



FSMA

FINANCIAL
SERVICES
AND
MARKETS
AUTHORITY

ANNUAL REPORT 2022



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FOREWORD



Dear readers,

In many ways, 2022 was an exceptional year, presenting us with a multitude of changes and new challenges. On the one hand it was the year in which we returned to a situation of 'normality' after the atypical Covid period we all experienced worldwide. On the other hand, although the Covid pandemic was on its last legs, the world was immediately thrown into a new crisis with the war in Ukraine.

War takes a heavy geopolitical and economic toll

The Russian invasion of Ukraine, apart from the suffering caused in the country itself, has taken a heavy toll on geopolitics and the economy. From a geopolitical standpoint, we seem to have landed in a new Cold War, where food and energy are used as another weapon. After years with no significant inflation, all of a sudden, we encountered a new situation of substantial price rises.

As a result, adjustments had to be made at a policy level: governments took aid measures, central banks had to drastically change the course of their monetary policy, and global trade seems to be faced with new protectionism. In other words, we found ourselves in a completely new economic reality in 2022.

Geopolitical and economic uncertainties also had a heavy impact on the financial markets. Interest rate rises introduced to combat inflation hit international stock markets hard. Many retail investors needed their money for paying bills rather than investing in stock markets. Those who took a gamble buying cryptocurrencies often paid a high price when one after another crypto firm ran into difficulty.

Climate change is high on the agenda ...

Meanwhile, other global challenges were not by any means lessening. First and foremost, global warming, which is having unprecedented effects worldwide, an example of which is the record high temperatures registered in several places in summer 2022, which forced us to face the facts of the climate challenge.

The latest report from the Intergovernmental Panel on Climate Change leaves no room for doubt as to the urgent need to reduce emissions. As a result, climate change is quite rightly high on the international agenda, and the financial sector has a very important role to play in this issue. Huge investments are needed in order to move towards a more sustainable economy.

A drastic reduction in emissions is not only the goal of the successive international climate conferences, including the latest COP27, which I was personally able to attend as the new Chair of IOSCO, the International Organization of Securities Commissions. The demand for this is also coming from consumers. The man and woman in the street – as I like to call your average consumer in international fora – are the ones fuelling the demand for investments in a greener economy. They are the ones urging policymakers to act accordingly.

... and the financial sector plays a key role

This is positive news, as it means that a fundamental shift is occurring in the financial sector, not due to a crisis, but due to consumer demand. To make this shift happen, a lot of work has been put into preparing standards for corporate sustainability reporting, and to ensure that green investments are indeed made in the right sectors and companies, with no greenwashing involved. This work is essential to ensure that investors have faith in the financial sector's ability to play its role in the climate transition, and in particular to contribute to orienting financing channels towards the projects that are most useful in these matters.

The efforts in fact go beyond this, because apart from complying with sustainability standards, investments that meet the ESG criteria must also comply with social and governance standards. As you will read in this report, sustainable finance was a major focal point in 2022, and it is clear that it will remain so over the coming years.

Technology also brings about new challenges ...

I would summarize the second major challenge for the financial sector under the heading 'technology'. In the financial sector, technological developments are nothing new and they will continue to advance over the coming years. They often present new opportunities and possibilities. Technology can make our lives easier, but just as with anything new, it also brings with it new questions and challenges. The question is what direction these developments will take and how far they will go. In other words: is there a limit to the digital transformation?

We only have to look at what happened in the cryptocurrency markets in 2022. The fall of cryptocurrency exchange FTX suddenly raised major concerns as to the future of digital currencies. There is an increasing push for regulation, because this failure affected customers all over the world. On a European and international level, standards and rules are being worked on, enabling a historic agreement to be reached within IOSCO.

... and impacts consumer behaviour

Technological advances also have an impact on the behaviour of financial consumers, and on the way in which those consumers can and need to be protected. The consumer protection approach of financial supervisors will therefore have to increasingly take this new reality into account.

After all, the younger generation of potential investors increasingly get their information online. They look at social media, follow finfluencers, and use apps that incorporate gamification, which are not exactly designed to show all mandatory information at a glance. As a supervisory authority, the FSMA has started to take into account these changing consumer habits.

The same applies to protecting consumers against fraud. Fraudsters evolve along with technology and they are getting more and more inventive and sophisticated. This makes it increasingly difficult for consumers to see through fraud. As a supervisory authority, there is a lot of work in store for us in this area and we have to be on the ball, which the FSMA certainly is.

A good example of this is our newly set up data analytics unit, which enables us to quickly and efficiently process huge amounts of information. As you will be able to read in this report, the FSMA uses that data analysis in more and more domains, with excellent results. This is only to be expected from a modern and responsive supervisory authority. We will have to continue in this vein over the next few years to keep track of the rapid changes in the sector.

The FSMA identifies 20 projects for the future

In these times of change and uncertainty, the role of a supervisory authority takes on even greater importance. This is why the FSMA seized the opportunity of the twentieth anniversary of the Financial Supervision Law to proactively identify 20 projects for the future. These 20 projects are based on the FSMA's experience in its various areas of supervision.

The aim of these projects is to take measures ourselves if possible or encourage debate if the subject falls outside the FSMA's remit. The projects are based on seven current subjects with the governing theme being providing further protection to financial consumers and shareholders. A number of these projects have already been implemented, or are underway; as for the others, they will either be worked on, or the FSMA will help lead the debate if they are projects that entail in one way or another making amendments to legislation.

Digitalization and sustainability

A number of the projects tie in closely with the two great challenges I have already mentioned. Digitalization is one of the major subjects. In this context, in mid-May 2023, the FSMA introduced supervision of advertisements for cryptocurrencies. As you will be able to read in this report, the aim of this is to warn potential cryptocurrency investors of the risks these entail and ensure that advertisements are sufficiently balanced and not misleading. Trading apps and financial inclusion, especially for people who risk losing access to banking services, also form part of these 20 projects.

The 20 projects also include the subject of sustainability, for example using data analysis to detect potential cases of greenwashing. The FSMA will also issue recommendations to companies as to how to properly organize their communication on sustainability. With respect to environment, sustainability and sound governance, the FSMA advocates Europe-wide supervision of ESG data and ratings providers.

Value for money and customer interests

Another one of these subjects is transparency regarding the costs of financial products. In this report, you can read more about the study the FSMA conducted in 2022 to identify the costs of investment funds. Similar initiatives are underway for other products. You will also find further information in this report on the FSMA Regulation to restrict premium payments for multimedia insurance. We are additionally working on simplifying fire insurance contracts, some of which have become difficult to understand.

A fourth subject of these projects is putting customer interests first in the financial sector. As a consequence, the FSMA has made technical proposals for the introduction of a banker's oath. By taking this oath, people who work in the sector will commit to complying with a number of ethical rules. The compliance function is also essential for customers' interests. The FSMA wishes to create a better structure for contact with compliance officers and set out rules for the compliance function in small companies.

Proposals regarding listed companies and dispute settlement

These proposals include potential adjustments to a number of rules for listed companies, including crystallizing the role of independent directors. There is also a proposal to adopt legislation barring convicted directors from professional activity, in line with what already exists for directors of, for example, credit institutions. The FSMA proposes to introduce a system that gives shareholders, by law, a say if a company wishes to transfer significant assets.

