



Annual Report 2022

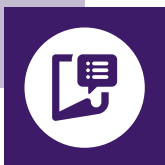
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Foreword

Don't put off till tomorrow (what you can do today)

We are continually being surprised by new crises. The coronavirus pandemic was followed by the invasion of Ukraine, the energy crisis and the earthquakes in Turkey and Syria. It seems that crises have become a constant in our lives.

Crises often lead to ad hoc policymaking, as they require quick and decisive action. This creates the risk that we fail to consider long-term approaches. Short-term actions consume all attention, leaving hardly any time to give thought to the longer term. But we need to set long-term goals to be able to chart a clear course.

Is a largely planned economy an option, then? No, of course not. But we really need to give thought to what the Netherlands should look like in the future. What will our earnings model be in a sustainable economy? How can we maximise the opportunities of digitalisation and mitigate the risks? And looking closer to home, how can we ensure that the new pension system is implemented successfully? If we keep putting off taking action on these basically foreseeable issues, they will inevitably trigger fires which we will then need to be extinguished ad hoc.

Take sustainability issues, for example, which we ignored for far too long, perhaps understandably. Why would you address a problem that you don't see and feel in your daily life? But it's apparent that the time to act has come. Bushfires in Australia, record temperatures in the United Kingdom and India, flooding in Pakistan and drought in the Netherlands have made this issue tangible and highlighted its urgency. Facilitating the sustainability transition is an important topic for the AFM, as you will read in this annual report.

When it comes to digitalisation, we see that the financial sector is increasingly turning into a big data and IT business. The AFM, too, is digitalising its business processes and increasingly becoming a data-driven organisation. With new legislation and regulations, including MiCAR, DORA and the AI Regulation, Europe has taken its first step towards security, manageability and greater transparency. In the coming year, we will make preparations for the implementation of this legislation by both companies and the AFM itself. But although this legislation will make risks more manageable, it will not immediately eliminate them.

Sometimes one has to take care that something that can be planned is not rushed. When it comes to the pension transition, for example, the first discussions on a new pension system started fifteen years ago. Once the legislation is passed by the Senate, implementation can actually begin. The transition will be a complex process. Such an operation requires a high level of care. The sooner the new pension schemes are negotiated, the more time will remain for a careful implementation.

The AFM strives to ensure sustainable financial well-being in the Netherlands. We focus on the foreseeable transitions while taking into account that there may be unforeseen developments. This leaves us with room to respond to incidents.

Amsterdam, 11 April 2023

Laura van Geest, chair
Hanzo van Beusekom
Jos Heuvelman
Linda Sas



01 Developments and the AFM Strategy



Our priorities:

- ✓ Digitalisation
- ✓ Sustainability
- ✓ Pension system
- ✓ Internationalisation



Developments

Whereas at the start of 2022, there was generally cautious optimism as a result of the approaching end of the coronavirus pandemic and the related lockdowns, during the year this has changed to a feeling of permanent crisis. The decisive turning point was Russia's invasion of Ukraine, which played a key role in driving up energy prices to unimaginable levels and triggering record inflation.

Macroeconomic climate

Higher energy prices and higher prices for numerous other goods and services are severely affecting households (through a loss of purchasing power) and businesses (in terms of production and transport costs). Although government support reduced the effects on the Dutch economy, economic growth nonetheless declined over the course of the year.

In response to the high rate of inflation, central banks increased policy interest rates in sizeable increments. This increase in interest rates has led to a gradual revaluation of risk, as can be seen, for instance, in the decline in house prices and pressure on share prices and crypto valuations. In addition, the rise in interest rates has eased the pressure on the business models of banks and life insurers in the relatively short term and pension funds' coverage ratios are increasing.

So far, the immediate effects of rising interest rates for consumers appear to be limited. Interest rates for mortgage and consumer loans are rising, but given the long mortgage terms and the fact that mortgage rates are generally fixed, the rising mortgage rates only affect new mortgages and those for which the fixed-interest period is expiring. By contrast, the effects of high inflation and the consequent loss of purchasing power are immediately felt by consumers. This leads to a risk of payment arrears for rent, energy bills or health insurance, and consumers potentially taking out additional loans.

Housing, employment and pensions

The high costs of living may create vulnerable situations. For example, households may have difficulty in meeting their mortgage payments.

This risk is higher for first-time buyers than for other households, as their loan amount is usually higher. The AFM's [report 'Borrowing the maximum amount for a mortgage?' \('Maximaal lenen voor de hypotheek?'\)](#) (pdf; 2 MB) states that households borrowing a large amount for their mortgage in proportion to their income are more likely to get into financial difficulties. Traditionally, payment arrears are relatively rare in the Netherlands.

After no increase in pensions for years, indexation of second-pillar pensions proved possible again in most cases in 2022. This was due to the [Order in Council on temporary indexation](#) and the increase in pension funds' coverage ratios as a result of the rise in interest rates. Activities in the pensions sector are largely dominated by the proposed transition to a new pension system. This will introduce new safeguards for participants and therefore also new tasks for the AFM. We are accordingly preparing ourselves to take on a bigger role as the conduct supervisor for these pensions, and together with De Nederlandsche Bank (DNB) we held many discussions with the sector in 2022. We also offered guidance to the sector where necessary and desirable, including our [publication of the \(provisional\) Guideline on Decision-Making Guidance \(leidraad Keuzebegeleiding\)](#). The AFM also shared its [transition bulletin for pensions](#) with interested parties on seven occasions.

Digitalisation

Digitalisation and new technologies are causing fundamental changes in the way in which financial products and services are offered. This exerts pressure on financial institutions' adaptability and business models. The arrival of new and innovative players increases this pressure.

Data gathering and processing are increasingly becoming a core business activity for financial firms. But the increasing use of data also poses risks. Points for attention include ensuring high quality of data and the lawful and careful handling of personal information. Securing data against cyber attacks also requires continuous attention.

Since services are increasingly provided in digital form, dependency on IT systems is increasing. Dependence on digital systems, coupled with the trend of outsourcing of business processes, is leading to vulnerabilities, and thus also increases the likelihood of disruptions in these systems at financial institutions.



In 2022, we made preparations for the implications for our supervision of the Digital Operational Resilience Act (DORA), which aims to promote digital security.

There is currently little or no supervision of the turbulent crypto markets. We are actively monitoring developments in the crypto market in anticipation of upcoming European legislation: the Market in Crypto Assets Regulation (MiCAR). We are participating in discussions with other supervisory authorities at national and international level to learn from each other about the various risks in this market and how these risks can be addressed under MiCAR. Research shows that crypto owners are well aware that crypto involves high risk, but we also observed that there is a small group that underestimates this risk.

The European Union aims to achieve a single data market by 2030. Together with DNB, we [published a discussion document](#) with a provisional policy vision on data mobility in relation to the financial sector. More possibilities for data sharing can be beneficial, but data users should equally pay more attention to the privacy and the interests of data holders.

Internationalisation

The European and international capital markets are now closely interwoven. The infrastructure of and conduct in the capital markets are therefore inherently international, for instance with respect to trading platforms and market abuse. The internationalisation of the capital markets is also leading to an increase in financial products and market players. Greater digitalisation is playing a significant part in this.

More and more financial institutions are offering their services in or from countries outside the Netherlands, also to Dutch clients. The AFM considers it important that consumer protection is properly regulated and that the national supervisory authority concerned responds adequately when necessary, regardless of where a financial institution is located.

We therefore strongly support further convergence of supervision within the European Union. Among other things, we are doing this through AFM Executive Board member Jos Heuvelman's chairmanship of the committee of the European Securities and Market Authority (ESMA) that addresses the issue of supervisory convergence at international level. Jos Heuvelman also leads the Senior Supervisors Forum at ESMA, which among other things focuses on identifying risks and problems in supervision.

At international level, we also argue for proper analysis when new regulations are introduced to determine where the new supervision can best be allocated. Generally speaking, a harmonised European approach has added value for international services subject to harmonised regulations, such as crypto services.

Sustainability

Financial institutions play an important role in mobilising capital for sustainable investment by governments, companies and households and contribute to improving the sustainability of companies by focusing on sustainability aspects in companies' business operations. The growing importance of sustainability is evident from the increased offering of products with sustainability features and the expanding sustainability policies of financial institutions.

One of the key challenges in the market for sustainable finance is providing transparency about the sustainability risks associated with investments and the sustainable outcomes of investments and ensuring that the information provided about these risks and outcomes is verifiable. In addition, a growing number of requirements apply with regard to the reporting of information about sustainability, such as under the Sustainable Finance Disclosure Regulation (SFDR). Furthermore, with the revision of the Non-Financial Reporting Directive (NFRD), the European Commission has further tightened up non-financial reporting requirements. Close supervision is exercised 'at the gate' to prevent that parties without a sustainable and future-proof business model enter the market. The AFM reviewed the market for sustainable retail investments and the motivations of sustainable investors in 2022.



The most common motive for investors to make sustainable investments is to achieve an impact, as shown by [a survey on this](#) (pdf; 1.4 MB) conducted by the AFM. As many of the sustainable investment strategies that are based on exclusion and ESG scores do not by default have impact as an objective or consequence, there is a risk that investors will be disappointed if investments do not achieve impact. In this survey, the AFM also identified issues in the decision-making process of retail investors, as a result of which they frequently select a fund with an exclusion strategy even though they stated they wanted to choose an impact strategy.

We [analysed compliance with transparency rules on sustainability](#) at banks, insurers, pension providers, investment firms and investment fund managers in 2022. This showed that information on sustainability is provided, but could generally be made more comprehensible and more specific. In general, smaller parties have more difficulty in complying with the rules than larger institutions.

Integrity

After Russia's invasion of Ukraine, the European Union imposed various sanctions against Russia and Russian individuals, including the freezing of assets and property. An AFM review of compliance with the sanctions regulations showed that investment firms and investment fund managers are taking adequate measures to implement the EU sanctions against Russia in their business operations. They are showing a high level of awareness and the willingness to comply with the sanctions. Based on our periodical information request, we have concluded that investment firms and fund managers appear to be complying better with the Money Laundering and Terrorist Financing (Prevention) Act (*Wet ter voorkoming van witwassen en financieren van terrorisme*) and the Sanctions Act (*Sanctiewet*).

AFM Strategy

The targets that the AFM has set for itself in its [Agenda 2022](#) and the related activities are based on its strategy. We formulated four multi-year supervisory objectives in the [AFM Strategy 2020-2022](#), one for each area of supervision. For the organisation as a whole, the priority is to be a proactive, data-driven and influential supervisor. A professional organisation that provides a strong basis for this is therefore essential. Besides our mission and strategy, the risk analysis in [the 2022 Trend Monitor](#) has been an important basis for determining our supervisory priorities in 2022.

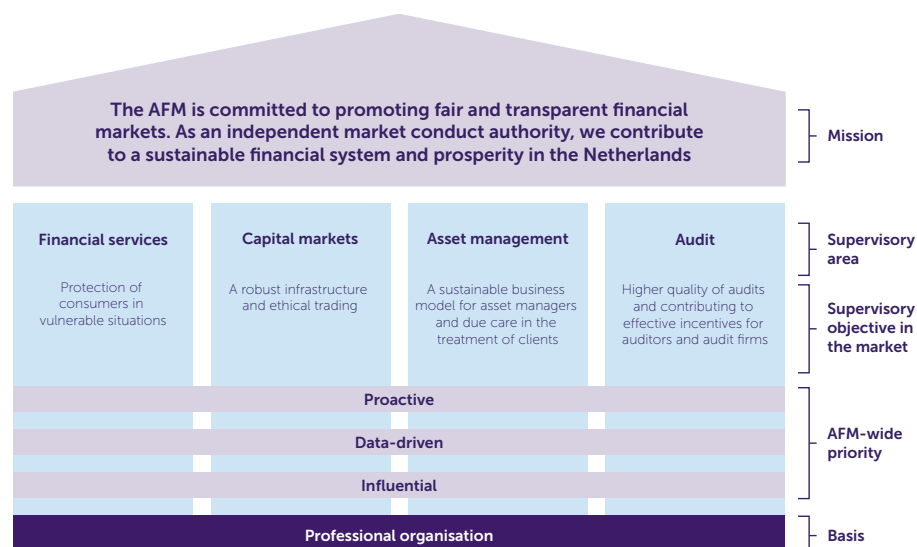
We developed our new [AFM Strategy 2023-2026](#) in 2022. This is a revision and further development of the Strategy 2020-2022 and forms the basis for the [AFM Agenda 2023](#). Digitalisation, internationalisation and sustainability are the determining trends for the financial sector and our supervision. These form the common thread in the new strategy. The detailing has also been made more specific, as a result of which the new strategy forms a better basis for our management cycle.

Proactive

One example of a proactive approach by the AFM is the dialogue with stakeholders on the Retail Investment Strategy (RIS). The RIS is an ambitious initiative of the European Commission that aims to improve the accessibility of the capital markets and at the same time make investor protection fit for the future. Based on a [non-paper published in 2021](#) (pdf; 100 kB), we actively participated in dialogue and discussion with stakeholders to emphasise the importance of effective investor protection and access to financial services. Examples include product offerings and advice in the client's interest and cost-effectiveness and digitalisation that benefit clients. In 2022, we had meetings with national and European supervisors, representatives of the sector and policymakers, and participated in panels on Eurofi.



Figure 1. This figure illustrates the AFM's strategy for 2020-2022. It is headed by our mission: The AFM is committed to promoting fair and transparent financial markets. As an independent market conduct authority, we contribute to sustainable financial well-being in the Netherlands. We fulfil this mission with supervisory objectives for the 4 supervisory areas of the AFM: financial services, capital markets, asset management and auditing. The objectives of our supervision are: protection of consumers in vulnerable situations (financial services), a robust infrastructure and fair trading (capital markets), a sustainable business model for asset managers and due care in the treatment of clients (asset management) and higher quality of audits and contributing to effective incentives for auditors and audit firms (accountancy). We aim to achieve these objectives by being proactive, data-driven and influential. Our professional organisation is the basis for this.



In a broader context, we use a publication such as the Trend Monitor to draw attention to important trends and developments where we can address potential issues at an early stage. The saying that 'prevention is better than curing' also holds true for supervisory authorities. In the [Trend Monitor 2023](#), we have also again included specific risk maps for the various areas of our supervision.

Data-driven

We further implemented the working practices and associated organisational structure of a data-driven supervisor during the reporting year. As a result, responsible and compliant use now takes a fixed form in the AFM's organisation. The focus has increasingly shifted to uniform working practices. This has also been achieved with the introduction of teams per supervisory division, which makes it possible to facilitate regular use of data in the risk-based supervisory process, known as development-operations teams (DevOps).

Further to the legislative letter sent by the AFM in 2021, the Ministry of Finance is working on establishing a statutory basis for data-driven supervision in various areas. It is important that the statutory basis for periodical data requests is in line with the increasing importance of this data for our supervision. We have provided input for the determination of the data points. The aim is to obtain a more effective vision and understanding of risks and to deploy our capacity in a more targeted way.

Thanks to data-driven supervision, the conclusions we draw are better substantiated with facts and we can identify potential risks arising in the financial markets earlier. This enables the AFM, but also the financial sector, to act at an earlier stage if there is a risk that services to consumers and businesses will go wrong. In this way, data-driven supervision contributes to market stability.

In 2022, data analysis provided us with more accurate insight into developments and (potential) risks at non-PIE audit firms. This group of approximately 260 firms has been directly subject to our executive supervision since 2022. Using focused data requests, we are learning more about these audit firms and the quality of their statutory audits. We develop and prioritise our supervisory activities with this knowledge.

Influential

Politicians share the concerns of the AFM regarding the 'buy now, pay later' concept, which allows consumers to purchase products that they do not pay for until later. This form of deferred payment or payment in arrears is not subject to existing credit legislation, but it does in our opinion present real risks. Our [publication 'Buy Now, Pay Later'](#) gave impetus to the political debate on this topic.



Regulations should make it possible to solve the key problems. We need to be able to continue to assess whether the existing framework offers sufficient tools for us to continue to do our job effectively. For example, in 2022 we asked in the annual legislative letter to be given the possibility to offer a reward to encourage reporting of market abuse in the capital markets. The Minister stated that he took a positive view of this and is still discussing this matter with us. The legislative letter is a means for us to indicate the issues that are important for the current legislative framework.

We had previously pointed to the effects of internationalisation. That is why we attach importance to participating in various international working groups and to the bilateral contacts with our fellow national and international supervisors. Accordingly, we participate in European and global international organisations dealing with all the supervisory areas for the AFM (such as ESMA, EIOPA, EBA, IOSCO, IAIS, IFIAR).

The AFM can have a role in the governance of an international organisation, but is also often represented in the underlying Standing Committees or working groups. We collaborate extensively with other supervisors. For instance, in 2022 we published a review together with the French supervisor *Autorité des Marchés Financiers (AMF)* of the temporary [short selling ban for French securities](#) (pdf; 1.3 MB) introduced in France during the pandemic in 2020.

The AFM also returned to the board of IOSCO in 2022. This board membership is part of the AFM's ambition to increase its international cooperation in order to deal with important issues. IOSCO is the global organisation in which market regulators and conduct authorities in the capital markets share information and experiences with each other and collectively set global standards and policy guidelines.



02 Supervision of financial services



Protection of participants of the new pension system

- ✓ We have drawn up various guidelines for the pension sector. In these guidelines we explain our expectations with respect to the **protection of participants** in the transition to the **new pension system**.



Informing investors about returns, risks and costs

- ✓ Investors need to be fully and correctly informed regarding the **costs and risks**. We have drawn up guidance for the sector on how to present **realistic expected returns**. Investment firms have improved their information about costs.



Strong supervision of lending to households

- ✓ We supervise **lending to households**. In this context, we focus on buy now, pay later options, mortgage acceptance policies and the application of new lending standards for consumer loans.



Many institutions and households have apparently come through the coronavirus crisis in good shape, also thanks to large-scale government support. Now we face a new crisis due to the war in Ukraine and prices for commodities and energy have risen rapidly, causing inflation. The central banks have raised their policy interest rates to cool down the economy.

Apart from the lower inflation and the fact that most pensions have been indexed for this first time in years, the direct effects of the rising interest rates have been limited so far. Interest rates for mortgage and consumer loans rose, but given the long mortgage terms and the fact that mortgage rates are generally fixed, the rising mortgage rates only affected new mortgages and those for which the fixed-interest period was expiring. Households with high debt levels and relatively low savings are still vulnerable.

In 2022, we carried out various reviews to study execution-only investing. These showed that execution-only investors were not always well informed about (expected) costs by execution-only brokers and advisers. We have accordingly offered guidance to the parties involved. We have also held market parties to account for how they advertise commission-free or charge-free investing. In this way, we have prevented that the misguided impression arises that investing is free of charge.

The increasingly popularity of shopping using the 'buy now pay later' concept offers consumers a degree of freedom and flexibility, but it also presents risks. Our exploratory study shows that reminder fees may be unlawful. And that these fees are an important source of income for the providers. Consumers may become used to taking on debt, which is not desirable.

Results in brief

- Via consultations with the pensions sector and guidance, we have clearly stated our role and expectations with respect to the new pension system
- In various publications, we have explained to investment firms how they can avoid predictable disappointments for investors
- Credit providers need to be careful with respect to excessive borrowing, especially at a time when costs are rising, paying for shopping in instalments involves risks

Transition to a new pension system

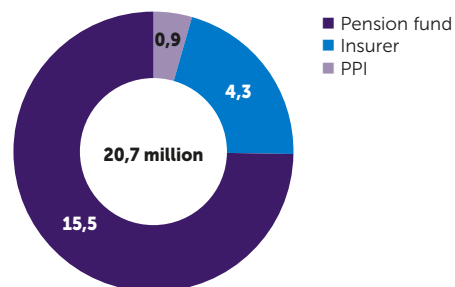
The AFM's supervision of the pensions sector in 2022 focused more or less entirely on the new pension system, and in particular on protection for participants. This was mainly on the basis of our role as an advisory member of the Steering Group for Detailing the Pensions Agreement of the Ministry of Social Affairs and Employment.

In May, we participated in an experts' session in the House of Representatives to present our views. We also responded to the [consultation on the Future Pensions Decree](#) (pdf, 335 kB) and conducted [several supervisory tests](#). We believe that the new Pensions Act contributes to the main objectives of the Pensions Agreement of June 2019, which concern a more personal and more transparent pension. Many of the concerns we voiced with respect to participant protection have now been addressed by the legislature in the new system.





Figure 2. Of the nearly 21 million pensions in the accrual phase (accrued by active and former participants), more than three quarters were administered by one of the 171 pension funds in 2020. It is useful to note that one participant is not the same as one unique person, as it is possible that one participant has accrued pension at multiple pension providers in various (former) employments.



Offering guidance to the sector

Last year, we also worked on preparing and publishing guidance on various themes. The sector is fully engaged in preparation and has indicated that it has found this timely publication to be useful. The Provisional Guideline on Decision-making Guidance (*Voorlopige leidraad keuzebegeleiding*) (pdf; 512 kB) that we published in November was generally welcomed. We had discussed the content of the new guidelines with the sector prior to publication. We also received input from the market as a whole through individual interviews, round tables and the AFM Pension Event 2022.

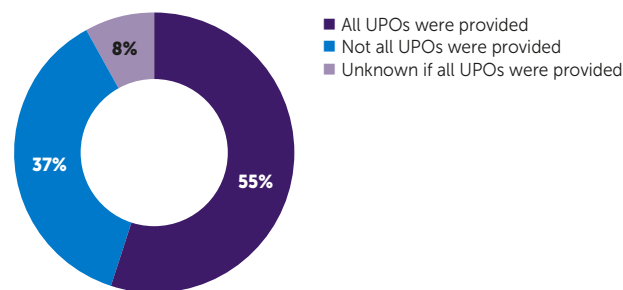
The guidelines on the risk preference survey and the communication plan have been discussed with the sector and will be followed up in 2023, along with the updating of the guideline on pensions advice.

The findings from the study of the risk preference survey at funds aiming to transition quickly have been fed back to the market as a whole, as has the study of communication by funds applying the eased rules for indexation. This can assist other parties in the transition. These studies were carried out in 2022 with the new system in mind.

Correct records needed for correct communication

In the period of transition to the new pension system, we are devoting attention to correct communication to participants and continue to urge the sector to make improvements. Our report of February 2022, 'Correct pension records not a guarantee for correct communication with participants' (*Correcte pensioenadministratie geen garantie voor correcte deelnemerscommunicatie*) showed that in over half the cases, errors in communication to participants were due to the process of translating data from the records into information in letters and other forms of communication. We have therefore called on the sector to make improvements in this process.

Figure 3. Analysis shows that in 2019, at least 37% of the pension providers were not able to provide a uniform pension statement (uniform pensioenoverzicht, UPO) to all their active participants (including those incapacitated for work). 8% of the pension providers were not able to report how many UPOs had been provided (unknown). 55% of the pension providers reported to the AFM that all UPOs had been provided.



We are in close contact with DNB regarding supervision during the transition. In 2022 the AFM and DNB again gained insight into the preparation, progress and risks of pension funds in the transition to the new pension system by means of a joint monitoring survey. These insights help us to identify and address points for attention and are discussed in the dialogue with the sector. We will continue with this joint transition survey in 2023; this will also help to lower the supervisory burden.



A proposed review of complaints handling was not carried out in 2022. Due to the delay in the introduction of the new Pensions Act, the obligation to have in place a complaints procedure has been postponed and is now expected to come into effect from 1 July 2023.

Internal supervisory approach

The pensions team welcomed several new colleagues last year. We have redesigned and formulated our supervision of the transition, introducing four new clusters: sector supervision, ongoing supervision, data-driven supervision and thematic supervision. To prepare our internal organisation, we have formulated a supervisory approach for prioritised risks.

We prioritise and formulate our reviews among other things on the basis of the data we receive from our information requests. This enables us to see where potential risks lie. For example, the Pensions Sector View (*Sectorbeeld pensioenen*) also offers an overview of developments in the pensions landscape in relation to second-pillar pensions on the basis of the information request. We have shared the information and insights with the sector in past years.

We have organised supervision of the sector in the run-up to the transition. Sector supervision involves monitoring the sector and being available and approachable for the sector. This largely concerns maintaining an open dialogue and facilitating discussion of dilemmas and issues at pension providers. This allows us to communicate quickly regarding our expectations and also to quickly respond to questions about our guidance and supervision. In addition, sector supervision increases knowledge in the sector via various channels, including the monthly AFM transition bulletin, the annual AFM Pensions Event and periodical presentations.

Execution-only investing

It is important that investors properly understand the (expected) risks, returns and costs of a potential investment. In the AFM's view, the popularity of investing among consumers, and of execution-only investing in particular, means that investment firms need to design investment platforms that are appropriate for the investment service and the target market.

Investors should be correctly informed

In this context, we [imposed an order for incremental penalty payments](#) on a broker that was offering complex products such as Special Purpose Acquisition Companies (SPACs) on its execution-only platform. This party did not have procedures and measures in place to prevent misselling.

When designing a platform, it is important that investment firms also test the effects of their design in practice. We carried out reviews this year to obtain greater insight into possible influencing of investors' decision-making by providers. To better understand where the incentives and risks lie, we carried out an exploratory study into the business models of neo-brokers and the influencing of decision-making in online investment platforms. We published a report with our observations regarding various Dutch and foreign execution-only providers in 2023.

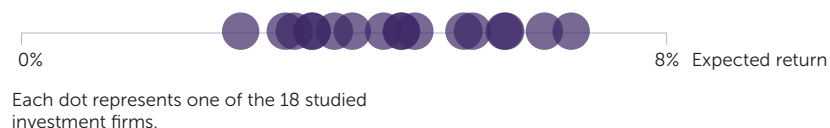
Firms have adopted [our findings on correct and complete provision of information](#) on (expected) costs by execution-only brokers and advisers. We observed several deficiencies and offered guidance. We have also held market parties to account for how they advertise commission-free or charge-free investing. In this way, we have prevented that the misguided impression arises that investing is free of charge, and this enables investors using execution-only or advisory services to better weigh up cost information in their investment decisions.





With a [supplement to the Guideline on advisory and asset management services](#), we have also given guidance to investment firms on the estimation of realistic expected returns. Based on our [review of investment firms](#), we have concluded that there is a risk that investment firms apply unrealistic expected returns for their asset management or advisory services. When the expected returns are not realistic, it will be impossible to accrue the envisaged capital amounts at maturity. This can lead to disappointment for an investor who has been led to expect an unrealistically high capital amount at maturity.

Figure 4. Distribution of expected gross returns for a neutral portfolio at the investment firms reviewed



Service provision at international level

Since investment services are increasingly provided across national borders, we are increasingly conducting cross-border supervision. In this context, the AFM has together with other supervisors and ESMA worked on [technical advice on better protection of investors](#) and on guidelines for a better design of product governance. The European Commission is working on a renewed Retail Investment Strategy (RIS). In addition, the European Commission is working on an important proposal for a ban on payment for order flow (PFOF). We actively contributed to the discussion and knowledge about PFOF with a [review and publication on trading platforms that offer PFOF to brokers](#), which showed that investors are in most cases worse off with PFOF.

Tackling rogue firms

Thanks to a collaboration with the Cypriot supervisor, a number of rogue investment firms have been banned from offering services in the Netherlands. These firms were located in Cyprus and operated using a European passport. They have also been active in the Netherlands since 2019. From signals we received, it emerged that these firms disadvantaged consumers through fake ads and trading in complex contract for differences (CFDs).

