AFM Agenda 2025

In short The financial sector and the AFM are increasingly influenced by significant trends, including the rise of new revenue models driven by digitalisation, geopolitical tensions, the growing sustainability market, and heightened vulnerability to cyberattacks. These developments shape our efforts to address potential risks effectively. This Agenda 2025 outlines the initiatives we will undertake this year as part of our supervision of financial services, capital markets, asset management, and accountancy & reporting.

The AFM will be **agile** in its response to these **impactful trends and developments** in 2025:

In the AFM Agenda 2025, the AFM describes its **objectives and activities** for the coming year

AFM

REPORTING AGENDA

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1. Key developments

Trends

Trends can form the basis for the emergence of risks and thus largely determine the direction of our supervision. Early identification and understanding of changes in the sector contribute to a risk-driven, forward-looking and preventive approach to supervision.

General developments

- Although inflation is moving towards lower levels, economic growth is expected to remain subdued.
- The better-than-expected economic developments and prospects do not alter the fact that calm on the financial markets can quickly turn.
- The financial position of households is relatively stable but remains vulnerable to (unexpected) economic setbacks.

Digitalisation

- Digitalisation within the financial sector is steadily advancing and is changing business processes and business models of financial institutions.
- The use of technologies creates new dependencies and makes the financial sector vulnerable to concentration risks.
- Increasing digitalisation increases the risk of cybercrime.

Sustainability

- Regulations are giving investors more and more tools to include Environmental, Social and Governance (ESG) factors in their investment strategies.
- Societal polarisation can put pressure on the popularity of ESG investing.
- The volume and complexity of sustainability regulations can have unintended side effects.

Internationalisation

- International (geopolitical) relations are highly strained, which may lead to increasing regulatory divergence and supervisory arbitrage.
- It is important to accelerate progress on the European Capital Markets Union.
- Financial services are increasingly taking on an international character, which entails risks that require an international approach.

Crime and integrity

- Digitalisation makes fraudulent financial service providers more effective.
- Preventing and combating money laundering and terrorist financing and complying with sanctions regulations requires sustained attention.
- Preventing and combating financial crime requires effective national and international cooperation with stakeholders.

General developments

Although inflation is moving towards lower levels, economic growth is expected to remain subdued. Particularly the rise in food and energy prices and the associated tightening policy of the European Central Bank (ECB) cooled the economy in 2023. Although the Dutch economy barely grew in 2023, a severe recession was avoided. There was also continued tightness in the labour market. Now that the biggest price and interest rate hikes seem to be behind us and wages rose rapidly last year, the financial position of households has improved. Moderate economic growth is therefore expected in the coming years.[1] There is also confidence in financial markets that inflation will return to central bank targets without a sharp economic downturn. In capital markets, this expectation has contributed, among other things, to historically high share prices.

The better-than-expected economic developments and prospects do not alter the fact that calm on the financial markets can quickly turn. For example, further rate cuts are expected to be postponed if inflation remains persistently above the ECB's target. This could lead to asset write-downs as investors appear to have already anticipated rate cuts later this year and markets appear highly valued. In addition, geopolitical tensions could lead to further geoeconomic fragmentation, while rising cyber threats and disappointing results from the perceived added value of AI could trigger an equity correction. Due to the global interconnectedness of financial markets, unexpectedly strong negative economic news can pose a risk to financial stability. As the crypto market continues to grow and its interconnectedness with the traditional financial system increases, this may also lead to financial stability risks.[2]

The financial position of households is relatively stable but remains vulnerable to (unexpected) economic setbacks. Dutch households have proved resilient to rising inflation and interest rates. This is partly due to the government support provided immediately after the outbreak of the coronavirus pandemic and the energy crisis, (collective) wage growth, the tight labour market and the fact that many Dutch households have mortgage loans with a longer fixed-rate maturity. At the same time, attention must continue to be paid to the financial position of vulnerable households, particularly due to the long-term effects of higher interest rates on household debt and the cost of living. Specific groups of households, such as households that invest in risky assets or hold large consumer loans, are particularly vulnerable.

In the long term, demographic developments may lead to a shift in financially vulnerable groups. Demographic developments refer to changes in the size and composition of groups in society. The associated risks are often slow-moving in nature but can have major consequences. For example, the Dutch labour force has already started to shrink, due to 'ageing', and the diversity of society is increasing due to migration.[3] This creates shifts in financially vulnerable groups. Dutch people with a migration background have a greater risk of income loss after retirement, exclusion by traditional financial parties, underinsurance and fraud due to the use of unregulated parties for transactions abroad.[4] Due to the ageing of the population, extra attention will be paid to financially vulnerable older people. This is mainly the group of older people with only a state pension, hardly any second pillar pension and without their own home or accrued capital. They are also particularly susceptible to (digital) fraud. Finally, young people are becoming more vulnerable because debt habituation occurs when using services such as payment in instalments, and they take more risks by trading excessively in, for example, cryptos – including via finfluencers.

1 See 'Macro Economic Outlook 2025', CPB, September 2024 and 'Spring Projections' 2024, DNB, June 2024.
2 'Financial Stability Report 2024', AFM, June 2024.
3 'Population in the future', CBS.
4 'Dutch nationals with a migration background: An exploratory study on the degree of financial vulnerability and the relationship with financial services', AFM, December 2021.

Digitalisation

Digitalisation within the financial sector is steadily advancing and is changing business processes and business models of financial institutions. Technology is playing an increasingly indispensable role in the business operations and business models of financial institutions. For example, AI models are used by banks and insurers for credit assessments, fraud prevention and the fight against cybercrime, among other things. Asset managers and capital market participants are applying AI models in investment strategies, risk management and compliance.[5] The increasing use of these new technologies and the entry of new innovative (non-financial) players are putting pressure on the business model of traditional financial institutions. Financial institutions that depend on old business models run the risk of pricing themselves out of the market. We increasingly see financial products or services offered via apps or websites by non-financial companies, sometimes embedded in the purchase of a non-financial product. Embedded finance can help increase the accessibility and ease of use of financial services, but it also leads to consumer protection risks.

The use of technologies creates new dependencies and makes the financial sector vulnerable to concentration risks. With the digitalisation of the financial sector, the dependency on IT systems is increasing. These IT systems are predominantly supplied by a limited group of large (mostly American) tech companies, such as Amazon Web Services, Microsoft Azure, Google Cloud and Alibaba Cloud. These parties dominate the market for cloud service providers. The failure of one crucial party in the chain can bring services to a standstill for a large part of the sector.[6] In addition, we see that high IT costs, for example for IT infrastructure and cyber resilience, are driving consolidation. We see this reflected in capital market parties and parties in the asset management sector, for instance. Concentration risks at a few large market players and chain dependency lead to risks to financial stability, among other things.

Increasing digitalisation increases the risk of cybercrime. The reliance on IT increases the vulnerability of the financial sector to cyberattacks, which often target the weakest link in the chain. Cyberattacks can shut down services, cause financial damage and even threaten financial stability. This can have major financial and economic consequences and affect both consumers and financial institutions. In addition, geopolitical tensions and geoeconomic fragmentation increase the risk of cyberattacks, especially because the financial sector is an attractive target for cybercriminals (sometimes affiliated with state actors) who are looking to disrupt the (financial) infrastructure.

Sustainability

The market for sustainable finance has grown strongly. Damage from climate change highlights the need to accelerate the sustainability transition and requires significant investments. The financial sector plays an important role in this transition. We see that the market for sustainable finance has grown strongly in recent years.[7] Despite this, the market share of sustainable finance is still a limited part of the total.

Regulations are giving investors more and more tools to include Environmental, Social and Governance (ESG) factors in their investment strategies. In recent years, many new (European) regulations have been developed to promote sustainability in the financial sector. For example, the Corporate Sustainability Reporting Directive (CSRD) is intended to increase companies' transparency about their sustainability efforts. In addition, the Sustainable Finance Disclosures Regulation (SFDR) stipulates that fund managers are expected to communicate clearly about how they take sustainability risks into account in their investment policies. Their sustainability claims must also be fair, clear and not misleading.[8]

5 See also 'The impact of AI on the financial sector and supervision', AFM and DNB, April 2024.
6 On 19 July, a software bug in a version update by the cybersecurity firm CrowdStrike led to large-scale disruptions in Microsoft-driven systems around the world in various industries, including aviation.
7 'Green finance: A quantitative assessment of market trends', TheCityUK, March 2022.
8 'Guidelines on Sustainability Claims', AFM, October 2023.

Societal polarisation can put pressure on the popularity of ESG investing. The popularity of ESG investing, after years of growth, seems to be under pressure. In the United States (US), investments in sustainable funds declined for the first time last year, while in Europe the growth of assets in sustainable funds is levelling off.[9] The disappointing financial performance of sustainable investment strategies in recent years probably plays a role in this. In addition, societal polarisation contributes to the declining popularity. This is most visible in the US, where some states seek to discourage ESG investing while others seek to encourage it.[10] In Europe, too, the societal polarisation surrounding the sustainability transition could spill over to the financial sector.

The volume and complexity of sustainability regulations can have unintended side effects. The various packages of regulations that are intended to increase transparency around sustainability are essential, but in addition they require a lot of time and attention from the institutions that deal with them. There is a risk that the attention paid by institutions to comply with transparency requirements will be detrimental to efforts to make their business model truly sustainable. In addition, there is a risk that institutions will become more reluctant to disclose their sustainability targets or will adjust them downwards, to prevent them from being accused of false sustainability claims in the future.[11]

Internationalisation

Political shifts and geopolitical tensions are straining international relations and may lead to increasing regulatory divergence and supervisory arbitrage. For example, geopolitical tensions have increased geoeconomic fragmentation between trading blocs, exacerbated by reciprocal import tariffs and financial and economic sanctions between the EU, the US and China. In response, many countries are striving for strategic autonomy in sectors such as defence, technology and (fossil) energy. This also applies to European capital markets. There, strategic autonomy translates into increasing resilience and reducing undesirable strategic dependencies on non-European countries. Meanwhile, political developments in the US and Europe, among others, are causing additional uncertainty worldwide. For example, future policy changes in the US and the EU could increase regulatory divergence between the US and the EU, for example around sustainability or crypto-assets. This could lead to regulatory and supervisory arbitrage and undermine the integrity of financial markets. A strong and integrated European Capital Markets Union (CMU), which can operate independently of major financial centres outside the EU, strengthens European strategic autonomy and protects against these risks.[12],[13]

9 'Global ESG Funds Hit With Outflows for First Time in Q4', Morningstar, February 2024.
10 'The ESG battle: 4 key states shaping regulatory discourse in the US', ESGDive, November 2023.
11 'How companies are starting to back away from green targets', FT, June 2024.
12 AFM and DNB: recommendations for a strong European capital markets union, AFM, February 2024.
13 'The future of European competitiveness', EC, September 2024.

Financial services are increasingly taking on an international character, which entails risks that require an international approach. The Dutch financial markets are attractive to foreign parties. We are seeing an increase in cross-border financial services driven by digitalisation. In addition to the positive effects of an increase in supply and a greater diversity of providers, the cross-border nature of financial services also entails (cross-border) risks. These include an increase in fraudulent foreign providers of risky investment products, an increase in cross-border market abuse on capital markets and the emergence of an uneven playing field between domestic and foreign providers of financial products and services. These risks may be less adequately addressed at national level and require an international approach.