The sixth and penultimate subject concerns dispute settlement, for which we propose reversing the burden of proof for investors who have suffered a disadvantage from market abuse. The interaction between the FSMA and the judicial authorities could be bettered, for example by making it easier to send certain documents to civil courts. Finally, the FSMA launched proposals for a system of alternative dispute settlement.

Financial education and ten years of Wikifin

The final subject focuses on financial education. When the FSMA was established in 2011, we asked to be entrusted with the task of financial education. As a result, in January 2013, we were able to launch our financial education programme, Wikifin. That means that we have now celebrated Wikifin's tenth anniversary.

In those ten years, the Wikifin programme has grown to become a reference in the field. Today, everyone recognizes its quality and added value. Over the years, we have kept expanding on the programme, to make it what it is today: a comprehensive offer for both the general public and the educational sector.

The crowning glory of this is the launch of the Wikifin Lab. The Lab has not only met with great success among teachers and pupils, it is also highly commended internationally and held up as an example. As part of the 20 projects for the future, we will look into how we can further expand our offer of financial education.

Responsibility at the highest international level

With these 20 projects, the FSMA wishes to take on its responsibility and play its role in society to the full. The FSMA plays a leading role not only in Belgium, but in our international activities too. International cooperation has always been a priority for the FSMA. In 2022, this further manifested itself even more by the set up of a service specifically dedicated to international relations. This is certainly no unnecessary luxury, as European and international cooperation will play an increasingly significant role in the approach to a number of phenomena and changes.

That is why the FSMA has opted to play an active role in that international cooperation. Over the past few years, I have had the honour to be able to take on a number of key roles at an international level, such as Chair of the IFRS Foundation Monitoring Board, composed of representatives of different leading market regulators and authorities that supervise the proper functioning of the organization that issues the global IFRS accounting standards, as well as the ISSB, the International Sustainability Standards Board, which will prepare global standards that companies will have to use when they report on climate or other sustainability aspects. The FSMA was also co-Chair, along with the US SEC, of the Monitoring Group, which is committed to advancing the public interest in international audit standard setting.

In October 2022, I was unanimously elected as Chair of the IOSCO Board, after having been vice-Chair for a number of years. Supervisory authorities that are members of IOSCO together oversee 95 per cent of the global financial markets. The Chair of IOSCO also takes part in the meetings of the Financial Stability Board, the international organization set up by the G20 after the financial crisis. The FSB monitors the financial system and makes recommendations to the G20.

This choice shows that the FSMA and its teams are greatly appreciated at an international level, and as a result can sit on those important fora that determine the direction of international financial legislation and regulations. That is a unique position to be in, especially for a supervisory authority of a country that is not even part of the G20. This means the FSMA plays a prominent role in the international arena and also gives us the opportunity to make international contacts much more easily.

You will be able to find out about this international role and many more subjects in the rest of this report. Happy reading!

* * * * *

I wish to extend my special thanks to Gregory Demal, who held the position of member of the Management Committee from the FSMA's inception in 2011 until September 2022, when he decided to pursue a different professional activity. Thanks to his extensive experience, hard work, clear insights, attention to detail, loyalty, camaraderie and the rigour with which he managed his cases on a day-to-day basis, Gregory Demal not only ensured that the services under his leadership operated smoothly, but also made a huge contribution to the successful start of the FSMA and the further development of our work.

Jean-Paul SERVAIS
Chairman



FSMA

AUTORITEIT
VOOR FINANCIËLE
DIENSTEN
EN MARKTEN

AUTORITÉ
DES SERVICES
FINANCIERS
ET DES MARCHÉS

THE FSMA AND ITS SUPERVISORY UNIVERSE

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Mission and vision

The FSMA strives for a financial system in which consumers can rely on the proper provision of financial services and on transparent and open markets, in which consumers can buy financial products in line with their wishes and needs, and in which the financial industry serves society and contributes to a sound financing of the real economy.

The FSMA puts the interests of consumers first. This is why it is constantly on the lookout for trends and risks and is fully committed to its supervisory tasks. It also engages in efforts to increase financial literacy. In this way, it wishes to develop in consumers a discerning confidence in the financial sector.

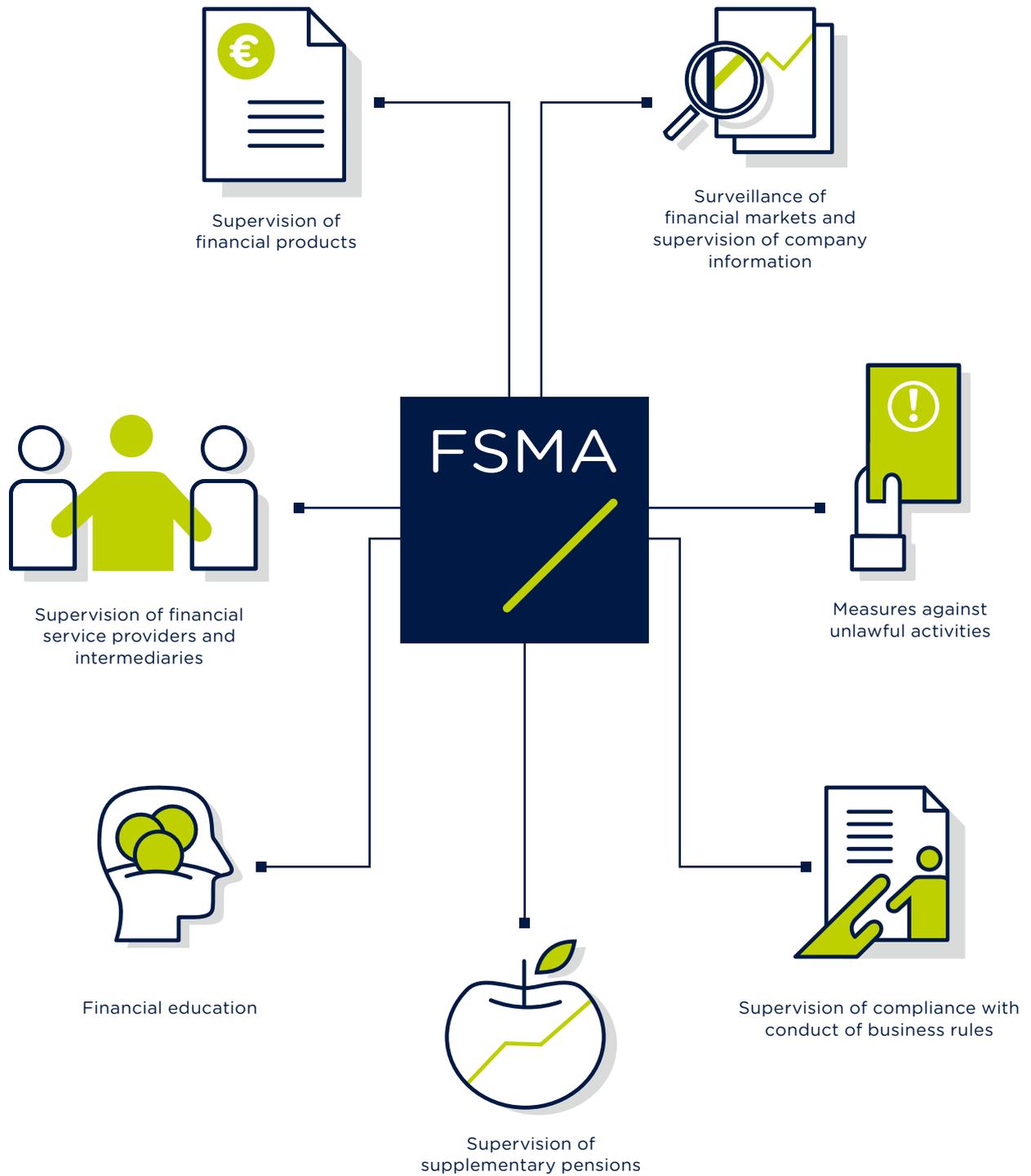
The FSMA also works to support those under its supervision with transparent and timely information and thereby offer added value for their proper operation.