Responsible lending to households

The loss of purchasing power and a turning point in the housing market mean that it is more important than ever that mortgage providers offer their customers loans that are affordable. The AFM conducted an exploratory study at five mortgage providers with regard to the design of their acceptance policies, and specifically the criteria they apply for personalised mortgages. We understand that personalised mortgages cater to an important need. At the same time, we take the view that the policy in this area should be clearly worded, without terms that can be interpreted in different ways, such as 'must be structurally affordable'. The study showed that the policy criteria were not always very clear.

We have clearly stated our expectations regarding this policy in [a letter to the sector](#). The mortgage providers have introduced improvements as a result.

Review of compliance with new lending standards for consumer loans

In 2022, we for the first time conducted a review of compliance with the new lending standards for consumer loans that came into effect on 1 April 2021 at nine parties. Despite the fact that these parties had clearly committed themselves to the new lending standards, the review found that several of the parties had not implemented the new lending standards entirely as required. In a number of cases, this had led to overindebtedness of customers. This was often caused by programming errors in the systems used. The findings from the review have been shared with the parties concerned, and various informal measures such as warnings were issued.

The firms have started to make changes to ensure correct implementation of the new lending standards and to prevent overindebtedness of customers in the future. We have also been in contact with the Association of Financing Companies in the Netherlands (*Vereniging Financieringsondernemingen Nederland* VFN) to ensure further collective clarification of the lending standards.



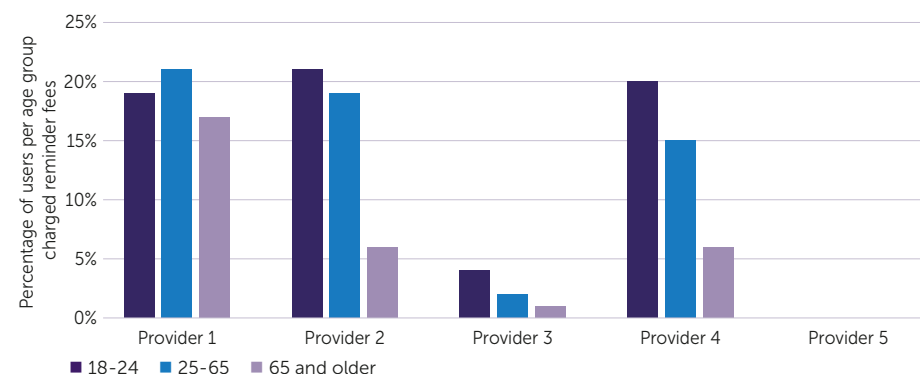
Deferred payment is popular, but risky

AFM’s review of the trend of deferred payment, or ‘buy now, pay later’ (BNPL), where customers can use a purchased product for a brief period and pay for it at a later date for free or for a minimal fee. BNPL caters to consumer needs such as flexibility, certainty and convenience. But we also see risks for consumers. It is very convenient for consumers to complete an order using BNPL. So much so that debt habituation and accumulation can easily occur.

We also note that the costs for late payment are not made clear and may not be justified. These reminder fees are an important source of income for the providers. Some BNPL providers derive between 20 and 40% of their total revenue from reminder fees.

We have shared the findings of our [review of BNPL](#) with the individual parties concerned. The AFM will examine this issue further in 2023 and is committed to regulating these services by means of the revision of the Consumer Credit Directive.

Figure 5. Findings of review of five providers, showing that up to 20% of users under the age of 65 are charged reminder fees. The fees are around €15 on average.



Ongoing management and duty of care

With the interest-only mortgages dossier, the focus in 2022 was on finding specific solutions for vulnerable customers and setting up ongoing management so that customers with interest-only mortgages receive adequate attention in future. We have seen that the mortgage providers have made progress on both these topics and on their ongoing activation of these customers. Since 2018, mortgage providers have approached over 1.5 million customers and assessed whether the mortgages expenses of 340,000 customers will remain affordable in future. In the year under review, all mortgage providers completed their initial customer contacting process and transitioned to approaching these customers on the basis of ongoing management.

We also held discussions with various institutions on how consumers could be encouraged to periodically devote attention to their financial situation. The issue of ‘financial health’ is fortunately receiving increasing attention from financial firms, policymakers and other organisations. This is evident, for example, from the various initiatives that have been launched to raise consumer awareness of and insight into their financial well-being. But practical experience shows that it is difficult to get people to pay attention to their finances.

When it comes to insurers, we looked at what level of service they provide to customers with a life insurance policy that is part of a closed-book portfolio. We reviewed how insurers ensure that customers’ interests are put first in their direct services to these customers and how they deal with the outsourcing of activities around closed books. This review was completed during the reporting year and the findings will be presented in 2023.



The AFM checked various innovative concepts for compliance with the duty of care requirements in 2022, including through the InnovationHub and in handling licence applications. Examples of such innovations are new insurance products, new distribution models and new software initiatives. In our discussions, we clarified well in advance the legal and regulatory requirements that apply to ensure the duty of care is also observed in a digital environment.

We shared our insights regarding the duty of care, innovation and digitalisation through various lectures at the University of Amsterdam. In addition, we are active at European and global level within EIOPA and IAIS, so as to exercise influence internationally and learn from our fellow supervisors.

Following the publication of our report on personalised pricing of insurance products, we held discussions this year with insurers and other supervisors. This topic will continue to receive our attention in 2023.

Other activities and ongoing supervision

Transparency on sustainability

In three reports, the AFM published its findings with respect to the level of compliance in the financial sector with European sustainability legislation, the Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation. This aim of this European legislation is to ensure greater transparency on aspects of sustainability in relation to investments. Since these studies concerned new legislation, the AFM decided to [publish its findings in such a way](#) that the entire sector can benefit from the points for improvement identified in the studies.

The studies focused on a number of banks, insurers, pension providers, investment firms and investment fund managers. The studies show that it is frequently not clear what the specific sustainability features or objectives of investment products are. We have written directly to various market participants requesting them to implement points for improvement.

More far-reaching transparency requirements in relation to sustainability will come into effect in 2023. We expect market participants to incorporate the points for improvement identified in our studies when they implement these new requirements.

Use of formal measures for structural infringements

The AFM has various resources at its disposal to control company behaviour. One of these is enforcement with measures. For instance, in response to signals regarding a financial firm, we conducted a more comprehensive review of the firm's business operations. We identified numerous infringements, most of which concerned the provision of unclear, incorrect and/or misleading information to customers. This constituted an infringement of the standards with regard to controlled and ethical business operations. Given the seriousness of this infringement and the firm's culpability, the AFM has imposed an administrative fine. This fine will be published once it has become irrevocable.

Preparation for supervision of cryptos

2022 was a very turbulent year for the crypto market. The AFM regularly issues warnings against trading in cryptos. We have given lessons on the risks of trading in cryptos to 60 secondary schools.

The Market in Crypto Assets Regulation (MiCAR) will regulate the supervision of cryptos at European level. In the run-up to the introduction of the MiCAR, the AFM is actively monitoring the crypto market. We are participating in discussions with other supervisory authorities at national and international level to learn from each other about the various risks in this market and how these risks can be addressed under MiCAR. We are also monitoring the market, including by conducting reviews. Our [survey of consumers owning cryptos](#) found that while many of them are well aware that cryptos involve high risks, there is a small group that actually underestimates the risks involved.





Meeting the diploma requirement

A review of 75 financial services providers revealed that 31 of them lacked all or some of the diplomas required to give advice. As a result, they had to return a total of 46 advisory licences. This situation is concerning and needs to improve, and we will accordingly continue this checking of compliance with standards in 2023.

If a licence holder has a particular licence to give advice, then at least one employee advising clients must have a valid Wft diploma. The most negligence was found in the absence of valid diplomas for advising on loss of income insurance. There were 12 instances of this. Five advisory licences were withdrawn for corporate non-life insurance, health insurance and consumer loans, respectively.

In addition, 36 licences for brokerage services were returned because these licence holders did not perform activities with respect to the products concerned. With the brokerage services, this likewise frequently concerned loss of income insurance. 12 requests for exemption from the diploma requirement were submitted to us in 2022. None of these exemptions were granted, in part because a number of the financial services providers concerned managed to successfully complete the examinations. In addition, at some financial services provider there were other employees who did meet the professional competence requirements. Therefore, an exemption for these financial services providers was not necessary.

Publication of remuneration policy

The AFM sent an informative letter on standards to a significant proportion of the financial services providers calling on them to publish their remuneration policy. We carried out an automated baseline measurement in June 2022. This showed that 19% of the financial services providers complied with the requirement to publish their remuneration policy on their website. After we sent the letter calling on them to publish, in September the number of financial services providers meeting the publication requirement had more than doubled, to 40%. The letter also led to reactions from the market regarding the scope of the publication requirement and the method of publication.

Firms were under the impression that they had met the publication requirement with their financial services document. However, the financial services document contains information on the fees (under the heading of remuneration) that are charged for the services. This is not the internal remuneration received by the employees.

This study is included in the [annual Market Impressions](#), in which we give the market general feedback on the findings of the Market Monitor for Advisers and Intermediaries, including the findings of various reviews.

In 2023, the AFM will again monitor that firms have a controlled remuneration policy, publish this policy and comply with the legislation and regulations in this area.

Scenario analyses to ensure that products will remain adequate

Firms appear to struggle with the use of scenario analyses to describe potential future (market) scenarios. In an exploratory study of the design of product evaluations by eight firms, the AFM paid extra attention to the use of scenario analyses to ensure that products will continue to meet the needs of the target group in changing circumstances. In 2023, we will publish guidance to promote the use of scenario analyses throughout the market and to support market participants.

We have observed that all parties have in place extensive procedures and measures carry out product evaluations, but these still do not ensure that products are evaluated in sufficient depth in all cases. For example, we have regularly found that changing (market) circumstances or relevant incidents, such as the flooding in Limburg, did not lead to an interim product evaluation of (in that case) non-life insurance. We are also seeing that not all parties use complaints about products or product information in their product evaluations as a matter of course. We have pointed out to several parties that they need to monitor (social) developments and complaints more effectively in order to adjust their products in a timely manner. In addition, products are not always frequently reviewed, so there is a risk that the product will no longer meet customers' needs before it reaches its end date. We see that parties are taking note of our findings.



Measures to combat incorrect information

In 2022, the AFM again intervened in cases involving information that was incorrect, unclear or misleading. This also includes advertising. To this end, we monitor the advertising of financial market participants on a weekly basis by using a data system that shows ads. We also supervise advertising on social media.

We carried out a study of advertising and websites for turbos. We restricted trading in turbos in 2021. In this study, we also looked at whether bonuses were provided for trading in turbos and if the risks of turbos were properly explained.

Since financial firms frequently offer their products and services outside their own national borders, we have been in regular contact with other European supervisors regarding the (deficiencies in) advertising of non-Dutch financial market participants.

Informing customers about profit-sharing insurance policies

We see that insurers have made progress on [informing clients](#) with a profit-sharing insurance policy about potentially disappointing final results. After an initial inventory in early 2022, we published additional guidance to encourage all parties to get into close touch with their customers. A subsequent review showed that all insurers in the review had kept to their commitments. For example, insurers took additional actions for customers with an insurance policy linked to a mortgage or pension.

First crowdfunding platforms receive licences

The AFM has granted a licence to six crowdfunding platforms, as they passed the strict test under the [European Crowdfunding Service Providers Regulation](#). 22 parties submitted an application in the reporting year. In addition, we provided crowdfunding platforms with information and gave an explanation of various standards in the Regulation. We did this through individual contact with market participants, and also updated the information on our website. We collaborated with our fellow supervisors in other Member States on Q&As to provide the market with more clarity and facilitate a good international service provision. We responded to signals where appropriate and contacted the relevant parties to guide them with respect to compliant conduct.

Attention to uninsurable losses due to climate risk

Our review of the impact of climate change on non-life insurance in 2021 was regularly featured on the political agenda and in the media in 2022. We contributed to an [item on the consumer programme Tros Radar](#), and an initiative of the Dutch Association of Insurers has led the addition of 'flooding' as a standard category in the Insurance Product Information Document (IPID). Furthermore, [the Minister of Finance indicated](#) (pdf; 430 kB) that he wished to consult with the sector regarding the insurability of damage and losses relating to climate change.

Licences, assessments notifications, signals

Licensing

The AFM issued 356 licences to financial services providers in 2022. There were also 436 licence withdrawals. The consolidation wave in the financial services sector continued in 2022. This can be seen, for instance, in the number of (independent) licence withdrawals and the changes to active licences. Last year, the option to extend the licence in to a collective licence was once again frequently used. In addition, the number of affiliated companies per collective licence has increased, and in many cases the affiliated firm's own licence is withdrawn upon obtaining the collective licence.

The collective licence is a specific national type of licence that is not used elsewhere in Europe. It has emerged from supervisory interviews that holders of collective licences are regularly not sufficiently aware of the responsibility they bear for their affiliated companies. This issue, in combination with the increased use of this type of licence, is reason for the AFM to devote increased attention to new collective licence applications and further expansions of existing collective licences in 2023.



Fit and proper assessments

We assessed the fitness and properness of 1,229 persons in the financial services sector in 2022. Last year, we again received many registrations of persons who had already been previously assessed by the AFM or DNB. A significant proportion of these registrations also related to the consolidation wave in the sector.

For the first time in years, we formally rejected a licence application due to reasonable doubt regarding the properness of one day-to-day policymaker. Applications usually do not lead to a formal rejection, as the application is withdrawn in good consultation or the applicant withdraws the person concerned on their own initiative at an earlier stage. Around 8% of the licence applications and assessments were unsuccessful, in most cases due to insufficient fitness of the day-to-day policymakers or members of the supervisory board, or due to relevant background information regarding the properness of persons in positions subject to assessment. An overview of the number of assessments of persons is presented below in this annual report.

How the AFM and DNB assess the fitness of policymakers is described in the Policy Rule on Suitability. The Policy Rule on Suitability 2012 was evaluated last year by the AFM and DNB. This resulted in a revised Policy Rule 2012 .

Table 1. Overview of number of signals, notifications and incident notifications from market participants in financial services in 2021 and 2022. 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 ethical and controlled business operations and the continuity of a company.

	2022	2021
Signals	415	628
Incidents	129	145
Notifications	27	34





AFM-wide supervisory priority: combating financial and economic criminality

The supervision of ethical conduct in the financial sector in 2022 was to some extent determined by the sanctions imposed by the European Union on Russia and Russian individuals in connection with the invasion of Ukraine. A review of compliance with the sanctions regulations after the outbreak of the war revealed that investment firms and investment fund managers are taking adequate measures to implement the EU sanctions against Russia in their business operations. The AFM sees a high level of awareness here and a strong will to comply with the sanctions regulations. Potential risks lie in the outsourcing of tasks and the circumvention of sanctions. We received a total of 21 notifications from institutions of possible hits, where a firm has identified that a client appears on a sanctions list.

The Ministry of Foreign Affairs is working on a modernisation of the Sanctions Act 1977. We are contributing to this process.

Preventing money laundering through supervision of the gatekeeping function

Investment funds and investment firms have improved their compliance with the Money Laundering and Terrorist Financing (Prevention) Act (Wwft) and the Sanctions Act. We see this in the responses to our annual request. Compliance rates on key elements of the Wwft, such as customer risk assessment, periodical reviews, transaction monitoring and training, are rising.

We conducted 17 on-site and 161 off-site investigations relating to the Wwft and the Sanctions Act in 2022. In case of contraventions, we took action. We imposed a total of nine formal measures or notices of intention to impose formal measures in this reporting year. We published four fines and one instruction. We also sent 40 warning letters, 8 instructive letters on standards and 115 informative letters on standards, and had 4 informative conversations on standards (in total: 167).

International cooperation and supervision

Money laundering and the financing of terrorism do not recognise national

borders. For this reason, we are actively involved in the setting up supervisory colleges. In these colleges, supervisory authorities work together and exchange information in relation to companies with foreign branches and the supervision thereof. As the lead supervisor, we are responsible for six colleges and also participate in 28 colleges of other European supervisors.

National cooperation

This year, the AFM also cooperated with various partners in the fight against financial and economic crime, also through the Financial Expertise Centre (FEC), which is chaired by AFM chair Laura van Geest. Information is exchanged with DNB, the police, the Public Prosecution Service and the Anti-Money Laundering Centre (AMLC) of the Fiscal Intelligence and Investigation Service (FIOD), including information on registered investment firms.

International evaluation of the approach to money laundering and terrorist financing

The Netherlands, including its financial supervisors DNB and the AFM, scores well as a country in an international evaluation of the approach to money laundering and terrorist financing, but there are areas in which improvements can be made. This is according to a report of the Financial Action Task Force (FATF) published in the reporting year, based on a lengthy analysis. The FATF deems the Dutch approach to preventing money laundering robust and considers domestic cooperation and coordination at both policy and operational level to be core features of this approach. The Netherlands is at the forefront in cooperation with private parties and the non-profit sector. International cooperation and intensive and innovative use of data and financial information are positive points.

At the same time, the FATF notes that the Netherlands needs to make greater efforts to prevent legal entities being used for criminal purposes. Particularly with complex international structures, institutions designated under the Wwft should take more steps to establish the identity of the ultimate beneficial owners.



03 Supervision of the capital markets



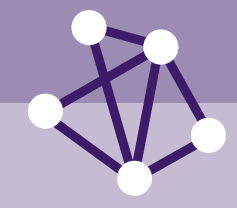
Reporting has a positive impact on detecting market abuse

✔ The **reporting of suspicious transactions** is gaining importance due to the increase in trading on the capital markets. The number of 'suspicious transaction and order reports' (STORs) is increasing. This has a **positive impact on the detection of market abuse**.



Tighter supervision of the energy market

✔ In response to market developments, we have **tightened our supervision of the energy market** (carbon market and TTF market for natural gas). Despite higher volatility and increased margin obligations, **market liquidity remained sufficient**.



More awareness of machine learning in trading algorithms

✔ A review by the AFM into the use of **machine learning in trading algorithms** by proprietary traders revealed this is increasing. We have intensified our supervision in response to the **risks posed by these algorithms**.



2022 was a turbulent year for the capital markets. The decisive turning point was Russia's invasion of Ukraine, which played a key role in driving up energy prices to unimaginable levels. Inflation also hit a record high. The central banks implemented substantial increases to their policy interest rates in an attempt to curb inflation. There was also upward pressure on interest rates due to quantitative tightening (QT) by the central banks (the sale of loans purchased through quantitative easing (QE)). The stock markets anticipated these interest-rate increases, which led to lower share prices.

The changed macroeconomic environment also caused heightened volatility in the capital markets. This was especially noticeable with the prices for technology shares and shares in cyclical sectors. The bond markets also experienced relatively high volatility.

There were huge fluctuations in gas prices, for example. While the Dutch gas futures market continued to operate adequately, highly volatile and historically high energy prices caused severe pressures in the energy sector. Nonetheless, the stock and bond markets and the commodity markets continued to function effectively.

The extent to which the sustainability risks and performance of investments is visible and verifiable is a major challenge for the sustainable finance market. The lack of reliable and comparable information increases the risk of greenwashing.

Results in brief

- The increased attention to the reporting of suspicious transactions led to an increase in the number of suspicious transaction and order reports (STORs). This has a positive impact on the detection of market abuse.
- In the context of supervision of transaction reporting and the supervision of notifications, various formal and informal measures were taken or prepared with respect to parties that have provided incomplete or incorrect information and/or provided information too late. Our fellow supervisors, such as the ACM, the relevant European supervisors and ESMA, intensified the supervision of the energy markets (carbon and TTF gas markets). The AFM also provided input to policymakers for the discussion about potential emergency measures. In addition, there were extensive contacts with market parties concerned to monitor and help ensure that the market continued to operate effectively.
- We conducted a study into the use of machine learning in trading algorithms and the potential risks in relation to market abuse, which provided important insights. We have intensified our supervision of the use of algorithms.
- [Publication of the State of the Capital Markets](#) with our observations on the functioning of the capital markets. We subsequently discussed the insights with market participants during the Capital Markets Day on 9 November 2022, in both plenary sessions and break-outs.





Preparations by capital markets participants for sustainability regulations.

Study of trading in CO² emission rights

Due to concerns in 2021 regarding the functioning of the trading in CO² emission rights (including derivatives) and the related price formation, the European Commission asked ESMA to analyse this. The AFM worked with supervisory authorities in Germany on [a report on emission rights and related derivatives](#). This included an analysis of the market and recommendations for improving supervision of this market. Partly as a result of this report, the cooperation with fellow supervisors of the energy market in the Netherlands and abroad has been strengthened.

Benchmark managers

Benchmark managers are obliged to report how sustainability is represented in their methodology and benchmark statements in the form of ESG factors. Our benchmark reviews in 2022 show that most benchmark managers are moving in the right direction when it comes to the provision of ESG information. But there is room for improvement. There are still big differences between the various benchmark managers. With some managers, the ESG information is prominently displayed in a single location, but with others, this information is scattered across their website. In addition, not all benchmark managers use the BMR templates, due to which the content and quality of the information is hard to assess. This theme is dealt with in [Market Watch 7](#) (pdf, 357 kB).

Green bonds

In our supervision of compliance with the ESG criteria in prospectuses, we apply the recommendations from the AFM's and AMF's [Position Paper on Green / Social / Sustainable Bonds](#) (pdf; 364 kB) in our assessment of prospectuses. We approved 26 (base) prospectuses in 2022, including green bonds. In many cases, the sustainability information in the draft prospectuses was not specific enough. Further specific information was required for approval to be granted.

Transaction reporting and supervision of notifications

The AFM has tightened its supervision of MiFIR transaction reporting, in order to address relevant data quality issues with respect to timeliness, completeness or accuracy by means of formal or informal enforcement. This ensures better insight into the relevant data for investors and supervisors. Cooperation with the various foreign NCAs is essential for this.

In view of the importance of our public notifications registers for investors, the registers have been cleaned up. Incorrect or missing notifications have been removed or corrected. This is an important step in the further professionalisation of supervision of the notification obligations (short positions, transactions by management, substantial holdings, publication of inside information, issued capital, management and supervisory board members).

Supervision of market abuse

We conducted a study into the use of trading algorithms and the potential risks in relation to market abuse. Greater attention was also paid to studies of cross-product/market manipulation. This led to imposition of a fine. The AFM increased its surveillance capacity last year in order to detect market abuse in the energy market as well.

Extra attention in the supervision of market abuse was devoted to the obligation for investment firms and platforms to report suspicious transactions (involving insider trading or market manipulation) to the AFM: Suspicious Transaction and Order Reports (STORs). The number of STORs increased slightly. This is an important tool in the detection of market abuse.

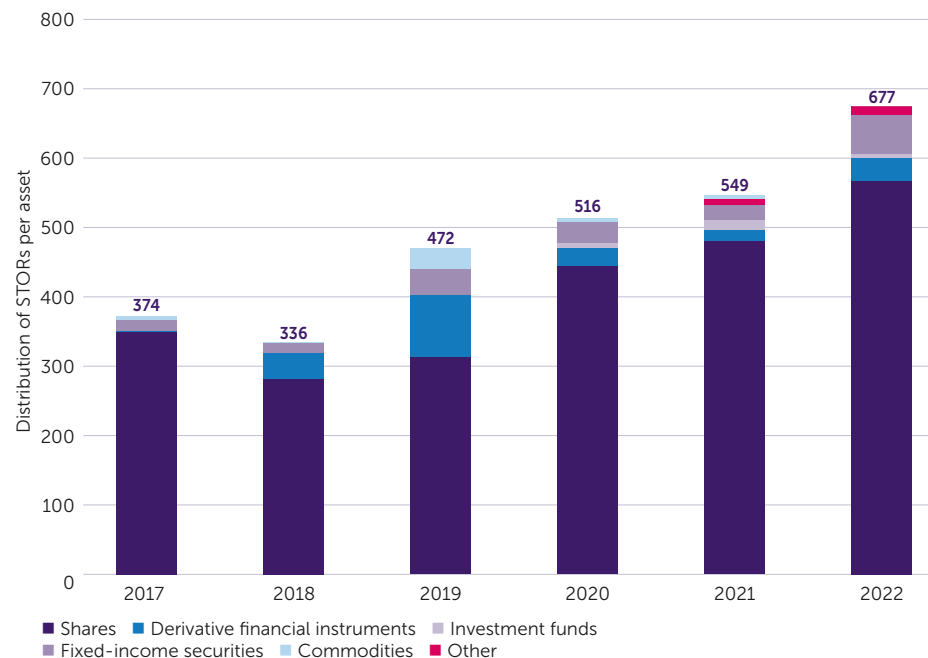
Real-time supervision of timely announcement of inside information

The AFM supervises the announcement of inside information in real time. There was regular contact with issuing institutions in 2022 to stress that it is highly important that inside information is published as quickly as possible. Issuing institutions can make use of a 'deferral of publication'. In such cases, the AFM closely monitors that this information is kept confidential during the delay.





Figure 6. Overview of the number of suspicious transaction and order reports (STORs) over the years.



Enforcement for market abuse

The AFM started 44 investigations of market abuse (investigations of insider trading and market manipulation) and 11 investigations of suspicion of non-compliance with statutory obligations under the Market Abuse Regulation, including the (timely) publication of inside information, the formulation and monitoring of lists of insiders and correct dissemination of investment recommendations (investigations of all other MAR provisions. The ongoing investigations launched in 2022 led to a formal or informal enforcement measure on 33 occasions, including one instance of a report to the Public Prosecution Service. 27 investigations are still ongoing.

The influence of digitalisation on the capital markets

Analysis of use of machine learning in trading algorithms

In 2022, a study was made of a sub-group of Dutch proprietary traders into the application of machine learning in their trading algorithms. The aim of the study was to identify the AI/machine learning techniques under the bonnet of these trading algorithms. This established that the ‘supervised learning’ technique in particular was widely used. Since there are specific risks associated with the use of machine learning, we have intensified our supervision in this area. We also shared the results with our fellow European supervisors. The report on this study will be published in early 2023. This AFM report calls on the sector to take its responsibility in terms of ensuring that the actions of algorithms are comprehensible and having in place proper controls.

Implementation of the Digital Operational Resilience Act (DORA)

In relation to the implementation of DORA, an analysis has been made of the extent to which capital markets participants have structured their incident management and information security. Of the 14 institutions in this analysis, 11 were exposed to high inherent IT risks. The AFM has put forward recommendations to the sector, including having and maintaining a cyber incident plan. The results of this analysis will serve as input for our DORA supervision (2023).