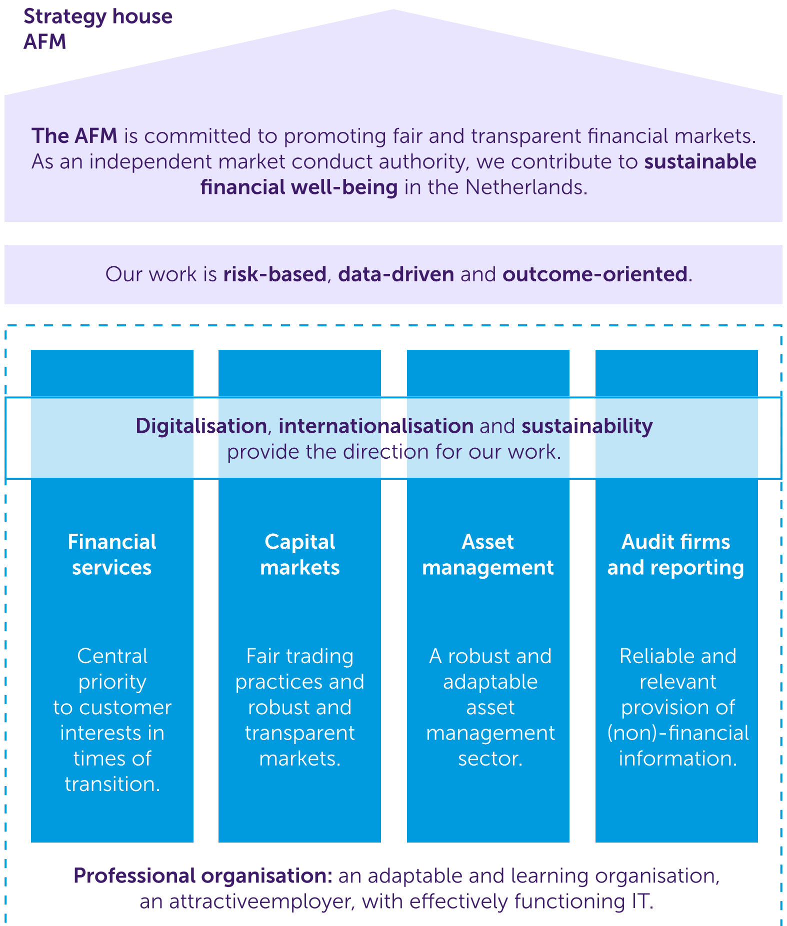
Integrity and criminal behaviour

Digitalisation makes fraudulent financial service providers more effective. Unfortunately, digitalisation also encourages criminal behaviour in the investment market. New players that fall outside the scope of regular licensing can enter the investor market. Many of these new players present (independent) investing as a risk-free and easy way to make money. These parties typically target younger, less experienced investors. Trends such as gamification and the use of low-threshold investment apps increase the risks of criminal behaviour. An example that comes to mind are finfluencers with a sizeable audience of young followers on social media, who falsely pretend to be experts and are not transparent about their own revenue model. Fraudulent providers and fraudsters are increasingly facilitated by providers of (malicious) trading software and ready-to-use misleading websites that appear professional but are intended to mislead investors and extort money. Such malicious activities have a major impact on (groups of) victims who are harmed by this.

Preventing and combating money laundering and terrorist financing and complying with sanctions regulations requires sustained attention. This is especially true for crypto and real estate markets. The complex and international nature of crypto markets can contribute to the emergence of unethical (trading) behaviour, such as money laundering, financing terrorist activities or evading sanctions regulations. The real estate sector in particular is susceptible to abuse by criminals because of its size, the generally high returns and the lack of transparency regarding valuation, pricing and transfer. Preventing and combating these forms of criminal behaviour requires effective national and international cooperation with stakeholders.

2. Strategy

In 2022, the AFM renewed its strategy. The AFM Strategy 2023-2026 forms the basis for the AFM Agenda 2025. The strategy is summarised in the figure below.



The AFM's mission provides direction to the performance of our statutory duties. The AFM's mission is as follows: '*The AFM is committed to fair and transparent financial markets. As an independent conduct supervisor, we contribute to sustainable financial well-being in the Netherlands*'.

The AFM applies a supervisory approach that is risk-based, data-driven and result-oriented. Risk-based means that the AFM focuses on issues that may cause the greatest harm to consumers, investors and other market participants. Data-driven supervision means that we substantiate our supervisory assessments and actions with as much data as possible: by collecting, analysing and providing access to data. This allows us to understand risks, monitor them systematically and, if necessary, address them in a targeted manner. Result-oriented means that we focus on maximum impact with the formal and informal instruments at our disposal. For the best results, we respond to behavioural drivers and causes.

In the AFM Strategy 2023-2026, we identified the long-term trends that have a significant impact on Dutch society, the financial sector and the AFM. This means that digitalisation, internationalisation and sustainability will continue to guide our supervision for 2025. A brief analysis of this can be found in Chapter 1 and the full analysis is included in the Trend Monitor 2025.

The mission and external developments have been translated into multi-year supervision goals for the four supervisory areas. These are elaborated for the coming year in Chapter 3. In addition, AFM-wide topics, such as combating criminal behaviour and financial stability, are elaborated in Chapter 3.5. A professional organisation provides a solid foundation for achieving the supervision goals and mission. The objectives in this area can be found in Chapter 3.5.3.

3. Priorities and key activities for 2025

Our objectives in 2025

AFM 2025

- The AFM ensures that supervised institutions **manage** the **effects of digitalization** in their market. For our supervision, we increasingly use data and technology.
- The AFM is **internationally influential**. We achieve this by actively contributing to EU regulations and promoting effective supervision of the European financial markets.
- The AFM aims to enable (financial) companies and consumers to take into account **sustainability risks and impacts** in their decisions.
- The AFM's supervision protects **members interersts during the pension transition** and prevents as many foreseeable disappointments as possible by overseeing **balanced communication and understandable arrangements** for participants in pension funds.
- The AFM improves its **supervision of market abuse**, among other things, by collaborating with foreign regulators.
- As of July 1, 2025, we will adopt a **new approach**, prioritizing **multidisciplinary, disciplined, and data-driven** practices.
- The AFM is an **agile and learning** organisation, with an **effective and adaptive IT service**.

In 2025, the AFM will prioritise the following objectives.

The AFM ensures that institutions subject to supervision manage the effects of digitalisation in their market. We are increasingly using data and technology to monitor this:
- The AFM supervises companies' implementation of DORA, particularly when it comes to critical capital market infrastructure.
- In addition to DORA, the AFM is well prepared for the implementation of (new) regulations relating to digitalisation, such as MiCAR, PSD3/PSR, Financial Data Access Regulation (FIDA), Retail Investment Strategy (RIS) and the Artificial Intelligence (AI) Act.
- The AFM is implementing a new data-driven supervisory strategy.
- The AFM examines how the impact of far-reaching technological developments, such as embedded finance and AI developments, affect consumers.

The AFM is internationally influential by making a targeted contribution to EU regulations and by encouraging effective supervision of the European financial markets:
- The AFM promotes its risk-based supervision model in the EU. We do this by introducing our methods of supervision into supervisory meetings within the European Securities and Markets Authority (ESMA), the European Insurance and Occupational Pensions Authority (EIOPA) and by reflecting on them in Brussels. In addition, the AFM will be organising meetings with foreign supervisory authorities this year with the aim of sharing knowledge and strengthening cooperation.
- In international discussions regarding data centralization, the role of enforcement within supervisory instruments, and the Capital Markets Union (CMU), the AFM's position is widely recognized and frequently cited as a sound and appropriate course of action.
- The AFM addresses international supervision on all fronts.

The AFM's objective is to enable (financial) enterprises and consumers to take sustainability risks and sustainability impact into account in their decisions:
- The AFM supervises sustainability information in a coordinated and effective manner.
- The AFM is at the forefront of international discussions about impactful investing.
- The AFM ensures that the transition to a sustainable society is supported by adequate management of sustainability risks by asset managers and appropriate financial products.

The AFM's supervision protects members' interests during the pension transition and prevents as many foreseeable disappointments as possible by supervising balanced communication and explainable schemes for members of pension funds:
- With its supervision, the AFM contributes to pension schemes that are in line with the risks that members are able and willing to bear, to the provision of balanced information and to careful advice and support in choices and decision-making.
- The AFM substantiates its supervisory messages with data.
- The AFM is in constant contact with stakeholders in the pension sector in order to provide a platform for questions and to discuss any bottlenecks of the transition as early as possible.

The AFM is improving its supervision of market abuse, for example by working together with foreign supervisors:
- Investigation into cross-product and cross-platform insider trading.
- The AFM combats the uncontrolled use of (AI in) trading algorithms by achieving better control in the sector.

As of 1 July 2025, the AFM will have established a new organisational structure and working method based on Futureproof supervision, in which multidisciplinary, data-driven and disciplined working are paramount.
- All departments work in the new organisational structure.
- Multidisciplinary, data-driven and disciplined work have unequivocally landed within the AFM.

The AFM is an agile and learning organisation and has effective IT services.

- By means of Strategic Personnel Planning, Continuous Dialogue and Formation Planning, all managers give direction to their staff.
- The AFM is improving its learning ability and the training budget is being put to good use.
- Its IT-department allows the AFM to respond adequately to incidents.
- The AFM-wide IT chain processes are standardised.

New duties and reinforcement in 2025

The AFM will be given many new duties in 2025. We must prepare and/or intensify our supervision to this end. This will require a substantial additional effort, for which the AFM will deploy additional financial resources from within the multi-year cost framework 2025-2028. The most important new duties are:

1. **Digital Operational Resilience Directive and Regulation (DORA):** DORA is a European directive and regulation that focuses on managing systemic risks and the associated risks for consumers and investors. DORA sets uniform requirements for financial institutions in the field of ICT risk management, incident reporting, managing ICT risks in the event of outsourcing and contains a European supervisory framework for critical external service providers, such as large cloud providers. DORA applies to European regulated institutions, including trading venues, credit institutions and investment firms. The AFM will therefore become the supervisory authority of the (cyber) resilience of a large number of institutions. Implementing DORA within its supervisory duty requires a lot from the AFM in terms of capacity, such as attracting FTEs and making IT investments.

2. **Markets in Crypto-Assets Regulation (MiCAR):** MiCAR is the first European legislation to regulate crypto-asset service providers and crypto-asset issuers. These regulations are an important step towards the further regulation of this risky and volatile market and the protection of consumers. MiCAR came into effect in December 2024. This will subject the crypto sector to AFM supervision for the first time. Preparing our supervision and setting up our organisation for this new duty requires extra capacity.

3. **Future of Pensions Act (Wtp):** The Wtp has expanded the number of market conduct supervision duties for the AFM, both during and after the transition to the new pension system. Although these standards have been in force since 1 July 2023 and no new standards will be added next year, the AFM will expand its supervision of pension administrators and insurers in 2025. A successful pension transition is important for the financial well-being of millions of Dutch people.