The FSMA as an organization has identified five priorities for the fulfilment of its mission:

- reinforcing engagement towards the financial consumer, including by contributing to financial education;
- allocating as many resources as possible to supervisory tasks;
- more quickly identifying risks, focusing on priorities and monitoring performance and results;
- developing a modern organization;
- optimizing the management and use of information available.

Every year, the FSMA establishes an action plan on the way in which it will put these organizational priorities into play. The action plan gets approved by the Supervisory Board and determines the focus for the upcoming year. The FSMA reports on its activities in its annual report.

The powers of the FSMA



The FSMA in 2022

Supervision

106

credit institutions,
insurance companies
and stockbroking firms
governed by Belgian law

182

listed companies

20,151

registered
intermediaries

153

pension funds governed
by Belgian law

4.17 million

employees and self-employed persons
with a Belgian pension plan

Financial landscape



Deposits with credit
institutions governed
by Belgian law¹:

794.5 billion euros



Pension fund
balance sheet total:

40.2 billion euros



Assets under management
by funds governed
by Belgian law:

184 billion euros



Market value of
Euronext Brussels:

485 billion euros



Balance sheet total of
credit institutions governed
by Belgian law²:

1,209 billion euros



Premium income
on the Belgian
insurance market:

30.5 billion euros

¹ September 2022.
² September 2022.

A few key dates

— 28 January

More than 2,300 intermediaries take part in an FSMA webinar about the rules of conduct in the insurance sector. These webinars are a new step for the FSMA in further digitalizing its communication.

— 2 March

Following complaints from consumers about misleading sales practices, the FSMA bans company S. from distributing insurance products.

— 18 March

75,000 pupils take part in Money Week. The aim of this week is to ensure money matters are discussed as widely as possible and to devote extra attention to the importance of financial education.

— 21 March

The FSMA publishes a study about young people on the stock market. This study revealed that since the beginning of Covid, young people are easily finding their way to the stock market. Among the newcomers on the stock market, those in their twenties were the largest group.

— 4 April

New Regulation about crowdfunding service providers enters into force. Every candidate crowdfunding service provider to which the Regulation applies may submit a request for authorization to the FSMA.

— 1 May

The activity of virtual asset service providers is being regulated. They have to meet certain conditions, including compliance with anti-money laundering legislation.

— 2 June

The FSMA reaches an agreed settlement for 500,000 euros with a credit institution governed by Belgian law. The reason for this agreed settlement was non-compliance with certain MiFID conduct of business rules about the suitability and appropriateness of the services provided.

— 23 June

The FSMA develops a new method to detect the misleading practices of closet indexers, in which an investment fund is promoted as actively managed, whilst in fact it follows a reference index.

— 23 June

Following the publication of its 2021 annual report, the FSMA announces the results of its study on compliance with the MiFID conduct of business rules. Over the past ten years, there has been a positive evolution in compliance with these rules. There is, however, still room for improvement. This primarily concerns the way in which products are developed, including in terms of costs and potential return.

— 6 July

The FSMA publishes the first edition of its new dashboard containing statistics and an overview of the main trends in investment fraud.

— 2 August

The Law on the Supervision of the Financial Sector and on Financial Services has now been in existence for 20 years. On the occasion of the anniversary of this basic law, the FSMA launched 20 new projects that will be further developed over the coming years. The theme governing all these projects is providing further protection to financial consumers and shareholders.

— 3 October

The FSMA takes part in World Investor Week for the International Organization of Securities Commissions, IOSCO. The aim of this themed week is to promote investor education and protection.

— 3 October

The FSMA organises its first AMLCO Day, a digital event for AML compliance officers, who hold a key function in combating money laundering and terrorist financing. 2,300 people attend this event.

— 11 October

For its efforts on reducing its ecological footprint, the FSMA is awarded a third star under the “Ecodynamic Company” label by the Brussels-Capital Region. This is the highest distinction possible for that label. For the FSMA as an institution and employer, corporate social responsibility and sustainability are high on the agenda.

— 18 October

Jean-Paul Servais, the Chairman of the FSMA, is elected as the new Chair of IOSCO, the International Organization of Securities Commissions. IOSCO is an organization counting more than 130 national supervisory authorities, including the FSMA, competent for the supervision of the financial markets and for conduct and product supervision. Members of IOSCO regulate 95% of the world’s financial markets. It is the first time that a Belgian becomes Chair of this international organization.

— 7 November

The FSMA launches a new advertising campaign to promote its financial education programme, Wikifin. The campaign slogan is: “You can’t be an expert at everything. Luckily, Wikifin is here for your questions about money”.

— 9 November

At COP27 in Sharm El-Sheikh, partly under the impetus of IOSCO Chair Jean-Paul Servais, a start was made on the standards for sustainability reporting by listed companies.

— 13 November

Through a Regulation, the FSMA prohibits insurance policies with variable premiums being sold with smartphones and other multimedia devices, following many complaints about misleading sales practices.

— 3 December

The FSMA publishes a study on costs associated with investment funds. It gives consumers better insight into the costs charged and helps better understand and compare them.

A brief overview in figures



The FSMA launched **80 preliminary or full analyses** regarding potential market abuse. It suspended trading in a share 39 times.



The FSMA subjected **16 structured products with novel features** to a thorough examination. Based on this examination, the FSMA established that five of the products were particularly complex. These products did not end up on the retail market.



The FSMA received **2,599 messages** from consumers on a wide range of financial subjects. Almost two thirds of the messages were about fraud and irregular offers of financial products and services.



Thanks to the FSMA's reports to the public prosecutor's office, the latter was able to block access to **293 fraudulent websites** containing illegal investment offers.



The FSMA analysed **2,973 advertisements** for funds, regulated savings accounts, insurance products and structured debt instruments, derivatives and bonds offered by financial institutions.



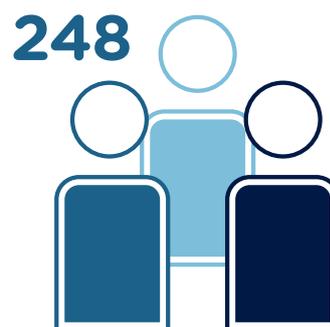
The Wikifin website has been in existence for ten years now and has, in that time, had an estimated **4 million visits per year**.



