



AFM

Capital Markets Day

11th of October

Intro: Laura van Geest

- Welcome to this second AFM Capital Markets Day.
- How nice to see you all here at Vijzelgracht. Today, we're launching our second State of the Capital Markets publication, using data extracted from our own algorithms and systems as well as data from stakeholders like Bloomberg and Euronext.
- As you hopefully remember, we'll be presenting you with a digital booklet including 30 graphs and snappy paragraphs. After all, what use is a thick report packed with written information when the data practically speaks for itself?
- But data isn't all you can expect from us. After my brief solo on the future of data collection and storage, my colleague Hanzo will take over for – hopefully – an interesting panel discussion [no pressure Hanzo 😊]. And to ensure that data is all you dream about this evening, we'll end the day with several breakout sessions covering all aspects of these data driven insights.

Nowadays

- When we talk about data and data storage, it's worthwhile realizing that our IT system – as we know it today – is already 20 years old.
- Now twenty years sounds like a huge step back in time. Especially when we're talking about IT. Twenty years ago, you and I were still using Windows 2000 – the Power Mac G4 was only for the lucky ones – and the USB stick had just hit the market.
- However, that doesn't mean that we're looking at a completely outdated data system. Like Windows, we've made our improvements and launched new updates. Although like the Power Mac G4, there will come a time when updates won't do the job any longer.
- So on a day like this, it's also wise to zoom out and hover above this issue – like a helicopter – and see what the possibilities are of our current system and what our ideal system would look like. Let me start with the system as we know it today.
- Nowadays, business in the financial sector is increasingly data driven. To give an example – using data, algorithms make trading decisions in nanoseconds.

- In the present order of things, data storage in the European Union is undertaken at the national level, by national competent authorities.
- In our case, we collect this data and share it in various ways.
- Reminiscing over 20 years of data supervision and data storage at the AFM, we note that considerable progress has been made in obtaining high quality data.
- But undertaking data storage at the national level also has significant drawbacks.
- To start with, as every NCA operates a different system of data storage, no single NCA has an integral picture of data storage at the EU level. Most participants in the European financial markets are active in multiple Member States. This means that NCAs have subsets of data at their disposal, instead of the full picture.
- Furthermore, EU wide ESMA requirements for minimal data quality control are not overly ambitious, leading to diverging quality across Member States.

2040

- So now...I will take my own giant leap for mankind, to quote Neil Armstrong.
- If I were to step into 2040, I'd see a world very different from our own, and one that is shaped by multiple technological advancements.
- More specifically, according to the platform Future Business Tech, the computers we have nowadays will be replaced by so-called supercomputers: one million times more powerful than the fastest supercomputer in the early 2020s. This system would be data-centric, meaning it would be optimized to handle extremely large volumes of data.
- Now, I'm not a futurologist, just a simple supervisor. So I only think in terms of desirability of something, and not necessarily its feasibility.
- In that context, it's interesting to see what our preferred data system would look like.
- For starters, a proper European capital market should also be European in terms of data storage.
- Centralizing data storage could make life easier for the financial sector – as well as for its supervisors. The collecting, and interpretation, of data would be a lot simpler.
- An integral data set – as opposed to subsets of data as we have now – will lead to a more comprehensive overview of the European financial markets. The result will be that we can

identify risks and cross-market manipulation sooner. And doesn't that sound logical, striving to see the full picture?

- And let's not forget the lower costs, either.
- Currently, there are 27 NCAs, each with their own IT infrastructure. You all have great positions in the financial sector, so you do the math. So many systems, so much money!
- Economies of scale will reduce these costs, for supervisors and participants in the financial sector alike.
- But does centralization of data storage mean that different perspectives will be a thing of the past? Well, no. As will become clear this afternoon, a single State of the Capital Markets report generates a multitude of views. Likewise, a European data set will leave ample room for a German, French or Dutch approach to the data, tailored to the idiosyncrasies of their markets and market players. Indeed, the acceptance of various perspectives is a cornerstone of the EU. Diversity only enriches the debate at the ESMA level.

Therefore, returning to 2040, we could certainly imagine a centralized IT system at the European level. But such a change requires traction from the financial sector as well. Therefore, we encourage you to join the debate on the centralization of data storage for the future. But first and foremost, and returning to the here and now, I would like to thank you for your time and wish you a pleasant and insightful afternoon. Hanzo, the floor is yours.