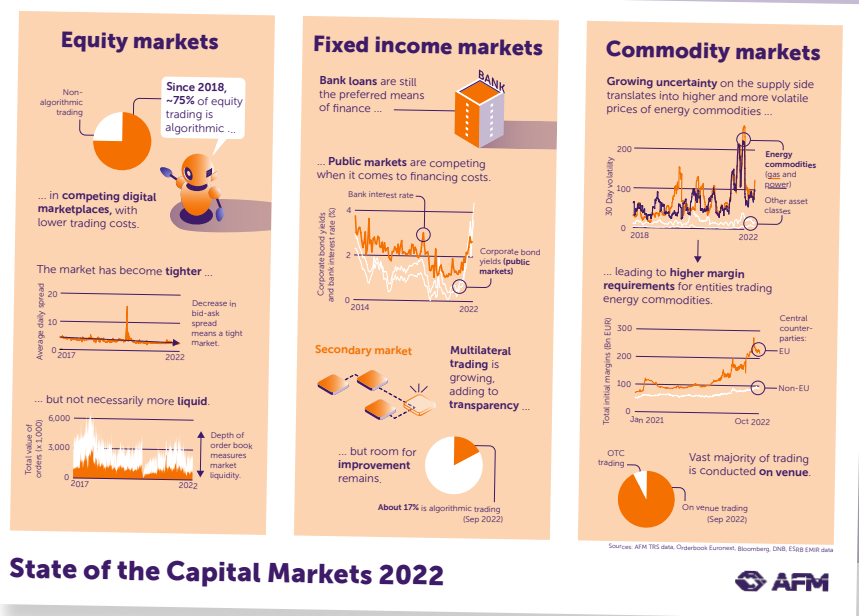


State of the Capital Markets

The role of Amsterdam in the European capital markets has increased substantially since Brexit. There is now more trading in the Netherlands, and more types of financial asset. The points for attention include SPACs, the use of algorithms and volatility in the energy market.

Last year, we produced a [graphic overview](#) (pdf; 753 kB) on the status of the capital markets for the first time. We continue to increase our insight into the capital markets through greater use of data. We need reliable data to further extend our data-driven supervision.

Figure 7.





Supervision of the energy market

The AFM is responsible for supervision of the energy futures market, on which energy derivatives are traded. There are currently three types of energy contracts traded in the Netherlands that fall under the supervision of the AFM: gas derivatives, electricity derivatives and CO² derivatives.

The contracts traded on the most important energy derivatives exchange in the Netherlands, ICE Endex, are mostly TTF gas futures contracts with maturities ranging from one month to one year.

One important function of the TTF gas futures contract is that it offers market participants the possibility of agreeing a fixed price for future delivery of gas or hedging the risk of price fluctuations. Market participants have to post margin as security. The fact that TTF has been used as a key reference price by the market since 2020 means that there has been an increase in non-European parties who have recently become active in these markets. Whereas the participants were previously the traditional energy parties (the utility companies), financial parties such as proprietary traders, electronic market makers and banks are now participating (financials participants). These parties help to ensure a high degree of liquidity in this contract.

The energy market became turbulent due to the invasion of Ukraine and volatility in the de TTF gas market has increased. This has led to more intensive supervision of the energy markets (carbon and TTF gas), meaning we closely monitor market developments, including for signs of market abuse. Market manipulation in the TTF gas contract leads not only to negative consequences for the Dutch gas market, but also for the entire European and possibly even the global market for gas. We have maintained close contact with fellow supervisors such as the ACM, the relevant European supervisors and ESMA. Policymakers at the AFM also provided input for the discussion about potential emergency measures. In addition, there were extensive contacts with market parties concerned to monitor and help ensure that the market continued to operate effectively. Despite the higher volatility and increased margin obligations, market liquidity remained sufficient and the market (and its chain) continued to function effectively.

Due to the turbulence and increased volatility, the gas price rose very sharply for a while, prompting policymakers to consider emergency measures. The AFM provided input to policymakers on the implications of potential emergency measures, including via a hearing in the European Parliament. The AFM explained the potential impact of proposed emergency measures on the gas futures market and called for attention to necessary safeguards to prevent market disruption and risks to stability.



Other activities and ongoing supervision

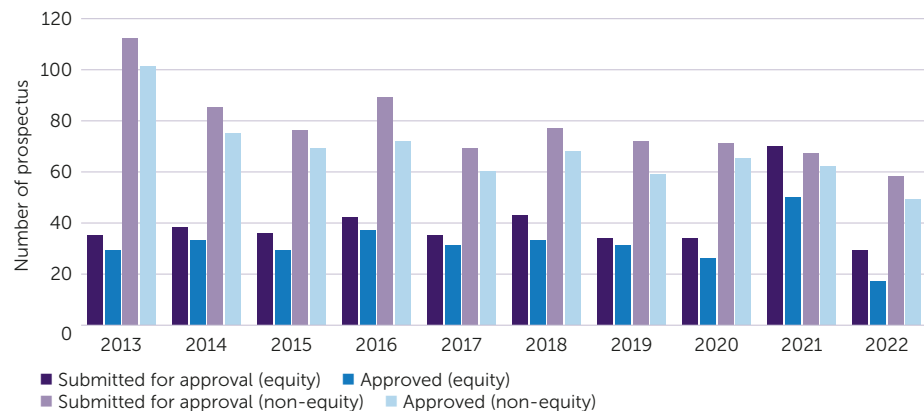
Non-recurring activities

In addition to thematic and institution-specific supervision, our ongoing supervision also regularly involves non-recurring activities. For instance, the AFM issues 'declarations of no objection' for trading platforms on request, in which we check whether there are objections against the holding of a qualified participation in a market operator. We also issue what are known as transparency waivers, whereby we approve non-compliance with certain pre-trade transparency obligations for certain transactions. Seven of these waivers were granted in 2022. This is a significant decline in comparison to the peak years of 2019-2021.

Lastly, for trading platforms subject to supervision outside the Netherlands, we deal with requests for exemptions from the requirement to obtain a licence to operate a trading platform in the Netherlands. The recipients can therefore offer their services to Dutch participants in the Netherlands without obtaining a licence. The number of requests for exemptions has increased since Brexit, and we granted two such exemptions in 2022.

Prospectuses

Figure 8. Number of prospectuses, equity and non-equity submitted, and equity and non-equity approved in 2013-2022.



There were no traditional market flotations on Euronext Amsterdam in 2022. The number of SPAC listings (only 2) was also lower than in 2021 (16 listings). The same applied to the number of de-SPACs (SPACs that have acquired a target company). There were four 4 de-SPAC in the first six months of 2022, and none thereafter. The term for most SPACs will expire in 2023. Due to the weak climate for IPOs, the AFM dealt with and approved relatively few equity-related prospectuses in 2022.

The number of applications and approvals of prospectuses with offerings or listings of non-equity securities, such as bonds, remained more or less the same as in previous years. This is because this mainly concerns base prospectuses that have to be approved annually.

One trend in the debt market is the number of prospectuses for asset-backed securities once again declined in 2022.

Public offerings

Only three public offerings were announced in 2022, compared with eight such announcements in 2021. This was due to the uncertainties in the capital markets. Since there was one public offering outstanding from 2021, the AFM approved four offering memorandums in total in 2022. In addition, exemption from obligations in the offering rules was granted on four occasions.

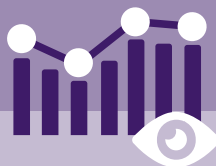


04 Supervision of asset management



Transparency of sustainability information

- ✔ Investors are increasingly opting for **investments with a sustainable objective**. While the quality of sustainability information has increased, there is still **room for improvement**.



Adequate management of liquidity risks

- ✔ Due to the **attention to liquidity risks** at new open-end investment funds, liquidity buffers have been adjusted and the markets have been made **more robust**.



Data quality of the periodical fund reports

- ✔ Together with ESMA, we have checked the **data quality of the periodical fund reports**. We have made recommendations to fund managers, including with respect to the **calculation of leverage and assets under management**.



The significant fluctuations in interest rates and falling equity prices had a substantial impact on the investment policy of firms in the asset management sector in 2022. We are also seeing further consolidation in this sector, including among asset managers. In the supervisory area of asset management, one area of attention is thus the strategic repositioning of parties and the outsourcing of activities. This affects the strategy of asset managers and could put pressure on maintaining a controlled and ethical business operation.

In addition, we have seen that as in previous years, technological developments and digitalisation are changing the business operations of asset managers and the asset management chain. Resilience against cyber crime is becoming an increasingly important point for attention.

Furthermore, asset management parties have an increasing role in sustainability strategies, ranging from the funding of sustainable projects to investing in companies that operate sustainably. It is important that asset managers integrate sustainability in their working practices, that they manage the risks of the sustainability transition and are transparent towards investors as to how sustainability features in their policy.

The asset management sector is important for financial stability. We saw significant volatility in prices in the capital markets during the past year, largely due to the war in Ukraine. High volatility led to extra attention to liquidity risks in the asset management sector. It is important that the sector continues to be robust and adaptable.

Results in brief

- Managers have become more cautious with regard to sustainability classification.
- There is room for improvement in the presentation of sustainability information.
- Companies that have been operating for a long time tend to manage their liquidity risk effectively. Newer companies are not always as aware of their liquidity risk.

Transparency on sustainability

Many investors make a conscious decision to invest with a sustainable objective. It is important that they can rely on the product information. In many cases, the sector reports the correct information, but there are still managers that provide information that is too brief or not sufficiently specific with regard to their promises to invest sustainably.

For each newly offered investment fund in 2022, the AFM checked whether investors are informed whether and to what extent sustainability is taken into account in the investment strategy. The AFM supervised that this information is included, because without such information, the fund may not be introduced.

There was also an [analysis of the application of the transparency rules](#). This showed that managers have become more cautious with sustainability classifications. Several managers have adjusted the classification of their funds from article 9 to article 8. It appears there is now a better understanding of how the classification should be applied, possibly because more experience has been gained with the requirements and as a result of discussions between the parties and the supervisors. We also had discussions with several stakeholders on the impact of the regulations and their application.





The impact our supervision is that - partly due to this study - we have seen that market participants are paying more attention to the transparency rules and that the quality of sustainability information has improved.

Business operations prepared for the sustainability transition

The AFM has conducted follow-up studies into investment fund managers and managers of Undertakings for Collective Investment in Transferable Securities (UCITS) to establish how the requirements of the Sustainable Financial Disclosure Regulation (SFDR) and the associated taxonomy are being implemented. The main conclusion of our follow-up study is that many parties are now publishing the correct information. Investors are being given insight into the sustainability features and objectives of the products in which they (potentially) invest.

That having been said, the sustainability information should be made more specific. This point for attention was raised during discussions with the stakeholders. It is expected that further clarification of this Regulation by the supervisory authorities will help to realise improvements, particularly when the SFDR level 2 regulations take effect from 1 January 2023.

Adequate management of liquidity risk

Liquidity risk arises when an investment institution (fund) does not have enough money to purchase units from investors when they wish to sell their units to the fund. In 2022, liquidity risk was an issue mainly for funds investing in securities issued by Russian companies. There were fears in the market that investors would sell their units en masse, which could have created cash problems for some funds. The rise in interest rates also caused liquidity pressure for some types of investment funds due to investors offering their units for repurchase.

Liquidity risk at new open-end investment funds

The lion's share of this liquidity risk could be adequately managed through the liquidity measures already in place at the investment funds concerned. The AFM devoted specific attention to liquidity risk at new open-end investment funds in 2022. In some cases, this led to an adjustment to the liquidity buffer and/or expansion of the option to limit repurchase. As a result, market participants have become more aware of liquidity risk, which has helped to make the markets more robust.

Importance of good valuation methods

In a letter to managers of commercial real estate funds, we [stressed the importance of good valuation methods](#). We took this step because research has shown that not all managers properly explain the legally required elements in their procedures. We expect to see an improvement in valuation procedures as a result of offering proper guidance to these managers. The guidance we gave focused on the frequency of valuations and an explanation of the models used. Thanks to the publication of this guidance, the market has a better understanding of how we expect this to be implemented.

Review of liquidity management at UCITS

We conducted a review of the management of liquidity risk at Undertakings for Collective Investment in Transferable Securities (UCITS). The purpose of the review was twofold: First, we wanted to gain insight into the liquidity at UCITS under certain market conditions, and second, we wanted to identify the risks in relation to liquidity from a supervisory perspective in order to mitigate them. The AFM has established that the majority of the managers in the review fulfilled the requirements for liquidity risk management in most respects. There is room for improvement on a number of points. Among other things, a number of shortcomings were identified in relation to liquidity forecasts and analysis prior to investment and in the area of governance and internal controls. The AFM has fed back these observations in [a sector letter to all UCITS managers](#).



Other activities and ongoing supervision

AIFMD reports

Investment fund managers are obliged to periodically report on their funds and management activities. The AFM considers it important that these reports are of good quality and contain few errors. Together with ESMA, the AFM monitors the data quality of these fund reports through a Data Quality Engagement Framework (DQEF) check. These checks reveal inconsistencies in the reporting that are probably due to reporting errors. [In a sector letter to managers](#), the AFM gave its recommendations for improving the data quality of the fund reporting. These included recommendations relating to the calculation of leverage and assets under management.

Consequences of the pensions transition

The upcoming implementation of the Future of Pensions Act (*Wet toekomst pensioenen*) is a radical development that will affect the pensions and asset management chain. Consultation has taken place with asset management parties and stakeholders in the context of our ongoing supervision of individual institutions. This included consideration of the preparations that asset management parties need to make in their business operations as a result of the pensions transition, and of their services to pension funds. There was also discussion of the cohesion and potential problems with other structural changes in the operational model of the asset managers, for example due to the implementation of other legislation, such as in the area of sustainability.

Supervisory convergence: Common Supervisory Action (CSA) on asset valuation.

Together with its fellow EU supervisors, the AFM is participating in reviews conducted by various supervisors in their respective Member States, known as Common Supervisory Actions (CSA). This is an initiative of ESMA. In 2022, such a review was carried out into valuation processes at a number of managers. This review showed that valuation processes were adequate in most cases. We informed ESMA of our findings.

Notifications

Investment firms, depositaries and management companies of collective investment companies (both UCITS and AIFs) have a statutory obligation to provide certain notifications to the AFM. In addition to applications and withdrawals of licences or registrations, this concerns, among other things, notifications of material changes to the business operations (outsourcing, remuneration policy, governance) and of incidents. Managers of alternative investment funds must also provide fund notifications and notify prospectus changes. There were 1,324 notifications in 2022, 585 of which were fund notifications (525 registrations of new funds and 60 deregistrations) from licence and registration holders, compared with 541 in 2021 (489 of which were registrations). The number of new investment funds and UCITS was thus well above the average in recent years. There was also an increase in the number of other notifications compared with 2021, from 554 to 739. This was mainly due to the introduction of the mandatory pre-marketing notification and an increase in the number of reported mergers and acquisitions. There were also more incidents reported to the AFM. Notifications are important to map the conduct of parties and the resulting risks in the sector. In dealing with these notifications, we were also able to make timely responses to changes to the business operation at institutions.

Irregularities in reports from depositaries

Based on the findings in reports from depositaries, we observed irregularities at investment fund managers in 2022. These included incorrect net asset value (NAV) calculations and breaches of investment restrictions. We contacted the managers and depositaries concerned to address these irregularities. The AFM also visited a number of depositaries as part of its supervision of depositaries. The purpose of these visits was to obtain better insight into the business operations of depositaries and in particular their duties with respect to 'oversight' and 'safekeeping'. We obtained a clear understanding of their activities and in general we did not encounter anything unusual.



Controlled business operations

The AFM had frequent contact with institutions regarding signals of failures in maintaining controlled business operations in 2022. The institutions concerned were informed and have made the required adjustments. It was therefore not necessary to impose formal measures. In the case of serious signals, such as signals of risks relating to inadequate segregation of assets, IT security and information security, we decided to investigate further. We have assessed the assurance reports on segregation of assets submitted to us and provided feedback to the individual institutions concerned where necessary.

Licensing

The number of companies applying for an asset management licence increased again in 2022. In the investment funds segment, the AFM received 17 applications for a new licence (2021: 18). 11 managers applied for an AIFMD licence (2021: 8) and we received 1 application for a UCITS licence (2021: 1) and 3 applications from providers of investment objects (2021: 1). In addition, crowdfunding platforms were able to submit licence applications in 2022 under the new European Crowdfunding Service Providers Regulation. 22 parties submitted an application to the AFM, and a licence was granted to 6 of them in 2022.

It is notable that the vast majority (96%) of the investment funds consist of Dutch subsidiaries of an international group. The Netherlands has clearly become more attractive to these companies since Brexit. Most of the fund managers are parties that can no longer use the AIFMD registration regime due to the growth of their assets under management.

11 investment funds and 3 managers returned their licences in 2022 (2021: 13 investment funds and 5 managers). The licence of one manager was withdrawn due to the imposition of a formal measure.

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 of DNB. The AFM focuses on risks that can potentially pose a threat to financial stability within its supervisory domain. To this end, we analyse whether there are stability risks in three areas that fall under our supervision: the capital markets, the asset management sector, and risks that affect many clients of financial institutions. We also participate in the Financial Stability Committee (FSC), The FSC is tasked with identifying risks to financial stability in the Netherlands and can make recommendations in this context.

Review of leveraged financing at asset managers

Leverage at investment funds can exacerbate existing risks, such as liquidity risk in fund portfolios, and can therefore be a cause of or a catalyst for financial instability.

Together with DNB, we conducted an exploratory study into leveraged finance at Dutch investment funds. As most funds, the risk of acute liquidity stress due to withdrawals is mitigated by existing liquidity management tools. Therefore, systemic risks from this channel appear to be limited. However, at some funds there is room for improvement with regard to their risk management. In addition, the application of a leverage limit can contribute to a reduction in risk. Analysis of the results also shows that further European consistency and coordination of this instrument is desirable. Moreover, the effects for institutional investors of potential liquidity pressure and liquidity management at investment funds should be better mapped. This should also take into account the connections with the role of other parties, such as money market funds. In addition, we called for continued vigilance with regard to hidden leverage risks in the non-bank financial sector. Furthermore, regulations need to continue to match with current developments.





AFM FS report: Rise of cryptos, developments in the housing market and other stability risks

We report to the Dutch House of Representatives on potential risks to financial stability once a year. In 2022, we discussed the trends and risks in our supervisory areas, with particular attention to sustainability in the financial markets. A section of our report dealt with the rise of cryptos and developments in the housing market. Regarding cryptos, we concluded that the risk to financial stability was so far limited. In the report we also outlined our view with respect to the new MiCAR regulation (pdf; 588 kB). With respect to the housing market, we emphasised among other things that the lending standards should not be eased.

Exploratory study into problems in the money markets

Many trading platforms have relocated to the Netherlands as a result of Brexit. The AFM has thus become a key supervisor in several European capital markets. Exploratory studies have been carried out with respect to large markets and platforms in the context of systemic relevance. These studies showed that in most cases, these parties do not represent a major system-critical risk. The FSC has confirmed the existing process agreements made between the parties involved to exchange information and cooperate with each other in the event of incidents at institutions subject to our supervision.

Liquidity stress test at Dutch asset managers

Dutch pension funds and their pension providers may be confronted with substantial margin calls in the event of exceptional stress in the financial markets. The current regulations contain various instruments for managing liquidity developments. A study has been initiated with DNB to establish the desirability of possible additional policy options to manage liquidity risk. This study is ongoing and is expected to be finalised in 2023.

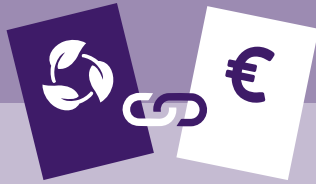


05 Supervision of quality of audit firms and reporting



More insights in the risks of non-PIE audit firms

✔ We **personally visited** around **60 non-PIE audit firms**. This gave us better insight into their risks.



Better connection between financial and non-financial reporting

✔ We urged the audit firms to help ensure that companies clearly **explain the connection between their financial and non-financial performance** in their reporting.



Gatekeeping role in identifying fraud

✔ We observed that there is **room for improvement** in how audit firms **fulfil their gatekeeping role** in identifying and following up on instances of fraud and fraud risks.

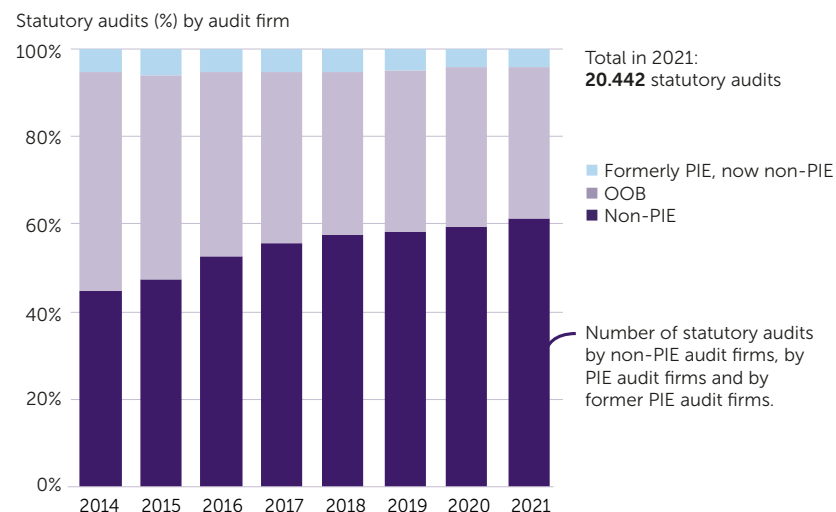


Each year, around 20,000 statutory audits are performed by some 260 audit firms. The independent auditor's report is important for the public interest, as investors, analysts, and other users of financial statements need to be able to rely on them when basing key economic and other decisions on this opinion. However, the nature of companies is changing due to broader developments such as sustainability and digitalisation. Audit firms need to prepare for this in order to ensure the quality of their statutory audits.

At the same time, there are developments in the sector itself. As shown in our report '[Snapshot of the Sector 2022](#)', most statutory audits are now performed by audit firms with a regular (Wta-) licence. The market share of the larger PIE audit firms (which are also permitted to perform statutory audits of public-interest entities, such as banks and listed companies) is declining. When it comes to audits for specific sectors, such as construction and the housing associations, we see a shift from the PIE audit firms to regular audit firms.

The quality of statutory audits has been an area requiring improvement in the sector for many years, also internationally. The International Forum of Independent Audit Regulators (IFIAR), the organisation of audit firm regulators, stated in its [annual report](#) in March 2022 that 30% of the audits inspected worldwide by its member regulators contained at least one serious finding. The Coordinators for the Future of the Audit Sector, which in the Netherlands are charged with driving a permanent improvement in quality, stated in their [fourth progress report](#) in June 2022 that there were positive developments, but that the pace of change in the sector was still a challenge.

Figure 9. Number of statutory audits by non-PIE audit firms, by PIE audit firms and by former PIE audit firms.



This is the context in which we are supervising audit firms and reporting. The AFM exercises direct supervision of the non-PIE audit firms since 2022. We do this increasingly on a data-driven basis. We identify risks and prioritise our supervisory activities based on the information from our reviews and requests for data from the sector. We thus contribute to a permanent improvement in the quality of statutory audits and reliable reporting.





Results in brief

- We have obtained greater insight into the risks to quality of statutory audits by the non-PIE audit firms and are using these insights to prioritise our supervisory activities.
- We want companies to clearly explain the connection between their financial and non-financial performance in their reporting, and have explained what we expect of them in this respect.
- In a position paper and in public forums, we have made it clear that audit firms can do a better job in their gatekeeping role with respect to fraud and fraud risks.

Insight into risks at the non-PIE audit firms

The AFM has been responsible for direct supervision of all non-PIE audit firms (i.e. audit firms with a regular licence) since 1 January 2022. We will be expanding our supervision in phases in the period to year-end 2024. Our main objective in 2022 was to get to know this group of audit firms and obtain insight into the risks in relation to the quality of their statutory audits.

Personal introductory meetings increase insight into sector and strengthen relationships

Among other things, we visited some 60 audit firms across the Netherlands, following online meetings we had held 2021 and 2022. During these [visits](#), representatives of these firms explained their main priorities and challenges to us. Many audit firms are focusing on scaling up and data analysis. However, the recruitment and retention of personnel is a major challenge. At the same time, we observed that these firms are very diverse. An evaluation showed that the audit firms experienced the online meetings and office visits as positive. They especially appreciated the personal, transparent, and constructive dialogue and mentioned the importance of a continuing connection between the sector and the supervisory authority.

Figure 10. Overview of number of office visits across the country.



Previously, direct supervision of these audit firms was the responsibility of the professional body NBA and of the SRA. Some audit firms were transferred by the NBA and SRA to the AFM because their performance was assessed to be inadequate. We devise individual follow-up processes for these audit firms.

Audit firms need to work on improving their client and engagement acceptance

Besides the introductory meetings and increasing our insight, we also carried out reviews of specific themes. One of these involved a review of the [client and engagement acceptance or continuance process](#) (CEAC) procedure of non-PIE audit firms. The CEAC is an essential initial safeguard for the quality of statutory audits,



in which the statutory auditor assesses whether there are risks or threats that stand in the way of a reliable audit, such as conflict of interests or an unethical audit client.

For 83 statutory audits we reviewed, the performance of the CEAC failed to meet the statutory provisions in 71 cases. Furthermore, at 18 of the 30 audit firms involved, the policy did not comply with the statutory rules. Based on the findings, we concluded that audit firms need to work on improving their CEAC. We have listed points for attention in this context and shared good examples. The statutory auditor has to assess all non-assurance services provided to determine whether there is a threat to their independence. To this end, the auditor identifies all services provided to the audit client. We have organised meetings in January 2023 to explain our report and reflect on it with the audit firms.

Collaboration between audit firms requires extra quality safeguards

We also reviewed [collaborations between audit firms](#). Collaboration can offer benefits such as increased scale and greater availability of expertise and specialist knowledge. The AFM supports such initiatives that aim to strengthen the quality of statutory audits. At the same time, we see that this also poses risks. The level of expertise may still be inadequate, and it is possible that the system of quality control will not be applied uniformly. This can impact the quality of statutory audits and therefore requires extra quality safeguards. The insights gained from the review are relevant to all current and future collaborations between audit firms. We have also put this theme on the agenda for board discussions with the NBA and the SRA.

Data helps to prioritise supervisory activities and risks

In addition to the insights from our thematic and other reviews, in September 2022 we started with data requests for every completed statutory audit. To this end, audit firms submit specific data points, such as the sector in which they perform an engagement, the identified risks, the hours spent and materiality. By year-end of 2022, we had received data on approximately 1,000 statutory audits. This provides us with additional insight into activities and client portfolios and enables us to identify risks. We use these insights to develop and prioritise our supervisory activities and keep audit firms informed about this where necessary.

Focus on mitigating risks and working on improvements

In the first phase of our supervision, we primarily aim to encourage non-PIE audit firms to increase their ability to learn and make them aware of the progress they need to make. From our [reviews and analyses](#), we identify risks in the sector that influence or may influence the quality of statutory audits. We will expressly focus on raising awareness and mitigating these risks and encouraging audit firms to work on improvements that will contribute to permanently safeguarding quality. We will take enforcement action in case of irresponsible risks.

Clarification of expectations in case of serious incidents

It is important that audit firms deal appropriately with incidents. By doing so, they fulfil the requirement to have ethical and controlled business operations. The law does not provide a precise definition of what constitutes an incident. From our discussions with the sector, we note that there is a desire for clarification. Therefore, we [consulted](#) with audit firms and other interested parties on our own interpretation and [published](#) our clarification in November 2022. In this clarification, we also explained what we expect of the audit firms if a serious incident occurs.

An incident may concern a combination of conflicting interests, involvement in violations of the law, or having relations with clients that could damage trust. Audit firms should then take appropriate measures to manage these risks and prevent any recurrence. They must also report the incident to the AFM without delay (and without waiting for a request to do so). In our interpretation, we stress that incidents are often complex and unexpected. Most of all, we consider it important that the audit firms take responsibility themselves and learn from incidents.



