Keynote by Laura van Geest (Executive Board Chair, Dutch Authority for the Financial Markets) at AFME's 5th Annual European Financial Integration Conference, Frankfurt, Tuesday 20 May 2025

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[only the spoken word counts]

Ladies and gentlemen,

It often strikes me that nowadays speakers on stages like these tend to make grand gestures.

- Wearing some kind of red baseball cap, for example.
- With a certain text printed on it.
- By making a gesture with your arm that is rather historically sensitive.
- And even by parading around with a roaring chainsaw.

Unfortunately for you, I am kind of boring.

I am standing here with a serious plea, but one with a familiar ring.
My message is simple—just four words.
Make Europe Strong (Again).

Before I elaborate on the How, on the ways we can do this, allow me to explain <u>why</u> I chose these 4 words.
If Europe is to take the latest (geo)political developments seriously, then this is our moment to stand up.
To stand strong together and make <u>real</u> the old promise of a real internal EU market.

This is an opportunity ánd a necessity at the same time.
If we do not stand up now, we will need to make serious changes at a later stage,
Under pressure.
For example, when a very serious financial crisis arises.

I hope of course that such a crisis can be avoided.
Although I hate to say it, such a crisis is not a theoretical proposition.
You probably remember how - more than ten years ago - we had to set up the SSM (European banking supervision) in record time.
Hopefully, similar pressure will not be necessary again.

But it means that we have to get to work now.

And, of course, this demands significant effort from everyone involved.
Since we are among ourselves today as financial professionals - and since I represent the public sector - I'd like to talk about the three contributions that the public sector can make:

1) Improving EU laws and regulations.
2) More efficient and centralised supervision.
3) A European mindset.

Luckily, we don't have to start from scratch.
Mrs. Letta and Draghi offered us sound recommendations to increase and improve the internal market and Europe's competitiveness.
Fortunately, Brussels is already working hard to translate these into action, with the *Competitiveness Compass*.
The *Omnibus Simplification Package* is a tangible next step, as well as the consultation on the *Savings & Investments Union*.

All these steps must lead to a clear goal: a fit and streamlined European economy, with a better functioning internal market for capital, savings and investments.
This means more European unity in the area of money and wealth.
And a better life for consumers and entrepreneurs in Europe.

But how to get there?
Well, through simplicity, unity and *burden reduction*!

At the same time, a regulator's task it not to be naive.
We are not happy campers by nature.

Such lofty goals are not easily achieved.
Especially when you look at regulations that have been piling up for decades

So first, we must untangle the web of existing rules and regulations.
Second, new rules and regulations have to be simpler, more effective and more efficient.
Always asking ourselves: is this true burden reduction or is this about deregulation?
In other words: less burdensome rules or just fewer rules?
Because there is quite a difference between the two (burden reduction and deregulation).
This question brings to mind that chainsaw once more…

So I prefer to keep talking about <u>better regulation.</u>
To me this is paramount - even if it is seen as a worn-out term in Brussels.

But what actually makes regulation better?

If we really want Europe to move forward, we must keep returning to the essential question that every regulation or set of rules - new and existing – needs to answer: what is the real policy objective here?
For a regulator like me this is the bottom line: rules must help us move forward.
In a perfect world every policy is aimed at fair and transparent financial markets.
With effective and efficient rules, that are as 'light' as possible.

This requires policy makers to invest time and effort before the benefits can be reaped. Because simpler and better rules are not a force of nature.
You have to work hard to make them happen.
And in some cases you also have to give up something.
There are a couple of specific matters that we, as AFM, believe will significantly enhance future European policymaking.:

1) First, the quality of *impact assessments* must improve.
Too often, ex ante costs are underestimated in Cost Benefit Analyses (CBAs).
We also need to map out the interaction between European directives and regulations much better in advance.
This will allow us to limit the overlap of rules from the start.
The result: less duplication of work and less administrative burden for market parties and regulators.
This can partly be achieved by not only doing *impact assessments* <u>before</u> the start of the trilogue but also <u>after</u> the trilogue is finalized.
Because you can only say something meaningful about the expected impact in reality if you look at the rules after the negotiated outcome.

2) A second matter is *an execution check of practical feasibility.*
This helps us to know whether legislation is really feasible, for example by the regulator who is assigned with a new supervisory task.
Otherwise, it could become a dead letter, despite the lofty policy goals.
As the saying goes: 'the road to hell is paved with good intentions'.

3) My third point concerns temporary legislation and reviews.
If legislation is intended to be temporary, let us make sure the temporary nature is built in, through mandatory periodic reviews and sunset clauses.
Regulation that actually expires is one of the most tangible forms of burden reduction.
In addition, reviews of legislation must be meaningful.

Now they often are tabled far too quickly after legislation comes into force.
This means that we have not yet gained enough practical experience to really evaluate the regulation properly.
Or the reviews are constantly postponed, which makes them less credible.

4) Let's also take much more advantage of behavioral insights when drafting new legislation and reviewing existing ones.
The 'homo economicus' does not exist.
We do know better by now. And have to act accordingly.
Let actual behavior guide our thinking and rule making.
Are investors best served by an extensive handbook, full of do's and don'ts?
Or do we require clear, simple default from financial service providers?
For example, one that leads to sensible and more appropriate financial choices?
We know that consumers often follow the path of *least resistance* in their choices.
So it is important that the default option leads to the best and most appropriate outcome.

