

7. Stakeholder dialogue

In various sections of the preceding individual chapters on the AFM's supervisory areas, details are given of when and how we entered into discussions with external stakeholders. We also maintain contact with the outside world in other ways.

Briefings to Parliament

A well-designed legal framework is important for supervisors. We therefore adopt an active position towards national and European legislators and actively transfer our knowledge and expertise to stakeholders. In the Netherlands, we have close relationships with the Ministries of Finance and Social Affairs and Employment. In the Legislative Letter 2023, we drew attention to the desired changes in Dutch legislation in our role as financial supervisor. We also take part in technical briefings and roundtable discussions in the House of Representatives. In 2023, AFM representatives took part in a roundtable discussion on financial stability and technical briefings on the supervision of crypto markets and the modernisation of sanctions legislation, among others. In addition, the AFM participated in an expert meeting on the Future of Pensions Act in the Senate of the States General.

Advisory panel

The AFM organised two in-person meetings with the Advisory Panel in 2023. This panel comprises approximately 20 external stakeholders with an interest in our supervision. These are largely trade associations representing supervised companies.

The first meeting in April covered matters such as the 2022 annual report and developments relating to sustainability. Prior to the second Advisory Panel in October, the draft 2024 agenda was presented to the members, after which the members' input was discussed during the meeting. The meeting also considered the 2024 budget and the cost framework. An external speaker had been invited who, among other things, provided insights into the relationship between fintech businesses, financial institutions and supervisory authorities in Asia. Finally, the members who were present separated into sub-sessions based on the AFM's four areas of supervision, in order to consider the priorities and focal points for 2024 in greater depth.

Digital Regulation Collaboration Platform

The Digital Regulation Collaboration Platform (SDT) was formed to strengthen the supervision of digital and online activities. In 2023, the SDT published joint principles for effective online information disclosure and principles for online marketing to children.

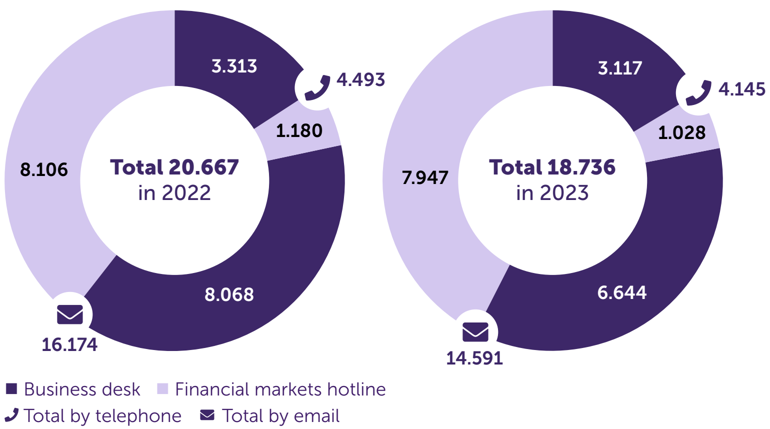
Collaboration within the SDT also contributes to the coordination of cross-sector legislation between supervisors, for example in the case of the regulation on artificial intelligence and the regulation on digital services. In the run-up to the House of Representatives elections of November 2023, the SDT underlined the importance of effective digital supervision for responsible digitalisation in a joint publication.

Consumer surveys

The AFM conducted a number of surveys of consumers to enable them to have input into our supervision. We conducted the AFM Consumer Monitor for this purpose in the spring and autumn. One survey focused broadly on a representative group of Dutch people. The other surveys focused more specifically on mortgage borrowers and retail investors. These surveys helped us to gain greater insight into market developments and potential risks.

For example, more than four in 10 people in the Netherlands indicated that they managed to save or invest less than they had planned due to the increase in prices, especially of energy. The survey among investors showed that around half of those who invest independently or with advice consider the sustainability of investment products. They mainly focus on the name of the product, although previous AFM research showed that the product or fund name is not generally a reliable indicator of the sustainability level.

Figure 8. contacts with hotline and business desk



Contacts with the media

The AFM is transparent about its objectives and activities. Journalists can therefore contact us 24/7 to get answers to questions. The Executive Board and employees of the AFM are available for interviews and we publish many research reports. In addition, we regularly organise background discussions on relevant themes, such as sustainability, the supervision of auditors and the introduction of cryptocurrency regulations.

Extensive media attention was devoted during the year to the report on pricing in climate risks in the housing market, the report on grey spots in pension provision and fraud risk analyses by auditors. Attention was also focused on an incident concerning the timely filing of annual figures of a private company with the Chamber of Commerce by an AFM executive director and members of the Supervisory Board.

8. The AFM as a professional organisation

To ensure we are able to continue to carry out our tasks effectively in the years to come, it is important that we are an agile and learning organisation that is effectively managed, relies on properly functioning IT and has motivated, qualified and satisfied employees.

In 2023

- We took steps to ensure a learning and agile organisation by means of rapid-response management and by adopting more multidisciplinary working methods.
- We want to be an attractive employer that attracts, develops and retains good people. Despite a tight labour market, we were able to meet a large part of our recruitment needs ourselves. In 2023, we also implemented the new working method for the first time, no longer awarding appraisal scores directly linked to remuneration but instead maintaining a continuous dialogue between the employee and the manager. The employee's development is central and we note that this is already leading to valuable discussions in many parts of the organisation. All employees and managers also took part in training in how to conduct these discussions in 2023.
- A risk-based and data-driven supervisor relies on properly functioning IT. That is why, among other things, we strengthened our capacity for change and increased our absorption capacity.

An agile and learning organisation

The Darwin project team started work in 2022. The team's aim is to increase the agility and learning capacity of the AFM organisation even further to reflect the rapidly changing environment. The team is made up of employees with different backgrounds, jobs and departments, all with an affinity for improvement.

This team fulfilled its mission in two ways in 2023. On the one hand, it launched pilot studies and interventions, such as the Crystal Clear campaign on giving and receiving clear instructions and the Purple Card, a means of making process interventions more standard. Many of these actions require a learning attitude and courage, something that was highlighted in various ways in 2023. On the other hand, the team identified potentially obstructive behavioural patterns and assessed what employees themselves can do to eliminate such obstacles. Rapid-response/agile working was also introduced in various parts of the organisation, including among the team itself. In 2024, the team will continue on this path with a focus on strengthening process skills, effective decision-making and demonstrating courage.

Attractive employer

At the AFM, our people are our most important capital. We want to be an attractive employer that attracts, develops and retains good people. In a safe and future-proof working environment, we help our employees to get the best out of themselves and each other. We help our employees to use their talents, encourage optimal personal development and strive to maintain a safe and inclusive working environment.

Continuous dialogue

With effect from 1 January 2023, we stopped issuing appraisal scores with a direct link to remuneration. As a learning organisation, we now want to remain in constant dialogue with each other. The interviews centre on the performance and development of employees and we focus on continuous learning and reflection. We request and give each other feedback about what is going well and what could be done differently or better. Honest and open interviews help us get the best out of ourselves. We also encourage more conscious expressions of appreciation at a time and in a way that best suits the individual employee.

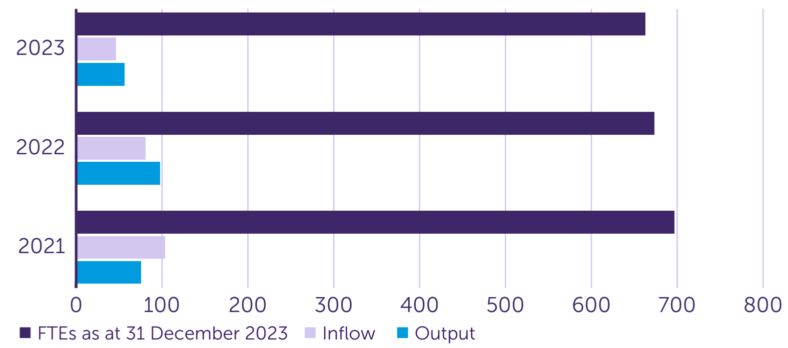
We implemented this method together for the first time in 2023 and the reflection on it will provide excellent input for further development in 2024. The continuous dialogue works well, as employees like the fact that we look ahead and discuss the future. Employees and managers underwent training in how to conduct these interviews in 2023. On the other hand, the tools used are often seen as an administrative burden and guidelines are sometimes followed too rigidly. We will further optimise the working method and tooling in 2024.

Recruitment of new employees

Due to persistent tightness in the labour market and the further expansion of our supervisory tasks, the recruitment of new employees was a focal point in 2023, as has been the case in recent years. Target group-focused labour market communication campaigns were initiated for a number of profiles that are difficult to fill, such as data analysts, registered accountants and pension specialists. In addition, the use of existing recruitment channels was further optimised, recruitment capacity was expanded and further work was carried out on our positioning in the labour market.

In our vacancy texts, for example, we place greater emphasis on the aspects that make the AFM an attractive employer, such as our social character and a good work-life balance. This means we were able to meet a large part of our recruitment needs ourselves, despite the tight labour market. We have also become better known at universities, partly because we focus more on attracting working students who then often stay with us. This works well and we will expand it further in 2024.

Figure 9. number of FTEs and inflow and outflow of personnel



Employee survey

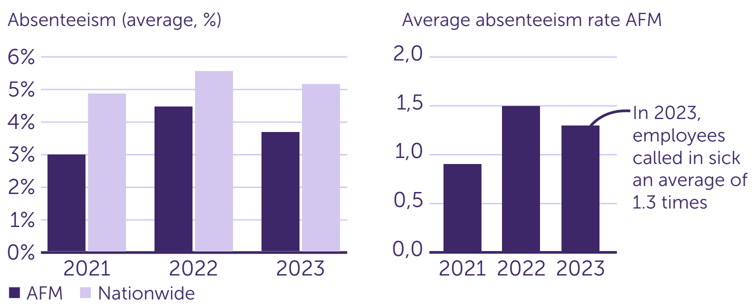
The response rate for the 2023 employee survey was high (80.5%). The results show what is going well, such as perceived autonomy, development opportunities and mutual cooperation, but also what could be improved, such as workload and clarity of roles. These development points were also included in the aforementioned Darwin programme on the agile and learning organisation.

Vitality

As in 2022, we again paid close attention to the vitality of our employees in 2023. We are convinced that vital employees are better able to perform well. During the year, we organised Vitality Month, instead of the Vitality Week held in previous years, and we began identifying all vitality improvement opportunities in each employee target group. We entered into a contract with Curilion, for example. Curilion's mission is to keep women as fit and free of complaints as possible for the labour process during pregnancy and the menopause. More than half of the workforce took up the offer of a Preventive Medical Examination in 2023.

The average rate of sickness absence at the AFM has decreased, from more than 4.5% in 2022 to 3.7% in 2023. This is a positive development and the rate is below the national average, which also shows a downward trend: 5.3% (Statistics Netherlands figures). The reporting frequency is also 1.3 times lower than in 2022, at 1.5. The pattern of absenteeism at the AFM reveals no common factors or particularly significant work-related issues such as high pressure of work, poor labour relations or undesirable behaviour.

Figure 10. Absenteeism

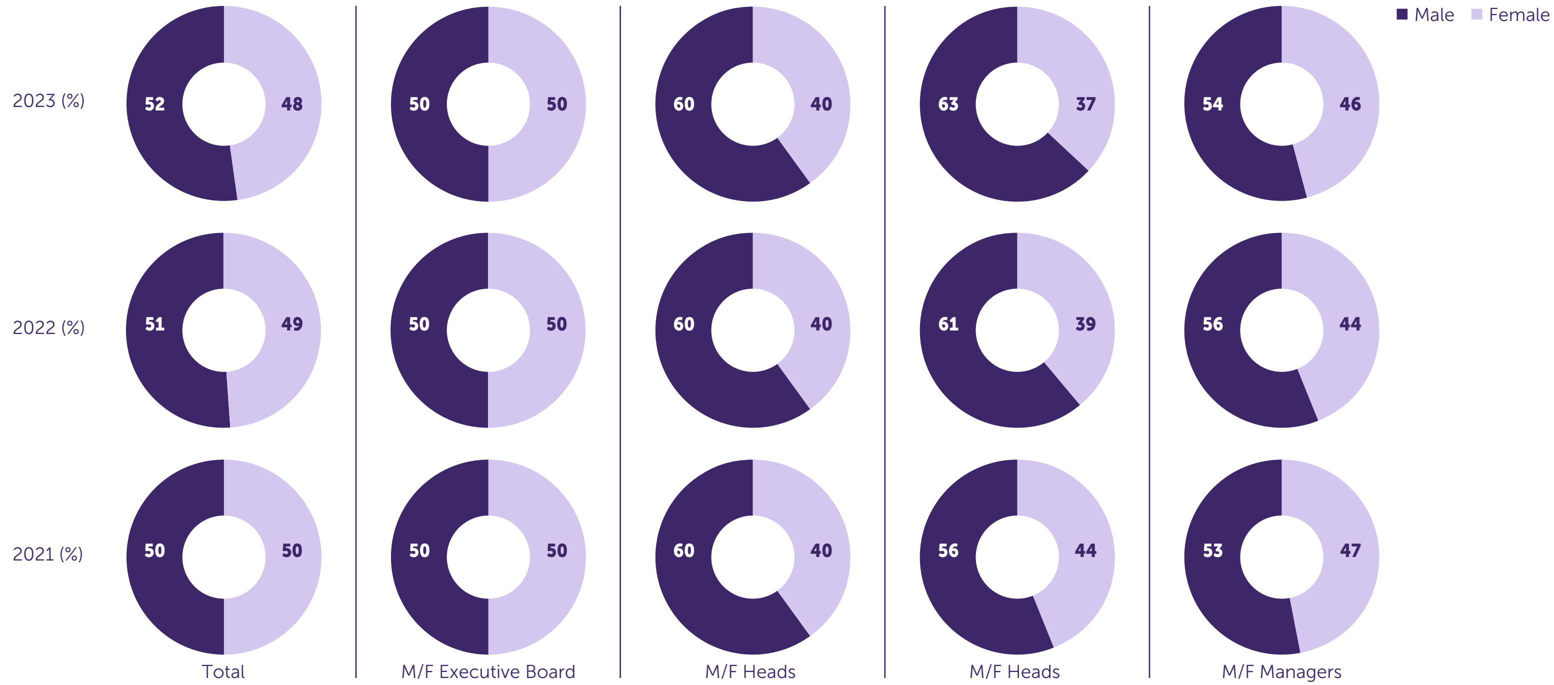


Sustainability

We made significant progress with our own sustainability efforts in 2023. We switched from a CSR vision to a sustainability vision and formulated the following ambition: 'The AFM makes sustainable choices in its business operations, in everything it does. We inspire every AFM employee and collaboration partner to work together for a positive impact on people, the environment and society.' We have identified which Sustainable Development Goals (SDGs) we want to focus on and have defined associated KPIs for 2024.

These SDGs fit in well with our organisation and have a direct impact on environmental, social and governance (ESG) factors. Specifically, these include reducing CO_2 emissions, cutting waste flows, contributing to the vitality of our employees and further encouraging an equal gender ratio (currently 47% female, 53% male). Our sustainability policy is also an integral part of our purchasing policy.

Figure 11. M/F breakdown in basic headcount in 2023



Diversity and inclusivity

Best practice provision 2.1.6 of the Corporate Governance Code states that a report will be produced on the application of the diversity policy. Our vision with regard to diversity is to have an inclusive culture. The formulated objectives are:

1. a diversified composition of the Executive Board and the Supervisory Board;
2. promoting an inclusive culture;
3. increasing external management exposure with regard to inclusivity.