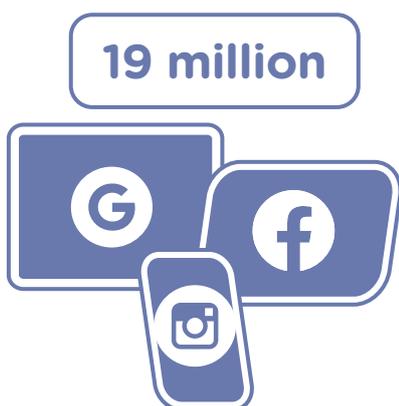
The FSMA approved **24 agreed settlements** in administrative sanctions procedures. These settlements entail the payment of a fine and a publication, with names, on the FSMA's website. These agreed settlements brought in a total of **1,573,160 euros** for the Treasury.



The FSMA published **267 warnings**. These publications warn the public of the dangers of (potentially) unlawful offers.



The FSMA struck off **248 intermediaries** from the register.



The FSMA's campaign to promote Wikifin through online adverts and radio spots met with great success. In total, the adverts were **shown more than 19 million times**. The number of visits to the website rose 35 per cent.



The FSMA received **1,606 notifications** of managers' transactions.



2022 HIGHLIGHTS

This chapter covers some current themes regarding several of the FSMA's areas of supervision. Subsequently, each of these areas will be discussed in a specific chapter, in which the key topics will be addressed in greater detail.

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The FSMA becomes chair of international organization, IOSCO

The election of the FSMA's Chairman Jean-Paul Servais as chair of the International Organization of Securities Commissions, IOSCO, was a historic milestone in October 2022. This appointment for a renewable term of two years is the result of many years of hard work, in which the FSMA has proven its high level of credibility and built an influential international network. Becoming chair of IOSCO has put the FSMA in the international spotlight in terms of financial regulation. Thanks to this privileged position, it will be able to further expand its influence on strategically important subjects such as sustainable finance, digital finance and non-bank financial intermediation. IOSCO's objectives, i.e. to enhance investor protection and maintain fair, efficient, and transparent markets, as well as to reduce systemic risk, tie in perfectly with the FSMA's objectives.

The FSMA's chairman has already held various other international offices. He has held a high-level position at IOSCO for many years. He has been vice-chair of IOSCO and its Board since 2016, and since 2014 he has chaired IOSCO's European Regional Committee and the Financial and Audit Committee. The chairman of the FSMA equally leads the network within IOSCO that follows developments on Special Purpose Acquisition Companies (SPACs).

The FSMA's chairman further plays a leading role internationally in the area of sustainable finance. In 2022, he extended his term of office as chair of the Monitoring Board of the IFRS Foundation, which supervises the work of the International Sustainability Standards Board (ISSB) on sustainability reporting. He is also co-chair of the Monitoring Group, which is tasked with enhancing the independence of the standard-setting system for audits and with developing auditing and ethical standards for the audit of non-financial information.

In November 2022, Jean-Paul Servais attended the COP27 in Sharm El-Sheikh. On behalf of IOSCO, he explained IOSCO's initiatives to promote sustainable finance³: international standards for climate and other sustainability disclosures by companies, preventing greenwashing and promoting integrity in carbon markets and other sustainability aspects^{4 5}.

3 See IOSCO, Voluntary Carbon Markets Discussion Paper, November 2022, available on the website www.iosco.org.

4 See IOSCO press release dated 9 November 2022, available on the website www.iosco.org.

5 See IOSCO, Compliance Carbon Markets Consultation Report, November 2022, available on the website www.iosco.org.

Over the past few years, IOSCO has been working closely with the Financial Stability Board (FSB), the international organization that oversees the stability of the financial system. IOSCO is directly represented at an FSB level by its chair and wishes to have its voice heard on the subject of the expertise of securities market regulators. That involvement gives IOSCO and the FSMA a unique chance to contribute to establishing regulations that are essential to increase financial stability. The FSMA already had a prominent role at IOSCO within the Financial Stability Engagement Forum, the informal group that takes care of cooperation between IOSCO and the FSB.

With Jean-Paul Servais as chair, IOSCO will further strengthen its ties with the FSB. They will cooperate on themes such as the shadow banking sector, the digitalization of financial services, crypto-assets and financial risks ensuing from climate change.

Several new initiatives emerged in 2022 as a reaction to the increased presence of retail investors on the financial and crypto-asset markets over the course of the past few years. The FSMA took part in an IOSCO working group regarding the rules of conduct for retail investors (Retail Market Conduct Task Force). At the moment, the finishing touches are being added to a report on key subjects such as the marketing and distribution of financial products on social media, and the emergence of trading platforms that work with Payment For Order Flow (PFOF). The report describes many of the FSMA's initiatives as good practices for the protection of retail clients.

In 2022, the spectacular growth of the crypto market came to an end, leading to the demise of one of the key players in the sector. Those events drew attention to the shortcomings of service providers in that sector and the risks that investors face on those markets. As regards regulations, the need for suitable standards on the subject and international cooperation between supervisory authorities was emphasized. IOSCO has 129 members. That worldwide scope gives it an advantage when it comes to coordinating the adoption of consistent international standards. In line with international consensus, the FSMA confirmed in 2022 that the principle of technological neutrality should be observed when drawing up new regulatory policies. Since March 2022, the FSMA is a member of IOSCO's Fintech Task Force. That Task Force's aim is to implement IOSCO's agenda with respect to Fintech and crypto-assets. Although the Task Force's mandate relates to both cryptocurrencies and centralized finance matters, the work plan focuses initially on the regulation of cryptocurrencies.

FOCUS 2023

IOSCO plays a major role in sustainable finance, especially with regard to non-financial reporting. After the publication of the first non-financial standards by the ISSB in 2023, IOSCO will have to examine potential approval of those ISSB standards. That potential approval could pave the way for approval of the first global and inclusive benchmark for sustainability reporting by companies. Maximizing interoperability between the global benchmark and the legislative frameworks will be a key factor in IOSCO's approval process. That work contributes to reinforcing investor confidence in combating greenwashing and encouraging essential investment flows in sustainable products.

With regard to digital finance, the market infrastructure is still relatively centralized, despite the promises of decentralization and disintermediation of the sector. It is characterized by a small number of trading platforms for crypto-assets, or service providers that represent a large percentage of the market share and volume. Considerable vertical integration can also be seen, where a single entity covers many services and activities. The broad range of services offered by intermediaries in crypto-assets inevitably results in conflicts of interest and integrity problems. Those breaches cannot be overlooked and IOSCO intends to consult the authorities and to finalize the recommendations addressed to them, in order that the regulation and supervision of the cryptocurrency sector may begin in 2023.

IOSCO also plays a key role in financial stability, especially in conjunction with the Financial Stability Board, to set standards applicable to the non-bank financial intermediation (NBFIs) sector. Several reports on this subject are expected in 2023.