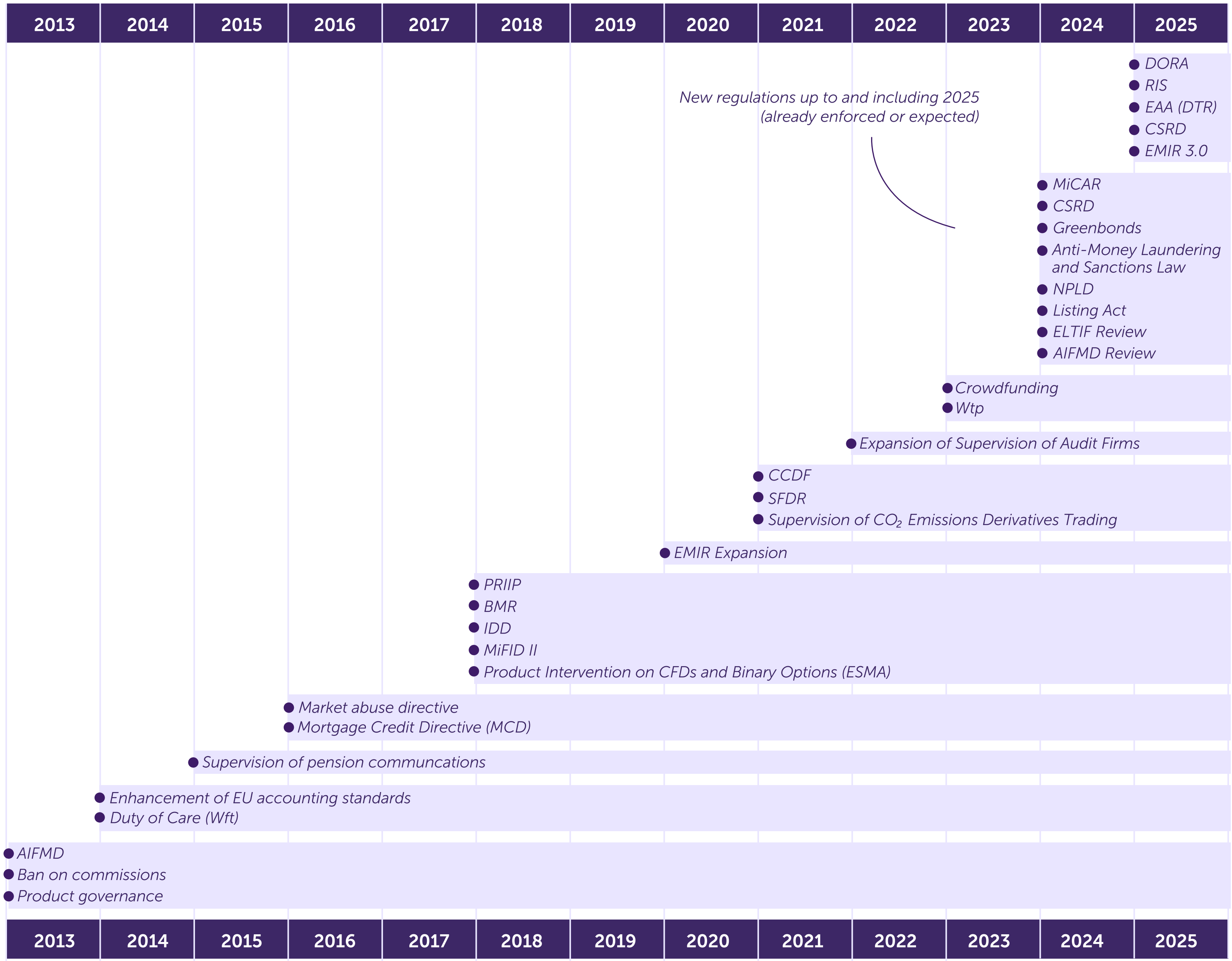
4. **Corporate Sustainability Reporting Directive (CSRD):** The CSRD increases the reporting obligations. Companies must report in accordance with the European Sustainability Reporting Standards (ESRS), and these reports must be audited by an external auditor. From financial year 2024, these obligations will apply to larger listed companies. In FY2025, all large companies in the EU will be subject to these transparency obligations, and from FY2027 onwards, listed SMEs will also be subject to these transparency obligations. The AFM supervises compliance with the CSRD by issuers and audit firms.

5. **IT investments:**
   To keep up with rapid changes in the financial markets, it is essential to update the IT infrastructure and to speed up development within the AFM. The AFM has been implementing a new IT strategy for this purpose since 2023. The AFM has reserved additional scope for the investments required for this in the new cost framework 2025-2028. In 2025, we will complete the cloud migration of our core systems and simplify the application landscape by cleaning up outdated applications. We are optimising chain processes, improve data management and streamline supervisory processes. We are renewing the digital portal for data exchange with the financial market, which will reduce the number of manual operations that need to be done.

6. **Strengthening data-driven supervision:**
   To effectively monitor future trends and developments in the supervisory domains, further development of data-driven supervision is necessary. We will set up the first phase of the Data Management Office (the function responsible for central data management and governance) and develop the next phase of the data-driven supervisory strategy in 2025. The AFM will have a new organisational structure which will better facilitate multidisciplinary, data-driven and disciplined collaboration.

Subchapters 3.1 to 3.4 and Chapter 4 (*Finance*) explain the activities for these new duties in more detail. These activities are included in the cost framework established for the period of 2025-2028 that the AFM has agreed upon with the Ministry of Finance.

A global overview of the new or expanded supervisory tasks of the AFM until 2025



3.1 Supervision of financial services

Central priority to customer interests in times of transition

As in previous years, the AFM's supervision aims to ensure that in major transitions such as sustainability, digitalisation and the pension reform, the best interest of the client continues to be a priority in relation to financial products and services. These transitions offer various benefits for consumers of financial products, such as lower costs, a wider choice, the ability to meet the need to contribute to a sustainable world and more accessible services. However, these transitions also entail risks: large amounts of data can threaten the position of consumers, foreign providers are not supervised by the AFM and sustainability promises are not always kept. The AFM will therefore continue to investigate in 2025 how these major transitions will affect the products and services offered to retail customers.

We aim to achieve the following in 2025 in the supervision of financial services:

- The AFM handles MiCAR licence applications in a timely manner, takes over the supervision of crypto service providers from DNB and supervises compliance with the new European crypto legislation.
- The use of data and AI does not lead to people or their property becoming uninsurable. The AFM intervenes if customer interests are jeopardised because of financial innovation and technology.
- Financial products that are recommended as sustainable do what they promise and do not make misleading claims.
- There is a better understanding of cross-border services to identify risks in this market at an earlier stage.
- The new pension schemes are suitable for their members because pension funds explicitly take the interests of their members into account in their decisions on the transition.
- Members understand what the new pension scheme means for them because pension funds inform them in a timely, clear and balanced manner. Choice guidance by pension providers enables all members to make appropriate choices.
- Retail supervision is based on responsible use of data. Data-driven supervision is embedded in supervisory processes and used to underpin prioritisation and enforcement.

Priority 1: Consumers are not disadvantaged by digitalisation

Financial innovation and technology

Financial innovation and technology are changing business processes and business models. This often leads to greater convenience for customers, lower costs, or more personalised recommendations. New market participants boost competition, but all market participants must ensure that innovations are in the interest of the customer. The digital or online environment in which consumers make a choice to buy a certain product or make an investment can steer them towards choices that are not in their interest. The growing amount of available data and the use of AI make it increasingly easy for financial institutions and service providers to assess consumers' risks profiles more individual level. While some low-risk customers have to then pay lower premiums, for example, those with a higher risk profile run the risk of uninsurability or only at exorbitant rates. Client's or prospective client's willingness to pay can also be estimated with data. This can lead to some consumers paying a higher or lower price for the same product than others, depending on their willingness to pay. It is not certain whether chatbots provide correct information and whether the use of *Large Language Models (LLM)* does not cross the line of advice, which may lead to customers making wrong financial choices.

Key activities:

- The AFM will conduct various exploratory studies into the use of AI in all retail markets to identify the risks to customer interests.
- The AFM will conduct a pilot into algorithmic claim handling in insurance, with the aim of getting a general picture of how the AFM can supervise AI use in customer processes in the future.
- Researching into the impact of *embedded insurance* and margin personalisation of insurance policies so that customers continue to buy appropriate products.
- The AFM will conduct at least two investigations into neo-brokers, following up on signals. We will investigate, among other things, foreign providers operating in the Dutch market and Dutch firms operating abroad. The goal is for investors to be confident that their services will enable them to achieve their investment goals.
- We will investigate the risks of automation of underwriting processes in the mortgage chain. The focus will mainly be on the digitalisation of these processes, the use of source data and the role of mortgage servicers. Based on the research results, we will form a vision of the preconditions for how all the parties involved can set up these processes in such a way that the customer's interests are not harmed and how we can optimally supervise this as.
- In order to ensure responsible lending in a digital environment, the AFM has drawn up ten principles for IT change management in 2024. In 2025, we will follow up on this with an assessment in which providers test their IT change management against the published principles.

MiCAR: a first step towards regulation of the crypto sector

MiCAR, European regulation cryptocurrencies, has been in force since last year. The AFM supervises the crypto sector's compliance with these rules. In 2025, we will further arrange our organisation in support of this. In addition, we will take over the supervision of a number of institutions that are currently subject to the supervision of the Dutch Central Bank (DNB). We will carefully process licence applications and supervise whether crypto asset service providers (CASPs) comply with the new provisions on customer interest, investor protection and market manipulation. White papers, marketing and advertising may meet quality requirements and may not mislead investors. In addition, the AFM supervises compliance with the Money Laundering and Terrorist Financing (Prevention) Act (Wwft), including TFR, and the Sanctions Act (Sw) by crypto market participants.

The crypto sector is international by nature and the relevant legislation is European. Providing interpretation and working out level two legislation is done at a European level and is relevant to the functioning of the Dutch crypto sector and our supervision thereof. That is why we play an active and constructive role in consultations within the European Banking Authority (EBA), ESMA and with other supervisors. The AFM also continues to warn of the risks of cryptos. The arrival of MiCAR is a first step in the regulation of the crypto sector, but is considerably lighter in important aspects than laws and regulations for 'traditional' financial markets. Moreover, the crypto sector remains volatile and cryptos remain highly speculative and risky even with these new rules and our supervision.

Key activities:

- The AFM will review the quality of marketing communications and advertising by CASPs and will investigate compliance with the Wwft and Sw.
- We will also carry out an investigation into illegal crypto providers and serious abuses in the field of money laundering, market abuse and other criminal behaviour.
- The AFM is developing its data position so that *data tooling* and data analysis can amplify market signals and substantiate the prioritisation of risks.

Priority 2: Sustainable products do what they promise and consumers know where they stand

Our sustainability supervision has two main objectives. First, retail investors must be able to invest in sustainable products based on of high-quality information and they must be able to trust that sustainable products do what they promise. For this, it is important that advisors ask about their clients' sustainability preferences and provide appropriate advice. These preferences should become part of the product development process of investment products. The very fact that the second-pillar pension is mandatory means that pension administrators must also make an inventory of the sustainability preferences of pension members and ensure that the investment policy takes them into account as much as possible.

Second, it is important that consumers and households are aware of climate risks. In concrete terms, this means, for example, that homeowners know that their home can decrease in value because of foundation damage and that such damage often cannot be insured. Consumers also need to know what they can do if they face a climate risk. Clear information, such as what home insurance policies do and do not cover and the risk of foundation damage, is a minimum requirement for this. Of course, there is also the responsibility of mortgage lenders. They should be very careful about lending consumers money they cannot repay, even if the loan is intended to make the home more sustainable. Financial advisors can play an important role in all these cases by providing appropriate advice.

Key activities:

- The AFM will investigate the compliance of asset managers and life insurers with the SFDR, with the aim that all investigated firms provide consumers with accurate information about how investments contribute to sustainable objectives.
- The AFM will research sustainability claims and will publish the results. This research will serve as the basis for follow-up research into compliance with, among other things, the AFM's Guidelines on Sustainability claims.
- We will investigate whether providers of rental purchase for sustainability projects carry out activities for which they would have to apply for a licence. Companies that, for example, rent out solar panels or heat pumps with a purchase option may need an AFM licence.
- Research into how non-life insurers substantiate sustainability claims. The aim is to gain insight into how non-life insurers interpret the concept of sustainability and how they integrate this into their products and business operations.

Priority 3: Consumers need to be able to rely on European providers

The vast majority of the supervisory rules comes from Europe. In addition, supervisory convergence is being developed under the coordination of the European Supervisory Authorities. This means that separate, national supervisory authorities increasingly have to supervise in a unified way. A level playing field is needed for a well-functioning internal market, resulting in better and cheaper services for consumers.

An active, international role for the AFM is needed to create a level, but high-quality, playing field for European services in the EU. Digitalisation makes it easier for foreign providers to serve the Dutch market without a branch in the Netherlands. The regulator in the home state is then responsible for ensuring that they comply with European standards regarding consumer protection. If there is a problem with products or services that are offered from abroad, the AFM can often do little about this. Consumers do not know who to turn to in that case. That is why the AFM is committed to good rules that apply throughout the EU and to high-quality supervision of all providers, regardless of where they are located.