As a social organisation, the AFM recognises that diversity and inclusion lead to better performance by the organisation. We have explicitly set this out in our policy. To promote diversity and inclusion, we focus on putting together teams with diversity in terms of experience, background and expertise, our common aim being to fulfil our social duties in the best way possible. In 2023, we assessed what was needed to make the AFM more accessible to people who have difficulty accessing the labour market due to an occupational disability. From 2024, Emma@Work will help us to hire a number of colleagues from this target group and to enable them to be successful within the AFM.

Other activities

AFM Academy

In 2023, a new learning management system (LMS) was selected and implemented in collaboration with Bloomville: the AFM Academy. This will enable us to support and facilitate the development of our employees in an even more efficient and structured manner.

Leadership development

The fourth Future Leadership Programme (FLP) started in Q4 of 2023 with eight participants. This is a programme for AFM employees with leadership potential to better prepare them for appointment to a management position. The similar Retraining Leadership Programme was also completed by nine participants during the reporting year. This programme is for recently appointed managers who have not completed the FLP and is more focused on practical matters. Peer review sessions led by external facilitators were also arranged for managers. The aim of these sessions is to stimulate connection and learning from each other.

Pension scheme

In cooperation with the social partners, we are working hard to implement the transition to the new pension system. The intended transition date is 1 January 2027. In 2023, we conducted a survey of our employees' preferences and shared information on the new system in a webinar. This will be followed up in 2024.

Hybrid working@afm

The coronavirus pandemic gave a big boost to hybrid working. We developed a new way of working in 2022: working@afm. This working concept was implemented in 2023 and makes clear how we work together and what we come to the office for. It gives employees the flexibility to organise their working week as optimally as possible. In general, this works well. But the office could be even better adapted to our new way of working. For example, we made alterations to our company restaurant in 2023 to create more meeting capacity. We will examine working@afm further in 2024.

Properly functioning IT

New regulations are being introduced every year, compliance with which has to be supervised by the AFM. Many of these are related to the further digitalisation of society and the financial sector. They require us to be agile in order to cope with all these changes, and the same certainly applies to our IT management.

We drew up a new IT strategy in 2022. The IT strategy for 2023-2026 aims to make it easier to support new tasks. We are pursuing this objective on the basis of three programmes: reinforcing our ability to change, strengthening our foundations and increasing our absorption capacity. We achieved the following results with these in 2023.

Reinforcing our ability to change

The collaboration between supervisory departments and IT was reinforced in 2023 by setting up a new governance structure. Within this structure, supervision management representatives were given responsibility for the creation of IT-related programmes. This responsibility includes a mandate to set priorities and allocate project budgets within the framework of the programme.

To ensure legality in the IT management contract, the 'application development and management' service was outsourced to NetCompany during the year. The contract will run for the next four years.

The IT governance organisation was strengthened by setting up strategic portfolio management and the departmental organisation was redesigned. Preparations for the restructuring of the IT governance organisation were completed during the year, enabling the transition to start in 2024.

Strengthening our foundations

To make the maintenance and development of the application landscape easier in the future, a number of cloud migrations were initiated. In 2023, the emphasis was on the cloud migration of our customer relations management system (CRM) and SharePoint. These will be completed in 2024. The cloud migration for Planon will start in 2024.
Legacy applications are being replaced. For example, in 2023 the DVD generator was turned into the Comparison Chart, for which new legislation was also drawn up.

Increasing our absorption capacity

To ensure that we can integrate new tasks relatively easily into existing processes and systems, all business-oriented processes are being standardised (such as the licence, notification and signal processes). There are currently several variants of the same process, which means there is potential for harmonisation and standardisation, making it easier to scale up or expand to accommodate new tasks. Preparations were made in 2023 to standardise the processes with a clear approach. In addition to the processes, the data management and underlying data governance are also being organised on an AFM-wide basis.
We have already taken steps to introduce data-driven supervision in recent years and this is a logical next step. In 2023, an advisory report was drawn up by an external management consultancy firm, with a proposal for the design and implementation of data management.

9. Organisation and management

Governance at the AFM

The AFM is a non-departmental public body (NDPB) with statutory powers for the supervision of conduct in the financial markets. Its legal form is that of a foundation with an Executive Board and a Supervisory Board. The Supervisory Board supervises the manner in which the Executive Board of the AFM carries out its duties.

Composition of the Executive Board

Chair

Laura van Geest

1962, Dutch nationality, date of first appointment February 1, 2020, end of first term February 1, 2024, end of second term February 1, 2028

Director

Hanzo van Beusekom

1972, Dutch nationality, date of first appointment June 1, 2018, end of first term June 1, 2022, end of second term June 1, 2028

Director

Jos Heuvelman

1962, Dutch nationality, date of first appointment September 1, 2018, end of first term September 1, 2022, end of second term September 1, 2026

Director of Operations

Linda Sas

1972, Dutch nationality, date of first appointment May 1, 2021

Works Council

One of the most important items in 2023 was the approval process for the reorganisation of the Information Management department, which was preceded by an agreement between the Works Council and the AFM on a social section. This contains agreements on facilities and financial compensation that the AFM will make available to employees affected by the reorganisation.

The Works Council issued a positive opinion on the reorganisation but recommended that explicit attention be paid to employees' questions, comments and concerns with regard to the implementation and evaluation of the reorganisation. This opinion was prompted by the workforce consultation conducted by the Works Council with department employees. The Works Council and the AFM also held frequent discussions on the transition to the new pension system.

The Works Council also organised walk-in sessions for all colleagues throughout the year and invited new employees to get to know the Works Council. The meetings with new employees were particularly well attended.

The Works Council and the Executive Board of the AFM strengthened their relationship in 2023, clarifying mutual expectations and enhancing the role of the Works Council within the AFM. The Works Council will work with the Executive Board to further strengthen the cooperation in 2024. The Works Council, together with the Executive Board, will also engage in more intensive discussions with the Supervisory Board through the so-called 'strategic dialogue'. The implementation and evaluation of the processes begun in 2023 will receive our express attention so that the intended targets can be met.

The Works Council dealt with 10 requests for advice and consent in 2023:
- Opinion on the Internal Audit department
- Opinion on change of management portfolio
- Consent for addendum to De Nationale APF pension implementation agreement
- Consent for change to superannuation
- Consent for DAK telephone system
- Consent for Risk Inventory and Evaluation action plan
- Consent for change to remuneration scheme
- Opinion on transfer of Investigations Market Abuse team
- Opinion on reorganisation of Information Management
- Opinion on Social section

Corporate Governance Code

Where possible and relevant, the AFM fulfils the same governance requirements as those applying to listed companies under its supervision. Accordingly, we comply voluntarily with the Dutch Corporate Governance Code 2022 ('the Code').

For the purpose of analogous reporting on compliance with the Code in 2023, we have prepared an overview of all the provisions in the Code that are applied within our organisation. This overview, the Corporate Governance Code Matrix, also shows the provisions in the Code that apply only partially or do not apply to the AFM because it is not a company but a non-departmental public body (NDPB) in the form of a foundation. The matrix is published on our website. The elements in this matrix arise in the section on the AFM as a professional organisation, among other places.

Compliance and integrity

Compliance and integrity are high priorities for the AFM. Confidence in the AFM will be weakened if its employees are involved in unethical behaviour, either intentionally or otherwise. In view of our role as the supervisory authority for the financial markets, AFM employees must set an example in terms of integrity.

Activities in 2023

Many of the activities of the compliance function are regular in nature. The activities included raising awareness among employees, the Executive Board and the Supervisory Board by means of training courses on integrity and conduct, providing information for employees by means of intranet posts and engaging in a dialogue with employees. In addition, the compliance officers actively monitored private investment transactions, additional activities, invitations and gifts, among other things. The Supervisory Board also received advice with regard to additional positions and activities of members (or prospective members) of the Supervisory Board and the Executive Board. Besides dealing with individual additional activities, the meetings of the Supervisory Board regularly devote attention to the compliance and integrity policy in a wider context.

Besides those regular activities, the efforts were focused on creating awareness in relation to the code of conduct and the associated regulations of the AFM. Attention was also drawn by means of intranet publications to a number of important matters, such as personal investment transactions, additional activities, undesirable behaviour, participation in demonstrations and examination fraud. This led to questions and notifications in relation to compliance and integrity issues.

Notifications and signals regarding AFM personnel
A total of 23 notifications were received in 2023, including 17 from a staff member. 16 of the 23 notifications led to an investigation. Six of the 16 investigations led to the imposition of measures. In four cases, this resulted in a note being entered in the personnel file of the employee concerned (a minor sanction). Written warnings were issued in two cases (a severe sanction) and one investigation was still ongoing at the end of the year. The other investigated notifications did not lead to the imposition of a sanction.

Many of the notifications leading to an investigation concerned compliance with the rules on private investments, which apply to all AFM employees and aim to prevent actual or apparent insider trading. These mostly related to administrative errors, such as failure to report an investment account in a timely manner and/or effecting private investment transactions without prior permission from the compliance officer.

Risk management

The Executive Board and the management are responsible for the design, existence and operation of a risk management framework. We have integrated and embedded our risk management in our control cycle. This is part of the dialogue between the Executive Board and the department heads with regard to performance.

We distinguish between risks occurring in the market (market risks) and the risks experienced by us as an organisation (operational risks). The operational risks that have a financial impact on the financial statements are also monitored by means of a system of in-control statements.

Market risks

The AFM has a statutory and social duty to supervise conduct in the financial markets. We continually review which conduct can be considered as undesirable and where and how our supervisory capacity can be deployed. The key risks are identified in consultation with our stakeholders. These supervisory priorities form part of our Agenda for 2023.

The specific controls of the key market risks are described in the initial sections of this annual report.

Operational risks

During the year, the operational risk board (ORB), in which the first, second and third lines are represented, periodically consulted and guided the management of operational risks.

The central risk function supported the departments in improving their risk self-assessments during the reporting year. These risk assessments resulted in risk overviews for each department and for the organisation as a whole. This led to a review and further identification of the risks for 2024, with the operational risk assessment framework being used for the first time. Among other things, this will ensure that the various operational risks can be ranked more effectively and the risk appetite can be determined more objectively.

Operational risks and control measures

A report on operational risks is submitted to the ORB, the Executive Board and the audit committee of the Supervisory Board three times a year. We identified a number of risks for 2023 that require extra attention across the organisation.

Insight into chain and process dependencies

In 2023, we built on previous efforts to survey process chain dependencies. The insights obtained have been actively used to standardise processes and organise IT systems more uniformly. This harmonisation will increase our flexibility and enable new statutory duties to be integrated efficiently into the organisation. This initiative will continue in 2024, as we continue to strive for further optimisation and strengthen our capacity to embrace change effectively.

Realisation of duties and statutory ambitions

In addition to increasing recruitment efforts related to the tight labour market, investments were made in employee retention through a focus on diversity & inclusivity and vitality, and the performance cycle was changed from a retrospective assessment to a cycle centred on continuous dialogue. These interviews are focused on development, learning from experience, continuous improvement and looking ahead on an individual level. Work also started on the uniform implementation of a strategic personnel planning process in 2023. This gives us a good insight into the gaps between the desired/required staffing levels in the future compared to the current staffing levels.

Information security

Over the past year, the AFM continued to work hard to ensure the security of the information entrusted to us. Faced with the growing threat of cyber attacks and data breaches, we strengthened our information security policies and procedures to guarantee the confidentiality, integrity and availability of our data.

Together with our IT suppliers, we invested in security technologies and increased the security awareness of our employees in various ways. Our goal is to promote a culture of awareness and constant vigilance, with all employees being aware of the importance of information security and the role they play in it.

Key milestones during the year included the successful phasing out of legacy systems, the transformation to various new up-to-date cloud platforms for our business processes and the improvement of our information security processes. The AFM's information security was independently assessed on several occasions, for example by carrying out penetration tests, and the results were included in improvement plans. No significant security incidents occurred in 2023.

Privacy

The AFM processes personal data for both its supervisory duties and its business operations. Responsible use of data and GDPR compliance therefore receive continuous attention within the AFM. In 2023, we thus devoted additional attention to our employees' awareness and knowledge of the GDPR, partly by organising mandatory training and knowledge-sharing meetings. This increases the level of knowledge concerning privacy throughout the organisation. Work also included an overhaul of privacy governance and all applications were assessed for Privacy by Design and Default aspects. The intention is to implement the resulting recommendations in 2024.

A total of 34 incidents relating to personal information were investigated in 2023. None required notification to the Data Protection Authority.

Business continuity management
The AFM took part in the ISIDOOR IV national digital cyber exercise in November 2023. The aim of the exercise was to practise information exchange, cooperation and national scale-up in the event of a cyber crisis. The findings will be incorporated into the National Digital Crisis Plan.

On the basis of the ISIDOOR IV scenario, we conducted exercises with our internal Crisis Management team. The findings were incorporated into the required plans and the composition of the CMT is being expanded.

In 2023, the focus was on rehearsing cyber attacks and developing the necessary plans. Other existing crisis plans were updated and the schedule was drawn up for the development and rehearsal of new scenarios in 2024.

The in-control statement

The in-control statement is one of the ways in which the Executive Board gives account of the quality of the controls in the internal business processes. In particular, the in-control statement focuses on the quality and reliability of the external reporting. In order to arrive at a positive (and well-founded) opinion, a description is provided of the processes and their associated risks and the control measures in place. By signing an in-control statement, the process owners declare that both the design and operation of the risk control measures are up to standard. Based on the underlying system of in-control statements, the AFM believes that the systems of internal risk control and monitoring of its business processes have functioned appropriately and give a high degree of assurance that the financial reporting is free from material misstatements.

Legal proceedings and notes

Complaints scheme/General Counsel

The AFM and its employees must behave correctly in their treatment of others. If a person believes this is not the case, he or she may submit a complaint to the General Counsel of the AFM. Complaints are dealt with carefully by the AFM in accordance with its complaints scheme and the General Administrative Law Act.
The General Counsel received one complaint in 2023. This complaint is still being processed. Questions and general complaints regarding the policy of the AFM are responded to on the General Counsel's behalf. Complaints regarding supervised companies are flagged internally in order to support the implementation of our supervision.

Objection and appeal

We received 96 objections in 2023, over 18% fewer than in the previous year (2022: 81). Most of the objections (77) were against the levies imposed under the Financial Supervision (Funding) Act. The objections related to levies for non-recurring supervisory procedures and levies for regular supervision.

The other 19 objections were against various decisions. These included objections against the imposition of fines (6), the rejection of requests made under the Open Government Act (5), the issuing of a warning (1), the publication of a decision (1) and the imposition of an order for incremental penalty payments (1).

A total of 155 objections were dealt with in 2023. 116 of these were withdrawn, 17 were declared inadmissible, three were fully or partially upheld, 17 were declared to be unfounded and two were partly awarded. In over 84% of the cases, we made a decision regarding the objection within the applicable statutory period.

Legal proceedings

The total number of legal proceedings instituted decreased slightly in 2023 compared to 2022 (20 in 2023 compared to 29 in 2022). Rulings were issued in 20 legal proceedings (provisional rulings, appeals and higher appeals) in 2023. A number of the proceedings led in part to the formation of law and were fundamental in nature. There were 15 rulings in favour of the AFM, three partly in our favour and two against in the reporting year. The rulings were therefore (generally) favourable to the AFM in 82.50% of the cases. This applies for instance if a ruling requested by an opposing party is rejected, if an appeal or a higher appeal by an opposing party is declared to be unfounded or if the AFM's opinion is generally upheld.

Appeals committee

Before deciding on an objection, we give the interested parties an opportunity to present their arguments orally to the appeals committee. The appeals committee held 11 hearings in 2023. This procedure is only dispensed with if there is no possible reasonable doubt about the decision to be taken. If the interested parties state that they do not wish to make use of the right to be heard, no hearing takes place.