Consistent quality of statutory audits by PIE audit firms

The AFM aims to ensure that the statutory audits performed by all audit firms are consistently of a high quality. The six PIE audit firms have been working on consistently improving the quality of their statutory audits since 2014, and we are encouraging them in this effort. We are also reviewing the safeguarding of this quality and specific elements in their quality improvement drive. The PIE audit firms have already made progress in this respect.

More emphasis on risks and data in supervision

We further developed our risk-based supervisory approach in 2022, and have consulted on this with the PIE audit firms. The basis for this approach is that we will make increased use of data in our supervision, at the level of the audit firm and at the level of completed statutory audits. This will enable us to better identify and understand risks, both sector-wide and at individual audit firms. We will continue this development of our supervision and our dialogue with the PIE audit firms in 2023.

More intensive supervision of PIE audit firms

From 1 January 2023, our supervision of the PIE audit firms will be intensified. This intensification was announced in a [letter to the Dutch House of Representatives](#) in 2021, and is aimed at obtaining a better insight in and understanding of the quality systems and the quality of statutory audits at the PIE audit firms. We want to achieve this by increasing the frequency and depth of our reviews, by conducting studies into specific themes, and by conducting more reviews at the individual audit firms. In 2022, a [consultation](#) took place on the draft decision for the AFM's new cost framework due to the intensification of the audit firm supervision.

Expecting audit firms to better fulfil their gatekeeping role against fraud

In May, we published our [position paper](#), in which we set out our expectations of audit firms with respect to fraud and the risk of fraud. Identifying and following up on fraud and fraud risk is a vital responsibility of auditors. After all, corporate fraud has a serious social and financial impact, and such fraud will only get more prevalent due to trends like sustainability, digitalisation and the internationalisation of the business world. But we are seeing that audit firms can do more to effectively fulfil their gatekeeping role. The sector generally appears to have some way to go on this issue. The root causes may include insufficient knowledge, the perception of the auditor's role and the culture at audit firms.

Around the same period, the professional body, the NBA, issued a report on root causes of fraud, in which it called for a more critical basic attitude towards fraud. Both publications had a big impact and received extensive media coverage. We also discussed the fraud theme in other public forums. AFM Executive Board member Hanzo van Beusekom raised it in his [speech](#) at the conference of the Foundation for Auditing Research (FAR): 'It is time that audit firms put time and energy into an effective approach. Preventing a fire is better than having to put it out.'

Fraud will be a permanent fixture on the AFM's supervisory agenda in the coming years, and we will urge and encourage audit firms to get involved. The AFM wishes to see clear indications in the coming years that audit firms are devoting increased attention to the detection and follow-up of fraud and fraud risks in the statutory audits they perform.



Better explanation of connection between non-financial and financial reporting

There is an increasing need for transparency on sustainability, also for listed companies. Investors, analysts, and other stakeholders require better insight into the impact of these companies on climate, people and society in general and how these aspects of sustainability affect these companies and their financial performance, both now and in the future.

Listed companies have to be transparent regarding their impact on climate and society

The AFM wants companies to properly explain the connection between their financial and non-financial performance in their reporting. In early 2022, we held two [round table sessions](#) to consult with representatives of the business community, investor groups, supervisory authorities and policymakers. We stressed that companies need to take responsibility for this, even though Dutch and European legislation in this area is still being developed. At the sessions, AFM chair Laura van Geest called on companies not to wait for new legislation, but to take action as soon as possible in order to provide clear and relevant non-financial information.

As the supervisory authority, we will call on companies to take responsibility with regard to the relevance and reliability of their information. We will also specifically look at the preparations they are making to be able to provide the information required with effect from the 2024 reporting year under the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS).

Review and supervision of specific points for attention in sustainability reporting

We are expressly including sustainability aspects in our supervision of reporting by listed companies. In 2022, we conducted a study of how companies are meeting the current requirements for climate-related non-financial information in their 2021 reporting and how the auditor provides assurance in this respect. Partly on the basis of the findings of this study, we announced [points for attention](#) that we will specifically focus on in our supervision of the 2022 reporting. This includes the connectivity between explanatory information relating to non-financial information

and the figures in the financial statements, the contents of the [non-financial statement](#) large listed companies are obliged to include, such as the information on their net zero targets (and how they will achieve them) and the scope of their Scope 3 disclosures. Companies express their climate-related goals with net zero (or CO₂ neutral) targets. Through these points for attention, we call on companies to provide specific and clear information and present a balanced picture, especially if measures have both positive and negative effects.

Urgency and relevance felt by audit firms

The AFM also evaluates the assurance currently provided with respect to non-financial information. With this assurance, the auditor gives additional assurance concerning specific information on the basis of an evaluation or assessment. This strengthens the confidence in this information among the intended users. The audit sector is aware of the urgency of improving this assurance, as shown in our thematic review of the assurance statements issued by the four big PIE audit firms and the fact that future regulations (such as the Corporate Sustainability Reporting Directive, CSRD) require greater certainty concerning the non-financial information provided by companies. This underlines the relevance of this important theme.

Emphasising the importance of good non-financial information at international level

At the international level, we call for relevant, reliable, and specific non-financial reporting, based on uniform and practicable international standards for sustainability reporting. In 2022, we responded to [consultations on new international and European standards](#) for sustainability reporting held by the International Sustainability Standards Board (ISSB) of the IFRS Foundation and the European Financial Reporting Advisory Group (EFRAG). We argued that the European standards are practicable and align with existing international standards. We also called for attention to be paid to the auditability and enforceability of standards. In addition, in our [response to the consultation of the European Commission](#) on strengthening the reporting chain, we suggested making the management boards of listed companies directly responsible for sustainability reporting.



Ongoing supervision (in figures)

Table 2. Supervision of audit firms in figures

Ongoing supervision	Number
Licences issued	4
Licences withdrawn	22
Signals regarding audit firms	234
Warnings to audit firms	3
Fines imposed on audit firms	1
Notifications to companies regarding reporting	1
Disciplinary complaints filed	1
Disciplinary Court for Auditors rulings	3
Trade and Industry Appeals Tribunal (Cbb) rulings	1

Disciplinary cases are important for both the auditor concerned and the sector as a whole

In 2022, there were relatively many rulings on [disciplinary cases](#) filed by the AFM. In all of these cases, the ruling was in (largely) our favour. Disciplinary proceedings are not only important for the individual auditor concerned, as they frequently provide guidance for the sector as a whole. Such proceedings address the substance of a specific law or standard and set the bar for the quality level required for statutory audits.



06 Fit and proper assessments and measures



In 2022 ...

- ✔ We have imposed 48 formal measures, such as fines, orders for incremental penalty payments and license withdrawals.
- ✔ We have imposed 193 informal measures, such as warning letters.



Fit & proper assessments

Persons who are day-to-day policymaker of a financial enterprise either solely or collectively or who supervise such policy must be fit and proper for the performance of their tasks. Persons joining an enterprise are assessed by the AFM and/or De Nederlandsche Bank for fitness and propriety. Around 95 per cent of the 1,500 to 2,500 initial assessments conducted by the AFM each year result in a positive outcome.

We assessed 1,998 persons in 2022, including advisers, intermediaries and holders of exemptions for callable funds. This number includes both new initial assessments as well as persons who have already been previously assessed. Reassessments are initiated by the AFM when relevant facts or circumstances arise (or appear to have arisen) that provide reasonable grounds for revisiting a previous assessment. The decline in the total number compared with 2021 is due to the number of bulk tests (lower numbers of persons to be assessed again in a single application in 2022), as well as the increase in the number of initial assessments in 2022. Initial assessments generally take more time than assessing persons who have already been assessed by DNB or the AFM. Since propriety assessments are one-time procedures, these assessments are more or less administrative registrations, unless there are facts or circumstances that give rise to doubt.

The table in this paragraph shows the total number of AFM assessments specified according to the various categories. The 'double' assessments referred to concern assessments by both the AFM and DNB.

Table 3. Assessments overview

Number of assessments per category	2022	2021	2020
Advisers/intermediaries/credit providers	1,229	1,577	1,235
Investment firms/collective investment schemes	544	439	448
Investment objects and stock exchange	11	15	24
Audit firms*	199	224	85
Double assessments	8	12	19
Reassessments*	7	8	5
Total number of assessments	1.998	2.275	1.816

* Figures for 2021 adjusted due to redefinition

Measures

In our supervision, we use supervisory measures that are primarily aimed at enforcement, as well as interventions that are more aimed at (proactive) influencing. The purpose of this influencing is to prevent violations. The principle is that a market participant bears responsibility and should of their own volition comply with the standards laid down in legislation and regulations. In case of non-compliance or inadequate compliance, we can deploy various instruments.

When imposing measures, the desired effect is the determining factor. In many cases, this is achieved with an informal measure. In cases involving serious violations or where urgent intervention is needed, we move immediately to enforcement measures.





The number of formal and informal measures may vary substantially from one year to another. This may be due to new regulations coming into effect about which there is still a lack of clarity in the sector. In addition, the nature of the infringement and the desired effect to be achieved is the determining factor. We believe a proactive approach to supervision is more effective than correcting problems after they have occurred. After all, when a situation is only remedied after the fact, the damage to consumers, markets, the economy and confidence in the financial sector has already been done. How our enforcement works is explained in 'Enforcement in Perspective' (*Handhaving in perspectief*).

The issues that led to formal enforcement in 2022 involved varied widely. In 2022, we continued our enhanced supervision of companies that have not been doing enough to prevent money laundering or market abuse. Infringements of the standards for controlled business operations also led to formal measures (excessive lending, standards for the Product Approval and Review Process (PARP)).

Formal measures

Fines

The AFM imposed 11 fines in the financial markets in 2022, a significant increase on the previous year, in which 2 fines were imposed. The fines mainly involved businesses that had failed to prevent money laundering or were involved in market manipulation. The number of fines imposed corresponds to the average in recent years. The processes preceding a decision on whether to impose a fine are intensive in terms of preparation, investigation and settlement. Fines are imposed in a targeted manner, meaning that the social effect of a fine is a more important consideration than the number of fines imposed. The total amount of the fines imposed in 2022 was €8.3 million (2021: €2.7 million).

We do not recognise fines as income in the financial statements until they have become irrevocable and we have actually received the amount. This means that the fines recognised as income in the financial statements may vary from the total amount of fines imposed.

Orders for incremental penalty payments

An order for incremental penalty payments is often used to obtain information from companies that fail to respond to our normal requests for information, but also to bring a violation to an end. There were 4 orders for incremental penalty payments imposed in 2022 (2021: 5).

Licence withdrawals

The formal measure of licence withdrawal among other things concerns full or partial withdrawals due to failure to comply with requirements relating to professional competence, controlled business operations or ongoing licensing requirements. There was 1 withdrawal in 2022, compared with 8 in 2021.

Informal supervisory measures

The total number of informal measures imposed was 195 (2021: 360). Informal measures involve instructive and warning conversations/letters on standards. Instructive letters on standards may be issued following institution-specific reviews and also in particular following thematic reviews involving a large number of companies. Consequently, the number of letters issued each year may fluctuate, and there were fewer this year than in previous years.

Informal measures relate to a multitude of issues such as: provision of incorrect information, failure to meet the notification obligation, failure to complete questionnaires, failures in client due diligence and the recording thereof, (partial) illegality, appointment of directors without prior approval from the AFM, failure to notify the AFM of background information relating to persons, or a deficient remuneration policy.



Table 4. Overview of number of measures.

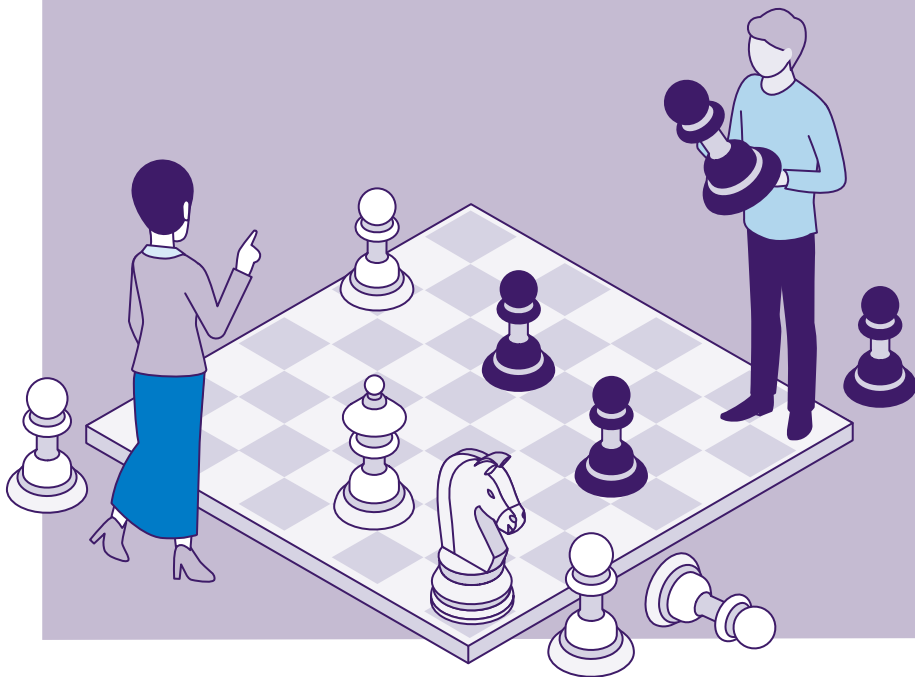
Overview of measures	2022	2021*	2020
<i>Formal supervisory measures</i>			
Fines imposed	11	2	13
Orders for incremental penalty payments imposed	4	5	4
Reports to Public Prosecution Service	2	5	-
Licence withdrawals	1	8	3
Instructions	3	4	3
Public warnings	25	14	17
Notification without recommendation (Wtfv)	1	6	2
Complaints to Disciplinary Court for Auditors	1	-	2
Total number of formal measures	48	44	44
<i>Informal measures</i>			
Warning letters on compliance with standards	119	105	125
Instructive letters on standards	74	255	232
Total number of informal measures**	193	360	357
Total number of formal and informal measures	241	404	401

* A conversion in the reporting system and a redefined process has led to a minor adjustment to the number of formal measures recorded for 2021 (+6 in total) concerning Orders for incremental penalty payments (+1), Reports to Public Prosecution Service (+3), Licence withdrawals (+1) and Instructions (+1).

** 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 2020 and 2021 are not the same as stated in the 2021 annual report



07 Stakeholder dialogue



In 2022 ...

- ✔ We have had continuous dialogue with external stakeholders, for example through office visits or organising an event.



In our approach to supervision, we have stated that we strive to identify the major risks and devise structural solutions accordingly. This requires continual analysis and interpretation of risks, including new and changed risks. Addressing these risks may involve a revision of our supervision, or, in some cases, a revision of legislation. It is thus important that we maintain a continuous dialogue with our external stakeholders, such as the financial sector and its representatives, the Ministries of Finance and Social Affairs and Employment and the European institutions.

To mark the AFM's 20-year anniversary, we organised a seminar in June 'on the Future of Financial Services Conduct Supervision', where various national and international guests from the financial sector discussed the future of the sector and its supervision with each other and with us.

Supervision of financial services

For our supervision of financial services, we keep in close contact with a large number of industry associations and umbrella organisations, such as the Federation of the Dutch Pension Funds, the Dutch Banking Association (NVB), the Association of Asset Managers and Advisers (VV&A), the Dutch Association of Insurers, the Association of Financing Companies in the Netherlands and Adfiz, the association of independent financial advisers.

In addition, we maintain contacts with our fellow supervisory authorities, as services are increasingly cross-border and regulations are now also frequently detailed at the European level. In EIOPA, the European supervisory authority for pensions and insurance, we are represented in the Committee on Consumer Protection and Financial Innovation as well as relevant project groups. We also coordinate our participation in EIOPA with DNB.

Pensions Event on 2 June 2022

The 170 attendees from the pensions sector expressed their appreciation for the pensions event that we held on 2 June. In addition to a general programme, there were six subject-matter breakout sessions on risk preference research, complaints, the communication plan, supervision during the transition (by DNB), pension administration and decision-making guidance. The sector was pleased with the content and the open approach from the AFM. Due to this success, the AFM will organise another pensions event on 1 June 2023.

Office visits at financial services providers

In our tour of the Netherlands, we again visited numerous financial services providers at their offices. The focus of these visits was on the future-proofing of the financial services sector. Our discussions also revealed that an increasing number of financial services providers had made a conscious choice of the target market they wish to serve, a particular product group on which they wish to focus, or a specific method of communication with their target market. Choices can also mean that vulnerabilities in the business operations can be kept to a minimum. Our experience is that financial services providers appreciate these office visits, and we also welcome this dialogue with the sector. We will therefore continue with these office visits in 2023.

Our director Jos Heuvelman also gave a key note speech at the Dutch Investors' Fair. At this event we also gave a master class on finfluencing to point out the pitfalls for finfluencers. In addition, the AFM hosted an innovative webinar on conduct and culture and digitalisation for supervisory authorities in Europe.



Supervision of capital markets

The AFM actively contributed to the discussions about the possibility of a price cap in the energy derivatives market in 2022. Price caps disrupt markets and can threaten the stability of the financial system. The AFM contributed to the debate in the Netherlands and the EU.

Together with DNB, the interest-rate benchmark transition was closely monitored because of the substantial financial, operational and legal risks for market participants and their clients. A review of financial institutions showed that the Dutch institutions were well prepared.

Through the Benchmarks Network within ESMA, the AFM also actively contributes to the development of policy, for instance in the field of ESG, by issuing Q&As in order to remove ambiguities about the rules as much as possible.

We also organised our first Capital Markets Day for market participants and fellow supervisors. This seminar featured panel discussions on current themes such as liquidity in the European stock markets, developments in relation to public offerings, interconnectivity in the bond market and current developments in the energy derivatives market, including the possibility of a price cap.

At various national and international events, (Eurofi, Trading Amsterdam, Capital Markets Day) the AFM emphasised the importance of good preparation for the DORA legislation and explained its ambition as a data-driven supervisor.

The Capital Markets Committee of the AFM also met on three occasions during 2022. The AFM's Capital Market Committee advises the AFM on matters such as certain cases, aspects of legislation and interpretations in areas such as public offerings, market abuse issues, prospectus issues, financial infrastructure and other matters relating to the financial markets.

Supervision of asset management

As part of our supervision of the asset management sector, we are frequently in contact with the sector and other stakeholders. The SFDR, for example, is a far-reaching and relatively new regulation for the asset management sector that has been the focus of much supervisory attention, also as a result of the publication of a report in November 2022, which was discussed with the relevant stakeholders prior to publication.

There have been several consultations centrally organised by ESMA in the context of this new Regulation. As part of these consultations, we have informed the national stakeholders and initiated a dialogue with them.

In addition, round table sessions were organised with organisations including the Dutch Fund and Asset Management Association (DUFAS), VV&A and the NVB.

We also participated in the annual Morningstar debate and attended various seminars and round tables with market participants and non-profit organisations. This is a good way to discuss the implementation of new legislation and regulations with market participants.

We discussed the findings of thematic reviews and sector letters with various stakeholders and interest groups, including those relating to valuation procedures at real estate funds. By consulting with stakeholders, we hear the views of other parties and we have an opportunity to provide additional guidance by discussing the results.

As in former years, we had frequent discussions with De Nederlandsche Bank, which has a mandate for prudential supervision of the asset management sector, to coordinate our supervisory activities. This also applies to new regulations.

Lastly, we consulted with our fellow supervisors in other countries and in international forums such as ESMA, IOSCO and the ESRB. This is important in view of the internationalisation of the sector. We also participate in various working groups enabling us to put forward the perspective of Dutch supervision.



Supervision of audit firms and reporting

One important development in 2022 was the transfer to the AFM of the direct supervision of non-PIE audit firms. Preparations for this began in 2021, including the organisation of online introductory meetings. We intensified this effort in 2022, and we visited around 60 audit firms throughout the Netherlands.

During our visits, they offered insight into how they run their businesses and their priorities and challenges, and we explained how we conduct our supervision and what we expect of them. After the visit, we also asked them to describe their experience of the visit. A large majority were positive and mentioned the importance of a continuous and constructive dialogue between the sector and its supervisor.

Previously, direct supervision of these audit firms was the responsibility of the professional body, the NBA and SRA. There was extensive consultation at the time of the transition. In discussions with the NBA and SRA, we also raised other important themes, such as our review of collaborations between audit firms.

With the PIE audit firms, we discussed our risk-based supervisory approach in 2022 that aims to achieve a permanent improvement in the quality of their statutory audits. We will also make more use of data. In connection with this, we will intensify our supervision starting in 2023.

Fraud is an important priority in our supervisory agenda. In 2022, we made it clear to the sector that audit firms can do a better job in their gatekeeping role with respect to fraud and fraud risks. We noted, this, for instance, at the congress of the Foundation for Auditing Research (FAR), where our Executive Board member Hanzo van Beusekom expressed our views on this theme.

A second priority is the connection between financial and non-financial information in the reporting of listed companies. We expect companies to present a clear and honest account of the impact they have on people, the environment and society, and how developments in this area are affecting their business operations and performance.

In 2022, we held round table sessions to consult with representatives of the business community, investor groups, supervisors and policymakers. We stressed that companies need to take responsibility for this, even though Dutch and European legislation in this area is still being developed.

Committee for Financial Reporting and Accountancy

The AFM has a Committee for Financial Reporting and Accountancy, consisting of experts from the accountancy sector, the academic world and interest groups. It had nine members in 2022. The committee made a useful contribution to the formation of broader opinions regarding our supervision. It was involved in our activities relating to sustainability reporting, the related assurance and the preparations for the implementation of the European Corporate Sustainability Reporting Directive (CSRD). The committee also provided input to our review of client and engagement acceptance or continuance and our position paper, in which we explained our expectations of audit firms with respect to fraud and fraud risks (-risks).

Briefings to the House of Representatives

A well-formulated statutory framework is important for supervisory authorities. Accordingly, we take an active position in our relations with national and European legislators. The AFM actively communicates its knowledge and expertise to stakeholders. At national level, we have close relationships with the Ministry of Finance and the Ministry of Social Affairs and Employment (SZW). In its [2022 Legislative Letter](#), the AFM drew attention to desirable changes in Dutch legislation in its capacity as a financial supervisor. In addition, the AFM participates in technical briefings and round table discussions in the House of Representatives. In 2022, representatives of the AFM participated in round table discussions on [the Future of Pensions Act](#), [financial stability](#) and the implementation of the [Dutch sanctions policy in an international perspective](#).



Advisory panel

The AFM organised two physical meetings with the [Advisory Panel](#). This panel includes around 20 external stakeholders with an interest in our supervision. These are mostly industry organisations representing institutions subject to our supervision. At the [first meeting](#) in April, the 2021 annual report, the AFM's international efforts and the revision of the strategy were discussed. Prior to the [second Advisory Panel](#) in November, the draft agenda for 2023 and the draft of the revised strategy for 2023-2026 were circulated to the members, and there was extensive discussion of their input at the meeting. This meeting also addressed the budget and the follow-up to the recommendations from the non-departmental public body (NDPB) evaluation. Lastly, those in attendance split into smaller sessions on the four supervisory areas of the AFM for more in-depth discussion of the priorities and points of attention in 2023.

Digital Regulation Collaboration Platform

The Digital Regulation Collaboration Platform (*Samenwerkingsplatform Digitale Toezichthouders*, SDT) has been formed to strengthen supervision of digital and online activities.

A proposal was put forward for a consumer survey in relation to financial and other influencers (using input from the AFM's study into influencers). The most relevant regulatory processes for the SDT are listed in the EU regulatory workflow. The workflow has also identified EU legislative proposals for which knowledge sessions are to be held for SDT supervisors (and colleagues), including the upcoming AI Regulation and the Data Regulation.

Consumer surveys

The AFM conducted a number of surveys of consumers to allow them to have input into our supervision. We conducted the AFM Consumer Monitor for this purpose in the spring and in the autumn.

One survey focused broadly on a representative group of Dutch people. In the other surveys, we focused specifically on people arranging a mortgage, people with a mortgage and retail investors. These surveys helped us to gain better insight into market developments and potential risks.

Our survey of people arranging a mortgage showed that advisers are increasingly asking about student debt in their consultations with customers. The survey on retail investing focused mainly on execution-only investing. As mentioned earlier in the annual report, an increasing number of consumers are choosing to invest in this way. In total, nearly two million Dutch citizens now invest.

Financial Markets Hotline and the Business Desk

We receive thousands of questions and notifications (or signals) via our Financial Markets Hotline and Business Desk.

Table 5. Contact types in 2022

Point of contact	Email	Telephone
Business desk	8.068	3.313
Financial markets hotline	8.106	1.180
Total	16.174	4.493

Table 6. Number of contacts in 2021 and 2022

Point of contact	2022	2021
Business desk	11.381	11.670
Financial markets hotline	9.286	9.512
Total number of contacts	20.667	21.182



08 The AFM as a professional organisation



In 2022 ...

- ✔ We have further profiled as an attractive employer.
- ✔ We have improved the digital fitness of the organisation.

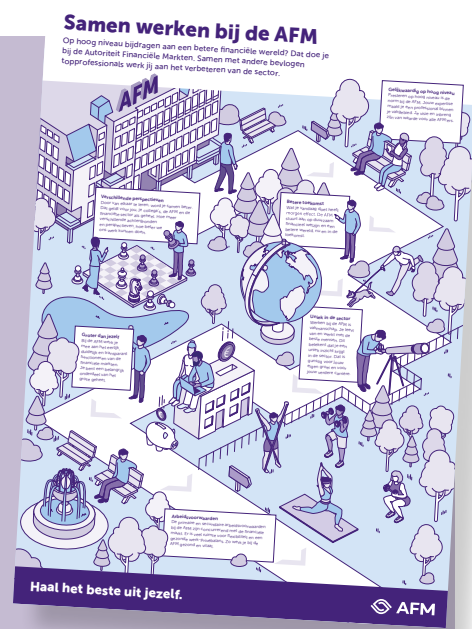


In 2022, we made further progress on creating our professional organisation. The central focus was on the further renewal and improvement of our business operations. To ensure we will be able to continue to carry out our tasks effectively in the years to come, it is important that we are an adaptable and learning organisation that is effectively managed, with motivated, qualified and satisfied employees and properly functioning IT.

In 2022

There were two priorities requiring particular attention during the reporting year:

- We further profiled the AFM as an attractive employer, among other things by introducing a new system for recognition and remuneration. Our research shows that there is no gender pay gap at the AFM.
- We have improved the digital fitness of the organisation by further strengthening our IT facilities. To this end, we established the IT strategy for 2023-2026, which is optimally aligned with the intended development of the AFM in general, as well as the ever-increasing role of IT in this respect.



Focus on employee development and growth

At the AFM, our people are our capital. We want to be an attractive employer that attracts, develops and retains good people. With a people-oriented approach and a safe and future-proof working environment, we enable 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 ensure a safe and inclusive working environment. Regarding these ambitions, the implementation of our new policy on recognition and remuneration was the most important milestone in 2022.

Recognition and remuneration

In 2022, agreement was reached on replacing the current traditional appraisal and remuneration system with a new policy in which a continuous dialogue with frequent conversations about performance, development, feedback and recognition is a central feature. This means that with effect from 1 January 2023, we will stop issuing appraisal scores and a direct link with remuneration. This is no longer appropriate for the learning organisation we want to be. In these times, when the world is continually and ever more rapidly changing and hybrid working is becoming the norm, there is a need for discussions that have a motivating effect, are constructive and look towards the future.