In 2025, the AFM will prepare its supervision for new European laws and regulations and contribute to the development of European rules. In addition, the AFM will focus more explicitly on its investigations into both foreign and Dutch providers, such as neo-brokers, and participate in European investigations under the coordination of ESMA.

Key activities:

- The AFM will start preparing its supervision and the elaboration of the Technical Standards and other lower regulations at the European level ensuing from the Retail Investment (RIS). This depends on the political agreement on the corresponding Directives and Regulation. We do this by participating in discussions about the development of technical standards and guidelines.
- We will further prepare our supervision of new European legislation, such as DORA, FIDA, the Accessibility Directive, the CCD, the NPLD, and the AI Act.
- Investigations will be carried out into neo-brokers and non-life and life insurers, among others, explicitly including service providers from other Member States. The aim is for these institutions, where relevant, to comply better with the rules and to map out how foreign service providers serve the Dutch market.
- The AFM is participating in a European investigation coordinated by ESMA into compliance with the Product Oversight and Governance (POG) rules and suitability of financial products.

Priority 4: New pension schemes meet the needs of members and avoid disappointment

The core of our supervision during the pension transition is aimed at preventing foreseeable disappointments among members and ensuring that the pension schemes are as close as possible to the risks that members are able and willing to bear. The pension transition offers opportunities to make the pension more in line with members' personal needs. To this end, guarantees to ensure that the pension schemes are aligned with members are important. The AFM has a lot of contact with the pension sector to explain how it expects the sector to comply with the new, often principle-based standards from the Wtp. Among other things, the AFM does this through regular dialogue with pension providers, insurers and other relevant organisations, six-weekly transition bulletins, several presentations and round-table discussions per year and an annual pension event.

In 2025, the AFM will investigate how pension providers and insurers comply with a number of important conduct rules from the Wtp. An important example of this is choice guidance, which is designed to help pension providers and insurers enable members to make the most appropriate choice possible. Guidance should not only take place digitally but should also be aimed at members who prefer paper information documents and means of communication. Other examples include the risk preference survey that pension administrators and insurers must carry out and the mandate confirmation, in which they explain how and why the pension scheme suits the members.

Despite the great importance of the second-pillar pension for the Dutch economy and the financial position of households, pension knowledge and awareness are low. The provision of information should therefore contribute to members' understanding of pensions and, where necessary, encourage action. An initial stocktake of the communication plans of pension providers shows that improvement is needed. During the transition, the AFM will assess the remaining approximately 180 communication plans and will randomly check transition overviews. In addition, the AFM will continuously supervise collective value transfers and the Pension Register Foundation. The AFM will also assess hundreds of signals and reports on an annual basis from, among others, pension providers, insurers and members. These signals and reports are an important source for risk-based supervision.

Key activities:

- Research how pension providers have set up the choice guidance for members. The aim of this research is to gain insight into the extent to which administrators follow the legal frameworks and the AFM guideline and how they can improve choice guidance.
- The AFM will do follow-up research into the mandate confirmation, in which pension funds substantiate how the new pension scheme meets the wishes and needs of members and provides the social partners insight into the consequences of choices made. The purpose of this research is to assess whether the pension funds meet the statutory requirements in drafting their mandate confirmation, whether

they have taken into account the AFM's guidelines, finding good examples and possible improvements.
- The risk preference survey of pension funds will be repeated. We want to ensure that implementers take into account the financial risks that members are able and willing to bear in their investment policy and base these on the results of the risk preference survey.
- In 2025, the AFM will publish the Pension sector in view (Sectorbeeld pensioenen), which is based on the annual 2P survey. These insights can be of value to pension administrators in making administration choices or in designing new pension schemes. For example, characteristics of their own scheme and the options available to members in the scheme can be compared with sector-wide insights.
- In 2024, the AFM has started assessing the more than 200 communication plans of pension funds and will continue this work in 2025. During the upcoming transition period, the AFM will assess approximately 180 communication plans. The purpose of the communication plans is for pension providers to think in advance about how and when they will include their members in the pension transition. This lays the foundation for how pension providers inform their members in a balanced, correct, timely and clear manner on what the pension transition means for them personally.

Priority 5: Helping financial advisors and intermediaries understand the impact of transitions

Financial advisors and intermediaries play an important role in the success of the sustainability, digitalisation and pension transitions for many consumers. Individual advice helps people understand how these transitions affect them and how to reduce their vulnerabilities. Financial advisors and intermediaries cannot be isolated from the other areas of supervision such as pensions, insurance and lending. Our supervision of almost 7,000 advisors, intermediaries and authorised agents will therefore be organised more integrally and more coordinated with the other supervisory domains. The use of data will also take in a more central position. This data analysis must take place as uniformly and standardised as possible so that risk analyses and insights can be compared over time. The AFM ensures that data requests and analyses are is done responsibly and can be explained.

Key activities:
- Follow-up research into the quality of mortgage advice will be performed. We will discussi with stakeholders and clarify points of attention with regard to mortgage advice by amending the mortgage advice guideline, among other things. In addition, the AFM will periodically check risk-based advice files to ensure that the quality of advice remains sufficient.
- The AFM will conduct a survey of recently authorised financial service providers to check how they comply with market access requirements in practice. The aim is to ensure that financial service providers have the necessary knowledge and skills to advise consumers on important issues.

Recurring activities in the supervision of financial services:
- Ongoing monitoring of financial institutions' compliance with PARP standards. Institutions have a PARP review calendar and adhere to it. In 2025, we will investigate the extent to which third-pillar pension products and supplementary health insurance policies meet these standards.
- The AFM investigates whether financial advisors and intermediaries are consistently meeting the quality requirements and have controlled and ethical business operations.
- The AFM processess licence applications and personal assessments as much as possible within the statutory deadlines and monitors the quality in doing so. It does this by means of a risk-based approach.
- The AFM regularly consults with the major institutions, on a monthly or quarterly basis or more often if necessary. As a result, these institutions know where they are at risk in terms of customer interest and mitigate these risks. Where necessary, the AFM prepares annual reports of institutions that inform institutions about their risk profile.
- Publication of Pension sector in view *(Sectorbeeld pensioenen)*, in which the AFM presents the most important trends in the pension sector. Pension providers can use these sector-wide insights to make and substantiate their own choices with regard to the administration of pensions and new schemes. This Sector view is established on the basis of an annual survey of providers of second-pillar pensions.
- The AFM submits the Wtp information survey together with DNB and shares the results via the transition bulletin.

3.2 Supervision of the capital markets

Fair trading practices and robust and transparent capital markets

Capital markets play a key role in the provision of capital for economic activities. It allows businesses and governments to raise capital to fund their operations, which can ensure economic growth and innovation. In addition, capital markets play an important role in the redistribution of financial risks and the financing of sustainability and the energy transition. They offer investors the opportunity to invest and thereby contribute to their financial housekeeping. It is therefore important that market participants have confidence in the proper functioning of the market. The AFM is committed to promoting resilient, transparent and fair European capital markets with the aim of maintaining confidence and promoting sustainable economic growth. We aim to achieve this in 2025 by focusing on controlling the increasing digitalisation by market participants, strengthening the supervision of cross-border market abuse and increasing our influence and cooperation in Europe.

In 2025, digitalisation will continue to play a major role for capital market participants, who are now highly digitalised. This also means that they need to adequately defend themselves against cyber threats. Capital market participants are an attractive target for the disruption of financial markets because of their crucial role in the proper functioning of capital markets. This includes, for example, trading venues, central counterparties (CCPs) and the central securities depository (CSD), but IT suppliers can also be targeted. We also see that market participants are increasingly intertwined due to digitalisation. In addition, the use of AI and trading algorithms is expected to increase and advance. This offers opportunities in the efficiency of the market, but also entails risks. It can even lead to investors being misled or to market manipulation. In our data-driven supervision, we are therefore focused on cyber resilience, digital risk management and cross-border market abuse.

Capital markets are strongly internationally oriented. This underlines the importance of a strong CMU within Europe. Centralisation of supervisory data and data sharing are good steps to achieve this. We are committed to this within Europe. Finally, the increasing flow of new rules from Europe requires a high level of commitment from our supervision.

We want to achieve the following in 2025 in our supervision of capital markets:

- The supply chain is resilient and transparent. Market participants adequately manage the risks of digitalisation, including the risks associated with cyber threats.
- The capital markets have integrity, even in times of increasing digitalisation. This means that market participants manage the risks of digitalisation, including the risks associated with AI and algorithmic applications.
- Market participants are prepared for new laws and regulations, such as DORA, sustainability legislation (including CSRD and the EU Green Bond Standard) and the Listing Act.
- Capital markets are efficient, open, competitive and transparent. Market participants are aware of vulnerabilities in the capital market chain, including the concentration of power, and manage the risks that this entails.

Priority 1: Market participants manage advancing digitalisation in a controlled manner

Market participants are facing many challenges due to increasing digitalisation. An important task is to strengthen their cyber resilience, where necessary. However, there is a risk that their controlled cybersecurity operations will fall short of the requirements, as laid down in DORA, among others.

In addition, market participants are increasingly making use of digitalisation in their business operations, as a result of which capital markets are becoming increasingly intertwined. On the one hand, this can cause insufficient control over business operations and, on the other hand, disruption of the entire chain if one participant collapses.

In addition, capital markets are influenced by new technologies,including AI. This creates new dependencies on tech companies and makes the financial sector vulnerable to concentration risks. Wealthy companies are better able to invest in new technologies such as AI, while the collection of (big) data and expertise in AI technologies can form a high threshold for new entrants. This further restricts competition and strengthens the market power of established market participants.

Key activities:

- The AFM will perform research into IT risk management at trading platforms and possibly other capital market institutions. The purpose of this research is to be able to adequately assess whether there is sufficient compliance with those market participants. Supervision of the digital resilience of CCPs and the CSD is tackled in collaboration with DNB.
- Compliance with the requirements of DORA by trading platforms and proprietary traders will be monitored. The ongoing supervision of DORA will be set up for this purpose; this relates in particular to (incident) reports, the outsourcing register and licence applications.
- We will perform research into chain dependency and market power in the capital markets. The aim is to identify the risks that can lead to inefficient outcomes for users and have major consequences for the entire chain.
- Follow-up research will be performed of the risks of using AI in trading algorithms, focusing on market power risks and opportunities for collusion between algorithms.
- The AFM will perform research into the decline of central and public price formation and the risks this poses to the orderly functioning of the market. The aim is to identify the market power that has a negative impact on this process and, if necessary, to address it.

Priority 2: Strengthening cross-border market abuse supervision

Market abuse takes various forms, such as insider dealing and market manipulation. However, it is important to ensure the integrity of financial markets and investor confidence. Internationalisation and fragmentation of capital markets increase the risk of cross-border market abuse. In addition, we see that the limited availability of data by national and international regulators and the varying data quality hinder effective supervision. It is therefore important to further professionalise data-driven supervision in our supervision. Finally, in the European context, a strong CMU with European supervision is necessary to reduce market abuse.

Key activities:

- There will be extra focus on detection and investigation of insider trading. The aim is to detect and tackle market abuse in order to keep the capital markets fair and equitable.
- The AFM will further develop and implement CMOBS (Cross-Market Order Book Surveillance) for detecting market abuse and seek cooperation within Europe for this.
- We will handle signals and conduct supervisory investigations in the field of market abuse.
- In order to make data-driven supervision more effective and to further improve its professionalism, the AFM will:
  - Make more effective use of innovative (automatic) checks, including LLM technology, to support supervision.
  - Focus on increasing the timeliness, completeness and correctness of notification and reporting obligations by focusing on high-quality systems and controls, applying expectation management and proactively enforcing it.
  - Share data-driven insights externally to inform users and share expertise.
  - Improve the use of SREP data (data on the integrated risk picture of market participants) to better understand risk and compliance with standards.
  - Further develop a tool and dashboard to map out market participants' trading activities, including affiliated parties, in one dashboard. Among other things, this requires a link with various capital market

sources, including MiFIR, EMIR and later also Notifications data. The purpose of this is to detect market abuse.