The AFM appeals committee, which is not an advisory committee within the meaning of Section 7:13 of the General Administrative Law Act, consists of an external Chair, a legal expert from the Legal Affairs department and (in some cases) a representative of the department that prepared the primary decision that is the subject of the objection. The appeals committee had two external Chairs in 2023: Mr J.A.F. Peters and Ms M.E.J. Bracco Gartner.

Control cycle

The AFM uses a control cycle for internal control and external reporting. This cycle, which is subject to the financial preconditions, concerns the processes of planning (including strategic planning), implementation, direction, adjustment and reporting. Based on interim measurements, an assessment is made of whether the AFM is 'on track'. Adjustments are made when necessary. External stakeholders are informed of the progress made. We give an account of the results and effects of our efforts in the annual report.

Report on lawfulness of financial management

We made further progress on professionalising our procurement in 2023.

The procurement process for the European and multiple private procurement procedures takes place digitally, in a uniform and controlled manner. This is partly due to the involvement and expertise of the Procurement Team in all tenders. The process for this procurement flow was improved substantially, partly thanks to intensive support and supervision by the Procurement Team for procurement carried out locally (below the European tendering threshold).

The AFM remained well within the government-wide tolerance level (2% of actual costs) for unjustified procurement in 2023. For 2023, this was 0.22% (not yet final).

The process of professionalisation has been successful, and will be continued in the years to come.

Audit

The AFM's financial statements are audited by a statutory auditor. In accordance with Section 7(2) of the Financial Supervision (Funding) Act, this auditor is not subject to supervision by the AFM. The Government Audit Department (ADR), which carries out the internal audit function for various ministries, was selected.

Since the ADR, like the AFM, falls under the Ministry of Finance, the Ministry has taken specific measures with regard to the audit of the AFM to ensure independence. The audit is conducted by an auditor who is not involved in issues that are in any way related to the AFM by virtue of his position in the ADR or his responsibility for work at the ADR for other clients.

Funding of the AFM

Financial firms subject to supervision pay the costs of this funding, as provided for in the Financial Supervision (Funding) Act.

The Financial Supervision (Funding) Decree stipulates, among other things, how the budgeted costs of supervision are to be allocated between 16 different categories. In principle, the percentage share per category is determined every five years by the Ministers of Finance and of Social Affairs and Employment. The percentage shares are determined on the basis of recorded hours in supervision (and associated support) on supervision codes. These recorded hours are allocated annually to the various categories. The average of the three preceding years and an estimate of changes in supervisory efforts for the next two years are used to determine the percentage shares. The costs to be recharged for regular supervision in any year are determined by the budget for that year plus or minus the operating balance of the previous year minus the budgeted income for non-recurring procedures. Non-recurring procedures are settled on a cost-effective basis.

The costs of regular supervision are allocated to the 16 categories in accordance with the percentage shares that have been determined. Partly depending on the size of the population of companies in each category and the benchmark values for each company, the Ministers of Finance and of Social Affairs and Employment set the annual rates in the Financial Supervision (Funding) Regulation.

Development of the costs of supervision

The AFM budgets costs by cost types and by supervisory areas. The AFM's supervision is risk-based and often conducted by means of thematic reviews. Various disciplines contribute to this supervision, usually through various departments. Accordingly, the supervisors and support staff record their hours spent and we ultimately determine the percentage proportions of the costs on this basis.

The development of the AFM's costs is determined on a multi-year basis in a cost framework that is established by the Ministers of Finance and of Social Affairs and Employment. The current cost framework runs from 2021 to the end of 2024 and is as follows.

Tabel 5. AFM cost framework 2021-2024

	2020	2021	2022	2023	2024
Base amount (starting point = budget 2020)	106,2	105,9	105,9	105,9	105,9
Known expansion of task		3,0	5,2	12,0	20,8
Strengthening data-driven supervision		3,5	3,5	3,5	3,0
Savings		1,7-	3,1-	3,4-	3,7-
New base amount	106,2	110,7	111,5	118,0	126,0
Target		0,4-	0,8-	1,2-	1,6-
Wage adjustment		0,8	2,1	4,6	8,1
Price adjustment		0,6	1,3	4,3	6,3
Budget framework	106,2	111,7	114,1	125,7	138,7
Contingencies		1,5	2,0	3,0	4,0
Multi year framework	**106,2**	**113,2**	**116,1**	**128,7**	**142,7**

The base amount in the cost framework for 2021-2024 is the budget for 2020, based on the statutory duties of the AFM. The increase in the costs of supervision in the current cost framework relates to known additions to the AFM's tasks, mainly in relation to the supervision of auditors and the supervision of the capital markets, pensions and financial-economic crime. These tasks are assigned to the AFM by the government and also arise from requirements of European legislation and regulation. In addition, we have defined the scope for investment to strengthen data-driven supervision. The item 'known expansion of remit' has been adjusted on an interim basis over the life of the cost framework in connection with the intensification of supervision of PIE audit firms and the entry into force of the Future of Pensions Act.
A number of major new supervisory tasks are also being added for 2024 which were not yet known when the current cost framework was being established: the preparation of the supervision arising from the Digital Operational Resilience Act (DORA) and in the crypto market (MiCAR); the implementation of the Corporate Sustainability Reporting Directive (CSRD); the Non-Performing Loans Directive (NPLD); and the European Accessibility Act. The AFM structurally needs additional capacity as of 2024 to perform these new statutory duties and the associated preparatory work.

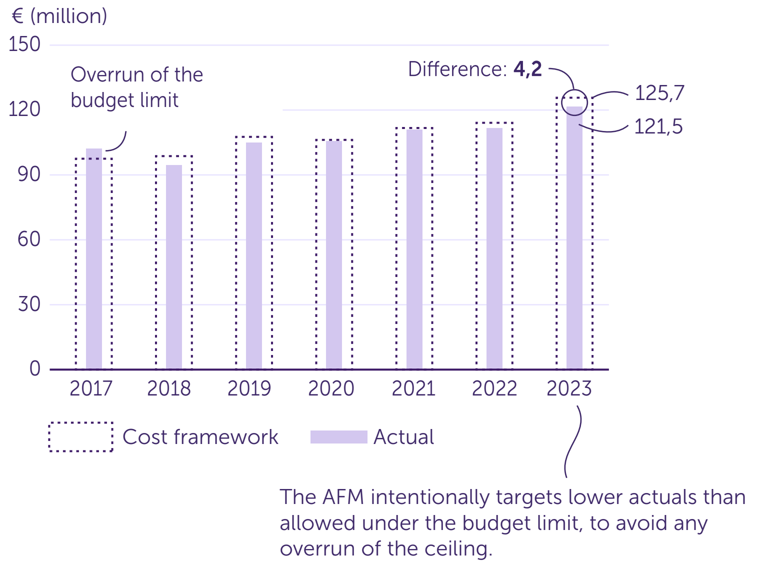
Agreements on the implementation have been made for each new statutory duty, in addition to financial agreements with the Ministry of Finance with regard to the final year of the current cost framework and the 2024 budget. This has led to an increase in the 2024 cost framework.

Against this increase in the costs of supervision, there are savings and one additional task. These are implemented during the cost framework period by prioritisation in the execution of the existing range of duties and by increased operational efficiency.

Adjustments for salaries and prices are determined annually on the basis of the price indices of Statistics Netherlands (CBS) and the Netherlands Bureau for Economic Policy Analysis (CPB). We note in this connection that there is a delay in the current system chosen for the adjustment of prices (in accordance with the rules of the 2021-2024 cost framework). For price adjustments, we use the 'annual change in the CPI', as published by Statistics Netherlands in June of the year preceding the year to which the supervision budget relates. In the 2023 budget, a price adjustment of 2% was used.

Finally, an item is included for unforeseen developments. Since the total required capacity for all new statutory duties exceeds the increase in the 2024 cost framework, it has been agreed that the AFM will work on the basis of phased growth as much as possible and where possible, with part of the 'contingencies item' being drawn on for the other previously mentioned new duties. This took place with the approval of the Supervisory Board and with the prior knowledge of the Ministry of Finance. In addition, the new duties will also be considered in relation to the 2025-2028 cost framework, on which the Minister of Finance and the Minister of Poverty Policy, Participation and Pensions will decide jointly in 2024.

Figure 12. The multi-year trend in actual supervision costs, compared with the agreed cost framework for the years concerned. In past years, the budget has been at the same level as the cost framework. The strong increase in the budget in 2019 was due to the €7.7 million increase in the cost framework to prepare for the expansion of our supervision of the capital markets as a result of Brexit. The significant increase in the budget in 2023 can be explained by the increase in the cost framework as a result of intensifying audit supervision and expansion of pension supervision. Including adjustment for salaries and prices, the cost framework for 2023 amounts to €125.7 million.

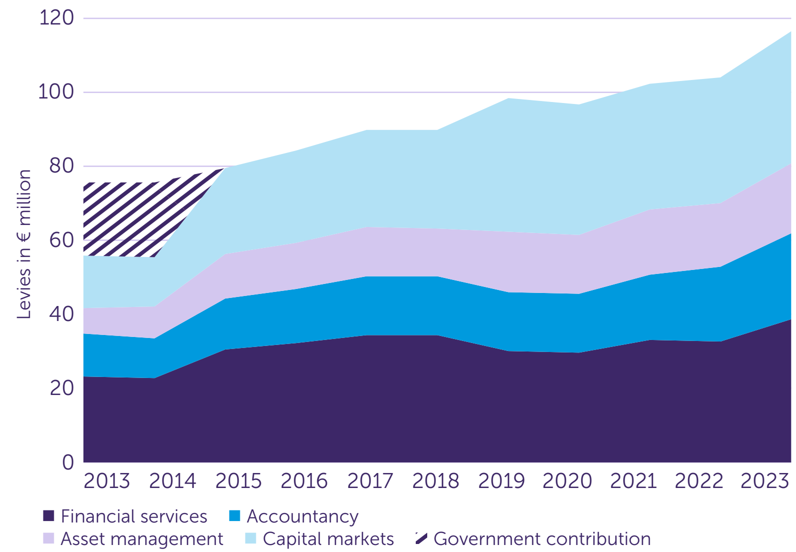


The figure shows that the AFM has remained within its budget and cost framework since 2018.

Recharging of costs in levies for regular supervision

The figure below shows the costs recharged to companies subject to supervision, divided into the separate supervisory areas. The 16 levy categories fall under these areas. For some categories, there is no pure classification in a single supervisory area. The classification is thus approximate but nonetheless presents a realistic picture of the general development in each supervisory area.

Figure 14. increase in charges levied



Overall, there was a significant increase in levies in 2015. This was due to the discontinuation of the government contribution of around €20 million. Furthermore, the levies will most likely rise further in the years ahead as a result of a number of major new supervisory tasks.

We intend to use the levy reserve in such a way that the increase resulting from the preparation of new tasks is mitigated as far as possible. However, an increase in costs does not necessarily lead to an increase in the levies per company. This depends on the category in which the costs fall, the development of the population in the category concerned, the annually set rates and the benchmark values.

Financial services
The levies for financial service providers remained more or less stable, with a slight decline since 2019. Supervision was tightened following the financial crisis and subsequently stabilised. Costs will increase in the coming years due to the transition to the new pension system initiated by the legislator. Accordingly, the cost framework for 2023 and 2024 has been increased by €4.1 million and €4.6 million respectively.

Capital markets
There have been far-reaching developments in the capital markets, such as the financial crisis, Capital Markets Union and Brexit. Much new legislation (such as EMIR, MIFID II) has been drawn up as a result of the financial crisis and the decision to move to a collective capital market in Europe. Brexit has also led to a sharp increase in supervisory costs since 2019.

Asset management
The increase in levies for the supervision of asset management is due to new legislation such as the AIFMD.

Audit firms and reporting
There is a slight increase in the levies for the supervision of audit firms due to the quality improvement in the sector that was initially insufficient and therefore required a more intensive level of supervision. Costs will rise in the years ahead due to the expansion and intensification of our supervision. The current cost framework has been adjusted accordingly, increasing to €2.4 million in 2024.

10. Report of the Supervisory Board

2023 was an eventful year. The images of wars are etched on our minds, elections in the Netherlands produced major shifts and economic growth fell back. This geopolitical and economic turbulence impacts the financial markets and hence also the AFM's supervision. For the AFM, the year was dominated by the implementation of the recalibrated strategy. A great deal of attention was focused on areas such as the transition to the new pension system, the increasing impact of sustainability and the growing use of data in supervision. Being an agile and learning organisation was also an important priority. In addition, we worked hard on preparations for new supervisory tasks for the AFM in 2023. New legislation and regulations have been developed in Europe on major themes such as sustainability, cryptos and digitalisation, including MiCAR, DORA, SFDR and CSRD. The AFM will see a significant expansion of its supervisory tasks with the common goal that consumers and businesses can continue to navigate the financial markets safely and have clear information at their disposal.

The composition of our Supervisory Board changed in 2023. We are pleased that we have been able to ensure continuity and look forward to performing our role with continued energy and enthusiasm in 2024. We would like to thank the Executive Board and all employees for their tremendous effort and commitment over the past year. We are confident that the implementation of the strategy will continue to be pursued energetically in 2024. We look forward to constructive collaboration with the Executive Board and all employees of the AFM.

Composition of the Supervisory Board and Executive Board

The Supervisory Board bade farewell to Wendy de Jong and Martin van Rijn during the year. We would like to thank them once again for their enormous commitment to the AFM. Fortunately, the gaps were soon filled. Leontine van der Goes and Sander Dekker were appointed as a member and chair of the Supervisory Board respectively. David Voetelink and Rob Langezaal were reappointed in 2023. We are pleased that this ensures continuity thanks to all the knowledge and expertise they have acquired over the past four years.

The composition of the Executive Board remained unchanged in 2023. We are delighted that Laura van Geest was reappointed on 1 February 2024. Under her leadership, the AFM has taken important steps in decisive and effective supervision of the financial markets.

The male/female breakdown on the Supervisory Board is 40%/60% and within the Executive Board (including the Director of Operations) it is 50%/50%. This complies with the principles of a balanced and diverse composition as included in the profiles. When making new appointments or reappointments, the board aims for diversity not only in terms of gender but also in terms of knowledge, affinity, background, experience and personality.

The new members of the board took part in an introductory programme. The various areas of supervision were discussed extensively and interactively over two days, including strategic trends. The board was also familiarised with the AFM's financial parameters and was introduced to the Works Council and many employees.

Composition of the Supervisory Board

Chair Member of appointments and remuneration committee

Sander Dekker

1975, Dutch nationality, date of first appointment Juli 1, 2023, end of first term 1 juli 2027

Vice-Chair

Willemijn van Dolen

1972, Dutch nationality, date of first appointment September 1, 2016, end of first term September 1, 2024

Chair of audit committeee

David Voetelink

1953, Dutch nationality, date of first appointment July 15, 2019, end of first term tot July 15, 2027

Chair of appointments and remuneration committee

Rob Langezaal

1958, Dutch nationality, date of first appointment September 1, 2019, end of first term September 1, 2027

Member of audit committee

Leontine van der Goes

1972, Dutch nationality, date of first appointment June 1, 2023, end of first term June 1, 2027

Activities of the Supervisory Board

Meetings and attendance

The Supervisory Board met on seven occasions in 2023, including on one occasion without the Executive Board being present. There was also an additional meeting specifically dealing with the cost framework, one annual off-site meeting and two meetings in the context of permanent education. Most of the meetings were in-person meetings. Prior to the regular meetings, preliminary consultation takes place in which only the members of the Supervisory Board are present. The chair of the Supervisory Board and the chair of the Executive Board consulted regularly on matters falling within the Supervisory Board's remit and on relevant developments.

Members' attendance at Supervisory Board meetings was high. The table below shows members' attendance at regular meetings and committee meetings compared to the number of meetings.