Data analysis, risk models and web scraping: key points in the FSMA's supervision

The FSMA places a lot of importance on exploiting data to fulfil its supervisory tasks. It does this in several ways. It analyses data to see if financial players are complying with their legal obligations. It also collects data for drawing up risk models to effectively and efficiently conduct its supervision. With web scraping, it even searches for data on the internet to detect breaches of financial legislation.

By applying these different techniques, the FSMA obtains important information in order to enhance its supervision. At the beginning of 2022, it set up an expertise centre for data analysis. This centre works on a project basis, together with the FSMA's operational services. With this approach, the FSMA plays a pioneering role in Europe.

Below are a number of specific examples of this data-driven approach.

Correct notification of managers' transactions

Listed company managers such as CEOs, CFOs and COOs are obliged to report their securities transactions to the FSMA. More particularly, this entails disclosing sales or purchases of shares, bonds or other financial instruments. These must be disclosed within three days of completing the transaction. The disclosure obligation also applies to persons with close links to these managers.

The FSMA keeps the list of managers of all companies listed on Euronext. The FSMA also has all the data on transactions in listed securities that come under its supervision. By comparing the different data and analysing it, it can ascertain whether managers and persons with close links to them are complying with their disclosure obligation. This way of working gives the FSMA information that it didn't have before.

Detecting closet indexing

Closet indexing is the practice in which an investment fund is promoted as an actively managed fund, whilst in practice the investment fund closely follows a reference index. This misleading practice is disadvantageous to investors. On the one hand, they do not get the active management described in the investment policy. On the other hand, they have to pay higher fees than they would for passive management. Investors therefore get passive management, yet pay for active management.

The FSMA has developed a method to detect closet indexers on the Belgian public investment fund market. This method can be applied to all funds, irrespective of their investment policy (shares, bonds or both). The method entails comparing the performance of the funds with the performance of combinations of indexes. By working with those combinations of indexes, the scope can be broadened. After all, many funds, especially mixed funds, use different indexes as benchmarks, for example one index for the shares in their portfolio and another for the bonds. This method requires advanced analysis tools and techniques because the number of potential combinations is extremely high⁶.

Risk model for money laundering practices involving insurance brokers

Supervision of compliance with the rules on preventing money laundering and terrorist financing involving the financial sector has grown in importance over the past few years. That supervision is directed at the almost 5,000 insurance intermediaries who exercise their activity as brokers. The FSMA has devised a risk model for that group. That model delivers insights that allows it to organize its supervision effectively and efficiently.

The risk model starts with gathering quantitative information from insurance companies and qualitative information from brokers. Then, all answers received are converted into a numeric value based on a clearly defined set of hypotheses and market rules. These scores are then divided into themes and sub-themes, each valuing a different facet of a risk. The combination of all these scores delivers a risk assessment for each broker. That contains five levels: from very low potential risk, through low, medium and high, all the way to very high potential risk.

6 See also this report, p. 47.

Detecting fraudulent credit websites

The FSMA is competent for detecting fraud and unlawful practices in the financial sector. Credit fraud is a practice that has been growing over the past few years. Consumers increasingly report cases of scams through fraudulent websites⁷. To better be able to identify these phenomena, the FSMA uses a computer technique that searches the internet for possible offences. This is called web scraping.

The FSMA has developed a method to identify potential fraudulent credit websites. Based on the characteristics of fraudulent websites, a search is made to detect new potential fraudulent websites. The method used to obtain these characteristics is self-learning, so this tool evolves along with knowledge about new fraudulent websites.

The data obtained through web scraping gets a score based on different indicators. Further analysis leads to a classification of potential fraudulent credit websites and offers the FSMA the possibility of further investigating such websites and take action in the case of fraud.

FOCUS 2023

In 2023, the FSMA will develop a web scraping tool to identify 'finfluencers' on social media. This tool will allow the FSMA to more easily detect and deal with breaches of financial legislation. The FSMA will in particular pay attention to potential breaches of the FSMA's Regulation on crypto marketing, and the ban on advertising virtual currency derivatives, binary options, forex derivatives and CFDs with leverage to consumers. The FSMA will also look at whether the activity of finfluencers is subject to registration, for example where they give investment advice.

7 See also this report, p. 87.

Crypto-assets

Introduction of a framework for virtual currency advertising

In recent years, virtual currencies have been widely promoted to the general public. In the meantime, they have also become very popular as an investment. Virtual currencies are promoted not only through conventional marketing channels, but also through social media or applications, such as TikTok or Instagram. Sometimes, influencers – who are well-known to the general public – are used for this, and are paid to promote virtual currencies among their followers.

Virtual currencies, however, have characteristics that make them a very risky investment.

First and foremost, decentralized virtual currencies, such as Bitcoin or Ether, are not linked to an asset with an intrinsic economic value. In that sense, they fundamentally differ from conventional financial assets. The price that can be obtained for a virtual currency of that category is dependent solely on the amount that another investor is subjectively prepared to pay to buy that currency. Certain other crypto-assets that can be qualified as virtual currencies, such as stablecoins, do have an underlying asset, which can consist of either real assets (e.g. a national currency) or other crypto-assets or virtual currencies. Recent financial events, however, have shown that this type of instrument also entails risks and – despite the ‘stable’ label – can undergo very high fluctuations in value. Moreover, on the virtual currencies market there is no legal mechanism at all to prevent market manipulation or misuse of inside information: the integrity of the pricing process is therefore not guaranteed. Because of the high price volatility of virtual currencies since the end of 2021, investors in virtual currencies have suffered great losses. Many of them were consumers who jumped on the bandwagon when the market was at its peak, and let themselves get carried away by the euphoria of the moment.

The virtual currencies sector also seems particularly vulnerable to illegal activity. A number of trading platforms or digital wallet platforms have been hacked, leading to the loss of virtual currencies that were traded or saved on them. In addition, rogue players are known to be present on the virtual currencies market. They particularly target consumers because of their limited knowledge and experience⁸. Finally, it seems that virtual currencies are often used to circumvent anti-money laundering rules and finance illegal activity.

There are specific technical risks relating to virtual currencies, too. These are moreover dependent on very specific computer technology and infrastructure.

8 See also this report, p. 79.

Because of the high price volatility of virtual currencies since the end of 2021 and beginning of 2022, investors in those virtual currencies have suffered great losses. In certain trading platforms, large-scale serious fraudulent practices have come to light to which millions of consumers have fallen victim⁹.

Thanks to a legislative change¹⁰, the FSMA can approve regulations that “*impose restrictive conditions on the distribution – or certain forms of distribution – of virtual currencies or certain classes of virtual currencies to retail clients*”. With this power, the FSMA can make marketing virtual currencies dependent on compliance with advertising rules.

The FSMA consequently, on 3 January 2023, approved a Regulation that lays down specific advertising rules for virtual currencies. This Regulation¹¹ entered into force on 17 May 2023.

The Regulation applies to advertisements disseminated to consumers when distributing virtual currencies in Belgium as a regular professional activity or on an occasional basis for remuneration.