Priority 3: Increasing influence and cooperation in Europe

By being internationally influential, we contribute to better laws and regulations. Cooperation with other (European) supervisors is essential in this respect, because it promotes the harmonisation of (new) laws and regulations and contributes to a higher level and convergent supervision. A key focus is the European CMU, which the AFM will continue to support in 2025, including initiatives such as the centralization of supervisory data. Part of the CMU involves new EU legislation, such as the European Single Access Point (ESAP) and the Listing Act. We also closely follow initiatives in the field of sustainability, such as CSRD and the European Green Bond Standard (EuGBS).

Key activities:
- In 2025, we want to increase our influence in Europe. Within Europe, we propagate our vision on the CMU, Listing Act and other current developments. We will also actively contribute within ESMA, form coalitions with other regulators and make external policy statements on these topics.
- We are specifically committed to clarifying and strengthening MiFID RTS 6 with regard to the control of trading algorithms and further elaboration of issues surrounding the DLT Pilot Regime that facilitates trading and settlement via distributed ledger technology.
- We are also committed to clarifying ESG definitions under the Benchmark Regulation (BMR) and will contribute to the development of a shorter settlement cycle to T+1.
- We will prepare for developments of the CMU, such as data centralisation including ESAP, by monitoring them and responding to them if necessary.
- The AFM will implement the package of rules of the Listing Act, CSRD and EuGBS within our (ongoing) supervision.
- We are committed to strengthening international and bilateral cooperation with fellow regulators in cross-border and cross-market market abuse investigations. The aim is to make an impact and take effective action against cross-border market abuse.

Recurring activities in the supervision of capital markets:
In 2025, the AFM will continue to devote a significant part of its capacity to regular tasks in the supervision of capital markets:
- Performing one-off transactions on behalf of institutions, including: licence applications and extensions for trading venues, proprietary traders, CCPs and benchmark administrators, European passport requests, annual reviews of CCPs and the CSD, waiver/deferral applications, DHUDs, waivers and open-access requests.
- Ongoing oversight of trading venues, proprietary traders, benchmark managers, CCPs and CSD including regular contacts to keep in touch with the market and follow up on oversight issues.
- Following up on signals and conducting investigations into suspected violations of laws and regulations by capital market institutions, for example in the field of governance and controlled and sound business operations.
- Participation in international standing committees, task forces, colleges and peer reviews. In this setting, we contribute to the development and application of policy. This includes sharing findings and experiences with fellow supervisors about technological developments such as algorithmic action and AI.
- Coordinating requests among Dutch capital market institutions for the purpose of supervisory convergence of European supervision led by ESMA and EBA.
- Supervision of prospectuses.
- Supervision of public bids, supervision of the process of a public offer as well as review of documentation including the offer memorandum.
- Real-time supervision of the timely disclosure of inside information.
- Supervision of the provision of information by listed companies.

3.3 Supervision of asset management

A robust and agile asset management sector

The size of the asset management sector in the Netherlands has increased compared to 2023, but has not yet returned to pre-2022 levels. The asset management sector now manages almost €1,000 billion in assets for pension funds, insurers and households. In 2025, the AFM will focus on increasing the maturity level of the digital resilience of asset managers, managing sustainability risks and on intensive cooperation in Europe.

In 2025, the asset management sector will face a number of challenges. For example, asset managers are increasingly applying AI models to investment strategies, risk management and compliance, among other things. This entails new risks. European capital markets and therefore asset managers are becoming highly dependent on large (American) tech companies for their (digital) infrastructure. In our supervision of the asset management sector, we will pay attention to the risks of dependence on these parties. The pension transition is also generating more outsourcing and further consolidation. This is a challenge especially for the smaller pension funds. An increase in outsourcing and consolidation can lead to concentration risks. Many asset managers may then become dependent on a limited number of third parties and/or only a few large asset managers with a dominant market position will remain.

In addition, sustainability continues to play an important role. Asset managers have an impact on the climate transition through their investments. We see that asset managers are increasingly offering sustainable products and that they play an important role in fulfilling clients' demand for sustainable investments. Adequate management and integration of sustainability risks into business operations and investment policy remains important, including ESG risk management. In addition, it is important that there is full transparency towards investors about the way in which asset managers pursue sustainability.

Finally, the impact of (new) European laws and regulations on the asset management sector is significant. It requires a lot of effort from both asset managers and the AFM to implement these laws and regulations. It is therefore essential that we remain highly visible within Europe and continue to work closely with our fellow European supervisors.

We aim to achieve the following in 2025 in our supervision of asset management supervision:

- Asset managers are increasing their maturity level with regard to the risks of digitalisation, including the risks associated with AI and algorithmic applications.
- The digital resilience of asset managers is in order, partly by properly implementing and complying with the rules from DORA.
- Asset managers have adequate management and integration of sustainability risks into business operations and investment policies, including management of ESG risks, and maintain full transparency towards investors about sustainability and the associated risks.
- The asset management sector is prepared for the new rules from the AIFMD and the Undertakings for Collective Investment in Transferable Securities Directive (UCITS).

Priority 1: Asset managers increase the maturity level of digital resilience

The reliance on IT makes the financial sector vulnerable to underlying problems with technology, such as cyber attacks. Asset management parties are increasingly being targeted by cyber attacks, and the severity of the attacks is also increasing. Outsourcing business processes to large service providers, such as cloud platforms, further increases the vulnerability of the entire asset management sector to cyber incidents. Asset managers must therefore take measures to strengthen their digital operational resilience, also when outsourcing IT tasks. DORA introduces requirements to increase cyber resilience. Over the past year, asset managers have had time to prepare for DORA and in 2025 they will have to be truly compliant. With the arrival of DORA , the AFM will also have an important supervisory duty, namely the supervision of cyber resilience.

It is expected that asset managers will increasingly use artificial intelligence (AI)-based applications in investment policy, portfolio management and operational processes. For the time being, it seems that AI will mainly be used for the collection and analyses of data. While the use of AI may improve investment strategies, it also comes with risks, including biases in algorithms (e.g. because the dataset is biased), poor data quality, and a potential lack of transparency and explainability. It must be clear when AI is/will be applied. Clients must be prevented from being misled by making the role of AI in their investment policy or investment portfolio larger than it actually is (AI-washing). This harms investor confidence and can pose a risk to financial stability.

Key activities:
- The AFM will conduct exploratory studies with regard to digitalisation, such as the market-wide demand for AI and algorithmic applications by asset managers. The aim is to gain insight into the use of AI and to see if and where our supervisory strategy needs to be reinforced in this regard.
- We will monitor the digital resilience of asset managers, including the extent to which institutions comply with the stricter European DORA requirements and conduct research into the design and operation of the risk management framework and the IT knowledge of micro-enterprises.
- The integrated risk assessment (SREP) of investment firms, investment funds and investment funds that provide MiFID services will be further expanded. The aim is, among other things, to translate the insights gained into thematic reviews for the ongoing supervision of these parties.
- We will investigate whether small investment firms comply with rules regarding product development, professional competence and suitability. The aim is to use the data and standardised requests to identify the risks and to check whether the investment firms are compliant with the rules. We will inform the market about the results of the research, our follow-up actions and what the companies themselves have to do to comply.
- We will follow-up and complete the Crowdfunding project to comply with the rules. Any follow-up actions will be taken in line with the results of the research.

Priority 2: Managing sustainability risks

Asset managers are increasingly offering products with a sustainability label. Sustainability risks must be managed and properly integrated into business operations. A key challenge in the sustainable finance market is the level of transparency and verifiability of sustainability risks and investment performance. Managing sustainability risks therefore requires continued attention, especially when the quality of sustainability data is limited. Correctly assessing sustainability risks requires accurate, timely and complete ESG data. In addition, it is important that there is full transparency towards investors about the way in which asset managers pursue sustainability.

It is important to understand how asset managers handle ESG data and to be able to demonstrate that the data used are accurate and complete. With regard to transparency, it is important that asset managers provide investors with insight into sustainability risks and that investors are able to easily compare sustainability aspects of financial products.

Key activities:
- Follow-up research will be performed of the specific aspects of risk management by asset managers, including the exploration of the risk management framework around the theme of model risk. The purpose of this is to assess at the institutional level whether the management of the model risk is properly designed.
- The AFM will perform follow-up research into (ESG) data risk management, with the aim of assessing whether this is properly set up at the institutional level based on the previous research.
- In collaboration with our German colleague BaFin and ESMA, we will analyse the sustainability performance of portfolio holdings of Dutch asset managers. The European Commission provides technical expertise for this analysis on the basis of a TSI (Technical Support Instrument). The aim is to gain insight into the extent to which the participations of asset managers meet the sustainability criteria.
- We will monitor compliance with transparency requirements based on the SFDR.

- We will implement the assessment of compliance with the requirements of the Guidelines on funds' names using ESG or sustainability related terms in UCITS and AIF names by Dutch asset managers. The aim is to be able to assess whether parties are compliant with these guidelines.

Priority 3: Intensive cooperation in Europe

The European rules for asset managers are becoming increasingly extensive, for example in the field of digitalisation and sustainability. Examples include DORA, EU Taxonomy Regulation, SFDR, CSRD, Climate Benchmarks Regulation and EuGBS.

As early as in the development of new rules or the amendment of existing rules, the AFM is committed to exerting influence within European bodies. In doing so, the focus is not only on AFM-wide spearheads such as supervisory convergence, but also on the characteristic features of the Dutch asset management sector. Together with other European supervisors, the AFM also plays an important role in the development of delegated rules, technical standards (level 2) and guidelines (level 3). These types of rules are important to achieve a further unambiguous interpretation of regulations and thus create more clarity for asset managers.

Finally, we still have a lot to do, such as the revision of the Non-Financial Reporting Directive (NFRD), the revision of the Investment Firm Regulation/Investment Firm Directive (IFR/IFD) and the revision of UCITS Eligible Assets Directive. This also requires international involvement of the AFM before 2025, without losing sight of national developments.

Key activities:
- The AFM will provide input on new international regulations and their elaboration within the Netherlands, seeking cooperation with DNB and the Ministry of Finance. This applies, for example, to the revision of the NFRD, the revision of IFR/IFD, the revision of the UCITS Eligible Assets Directive and the implementation in the Netherlands of the new rules resulting from the revision of AIFMD and UCITS.
- We exert influence on the European agenda with the aim of effectively addressing the risks we have identified. In Europe, the AFM participates in cooperation within ESMA, that is IMSC, RSC and their subgroups, and the ESRB, the European Systemic Risk Board. The AFM also contributes to supervisory briefings, Implementing Technical Standards (ITS), Regulatory Technical Standards (RTS) and Q&As. The aim is to achieve a level playing field and, subsequently, more effective supervision within Europe.
- In 2025, the elaboration of the rules at level 2 and 3 will start for AIFMD and UCITS. Several workstreams will be ongoing, such as the RTS on the characteristics of Liquidity Management Tools (LMTs), guidance on LMTs at UCITS and open-ended AIFs and RTS on open-ended Loan Originating Funds. The AFM will cooperate in this.
- The report on the costs charged to investors by asset managers (AIFMD/UCITS) should be completed by 2025. The AFM will provide data to ESMA for this purpose.
- ESMA is initiating a number of Common Supervisory Actions (CSAs) in which the AFM is cooperating. These include the follow-up and completion of the CSA on sustainability (final report in early 2025 and follow-up discussions afterwards) and a CSA on internal control and audit function.