Table 6. Supervisory Board attendance

Member	Supervisory Board	AC	ARC
Sander Dekker	3/3		1/1
Willemijn van Dolen	7/7		
Rob Langezaal	6/7		2/2
David Voetelink	6/7	3/3	
Leontine van der Goes	3/3	2/2	
Martin van Rijn	4/4		
Wendy de Jong	2/2		

Working method

The Executive Board determines the top 10 priorities each year. The Executive Board informs us of the progress on these priorities in its memorandum to the Supervisory Board. We periodically discussed the dilemmas, risks and points of concern with the Executive Board. That enables us to fulfil our sounding-board role in an effective manner and to assess the way in which the Executive Board implements the strategy. Strategic supervisory and other subjects are placed on the agenda for each meeting.

Subjects discussed

In 2023, we spoke with the Executive Board on a number of occasions about the impact of a digitalising world on the AFM. We started with a strategic discussion with the Executive Board on digitalisation. Based on a possible future vision of what the outside world will look like, we consider what impact this will have on the AFM's supervision and organisation. We thus took an in-depth look at digital developments, the supervision of digitalisation, supervision with technology and the impact on the various ecosystems. In-depth discussions took place during the year, among other things on developments relating to MiCAR and cryptos. Developments are continuing apace, requiring full attention from the AFM in many fields.

Increasing internationalisation is also an important development for the AFM. Many new laws and regulations emanate from Europe, including on the processing of data. In the European sphere, the AFM focuses particularly on convergence and promoting the effectiveness of risk-based supervision. The risk heat maps that are now increasingly being used in Europe are a good example. We support the approach and are pleased with the appointment of Jos Heuvelman to the ESMA Managing Board.

We devoted attention to the supervision of sustainability reporting during the year. The legislation and regulations in this new area of supervision are still being developed and access to appropriate supervisory resources is a key focal point. Another important issue is how uniform standards are achieved. We are following this subject with great interest.

The new legislation and regulations mean an expansion of the AFM's supervisory tasks on major themes such as sustainability, cryptos and digitalisation, including MiCAR, DORA, SFDR and CSRD. In preparation for this expansion of its supervisory tasks, the AFM conducted an internal analysis of how this supervision can be carried out effectively and efficiently. The conclusion was that current resources are insufficient and it is therefore necessary to enlarge the cost framework for 2024. The Executive Board also submitted a substantiated request to the Supervisory Board for the use of the contingencies item. We critically assessed and agreed to this request and informed the Ministry of Finance. We believe the new tasks should be included as a structural part of the new 2025-2028 cost framework that is being developed.

All these developments require the necessary preparations by the AFM organisation itself. A major challenge remains the implementation of the IT strategy drawn up in 2022. This was discussed regularly in the meetings of the board and the audit committee. The year 2023 was devoted to laying a firm foundation. For example, a lot of work was carried out on the cloud migration of the customer relationship management (CRM) system. This will be completed shortly after the end of the reporting year. The IT organisation and staffing have been restructured with the aim of boosting quality. We will continue to critically monitor the implementation of the IT organisation in 2024.

Data-driven supervision requires different working methods and staffing. We took an in-depth look at the use of data-driven supervision to supervise auditors. We fully endorse the working methods and have spoken to the Executive Board about the impact on the organisation, among other things. The Executive Board took the initiative of launching the AFM2030 project to assess this impact further.

The Darwin programme within the AFM focuses on the need to be an agile and learning organisation. A lot of attention has been paid to the existing and desired culture. Pilots aimed at rapid-response operation and management are making the AFM more agile. We were also informed about the results of the employee survey, which gave us an understanding of the culture within the AFM. Most teams and departments indicate that things are going well and that people are satisfied. The survey provided useful insights into the aspects that are important to maintain, but also into those that could be improved. With the Executive Board we focused on ways of following up the findings. In the field of strategic personnel planning, initial steps were taken with a new working method in 2023 and we were informed about the results of the first pilots. We also drew attention to recruitment. The tight labour market is challenging and it is important to have a good recruitment plan. Further information on this will be provided in early 2024.

After a lengthy legislative process, the new Pensions Act came into force on 1 July 2023. This results in many new supervisory tasks for the AFM. After a long period of preparation, the transition phase has now begun. The AFM is working closely with the sector in designing the supervision.

We also assessed the regular financial reporting in 2023. In addition, we approved the Agenda for 2024, the update of the 2024 cost framework, the use of the contingencies item in the cost framework and the engagement of the external auditor. At each meeting, we reviewed the register of additional positions with the compliance officer in attendance. We also assessed various positions and additional positions in accordance with the applicable assessment framework. All current positions and additional positions can be found on the AFM website. We also discussed the periodic reports from Compliance & Integrity, Legal Affairs and the CSR (corporate social responsibility) reporting. Finally, we approved the audit plan of the Internal Audit department (IAD) and the IAD charter.

Permanent education and information provision

The continuing education this year focused on the pension transition and artificial intelligence. We received detailed information on the new pension system and the underlying principles. This puts us in a better position to assess developments in the field of pension supervision. We also arranged for an external speaker to inform us about all the developments in the field of artificial intelligence. These developments are continuing apace and are also having an impact on the AFM. We will delve more deeply into this field and gain proficiency in the years ahead. We also continued the discussions with department heads during the year. This provides us with valuable insights into the current challenges and developments. Together with the Executive Board, we followed up the motivation analysis that was conducted in 2022. This provided valuable insights into each other's profiles. Strengths, but also pitfalls, were identified and discussed with each other. This resulted in useful discussions highlighting areas of collaboration for the year ahead.

Members of the Supervisory Board attended consultative meetings with the Works Council on two occasions. We suggested maintaining a more strategic dialogue with the Works Council on a number of matters. This new approach will be implemented in 2024. We also meet with the Ministry of Finance twice a year on the basis of a fixed consultation structure. This year, together with the Executive Board and Supervisory Board of DNB, we also met on two occasions with a number of CEOs of major financial institutions. We discussed future developments and their impact on the sector and supervision. These meetings will be continued in 2024.

Evaluation of Executive Board and Supervisory Board

We conducted an evaluation of the individual members of the Executive Board and of the Executive Board as a whole at the beginning of 2023. For this, we used the 360 feedback that was completed for all executive directors by fellow directors, employees and board members. We subsequently made retrospective and forward-looking assessments in individual interviews, which also covered areas for development and training requirements. We also held a meeting with the Executive Board as a whole to discuss its collective operation. We appreciate the Executive Board's transparency and openness and will follow up on these collective discussions in 2024. Midway through the year we hold informal discussions with each executive director in order to maintain a good mutual dialogue on their performance as a director. We are pleased with the way in which the Executive Board as a whole manages the AFM and invests in team-building. The Executive Board is open to feedback and invests in continuous dialogue. We are therefore of the opinion that the Executive Board operates effectively and that it performs its tasks appropriately.

We attach great importance to self-reflection in order to maintain the quality of our internal supervision. As a follow-up to the self-evaluation in 2022, we further developed our critical questioning role during the year, particularly on a number of strategic priorities for the AFM. We conducted the self-assessment for the year at the end of 2023. We discussed the results in a separate evaluation session on the basis of questionnaires previously completed by us and the Executive Board. Due to the new composition, there were extensive discussions of the working method and possible improvements. Mutual cooperation and private companies' filing obligations at the Chamber of Commerce were also discussed. It is valuable to share fresh insights with each other and learn from them. When collaborating, it helps to know each other well and we will invest further in this in view of the new composition of the board in 2024.

Activities of committees

We have established two committees to assist us in supervising the activities of the Executive Board. The committees prepare our decision-making and advise us on various subjects. Each committee has its own regulations.

Audit committee

The audit committee held three regular meetings in 2023 and one additional meeting in connection with the 2024 budget and the associated updating of the cost framework and the use of the contingencies item. The meetings were held in the presence of the Chair of the Executive Board, the Director of Operations, the Head of Planning, Control and Finance, and a delegation from the Internal Audit department. The external auditor from the Government Audit Department (ADR) attended the meetings at which the financial statements, the budget, the management letter and the ADR engagement confirmation were discussed.

The audit committee also closely monitored the progress made in the project to improve the levying process. At the end of 2023, many improvements were made and the audit committee saw no cause for concern with regard to the year-end close. Each meeting also included a progress report on the implementation of the IT strategy. A lot of work was carried out on the CRM cloud migration during the year. This will strengthen the foundations, opening up prospects for important new IT development projects that are expected to be undertaken in 2024. The governance organisation was overhauled and the new organisation will take effect in the course of 2024. Major steps are being taken, but the audit committee will continue to monitor progress closely in the year ahead.

Each meeting discussed the integrated risk reports in the audit committee. A new assessment framework for implementation risks was drawn up in 2023. A great deal of attention within the AFM was focused on information security and raising privacy awareness last year. The Internal Audit department placed various audit reports on the agenda. The IAD also obtained input from the audit committee for the 2024 audit plan and discussed the adjustments to the IAD charter. The audit committee conducted separate discussions with the head of the IAD.

The audit committee devoted a lot of attention to the 2024 budget during the year. This concerned particularly the proposal to update the 2024 cost framework and the use of the contingencies item. The outline of the new 2025-2028 cost framework was also discussed with the audit committee. The audit committee supports the analyses made and has advised the board to approve the updating of the 2024 cost framework and the use of the contingencies item. For the new cost framework, the audit committee has underlined the importance of taking a deep dive into the costs of IT and data-driven supervision. The discussions on the new cost framework will be continued in 2024. The Supervisory Board held separate discussions with the external auditor without the Executive Board being present. The audit committee carried out the preparations for these discussions. The subjects discussed included the policy on additional levies, the levies process, experiences with the performance of the external audit and a number of specific audit findings.

Appointments and remuneration committee

The appointments and remuneration committee held two regular meetings in 2023 and also consulted without holding a meeting (by electronic means) as necessary. The meetings were held in the presence of the Chair of the Executive Board and the Head of Human Resources & Facility Services.

The focus of the appointments and remuneration committee during the year was on filling the vacancies in the Supervisory Board and the forthcoming reappointments to the Supervisory Board and the Executive Board. The Supervisory Board profile was used as a basis for recruitment and specific job profiles were drawn up. A recruitment and selection firm assisted the board in the search for suitable candidates. The board nominated Leontine van der Goes and Sander Dekker for appointment as member and chair respectively of the Supervisory Board for a term of four years. The appointments were preceded by a fit-and-proper assessment and compliance checks (including additional activities and financial interests). The board also made three nominations for the reappointment of David Voetelink and Rob Langezaal as members of the Supervisory Board and Laura van Geest as Chair of the Executive Board for a term of four years.

The appointments and remuneration committee evaluated the recruitment process and the executive director evaluation process in 2023 and further optimised these where possible. The succession planning for the Executive Board will be placed on the agenda and discussed before the start of 2024.

Independence and conflicting interests

The articles of association state that members of the Supervisory Board must perform their duties independently and not be bound by instructions. In the performance of their duties, they must focus on the interests of the foundation and consider the reputation of the foundation and its statutory and social tasks and objectives. Any form of conflict of interest must be avoided. This is further defined in the regulation on conflicts of interest. If a member of the Supervisory Board has a direct or indirect personal interest that may conflict with the interests of the AFM, they must not take part in the consultation or decision-making on the matter in question. This situation did not arise in 2023.

About this report

The Supervisory Board has approved the annual report and the financial statements for 2023. The AFM's statutory auditor was in attendance during the discussion of the financial statements.

Amsterdam, 7 March 2024
The Supervisory Board of the AFM

11. Financial statements

Statement of income and expenditure

for the years ended 31 December

(Figures in EUR x 1,000)		2023	Budget 2023	2022
Income				
Levies	a.	124.943	125.069	103.632
Administrative fines	b.	2.941	-	3.045
Orders for incremental penalty payments	b.	30	-	20
Government contributions	c.	608	614	552
Total income		**128.522**	**125.683**	**107.250**
Expenditure				
Employee expenses	d.	91.271	96.378	84.458
Depreciation and amortisation of non-current assets	e.	1.341	1.488	1.205
Other operating expenses	f.	28.533	27.839	26.018
Total expenses		**121.146**	**125.705**	**111.681**
Financial income and expenses	g.	342	- 22	- 15
Total expenditure	**h.**	**121.488**	**125.683**	**111.666**
Operating balance	**p.**	**7.034**	**-**	**-4.417**

Statement of financial position

at 31 December (after appropriation of result)

Activa		2023	2022
Assets			
Non-current assets			
Property, plant and equipment	i.	1.576	1.854
Renovations	i.	530	659
Furniture and fixtures	i.	1.114	1.458
Computer equipment and software		**3.221**	**3.971**
Financial non-current assets			
Rental guarantee account	o.	688	688
Total Financial non-current assets		**688**	**688**
Total non-current assets		**3.908**	**4.659**
Current assets			
Receivables			
Debtors	j.	5.419	22.820
Current receivables, prepayments and accrued income	k.	3.653	12.998
Total Receivables		**9.071**	**35.818**
Cash and cash equivalents			
Cash and cash equivalents	l.	29.907	27
Total Cash and cash equivalents		**29.907**	**27**
Total Current assets		**38.978**	**35.845**
Total		**42.886**	**40.504**

(Figures in EUR x 1,000)

Liabilities		2023	2022
Levy reserve		**5.000**	**3.065**
Provisions		**1.461**	**1.939**
Current liabilities (up to 1 year)	0		
Current account Ministry of Finance	0	-	19.643
Still due (repayable) to Ministry of Finance	0	6	31
Operating balance to be settled	0	6.394	1.295
Creditors	**0**	4.309	3.388
Tax and social security contributions	**0**	4.647	4.957
Other payables and accruals	0	21.070	6.185
Total Levy reserve		**36.426**	**35.500**
Total Provisions		**42.886**	**40.504**

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Statement of cash flows

for the years ended 31 December

Statement of cash flows		2023	2022
Cash flow from operating activities			
Operating balance		*7.034*	*-4.417*
Adjustments for:			
Depreciation of property, plant and equipment	e, i.	1.341	1.205
Disposals of property, plant and equipment	i.	-	8
Movement in provisions	n.	-478	-1.938
Total Operating balance		*863*	*-725*
Increase (-/-) / decrease in working capital:			
Current receivables		26.747	-15.342
Current liabilities		-4.173	19.035
Total Increase (-/-) / decrease in working capital:		*22.574*	*3.692*
Cash flow from operating activities		**30.470**	**-1.449**
Cash flow from investing activities			
Investments in property, plant and equipment	*i.*	*-590*	*-2.107*
Cash flow from investing activities		**-590**	**-2.107**
Net cash flow		**29.880**	**-3.556**
Closing balance 31 December	l.	29.907	27
Less: opening balance 1 January	l.	27	3.583
Movement in cash and cash equivalents		**29.880**	**-3.556**

(Figures in EUR x 1,000)

Notes to the financial statements

General

The Dutch Authority for the Financial Markets is a foundation having its registered office in Amsterdam and is registered at the Chamber of Commerce under the number 41207759.

As prescribed in Section 35 of the Non-Departmental Public Bodies Framework Act, the AFM's financial statements are as far as possible presented in accordance with Title 9 Book 2 of the Dutch Civil Code. Instances where the provisions of Title 9 Book 2 of the Dutch Civil Code are not followed are explicitly disclosed. The AFM's financial statements must additionally meet the requirements of the Financial Supervision (Funding) Act and the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act.

All figures in these financial statements are stated in thousands of euros, unless stated otherwise. The figures in the tables are rounded, which may result in rounding differences.

Accounting policies

Income and expenditure are allocated to the financial year to which they relate.