The Regulation is centred around three aspects:

- the information included in the advertisements may not be misleading or incorrect. That general rule entails a number of specific rules of application, which are clarified in the second paragraph of Article 3 of the Regulation;
- given the very specific nature of investments in virtual currencies, the FSMA considers it opportune that each advertisement to consumers for the distribution of virtual currencies contain a short warning (“Virtual currencies, real risks. The only guarantee in crypto is risk.”). Where applicable, the advertisement must also state whether the natural or legal person who is mentioned in an advertisement, or whose image is used in the advertisement, receives remuneration or some other advantage for this service;
- the advertisement must also warn about the risks. That warning must draw attention to the different risks to consumers who invest in virtual currencies. It must be stated in the advertisement in extenso, unless the form of advertisement does not technically allow, in which case the warning must still be able to be viewed by clicking on a link or through another similar reference, such as a QR code.

The FSMA’s supervision in this area relies on a risk-based approach. For that reason, a distinction is made between advertisements that are part of a mass media campaign, and advertisements that are more small-scale. The term ‘mass media campaign’ means advertising to at least 25,000 consumers. The supervision of mass media campaigns is based on mandatory prior notification to the FSMA. Advertisements outside the context of a mass media campaign are subject to ex-post supervision as part of the aforementioned risk-based approach.

9 For example with the fall of the FTX platform.

10 Law of 5 July 2022 containing various financial provisions.

11 Regulation of the Financial Services and Markets Authority of 5 January 2023 placing restrictive conditions on the distribution of virtual currencies to consumers.

FOCUS 2023

To help the market operators targeted by the new Regulation, such as virtual currency platforms, virtual currency issuers or influencers, the FSMA will publish several documents in 2023, and conduct an awareness-raising campaign.

After the adoption of the Regulation, a list of frequently asked questions (FAQs), a handbook on notifications for mass media campaigns, and a newsletter with a summary of the main aspects of the Regulation will be published.

Before the Regulation enters into force, the FSMA will also organize two webinars: one for the influencers and the other for the platforms active in Belgium. Both webinars aim to explain as clearly as possible the FSMA's expectations from those concerned on applying the new rules for the distribution of virtual currencies in Belgium.

Qualification of crypto-assets

The FSMA has received considerably more questions on the application of the financial rules on crypto-assets. These often concern the question as to whether crypto-assets are a security or an investment instrument as referred to in the Prospectus Regulation¹² and the Prospectus Law¹³. In the event of an offer to the public, a prospectus or information note is mandatory, supervised by the FSMA, including on the advertising used for it. Other traditional financial legislation can apply too, such as the MiFID conduct of business rules¹⁴ if the crypto-assets are financial instruments¹⁵.

The FSMA has drawn up a step-by-step plan¹⁶ for this. That plan schematically presents the most common situations and helps determine whether a crypto-asset qualifies as a security or investment instrument and therefore whether financial legislation applies.

The step-by-step plan is only a tool. It is still necessary to thoroughly analyse all the specific characteristics and the way the product is presented in light of the Regulation. Equally, no conclusions can be reached purely on the basis of the naming of the product.

12 Article 2, a) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC.

13 Article 3, § 1 of the Law of 11 July 2018 on public offers of investment instruments and the admission to trading of investment instruments on regulated markets.

14 Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU. See Article 26 et seq. of the Law of 2 August 2002 on the supervision of the financial sector and on financial services.

15 Article 2, § 1, 1° of the Law of 2 August 2002 on the supervision of the financial sector and on financial services.

16 Communication FSMA_2022_25 of 22 November 2022: 'Classification of crypto-assets as securities, investment instruments or financial instruments'.

Mandatory registration for Virtual Asset Service Providers (VASPs)

Since 1 May 2022, as a result of the transposition into Belgian law of the 5th Anti-Money Laundering Directive, registration with the FSMA is required to engage in the activities of providers of exchange services between virtual currencies and fiat currencies and of custody wallet service providers (VASPs).

Legal entities that exercised these activities on 1 May 2022 as their regular professional activity were legally permitted to continue their activity, on the twofold condition that they report this to the FSMA by 30 June 2022 and that they submit an application for registration by 1 September. They could continue to exercise their activity on this temporary basis until the FSMA had made a decision on their application for registration. As at 31 December 2022, no VASP had been registered in the register of VASPs¹⁷.

The FSMA is committed to achieving more sustainable finance

Over the course of 2022, sustainability and sustainable finance were topical issues. For the FSMA, this is an important theme, too, and it contributes in different ways to achieving more sustainable finance and more sustainability.

The chairman of the FSMA, as the new chair of the Board of IOSCO, took part in the COP27 in Sharm El-Sheikh, where these matters were discussed at length. With regard to sustainable finance, IOSCO places emphasis on three themes: preventing greenwashing, carbon markets and the standards that companies will have to apply for sustainability disclosures, which are currently being developed by the International Sustainability Standards Board (ISSB)¹⁸.

The FSMA also took part in the work on a European level for a uniform interpretation and application of the European rules on sustainability. Those led to the publication of guidance and opinions on this matter from both ESMA and EIOPA¹⁹.

EIOPA also organised a climate stress test for pension funds, in which the FSMA took part. The stress test was intended to measure the impact of an abrupt change in climate policy. The test shows that Belgian pension funds are properly able to absorb the effects of the climate scenario used in the stress test²⁰.

Sustainability is also key to its own supervisory activity. The FSMA sees to it that the information that companies under its supervision publish about sustainability is accurate, clear, not misleading, sufficient and transparent in order to combat greenwashing.

17 See this report, p. 121.

18 See this report, p. 197.

19 See this report, p. 198.

20 See this report, p. 166.

In 2022, the FSMA conducted enquiries among insurance companies and management companies of investment funds about compliance with the rules on sustainable finance. These enquiries focused on the information that these companies provide about sustainability. Based on its findings, the FSMA clarified its supervisory expectations²¹.

With a view to the entry into force on 1 January 2023 of the obligation for management companies to publish an information document about the sustainability characteristics of UCIs, the FSMA communicated its expectations and opinion regarding these documents²².

For listed companies as well, particular attention was paid to the publication of sustainability information following the entry into force of the European Taxonomy Regulation. The FSMA published a communication for listed companies containing the key aspects of the new rules²³.

The FSMA also devotes a lot of attention to sustainability in its own organization. It has made exceptional efforts to, among other things, reduce energy and paper consumption, have a 'greener' purchasing policy and contribute to more sustainable commuting. These efforts culminated in the FSMA receiving, in 2022, a third star in the 'Ecodynamic label' from the Brussels-Capital Region²⁴.

Focus on costs and returns of financial products

The FSMA pays particular attention to financial product costs and returns, and took action in various ways in that respect in 2022. One of those initiatives was a study of the costs associated with investing in an investment fund. The FSMA published the results of this study to allow consumers to better understand and compare the costs they have to pay when they invest in a fund. The study also clarified the impact of the costs on the ultimate return from the fund²⁵.

The value for money of insurance products was examined too. The FSMA conducted a sectoral study on this theme and it also conducted specific supervisory action on insurance products with an investment component. That revealed that the costs are often high and have a negative impact on the return from insurance products. In that respect, the FSMA pointed out that when developing insurance products, the interest of the customer must always come first²⁶.