Recurring activities in the supervision of asset management:
- Using a risk-based approach, the AFM timely processes licence applications, registrations for new funds and passport applications, as well as assesses notifications, signals, assurance reports and custodian reports. In this regard, we utilise periodic reports to enrich our data position and refine our supervision. In doing so, we intend to further standardise and then automate more of our processes.
- We execute account oversight by holding quarterly discussions, by conducting in-depth reviews, and assessing risk and compliance reports.
- We influence and carry out enforcement actions with regard to individual institutions.
- The AFM revises existing rules, such as those involving IFR/IFD and new mandates assigned from Europe. This requires proper coordination between the AFM, as primary licensing supervisory authority, and DNB, as prudential supervisory authority. For this reason, we are committed to a closer cooperation with DNB in order to successfully implement international legislation.

3.4 Supervision of audit firms and reporting

Reliable and relevant provision of financial and non-financial information

Reliable and relevant reporting of companies forms the basis of a well-functioning financial chain. Accountants play an important role in this through their auditreports, which form the basis for important economic decisions. In 2025, the focus will be on ESG information, a healthy corporate culture, addressing commercial incentives, technological innovation and awareness of fraud and discontinuity.

Sustainability, digitalisation and internationalisation have a significant impact on audit firms and reporting. For example, in 2025, the largest issuers of securities will report extensively on sustainability in accordance with the European standards of the CSRD for the first time. Increasing digitalisation of the economy also requires audit firms to be able to form an adequate assessment of highly digitalised companies, while at the same time be able to effectively use technology to improve the quality of their work. This requires, amongst other things, knowledge of and focus on cybercrime.

At the same time, the focus on the quality of other aspects of the audit remains undiminished. We encourage institutions to implement continuous quality improvement and to work on strengthening a healthy culture. To improve the quality of statutory audits, the Accountancy Sector Amendment Act was submitted to the House of Representatives at the end of 2023. This Act introduces important new measures such as audit quality indicators, stricter governance requirements for large audit firms, and clarifies the shared responsibility of audit firms for the quality of the audits performed.

To build confidence in reporting and audit firms, the AFM also addresses the commercial incentives in the system. These incentives can put pressure on the quality of audits, for example due to the influence of private equity parties. Ensuring sustainable quality and independence must also be a priority in the long term.

Finally, the continued focus on fraud detection and prevention is crucial for ensuring the quality of statutory audits. Audit firms and their external auditors must effectively detect, analyse and adequately follow up on fraud risks.

We aim to achieve the following in our supervision of audit firms and reporting in 2025:

- The AFM promotes ESG information by examining the CSRD implementation of companies and audit firms. In doing so, we promote clarity about the use of ESRS and give direction to the market on the extent to which this is currently being complied with. In addition, audit firms are prepared for the large number of CSRD reports that must be assessed in 2026.
- Audit firms are more in control of the quality they deliver, because they recognise relevant risks, have insight into the quality they deliver and the effectiveness of the quality guarantees. This increases the legitimate trust of end users through faithful and relevant reporting.
- The AFM promotes a quality-oriented market structure by addressing commercial incentives within the sector. Throughout the market, the quality system is sufficient to guarantee the quality of the statutory audit.
- The AFM raises awareness of fraud and discontinuity by examining the approach of audit firms in this regard, identifying and following up on deep fraud risks and identifying the risk of discontinuity in a timely manner for the users of the financial statements.

Priority 1: Promoting ESG information in reporting

Investors, credit providers, customers and other stakeholders such as NGOs expect increasingly more transparency in companies' reporting on their sustainability goals. From the financial year of 2024, the CSRD will require large public-interest entities (PIEs), such as listed companies with more than 500 employees, to provide comprehensive sustainability reporting. Smaller companies will also have to comply with the CSRD obligation in the coming years. Companies must prepare their sustainability reports properly and in a timely manner in accordance with the ESRS. The double materiality analysis, reporting on sustainability from two perspectives, is important because it provides insight into the sustainability effects, opportunities and risks of companies. In addition, the information helps companies to determine their strategic course. Audit firms must provide assurance on sustainability information from now on. This requires new expertise and adjustments in their quality control in order to integrate the necessary knowledge. The AFM supervises compliance with the CSRD of issuers and audit firms. In doing so, the AFM aims to achieve greater transparency in sustainability reports.

Key activities:
- We will investigate the implementation of CSRD by audit firms that are allowed to perform statutory audits of PIEs (AOs-PIEs) and some audit firms with a regular licence (RV) that will audit large companies from the financial year of 2025. The aim is to gain a better understanding of the risks of the quality control system of audit firms and the professional competence and capacity of the audit teams.
- We will investigate the reporting in accordance with the CSRD and ESRS by large issuers. The aim is to analyse the progress made by major issuers in their sustainability reporting in accordance with the CSRD and ESRS reporting requirements.
- As part of our data-driven supervision, we are developing a data position in the field of CSRD reporting and control to shape risk-based supervision.

Priority 2: Reinforcing a healthy culture and focus on continuous quality improvement

A healthy culture facilitates quality and reliable statutory audits and assurance reviews of sustainability reporting, and prevents integrity issues. This increases the assurance provided by external auditors in their audit reports and strengthens confidence in the financial markets. For several years now, the AFM has therefore been focusing on improving quality control at three levels: (i) governance, and conduct and culture within audit firms, (ii) the quality control system and (iii) the quality of the statutory audits.

Incidents, such as exam fraud, underline the need for a healthy corporate culture. Fraud not only undermines the level of knowledge and integrity of audit firms, but also jeopardises confidence in the sector. These national and international events stress the urgency of cultural and behavioural change across the sector.

Key activities:
- We will investigate the behaviour, causes and measures regarding exam fraud in the accountancy sector. The aim is to prevent undesirable conduct or negligence, and to prevent repetitions of behaviour and culture that are harmful to the accounting profession.
- We will conduct desktop reviews and thematic reviews on the reporting quality of securities issuers. The aim is to address risks and enhance the quality of the reporting by these institutions.
- We will review time spent, resources and expertise (including fees) of audit firms. The aim is to address the risks of insufficient time, resources and expertise and to persuade the sector to spend sufficient time and attention to the statutory audits.

Priority 3: Market structure: investigating and addressing commercial incentives

The number of registered audit firms is declining due to mergers, acquisitions, and the cessation of companies. Although consolidation seemed to be slowing down, it is expected to increase, partly due to the growing influence of private equity. The rise of private equity in the accounting sector entails risks, especially as the focus on financial performance can come at the expense of an audit's quality. The commercial pressure surrounding the exit of these parties will increase and cause uncertainty, because it is unclear who will be the new owner and what plans they have for the audit firm.

In addition, the outsourcing of routine tasks, such as regular assessments or performing standard analyses to Shared Service Centers (SCCs), is growing. This can provide extra time for substantive control, but also entails risks. The distance between SSCs, audit clients and teams is increasing. This is particularly a risk for foreign SSCs who have limited knowledge of the Dutch situation and the client. We also continue to pay attention to the use of foreign audit firms from other EU Member States by Dutch companies. Although they can contribute to absorbing the shortage in supply, the AFM does not have a mandate to supervise the quality control system and ethical business operations of these foreign audit firms. The AFM therefore requires more insight into these risks.

Key activities:

- Audit firms with a regular license must be prepared in time for the necessary changes in governance arising from the Accountancy Amendment Act, including the implementation of Supervisory Boards. The AFM will periodically call for attention to this. The enforcement date of the new act is not yet known.
- The AFM will continue discussions with audit firms that enter a partnership with private equity about how they safeguard the risks that such a model may have. In this context attention is asked, for example, for the legal design, voting rights, financial management and remuneration policy.
- Research into the remuneration structure of AOs-PIE on policy and elaboration in practice. The aim is to gain more insight into the incentives on the AOs-PIE that remuneration entails.

Priority 4: Audit firms are aligned with an increasingly digital world

Technological developments and digitalisation are transforming business processes, services and products within (audit) organisations. The rapid advancement of AI is accelerating this digitalisation process, creating new opportunities for automation and revenue models. Accountants must adapt their statutory audits, expertise and business operations to these changes. Digitalisation and data analysis offer great opportunities for the sector, such as simplifying administrative tasks and information collection, but also entail significant risks that need to be properly managed. For example, audit firms are an attractive target for cybercriminals, while their knowledge of cyber resilience is often limited. Large organisations are particularly at increased risk due to their access to sensitive information and complex, international structure.

Key activities:

- We will conduct a survey on audit firms' cyber resilience, amongst others, so as to increase awareness of cyber risks and any related measures among AOs.
- We will conduct an exploratory study into the use of audit tooling, such as data analysis in the performance of the statutory audit and its impact on the quality of the statutory audit.

Priority 5: Increasing awareness of fraud and discontinuity

Audit firms have a responsibility to identify and address fraud, discontinuity and (imminent) bankruptcies in a timely manner. Due to the economic developments, digitalisation, sustainability and internationalisation of business, it is becoming increasingly important that they effectively detect, analyse and monitor fraud risks. Failure to recognise fraud during an audit can lead to significant damage and loss of trust. Moreover, there is increasing attention to various forms of fraud, such as greenwashing. A strong internal culture and effective quality management are crucial to address these risks and act in line with the standards.

Key activity:

- The AFM will perform follow-up research into fraud risk analysis and conduct carried out in the event of fraud risks. The aim is to address the risk that external auditors of audit firms do not identify and follow up on sufficient fraud risks during the statutory audit.
- We will investigate the activities and findings of auditors regarding discontinuity of an audited company. The aim is to gain insight into the sector's awareness of discontinuity, to issue an AFM position and to promote public debate on this subject.

Regular supervisory activities in supervision on audit firms and reporting:

- Issuing and withdrawing licences.
- Account supervision of AOs-PIE & segment supervision of audit firms with a regular license (AOs-RV).
- Participating in international forums for reporting and standard setting. The aim is to promote a consistent supervisory approach in the field of reporting and standard setting.
- Desktop reviews of compliance with reporting requirements by listed companies.
- Facilitating cooperation at Colleges of the Committee of European Auditing Oversight Bodies (CEAOB). The CEAOB has set up a system to strengthen cooperation and supervision between supervisors and large audit networks. As a facilitator of this College, we work together with other regulators to share experiences and insights on inspections and audit practices, with the aim of ensuring audit quality and addressing risks consistently across the EU.
- International policy advocacy on ESG reporting and assurance, Standard 240 Fraud and discontinuity.
- Cooperation with the PCAOB on examination fraud, among other things.
- Following up on signals and incident reports from AOs-PIE and AOs-RV.
- Continuous assessment of the quality of statutory audits and/or the effectiveness of quality safeguards deployed by AOs-RV, in line with themes previously highlighted by the AFM.

3.5 AFM-wide issues

3.5.1 Countering criminal behaviour

The integrity of the financial sector is crucial for the trust of both consumers and market participants. When financial institutions become involved in criminal or unethical activities, it not only undermines confidence in these institutions, but also entails major risks for the entire sector. The AFM is committed to a safe and reliable financial market that is not attractive to malicious parties. By combating criminal and unethical behaviour and monitoring compliance with anti-money laundering- and sanction legislation, criminal activities such as fraud, market manipulation and scams are tackled. To this end, there is cooperation with law enforcement partners. The AFM strives to achieve visible results in strengthening the resilience and vigilance of both consumers and the sector.

We aim to achieve the following in 2025 in combating criminal behaviour:

- The AFM visibly combats criminal and unethical behaviour in the financial sector and ensures that the sector is not attractive to malicious parties.
- Strengthening the gatekeeper role of market participants when it comes to the prevention of money laundering and terrorism financing, and compliance with sanctions regulations.
- A more effective enforcement by taking a risk-driven approach and focusing on a better information position.
- Consumers are more aware and more resilient to the risks posed by the increasing digitalisation and internationalisation of the financial sector with regard to deception and fraud by malicious market participants.

Priority 1: A vigilant sector with strong gatekeepers and effective compliance with anti-money laundering- and sanction legislation.

Digitalisation facilitates cross-border financial services. Besides advantages, this also brings some disadvantages. For example, the rise of online services makes it relatively easy for foreign providers with malicious intentions to offer risky products on the Dutch market.