The AFM's costs are mainly covered by income from annual levies raised from the companies subject to its supervision. Its income also includes fixed sums linked to the processing of applications and registrations (non-recurring procedures) and government contributions for BES supervision. The AFM also has the power to impose administrative fines and orders for incremental penalty payments.

In cases where an objection, appeal or higher appeal against an imposed levy is upheld, the amount to be repaid is deducted from the income from levies.

In accordance with Section 8(2) of the Financial Supervision (Funding) Act, revenues from administrative fines and orders for incremental penalty payments are recognised as income as soon as the following two conditions are met: (a) they are declared irrevocable and (b) the AFM has actually received the amounts imposed. Therefore, administrative fines and orders for incremental penalty payments are accounted for using the cash accounting system and in this respect the AFM deviates from the provisions of Title 9 Book 2 of the Dutch Civil Code.

Section 8 of the Financial Supervision (Funding) Act states that revenues from administrative fines and orders for incremental penalty payments in excess of a combined annual total of €4.5 million accrue to the State. Under Sections 8 and 8a of the Financial Supervision (Funding) Act, realised income up to €4.5 million can be added to the levy reserve or set off against the levy for ongoing supervision in the subsequent year. See the note to item p. 'operating balance to be settled'. The levy reserve is capped at a total balance of €5 million.

The AFM is exempt from value-added tax for the performance of its statutory duties. The AFM is not automatically exempt from corporate income tax. The AFM conducted an analysis of its activities in 2023, which revealed that the vast majority of its activities were not subject to corporate income tax, as was the case in previous years. Based on this analysis, the AFM submitted a request to the Tax and Customs Administration to not submit a corporate income tax return form for the 2023 financial year. This request was honoured by the Tax and Customs Administration.

Accounting policies in the statement of financial position

Assets and liabilities are measured at nominal value, unless stated otherwise.

Property, plant and equipment
Property, plant and equipment is carried at cost of acquisition and is depreciated on a straight-line basis over its estimated economic life.

The following depreciation periods are generally applied:
- five years for furniture and fixtures;
- three years for computer hardware and software; (except laptops);
- four years for laptops;
- renovations: the remaining term of the lease.

Current assets
The measurement of the 'debtors' item takes account of the risk of bad debts.

The item 'provision for risk of bad debts' for levies is determined using the static method, with receivables older than 12 months being provided for in full. The percentage of levies for which no payment had been received within 12 months was unchanged in 2023 at 0.225%.

As reported under 'Accounting policies', revenues from administrative fines and orders for incremental penalty payments are recognised as income as soon as the following two conditions are met: (a) they are declared irrevocable and (b) the AFM has actually received the amounts imposed. As a result, the imposed and irrevocable amounts are stated under 'provision for risk of bad debts' until the AFM has actually received the amounts.

Provisions
Provisions are measured at nominal value, with the exception of the provision for transitional arrangements for employees, which is measured at present value.

In accordance with RJ 271, the AFM forms provisions for transitional arrangements in relation to employment benefits.

Current liabilities (up to 1 year)
As reported under 'Accounting policies', revenues from administrative fines and orders for incremental penalty payments are recognised as income as soon as the following two conditions are met: (a) they are declared irrevocable and (b) the AFM has actually received the amounts imposed. Amounts received for administrative fines and orders for incremental penalty payments that have not yet been declared irrevocable are recognised under current liabilities.

Pension scheme
The AFM has placed its pension scheme with pension provider 'De Nationale APF' (DNA). The accrued pension entitlements of the scheme members have been placed in a specific (and separate) AFM scheme.

The main features of the pension scheme and the administration agreement are as follows:
- A collective defined contribution (CDC) pension scheme.
- Pension accrual based on a conditional average pay system (target pension accrual) and pension entitlements are conditionally indexed if indexation can be funded from the investment returns and the contribution and indexation deposit in the AFM scheme.

- The AFM is charged an annual pension contribution equal to 25% of the uncapped payroll (defined pension contribution).
- DNA calculates a cost-effective pension contribution each year. The positive difference between the fixed pension contribution and the cost-effective pension contribution necessary to achieve the target pension accrual is paid into a contribution and indexation deposit in the AFM scheme. This is for both indexation and equalisation. If the cost-effective pension contribution is higher than the fixed pension contribution, the target pension accrual in the year in question is reduced so that the cost-effective pension contribution equals the fixed pension contribution.
- For active scheme members in service on 31 December 2015, a transitional measure applies whereby a single contribution is charged for the period from 2016 to the end of 2025 for the unconditional indexation of their pension entitlements.
- This unconditional indexation is limited to the annual wage index with a cap of 1.5%.

Discount rate for provision for transitional arrangements for employees:

- • 3.26% (based on an average term of one year and on the 'Nominal interest-rate term structure for pension funds (zero coupon)' of De Nederlandsche Bank (DNB).

Wage inflation (only for the calculation of transitional arrangements for employees):

- 1,50%

The following bases apply for the Pension Ruling provision:

- Life expectancy table: Actuarial Association (AA) 2022.
- The indexation principles for the AFM scheme with DNA.

Retirement age:

- • The retirement age is 68.

Policies for the statement of cash flows

The statement of cash flows is prepared using the indirect method.

Notes to the statement of income and expenditure

(figures in € x 1,000, unless indicated otherwise)

General

The operating surplus in 2023 amounted to €7.0 million, and is the net result of lower expenditure (-€4.2 million) and higher income (€2.8 million) than budgeted. The lower expenses are due to lower personnel expenses (-€5.1 million), lower depreciation expenses (-€0.1 million), higher other operating expenses (+€0.7 million) and higher net financial income and expenses (€0.4 million).

The total income is €2.8 million higher than budgeted due to a combination of lower income from levies (-€0.1 million) and unbudgeted revenues from administrative fines and orders for incremental penalty payments (+€3.0 million).

a. Levies

The analysis of the income from levies is as follows:

To be levied in 2023	Actual 2023	To be levied 2022 A Budget 2023	To be levied 2022 B To be settled from 2022 in 2023	To be levied 2022 C=A+B Total to be levied in 2023	Actual 2022
Levies under Wbft					
Levies for ongoing supervision Wbft	117.872	117.965	-1.295	116.670	96.398
Levies for non-recurring procedures Wbft	7.059	7.092	-	7.092	7.225
Total Wbft	**124.931**	**125.057**	**-1.295**	**123.762**	**103.623**
Levies BES					
Total BES	**12**	**12**	**-**	**12**	**9**
Total levies	**124.943**	**125.069**	**-1.295**	**123.774**	**103.632**

For most of the supervision, the activities are related to ongoing supervision. The costs of this are covered by annual levies raised from all companies subject to supervision in a particular supervisory category. The levy in any year is based on two components: 1) the amount to be levied in the budget for that year (column A), and 2) the amount to be settled from the previous year (column B). Therefore, for a proper comparison, the amount to be settled from 2022 is stated as well as the budgeted figure. The total amount to be levied in 2023 was therefore €123.8 million.

The total amount to be levied is divided according to a legally established allocation formula across categories of companies subject to supervision. Within the supervisory category in question, the AFM divides the sum to be levied on the basis of a fixed amount per company and/or a variable charge based on a levy measure. This measure varies per supervisory category and is often related to the size of the individual company. Levy measures include variables such as total revenues, balance sheet total and average market capitalisation. These levy measures, as well as ranges and rates, are set by the Ministers annually (as referred to in Section 13(9) of the Financial Supervision (Funding) Act) and published annually in the Financial Supervision (Funding) Regulation.

Levy income of €124.9 million was realised in 2023. This is €1.2 million higher than the amount to be levied of €123.8 million. The higher income can be attributed almost entirely to the higher income from ongoing supervision of €1.2 million, while revenues from one-off transactions are in line with the budget. Differences between the sums to be levied and actual receipts from supervisory categories normally arise from unforeseen changes in the number of supervised companies and the fact that the measures used to set the levy may differ from the values used to calculate the rates.

In line with the levies improvement programme of previous years, an assessment of the internal levies process for ongoing supervision was conducted in 2023. One result of this is the formation of a levies steering group under the responsibility of Planning, Control and Finance. Contact persons take part in this monthly consultation on behalf of various supervisory departments, information management and legal affairs. The aim of the steering group is to promote and intensify internal cooperation on the levies process to ensure that the ambitions formulated at the start of the levies improvement programme are achieved, namely the accurate, timely and complete imposition of levies for ongoing supervision. A primary component concerns the role of supervisory departments with regard to the management of source data that determines the amount of the levy invoices. The organisational changes implemented in 2023 (including the steering group and approval workflow in the invoicing application) have resulted in more timely levies. The ambition for 2024 concerns further structuring and automation in the levies process. Administrative deficiencies identified in previous years as well as backlogs incurred were almost completely eliminated in 2023. This can be seen in section k. 'current receivables, prepayments and accrued income'.

The €1.2 million higher income for ongoing supervision is largely due to a combination of unforeseen changes in the applied population and in the measures used to determine the contribution to the costs of supervision per company.

In cases where the AFM carries out one-off supervisory actions for supervised companies, separate sums are charged where possible. Examples of this include dealing with licence applications, registrations, exemptions, assessments of directors and reviews of public offerings or issue prospectuses. These levy rates are in principle cost-effective and are set by the Minister of Finance and the Minister of Social Affairs and Employment.

The income from non-recurring procedures in 2023 was €0.2 million lower than the actual figure in 2022. This is mainly explained by lower numbers of processed one-off actions.

b. Administrative fines and orders for incremental penalty payments

In accordance with Sections 8 and 8a of the Financial Supervision (Funding) Act, the income from administrative fines and orders for incremental penalty payments is divided as follows:

Administrative fines and orders for incremental penalty payments	2023	Budget 2023	2022
Income to be added to levy reserve	1.935	-	3.065
Income from administrative fines and penalty payments to be settled with market participants	1.036	-	-
Total administrative fines and orders for incremental penalty payments	**2.971**	**-**	**3.065**

Section 11 of the Financial Supervision (Funding) Act states that income from administrative fines and orders for incremental penalty payments in excess of a combined annual total of €4.5 million accrues to the State. This income remained below this limit of €4.5 million in 2023, however. Under Sections 8 and 8a of the Financial Supervision (Funding) Act, realised income up to €4.5 million can be added to the levy reserve. Revenues from administrative fines and orders for incremental penalty payments are recognised as income as soon as the following two conditions are met: (a) they are declared irrevocable; and (b) the AFM has actually received the amounts imposed. Income realised from administrative fines and orders for incremental penalty payments amounted to €3.0 million in 2023. Of this realised income, €1.9 million was allocated to the levy reserve so that it was funded to the maximum of €5.0 million at the end of 2023. The remaining income of €1.0 million will be offset against the levy for ongoing supervision in the following year. See item m. for the levy reserve and item p. for the operating balance to be settled.

c. Government contributions

The analysis of the government contributions is as follows:

Government contributions	2023	Budget 2023	2022
Total BES	608	614	552
Total government contributions	**608**	**614**	**552**

The government reimburses the costs of BES supervision (The Caribbean Netherlands, i.e. Bonaire, Sint Eustatius and Saba) to the extent that these exceed the income from levies. The government contribution for BES supervision in 2023 is slightly lower than budgeted.

d. Employee expenses

The analysis of employee expenses is as follows:

Employee expenses	2023	Budget 2023	2022
Salary	62.601	64.707	60.118
Social insurance contributions	8.044	8.479	7.461
Pension costs*	10.743	13.623	10.725
Temporary personnel	5.214	5.394	3.629
Other employee expenses	4.669	4.174	2.524
Total employee expenses	**91.271**	**96.378**	**84.458**

* The pension costs concern the pension contribution paid to 'De Nationale APF' less the personal pension contributions from the AFM employees (net pension contribution) less the partial release of the 'Pension Ruling provision'. The policy funding ratio of 'De Nationale APF', AFM scheme, at 31 December 2023 is provisionally set at 119.8%. The policy funding ratio at 31 December 2022 was 110.4

The employee expenses were €5.1 million below budget. This is mainly the result of a lower number of FTEs employed than budgeted and a release of the Pension Ruling provision.

Salary, social insurance contributions and pension costs are lower than budgeted due to a lower number of FTEs employed (-31 FTEs compared to budget). In addition, pension costs are lower because (1) there was a partial release of the Pension Ruling provision and (2) supplementation (pension indexation) was lower than budgeted as a result of an increased actuarial interest rate. The partial release of the Pension Ruling provision was the result of a ruling by the Supreme Court in April 2023. The 2023 budget still assumed an addition to this provision.

The expenses for temporary personnel were almost in line with the budget.

Other employee expenses were €0.5 million above budget. This was largely due to an addition to the IT Strategy provision in connection with the restructuring of the IT department. See item n. Provisions for additional information.

Employee expenses were €6.8 million higher than in 2022 due to higher salary, social insurance and pension costs (+€3.1 million), higher expenses for temporary personnel (+€1.6 million) and higher other employee expenses (+€2.1 million).

Salary, social insurance contributions and pension costs were €3.1 million higher than in 2022, mainly due to the increase in the average number of FTEs in service from 660 in 2022 to 674 in 2023, together with an increase in the average wage cost per FTE.

The higher expenses for temporary personnel (+€1.6 million) are mainly the result of more hiring for IT change projects.

Other employee expenses are €2.1 million higher, partly as a result of an addition to the IT strategy provision, higher costs for commuting, recruitment & selection and lower remuneration for seconded employees. Finally, the other employee expenses were further attenuated by a release of the 'former Wabb reserve'.

The table below gives a breakdown of the average number of FTEs into the various supervisory and other areas. The number of FTEs excluding temporary employees is 31 lower than budgeted. Approximately half of this relates to the supervisory areas of Financial Services and Accountancy. There are a relatively large number of vacancies in these supervisory areas, partly due to the expansion of supervision with the entry into force of the Future of Pensions Act and the intensification of supervision of audit firms. There is also a lower average workforce in direct supervisory support and other departments, largely due to vacancies. In the IT department (under 'other departments'), the workforce was on average lower than budgeted in anticipation of the restructuring of the department.

	Including temporary personnel			Excluding temporary personnel		
	Actual 2023	Budget 2023	Actual 2022	Actual 2023	Budget 2023	Relisatie 2022
Financial services	180	192	180	179	188	179
Capital markets	84	83	82	83	83	82
Asset management	41	43	41	41	42	40
Accountancy	64	72	59	63	68	58
Sub-total Supervision	**369**	**391**	**362**	**366**	**381**	**359**
Direct supervision support	185	191	178	179	185	173
Other departments	146	158	140	129	140	128
Total average number of employees (in FTEs)	**700**	**740**	**680**	**674**	**705**	**660**

Remuneration of the Executive Board and Supervisory Board
As a non-departmental public body (NDPB), under the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (WNT) the AFM is obliged to report the remuneration of its Executive Board members and certain other officials if applicable. In accordance with Section 4.2 of the Act, the AFM has chosen to omit accountability under the Dutch Civil Code.

The reporting reads as follows:

The WNT remuneration cap for 2023 is €223,000.
The Executive Board members Van Geest, Van Beusekom and Heuvelman receive a remuneration equal to the current WNT remuneration cap.

The senior officers mentioned in this report did not receive any payments in the form of bonuses or severance payments in either 2023 or 2022.