To conduct this positive conversation in which performance and development are central features, training will be developed for all employees on leadership and continuous dialogue. The basis is to listen and learn from each other on an equal footing and with an external mindset. These training courses will continue in 2023.



Employees

On 31 December 2022, the AFM employed 673.26 FTEs, compared with 662.7 FTEs on 1 January 2022. In the past year, the number FTE rose faster than in previous years, which was partly due to an expansion of our workforce to deal with additional duties. After a dip in the second year of the coronavirus pandemic, staff turnover increased again, with staff inflow and outflow increasing by 14.5% and 12% respectively. Absenteeism also rose slightly. This increase was partly due to a new absenteeism calculation method, whereby hours on sick leave are added to the absenteeism records even before a recovery report has been received. This was not the case in previous years. The AFM's increased absenteeism rate is in line with but below the national trend.

Figure 11. FTEs in service and inflow and outflow

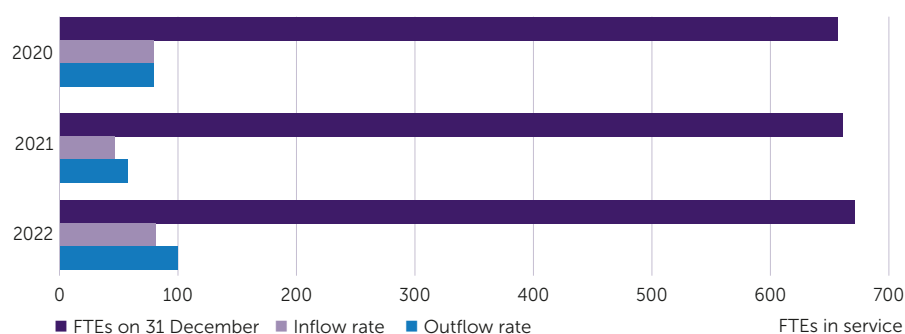
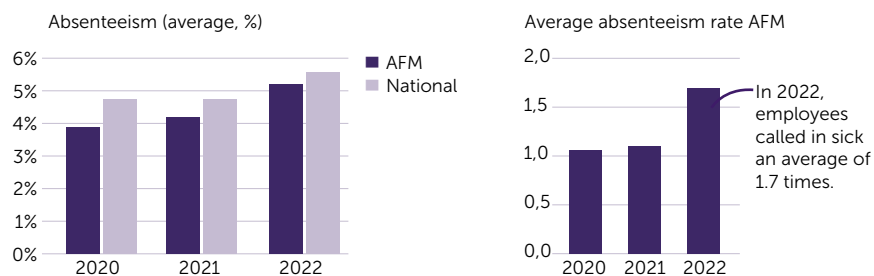
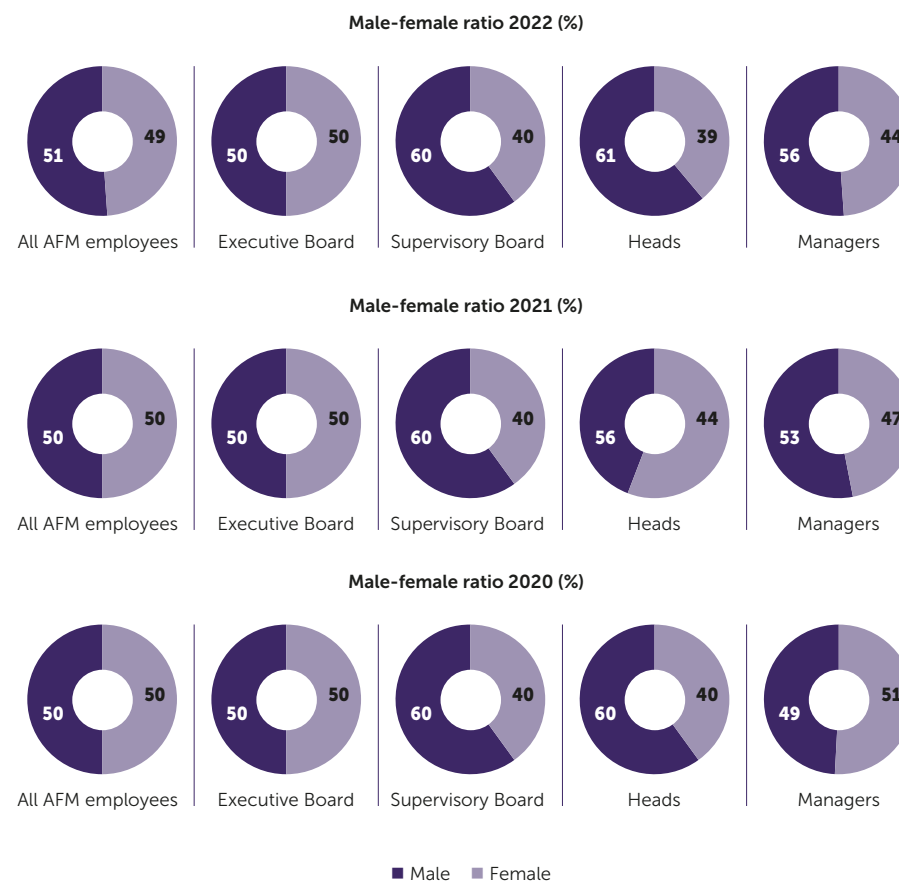


Figure 12. Absenteeism



As a social organisation, the AFM recognises that diversity and inclusion lead to better performance of 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, with our common aim being to fulfil our social duties as best as possible. This is reflected in the composition of our workforce, which has had a male-female ratio of about 50/50 for several years now, also among the senior management. There has been a slight decline in the number of women at management level

Figure 13. Male-female ratio overall and for managers in the past three years.

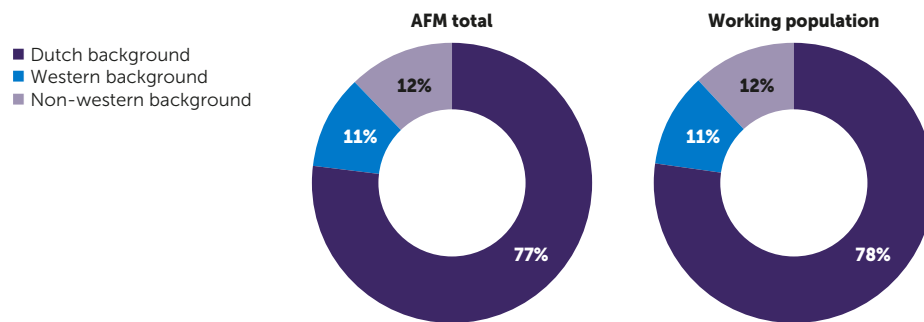




Furthermore, a review by Erasmus Q-Intelligence found that there is no statistically significant gender pay gap at the AFM. Male and female employees with similar characteristics doing the same work receive the same salary. Erasmus Q-Intelligence granted the AFM its highest possible label of 'excellent' in this respect.

Previous reviews have shown that our workforce is representative of the Dutch working population in terms of migration background. But as diversity and inclusion is never 'done', we will continue to strive to provide an environment where we make optimal use of a diversity of talent. This also applies to people for whom it is difficult to access the labour market.

Figure 14. Diversity at the AFM broken down by Dutch, western and non-western background.



Werken@AFM

As in the previous year, 2022 presented the challenge of finding a new rhythm between working from home and working in the office. This has been shaped further in Werken@afm, a broad project combining many solutions in anticipation of the new reality. Werken@AFM is about striking the right balance between office and remote working and providing the facilities and conditions to properly enable this. This includes facilities to set up a proper workplace at home, a homeworking allowance, an office accommodation plan, improved meeting facilities and flexible catering. But also, an amended mobility plan, sessions on employee well-being, and guidelines for minimum attendance and on whether working remotely from abroad is permitted.

Other activities

Leadership development

The fourth Future Leadership Programme (FLP) was successfully completed by eight participants in 2022, after a delay due to the coronavirus pandemic. 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 (*Zij-instroom Leadership Programma*, ZLP) was completed by seven participants in 2022. This programme is for recently appointed managers who have not completed the FLP and is more focused on practical matters.

Pension scheme

In the reporting year, the AFM pension scheme was evaluated with the social partners and agreement was reached on a pension scheme for the coming years until the time of transition to the new pension system in January 2027 (based on the draft Future of Pensions Act). The Executive Board of De Nationale APF subsequently agreed to the request from the social partners to continue the current collective defined contribution (CDC) scheme with effect from 2023 with an unchanged accrual target of 1.875% and a transition to a purely cost-effective contribution. This transition to a purely cost-effective contribution and the rise in the interest rate will be sufficient to be able to retain the 1.875% accrual target.

Social Annual report 2022

The AFM is also publishing a social annual report for the first time this year. This gives more insight into our role as an employer in a changing society and describes the activities we carried out in 2022 to design our organisation accordingly, such as in terms of preparing for the new pension system. We also give further information on our efforts around corporate social responsibility. For example, a guest teacher from the AFM visited 60 classes in secondary vocational education in 2022 to explain the difference between investing and speculation. We also look back on the 20 years of the AFM's existence, an anniversary we marked with plenty of celebrations in 2022.



Vitality week

We held our annual vitality week in early October 2022, with workshops and master classes on themes such as 'your brain and sleep', 'mental strength' and 'navigation in a VUCA (volatile, uncertain, complex and ambiguous) world'. The vitality of our employees is a continuous theme, not restricted to this week. A safe and vital working environment helps everyone to express their talent and develop themselves.

Strategy for 2023-2026

The new AFM-wide strategy for 2023-2026 was formulated in 2022, with prominent items including strategic personnel planning, multidisciplinary cooperation and learning and reflection. The development, vitality and sustainable employability of our people are more important than ever before. This means that we will continue to profile the AFM as an attractive employer, develop knowledge and skills for the future and strengthen the ability of our organisation to learn and adapt.

Towards a future-proof IT organisation

Society and the financial sector are becoming digitalised at a rapid pace. At the same time, new regulations are being introduced every year, compliance with which must be supervised by the AFM. We need to be adaptable to cope with or anticipate all these changes, and the same applies to our IT.

We have made important progress on improving our IT support in recent years. There has been a steady increase in maturity under the motto of 'getting the house in order'. Certain legacy applications have been removed, CRM has been further developed, standard IT tasks have been outsourced and a management department has been set up. At the same time, it continues to be a challenge to achieve the desired level of flexibility at an acceptable cost, and we are still sufficiently able to optimise our supervisory activities with the application of IT.

A few remaining items in the outsourcing of a large part of our IT services to Cegeka were completed in the first quarter of the reporting year. This mainly concerned actions relating to some of the new digital workstations. Completion of the transition means that an important objective has been achieved: continuity.

With the completion of the outsourcing and realisation of the intended Future Mode of Operation, the phase has been reached in which the AFM has control of all its IT services. Now we will find out whether the reality lives up to the expectations. There is of course a certain learning curve involved here. Partly for this reason, the AFM evaluated the transition and the internal management organisation with the assistance of an external organisational consultant. Among other things, this produced recommendations for making clear choices as to the desired relationship with an IT supplier, whether this should be a partnership or at arm's length, and how this should be structured. The consultant also looked at the internal management organisation and advised on potential improvements in this area. We recognise the findings of this evaluation and will translate the findings into appropriate actions where necessary.

IT strategy for 2023-2026

The AFM's new IT strategy for 2023-2026 was also formulated and adopted in 2022. This integrated approach means that the strategy optimally corresponds with the intended development of the AFM as a whole and the ever-increasing role of IT in this respect. The purpose of this is to ensure that we are 'Fit for the future!'. This approach involves paying attention to both the technical foundations and the ability to continue to improve and renew our supervisory processes. Furthermore, it should enable us to more easily add new supervisory processes in the future.



Completed projects in 2022

New hardware

The hardware was renewed in 2022, to provide optimal support enabling our employees to work on a location-independent basis. All employees were issued with a new laptop and smartphone in the second half of the year. This resulted in positive reactions from employees who use these IT resources for their daily work and who had a growing need for better performance in this respect. Supervisors now have an up-to-date workstation enabling them to cooperate smoothly by digital means and to perform their supervisory duties as effectively as possible.

Data collection via the AFM Portal

The project to enable the concentration of data requests to the sector into one single channel, the AFM Portal, was completed in the first half of 2022. This means it is now possible to handle other requests besides validated data collection streams, such as the AIFM reporting stream or the submission of annual reports in ESEF format. Examples of such requests include the complaints survey for insurers, pension surveys, and the reporting by investment firms and investment funds of their annual reports. For the AFM, this also means that all the information flows directly into our CRM system, and that the status of these processes can be more effectively monitored.

Link of CRM system with the DNB register

The AFM's CRM system also includes many companies that have obtained their licences from DNB. However, the information (or source data) from these companies was however frequently inconsistent and therefore required much manual work. A direct link with the DNB register was therefore realised at the end of 2022, so that relevant information on companies can be automatically synchronised. A new company in the DNB register will thus be automatically added to the AFM's CRM. This is a new step towards permanently improved data quality.

New website

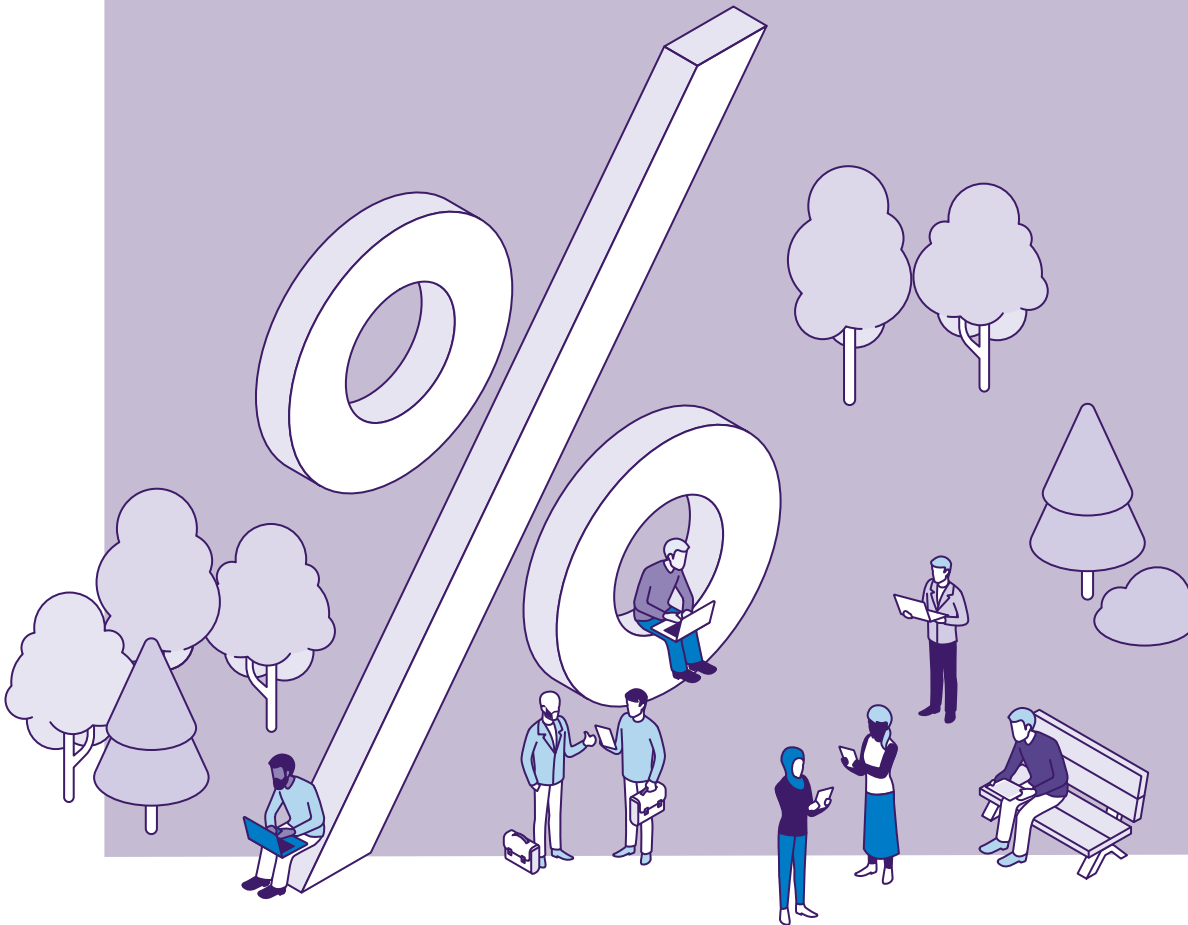
The website afm.nl was completely renewed both technically and functionally at the end of 2022. Visitors to the site can now find the information they are looking for faster in a logical manner. The improved search engine also contributes to this, as does the updated content on the website.

Open Government Act (Woo)

The Open Government Act (Wet open overheid, Woo) came into effect on 1 May 2022. The AFM has structured its processes so that it will continue to comply with the obligations under the Woo. We deal with requests for publication with care and in a timely manner, taking account of the applicable statutory framework and our duty of confidentiality. We do not publish information if the request concerns information that is confidential or subject to another exception stated in the Woo. The AFM received 9 requests under the Woo in 2022. In one case, the decision was made one day later than the decision period applying for this decision.



09 Organisation and management



In 2022 ...

- ✔ We have reflected on the 20th anniversary of the AFM, with attention to the future of supervision.
- ✔ We have developed our Strategy 2023-2026, with the three central themes digitalisation, sustainability and internationalisation.
- ✔ We further implemented the working practices and associated organisational structure of a data-driven supervisor during the reporting year.



The AFM is a non-departmental public body (NDPB) with statutory powers for the supervision of conduct in the financial markets. Under the Non-Departmental Public Bodies Framework Act (*Kaderwet zelfstandige bestuursorganen*), an NDPB is an administrative body of the central government that under or pursuant to legislation is invested with public authority and is not hierarchically subordinate to the Minister. The AFM is a foundation (legal entity) 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. The Minister of Finance appoints the Executive Board and the members of the Supervisory Board. The Supervisory Board may make non-binding nominations for these appointments.

The Financial Supervision Act (*Wet op het financieel toezicht*, Wft) contains various provisions regarding the governance of the AFM, including rules for the appointment and remuneration of members of the Executive Board and the Supervisory Board. The Wft also describes our duties. The governance and these provisions are further elaborated in our articles of association and regulations.

Corporate Governance Code

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

Dutch listed companies are expected to report in 2023 on their compliance with the Code in 2022. For the purpose of analogous reporting on compliance with the Code in 2022, 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 AFM because it is not a company but a non-departmental public body (NDPB) in the form of a foundation.

For instance, the AFM has opted to apply provisions in the Code concerning supervisory boards of companies by analogy to its Supervisory Board. The matrix is published on our website.

Best practice provision 2.1.6 of the Code states that the corporate governance statement contains a report on the application of a diversity policy. Our view with respect 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 respect to inclusivity.

The target rate for gender diversity is 40%. In 2022, this percentage was achieved for both the executive Board (including the Internal Operations Director (BIB)) and the Supervisory Board. We have additionally formulated a vision for diversity and inclusivity. This vision outlines, among other things, where these topics touch upon our supervisory activities. The vision also covers employership (including onboarding at the AFM and decision-making (multiple consideration)).

Report of the Supervisory Board

2022 was a turbulent year. The reporting year was again testament to the fact that geopolitical and economic turbulence impacts the financial markets and therefore also the AFM's supervision.

This has actually been the case for 20 years, the period for which the AFM has been in existence. There have been huge developments in the financial sector and the AFM's supervision in these two decades.

We marked this 20-year anniversary in various ways, both internally and externally. In June, we hosted a seminar 'On the future of Financial Services Conduct Supervision', focusing on supervision in the future. The AFM itself also focused on the near future with the revision of its strategy for 2023-2026. In the coming years, digitalisation, sustainability and internationalisation will require particular attention from the AFM.



The Supervisory Board wishes to thank the Executive Board and all employees for the way in which they have again committed to the AFM's mission with great drive and enthusiasm. 2023 will present new challenges, uncertainties and surprises. We look forward to the new year with confidence in the conviction that the Executive Board and our employees will continue to deal with this effectively.

Activities

Procedure

Each year, the top 10 priorities are established. The Executive Board informs the Supervisory Board about the progress on these priorities in its memorandum to the Supervisory Board. This does not only provide information on substantive progress; rather, it specifically also discusses dilemmas, risks or concerns. That enables the Supervisory Board to fulfil its sounding-board role in an effective manner and to assess the way in which the Executive Board implements the strategy. In addition, specific strategic supervisory topics are placed on the agenda for each meeting, with the aim of conducting a discussion on the main current issues.

Priorities and strategic issues

We have been closely involved in the formulation of the revised strategy for 2023-2026. At the beginning of this process, we exchanged ideas with the Executive Board on how the AFM can increase its social impact and strengthen its authority. These insights were included in the formulation of the strategy. The Executive Board conducted several 'deep dives' with input from external stakeholders. This led to a number of developments such as digitalisation, sustainability and internationalisation that require increased attention from the AFM. We recognise these developments and consider their embedding in the AFM's strategy to be of great importance. We also wholeheartedly support the extra attention to the creation of a professional organisation. We stressed the importance of involving the entire organisation in the roll-out of the new strategy.

The AFM's development towards becoming a data-driven is continuing unabatedly. We greatly appreciated hearing of a number of successful projects in which the AFM has shaped its data-driven supervision. The Supervisory Board also discussed how data-driven supervision could best be embedded in the organisation. The Executive Board also informed us in detail regarding developments in the area of digitalisation and the impact this has on the AFM's work, and the implications of this for national and international cooperation with other supervisory authorities. We are aware that future developments will require the AFM to continually achieve further development, in terms of both its policy and its organisation. Further to our discussions, we will organise a strategic session with the Executive Board in 2023 on the impact of digitalisation on the AFM.

The Supervisory Board discussed the supervision of pensions at length. The new Pensions Act is expected to come into force on 1 July 2023. The AFM is involved in various activities to prepare both the sector and its internal organisation for the transition to the new pension system. The Supervisory Board discussed matters including the funding, cooperation with DNB and the structural phase after the transition.

A number of topics relating to retail supervision were discussed this year, including the approach to retail investing, and the role of data-driven supervision in this context. The supervision of intermediaries was also addressed, and the Supervisory Board was informed regarding the most recent developments, opportunities and risks in relation to this supervision. Important developments in this area include digitalisation and consolidation. The Executive Board is assessing whether a revision of the supervision of this sector is required. A proposal for setting up periodical financial maintenance was also discussed, and the Supervisory Board was given an update on the supervision of money laundering.

The AFM has been responsible for the executive supervision of non-PIE audit firms since 1 January 2022. At the end of 2022, the Supervisory Board was informed of the progress and the supervisory methodology developed for this. We appreciate the way in which the AFM has made acquaintance with this new supervisory population and how the insights obtained are being incorporated.



One current theme is placed on the agenda for each meeting. In this reporting year, we were for instance informed about the AFM's study into influencers. This study involved innovative methods on the part of the AFM and garnered a lot of international attention. In addition, the Executive Board discussed with this us the impact of the war in Ukraine on the AFM, such as in relation to the AFM's approach to the sanctions policy and the developments in the gas derivatives market. The Executive Board also used us as a sounding board to exchange ideas on whether the AFM should aspire to additional duties in the area of corporate governance.

During the annual off-site meeting with the Executive Board, we addressed the topic of regulatory burden and invited a company subject to the AFM's supervision to explain how it experiences this supervision. We were subsequently informed about how the AFM gives shape to its risk-based supervision. This session produced instructive and valuable insights. We also discussed the AFM's cooperation with DNB and other supervisory authorities, and were given a detailed presentation on consumer behaviour. The Supervisory Board is pleased with the steps taken in relation to the cooperation between the AFM and DNB.

In addition to the topics mentioned above, we were also informed about the follow-up to the evaluation by KWINK and the legal reporting in 2022.

Business operations

In 2022, we also assessed the regular financial reporting. We approved the 'Agenda 2023' (including budget). We signed the engagement letter with the statutory auditor. In relation to the business operations, we were regularly informed about the progress of the project to improve the levying process, and we were updated on corporate social responsibility, the funding of supervisory duties, the provision of IT services and the IT strategy.

Governance and compliance

We approved the updated mandate regulations in the reporting year. All the AFM's current regulations and by-laws are available on the AFM's website.

At each meeting, we reviewed the register of ancillary positions with the compliance officer in attendance. We also assessed various ancillary positions in accordance with the applicable assessment framework. In addition, we discussed the periodical reports from Compliance & Integrity.

Departures and appointments of members of the Executive Board and members of the Supervisory Board

The composition of the Executive Board under the articles of association and the Supervisory Board did not change in 2021. Hanzo van Beusekom and Jos Heuvelman were reappointed as members of the AFM Executive Board, on the nomination of the Supervisory Board. We are pleased with these reappointments. In the past period, the AFM has benefited from the huge experience and renewal that these two Executive Board members contribute. The reappointments also contribute to management continuity.

Appointments and remuneration committee

The appointments and remuneration committee prepared for the reappointment of the Executive Board members Van Beusekom and Heuvelman. The committee was also informed regarding progress of the change to the AFM's system for recognition and remuneration, and acted as a sounding board on this matter. The committee's advice was not to proceed with implementation of the new system until a sufficient critical mass has been reached. The decision to implement the new system was taken by the Executive Board, and the new system will be in force from the beginning of 2023. There was also discussion of succession planning and the process of evaluation of Board members was assessed, and this will be optimised where possible.

Audit committee

The audit committee held intense discussions on the subject of levies this year. During the year-end close for 2021, the audit committee was informed about how the provisional item for levies was estimated and the uncertainties and risks involved in this. The audit committee also took note of the progress on the project to improve the levying process, including in terms of data quality. The realisation of a new levies application was delayed. The audit committee took note of the alternative approach that was prepared for this. This topic continues to receive heightened attention, and the audit committee wishes to stress the importance of this improvement project.



The Executive Board informed the audit committee in detail regarding the new IT strategy. There were also regular reports on progress in relation to IT services, including proposed improvements. The audit committee endorses the new IT strategy. An important element in the IT strategy is the transition to the cloud and strengthening the control function. The audit committee stresses the importance of being realistic and first ensuring that the foundations of the IT facilities are robust.

This year featured a new form of risk reporting which includes all risks associated with implementation, including the improvement actions by Compliance & Integrity. The audit committee welcomes this integrated form of reporting. A risk appetite statement will be used for 2023. The Internal Audit Service (IAS) prepared several audit reports for the committee's agenda, and the audit committee approved the annual plan for the IAS.

The IAS's capacity was limited in 2022 due to turnover of personnel. The Board carried out a review of how the 'three lines of defence' could best be made operational within the AFM. The audit committee provided input for this and took note of this review. The audit committee did not hold any individual interviews this year due to the departure of the head of the Internal Audit department, but it did hold interviews with the senior auditors. In addition, we held separate discussions with the external auditor without the presence of the Executive Board. The audit committee prepared for these discussions. The topics discussed included levies, experiences with the performance of the external audit and a number of specific audit findings.

Permanent education and provision of information

We included various elements in our permanent education sessions this year, with a focus on learning what is going on in our internal organisation. We held discussions with department heads in order to get more acquainted with each other and understand the main (future) challenges and developments involved. There was also a discussion with representatives of the 'future leader programme' on the findings of their review of diversity and inclusivity at the AFM. We also carried out a motivational analysis and discussed this with each other. The colour profiles arising from this analysis produced valuable insights, also regarding leadership style. The Board also carried out this analysis and a collective follow-up will take place in 2023.