In addition, in 2025, with the introduction of MiCAR and the TFR, a new population of crypto service providers (CASPs) will become subject to the AFM's Wwft (hereafter: AML/CFT) and Sanctions Act supervision. Although this brings a larger proportion of crypto providers under supervision, it remains important to be alert to money laundering and terrorism financing risks that may occur in this market.

Due to increasing digitalisation and internationalisation, the need to properly fulfil this gatekeeper role is growing. The AFM is actively committed to strengthening the sector's gatekeeper role and provides the sector with support on how to fulfil that role effectively. The AFM also contributes to strengthening the supervision of anti-money laundering and sanctions legislation at an international level.

Key activities:

- We will further develop risk models and improve the data position with the purpose of effective and risk-based supervision on compliance with the AML/CFT and Sanctions Act.
- We will conduct risk-based (thematic) investigations into compliance with the AML/CFT and Sanctions Act. Where necessary, enforcement is carried out.
- We will provide guidance to the sector in the field of the AML and Sanctions Act, such as feedback on research findings. The AFM will pay specific attention to the new population of CASPs that will fall under the AFM's supervision under the AML/CFT and Sanctions Act from 2025 onwards. The aim is to strengthen the gatekeeper role of market participants.
- The AFM will reinforce the supervision of the AML/CFT and the Sanctions Act by focusing on national and international cooperation. To this end, we will contribute to the preparations for the EU AML package, the development of the International Sanctions Act (Wis) and the revision of the AML/CFT BES.

Mortgage fraud

The integrity and reliability of financial service providers is crucial for confidence in the market. In order to gain insight into possible unethical or criminal behaviour by financial service providers, the AFM is partly dependent on signals from, amongst others, mortgage providers and the police. We are receiving various signals that have given reason to increase efforts around mortgage fraud in 2025:

- Investigation into financial service providers that appear to be involved in (actively) facilitating mortgage fraud and enforcing it where necessary. When necessary, an investigation by the AFM may result in formal enforcement, whereby fines may be imposed, licences withdrawn and/or policymakers dismissed.
- Intensified cooperation with partners in order to tackle mortgage fraud. One of the goals is to increase awareness of mortgage fraud and the possible consequences of criminal and unethical behaviour.

Priority 2: A resilient sector with informed consumers, a visibly effective regulator and a strong chain.

Digitalisation has made investing more accessible. A new group of consumers has emerged, often with little to no experience with investing. It is important that these consumers are also well informed about the possible risks. The AFM will focus on strengthening its information position in order to be able to act more effectively when necessary in 2025.

Good cooperation with chain partners such as the Public Prosecution Service, FIOD and the FEC is of great importance in combating criminal and unethical behaviour. This will enable us to make optimal use of each other's knowledge and skills. That is why the AFM is committed to working together with chain partners in the event of fraud. We do this by exchanging information, consultation and coordination. We are also looking for cooperation at an international level to combat criminal and unethical behaviour, amongst other things, by participating in the ESMA Enforcement Work Group.

Key activities
- We will increase public awareness of financial crime by launching an appealing campaign, which further stimulates awareness about this theme.
- We will conduct thematic studies based on risk indicators and signals. For example, the investigation into a selection of AIFMD light managers, i.e. managers of alternative investment funds, which are exempt from the licensing requirement, will be completed in 2025 and the findings will be published, also with the aim of informing the market about the results.
- In addition, we will strengthen the approach to boiler rooms through closer cooperation between internal departments and external partners and by making consumers more resilient against this form of investment fraud. Research results will be published alongside warnings to generate attention for the risks surrounding boiler rooms.

3.5.2 Financial stability

The AFM plays an important role in the supervision of financial stability. Stability risks can materialise in the asset management sector and capital markets. In its supervision, the AFM is therefore alert to stability risks and actively contributes to managing them through its ongoing supervision. There are different types of stability risks that the AFM pays attention to. For example, we are closely monitoring developments in the European capital markets in order to anticipate them if necessary. Furthermore, the AFM is the primary supervisor for asset managers. With nearly €1,000 billion in assets under management in the Netherlands, the asset management sector is an important participant in the financial sector and is therefore a sector that must be taken into account in the context of financial stability. A third aspect of financial stability that the AFM pays attention to is the risk that customers of financial institutions run. It is important for financial stability that customers have confidence in these institutions.

Recurring activities in the context of financial stability:
- The AFM contributes to financial stability through its ongoing (conductive) supervision, particularly in the asset management sector and capital markets. The AFM also actively contributes to national and international discussions about current developments that may potentially pose risks to financial stability. The AFM participates in the Dutch Financial Stability Committee (FSC) and at European level (ESRB, ESMA and IOSCO) the AFM contributes to the risks of Non-Bank Financial Institutions (NBFIs) and the development of macroprudential instruments for investment funds. The goal is to make an international impact on this theme.
- The AFM annually publishes an FS risk report containing the most important risks to financial stability that may affect the AFM's supervisory domain. This report serves as preparation for the annual round-table discussion with DNB, the Netherlands Bureau for Economic Policy Analysis and the Parliamentary Standing Committee on Finance.
- In the case of Dutch investment funds, the AFM supervises leverage, meaning the ratio between equity and debt capital. The aim is to gain insight into the use of leverage and to enforce it if necessary. The results of this data analysis are periodically discussed with DNB, and appropriate actions are determined.
- The AFM supervises liquidity risks in the asset management sector. This includes continuous monitoring of liquidity risks in investment funds, especially in investment funds that invest in relatively illiquid assets such as real estate funds and funds that invest in corporate bonds. In the case of these investment funds, there may be a liquidity mismatch when investors exit in the short term while the underlying assets cannot be sold in the short term. The aim is to gain insight into the liquidity risks and to take appropriate actions if necessary.
- In the context of liquidity risks, the AFM monitors developments in the money market, in particular the repo market, on the basis of SFTR data in order to be able to identify risks in a timely manner. Asset managers can be active in this market as part of their liquidity management.

3.5.3 Professional organisation

Digitalisation, internationalisation and further attention for sustainability affect financial markets and our supervisory approach. That is why we are making a change in the organisational structure, investing in our working environment and strengthening our IT. We do this to facilitate our primary supervisory processes in an optimal manner.

Priority 1: An agile and learning organisation

To be able to respond quickly to current and future developments, we must be flexible, data-driven and agile. This requires craftsmanship, in which knowledge and skills have a central role. As IT and data play an increasingly important role in the supervision of the sector, the mix of expertise we need is changing. Because of this context, we are reviewing the current organisation and will be implementing Supervision with a Future in the summer of 2025.

Key activities:
- We are renewing our organisational structure, governance and way of working together so that supervisory departments can work in a more effective, data-driven and multidisciplinary way. We will also realise more uniformity and standardised working methods.

Priority 2: An attractive employer

At the AFM, we consider our people to be our most valuable asset. Attracting, developing, and keeping top talent is a continuous challenge in a competitive labour market. Therefore, we are committed to being an attractive employer, enabling us to effectively fulfill our evolving supervisory responsibilities, such as DORA, MiCAR, and the CSRD. To achieve this, we offer a safe, inclusive, and sustainable work environment with flexible working conditions that empower employees to grow and develop their full potential.

Key activities:
- We will further develop our data-driven recruitment and retention strategies, with a focus on objective recruitment.
- As a learning organisation, we are in constant dialogue with each other. We do this, amongst other things, by further developing the Continuous Dialogue, our performance management cycle which continuously addresses results and performance, vitality, reflection and development.
- We facilitate the development of employees by stimulating participation in development programmes and trainings through the AFM Academy.

Priority 3: A strong IT organisation

Our objective for the AFM is to be an organisation that can take on new duties at an adequate pace, provide IT support that facilitates supervisory activities, and complete projects on time and within budget. We are further developing data-driven supervision so that we can respond effectively to developments and trends within the supervisory domain. To do so, it is important to be able to successfully implement major IT changes in an efficient way so that we can effectively supervise both current and new duties.

Key activities:
- We will partially renew and simplify our application landscape in 2025 so that we can better support and improve the supervisory processes. This allows us to maintain applications better and reduce continuity risks.
- The digital portal for data exchange with the financial market is being renewed. This offers market participants a uniform and more secure way of exchanging data with us. This will greatly reduce the manual actions required for the supervision of data exchange and the guarantee of data quality.
- We will standardise our supervision processes in order to support and improve our supervision even more efficiently.

4. Finances in 2025

The AFM's funding is regulated in the Financial Supervision (Funding) Act 2019 (Wbft 2019). Pursuant to this act, our budget must be submitted annually to the Minister of Finance and the Minister of Social Affairs and Employment for approval. The AFM is bound by a ceiling in this cost framework when setting its budget, which has been established by the Minister of Finance and the Minister of Social Affairs and Employment.

This Chapter explains the cost framework, the expenses specified per type, the investment budget and how the AFM is funded.

Cost framework

In consultation with the AFM, the Minister of Finance and the Minister for Social Affairs and Employment have established a cost framework for the period from 2025 to 2028 (Table 4.1). This framework broadly sets out the maximum costs of supervision during this period and the development of these costs. The cost framework contributes to the frugality and efficiency of the AFM.

Table 4-1 Cost framework (EUR x million.)

AFM cost framework 2025-2028 (in millions)	2024	2025	2026	2027	2028
Basic amount	**140,9**	**140,9**	**140,9**	**140,9**	**140,9**
Known expansion of remit and expansion of mandates		11,7	11,8	11,7	12,4
of which DORA		*0,3*	*0,3*	*0,3*	*0,3*
of which MiCAR		*3,4*	*2,9*	*2,9*	*2,9*
of which Other		*8,0*	*8,7*	*8,5*	*9,2*
IT investments		9,1	10,2	11,2	12,5
of which IT run		*4,6*	*5,2*	*5,7*	*7,0*
of which IT change		*4,5*	*5,0*	*5,5*	*5,5*
Reinforcement of data-driven supervision		1,2	2,5	3,7	4,9
Phased implementation of new mandates		-1,9	-0,7		
New basic amount		**161,0**	**164,8**	**167,5**	**170,7**
Efficiency task		-0,6	-1,3	-2,0	-2,7
Salary adjustment*		4,1	6,4	8,8	11,2
Price adjustment*		1,4	2,6	3,7	4,9
Budgetary framework		**165,9**	**172,4**	**178,0**	**184,2**
Contingencies		2,7	4,3	5,4	6,3
Multi-year framework		**168,6**	**176,7**	**183,4**	**190,5**

** Salary adjustment 2025 (3.8%) and price adjustment 2025 (2.7%). For 2026-2028, a notional 2% has been calculated.*

The item ‘known expansion of remit and expansion of mandates is intended for the supervision of the new regulations that will enter into force in the period 2025-2028. The new laws and regulations mainly concern digitalisation, such as MiCAR, DORA and AIA, sustainability, which includes CSRD and Greenbonds, financial services, with RIS, NPLD, CCD, AML and the Sanctions Act, and capital markets, e.g. CSDR, UCITS, EMIR 3.0. The cost framework includes a phased growth (2025 and 2026) for these new tasks. In addition, the cost framework offers room to invest further in IT and data-driven supervision. This is necessary to ensure that the AFM can continue to be effective as a supervisor in the future. The efficiency target included is intended to contribute to the efficiency of the AFM and is based on an expected growth in labour productivity. Including wage and price adjustments, the budget framework for 2025 amounts to €165.9 million.

Including the contingency item of €2.7 million, the 2025 multi-year framework amounts to €168.6 million. The contingency item is intended to accommodate new (unforeseen) developments and offers room to scale up if necessary. The AFM Executive Board must prepare a substantiated request for this that requires the approval of the Supervisory Board. Following this approval, the request will be passed to the Ministry of Finance.

Budget

The budgeted total expenses for 2025 amount to €165.9 million, which is 18% higher than the expenses budgeted for 2024.