2023 Senior officers	Position	Days in service	Scope of employment (in FTE)	Remuneration	Average pension contribution costs and other remuneration payable over time	Total remuneration under WNT
L.B.J. van Geest	Chair	365	1	197.370	25.630	223.000
H.L. van Beusekom	Executive Board member	365	1	199.381	23.619	223.000
J.R. Heuvelman	Executive Board member	365	1	197.370	25.630	223.000
L.E. Sas	Executive Board member, Director of Operations	365	1	187.658	25.342	213.000

2023 Senior officers	Position	Days in service	Scope of employment (in FTE)	Remuneration	Average pension contribution costs and other remuneration payable over time	Total remuneration under WNT
L.B.J. van Geest	Chair	365	1	190.941	25.059	216.000
H.L. van Beusekom	Executive Board member	365	1	193.065	22.935	216.000
J.R. Heuvelman	Executive Board member	365	1	190.941	25.059	216.000
L.E. Sas	Executive Board member, Director of Operations	365	1	173.294	24.569	197.863

Supervisory Board	2023	2022
S. Dekker (Chair from 1 July)	16.862	-
W.M. van Dolen	22.300	21.600
L.M. van der Goes (from 1 June)	13.075	-
R.G.J. Langezaal	22.300	21.600
D.W. Voetelink	22.300	21.600
M.J. van Rijn (Chair until 24 May)	13.105	32.400
W.E.M. de Jong (until 15 February)	2.749	21.600

The WNT states that the annual remuneration for the Chair of the Supervisory Board must not exceed 15% of the WNT remuneration cap. For the other members of the Supervisory Board, this percentage is set at 10%. These caps were not exceeded.

e. Depreciation and amortisation of non-current assets

Depreciation and amortisation of non-current assets	2023	Budget 2023	2022
Renovations	651	637	492
Furniture and fixtures	215	269	317
Computer equipment and software	475	582	396
Total depreciation costs on property, plant and equipment	**1.341**	**1.488**	**1.205**

The depreciation and amortisation costs on non-current assets were €0.1 million below budget. This is mainly due to lower depreciation and amortisation of computer equipment and software because investments in new telephones and port replicators at the end of 2022 were lower than had been anticipated when preparing the 2023 budget.

f. Other operating expenses

Other operating expenses	2023	Budget 2023	2022
Premises costs	5.072	5.113	4.902
Consultancy expenses	2.477	3.608	2.103
One-off expenses due to change of pension provider	-	-	-92
IT expenses	17.858	16.734	16.367
General expenses	3.127	2.384	2.739
Total other operating expenses	**28.533**	**27.839**	**26.018**

Other operating expenses amounted to €28.5 million and were €0.7 million higher than budgeted. This excess is the result of higher IT expenses (+€1.1 million) and general expenses (+€0.7 million) on the one hand, and lower consultancy expenses (-€1.1 million) on the other. Premises costs were more or less in line with budget.

The consultancy expenses were €1.1 million lower than budgeted, due to lower costs for legal proceedings and lower consultancy expenses in the areas of personnel and premises.

IT expenses were €1.1 million above budget. This was mainly due to higher outsourcing costs for the IT run and higher expenses for software licences.

Other operating expenses are €2.5 million higher than in 2022. Most of this was due to the IT expenses, which were €1.5 million higher as a result of price indexations, increased costs for IT outsourcing and software licences.

Expenses of certifying auditor
The fees for the audit by the certifying auditor are included in the general expenses item.

The analysis of these fees by type is as follows:

Audit of the financial statements	2023	Budget 2023	2022
Fees for audit of the financial statements	207	210	210
Total fees for the independent auditor	**207**	**210**	**210**

The fees for the certifying auditor include the estimated costs for the activities relating to the current reporting year.

g. Financial income and expenses

Financial income and expenses	2023	Budget 2023	2022
Interest expenses	381	10	90
Interest income	39	32	105
Total financial income and expenses	**342**	**-22**	**-15**

The financial expenses are €0.4 million higher than in the 2023 budget as a result of the increase in the interest rate on the current account held with the Ministry of Finance.

h. Costs of supervision

The table below summarises the total actual costs, the budgeted costs and costs in the previous financial year, divided in accordance with statutory framework.

Costs of supervision	2023	Budget 2023	2022
Total Wbft	120.868	125.057	111.105
Total BES	620	626	561
Total costs of supervision	**121.488**	**125.683**	**111.666**

Under the Financial Supervision (Funding) Act, the costs of supervision on the BES Islands (Bonaire, Sint Eustatius and Saba) pursuant to the BES Islands Financial Markets Act and the Money Laundering and Terrorism Financing (BES Islands) Act must be disclosed separately.

The difference between the budgeted and actual costs is explained in items d to g.

Notes to the statement of financial position

(figures in € x 1,000, unless indicated otherwise)

i. Property, plant and equipment

The development of this item was as follows:

Property, plant and equipment	2023	2022
Balance at 1 January	3.971	3.077
Investments	590	2.107
Depreciation	-1.341	-1.205
Disposals	-	-8
Balance at 31 December	**3.221**	**3.971**

Property, plant and equipment	2023	2022
Expiring total of property, plant and equipment written off		
Acquisition value	-	-730
Depreciation	-	730
Cumulative acquisition value	35.214	34.624
Cumulative depreciation	-31.994	-30.653
Carrying amount at 31 December	**3.221**	**3.971**

The specification is as follows:

	As at 31 December 2022	Investments	Depreciation	Disposals	Balance at 31 December 2023
Renovations	1.854	373	-651	-	1.576
Furniture and fixtures	659	87	-215	-	530
Computer equipment and software	1.458	131	-475	-	1.114
Total property, plant and equipment	**3.971**	**590**	**-1.341**	**-**	**3.221**

The item ‘renovations’ concerns capitalised costs of architectural changes to the offices leased by the AFM. The item ‘computer equipment and software’ concerns capitalised costs of standard hardware and software.

j. Debtors

2023	< 43 days	43-75 days	> 75 days	Total
Debtor balances consisting of levies classified by age	3.702	1.157	1.014	5.872
Debtor balances consisting of administrative fines and orders for incremental penalty payments classified by age	50	-	305	355
Provision for risk of bad debts				-809
Balance of debtors item at 31 December 2023	**-**	**-**	**-**	**5.419**

2022	< 43 days	43-75 days	> 75 days	Total
Debtor balances consisting of levies classified by age	16.750	4.916	1.646	23.311
Debtor balances consisting of administrative fines and orders for incremental penalty payments classified by age	-	-	304	304
Provision for risk of bad debts				-796
Balance of debtors item at 31 December 2022	**-**	**-**	**-**	**22.820**

The above division for classification by age has been chosen because it reflects the collection process. Levies have a payment term of 42 days and are referred for collection if necessary when payments are not made.

The balance of debtors at year-end 2023 decreased by €17.4 million compared to the previous year because the levies for ongoing supervision were charged earlier in the year than in 2022.
The balance of the provision for risk of bad debts of €0.8 million (2022: €0.8 million) relates to levies amounting to €0.5 million (2022: €0.5 million) and to administrative fines and orders for incremental penalty payments amounting to €0.4 million (2022: €0.3 million).

k. Current receivables, prepayments and accrued income

Current receivables, prepayments and accrued income	2023	2022
Prepaid rent	226	225
Miscellaneous prepaid expenses	2.334	1.619
Levies and other items yet to be invoiced	449	10.838
Other prepayments and accrued income	643	317
Balance of current receivables and prepayments and accrued income at 31 December	**3.653**	**12.998**

The item 'miscellaneous prepaid expenses' of €2.3 million mostly concerns prepaid software licences, subscriptions and membership fees. The item 'levies yet to be invoiced and other items' in 2023 of €0.4 million consists of €0.3 million of levies yet to be imposed and €0.2 million of salary costs for seconded employees that have yet to be recharged. The item levies and other items yet to be invoiced of €0.4 million includes €1.1 million of levies for ongoing supervision to be credited, €0.3 million of levies to be charged for ongoing supervision and €1.1 million of charges to be levied for specific actions. Most of the ongoing supervision levies yet to be invoiced and credited relate to changes in the population after the annual levy for ongoing supervision was sent out and are therefore a correction to the invoice sent in 2023. In addition, both a credit and a debit item have been included for ongoing supervision that relates to corrections to levies from previous years. Administrative deficiencies identified in 2023 were also financially settled to a large extent in 2023.

Compared to the previous year, the item 'levies and other items yet to be invoiced decreased by €10.4 million. This means that the backlog in invoicing for ongoing supervision was almost cleared.

l. Cash and cash equivalents

Cash and cash equivalents	2023	2022
Current account Rabobank	82	27
Current account Ministry of Finance	29.825	-
Balance of cash at 31 December	**29.907**	**27**

m. Levy reserve

Levy reserve	2023	2022
Balance at 1 January	3.065	-
From appropriation of operating balance	1.935	3.065
Balance at 31 December	**5.000**	**3.065**

With effect from the 2022 financial year, realised income from administrative fines and orders for incremental penalty payments up to €4.5 million can be added to the levy reserve under Sections 8 and 8a of the Financial Supervision (Funding) Act. Income realised from administrative fines and orders for incremental penalty payments amounted to €3.0 million in 2023. Of this, €1.9 million was allocated to the levy reserve.

This reserve was introduced in the Financial Markets (Amendment) Act 2022 and aims to cover incidental costs or any other costs that would lead to disproportionately high fees for certain institutions subject to supervision. The use of the levy reserve must be approved by both the Minister of Finance and the Minister of Social Affairs and Employment. The Financial Markets (Amendment) Act 2022 includes a maximum amount for the levy reserve (Section 8a(1) of the Financial Supervision (Funding) Act). This will be further detailed in the Financial Supervision (Funding) Decree in effect from 2023, in which the maximum will be set at €5 million.

n. Provisions

Provisions	2023				2022
	< 1 years	1-5 years	> 5 years	Total	Total
Provision for transitional arrangements for employees	10	1	-	11	33
Provision for IT strategy	650	224	-	874	524
Provision for pension ruling	-	576	-	576	1.382
Balance of provisions at 31 December	**660**	**801**	**-**	**1.461**	**1.939**

The development of the provisions was as follows:

Provision for transitional arrangements for employees	2023	2022
Balance at 1 January	34	56
Release	-2	-1
Paid out	-21	-21
Balance at 31 December	**11**	**34**

Provision for IT strategy	2023	2022
Balance at 1 January	524	816
Release	515	-
Paid out	-2	-13
Balance at 31 December	-163	-279
Balanswaarde per 31 december	**874**	**524**

Provision for pension ruling	2023	2022
Balance at 1 January	1.382	2.726
Addition	-	15
Revised calculation due to adjustment of various parameters	-	-1.340
Release	-793	-
Paid out	-12	-19
Balance at 31 December	**576**	**1.382**

The item ‘Provision for transitional arrangements for employees’ concerns potential or actual claims for compensation for differences in employment benefits of personnel transferring to the AFM as part of a transfer of supervision and rights of employees under an agreed transitional arrangement that are still in force for a limited group of employees.

The AFM Executive Board adopted the implementation of the first phase of the new IT strategy, approved it and communicated it to the AFM employees in August 2018. The IT strategy comprised the engagement of an outsourcing partner, the transfer of the management of the AFM's IT applications and IT landscape to an outsourcing partner and the formation of a new governance organisation within the AFM.

The 'provision for IT strategy' was formed because of the actual obligation that existed as a result of the IT strategy formulated in 2018 and concerns the non-recurring costs related to the realisation of this strategy. A further elaboration of this IT strategy concerns the strengthening of the IT governance organisation. A reorganisation of the IT governance organisation took place for this purpose in 2023. This reorganisation resulted in functions being eliminated because they were less in line with the centrally set goals. An amount of €515,000 was added to the IT strategy provision in 2023. This addition was based on the provisions of the AFM 2023-2026 social section and relates to the costs associated with the settlement for employees declared redundant as a result of the reorganisation.

The 'Provision voor pension ruling ' was formed for a current legal proceeding relating to a difference of opinion regarding the application of the AFM pension scheme on 1 January 2016, and includes the costs of external legal assistance.

The AFM pension scheme was amended on 1 January 2016, with the aim of migrating to a more affordable pension scheme more in line with the usual market practice. Ultimately, some scheme members initiated legal proceedings against this change, as they felt they would be disproportionately disadvantaged by the change. The AFM's arguments were fully upheld by the sub-district court, after which the scheme members concerned lodged an appeal, which found partly against the AFM. The AFM Executive Board decided to appeal the ruling to the Dutch Supreme Court.

The Supreme Court ruled on 21 April 2023. Part of the ruling concerns unconditional indexation of pensions and the Supreme Court finds that the Pensions Act leaves room for an employer to change the agreements with its employees concerning unconditional indexation of their pension entitlements. The Supreme Court referred the substance of the case to another court (the referral court) for final disposal. The referral court is expected to issue a ruling in 2024. A consequence of the Supreme Court's ruling is that legally enforceable third-party effects no longer apply. The provision therefore only relates to the expenses relating to the settlement of the referral procedure with regard to the few participants who originally initiated the legal proceedings. As a result, €0.8 million of the provision has been released.

o. Financial relationship between the AFM and the Ministry of Finance

This is as follows:

		2023	2022
Current account Ministry of Finance	See item n. Cash and cash equivalents	29.825	-
Current account Ministry of Finance	See statement of financial position: Current liabilities	-	-19.643
Rental guarantee account		688	688
Still due (repayable) to Ministry of Finance		-6	-31
Total		**30.506**	**-18.986**

The Current account Ministry of Finance concerns a current account relationship with an overdraft facility agreed with the Ministry of Finance. The overdraft facility had a limit of €80.0 million at 31 December 2023. No charge is levied for the unused part of the facility.

The rental guarantee account was provided by the Ministry of Finance in 2018 and covers an ongoing guarantee provided for the lessor of the AFM's office premises. The guarantee amounts to €0.7 million, and remains in force from 1 January 2018 to 31 March 2026 (three months after the maturity date of the lease extended on 1 January 2018). This account is recognised under 'Financial non-current assets'.

The item 'Still due (repayable) to Ministry of Finance' relates to the government contribution for BES supervision (Caribbean Netherlands) to be repaid of €6,000, and is presented under current liabilities.

p. Operating balance to be settled

	2023	Budget 2023	2022
Operating balance under Wbft to be settled with the market from previous year (A)	**1.295**	**-**	**8.777**
Levies for ongoing supervision (regular)	118.643	117.965	96.351
Levies for ongoing supervision (adjustments due to incorrect/incomplete levies in the past)	-771	-	47
Levies for non-recurring activities	7.059	7.092	7.225
Income from administrative fines and penalty payments	2.971	-	3.065
Total income under Wbft	**127.902**	**125.057**	**106.688**
Total expenses under Wbft	**120.868**	**125.057**	**111.105**
Operating balance under Wbft in current year (B)	**7.034**	**-**	**-4.417**
Addition to levy reserve (C)	1.935	-	3.065
Operating balance under Wbft to be settled in following year (=A+B-C)	**6.394**	**-**	**1.295**

A positive operating balance to be settled, as stated under 'of which to be settled with the market in the following year', means that market participants have a claim on the AFM. The operating balance to be settled and the comparative figure are recognised under current liabilities in these financial statements.

Operating differences occur every year due to differences between budgeted and actual expenses and income.

Realised income from administrative fines and orders for incremental penalty payments in excess of €4.5 million accrue to the State under Section 11 of the Financial Supervision (Funding) Act 2019. This income remained below this limit in 2023, however. Of the realised income of €3.0 million, €1.9 million was allocated to the levy reserve so that it was funded to the maximum of €5.0 million at the end of 2023.

The balance 'to be settled with the market in the following year', amounting to +€6.4 million, will be repaid to the market and is the result of:

1. an amount to be settled from 2022 (+€1.3 million);
2. lower-than-budgeted income from levies for ongoing supervision (-€0.1 million);
3. lower-than-budgeted costs (€+4.2 million);
4. unbudgeted revenues from administrative fines and orders for incremental penalty payments to be settled with the market (+€1.0 million).

The income for ongoing supervision was in total €1.2 million higher than the amount to be levied for 2023. This consists of +€1.3 million to be settled from 2022 and -€0.1 million lower-than-budgeted income from ongoing supervision in 2023 (including corrections). See also the note to point a. 'levies'.