Members of the Supervisory Board attend consultative meetings with the Works Council twice a year. We also meet with the Ministry of Finance twice a year on the basis of a fixed consultation structure. This year, the Supervisory Board also discussed the subject of digitalisation with the Ministry of Finance and DNB. And lastly, we held discussions with the Supervisory Board of DNB, where matters including the cooperation between the AFM and DNB were discussed.

Evaluation of the Supervisory Board and the Executive Board

The Supervisory Board conducted an evaluation of the individual members of the Executive Board and of the Executive Board as a whole at the beginning of 2022. Input for this was obtained from (among others) department heads, fellow directors and ourselves. We subsequently held individual interviews with Executive Board members, covering both areas of development and necessary training. The Supervisory Board is of the opinion that the Executive Board operates effectively and that it performs its tasks appropriately. For 2023, we will also hold a discussion with the Executive Board as a whole and discuss its collective operation.

We also carry out an annual self-assessment. As a follow-up to the self-assessment in 2021, we held several discussions with the internal organisation, and this will continue in 2023. It is useful for us to understand what is going on in the internal organisation, as well as hearing the views of external stakeholders. We placed several items on the agenda ourselves and discussed them with the Executive Board this year, such as the social impact of the AFM.

We conducted the self-assessment for this year at the end of 2022. We discussed the results in a separate evaluation session on the basis of questionnaires previously completed by ourselves and the Executive Board. The findings will be discussed with the Executive Board in early 2023. The overall picture presented is positive. The various roles in the Supervisory Board are fulfilled adequately and we are an effectively functioning and complementary team. We have identified certain critical and strategic items for 2023 that need to be priority items on the agenda this year. We will further develop our critical questioning role in 2023. Informal meetings will also be facilitated in 2023 in addition to the regular meetings to maintain good relations between the Supervisory Board and the Executive Board.



Meetings of the Supervisory Board and its committees, and attendance of Supervisory Board members

We met on seven occasions in the reporting year, on one occasion without the Executive Board being present. There was also an additional meeting specifically dealing with the new strategy for 2023-2026, one annual off-site meeting and two meetings in the context of permanent education. Most of the meetings were in-person meetings. Supervisory Board members Voetelink and De Jong were absent at two regular meetings, and Supervisory Board member Van Dolen was absent at one meeting. Their attendance rate was therefore 72% and 86% respectively.

The audit committee held three regular meetings in 2022 and one additional meeting in connection with the year-end close for 2021. The meetings were attended by all committee members, and were held both digitally and in person. The meetings were held in the presence of the Chair of the Executive Board, the Director of Operations (BIB), the Head of Planning, Control and Finance, and a delegation from the Internal Audit department. The external auditor from the Government Audit Department (*Auditdienst Rijk*, ADR) attended the meetings at which the financial statements, the budget, the management letter and the confirmation of the engagement of the ADR were discussed.

The appointments and remuneration committee held two regular meetings during 2022 and also consulted without holding a meeting (in digital form) as necessary. The meetings were held both digitally and in person. The regular meetings were attended by all committee members. The meetings were held in the presence of the Chair of the Executive Board and the Head of Human Resources & Facility Services.

Independence and conflicting interests

The articles of association state that members of the Supervisory Board must perform their duties independently and not 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 conflicts with the interests of the AFM, they shall not attend the consultation or decision-making with respect to the matter in question. This occurred on one occasion in 2022.

About this report

The Supervisory Board has approved the annual report and the financial statements for 2022. The AFM's statutory auditor was in attendance during the discussion of the financial statements.

Amsterdam, 6 March 2023

The Supervisory Board of the AFM



Composition of the Supervisory Board and Executive Board

Supervisory Board

In 2022, the Supervisory Board consisted of:



Chair
Martin van Rijn

1956, Dutch citizen, first appointed as Chair on 24 May 2019, current term to 24 May 2023, first appointment as member 15 February 2018, ending on 23 May 2019

Member of the appointments and remuneration



Member
Wendy de Jong

1966, Dutch and Canadian citizen, first appointed as member on 15 February 2019, current term until 15 February 2023

Chair of audit committee



Vice-Chair:
Willemijn van Dolen

1972, Dutch citizen, first appointed as member on 1 September 2016, reappointed on 1 September 2020, current term until 1 September 2024



Member
Rob Langezaal

1958, Dutch citizen, first appointed as member on 1 September 2019, current term until 1 September 2023

Chair of appointments and remuneration committee



Member
David Voetelink

1953, Dutch citizen, first appointed as member on 15 July 2019, current term until 15 July 2023

Member of audit committee



Executive Board

In 2022, the Executive Board consisted of:



Chair
Laura van Geest

1962, Dutch citizen, first appointed on 1 February 2020, current term until 1 February 2024



Member
Jos Heuvelman

1962, Dutch citizen, first appointed as member on 1 September 2022, current term until 1 September 2026



Member
Hanzo van Beusekom

1972, Dutch citizen, first appointed as member on 1 June 2022, current term until 1 June 2026



Director of Operations BIB
Linda Sas

1972, Dutch citizen, first appointed on 1 May 2021

The portfolio allocation for the Executive Board is shown in the [organisational diagram on the website \(pdf; 120 kB\)](#).

The ancillary positions of members of the Supervisory Board and the Executive Board, as well as the profile descriptions for the Supervisory Board and the Executive Board, are shown on the website of the AFM.



Governance at the AFM

Works Council

One of the most important items in 2022 was the approval process for the new policy for recognition and remuneration, in which continuous dialogue is the central issue. In this longer term process, the Works Council expressed support for the proposed remuneration system, in which pay is separated from the evaluation. Among other things, the Works Council called for special attention to the design of the new method of providing recognition to employees, the formulation of success factors and the monitoring of progress in behavioural changes by employees and managers towards the aims of the new policy for recognition. In the run-up to the new recognition and remuneration policy, the Works Council organised well-attended sessions to obtain feedback from AFM employees. The Works Council also organised walk-in moments for all colleagues throughout the year. In addition, the Works Council informed all AFM employees regarding the points discussed at the Works Council meetings held every two weeks. This greater visibility contributed to vacant positions on the Works Council being filled quickly with new and enthusiastic members.

The Works Council and the AFM Executive Board strengthened their mutual relationship in 2022. This made it easier to share signals from employees with the Executive Board, including signals with respect to the IT facilities. The Works Council is very positive regarding the improvements in this area. In 2023, the Works Council will work with the Executive Board on further strengthening cooperation. The implementation and evaluation of the processes begun in 2022 will receive our express attention so that the intended targets can indeed be realised.

The Works Council dealt with eight requests for advice and consent in 2022:

- Consent to recognition and remuneration policy
- Consent to changes in defined contribution group
- Consent to placement of net pension scheme with Aegon Capital
- Consent to reduction of minimum contribution funding ratio
- Advice on data-driven supervision
- Advice on structure of Communications department
- Advice on restructuring of pension supervision
- Consent to smoking policy

The AFM and DNB received 15 notifications of duplications in the data requests made by the two supervisory authorities. In July 2022, the AFM and DNB requested all companies subject to their supervision to report duplications in the data requests from the AFM and DNB. The reason for obtaining this information concerned recommendations from the AFM's and DNB's evaluations of the Non-Departmental Public Bodies Framework Act. We wish to thank the reporting institutions for their contribution.

Less duplication, lower burden

Together with DNB, the AFM has looked at where companies experience duplication in the requests for information that we both make. This was raised as an item of attention in the NDPB evaluation in 2021. The aim was to limit duplication as far as possible in future and thereby reduce the reporting burden on the sector. We received 15 notifications with examples. The respondents included investment firms/investment funds, banks, insurers and pension providers. 11 of the examples concerned recurring requests from the AFM and DNB. The other 4 concerned non-recurring requests. For 3 of the examples of duplication, the notifying party estimated that significant cost savings could be realised if the duplication were to be avoided. For the other 12, the potential saving was low to middle, according to the notifier.

Based on the input, DNB and the AFM have agreed to reduce the experienced duplication. At thematic level, we will look at the options for issuing collective requests.

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 its capacity as the supervisory authority for the financial markets, AFM employees have to set an example with respect to integrity.



The organisation as a whole is also expected to set an example in this respect. The position and reputation of the AFM as a supervisory authority can only be assured if we lead the way when it comes to integrity and policy relating to integrity.

Activities in 2022

Many of the activities of the compliance function are regular in nature. The duties include making employees, the Executive Board and the Supervisory Board aware by means of training courses on integrity and conduct, providing information to employees via intranet messages and conducting dialogues at specially organised consultation sessions (also by telephone).

The compliance officers also actively monitor matters such as personal investment transactions, ancillary activities, invitations and gifts. In addition, the Supervisory Board was advised with respect to ancillary functions and activities of members (or prospective members) of the Supervisory Board and the Executive Board. Besides dealing with individual ancillary functions, the meetings of the Supervisory Board regularly devote attention to the compliance and integrity policy in a wider context.

In addition to these regular activities, attention is devoted to raising awareness of the Code of Conduct and the associated regulations of the AFM. A number of important matters, such as trading in crypto currencies, personal investment transactions and ancillary activities, were brought to the attention of employees by means of publications on the intranet and the AFM website. This led to questions and notifications in relation to compliance and integrity issues.

Extra attention was paid to the issue of (undesirable) behaviour. Both the Executive Board and managers discussed this issue within their own departments. Employees were reminded about desirable behaviour at the AFM by messages on intranet and other means and informed about how harassment should be reported.

The AFM encourages an open culture with respect to errors, in which all employees feel comfortable enough to express doubts and discuss dilemmas and possible infringements. This was also addressed by means of messages on the intranet and training courses.

Notifications and signals regarding own personnel

The compliance officers investigate signals relating to integrity in accordance with the 'Reporting (suspicion of) abuses and breaches of integrity' and 'Investigation of integrity and sanctions' regulations.

Every relevant signal in principle leads to an investigation of the facts. Enforcement may or may not take place, depending on the outcome of this investigation. 25 notifications were received in 2022, 22 of which were from our own personnel. 7 of these 25 notifications led to the imposition of a measure. In 5 cases, this led to entry of a note in the personnel file of the employee concerned (this is a minor sanction). A written warning was issued in 2 cases. The other notifications received did not lead to the imposition of a sanction.

Many of the notifications leading to an investigation concerned compliance with the regulation on private investments, which applies to all AFM employees to prevent trading with inside information or the semblance thereof. 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 having obtained prior permission from the compliance officer.

Risk management

The Executive Board and management are responsible for the design, existence and effective operation of a risk management framework. Part of this system is a risk management process in which risks are identified in relation to the intended objective. Control measures are implemented where necessary and the development of the risk is monitored. 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 respect to performance. The design of our risk management has been approved by the Supervisory Board and the statutory auditor.

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

It is a statutory and social duty of the AFM 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 2022 Agenda.

In the reporting year, the AFM actively focused on achieving the results defined in the Agenda. In addition, new developments in the financial markets are monitored and consideration is given to whether adjustments or additions to our strategic objectives would be appropriate. The specific controls of the key market risks are described in the initial sections of this annual report.

Operational risks

Operational risks concern all the possible events that could have an impact on our values or the realisation of our goals.

The operational risk management framework was further developed in the organisation in 2022. The main addition concerned the formulation of an assessment framework for operational risks. This framework will be incorporated in the risk management process from 2023 onwards. Among other things, this will ensure that the various operational risks can be ranked more effectively.

On request, the central risk function has supported the departments on improving their risk self-assessments. These risk assessments resulted in risk overviews for each portfolio or Executive Board member and a risk overview for the organisation as a whole. These risk overviews ensure that the prevailing risk overview is confirmed and further specified. The types of risk that have the highest net scores for the AFM are explained in more detail elsewhere in this annual report.

Based on the risk overviews from the self-assessment, we considered whether the departmental targets for 2022 needed to be adjusted in order to reduce risks. In the Operational Risk Board, the first, second and third line regularly discuss and take steps to manage risks that could affect the AFM's realisation of its objectives.

Operational risks and control measures

The management of operational risks in our supervision and business operation is fundamental for the quality of our activities. The AFM manages risks as a permanent part of its control cycle and project methodology in order to achieve the organisation's objectives and to protect the organisation's values that lie in its people, information, capital and reputation.

All departments conduct regular risk assessments to identify risks and evaluate existing control measures. The results are consolidated, and a report on operational risks is submitted to the Executive Board and the audit committee of the Supervisory Board three times a year. As a result, a number of risks were identified in 2022 that require extra attention from the organisation as a whole.

1. Insight into chain and process dependencies
To make the most efficient use of our available resources and prevent undesirable effects of organisational changes, a pilot study was begun in 2021 for a number of processes to improve insight into dependencies throughout the organisation. In 2022, this study led to a project to document and optimise all (new) AFM-wide processes and chain dependencies. The key processes were thus identified and the related control measures were updated. A start was made on improving the levying process in 2022. The responsibilities for this process have been clearly defined. This project will continue in 2023.
2. Realisation of duties and statutory ambitions
As a result of the (increasing) tightness in the labour market and the expansion of our supervisory activities, the demand for sufficient high-quality personnel continued to a point for attention in 2022. The evaluation of recruitment processes, the formulation of a new HR strategy and the optimisation of the HR data position have contributed to optimising our recruitment process. This has improved our ability to realise our tasks and statutory ambitions. Improvements will be made in 2023 as part of the new IT strategy for automating activities and to limit the need for manual work.



3. Information security

Controlling cyber risk continues to be as important as ever for the AFM. To this end, our information security was periodically tested against the maturity level the AFM aspires to. In addition, multiple tests were carried out on the AFM's security measures by independent security experts. Testing information security is a continuous process and the findings have led to various improvements. In cooperation with our IT suppliers, there was also renewed attention to the removal of legacy systems and ensuring business continuity.

4. Privacy

The AFM has set itself the ambition of becoming a data-driven supervisor, and processes personal information for both its supervisory duties and in its business operations. Responsible use of data and compliance with the GDPR are also matters that receive continuing attention at the AFM. To ensure continuing awareness and attention, various initiatives were started in 2022 that contribute to a thorough embedding of the applicable statutory framework in our internal business operations and in the exercise of the AFM's supervision.

There were 15 incidents relating to personal information investigated in 2022. None of them required notification to the Data Protection Authority.

5. Business continuity management

The government scaled down its measures to combat the coronavirus pandemic in 2022. Our employees were thus able to resume working at our offices. Safe working without disruption to business continuity continues to be a priority. The pandemic crisis plans have been updated and can be activated at short notice. New members of the crisis organisation were trained in 2022 and various exercises were held. The evaluations will be used in the exercises to be held in 2023.

The Business Continuity Management policy was updated in 2022. The related control measures can be evaluated and improved as necessary based on the surveys of AFM-wide processes and the identification of the most important processes for the AFM. This benefits business continuity in general.

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 the 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 certainty that the financial reporting does not contain any material misstatements.

Legal proceedings

The AFM and its employees must behave correctly in their treatment of others. If a person believes this is not the case, they 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 (*Algemene wet bestuursrecht, Awb*).

The General Counsel received three complaints in 2022. One complaint was not substantively considered, one was declared to be unfounded and partly not considered and one complaint is currently still under consideration. On behalf of the General Counsel, we have issued a response to questions and general complaints regarding the policy of the AFM. Complaints regarding companies subject to supervision are flagged internally in order to support the implementation of our supervision.



Objections and appeals

We received 81 objections in 2022, well below half the number received in the previous year (2021: 172). Most of the objections (61) were against the levies imposed on the basis of the [Financial Supervision \(Funding\) Act](#) (*Wet bekostiging financieel toezicht, Wbft*). The objections related to levies for non-recurring supervisory procedures and levies for ongoing supervision.

The other 20 objections were against various decisions. These included objections against the imposition of fines (4), the issuance of instructions (4) and orders for incremental penalty payments (1).

A total of 143 objections were dealt with in 2022. 117 of these were withdrawn, 15 were declared inadmissible, 3 were fully or partially upheld, 7 were declared to be unfounded and 1 was partially awarded. In over 95% of the cases, we made a decision regarding the objection within the applicable statutory period.

Legal proceedings

The total number of legal proceedings instituted increased slightly in 2022 compared to 2021 (29 in 2022 compared to 27 in 2021). Rulings were issued in 25 legal proceedings (provisional rulings, appeals and higher appeals) in 2022. A number of the proceedings in part led to the formation of law and were fundamental in nature. There were 16 rulings in favour of the AFM, 5 partly in our favour and 4 against in the reporting year. The rulings were thus (generally) favourable to the AFM in 84% of the cases. This applies for instance if a ruling requested by an opposing party is rejected, an appeal or a higher appeal by an opposing party is declared to be unfounded, or if the opinion of the AFM is generally upheld.

Appeals committee

Before deciding on an objection, we give the interested parties the opportunity to present their arguments orally to the appeals committee. The appeals committee held 9 hearings in 2022. This procedure is only not held if there is no possible reasonable doubt regarding 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 by the appeals committee is held.

The AFM appeals committee, which is not an advisory committee in the sense of Section 7:13 of the General Administrative Law Act (*Algemene wet bestuursrecht*), consists of an external Chair, a legal expert from the Legal Affairs department and (in some cases) a representative from the department that prepared for the primary decision that is the subject of the objection. The appeals committee had two external Chairs in 2022: Mr C.O.W. Dubbelman and Mr J.A.F. Peters.

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 (strategic) planning, implementation, direction, adjustment and reporting. The issue of whether we are 'on track' is assessed on the basis of various interim measurements. Adjustments are made when necessary. External stakeholders are informed as to the progress made. The AFM gives account of the results and effects of its efforts in its annual report.

Report on lawfulness of financial management

We made further progress on professionalising our procurement in 2022. We have now implemented a real-time automatic link between the procurement system and the financial system. We are also making better use of the possibilities of our procurement system. The procurement process can now be operated digitally to a greater extent.

The process for European tenders is operated in a uniform and controlled manner. We remained well within the government-wide tolerance level (2% of actual costs) for unjustified procurement in 2022. No unlawful practices were identified for 2022. 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 (*Wet bekostiging financieel toezicht*), this auditor is not subject to supervision by the AFM. A choice was made to engage the Government Audit Department (ADR), which carries out the internal audit function for several ministries, including the Ministry of Finance.



Since the ADR, like the AFM, falls under the Ministry of Finance, the Ministry has taken specific measures with respect 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 as a result of his position at the ADR or his responsibility for work at the ADR for other clients.

Funding of the AFM

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

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 once every 5 years by the Ministers of Finance and of Social Affairs and Employment. The percentage shares are determined on the basis of registered hours in supervision (and support of supervision) on supervision codes. These hours recorded are allocated annually to the various categories. The average of the 3 preceding years and an estimate of changes in supervisory efforts for the next 2 years are used to determine the percentage shares.

The costs to be charged for ongoing supervision in any year are determined by adding or subtracting the operating balance in the previous year to or from the budget for the year in question, after deduction of the budgeted proceeds for non-recurring activities. Non-recurring activities are settled on a cost-effective basis. The charges for ongoing supervision are allocated across 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 measure values for each company, the Ministers of Finance and Social Affairs and Employment set the annual rates in the Financial Supervision (Funding) Regulation (Regeling bevestiging financieel toezicht).

Development of the costs of supervision

The AFM budgets costs by cost types and by supervisory areas. The AFM's supervision is risk-driven and often conducted by means of thematic reviews. Various disciplines contribute to this supervision, usually by various departments. Accordingly, the supervisors and support staff register 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 structure that is established by the Ministers of Finance and Social Affairs and Employment. The current cost structure runs from 2021 to year-end 2024 and is as follows.

Table 7. Overview of cost structure.

	2020	2021	2022	2023	2024*
<i>Base amount (starting point = budget 2020)</i>	106,2	105,9	105,9	105,9	105,9
Known expansion of tasks		3,0	5,2	12,0	14,1
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	119,3
Target		0,4-	0,8-	1,2-	1,6-
Wage adjustment		0,8	2,1	4,6	7,1
Price adjustment		0,6	1,3	4,3	5,2
Budget framework	106,2	111,7	114,1	125,7	130,0
Contingencies		1,5	2,0	3,0	4,0
Multi-year framework	106,2	113,2	116,1	128,7	134,0

* The adjustment for salaries and prices in 2024 is assumed to be 3.2%





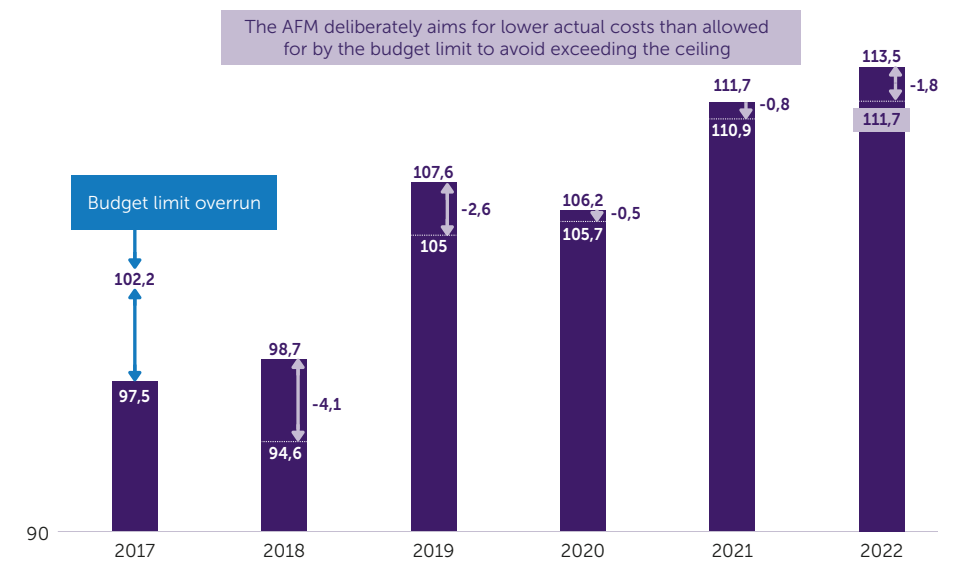
The base amount in the cost structure for 2021-2024 is the budget for 2020, based on the statutory duties of the AFM. The increase in the costs of supervision in the current cost structure relates to known additions to the AFM's tasks, mainly in relation to the supervision of auditors and the supervision 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 cost framework for 2022-2024 has been adjusted for the expansion of our supervision of the accountancy sector (supervision of PIE audit firms). In addition, the cost framework for the years 2023 and 2024 has been further increased for the expansion of our supervision of pensions.

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 structure). For price adjustments, we use the 'annual change in the CPI', as published by CBS in June of the year preceding the year to which the budget for supervision relates. In the 2022 budget, a price adjustment of 2% is used. Finally, an item is included for unforeseen developments. This was not used in 2022 and we can only call on this based on a substantiated management proposal approved by the Supervisory Council and with the prior knowledge of the Ministry of Finance.

The figure above shows the multi-year trend in actual supervision costs, compared with the agreed cost structure for the years concerned. In past years, the budget has been at the same level as the cost structure. The strong increase in the budget in 2019 was due to the €7.7 million increase to the cost structure to prepare for the expansion of our supervision of the capital markets as a result of Brexit. Including adjustment for salaries and prices, the cost structure for 2022 comes to €113.5 million.

Figure 15. The multi-year trend in actual supervision costs, compared with the agreed budget framework for the years concerned. In past years, the budget has been at the same level as the cost structure (excluding the contingencies item, which has not been budgeted). The strong increase in the budget in 2019 was due to the € 7.7 million increase of the cost structure to prepare for the expansion of our supervision of the capital markets as a result of Brexit. Including the adjustment for salaries and prices, the budget framework for 2022 comes to € 113.5 million.



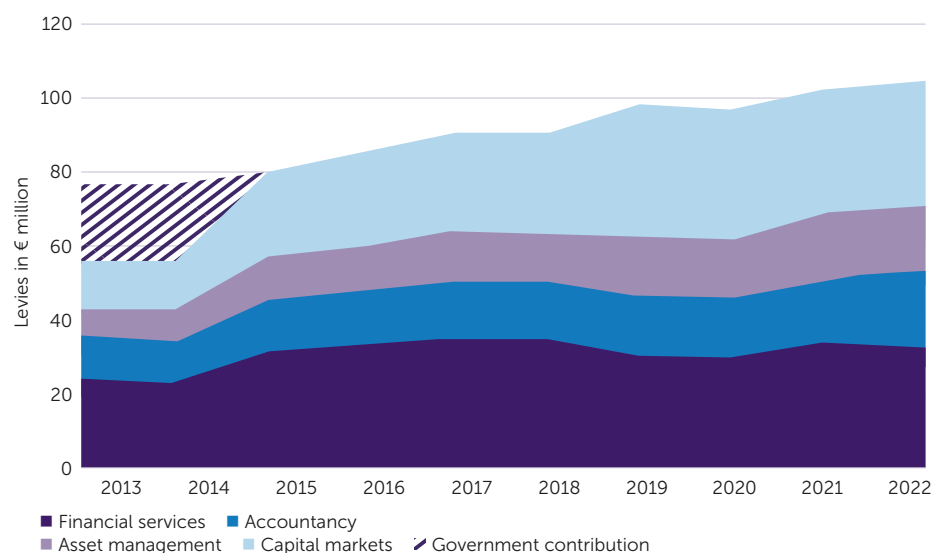
The figure shows that the AFM has remained within its budget and cost structure since 2018.



Recharge of costs in levies for ongoing supervision

The figure below shows the costs recharged to companies subject to supervision, divided into the separate supervisory areas. The 16 levy categories underlie 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 16. Development of levies per supervisory area.



Overall, there was a significant increase in levies in 2015. This was attributable to the discontinuation of the government contribution of some €20 million. 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 established rates and the measurement values.

Financial services

The levies for financial services providers were 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 pensions system initiated by the government. Costs will increase in the coming years due to the transition to the new pensions system initiated by the government. Accordingly, the cost framework for the years 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, the 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 audit firms, due to the quality improvement in the sector that initially was insufficient and therefore required a more intensive level of supervision. Costs will rise in the years to come, due to the expansion and intensification of our supervision. The current cost framework has been adjusted for this, increasing up to €2.4 million in 2024.