The increase of the total expenses is largely caused by higher employee expenses as a result of the required staff growth due to more statutory duties and the development into a data-driven supervisory authority. The increase in salaries, social security contributions and pension charges is caused by a higher number of in-house FTEs (+13%) and an increase in the average cost per FTE, mainly due to a collective wage increase. The pension charges are cushioned by the loss of a provision. The increase in the costs of temporary hires is largely explained by additional hiring for the further professionalisation of IT management activities. The increase in other employee expenses is explained by the increase in the number of FTEs and related costs for training and recruitment and selection.

On the one hand, the increase in advisory fees largely relates to IT-related advisory fees (partly shifting from IT expenses) and on the other hand advisory fees in the field of internal organisational development.

The IT expenses have risen as a result of ongoing IT management expenses, higher costs for licences and external information provision. A shift to advisory fees has dampened the increase.

Table 4-2 Expenses by type (EUR x million)

Expenses per type	Budget 2024	Budget 2025	Difference compared to Budget 2024	Actual 2023
Salary expenses	*70,6*	*81,3*	*15%*	*62,6*
Social security contributions	*9,0*	*10,9*	*21%*	*8,0*
Pension charges	*13,8*	*14,8*	*8%*	*10,7*
Temporary hires	*6,8*	*8,1*	*19%*	*5,2*
Other employee expenses	*5,2*	*7,1*	*35%*	*4,7*
Employee expenses	105,5	122,1	16%	91,3
Premises costs	5,2	5,3	1%	5,1
Consultancy expenses	4,2	8,2	96%	2,5
IT expenses	20,4	22,5	10%	17,9
General expenses*	3,7	6,6	76%	3,1
Depreciation and amortisation	1,1	0,9	-13%	1,3
inancial income and expenses	0,9	0,3		0,3
Total expenses	**140,9**	**165,9**	**18%**	**121,5**
** Of which contribution to ESMA*	*1,3*	*1,3*		

The financial income and expenses for 2025 are €0.6 million lower than in the 2024 budget. The AFM uses a credit facility with the Ministry of Finance to meet its liquidity needs. In the context of efficiency, the AFM has focused on process improvements in 2024 that have led to a better liquidity position. As a result, the expected interest costs for 2025 will decrease compared to the 2024 budget.

The number of FTE.s including temporary hiring will increase from 783 FTEs to 878 FTEs in the 2025 budget (+12%). This increase is mainly due to extra capacity for new duties and partly also from the previous cost framework and the commitment to data-driven supervision. The increase for new duties is partly due to the supervision resulting from the implementation of the MiCAR Regulation (all areas of supervision except 'Accountancy'), the supervision arising from DORA, mainly in the areas of 'Capital Markets' and 'Asset Management', and the supervision of sustainability reporting under the CSRD, mainly in the area of 'Accountancy'. The increase in 'Direct supervisory support' is the result of the previously mentioned commitment to the development of data-driven supervision.

Table 4-3 Deployment of average FTEs including hiring

Deployment of FTEs (including temporary hires)	Budget 2024	Budget 2025	Difference compared to Budget 2024	Actual 2023
Financial Services	216	236	9%	180
Capital markets	85	105	23%	84
Asset management	44	59	35%	41
Accountancy	84	97	16%	64
Sub-total for four areas of supervision	**429**	**497**	**16%**	**369**
Direct supervision support*	198	216	9%	185
Other divisions**	156	165	6%	146
Total	**783**	**878**	**12%**	**700**

** This concerns Policy and Regulatory Affairs, Legal Affairs, the Expertise Centre, and Data-Driven Supervision.*
*** These are the executive divisions.*

Table 4-4 Investments (EUR x million)

Investments	Budget 2024	Budget 2025	Difference compared to Budget 2024	Actual 2023
Renovations	0,7	0,7	8%	0,4
Furniture and fixtures	0,2	0,4	79%	0,1
Computer equipment & standard software	-	0,4		0,1
Total investment	**0,9**	**1,5**	**64%**	**0,6**

Maintenance investments in the premises are budgeted for 2025, which have largely been postponed from 2024. In addition, replacement investments have been budgeted for furniture and fixtures and computer equipment in 2025.

From budget to levies

The AFM's total costs are funded on the basis of the Financial Supervision (Funding) Act (Wbft) and the Financial Supervision Funding Decree (Bbft). Pursuant to the Wbft, the costs for the supervision of the BES islands (Bonaire, St. Eustatius and Saba) under the Financial Markets Act BES (Wfm BES) and the Money Laundering and Terrorist Financing (Prevention) Act BES (Wwft BES) have to be made transparent separately. Table 4.5 shows the breakdown of the total expenses.

Table 4-5 Total expenses Wbft/BES (EUR x million)

Total expenses	Budget 2024	Budget 2025	Difference compared to Budget 2024	Actual 2023
Expenses under the Financial Supervision (Funding) Act (Wbft)	140,3	165,3	18%	120,9
Expenses for BES islands	0,6	0,6	3%	0,6
Total expenses	**140,9**	**165,9**	**18%**	**121,5**

A further breakdown between the expenses and revenues under the Wbft (Table 4.6) and under the supervision of the BES islands (Table 4.7) is included below.

Table 4-6 Operating difference Wbft (EUR x million)

Operating difference under Wbft	Budget 2024	Budget 2025	Difference compared to Budget 2024	Actual 2023
Market contribution for non-recurring services	*8,2*	*7,0*	*-15%*	*7,1*
Market contribution for regular supervision	*132,1*	*158,3*	*20%*	*117,9*
Administrative fines and penalty payments to be offset with market participants	-	-		*3,0*
Administrative fines and penalty payments due to the government	-	-		-
Total income under Wbft	140,3	165,3	18%	127,9
Total expenses under Wbft	140,3	165,3	18%	120,9
Operating difference under Wbft	**0,0**	**0,0**		**7,0**
Addition to levy reserve	*N.A.*	*N.A.*		*2,4*
Intention to use the levy reserve	*N.A.*	*tbd*		*N.A.*

The AFM recoups these costs incurred under the Wbft from the market in two ways: through annual levies for its regular supervision expenses and through a fee per service.
The fees for non-recurring services, such as licence applications and assessments of management board members, are set by ministerial regulation. The budgeted income for 2025 amounts to €7.0 million and is slightly lower than in the 2024 budget (€8.2 million).

The market contribution for regular supervision consists of the budgeted expenses under the Wbft less the budgeted fees for non-recurring services. Since fees for non-recurring services cover its costs, the budgeted expenses are equal to the budgeted income from non-recurring services. The expenses covered by an annual levy charged to market participants will amount to €158.1 million in 2025. This contribution from the market is €26.0 million more than the market contribution for regular supervision in the 2024 budget (€132.1 million) due to the increase in costs. This contribution from the market for regular supervision excludes (1) amounts carried forward from previous years and (2) any use of the levy reserve. The total amount to be levied is allocated across sixteen categories of institutions subject to supervision according to fixed percentages. In principle, these percentages are fixed for a period of five years and are included in Appendix 1A of the Bbft.

The amount to be settled from previous years is determined once the 2024 financial statements are adopted. Operating differences annually occur as a result of differences between the budgeted and actual expenses and income. Operating differences are settled against the market in the year after they arose on the basis of the fixed percentages as they applied in the previous year. See Appendix 1A of the Bbft.

Income from administrative fines and penalties may vary from year to year and are not budgeted. The proceeds up to a maximum of €4.5 million are either used to add to the levy reserve, or accrue to all institutions subject to supervision through the operating difference[14]. The levy reserve aims to cover incidental costs or other costs that

14 Proceeds from administrative fines and penalties in excess of €4.5 million will be paid to the Ministry of Finance.

would lead to disproportionately high fees for certain institutions subject to supervision.

The AFM will consider the use of the levy reserve to cushion the market contribution for regular supervision for the new category of crypto-asset service providers. Use of the levy reserve will have to be approved by both the Minister of Finance and the Minister of Social Affairs and Employment. This approval takes place under the adoption of the Financial Supervision Funding Scheme at 1 June 2025 at the latest.

The costs of supervision of the BES islands are slightly higher in the 2025 budget than in the 2024 budget. The funding of the supervision of the BES islands is governed by Financial Markets (BES Islands) Act (Wfm BES) and the Money Laundering and Terrorist Financing Prevention (BES Islands) Act (Wwft BES). The fees for non-recurring supervisory operations and for regular supervision are stated in the underlying Financial Markets (BES Islands) Regulation. The fees are not set on a cost-effective basis. The government reimburses expenses to the extent that this market contribution is not sufficient. The budgeted market contribution is very limited and equal to zero to the nearest million.

Table 4-7 Operating difference BES (EUR x million)

Operating difference for BES Islands	Budget 2024	Budget 2025	Difference compared to Budget 2024	Actual 2023
Market contribution	*0,009*	*0,012*	*0%*	*0,012*
Government contribution	*0,621*	*0,636*	*2%*	*0,608*
Total income for BES Islands	0,630	0,648	3%	0,620
Total expenses for BES Islands	0,630	0,648	3%	0,620
Operating difference for BES Islands	**0,000**	**0,000**		**-**

5. Appendix: external KPIs

No.	Themes	Priorities	Activities
1	Digitalisation	The AFM ensures that supervised institutions manage the effects of digitalization in their market. For our supervision, we increasingly use data and technology.	1.1 The AFM supervises companies' implementation of DORA, particularly where critical capital market infrastructure is concerned. 1.2 The AFM is well prepared for the implementation of current and new regulations with respect to digitalisation, such as MiCAR, PSD3/PSR, Financial Data Access Regulation (FIDA), Retail Investment Strategy (RIS) and the Artificial Intelligence (AI) Act. 1.3 The AFM implements a new data-driven supervision strategy. 1.4 The AFM examines how the impact of far-reaching technological developments, such as embedded finance and AI developments, affect consumers.
2	Internationalisation	The AFM is internationally influential. We achieve this by actively contributing to EU regulations and promoting effective supervision of the European financial markets.	2.1 The AFM promotes its risk-based supervisory model in the EU. 2.2 In the international discussions about centralisation of data, the place of enforcement in the supervisory instruments and CMU, the AFM's position is well known and regularly cited in the debate as a right course of action. 2.3 The AFM broadly focuses on international supervision.
3	Sustainability	The AFM aims to enable (financial) companies and consumers to take into account sustainability risks and impacts in their decisions.	3.1 The AFM supervises sustainability information in a coordinated and effective manner. 3.2 The AFM is at the forefront of international discussions on impactfull investing. 3.3 The AFM ensures that the transition towards a sustainable society is supported by adequate management of sustainability risks by portfolio managers and appropriate financial products.
4	Pensions transition	The AFM's supervision protects participants interersts during the pension transition and prevents as many foreseeable disappointments as possible by overseeing balanced communication and understandable arrangements for participants in pension funds.	4.1 The AFM's supervision contributes to pension schemes that align to the risks that members are willing and able to bear, to balanced information disclosure and careful advice and support in their decision-making. 4.2 The AFM supports its supervisory messages with data. 4.3 The AFM maintains ongoing contact with stakeholders in the pension sector in order to provide a platform for questions and to discuss any bottlenecks of the transition as early as possible.

No.	Themes	Priorities	Activities
5	Market abuse in capital markets	The AFM improves its supervision of market abuse, among other things, by collaborating with foreign regulators.	5.1 The AFM conducts an investigation into cross-product and cross-platform insider trading. 5.2 The AFM adresses the uncontrolled use of AI in trading algorithms by achieving better control in the sector.
6	Professional organisation	The AFM is an agile and learning organisation, with an effective and adaptive IT service.	6.1 The AFM is, due to its IT, able to adequately respond to incidents. 6.2 The AFM’s IT-wide chain processes are standardised. 6.3 By means of Strategic Employee Planning, Continuous Dialogue and Formation Planning, all managers give direction to their staff. 6.4 The AFM enhances its learning capacity, ensuring that the training budget is used effectively.