In 2023, net negative additional income of -€771,000 was realised. This is due to: (1) the difference between the estimated amounts still to be levied in respect of administrative deficiencies observed in previous years resulting from the levies improvement programme, as included in the 2022 financial statements, and the actual expiration thereof in 2023 (-€261,000); and (2) the newly found adjustment items to be invoiced (+€19,000) or credited (-€529,000) in the following year. See also the note on point k. 'Current receivables, prepayments and accrued income'.

Operating balance BES	2023	Budget 2023	2022
Levies	12	12	9
Government contribution BES	608	614	552
Total income	**620**	**626**	**561**
Total expenses BES	**620**	**626**	**561**
Operating balance BES	**-**	**-**	**-**

The government pays the costs of BES supervision (Caribbean Netherlands) to the extent that the levy income is not sufficient. The operating difference is therefore nil.

Appropriation of the operating balance

The amount to be settled in 2024 in respect of 2023 of €6.4 million will be fully included in the calculation of the amount to be charged to the market for 2024 in accordance with Section 8(3) of the Financial Supervision (Funding) Act. In addition, pursuant to Section 8a of the Financial Supervision (Funding) Act, €1.9 million from the income from administrative fines and orders for incremental penalty payments was added to the levy reserve.

q. Other payables and accruals

Other payables and accruals	2023	2022
Unused vacation days and overtime	3.841	3.591
Liabilities related to pensions	17	6
Amounts received in advance	14.500	-
Other expenses payable	2.711	2.588
Balance of other payables and accruals at 31 December	**21.070**	**6.185**

The item 'unused vacation days and overtime' increased by €0.3 million. This is due to a combination of a slight increase in outstanding vacation days and an increase in the hourly wage. The item 'Other expenses payable' consists mainly of invoices not yet received for goods and services.
The item Amounts received in advance of €14.5 million consists of two receipts of imposed administrative fines that are not yet irrevocable.

This item is high because in respect of one of the paid administrative fines that is not yet irrevocable the AFM for the first time used the option of imposing a turnover-related fine for a serious and culpable violation. The law provides for this possibility in the case of very strong companies. The increase in Other expences payable is also the result of transitional payments still to be paid, which increased by €0.1 million.

Off-balance sheet commitments

Multi-year financial obligations
The liabilities can be analysed as follows:

Multi-year financial obligations	< 1 years	1-5 years	> 5 years	Total
Leases	3.219	3.219	-	6.438
Office equipment	25	24	-	49
Other lease contracts	48	113	-	161
Total liabilities not recognised in the statement of financial position	**3.292**	**3.356**	**-**	**6.648**

A guarantee of €0.7 million was issued to the lessor of the office premises of the AFM on 1 January 2018 in relation to the extended lease that commenced on that date. The guarantee was provided by the Ministry of Finance.

Unrecognised liabilities

Claims for liability
The Supreme Court overturned in cassation the ruling of the Amsterdam Court of Appeal on the unilateral adjustment of the AFM pension scheme on 1 January 2016 and referred the case to the Court of Appeal in The Hague for further settlement.

The AFM pension scheme was amended on 1 January 2016, with the aim of migrating to a more affordable pension scheme more in line with the usual market practice. Ultimately, some scheme members initiated legal proceedings against this change, as they felt they would be disproportionately disadvantaged.

The AFM's arguments were fully upheld by the sub-district court, after which the employees concerned lodged an appeal, which ruled partly against the AFM. On 4 November 2020, the Amsterdam Court of Appeal ruled that the AFM had a compelling interest in unilaterally amending the pension scheme and the related pension agreement, but that some amendments conflicted with the prohibition of impairment applying to accrued entitlements under Section 20 of the Pensions Act. The AFM filed an appeal in cassation against this ruling with the Supreme Court, which handed down its ruling on 21 April 2023. The Supreme Court's ruling found in favour of the AFM with regard to the amendment of the administration agreement. The ruling of the Amsterdam Court of Appeal was overturned by the Supreme Court and the case was referred to the Court of Appeal in The Hague for further settlement. This court will assess to what extent the AFM had a compelling interest in unilaterally amending the pension agreement with the employees concerned.

No provision has been made for the outcome of these proceedings.

Indemnities

The Board of Trustees of Stichting Pensioenfonds AFM and Stichting Pensioenfonds AFM are indemnified by the AFM against all possible claims brought by current or former AFM employees on the basis of their pension agreement with the AFM after the introduction of the 2016 Pensions Agreement and the group transfer of accrued benefits to 'De Nationale APF'. Procedures related to the transition from the AFM Pension Fund to 'De Nationale APF' are not expected to lead to an outflow of resources.

Related parties

AFM Pension Fund
Until the end of 2017, the AFM placed its pension scheme with the Stichting Pensioenfonds Autoriteit Financiële Markten (the AFM Pension Fund). The AFM terminated the administration agreement with the AFM Pension Fund on 1 January 2018 and DNB ended its supervision of the AFM Pension Fund on 7 December 2021.
The AFM Pension Fund was deregistered from the Chamber of Commerce on 14 February 2022, which means that the AFM Pension Fund was actually liquidated. For the transactions relating to the liquidation of the AFM Pension Fund, see the following sections in the financial statements:
- Section p. Other payables and accruals;
- Unrecognised liabilities, indemnities.

The transactions with the AFM Pension Fund (in liquidation) were effected on a commercial basis.

Ministry of Finance
The AFM is a non-departmental public body. The Minister of Finance has the following powers with respect to the AFM by law and under its articles of association:
- The right of approval with respect to the established or amended profile description formulated by the Supervisory Board for members of the AFM's Executive Board;
- Appointment of members of the AFM's Executive Board by Royal Decree;

- The power to suspend members of the AFM’s Executive Board and to dismiss members of the AFM’s Executive Board by Royal Decree if they no longer meet the requirements for the exercise of their duties or have seriously failed to perform their duties;
- The right of approval of the remuneration for members of the AFM’s Executive Board established by the Supervisory Board;
- The right of approval of a proposal to amend the expenses and facilities arrangements for the Supervisory Board;
- The right of approval of a proposal to amend the expenses and facilities arrangements for the Executive Board to the Minister of Finance (in accordance with Section 1:26(5) of the Financial Supervision Act);
- Right of approval with regard to the use of the levy reserve (in accordance with Section 8a(4) of the Financial Supervision (Funding) Act 2019);
- Receipt of all relevant information that the Minister of Finance needs to exercise his powers vis-à-vis the Dutch Authority for the Financial Markets. This information will be supplied in a timely manner by both the AFM Executive Board and Supervisory Board;
- The Chair and the members of the Supervisory Board are appointed by the Minister of Finance and a member of the Supervisory Board may be suspended or dismissed by the Minister in case of unsuitability or incompetence in their position. The Supervisory Board is also tasked with formulating a profile description for the Supervisory Board. The establishment or amendment of this profile description is subject to approval by the Minister of Finance. Voluntary dismissal of a Supervisory Board member is effected by the Minister of Finance;
- Setting the remuneration of the members of the Supervisory Board, taking account of the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act;
- Attending the advisory panel of the AFM;
- Approval of the AFM’s budget and the AFM’s annual financial statements;
- Determining the appropriation of a positive balance on liquidation if the Executive Board of the AFM resolves to dissolve the Dutch Authority for the Financial Markets;
- The right to inspect the audit procedures conducted by the certifying auditor of the AFM;
- The right of approval regarding proposed amendments to the articles of association of the AFM.

For further details of the transactions with the Ministry of Finance, see the following items in the financial statements:
- Item b. Fines and orders for incremental penalty payments, Fines and orders for incremental penalty payments due to the State;
- Item c. Government contributions, total BES;
- Item n. The financial relationship between the AFM and the Ministry of Finance.

The transactions with the Ministry of Finance were effected on a commercial basis.

Ministry of Social Affairs and Employment

The Minister of Social Affairs and Employment has the following powers with respect to the AFM by law and under its articles of association:
- Approval of the AFM’s budget and the AFM’s annual financial statements with respect to elements relevant to the Ministry of Social Affairs and Employment and receipt of the AFM annual report;
- The right of approval with respect to use of the levy reserve (in accordance with Section 8a(4) Wbft 2019);
- Attending the advisory panel of the AFM;
- The right to inspect the audit procedures conducted by the certifying auditor of the AFM.

No material transactions took place between the Ministry of Social Affairs and Employment and the AFM.

Actual figures for 2023, budget for 2023 and 2024

(Figures in EUR x 1,000)

The table below gives an overview of the budgeted and actual figures for 2023 and the income and expenses budgeted for 2024.

	2023	Budget 2023	Begroting 2024
Income			
Levies	124.943	125.069	140.325
Administrative fines	2.941	-	-
Orders for incremental penalty payments	30	-	-
Government contributions	608	614	621
Total income	**128.522**	**125.683**	**140.946**
Expenditure			
Employee expenses	91.271	96.378	105.455
Depreciation costs on non-current assets	1.341	1.488	1.093
Other operating expenses	28.533	27.839	33.509
Total expenditure	**121.146**	**125.705**	**140.057**
Financial income and expenses	342	-22	889
Operating balance	**7.034**	**-**	**-**

The 2024 budget is available on the AFM website (www.afm.nl) in the 'Agenda.2024'.

The total sum to be levied by the AFM in 2024 is €133.9 million. This is the balance of the estimated levies in 2024 of €140.3 million less the operating balance in 2023 of €6.4 million to be settled with the market (see proposal for appropriation of the sum to be settled in 'Other information').

Amsterdam, 14 March 2024

Executive Board
L.B.J. van Geest, Chair
H.L. van Beusekom
J.R. Heuvelman

Supervisory Board
S. Dekker, Chair
W.M. van Dolen
L.M. van der Goes
R.G.J. Langezaal RM
D.W. Voetelink

12. Audit report of the independent auditor

To: The Supervisory Board of the Dutch Authority for the Financial Markets

A. Report on the financial statements included in the annual report 2023

Our opinion

We have audited the 2023 financial statements (hereinafter ‘the financial statements’) of Stichting Autoriteit Financiële Markten (hereinafter ‘the foundation’ or ‘the AFM’) in Amsterdam.

In our opinion, the financial statements included in this annual report give a true and fair picture of the financial position of the AFM as at 31 December 2023 and of its result for 2023, as far as possible with analogous application of Title 9 Book 2 of the Dutch Civil Code (BW), the Financial Supervision (Funding) Act (Wet bekostiging financieel toezicht, Wbft), the Non-Departmental Public Bodies Framework Act (Kaderwet zelfstandige bestuursorganen, Kzbo), Section 1.2 of the Financial Supervision Act (Wet op het financieel toezicht, Wft), the BES Islands Financial Markets Act (Wet financiële markten BES) and the provisions of and pursuant to the Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act (Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector, WNT).

The financial statements comprise:
1. the statement of financial position as at 31 December 2023;
2. the statement of income and expenditure for 2023;
3. the cash flow statement for 2023; and
4. the notes, comprising a summary of the accounting policies and other explanatory information.

Furthermore, we are of the opinion that the ‘Report on lawfulness of financial management’ included in the annual report gives a true and fair view of the lawful collection and spending of funds by the AFM.

Basis for our opinion

We performed our audit in accordance with Dutch law, which includes the Dutch Accounting Standards, the Audit Protocol on Financial Reporting for the AFM (Controleprotocol financiële verantwoording AFM), and the 2023 WNT Audit Protocol Regulation (Regeling Controleprotocol WNT 2023). Our responsibilities on this basis are described in the section entitled ‘Our responsibilities for the audit of the financial statements’.

We are independent of the AFM as required in the Regulation on the Independence of Auditors in Assurance Engagements (ViO) and other independence regulations relevant to the engagement in the Netherlands. We have also complied with the regulations on rules of conduct and professional rules for auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Based on our professional opinion, we determined the materiality for the financial statements as a whole at €2,429,760. Materiality is defined as 2% of the total expenses as stated in the Audit Protocol on Financial Reporting for the AFM. With regard to the audit of the WNT information included in the financial statements, we applied the materiality provisions as laid down in the 2023 WNT Audit Protocol Regulation.

We also took account of misstatements and/or potential misstatements that in our opinion could be material for users of the financial statements on qualitative grounds.

We agreed with the Supervisory Board that we would report misstatements involving amounts in excess of €242,976 identified during our audit to the Council as well as smaller misstatements that in our opinion were relevant for qualitative reasons.

Information on our audit approach to fraud risks and the resulting findings

We determined our audit procedures with regard to fraud risks in the context of the audit of the financial statements as a whole and in order to form our opinion thereon. The following information should be viewed in this context and not as separate opinions or conclusions.

The primary responsibility for the prevention and detection of fraud lies with the AFM. As part of our audit, we identify and estimate the risks of a material misstatement in the financial statements due to fraud. We define fraud as an intentional act on the part of one of more members of management, persons charged with governance, employees or third parties, involving the use of deception to obtain an unlawful or illegal advantage. Fraud risks may involve actions by employees of the AFM, actions by third parties (abuse of legislation and regulation) or a combination of both. Fraud may arise as a result of fraudulent financial reporting or the misappropriation of assets (including through the abuse of legislation and regulations by third parties).

During our audit, we obtained insight into the AFM and its environment, the components of its system of internal controls, including the risk assessment process, and the manner in which management responds to fraud risks and monitors the system of internal controls and the findings thereof. Our impression with regard to the control of the risks of fraud and the related developments correspond to the AFM's own reporting on this. The AFM devotes attention to fraud risk factors and is in the process of implementing a broad fraud risk analysis.

We assessed the design and existence of the internal controls designed to mitigate fraud risk and, where we considered this necessary, tested the operating effectiveness of these controls. We evaluated whether these factors were indicative of the existence of a risk of material misstatements due to fraud. The fraud risks we identified, the most important specific audit procedures we subsequently conducted and the results thereof, can be summarised as follows:

- There is a risk of override of the internal control measures by management. We performed the following procedures:
  - We assessed the design, existence and, where possible, the effective operation of the internal control organisation for the critical process;
  - We performed substantive procedures in relation to virtually all the items in the statement of financial position, in particular those items requiring judgement;
  - We checked that a declaration of performance was available for the purchase invoices;
  - We audited the general journal entries in detail;
  - We took note of the minutes of management meetings;
  - We made enquiries of the Executive Board and the Chief Security Officer regarding potential signs or instances of fraud;
  - We requested the Executive Board to provide confirmation with regard to the financial statements. We received this confirmation.

The above procedures did not lead to any findings.

- Risks associated with the recognition of the most important income stream, namely the levies. In addition to the procedures described above, we performed the following procedures:
  - We assessed the design, existence and, where possible, the operating effectiveness of the processes relevant in this context (particularly the levying process).
  - We performed several types of substantive procedures to establish the correctness and completeness of all items belonging to the levies.

The above procedures did not lead to any findings required follow-up with respect to the aforementioned risk of fraud. Our procedures did not reveal any signs of fraud that could lead to a material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the audit committee. However, the key audit matters are not a comprehensive reflection of all matters discussed.

We have designed our audit procedures in relation to these key audit matters in the context of the audit of the financial statements as a whole. Our findings with regard to the individual key audit matters should be viewed in this context, and not as separate opinions regarding these key audit matters.

Levies

Income from levies is by far the largest category of income for the AFM. Levies consist firstly of annual levies imposed on the institutions subject to supervision (for regular supervision) and secondly of fixed amounts linked to the processing of applications and registrations (non-recurring activities). In previous years, the AFM identified administrative shortcomings in its registration of levies for regular supervision in respect of a limited number of the number of supervised institutions. The resulting retrospective levies were settled financially during this audit year. New issues arose in the 2023 audit year, most of which were resolved during the financial year. The item ‘levies yet to be invoiced’ largely concerns positions estimated by the AFM. We have audited the correctness and completeness of the levies for regular supervision on the basis of the information available at the AFM. We have performed additional procedures in this respect, consisting of an assessment of the already existing and new issues with potential additional levies to be imposed and substantiation of the estimates for the item ‘levies yet to be invoiced’.

Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act (Wet Normering bezoldiging topfunctionarissen publieke en semipublieke sector, WNT)

As a non-departmental public body, the AFM is subject to the WNT. We have audited the section entitled ‘Remuneration of the Executive Board and Supervisory Board’. We also established whether the disclosure meets the requirements set out in the WNT. We performed our procedures in accordance with the procedures stated in the 2023 WNT Audit Protocol Regulation.

Compliance with non-cumulation provision in WNT not audited
In accordance with the 2023 WNT Audit Protocol Regulation, we have not audited the non-cumulation provision in Section 1.6a of the WNT and Section 5(1)(n) and (o) of the WNT Implementing Regulation. This means that we have not audited whether or not the remuneration of a senior executive may have exceeded the standard as a result of possible employment as a senior executive at other institutions subject to the WNT, or whether the required disclosure in this respect is correct and complete.

Appointment

We were appointed by the Supervisory Board as the auditor of Stichting AFM on 2 July 2013 with effect from the audit for the 2013 financial year, and we have been the external auditor since that date. We annually confirm the agreements made and terms applying in relation to the audit of the financial statements.

B. Report on the other information included in the annual report

In addition to the financial statements and our audit report thereon, the annual report contains other information, consisting of the report of the Executive Board, the report of the Supervisory Board, and the 'Other information' section.

Based on the following procedures, we conclude that the other information:
- is consistent with the financial statements and is free of material misstatements;
- contains all the information required under Title 9 Book 2 of the Dutch Civil Code for the management report and the other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we have complied with the requirements in Title 9, Book 2 of the Dutch Civil Code and the Dutch Standard 720. These procedures are not conducted to the same depth as our audit procedures for the financial statements.

The Executive Board is responsible for the preparation of the other information, including the report of the Executive Board and the other information, in accordance with Title 9, Book 2 of the Dutch Civil Code.

C. Description of responsibilities relating to the financial statements

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

The Executive Board is responsible for the preparation and the true and fair presentation of the financial statements, as far as possible with analogous application of Title 9 Book 2 of the Dutch Civil Code (BW), the Financial Supervision (Funding) Act), the Non-Departmental Public Bodies Framework Act, Section 1.2 of the Financial Supervision Act, the BES Islands Financial Markets Act, and the provisions of and pursuant to the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (WNT).

The Executive Board is also responsible for rendering accountability with respect to the lawfulness of the collection and spending of funds, as set out in the Audit Protocol on Financial Reporting for the AFM. In this context, the Executive Board is also responsible for such internal control as the Executive Board determines is necessary to enable the preparation of financial statements that are free from material misstatement due to fraud or error.

When preparing the financial statements, the Executive Board must consider whether the foundation is in a position to continue its activities as a going concern. Based on the aforementioned reporting standards, the Executive Board must prepare the financial statements on the basis of the going concern assumption unless the Executive Board intends to dissolve the foundation. The Executive Board must disclose events and circumstances that could reasonably cast doubt on the foundation's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for the supervision of the foundation's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibilities for the audit of the financial statements is to plan and perform our audit engagement so as to obtain sufficient and appropriate audit evidence for the opinion that we are to issue.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of any identified misstatements on our opinion.

A more detailed description of our responsibilities is given in the appendix to our audit report.

The Hague, 14 March 2024

The National Audit Service
J.P. Looman RA CIA

Disclaimer
The auditor's report of the Audit Service of the Dutch Government (Auditdienst Rijk (ADR)) has been prepared based on the Dutch version of the annual report. This has subsequently been translated. The auditor's report has not been separately prepared for the English version.

Appendix to the audit report

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included:

- identifying and estimating the risks that the financial statements might contain material misstatements due to errors or fraud, determining and conducting audit procedures in response to such risks and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of failure to detect a material misstatement is greater in the case of fraud than in the case of errors. Fraud may involve collusion, forgery, intentional failure to record transactions, wilful misrepresentation or breaches of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. But not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Board and the related disclosures in the financial statements;
- ascertaining that the going concern assumption applied by the board is acceptable. Also, based on the audit evidence obtained, establishing whether there are events and circumstances that could reasonably cast doubt on the entity's ability to continue its activities as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in our audit report to the relevant related disclosures in the financial statements. If such disclosures are inadequate, we are required to amend our report. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or circumstances may cause an entity to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures therein; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding such matters as the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We confirm to the Supervisory Board that we have complied with the relevant ethical rules on independence. We also communicate with the Board about all relationships and other matters that could reasonably affect our independence and about the related measures to safeguard our independence.

We determine the key matters of our audit of the financial statements on the basis of all the matters we have discussed with the Supervisory Board. We describe these key audit matters in our audit report unless this is prohibited by legislation or regulations or, in extraordinarily rare circumstances, not communicating the matter is in the public interest.

13. Appendix: External KPIs

No.	Pillars	Objectives	Priorities	Objective	Score	Explanatory notes
1	**Supervision**	**Protection of consumers in vulnerable situations**	**1.1 Transition to the new pensions system**	a) The transition to a new pensions system in 2023 will have a big impact. The AFM will provide guidance to the sector and identify and act upon risks. b) Given the impact of the new pensions system, the AFM will monitor whether the business operations of asset managers are ethical and controlled.		• Publication of four guidelines taking into account the new law: for the risk preference assessment, the communication plan and the assignment confirmation, plus an update of the pension advice guideline. • Various studies conducted into aspects of the new law and sharing of our findings sector-wide, such as the exploratory study on the risk preference assessment with good practices and our responses to the first communication plans. • Discussions with the sector concerning the new standards and their implementation in one-on-one discussions, round tables, the periodic transition platform jointly with DNB, workshops and the annual pension event • Supervisory discussions with the asset managers, covering the consequences for the introduction of the new regulations.

No.	Pillars	Objectives	Priorities	Objective	Score	Explanatory notes
1	**Supervision**	**Protection of consumers in vulnerable situations**	**1.2 Putting the customer's interests first**	In the context of putting the customer's interests first, the following topics will be prioritised: overindebtedness due to rising interest rates, the risk of non-insurance or underinsurance, and the ongoing duty of care, also after the sale of a financial product or service.		• A review of the business operations of financial service providers, even if the AFM had previously drawn their attention to it, which showed that some were not continuously meeting all legal licensing requirements, such as being affiliated with Kifid or having professional liability insurance. • Monitoring of advice rules for financial products, information obligations and the duty of care in the field of insurance; publication of an exploratory study on non-insurance or underinsurance of climate-related damage and pricing of climate risks in the housing market. • Fine for one party after an in-depth file investigation into the provision of tailor-made mortgages. • Various formal enforcement procedures in the field of consumer credit; all parties with deficiencies amended their acceptance policy and all customers involved were compensated. • Call on providers to continuously monitor and test their credit acceptance processes with regard to the automated acceptance process, so that incidents could be detected and addressed in good time.

No.	Pillars	Objectives	Priorities	Objective	Score	Explanatory notes
2	**Supervision**	**Higher quality of audits and contributing to effective incentives for auditors and audit firms**	**2.1 Implementation of updated Audit and Reporting Quality (KAV) strategy**	a) The AFM will further develop its supervision by standardising and automating processes and increasing its impact through greater adaptability. b) More attention will be devoted to transparency about the extent to which companies achieve sustainability goals, and to the gate-keeping role of auditors in relation to fraud and discontinuity.	●	• Increase in the data position in auditor supervision by obtaining data from approximately 9,000 statutory audits and information at audit firm level from non-PIE firms; first data request for PIE audit firms. • Shorter-cycle operation, with shorter deadlines and shorter feedback loops to return results rapidly to audit firms. • Report drawing attention to the preparation for non-financial information (reporting and assurance); linking of various influence activities to it. • First thematic study of analyses of fraud risks by audit firms; several associated meetings with various stakeholders from the sector to explain the messages and draw attention to necessary actions.

No.	Pillars	Objectives	Priorities	Objective	Score	Explanatory notes
3	**Overall**	**AFM-wide supervisory priorities**	**3.1 Ongoing digitalisation**	a) The AFM will prioritise market participants that make products easily available via apps, as well as online marketing aimed at consumers. b) Our supervision of the digital aspects of controlled business operations will be intensified, also due to the arrival of DORA. c) The introduction of MiCAR will require giving shape to cryptocurrency supervision and mitigating the residual risks.	●	• Intensification of supervision of execution-only investments and brokers by means of discussions, exploratory studies and in-depth research into matters such as the extent to which brokers give central priority to the customer's interests in the distribution of the sale of their investment products. • First measurement for the study on finfluencing: most parties have adjusted their payment structure correctly. Enforcement will follow where this is not the case. • Actions conducted as part of preparations for supervision under DORA, such as periodic information for the sector, including through seminars, presentations to industry associations and the issuing of what are known as DORA updates. A contribution was also made to the development of further regulations; the internal organisation is undergoing further preparation for DORA supervision. • Work carried out on various objectives in preparation for the arrival of MiCAR, such as knowledge acquisition, preparing market participants and setting up supervisory processes, including the licence application process. Further investment in national and European collaboration, including through close cooperation with DNB. • Study published into the effects of digitalisation on the insurance market over ten years, and what conduct supervision may then be appropriate. In addition to dialogue with sector parties, the findings now also lead to in-depth, proactive investigations.

No.	Pillars	Objectives	Priorities	Objective	Score	Explanatory notes
3	**Overall**	**AFM-wide supervisory priorities**	**3.2 Use of data in and for supervision**	a) We will increase our focus on the transaction reporting obligations by making these reports accessible on our centralised data platform. We will give priority to tackling cross-platform market abuse. b) We will consult with the ministry on a sound legal basis for regular data requests and with the sector on the prerequisites. c) From 1 January 2023, all quantitative data requests will take place in accordance with the Data Requests Working Method. All repeat data requests and scheduled data requests will be brought in line with this Working Method within the transitional period. d) We will prioritise improving our own data position, for example in CRM.		• For the transaction reporting (TRT) obligations, the three most important (and largest) reports will be systematically accessible on our central data platform for the supervisors concerned. • For other data that is not automatically made available to the AFM by law, the data request procedure has been drawn up and shared with the market. • Consultation with the ministry on the legal basis (legislative wish) has started and is in full swing. • The parallel discussions with the sector on preconditions led to joint research and a pilot into whether the provision of more aggregated data would provide added value for both supervision and the administrative work that a data request would imply in respect of the supervised institution.

No.	Pillars	Objectives	Priorities	Objective	Score	Explanatory notes
3	**Overall**	**AFM-wide supervisory priorities**	**3.3 Exerting international influence**	a) We are committed to promoting a properly functioning EU market for sustainability (preventing greenwashing, facilitating corporate sustainability reporting and due diligence, and regulating sustainability ratings, scores and data). b) We will present our opinions with respect to the Capital Markets Union (CMU) in European policy debates, including in terms of the Retail Investment Strategy, Consolidated Tape and the European Single Access Point (ESAP). c) We will work together with other national regulators in Europe with a view to, in as far as possible, adopting a shared approach to current and new legislation and regulations and the level and convergence of operational supervision. We will focus on ensuring that 'host' supervisors have sufficient powers.	●	• Improvement proposals made for SFDR to ensure a well-functioning EU market for sustainability. These are embraced by several European supervisors. Written contributions were also made to the ESMA Draft Guidelines on Enforcement of Sustainability Information (GLESI). Involvement through ESMA and EIOPA in the Call for Evidence on greenwashing and in the Joint Committee working group on the development of the SFDR RTS. • In collaboration with the Ministry of Finance, extra attention focused on specific topics in European policy discussions. Key amongst these were our experiences with the Dutch commission ban and the importance of a well-functioning European passport system with effective home/host supervision. • Contribution to the inclusion of a Consolidated Tape in the MiFIR review through position papers and contact with stakeholders. With regard to ESAP, the AFM put forward its views in the preparations of the council working groups and the outcomes are in line with the position adopted by the AFM. "

No.	Pillars	Objectives	Priorities	Objective	Score	Explanatory notes
3	**Overall**	**AFM-wide supervisory priorities**	**3.4 Sustainability**	a) We will focus on preventing issuers and financial market participants advertising themselves and/or their financial products as 'green' when they actually aren't. b) The AFM expects financial institutions to correctly apply the regulatory technical standards under the SFDR.	●	• Publication of the sustainability claims guideline, which provides tools for financial companies to test their sustainable claims and tighten them where necessary. • Publication of an exploratory study into sustainability reporting by issuers, making it clear that major steps are still needed for issuers to comply with the CSRD. • Publication of a position paper for improving the SFDR with a proposal to introduce three product labels that match the expectations and objectives of sustainable investors: transitie (transition), duurzaam (sustainable) and duurzaam impact (sustainable impact). • Self-assessment sent with regard to compliance with the SFDR and (if applicable) the integration of sustainability preferences and factors in the suitability assessment and the product development process (PARP).
4	**Overall**	**Professional organisation**	**4.1 Adaptable organisation**	a) We will increase the effectiveness of the organisation through quick-response management focused on progress, outcomes and impact. b) We will promote multidisciplinary working and rotation within the organisation.	●	• Team assembled and trained, all with an affinity for improvement; started pilots and interventions; Paarse Kaart (Purple Card), Kraakhelder (Crystal Clear), maximum coordination times. • Rapid response management has been incorporated in the standard project methodology. The rapid-response working method is being applied in various places within the AFM and by the team itself. • Supporting and facilitating employees through training and education has become better and easier with the implementation of a new learning management system (AFM Academy); the new continuous dialogue performance cycle was also run for the first time.

No.	Pillars	Objectives	Priorities	Objective	Score	Explanatory notes
4	**Overall**	**Professional organisation**	**4.2 Attractive employer**	a) In 2023, the AFM will also prepare for the transition of its pension scheme in connection with the new Dutch Future of Pensions Act. b) The new 'Recognition & Remuneration' system will be implemented. c) Werken@AFM will reinforce employees' connection with the AFM and provide them with optimal support to ensure the AFM operates effectively.		• Conduct of a survey of our employees' pension preferences and sharing of information on the new system in a webinar. • The implementation of 'Recognition & Remuneration' was successfully completed. • A new way of working, werken@afm, was implemented. This makes clear how we work together and what we come to the office for, with the aim of optimal flexibility.
4	**Overall**	**Professional organisation**	**4.3 Implementation of IT strategy**	a) We will reinforce the IM organisation and professionalise the control organisation, which will increase our ability to change. b) CRM and SharePoint will be migrated to the cloud.		• On the basis of external advice, a restructuring proposal was drawn up for the IM organisation, with new functions being filled and the working method being optimised on the basis of the agile philosophy. • For the cloud migration, it was decided to divide the testing into smaller phases to ease the burden on supervision and on the programme organisation. The orange score is the result of the delay in the CRM migration to early April 2024. "
4	**Overall**	**Professional organisation**	**4.4 Promoting quick and careful admission of market participants and persons**	The aim is to deal with 100% of licence applications and assessments of persons within the statutory period.		• On average, around 80% of licence applications and personal testing are dealt with within the statutory period • The deviation compared to 2022 (90%) was due to the fact that there were more cases than expected and due to the complexity of certain cases, for example in new areas such as crypto and crowdfunding platforms. • Any delays were notified to the applicants.
4	**Overall**	**Professional organisation**	**4.5 Effective cost control**	The AFM ensures that its costs remain within the established cost framework/budget.		The AFM's costs remained within the cost framework and the budget in 2023.