5) Fifth, we will have to work on maximum harmonization.
This can be done by replacing directives with regulations, where possible.
After all, regulations work directly, no need to transpose them into national legislation.
It is also crucial to solve 'political hot potatoes' in legislation in Level 1 regulations - instead of 'kicking the can down the road' to more technical levels, of negotiators and rules.
I am of course aware that negotiations on regulations often take a little longer.
But we certainly reap the rewards of this delay in the longer term.

6) Sixth, give SMEs room to operate with laws and regulations on a risk-based approach.
We must regulate effectively, for example by considering the unique attributes that SMEs possess, like their size, complexity, and the specific risks they pose to the market.
And we must regulate proportionally, by addressing the nuanced needs of diverse market players without hitting them with a one-size-fits-all approach.

7) Data, data data: opt for centralized *data delivery, storage and data processing* throughout the EU.
Centralized data processing will help significantly in harmonizing supervision.
This means no more national variations and national data provisions.
But a one-stop-shop to submit your data.

And all national regulators within the EU should also be legally allowed to exchange data.
[korte adempauze]

These are 7 suggestions that will improve existing and new legislation - and benefit both market parties <u>and</u> regulators alike.

While we focus on improving legislation, we must also examine the supervision of financial markets.
Because if you advocate a real internal market, then you also need more unity in the current patchwork of supervision.
In other words: we - the regulators - also have to change.

In fact, a true single market requires more central supervision.
But this raises practical questions in turn.
How to organise this?
How to deal with existing structures?
Which activities should fall under central supervision, and why?

You and I will probably agree that — if a certain percentage of the supervision of an activity is already done via regulations — this activity is more suitable for central supervision.

Here too, the key question is: what is our common policy objective?
Which form of centralisation makes for *greater efficiency and effectiveness* in capital markets?

Of course, every possible option has its advantages and disadvantages.
And of course, people tend to cling to their own familiar habits.
We're all human after all!

So let me propose the three preconditions for good, centralised supervision.
Governance, funding and supervisory culture:

1) First, a remark on governance.
A central European supervisor should keep to 3 key principles:
a) independence from national and sectoral interests,
b) a fast and proactive work process and
c) the use of existing, national supervisory expertise.
At the same time, a European supervisor must also be able to make clear decisions.
And centralisation must lead to simplification: no extra layers, no duplicate work.

2) Second, a remark on funding.
A European supervisor must be funded in a predictable and sustainable manner.
This is the only way to guarantee that work is done effectively and proportionately, with a long term focus.
It must also be based on the real costs of supervision.
In this respect, we must consider funding that is partly based on specific regulatory results - or funding that takes risk profiles of market parties into account.

3) Thirdly, a remark on supervisory culture:
If we know more clearly what central supervision will look like, it will be easier to get everyone in Europe on board.
As AFM, we would like to see a risk based supervisor: focusing on the bigger problems and risks.
And yes, that is exactly the way we work now.
And for good reason, I might add.
So if we want to transfer tasks, it must be at least as good as our current way of work.
And preferably even better.

Of course, more centralized is still a thing of the future.
Many rivers have to be crossed before we will get there.
Moreover, each stakeholder brings their own interests into these discussions.
Most of us are undoubtedly in favor of more cooperation and of *Making Europe Strong (Again).*
But we will probably all prefer to do it in our own way.

And this might be our biggest struggle.
Better regulation and centralized supervision are not forces of nature.
They are the result of negotiations, of solid lobbying, of accommodating local and sectoral interests and yes, also of preventing supervisory arbitrage.
So I see one really big prerequisite for that one, strong internal market, with efficient regulations and effective supervision.
And that is a more European mindset.
This is all about our motivation and mentality.
Our common will to really put the greater, European interest before all our others.

In fact, Europe is already the largest market in the world.
So let us also start acting accordingly.
Let us think in European terms first, instead of national or sectoral terms.
Let us think more in terms of best practices and less in terms of maintaining the status quo.

Let us think more about the intrinsic goal that drives supervision and not about ways to evade it.

And let us use this mentality to actively participate in public debate:
Where can we work smarter and simpler?
Where should we do more - and we should we do less?
And where should we put in some extra effort for a higher goal?

In short: let us ditch our hobby horses.
And if we stick to American metaphors: ask what <u>you</u> can do for <u>your continent</u> first.

Ladies and gentlemen,

My appeal to you - and to all of us - is therefore: *Make Europe Strong (Again).*
Abbreviated to 'MESA'.
Which is - of course - only a small step from ESMA! *[knipoog]*

Creating a real internal financial market is both a big opportunity and a big necessity.
One that requires hard work <u>and</u> strong cooperation.
But these two - hard work and strong cooperation - are exactly what has made Europe rather successful over the past 70 years.
We have repeatedly faced difficult circumstances, threats, and crises..
And time and again, these challenges have pushed us toward real breakthroughs.

So let us also use these uncertain times for a new breakthrough, which *Makes Europe Strong (Again).*

And rest assured: as regulators we will keep a very close eye on that breakthrough. *[knipoog]*

Thank you.