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Statement of income and expenditure

for the years ended 31 December

(Figures in EUR x 1,000)		2022	Budget 2022	2021
Income				
Levies	a.	103.632	112.923	117.266
Fines	b.	3.045	-	1.222
Orders for incremental penalty payments	b.	20	-	7
Government contributions	c.	552	583	445
Total income		107.250	113.506	118.940
Expenditure				
Employee expenses	d.	84.458	87.925	84.163
Depreciation costs on non- current assets	e.	1.205	1.577	1.262
Other operating expenses	f.	26.018	24.024	25.528
Total expenses		111.681	113.526	110.954
Financial income and expenses	g.	- 15	- 20	- 17
Total expenditure	h.	111.666	113.506	110.936
Operating balance	p.	- 4.417	-	8.004



Statement of financial position

as at 31 December (after result appropriation)

Assets		2022	2021
Non-current assets			
<i>Property, plant and equipment</i> i.			
Renovations		1.854	2.029
Furniture and fixtures		659	679
Computer equipment and software		1.458	369
Total Non-current assets		3.971	3.077
<i>Financial non-current assets</i>			
Rental guarantee account	o.	688	688
Total Financial non-current assets		688	688
Total non-current assets		4.659	3.765
Current assets			
<i>Receivables</i>			
Debtors	j.	22.820	14.893
Current receivables, prepayments and accrued income	k.	12.998	5.584
Total receivables		35.818	20.476
<i>Cash and cash equivalents</i>			
Cash and cash equivalents	l.	27	3.583
Total cash and cash equivalents		27	3.583
Total current assets		35.845	24.059
Total		40.504	27.824

Liabilities		2022	2021
Levy reserve	m.	3065	-
Provisions	n.	1.939	3.877
Current liabilities (up to 1 year)			
Current account Ministry of Finance	0	19.643	-
Still due (repayable) to Ministry of Finance	0	31	135
Operating balance to be settled	0	1.295	8.777
Creditors	0	3.388	2.889
Tax and social insurance contributions	0	4.957	4.310
Other payables and accruals	0	6.185	7.835
Total current liabilities (up to 1 year)		35.500	23.947
Total		40.504	27.824

(Figures in EUR x 1,000)



Statement of cash flows

for the years ended 31 December

Cash flow		2022	2021
Cash flow from operating activities			
Operating balance		- 4.417	8.004
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	e, i.	1.205	1.262
Divestments of property, plant and equipment	i.	8	65
Movement in provisions	n.	- 1.938	3
<i>Total adjustments</i>		- 725	1.330
<i>Increase (-/-) / decrease in working capital:</i>			
Current receivables		- 15.342	11.942
Current liabilities		19.035	- 14.677
<i>Total increase (-/-) / decrease in working capital:</i>		3.692	- 2.734
Payment of fines and orders for incremental penalty payments due to the State under Section 11 Wbft		-	- 2.396
Cash flow from operating activities		- 1.449	4.204
Cash flow from investment activities			
Investments in property, plant and equipment	i.	- 2.107	- 739
Cash flow from investment activities		- 2.107	- 739
Net cash flow		- 3.556	3.466
Closing balance 31 December	l.	27	3.583
Less: opening balance 1 January	l.	3.583	117
Movement in cash and cash equivalents		- 3.556	3.466

(Figures in EUR x 1,000)



Notes

General

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

As prescribed in the Non-Departmental Public Bodies Framework Act (*Kaderwet zelfstandige bestuursorganen*), the AFM's financial statements are as far as possible presented in accordance with Title 9 Book 2 of the Dutch Civil Code (*Burgerlijk Wetboek*, BW). Instances where the provisions of Title 9 Book 2 BW are not followed are explicitly disclosed. The AFM's financial statements must in addition meet the requirements of the Financial Supervision (Funding) Act (*Wet bekostiging financieel toezicht*, Wbft) and the Senior Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (*Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector*, WNT). All amounts in these financial statements are stated in thousands of euros, unless otherwise stated. The amounts in the tables have been 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 fines and orders for incremental penalty payments. In cases where an objection, appeal or higher appeal against a levy imposed is upheld, the amount to be repaid is deducted from the income from levies.

In accordance with Section 8(2) Wbft, income from fines and orders for incremental penalty payments is recognised as income once the following two facts apply: (a) they are declared irrevocable and (b) the AFM has actually received the amounts imposed. Therefore, 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 BW.

With effect from 2022, Section 8 of the Financial Supervision (Funding) Act (*Wet bekostiging financieel toezicht*, Wbft) states that income from fines and orders for incremental penalty payments in excess of €4.5 million accrues to the State. In previous years, this threshold was €2.5 million. With effect from 2022, under Sections 8 and 8a Wbft, 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. In previous years, realised income of up to €2.5 million was set off against the levy for ongoing supervision in the subsequent year. See the note to letter p. 'operating balance to be settled'. Section 8a(1) Wbft sets a maximum for the levy reserve. This will be further detailed in the Financial Supervision (Funding) Decree (Bbft) in effect from 2023, in which the maximum will be set at €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 carried out an analysis of its activities in 2022, 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 2022 financial year. This request was honoured by the Tax and Customs Administration.

Change to accounting estimate for levies

In accordance with the additional levies policy adopted by the AFM's Executive Board, a change has been made to the accounting estimate for the item 'levies to be invoiced'. As part of the new additional levies policy, which came into effect in 2022, new issues are retrospectively adjusted for up to three years instead of five years as was previously the case. In addition, a lower threshold of €5.000 per levy year is now applied. An issue represents a levy which was not charged due to deficiencies in the AFM's administration, or because a deliberate decision was made not to charge it. This then leads to a change in the accounting estimate due to the expiry of the prescription period, whereby levies for issues that arose previously are retroactively charged for four years rather than five years.



The collective financial effects of these changes to accounting estimates for the item 'levies to be invoiced' were as follows:

- €120.000 was written off due to the prescription of previous issues, and the 2017 annual instalment has ceased to apply;
- €403.000 was written off due to Executive Board decisions taken on a number of supervisory categories in order to give further shape to the additional levies policy.

Accounting policies in the statement of financial position

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

Property, plant and equipment

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

The following depreciation periods are generally applied:

- five years for furniture and fixtures;
- three years for computer equipment and software (except laptops);
- four years for laptops (see change to accounting estimate);
- renovations: the remaining term of the lease.

Change of accounting estimate for depreciation of laptops

The AFM renewed its laptop computers in 2022. The depreciation percentage for new laptops was reduced in 2022 from 33.33% to 25% per year. This is in line with the expected useful life. The effect of the change to the accounting estimate on depreciation expenses in 2022-2026 is shown in the table below.

	2022	2023	2024	2025	2026	Total
Depreciation expenses after change in estimate	78	280	280	280	201	1.120
Depreciation expenses before change in estimate	104	373	373	269	-	1.120
Difference	- 26	- 93	- 93	11	201	-

Current assets

The measurement of the 'debtors' item takes account of the risk of inability to collect. The item 'provision for the risk of inability to collect' for levies is determined using the static method. The percentage of levies for which no payment had been received within 12 months was unchanged in 2022 at 0.225%.

As reported under 'Accounting policies', income from fines and orders for incremental penalty payments is recognised as income once the following two facts apply: (a) they are declared irrevocable and (b) the AFM has actually received the amounts imposed. Payments due and irrevocable are therefore recognised under 'provision for risk of inability to collect' until these are actually received by the AFM.

Provisions

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

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

Pension scheme

The AFM placed its pension scheme with the pension provider 'De Nationale APF' (DNA) on 1 January 2018. The accrued pension entitlements of the scheme members are placed in a specific (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 pension contribution of 25% of the uncapped total salary (the fixed pension contribution) is charged to the AFM annually.
- DNA calculates a cost-effective pension contribution annually. 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 at 1.5%.

Discount rate for provision for transitional arrangements for employees

- 3.26% (based on an average term of 1 year and on the 'Nominal interest-rate term structure for pension funds (zero coupon)' from De Nederlandsche Bank (DNB).

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

- 1.50%

The following principles apply for the Pension Ruling provision:

- Number of active scheme members on 31 December 2015: 612.
- Average turnover rate 2016-2021: 10.5%.
- Turnover rate in 2022: 8.9%.
- Life expectancy table: Actuarial Association (AA) 2022.

The indexation principles for the AFM group at the pension provider 'De Nationale APF'.

Retirement age:

- The standard retirement age is 68 years.

Principles 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 deficit in 2022 came to €4.4 million, and is the net effect of lower expenses (-€1.8 million) and lower income (€6.3 million) than budgeted. Lower expenses were due to lower employee expenses (-€3.5 million), lower costs of amortisation and depreciation (-€0.4 million) and higher other operating expenses (+€ 2.0 million).

The lower than budgeted income is the net effect of lower income from levies (-€9.3 million) and non-budgeted income from fines and orders for incremental penalty payments (+€3.1 million). The lower income from levies of -€9.3 million is largely due to the operating balance to be settled from the previous year of €8.8 million. In accordance with the appropriation of the operating balance as stated in the 2021 financial statements, this operating balance is fully involved in the calculation of the amount to be charged to the market for 2022.

a. Levies

The analysis of the income from levies is as follows:

For most of the supervision, the activities are related to ongoing supervision, or supervision relationship management. 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 2021 is stated as well as the budgeted figure.

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 via a fixed amount per company and/or a variable charge based on a levy measure. This measure varies per supervisory category and is usually related to the size of the individual company. Levy measures include variables such as: number of FTEs, balance sheet total and average market capitalisation. These levy measures, and also bandwidths and rates, are set by the Ministers annually (as referred to in Section 13(9) Wbft) and published annually in the Financial Supervision (Funding) Decree.

	Actual 2022	To be levied in 2022 A Budget 2022	To be levied in 2022 B To be settled from 2021 in 2022	To be levied in 2022 C=A+B Total to be levied in 2022	Actual 2021
<i>Levies under Wbft</i>					
Levies for ongoing supervision Wbft	96.398	104.046	- 8.777	95.269	106.665
Levies for non-recurring procedures Wbft	7.225	8.862	-	8.862	10.590
Total Wbft	103.623	112.908	- 8.777	104.131	117.254
<i>Levies BES</i>					
Total BES	9	16	-	16	12
Total levies	103.632	112.923	- 8.777	104.146	117.266



Levy income of €103.6 million was realised in 2022. This is €0.5 million lower than the amount to be levied of €104.1 million. The lower income consists of €1.1 million in higher income from ongoing supervision and €1.6 million less income from non-recurring activities. Differences between the sums to be levied and actual receipts from supervisory categories arise from unforeseen changes in the population of companies subject to supervision and the fact that the measures used to set the levy may differ from the values used to calculate the rates. An additional factor concerns the levy improvement programme.

The AFM continued its improvement programme for levies for ongoing supervision in 2022. The programme is designed to ensure that levies are charged correctly, fully and in good time and that a clear audit trail is generated. Analyses have been carried out for this and the data on which levies are based has been corrected. Where administrative deficiencies in the registration were identified, this led to adjustments to the levies for ongoing supervision charged in previous years (2017-2021), involving both debits and credits. In addition, the AFM's Executive Board has adopted an additional levies policy for issues arising in 2022. In 2022, net extra income was realised in the amount of €47.000. This is due to the difference between the estimate of levies yet to be charged arising from the improvement programme as recognised in the 2021 financial statements, and the actual expiration thereof in 2022 (-€308.000), and also due to newly identified issues that will be invoiced in the following year (€355.000). This extra income is part of the operating balance and will be settled with the sector in accordance with the funding system in the following year.

The €1.1 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 enterprise.

In cases where the AFM carries out non-recurring supervisory activities for companies subject to supervision, separate charges are made where possible. Examples of this include dealing with licence applications, registrations, exemptions, testing of directors, and assessments 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 €1.6 million less income from non-recurring activities was mainly due to lower income from supervision of prospectuses and fewer licence applications.

The income from non-recurring activities in 2022 was €3.4 million lower than the actual figure in 2021. This was mainly due to lower income from supervision of prospectuses.

b. Fines and orders for incremental penalty payments

In accordance with Sections 8 and 8a Wbft, the income from fines and orders for incremental penalty payments is divided as follows:

	2022	Budget 2022	2021
Income to be added to levy reserve	3.065	-	-
Income from fines and penalties to be settled with market parties	-	-	1.229
Total fines and orders for incremental penalty payments	3.065	-	1.229

With effect from the 2022 financial year, Section 8 Wbft states that income from fines and orders for incremental penalty payments in excess of €4.5 million accrues to the State. In previous years, this threshold was €2.5 million. This income in 2022 was below the threshold of €4.5 million. With effect from 2022, under Sections 8 and 8a Wbft, realised income up to €4.5 million can be added to the levy reserve. Income of €3.1 million from fines and orders for incremental penalty payments was realised in 2022. This realised income of €3.1 million will be fully allocated to the levy reserve. In previous years, realised income of up to €2.5 million was set off against the levy for ongoing supervision in the subsequent year. In 2021, the collective income from fines and orders for incremental penalty payments came to €1.2 million. See letter m. for the levy reserve, and letter p. for the operating balance to be settled.





c. Government contributions

The analysis of the government contributions is as follows:

	2022	Budget 2022	2021
Total BES	552	583	445
Total government contributions	552	583	445

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 was less than budgeted in 2022.

d. Employee expenses

The analysis of employee expenses is as follows:

	2022	Budget 2022	2021
Salaries	60.118	59.914	58.495
Social insurance contributions	7.461	7.875	6.816
Pension costs*	10.725	12.781	13.257
Temporary personnel	3.629	3.630	3.448
Other employee expenses	2.524	3.725	2.147
Total employee expenses	84.458	87.925	84.163

* The pension costs concern the pension contribution paid to 'De Nationale APF' less the personal pension contributions from the AFM employees (net pension contribution) plus the contribution to the Pension Ruling provision. The policy funding ratio at 31 December 2022 of 'De Nationale APF', AFM scheme, is provisionally set at 110.4%. The policy funding ratio at 31 December 2021 was 103.2%.

Employee expenses were €3.5 million below budget. This was mainly due to a combination of lower pension costs (-€2.1 million) and lower other employee expenses (-€1.2 million). The lower pension costs were mainly due to a partial release of the provision for pension ruling as a result of a higher actuarial interest rate and a lower contribution for the year layer 2022 than budgeted. The other employee expenses were €1.2 million below budget. This was mainly due to lower costs for commuting, recruitment and selection and the release of the 'former Wabb reserve' (in respect of the Insurance Brokerage Business Act (*Wet Assurantiebemiddelingsbedrijf, Wabb*)).

Salary expenses were more or less as budgeted, despite the average number of FTEs in service (660) being less than budgeted (674). This was mainly due to a non-recurring payment to employees as part of the transition to a new recognition and remuneration system.

The expenses for temporary personnel were in line with budget.

Employee expenses were €0.3 million lower than in 2021 due to lower salary, social insurance and pension costs (-€0.3 million), higher costs for temporary personnel (+€0.2 million) and higher other employee expenses (+€0.3 million).

Salary, social insurance and pension costs were on balance €0.3 million lower than in 2021, mainly due to firstly lower pension costs as a result of the release of the provision for pension ruling and a lower allocation of indexation and secondly higher average salary costs per FTE. Other employee expenses were €0.3 million higher, mainly due to higher costs for commuting. These costs were relatively low in 2021 due to the coronavirus pandemic.

The table below gives a breakdown of the average number of FTEs by the various supervisory and other areas. The number of FTEs in Supervision including new hires was more or less in line with the budget. There are variations between the supervisory areas. At Accountancy, the average number of FTEs is lower than budgeted, as the desired expansion did not occur until during the year. The number of FTEs in direct supervision support is lower than budgeted, among other things due to outstanding vacancies in data-driven supervision. The other departments were also slightly undermanned.



	Including temporary personnel		Excluding temporary personnel			
	Actual 2022	Budget 2022	Actual 2021	Actual 2022	Budget 2022	Actual 2021
Financial services	180	178	181	179	174	180
Capital markets	82	79	86	82	78	86
Asset management	41	42	39	40	40	38
Audit	59	65	53	58	61	52
Sub-total Supervision	362	363	359	359	354	356
Direct supervision support	178	188	174	173	183	169
Other departments	140	147	146	128	137	132
Total average number of employees (in FTEs)	680	698	680	660	674	657

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 directors and certain other officials if applicable. In accordance with the option under Section 4.2 WNT, the AFM has chosen not to report remuneration details as required under the Dutch Civil Code (BW).

The WNT remuneration cap in 2022 is €216,000.

The Executive Board members Van Geest, Van Beusekom and Heuvelman receive a remuneration in the amount of the current WNT remuneration cap.



The reporting reads as follows:

2022 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 for internal business	365	1	173.294	24.569	197.863

2021 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	1,0	183.592	25.408	209.000
H.L. van Beusekom	Executive Board member	365	1,0	185.531	23.469	209.000
J.R. Heuvelman	Executive Board member	365	1,0	183.592	25.408	209.000
L.E. Sas (since 1 May 2021)	Executive Board member for internal business	245	1,0	110.709	16.825	127.534

* The employer's contribution reported in the pension contribution is a calculated gross average contribution taking account of the Executive Board member's personal contribution. The WNT table thus allows for a direct comparison with the WNT remuneration cap, as this cap is also based on the average contribution system.



Supervisory Board	2022	2021
M.J. van Rijn	32.400	31.350
W.M. van Dolen	21.600	20.900
W.E.M. de Jong	21.600	20.900
R.G.J. Langezaal	21.600	20.900
D.W. Voetelink	21.600	20.900

(Figures in EUR)

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

e. Depreciation costs on non-current assets

	2022	Budget 2022	2021
Renovations	492	602	407
Furniture and fixtures	317	356	336
Computer equipment and software	396	619	518
Total depreciation costs on property, plant and equipment	1.205	1.577	1.262

The depreciation costs on property, plant and equipment were €0.4 million below budget. Depreciation on investments in the business premises were lower than budgeted due to the postponement of a number of planned investments until 2023. Depreciation and amortisation on computer equipment and software were lower than budgeted, as the planned investment in new laptops and telephones was less than budgeted and also took place later in the year.

f. Other operating expenses

	2022	Budget 2022	2021
Premises costs	4.902	4.850	4.056
Consultancy expenses	2.103	5.251	2.015
One-off expenses due to change of pension provider	- 92	-	- 135
IT expenses	16.367	10.459	16.672
General expenses	2.739	3.465	2.921
Total other operating expenses	26.018	24.024	25.528

Other operating expenses came to €26.0 million and were €2.0 million above budget. The excess was due to higher IT expenses (+€5.9 million), and lower expenses for consultancy (-€3.2 million), a release of part of the provision for the change of pension provider (-€0.1 million) and lower general expenses (-€0.7 million). Premises costs were more or less in line with budget. It should be noted here that the budget for 2022 included a price adjustment of 2.0% in accordance with the provisions for the cost structure for 2021-2024. The actual increase in prices (including energy prices) was higher than this, although some of the difference was offset by good contract management and procurement agreements.



Consultancy expenses were €3.2 million less than budgeted, with €2.2 million of the decrease due to a shift of the cost item 'consultancy expenses' to 'IT expenses' as a result of the outsourcing of IT. This shift also appears in the budget for 2023. In addition, consultancy expenses declined as a result of lower legal costs. The negative costs of -€0.1 million under 'one-off expenses due to change of pension provider' concerns the release of a reserve due to the liquidation of the AFM Pension Fund in 2022.

IT expenses were €5.9 million above budget. €2.2 million of this amount was due to the above-mentioned shift from 'consultancy expenses' to 'IT expenses'. The actual increase compared to the budget for IT expenses is therefore €3.7 million, and was mainly due to higher outsourcing costs for the execution of the IT run and additional extra work on IT change projects. This development also appears in the budget for 2023.

General expenses were €0.7 million lower than budgeted, among other things due to a release from the reserve for the risk of inability to collect debts. Travel and accommodation expenses were also lower than budgeted.

Other operating expenses were reasonably in line with 2021, with the exception of premises costs. Premises costs were higher in 2022, due to higher costs for cleaning, maintenance and external meetings, as employees came to the office more frequently after the ending of the lockdowns and external meetings were attended again.

Fees for the 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:

	2022	Budget 2022	2021
Fees for audit of the financial statements	210	200	210
Total fees for the independent auditor	210	200	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

	2022	Budget 2022	2021
Interest expenses	90	10	-
Interest income	105	30	18
Total financial income and expenses	- 15	- 20	- 17

The balance of financial income and expenses was more or less in line with the budget. Expenses were however higher than budget due to the higher interest rate on the current account held with the Ministry of Finance. Interest income was also higher as a result of interest received on fines imposed.



h. Costs of supervision

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

	2022	Budget 2022	2021
Total Wbft	111.105	112.908	110.479
Total BES	561	598	457
Total costs of supervision	111.666	113.506	110.936

Under the Wbft, the costs of supervision on the BES Islands (Bonaire, Sint Eustatius and Saba) pursuant to the BES Islands Financial Markets Act (*Wet financiële markten BES*, Wfm BES) and the Money Laundering and Terrorism Financing (BES Islands) Act (*Wet ter voorkoming van witwassen en financieren van terrorisme BES*, Wwft BES) must be disclosed separately.

The difference between the budgeted and the actual costs are shown 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:

	2022	2021
Balance at 1 January	3.077	3.665
Investments	2.107	739
Depreciation	- 1.205	- 1.262
Divestments	- 8	- 65
Balance at 31 December	3.971	3.077

	2022	2021
<i>Expiring total of property, plant and equipment written off</i>		
Acquisition value	- 730	- 1.688
Depreciation	730	1.688
Cumulative acquisition value	34.624	33.255
Cumulative depreciation	- 30.653	- 30.178
Carrying amount at 31 December	3.971	3.077

The specification is as follows:

	At 31 December 2021	Investments	Depreciation	Divestments	At 31 December 2022
Renovations	2.029	317	- 492	-	1.854
Furniture and fixtures	679	297	- 317	-	659
Computer equipment and software	369	1.493	- 396	- 8	1.458
Total property, plant and equipment	3.077	2.107	- 1.205	- 8	3.971

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. The AFM has applied a change of accounting estimate with respect to the laptops purchased in 2022, whereby this hardware will be written off over four years instead of three years. The effect of this is disclosed in the accounting policies.



j. Debtors

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 fines and orders for incremental penalty payments classified by age	-	-	304	304
Provision for risk of inability to collect				- 796
Balance of debtors item at 31 December 2022				22.820

2021	< 43 days	43 - 75 days	> 75 days	Total
Debtor balances consisting of levies classified by age	10.507	1.221	3.898	15.625
Debtor balances consisting of fines and orders for incremental penalty payments classified by age	175	51	554	779
Provision for risk of inability to collect				- 1.512
Balance of debtors item at 31 December 2021				14.893

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 if payments are not made.

The debtors item at year-end 2022 increased by €7.9 million compared to the previous year, as the levies for ongoing supervision were charged later in the year than in 2021.

The balance of the provision for risk of inability to collect of €0.8 million (2021: €1.5 million) is made up of €0.5 million (2021: €0.7 million) in levies and €0.3 million (2021: €0.8 million) in fines and orders for incremental penalty payments imposed.

k. Current receivables and prepayments and accrued income

	2022	2021
Prepaid rent	225	192
Miscellaneous prepaid expenses	1.619	1.786
Levies to be invoiced and other items	10.838	2.971
Other prepayments and accrued income	317	635
Balance of current receivables and prepayments and accrued income at 31 December	12.998	5.584



The item 'levies to be invoiced and other items' in 2022 of €10.8 million includes €10.2 million in levies for ongoing supervision yet to be imposed and €0.7 million from non-recurring activities.

A part of the levies for ongoing supervision yet to be imposed originates from the levy procedure improvement programme, amounting to €1.2 million. This amount for the part of the levies for ongoing supervision yet to be invoiced is an estimate by the AFM, based on historical data known to the AFM. This improvement programme was started in 2021 in order to optimise and digitalise the procedure for levies for ongoing supervision. The programme is designed to ensure that levies are charged correctly, fully and in good time and that a clear audit trail is generated. This included analyses that led to adjustments involving both debits and credits with respect to levies for ongoing supervision imposed in previous years.

The provisional item for 'regular' levies for ongoing supervision for 2022 is €9.0 million.

I. Cash and cash equivalents

	2022	2021
Current account Rabobank	27	7
Current account Ministry of Finance	-	3.577
Balance of cash at 31 December	27	3.583

m. Levy reserve

	2022	2021
Balance at 1 January	-	-
From appropriation of operating balance	3.065	-
Balance at 31 December	3.065	-

With effect from the 2022 financial year, under Sections 8 and 8a Wbft realised income from fines and orders for incremental penalty payments up to €4.5 million will be added to the levy reserve. Income of €3.1 million from fines and orders for incremental penalty payments was realised in 2022. This realised income from fines and orders for incremental penalty payments of €3.1 million will be fully added to the levy reserve.

This reserve was introduced in the Financial Markets (Amendment) Act 2022, and is aimed at covering non-recurring costs or other costs that would lead to disproportionately high rates for some institutions subject to supervision. Use of the levy reserve requires the approval of both the Minister of Finance and the Minister of Social Affairs and Employment. The Financial Markets (Amendment) Act 2022 sets a cap for the levy reserve (Section 8a(1) Wbft). This will be further detailed in the Financial Supervision (Funding) Decree (Bbft) in effect from 2023, in which the maximum will be set at €5 million.



n. Provisions

	2022				2021
	< 1 year	1-5 years	> 5 years	Total	Total
Provision for transitional arrangements for employees	21	12	-	33	56
Former Wabb reserve	-	-	-	-	279
Provision for IT strategy	195	328	-	524	816
Provision for pension ruling	1.382	-	-	1.382	2.726
Balance of provisions at 31 December	1.599	341	-	1.939	3.877

The development of the provisions was as follows:

Provision for transitional arrangements for employees	2022	2021
Balance at 1 January	56	101
Interest accrual	-	- 1
Revised calculation due to adjustment of various parameters	-	2
Release	- 1	- 23
Paid out	- 21	- 23
Balance at 31 December	33	56

Former Wabb reserve	2022	2021
Balance at 1 January	279	279
Release	- 279	-
Balance at 31 December	-	279

Provision for IT strategy	2022	2021
Balance at 1 January	816	1.297
Contribution	-	7
Release	- 13	- 110
Paid out	- 279	- 378
Balance at 31 December	524	816

Provision for pension ruling	2022	2021
Balance at 1 January	2.726	2.197
Contribution	15	872
Revised calculation due to adjustment of various parameters	- 1.340	-
Paid out	- 19	- 342
Balance at 31 December	1.382	2.726



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 'former Wabb reserve' (in respect of the Insurance Brokerage Business Act (*Wet Assurantiebemiddelingsbedrijf, Wabb*) was formed in 2006 from a sum of €0.9 million from the Social and Economic Council (*Sociaal Economische Raad, SER*). This provision is formed to cover employment law claims made at the time of the transfer of a number of employees of the SER to the AFM on 1 January 2006, in connection with the coming into effect of the Financial Services Act (*Wet financiële dienstverlening*). The balance of this provision was fully released in 2022, as it was no longer needed for its intended purpose.

The AFM Executive Board established the implementation of the new IT strategy, approved it and communicated 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 management organisation at the AFM.

The 'provision for IT strategy' was formed because of the actual obligation that existed as a result of the new IT strategy and concerns the non-recurring costs related to the realisation of this strategy.

The principles of the 'provision for IT strategy' were revised as a result of new information becoming available in 2022. Based on this new information, the estimates and assumptions in relation to the provision for IT strategy made in 2022 were adjusted during the current financial year. This led to a net release from the provision of €13.000 in 2022.

The 'provision for Pension ruling' is 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 scheme that was more in line with market practice. Ultimately, some scheme members started 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 ruled partly against the AFM.

The AFM Executive Board decided to appeal the ruling with the Dutch Supreme Court. The Supreme Court is expected to rule on the case on 21 April 2023. Due to adjustment of various calculation parameters such as an increase in the discount rate of 0.58% in 2021 to 2.36% in 2022 (the 30-year nominal interest-rate term structure for pension funds from DNB), a change to the Actuarial Association's survival table and a change to the required equity percentage, there was a net release of €1.3 million.