21 See this report, p. 50 and 58.

22 See this report, p. 49.

23 See this report, p. 96.

24 See this report, p. 225.

25 See this report, p. 47.

26 See this report, p. 60.

The costs of financial products are a major focal point at European level. In 2022, the FSMA took part in two common ESMA initiatives on reporting costs to retail clients. The first initiative was an inspection of the information that companies must provide annually to customers about all costs and fees associated with financial instruments and investment and ancillary services. The FSMA looked into whether the reporting accurately and completely represented the costs and fees, and whether the companies provided it on time.

The second common ESMA initiative in which the FSMA took part concerned ex ante information on costs and fees. For the first time, ESMA coordinated a mystery shopping exercise on the information customers must receive before they embark on a transaction. The exercise was formed of two parts. The first scenario involved mystery shoppers visiting bank branches to obtain investment advice. In the second scenario, they visited a website or an application to make an investment on their own initiative, without investment advice²⁷.

In the FSMA's supervision of supplementary pensions, information disclosure about costs and returns is also a major focal point. In 2022, it completed a supervisory task focusing on the information that pension institutions give about costs and returns, motivated by the increased attention to value for money.

This revealed that a lot of progress had been made since a previous check in 2016. However, problems were again uncovered, among other things in terms of insufficient information about the cost structure. Moreover, a number of pension institutions give insufficient information about the real return on investment obtained with the management of a supplementary pension. The FSMA will ensure that the pension institutions concerned resolve these shortcomings²⁸.

27 See this report, p. 73.

28 See this report, p. 150.



FINANCIAL PRODUCTS THAT ARE EASY TO UNDERSTAND AND TRUSTWORTHY

The FSMA oversees financial products to avoid consumers struggling to understand financial products and consequently being unaware of the financial risks they are taking. It takes initiatives to prevent problems and to boost consumer confidence in financial products. The FSMA's supervision is intended to help ensure that the products offered are easy to understand, safe, useful and cost-transparent.

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Supervision of funds

Collective investment funds, Belgian open-ended investment companies and pension savings funds

Investment funds or undertakings for collective investment (UCIs) collect capital from investors and manage that money collectively following an established investment policy. The FSMA supervises public UCIs. They differ from institutional or private UCIs in that they entail a public offer. Public UCIs mainly target retail investors.

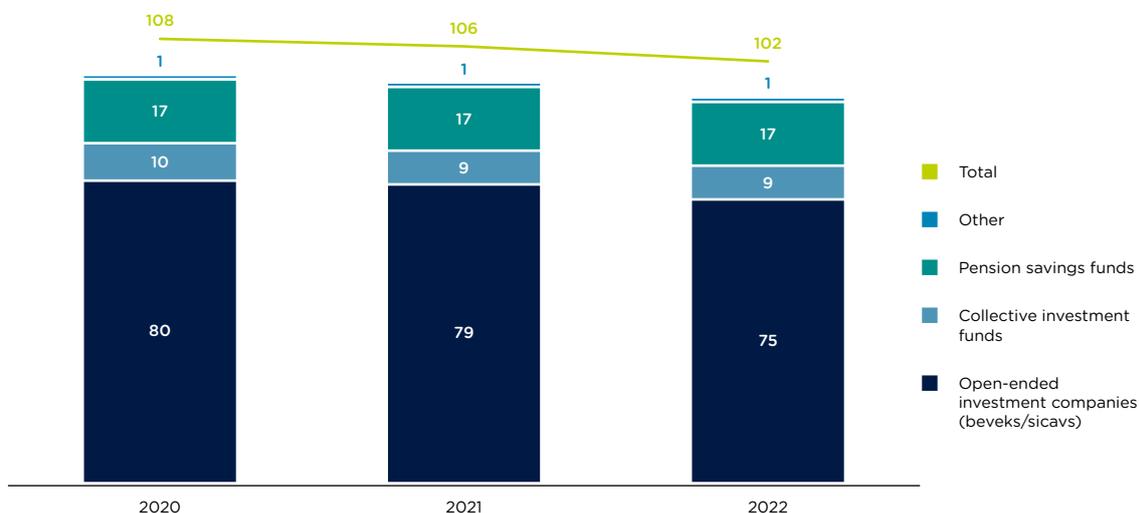
The FSMA supervises the quality of information that UCIs provide to investors when they make a public offer. This information entails, for example, the prospectus, key investor information, and advertising material. The FSMA's approval of the majority of this information is a prerequisite for the distribution of these UCIs. The FSMA also supervises the organization and operation of Belgian public UCIs.

Belgian public UCIs are almost all open-ended. That means that their capital increases or decreases as investors enter or exit. These UCIs are primarily in the form of collective investment funds and open-ended investment companies, which are also called beveks or sicavs (see Graph 1)²⁹.

One specific type of public collective investment fund is the pension savings fund. Such a fund serves to accrue an individual or supplementary pension, which is known as the third pillar. People who invest in pension savings funds benefit from certain tax advantages.

In 2022, existing UCIs were liquidated and new UCIs were set up. The total number of UCIs fell slightly, from 106 to 102.

²⁹ The statistics on UCIs may in the future be adjusted if the registration of a UCI or sub-fund of a UCI is withdrawn on a particular date, starting on the date of withdrawal if it happened on an earlier date, or if a UCI provides the FSMA with a correction to certain statistics at a later date.

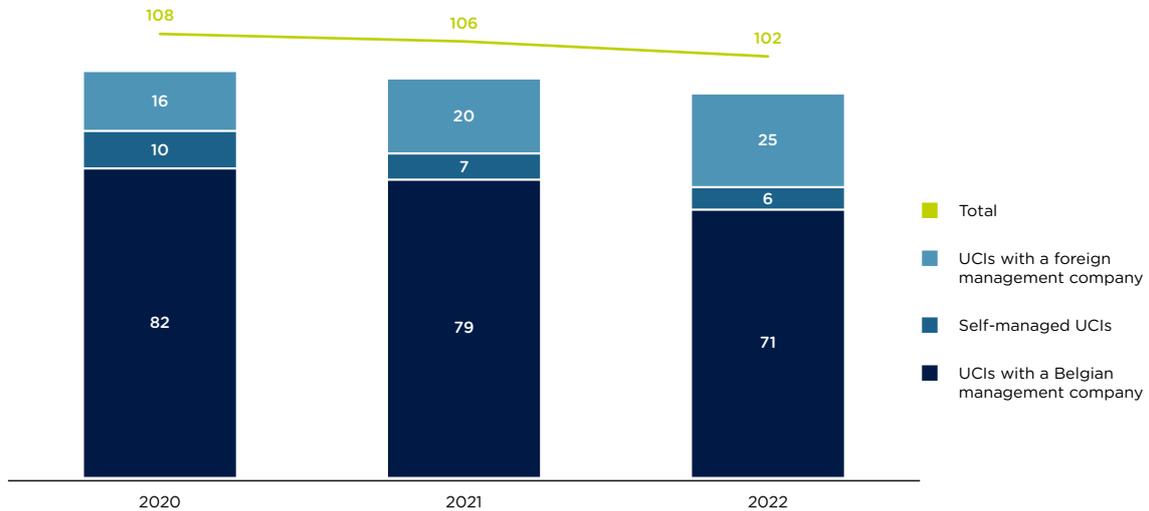
Graph 1: Change in the number of Belgian public UCIs classified by legal form

Fewer self-managed UCIs and UCIs with a Belgian management company

The large majority of Belgian public UCIs are managed by a management company. That is always the case for collective investment funds, which have no legal personality. Even UCIs in the form of an investment company can appoint a management company. In that case, the management company takes charge of the management of the investment portfolio, the administration and the trading of units. Investment companies that do not appoint a management company are self-managed UCIs. They must have a governance structure that is appropriate to their activity.

