SPEECH

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Introduction

Good morning!

It's very good to see you all here. And it is a privilege to be able to have a good conversation with a room full of Compliance and Legal professionals. Truth be told: I have never worked in Compliance nor Legal, so this promises to be an interesting morning…

My task this morning is to share the Dutch perspective on Financial Markets and Supervision. And as part of my perspective I aim to tie together a couple of themes that touch both your work and mine as a regulator.

Dutch Perspective

My main message for you today is this: As Europeans, we all are in the same boat, and therefore we should act in unison. Not just because *'we all breath the same air and we are all mortal'*, as President John. F Kennedy once said.

But also because we are all part of a rapidly changing world. You and I both have to deal with increasing insecurity and instability as a result of geopolitics, global economics, and climate change.

These circumstances force us to have a good conversation on the future of the financial markets and the European financial sector. And the simplest way to share the Dutch Perspective of this conversation is to share the three core themes that we as Dutch Authority for the Financial Markets have defined for the coming years: Resilience, AI and a Stronger Europe.

Whenever you open your newspaper or your news or social media app, these themes are left, right and center.

Relationships with big powers like China, Russia and the US have changed and probably will continue to change in the future. And regardless of your geopolitical views, one thing is absolutely clear: Europe needs to get its act together.

And part of this process is to talk frankly about the most important issues that face us.
We Dutch might sometimes be known for our outspokenness, but my primary aim this morning is to be clear. Because this helps the conversation.

I hope we can gain some new insights together, which hopefully lead to common action.
Because that is what Europe requires right now. Especially when it comes to Resilience, AI and the strength of our continent.

Resilience

When it comes to resilience our main threat is in the digital space, online. The Digital Operational Resilience Act - or DORA - gives us clear directions: all financial institutions must have their IT security in order.

But doing so only gets us so far. Hacks and data breaches are happening on a daily basis.

Perpetrators range from savvy criminals to state actors, who are coming up with new tools every day. So there's always a new potential threat on the horizon.

The most prominent example is quantum-computing. It is not here yet, but we know it's coming.
A sufficiently capable quantum computer could fundamentally undermine widely used public-key cryptography. We might have five years to prepare ourselves, maybe even less, maybe more, but it will come.

The transition to post-quantum cryptography is a very complex effort. It will take years of work involving governance, inventorying cryptographic assets, migration planning, testing, third-party dependencies, and coordination across a wide range of stakeholders.
Quantum challenges the entire ecosystem.

So from a Dutch perspective I would like to urge you all to see DORA only as a stepping stone for 'next-level resilience'. Because following the formal Rule Book and urging compliance is not sufficient anymore for our future resilience. We need to move from what is required by law to what is needed in practice.

The good news is: we can start today, by increasing our vigilance: By making an inventory of our greatest vulnerabilities. And also, by using shorter patching cycles for our cybersecurity software. But especially by giving quantum the board-level attention it needs. Legal and compliance officers can play a crucial role here.

It will take time, effort and probably a lot of money. The resilience of our financial infrastructure requires urgent action.

AI

The second theme I want to highlight is currently on everyone's lips: AI. I'm sure you, your colleagues and your customers are already benefiting from it. Just like the internet in the 90s, AI is here and it is here to stay. However, it can also go rogue (just like humans).

So it remains our responsibility to use it wisely, sensibly and responsibly. Basic principles still apply: treat your customer fairly, make sure AI does not manipulate the market...
In fact, the rise of Agentic AI puts essential guardrails like Explainability and Transparency (XAI), Bias and Fairness Monitoring and keeping the Human in the Loop front and center. These issues lead to important questions for the legal and compliance function.

At the moment we do not know in what direction Frontier Models like Mythos are heading. Many of us are following Project Glasswing closely. But even if one this fizzles out, one thing is certain: AI Frontier Models will continue to emerge, both from expected and unexpected quarters.

We have effectively become part of a digital arms race. And the long-term consequences for financial markets and institutions are unclear.
Moreover, Europe is not leading the way in this race. And we know that markets will always develop faster than their regulatory frameworks.

So here too, we have to look beyond the formal Rule Book, beyond what is required by law, to what is needed in practice. And we need to join forces within Europe, just like we did on issues like Energy, Defense and the common market.

This challenges you and me as well. I can imagine that these technological developments look daunting from a legal perspective. Rest assured, we do not have to have a full understanding of AI's or quantum computings inner workings. At least I don't.

But, we do need to make sure we have at least a conceptual grasp of the main issues.

This enables us to keep asking the important questions within our organizations.
Questions like: what does 'keeping the Human in the Loop' actually mean in our offices and for our products? Who bears responsibility when an AI model goes rogue?
These are forceful questions, that we need to keep asking ourselves and each other.

Because AI is developing with the speed of light, so the urgency is - and will remain - real.

Europe

Our third core theme focuses on the European financial market itself: on issues like pensions and retail investing. The Draghi Report warns us that we are short of assets, because Europeans save too much and invest too little.