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

This is as follows:

		2022	2021
Current account Ministry of Finance	See item n. Cash and cash equivalents	-	3.577
Current account Ministry of Finance	See balance sheet: Current liabilities	- 19.643	-
Rental guarantee account		688	688
Still due (repayable) to Ministry of Finance		- 31	- 135
Total		- 18.986	4.129

The Ministry of Finance current account concerns a current account relationship with an overdraft facility agreed with the Ministry of Finance. The overdraft facility at 31 December 2022 was up to €70.0 million. No charge is made for the unused part of the facility.

The rental guarantee account is provided by the Ministry of Finance and serves to cover an ongoing guarantee provided to the lessor of the AFM's office premises in 2018. The guarantee is for €0.7 million, and remains in force from 01-01-2018 to 31-03-2026 (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 €31.000, and is presented under current liabilities.



p. Operating balance to be settled

	2022	Budget 2022	2021
Operating balance Wbft to be settled with the market from previous year (A)	8.777	-	773
Levies for ongoing supervision (regular)	96.351	104.046	103.769
Levies for ongoing supervision (adjustments due to incorrect/incomplete levies in the past)	47	-	2.895
Levies for non-recurring activities	7.225	8.862	10.590
Income from fines and penalties	3.065	-	1.229
Total income Wbft	106.688	112.908	118.483
Total expenses Wbft	111.105	112.908	110.479
Operating balance Wbft in current year (B)	- 4.417	-	8.004
Addition to levy reserve (C)	3.065	-	-
Operating balance Wbft to be settled in following year (=A+B-C)	1.295	-	8.777

A positive operating balance to be settled 'to be settled with the market in following year' means a receivable by market participants 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. Under Section 11 Wbft 2019, realised income from fines and orders from incremental penalty payments in excess of €4.5 million accrues to the State. This income was below that level in 2022.

Under Sections 8 and 8a Wbft, realised income up to €4.5 million can be added to the levy reserve. The realised income from fines and orders for incremental penalty payments of €3.1 million in 2022 will be fully added to the levy reserve. As a result of this addition of €3.1 million to the levy reserve, there will be an amount of -€1.3 million to be settled with the market in 2023.

The amount of €1.3 million under 'to be settled in the subsequent year with the market' is to be repaid to the market and is the result of:

6. an amount to be settled from 2021 (+€8.8 million);
7. lower than budgeted income from levies for ongoing supervision (-€7.7 million);
8. lower than budgeted income from levies for non-recurring activities (-€1.6 million);
9. lower than budgeted costs (+€1.8 million);

The total income for ongoing supervision was €1.1 million lower than the amount to be levied for 2022. This consists of +€8.8 million to be settled from 2021 and -€7.7 million lower than budgeted income in 2022.



In 2022, net extra income was realised in the amount of €47.000. This is due to the difference between the estimate of levies yet to be charged arising from the improvement programme as recognised in the 2021 financial statements, and the actual expiration thereof in 2022 (-€308.000), and also due to newly identified issues that will be invoiced in the following year (€355.000).

Operating balance BES	2022	Budget 2022	2021
Levies	9	16	12
Government contribution BES	552	583	445
<i>Total income</i>	<i>561</i>	<i>598</i>	<i>457</i>
<i>Total expenses BES</i>	<i>561</i>	<i>598</i>	<i>457</i>
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

Under Section 8(3) Wbft, all of the amount to be settled from 2022 in 2023 of €1.3 million is the sum to be settled with the market in 2023. In addition, under Section 8a Wbft the income from fines and orders for incremental penalty payments of €3.1 million will be added to the levy reserve.

q. Other payables and accruals

	2022	2021
Unused vacation days and overtime	3.591	3.707
Liabilities related to pensions	6	39
Non-recurring costs payable for transfer to pension provider	-	100
Other expenses payable	2.588	3.989
Balance of other payables and accruals at 31 December	6.185	7.835

The item 'unused vacation days and overtime' decreased by €0.1 million. This brings an end to the increase seen in the past two years as a result of the coronavirus pandemic. The item 'Other costs due' consists mainly of invoices for goods and services not yet received.

This item was €1.4 million lower at year-end 2022 than at year-end 2021. This was mainly due to the item 'invoices for goods and services not yet received', in which the IT outsourcing component declined by €0.6 million and outstanding transition payments declined by €0.4 million. Contrary to the previous year, no item 'received on fines imposed that are not yet irrevocable' is included (2021: €0.3 million).





Liabilities not shown in the statement of financial position

Multi-year financial obligations

The liabilities can be specified as follows:

	< 1 year	1-5 years	> 5 years	Total
Leases	3.212	6.423	-	9.635
Office equipment	95	140	-	235
Other lease contracts	36	22	-	58
Total liabilities not recognised in the statement of financial position	3.343	6.585	-	9.928

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

AFM appeals ruling of Amsterdam Court of Appeal on unilateral amendment to AFM pension scheme on 1 January 2016 with Supreme Court

The AFM pension scheme was amended on 1 January 2016, with the aim of migrating to a more affordable scheme that was more in line with market practice. Ultimately, some scheme members started 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. On appeal, the sub-district court's ruling was partly overturned. On 4 November 2020, the Amsterdam Court of Appeal, hereinafter referred to as 'the Court', ruled that the AFM had a substantial interest in unilaterally amending the pension scheme and the related pension agreement.

However, the Court also ruled that the amendments made had gone further than permitted on the basis of the ban on the impairment of previously accrued claims in Section 20 of the Pensions Act (*Pensioenwet*, PW).

In the Court's opinion, the following elements of the AFM pension scheme (among others) should not have been unilaterally changed on 1 January 2016:

- The obligations of the employer on the basis of the administration agreement of 2014:
 - a. Obligation of the employer to contribute a higher contribution equal to 10% of the annual pension contribution to cover a shortfall;
 - b. Obligation of the employer to pay the administration costs for cost overruns in excess of €700,000;
 - c. Obligation of the employer to make an additional capital contribution in the event of a change in the accounting policies of the fund other than the actuarial interest rate;
- Introduction of a contribution cushioning system in the pension scheme applying from 1 January 2016 that could be to the disadvantage of all beneficiaries.

The AFM Executive Board decided to appeal the ruling with the Dutch Supreme Court. The Supreme Court is expected to rule on the case next year.



No provision has been formed for the elements stated above, since it is not considered likely that the Supreme Court will rule against the AFM on these elements. The AFM has submitted complaints against the Court of Appeal's ruling that are considered sufficiently likely to succeed.

In the unlikely event that the Supreme Court rules against the AFM on these elements, this could lead to an additional loss item of between €20 million and €25 million for the AFM.

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'. Proceedings relating to the transition of the AFM Pension Fund to 'De Nationale APF' are not expected to lead to an outflow of assets.

Affiliated parties

AFM Pension Fund

Until year-end 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 pension fund is currently engaged in the remaining activities to effect actual liquidation. The AFM Pension Fund was deregistered at the Chamber of Commerce on 14 February 2022, completing the liquidation of the AFM Pension Fund. For the transactions relating to the liquidation of the AFM Pension Fund, see the following sections in the financial statements:

- Item p. Other payables and accruals;
- Unrecognised liabilities, indemnities.

The transactions with the AFM Pension Fund were effected on a commercial basis.

Ministry of Finance

The AFM is a non-departmental public body (NDPB). 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 means of 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 proposals to amend the expenses and facilities arrangements for the Supervisory Board;
- The right of approval of proposals to amend the expenses and facilities arrangements for the Executive Board by the Minister of Finance (in accordance with Section 1:26(5) Wft);
- The right of approval with respect to use of the levy reserve (in accordance with Section 8a(4) Wbft 2019);
- Receipt of all relevant information that the Minister of Finance needs to exercise their powers with respect to Stichting Autoriteit Financiële Markten. This information will be provided by both the AFM Executive Board and Supervisory Board in a timely manner;
- 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 WNT;
- 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 Stichting Autoriteit Financiële Markten;
- 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 2022, budget for 2022 and 2023

The table below gives an overview of the budgeted and actual figures for 2022 and the income and expenses budgeted for 2023.

(Figures in EUR x 1,000)	2022	Budget 2022	Budget 2023
Income			
Levies	103.632	112.923	125.069
Fines	3.045	-	-
Orders for incremental penalty payments	20	-	-
Government contributions	552	583	614
Total income	107.250	113.506	125.683
Expenditure			
Employee expenses	84.458	87.925	96.378
Depreciation costs on non-current assets	1.205	1.577	1.488
Other operating expenses	26.018	24.024	27.839
Total expenses	111.681	113.526	125.705
Financial income and expenses	- 15	- 20	- 22
Total expenditure	111.666	113.506	125.683
Operating balance	- 4.417	-	-

The 2023 budget is available on the AFM website (www.afm.nl) in the 'Agenda.2023'.

The total sum to be levied by the AFM in 2023 is €123.8 million. This is the balance of the estimated levies in 2023 of €125.1 million less the operating balance in 2022 of €1.3 million to be settled with the market (see the proposal for appropriation of the sum to be settled under letter p. 'Operating balance to be settled').

Amsterdam, 14 March 2023

Executive Board

.B.J. van Geest, voorzitter
H.L. van Beusekom
J.R. Heuvelman

Supervisory Board

M.J. van Rijn, voorzitter
W.M. van Dolen
R.G.J. Langezaal RM
D.W. Voetelink



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Independent auditor's report

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



A. Report on the 2022 financial statements included in the annual report

Our opinion

We have audited the 2022 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 AFM as at 31 December 2022 and of its result for 2022, as far as possible with analogous application of Title 9 Book 2 of the Dutch Civil Code (BW), the Financial Supervision (Funding) Act (*Wet bestossiging 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 2022;
2. the statement of income and expenditure for 2022;
3. the statement of cash flows for 2022; 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 WNT Audit Protocol Regulation 2022 (*Regeling Controleprotocol WNT 2022*). Our responsibilities on the basis of the above legislation and regulations are described in more detail 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 (*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*, ViO) and other independence regulations relevant to the engagement in the Netherlands. Furthermore, we have complied with the Code of Conduct and Professional Practice for Accountants Regulation (*Verordening gedrags- en beroepsregels accountants*, VGBA).

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

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 or more members of the 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 the 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 key specific audit procedures we performed in connection with these identified risks and the findings from these procedures can be summarised as follows:

There is a risk of override of the internal control measures by the management. We performed the following procedures:

- We assessed the design, existence and operating effectiveness 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's meetings;
- We made enquiries with 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 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.

Materiality

Based on our professional opinion, we determined the materiality for the financial statements as a whole at €2,233,000. 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 2022 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 €223,300 identified during our audit to the Council as well as smaller misstatements that in our opinion were relevant for qualitative reasons.

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 ongoing supervision) and secondly of fixed amounts linked to the processing of applications and registrations (non-recurring activities). When implementing the levies improvement programme, the AFM identifies administrative shortcomings in its registration for levies for ongoing supervision for a limited number of institutions subject to its supervision. The resulting subsequent levies led to additional income for the AFM in 2021 and 2022, with some additional levies imposed in the relevant financial year and others recognised as levies yet to be invoiced. 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 ongoing supervision using 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 Officials in the Public and Semi-Public Sector (Standards for Remuneration) Act (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 as stated in the WNT. We performed our procedures in accordance with the procedures stated in the 2022 WNT Audit Protocol Regulation.

Compliance with non-cumulation provision in WNT not audited

In accordance with the WNT Audit Protocol Regulation 2020, 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 (*Uitvoeringsregeling WNT*). 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 auditor's 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 are of the opinion 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 BW 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 BW and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of 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 BW.



C. Description of responsibilities in relation 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 responsibility 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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is given in the appendix to our auditor's opinion.

The Hague, 14 March 2023

The National Audit Service (*Auditdienst Rijk*)

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 conducted this audit with an attitude of professional scepticism, and, where relevant, used our professional opinion in accordance with the Dutch audit standards, ethical provisions and requirements in relation to independence. Our audit included:

- the identification and estimation of the risks that the financial statements contain material misstatements as a result of fraud or error, the selection and implementation of audit procedures appropriate to these risks, and the obtaining of audit evidence that is sufficient and appropriate as a basis for our opinion. In case of fraud, the risk that an undiscovered misstatement may be material is greater than in case of error. Fraud may involve collusion, falsification of documents, intentional failure to record transactions, intentional misrepresentation of issues or the violation of internal controls;
- the obtaining of information on the internal controls that are relevant to the audit, with the aim of selecting audit procedures appropriate in the circumstances. These procedures are not performed with the intention of expressing an opinion on the effectiveness of the entity's internal control;
- the evaluation of the appropriateness of the accounting policies used for financial reporting and the evaluation of the reasonableness of the assumptions by the Executive Board and the related notes in the financial statements;
- establishing that the use of the going concern assumption by the Executive Board is acceptable. In addition, establishing on the basis of the audit evidence obtained whether there are events and circumstances that could reasonably cast doubt in the entity's ability to continue its activities as a going concern. If we conclude that there is a material uncertainty, we are obliged in our audit report to draw attention to the relevant related disclosures in the financial statements. If the

disclosures are inadequate, we must amend our report. Our conclusions are based on the audit evidence obtained until the date of our audit report. Future events or circumstances may however lead to a situation in which an entity is no longer able to continue as a going concern;

- the evaluation of the presentation, structure and content of the financial statements and the disclosures included therein; and
- the evaluation of whether the financial statements present a true and fair picture of the underlying transactions and events.

We communicate with the Supervisory Board with respect to matters including the planned scope and timing of the audit and significant findings identified during our audit, including any significant shortcomings in the internal controls. We also confirm to the Supervisory Board that we have complied with the relevant ethical provisions with regard to independence. We also communicate with the Board regarding all relations and other issues that reasonably could affect our independence and regarding the related measures to safeguard our independence.

We determine the key issues of our audit of the financial statements on the basis of all the matters we have discussed with the Supervisory Board. We list these key issues in our audit statement unless this is prohibited by legislation or regulation or in the extraordinarily rare circumstances in which doing so would not be in the public interest.



Appendix: **External KPIs**



No.	Pillars	Objectives	Priorities	Activities	Score	Explanation
1	Supervision	Protection of consumers in vulnerable situations	1.1 Transition to the new pension system	The AFM is making preparations for the design of its pension supervision. To this end, it is expanding its pension team. As part of the preparations for the transition, the AFM sees to it that the social partners and pension providers make well-substantiated decisions. This concerns their selection of a pension contract, which should, among other things, fit in with what scheme members are able and willing to bear. The AFM also supervises that they carefully detail their communication plans and carefully communicate with scheme members, ensuring realistic expectations.	●	<ul style="list-style-type: none">As an advisory member of the Ministry of Social Affairs and Employment's Steering Group for the Development of the Pension Agreement, the AFM has provided active input on safeguarding the interests of scheme members during the transition to and under the new pension system. In addition, the AFM has provided continuous input on policy and legislation through expert sessions for the House of Representatives, has assessed the feasibility of supervising compliance with proposed legislation (e.g. Future of Pensions Act (Wet toekomst pensioenen, Wtp) and been involved in consultations regarding proposed legislation (e.g. Future of Pensions Decree (Besluit toekomst pensioenen, Btp).In consultation with the sector, the AFM has detailed five guidelines on decision-making guidance, risk appetite reviews, communication plans, pension advice and engagement confirmation. In December 2022, we published a (provisional) guideline on decision-making guidance, which was welcomed by the sector.We gathered feedback throughout the market and sector through periodical meetings with the largest pension providers, umbrella organisations, pension provider organisations and other stakeholders, as well as roundtable discussions, the AFM Pensions Event and transition bulletins.We started and completed various reviews in the run-up to the transition, including on correct communication to scheme members, pension accounting and risk appetite reviews.We collaborated closely with DNB to identify areas where pension providers will be subject to both the AFM's and DNB's supervision and we made working arrangements with DNB in this regard. Progress in the sector is monitored through a collective information request regarding the new pension schemes. The draft design of the AFM/DNB supervisory platform was detailed and agreed upon.



No.	Pillars	Objectives	Priorities	Activities	Score	Explanation
1	Supervision	Protection of consumers in vulnerable situations	1.2 Retail investing	Due to various factors, including continuing low interest rates and ever easier access, investing is becoming increasingly popular. In the coming year, the AFM will focus on protecting vulnerable investors, by reviewing matters such as the online choice environment, the distribution of (new) investment products that may not be suitable for the target group, costs and transparency on costs, and the independence of information available online. We will also look at revenue models and associated conflicts of interest. In collaboration with other European supervisory authorities, we are taking action against cross-border fraud and irresponsible investment risks.	●	<ul style="list-style-type: none"> • Execution-only investing: the AFM has conducted an exploratory study of the revenue models of neo-brokers and the influencing of investors on online investment platforms. We have published our observations in a report. • Investors must be given correct information. Firms have taken steps in response to our findings on the provision of correct and complete information by execution-only brokers and advisers to investors about (expected) costs. In addition, with a supplement to the 'Guidance for investment advisory and portfolio management services', we have given guidance to investment firms on the estimation of realistic expected returns. • In the context of cross-border financial services, in 2022 we actively contributed to the discussion and knowledge about payment for order flow (PFOF), with a review and publication on trading platforms that provide PFOF to brokers. Together with the Cypriot supervisory authority CySEC, we have dealt with several rogue investment firms established in Cyprus which also operated in the Netherlands via a European passport since 2019. In 2022, this joint action with CySEC led to several out-of-court settlements, the return of licences and the banning of Cypriot parties from the Dutch market.
			1.3 Duty of care	The AFM will further develop its risk methodology in this area, focusing on the risks to customers' interests. We will pay special attention to the service provision during the term of financial products and services, known as the management phase. The AFM will initiate a dialogue with the financial sector to examine how consumers can be encouraged to periodically review their financial situation.	●	<ul style="list-style-type: none"> • In 2022, we continuously discussed the service provision during the term of financial products and services with all major banks and insurers. The AFM requested them to make a start on formulating the role they wish to play for their existing customers. How will they help their customers to continue to meet their goals? This ambition also determines how they structure their services in the management phase. A number of good practices emerged from the discussions with the sector, which the AFM will share more widely with financial service providers this year. • How can consumers be encouraged to periodically review their financial situation? The AFM held discussions with various institutions on this topic in 2022. The topic of 'financial health' is receiving increasing attention from financial firms, policymakers and other organisations. This is evident, for example, from the various initiatives that were launched to raise consumer awareness of and insight into their financial well-being in the past year.



No.	Pillars	Objectives	Priorities	Activities	Score	Explanation
2	Supervision	A robust infrastructure and ethical trading	2.1 Strengthening capital market supervision	The AFM is updating its supervision of the capital markets, with a focus on: i) sustainability (e.g. supervision of CO ² emissions derivatives trading, via Benchmark Regulation and ESG reporting); ii) improving quality of information and data (e.g. quality of MiFID2/MiFIR transaction data, information obtained through Suspicious Transaction and Order Reports (STORs) pursuant to obligation to notify market abuse, and a more risk-based supervision of prospectuses); and iii) digitalisation (e.g. developments in algorithm-based trading and monitoring developments in crypto currency).	●	<ul style="list-style-type: none"> Our benchmark reviews in 2022 (a baseline measurement) show that most benchmark managers are moving in the right direction when it comes to the provision of ESG information. But there is room for improvement. In our supervision of compliance with the ESG criteria in prospectuses, we apply the recommendations from the AFM's and AMF's Green Bond position paper in our assessment of prospectuses. This paper concluded that the information on sustainability in draft prospectuses was often not sufficiently specific. By requiring additional information, the AFM has ensured that the information in the approved versions of these prospectuses has been made much more specific. We urged market participants to meet their obligation to submit STORs to the supervisory authority. Trading volume is increasing. Consequently, STORs are becoming more important and we received more STORs in the past year. We conducted a study into the use of machine learning in trading algorithms and the potential risks in relation to market abuse, which provided important and unique insights that are key to our supervision of algorithm-based trading. We also reviewed the trading platforms' performance of their role in monitoring their members' controls with regard to algorithm-based trading. We reminded the trading platforms of their important monitoring role and that we expect them to perform this role vigorously.



No.	Pillars	Objectives	Priorities	Activities	Score	Explanation
3	Supervision	Higher quality of audits and contributing to effective incentives for auditors and audit firms	3.1 Updating of supervision of audit firms	The AFM will itself carry out the supervision of the non-PIE-audit firms. In addition, we are making preparations for more intensive supervision of the PIE firms. We are implementing a new supervisory methodology for non-PIE supervision and preparing for the supervision of PIE audit firms.	●	<ul style="list-style-type: none"> After hosting well-received online meetings in 2021 and early 2022, we organised various activities in connection with the start of our supervision of audit firms with a regular licence (i.e. non-PIE audit firms), including a road show that saw us visit some 60 firms throughout the Netherlands. The audit firms especially appreciated the personal, transparent and constructive dialogue and mentioned the importance of a continuing connection between the sector and the supervisory authority. The newly developed supervisory methodology for non-PIE supervision is now being implemented. To this end, a start was made with a data request at firm level and a second data request regarding completed statutory audits, which we sent in September 2022. This has provided us with more detailed insights into activities and client portfolios and the risks to be identified. These insights will be used to develop and prioritise our supervisory activities. In 2022, we further developed the methodology for our supervision of PIE audit firms and we discussed this with the PIE audit firms. The basis of this approach is that we will make increased use of data in our supervision, at the level of the audit firm and at the level of completed statutory audits. This will enable us to better identify and understand risks and structure our supervision accordingly, both sector-wide and at individual audit firms. We will continue this development of our supervision and our dialogue with the PIE audit firms in 2023.



No.	Pillars	Objectives	Priorities	Activities	Score	Explanation
4	General	AFM-wide supervisory priorities	4.1 Sustainability	The AFM contributes to the new European sustainability regulations and exerts influence in this respect on the basis of its vision. The AFM also gives guidance to the sector in its preparation for the upcoming rules (the AFM is working on the further development of Level 2 SFDR standards, is contributing through the Ministry of Finance to the Council negotiations on a final proposal with respect to the CSRD and the EU Green Bond Standard, and is working on a vision with respect to sustainability claims of financial products and institutions). The AFM supervises a careful implementation of sustainability regulations by the sector, by focusing in its supervision on ensuring and improving the provision of (correct) information in the light of sustainability claims, and by monitoring the extent to which the sector has integrated sustainability risks in its risk management framework.	●	The AFM carried out supervisory reviews of non-financial reporting, sustainability benchmarks, and compliance with the SFDR. We also published reports on the underlying companies in which sustainable funds invest and the preferences and expectations of sustainable investors. In addition, we contributed to an ESMA report on the market for CO ² emission allowances derivatives and developed supervisory expectations with respect to sustainability claims (for issuers and financial institutions respectively). Sustainability was further embedded in the AFM's 2023-2026 Strategy in the past year. Finally, we influenced European and international sustainability legislation through our responses to the consultation on the regulation of the market for ESG ratings and consultations for further sustainability reporting standards, as well as through our input with the Ministry of Finance on the EU Green Bond Standard. In addition, we actively participate in various European working groups focusing on a shared European approach to preventing greenwashing.
			4.2 Strategy for 2023-2026 and 20-year anniversary of the AFM	In 2022, the AFM formulated its Strategy for 2023-2026. This charts the AFM's direction in the coming period. The AFM is also celebrating its 20-year anniversary, internally and externally, with a vision for the future. Separate communication plans for internal and external approach.	●	<ul style="list-style-type: none"> The updated AFM Strategy for 2023-2026 prioritises three key trends: digitalisation, internationalisation and sustainability. The new strategy sets more specific objectives for the supervisory areas and the professional organisation than the former strategy. The implementation of the new strategy started with the Agenda 2023. 1 March 2022 saw the AFM's 20-year anniversary, which we celebrated by hosting events throughout the year. In June, we hosted a seminar 'On the future of Financial Services Conduct Supervision', which focused on the future of supervision. Internally, we marked the occasion with a party, the AFM cabaret and an alumni festival.



No.	Pillars	Objectives	Priorities	Activities	Score	Explanation
4	General	AFM-wide supervisory priorities	4.3 Data-driven supervision	The current programme for data-driven supervision was integrated in the AFM organisation in 2022. The AFM's transition towards becoming a more data-driven supervisor was thus steadily continued.	●	We further safeguarded the working practices and associated organisational structure of a data-driven supervisor during the reporting year. As a result, responsible and compliant data use is now firmly embedded our organisation. We increasingly shifted the focus towards a uniform way of working and the introduction of business DevOps teams in each supervisory department that make it possible to systematically facilitate the use of data in the risk-based supervisory process. This is the result of the transition to a data-driven organisation that we embarked upon several years ago.
5	Overall	Professional organisation	5.1 Professional organisation	The aim is to deal with 100% of licence applications and tests of persons within the statutory period.	●	On average, more than 90% of licence applications and personal testing are dealt with within the statutory period. The process improvements introduced in 2021 have led to an improvement in this KPI compared to 2021 (69%). We have made every effort to complete all cases within the statutory period, and where this was not successful, we have kept in contact as far as possible with the applicants regarding the progress on these dossiers.
			5.2 IT house in order	The outsourcing has brought our IT house in order. The organisation's digital fitness has been increased thanks to the improvement of the internal management organisation and the roll-out of new workstations. We are making further progress in portfolio management and technical support in the levying process. This should result in our achieving a transparent and predictable delivery of IT services.	●	<ul style="list-style-type: none"> We developed our new AFM Strategy for 2023-2026 in 2022. This strategy includes the subsequent steps towards a more mature application of IT. We are doing this based on three main themes: we are strengthening the foundation by migrating to the cloud and phasing out older (customised) applications; we are strengthening our ability to change by expanding the relevant competences; and we are increasing our absorption ability by harmonising supervisory processes as much as possible and putting in place a more generic structure for our IT support. An external party conducted a thorough evaluation of the transition of the IT services to Cegeka and the design of the internal management organisation. The recommendations from this evaluation were reflected in the realisation of the new IT strategy. We also tightened governance with respect to the IT change portfolio in 2022, to ensure we change more in line with the strategy and focus more on value. In addition, an analysis was performed for the migration of the CRM system to the cloud. The migration will be implemented in 2023.



No.	Pillars	Objectives	Priorities	Activities	Score	Explanation
5	Overall	Professionele organisatie	5.3 Employment practice and pension	The AFM is encouraging the new way of working (prompted partly by the coronavirus pandemic) with a focus on workplace flexibility and the new recognition and remuneration system. The various elements of the AFM pension dossier continue to receive adequate attention. We devote much time and attention to the training and development of our employees by training them in the necessary competences, promoting cooperation and making use of resources such as the AFM Working Method and standardised processes.	●	<ul style="list-style-type: none"> As part of the Werken@AFM vision, the AFM facilitates time- and location-independent working with attention to matters such as mobility, hybrid working and a scheme for setting up a home workstation. The new recognition and remuneration system will take effect from 1 January 2023. At the heart of this system is a continuous dialogue on performance and the development of employees and mutual cooperation. Customised training was provided for all employees and managers in 2022 in preparation for this. The follow-up of this training will continue into 2023. We organised a specific week on the theme of vitality with workshops, lectures and sports activities. To disseminate AFM's working method and agile working practices, we gave workshops, facilitated sessions to stimulate process optimisation, and included standardisation and in our onboarding programme. During the reporting year, the AFM pension scheme was evaluated with the social partners and agreement was reached on a pension scheme for the coming years until the time of transition to the new pension system.
			5.4 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 2022.



Any questions or comments about this publication?

Send an email to: redactie@afm.nl



The Dutch Authority for the Financial Markets

PO Box 11723 | 1001 GS Amsterdam

Telephone

+31 (0)20 797 2000

www.afm.nl

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