

FINNIUS

AFM supervision priorities 2018

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 3 MINUTES

The Dutch Central Bank (DNB) and the Netherlands Authority for the Financial Markets (AFM) yearly publish their supervision priorities. On 24 January 2018, AFM published its priorities ([link](#), in Dutch) for 2018. The DNB supervision priorities have been published at the end of last year and have been discussed in the Finnius Outlook 2018 ([link](#)). Hereinafter we discuss a couple of concrete supervision plans of the AFM for 2018 and their possible impact on financial undertakings.

- **Case study into transparency and calculation method regarding the costs of investment products:** In Q2 2018 the AFM will carry out an investigation into the transparency and calculation method of costs, return on investment and risks of investment products and services. The AFM will ask the providers of these products and services (such as investment fund managers and investment firms) for information.
- **Application MiFID II standards on product governance by investment firms:** In Q3 2018 the AFM will assess whether the MiFID II standards on product governance are applied in a proper way by investment firms. The aim of the assessment is to improve the quality of the investment products. The AFM will urge investment firms to comply with the MiFID II standards where necessary. It is not clear which firms will fall under the scope of this investigation.
- **Investment policy of asset management companies:** In Q3 2018 the AFM will investigate the investment policies of asset management companies. The focus of the investigation is whether the investment policy reflects the expectation of a retail investor in such a way that the investor will not be faced with undesirable consequences. It is not clear which firms will fall under the scope of this investigation.
- **Follow-up investigation AIFMD Managers that obtained a licence automatically:** In Q2 2018 the AFM will do a follow-up investigation into AIFMD Managers, that obtained a licence automatically due to the implementation of the AIFMD in 2014. The purpose of the investigation is to determine to what extent these managers meet the requirements set out in the AIFMD.
- **Investigation of the duty of care by depositaries:** In Q2 2018 the AFM will investigate to what extent AIFMD depositaries adequately give substance to their duty of care. On the basis of the results of the investigation, the AFM wants to discuss with the depositaries whether additional measures are necessary.
- **Follow-up investigation on the application of client due diligence standards by investment firms:** In Q2 and Q3 2018 the AFM will start a follow-up on a thematic investigation carried out in 2014/2015 on the application of client due diligence standards under the anti-money laundering regulations by investment firms. This will provide the AFM with an insight into the progress investment firms have made.
- **Addressing locked-up situations in credit agreements:** The AFM will assess the business operations and policies of credit providers and credit intermediaries. The AFM wants consumer credit providers to adjust their business operations in order to prevent or solve so-called 'locked-up situations'. Consumers are locked-up if they are not able to change to another provider because, for example, they are by today's standard In Q2 2018 the AFM will send out data surveys, have conversations with the market and investigate the subject. The

AFM will enforce modifications to the business operations and/or policy of credit providers and credit intermediaries where necessary.

- **Insight into risks interest-only mortgages:** The AFM will encourage mortgage lenders to gain a good understanding of the size of the group of home owners with an interest-only mortgage who are hardly able to bear the financial burden at the maturity of the mortgage. Together, these home owners form a high-risk group. In Q1 2018 the AFM will send out data surveys, have conversations with the market and investigate the subject. The AFM expects banks to find a solution for the group of home owners in this high-risk group.
- **Crowdfunding:** In 2018, the AFM will in particular focus on information transparency by crowdfunding platforms. The AFM intends to develop a uniform framework, which is expected to take effect in Q4 2018. Furthermore, the AFM will closely follow the developments surrounding the tradability of crowdfunding loans and investments on secondary markets. We recommend that market parties monitor the website of the AFM closely.
- **Application rules regarding financial statements:** In 2018 the AFM will make a risk-based assessment whether the financial statements of listed companies meet the reporting standards. If the AFM discovers any material misstatement, it will undertake enforcement actions. We recommend that listed companies comply with the rules regarding financial statements.