The Dutch perspective here is a little different. Our pension system currently has 1.5 trillion Euros in assets. Sweden and Denmark are similar, but the bulk of Europe's pension system is not. Simply put: most young Europeans are financing Europe's seniors.
And to be blunt: this is not sustainable in the long run, especially with an aging population and lower birth rates. Draghi's conventional advice to deal with this issue is as follows:

First: start saving for your pensions and invest your savings. This is good advice.
However, from a Dutch perspective this comes a bit late. In the Netherlands we started 60 years ago to build up our current pension assets. So this clearly is advice for the long haul.

Draghi's second piece advice is to increase financial education so that consumers can invest more with an appropriate safety net. Again, it is good advice, especially for the long haul. Because financial education is no quick fix, and not a silver bullet. It takes years of hard work to substantially change knowledge and skill through financial education. And the effectivenes of financial education to move consumers to better outcomes is low. Other measures are also needed. So yes, we should do it. But in the short term its value will be more symbolic than substantial.

The essence here is that Europe aims to be one, while facing its internal differences and its shared challenges. Not just when it comes to integrating financial markets, but also with regards to increasing resilience and steering new developments in the right direction, like crypto or the use of AI.

Centralized supervision

My assumption is that you are following the current political debate on the MiSP package.
Further market integration is on the table. And of course, the issue of centralized supervision is part and parcel of this debate. As you might expect, there is a Dutch perspective to this debate.

Let me reiterate that we think the most important measures should focus on a more effective functioning of the capital market, more risk-bearing assets and stronger European investment opportunities. That's the core. We have also been advocating more centralized supervision. The MiSP package does not go as far as the advice in the Draghi Report, but it is a step in the right direction. And we are prepared to make serious efforts ourselves, in order to strengthen centralized supervision in Europe.

And since I've promised you the Dutch perspective, let me share the 5 preconditions we see as critical for successful centralized supervision:

1. it needs to be risk-based;
2. its cost model needs to be proportional and transparent;
3. it needs to work on a basis of good governance and a solid architecture of supervision;
4. it needs centralized data and data-driven supervision;
5. and it needs effective enforcement.

The debate on these issues is ongoing, so it will be very interesting for all of us to see the outcomes.

What's in this for you?

Now, I realize that so far I've been talking from a supervisor's perspective.
But what's in it for you, as Compliance and Legal professionals?

As I've mentioned, I very much believe we are in this together.
Because we live and work within the same political and economical realities.
And with the same legal frameworks.
My job obviously is to be an external supervisor.
But I see your job essentially as *internal* supervisors.

And this leads me to three ways in which we have to essentially change the way we work:

1. 1) First, we should change our focus from **rule-based** to **outcome-based**.
   Both internal and external, we should aim at similar supervisory outcomes.
   This means that, within your sector, it is not helpful to answer difficult questions with one-liners like *'This is what the Regulator requires us to do.'*
   Every rule or regulation should have us ask the 'why' question.
   Why does this rule exist in the first place?
   What is its essence, its meaning?
   Always start with 'why'?
   And if the 'why' is not clear, why not suggest simplifying, changing or scrapping this rule?
   This way you also actively contribute to burden reduction.

2. Second, we should change our focus from **company first** to **public interest first**.
   Because you all need each other within our sector and within our society to make your own company successful. We need to focus more on growing the pie before we discuss how to divide it.

   Like it or not, we are all part of a broader ecosystem.
   So please act like it and influence the debate in the interest of this wider European ecosystem. Keep challenging your board to think broader than the smallest company interest. Invest in the commons. If you want the ear of the regulator, make sure you do not (only) address issues that are relevant to your firm, but to the whole industry or - even better - to the public interest.

3. And third, we should change our focus from **short term** to **long term**.
   Always look beyond your quarterly figures.
   You know that, as a regulator, we like to see short-term action combined with a long-term vision.
   And your customers and shareholders like this perspective too.
   So can you join us in this?
   I know short-term pressure can be very high, especially in these interesting times.
   But the only way to get through them in a healthy and resilient way is to keep our eyes on the horizon.

Conclusion

These are three challenges for Compliance and Legal professionals, brought to you by a regulator with a very Dutch perspective. I realize that they can mount a challenge to your corporate culture.
But the reality is that today's challenges require us be serious about this. They require serious action to strengthen our markets, our legal frameworks and our common resilience. So yes, we are in this together.

You basically know what to expect from supervisors and regulators. Especially from a Dutch one. But since we are in this together, we expect something from you as well.
Compliance and Legal are absolutely critical for every institution. Not just to define risks.
But also to understand the 'why' behind rules and regulations.

You are doing well in many regards. And AFME is playing an important role within the sector. So delve into these issues together, investigate their risks and don't think they will disappear on their own. Take short-term action, with the longer term in mind. Join the debate, make yourself heard. And always look for our common or public interest, because in challenging times you will not survive on your own.

We have more work to do. We have new risks to counter. We have more resilience to build. But we have to do it together.

So I'm counting on you. Are you with me?