Belgian UCIs can have either a Belgian or a foreign management company. Clear trends in the past few years are the increase in the number of UCIs with a foreign management company and the fall in the number of self-managed UCIs (see Graph 2). At the end of 2022, 25 of the 102 UCIs had a foreign management company, whilst there are still six self-managed UCIs.

Graph 2: Change in the number of Belgian public UCIs classified by type of management and nationality of the management company



Further fall in the number of sub-funds of Belgian UCIs

Most public UCIs are composed of several sub-funds. A sub-fund is a different fund within a UCI with its own investment policy. The units in sub-funds are essentially “products” offered to investors³⁰.

At the end of 2022, there were 5,384 sub-funds of public open-ended UCIs registered with the FSMA. Of these, 4,761 were sub-funds of foreign UCIs and 623 were sub-funds of Belgian public UCIs³¹ (see Graph 3).

Almost all foreign sub-funds offered to the public in Belgium are sub-funds of UCIs that comply with the provisions of the UCITS Directive. They are also referred to as undertakings for collective investment in transferable securities (UCITS). These UCITS have a European passport allowing them to be traded freely within the EEA.

There are also public alternative investment funds (AIFs). There is no harmonized European supervisory regime and passport scheme for these. Foreign AIFs offered to the public in Belgium fall under the supervision of both the competent authority of their home country and the FSMA.

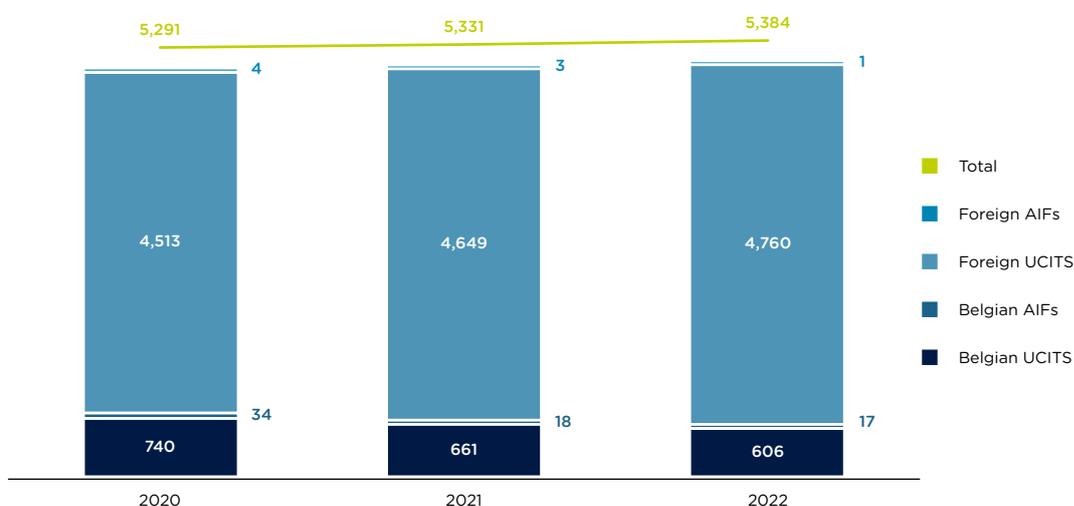
³⁰ It is also possible to create, under certain conditions, classes of units within a UCI or sub-fund, which are for example expressed in different currencies or have different costs. The different classes of units may be offered to different target groups.

³¹ Some of these Belgian or foreign UCIs are not divided into sub-funds. For these UCIs, the UCI itself is considered a sub-fund for statistical purposes.

In 2022, the number of registered sub-funds of foreign UCITS rose further to 4,760. The number of sub-funds of Belgian UCITS fell to 606. Even the number of registered sub-funds of Belgian public open-ended AIFs remained relatively stable, with 17 sub-funds.

The fall in the number of sub-funds of Belgian UCIs is partly to be explained by the fact that over the past few years, various structured sub-funds came to maturity whilst in this period, considerably fewer sub-funds were sold. Mergers within the sector play a part, too.

Graph 3: Change in the number of sub-funds of public open-ended UCIs



Belgian public UCIs³²

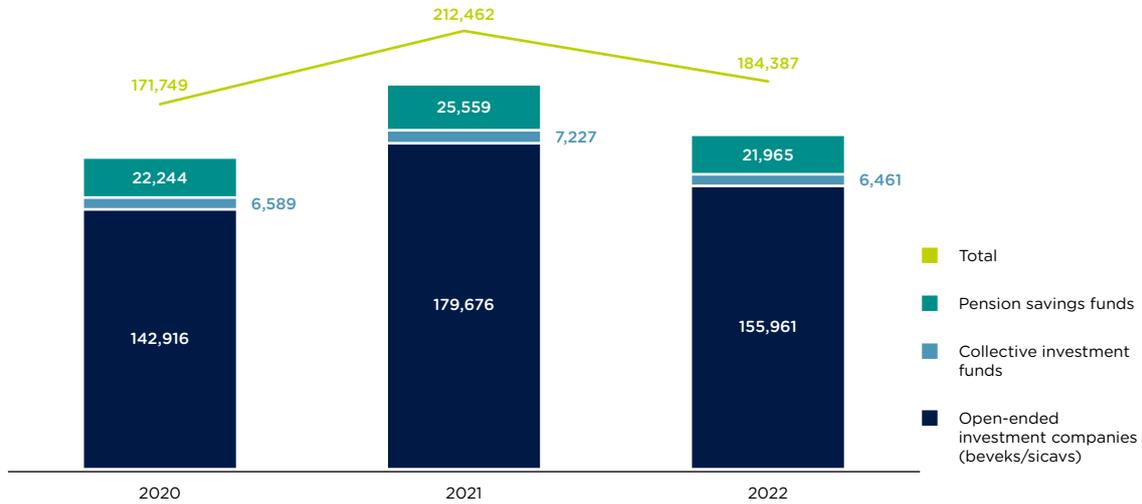
Fund sector assets decline, inflows increase

The total value of the net assets³³ of Belgian public open-ended UCIs steadily fell in 2022 to 184 billion euros (see Graph 4). This fall is a result of the turmoil that characterized the financial markets in 2022 and that led to the value of the financial instruments that the UCIs had in their portfolios decreasing. Both the stock markets and bond markets saw a period of high uncertainty, increased volatility and falling prices. Despite these market developments, UCIs over the entire calendar year experienced more inflows than outflows.

³² This part of the annual report contains a selection of statistics on Belgian public open-ended UCIs. The FSMA publishes a dashboard every quarter on its website with a broader range of statistics on the evolution of this sector.

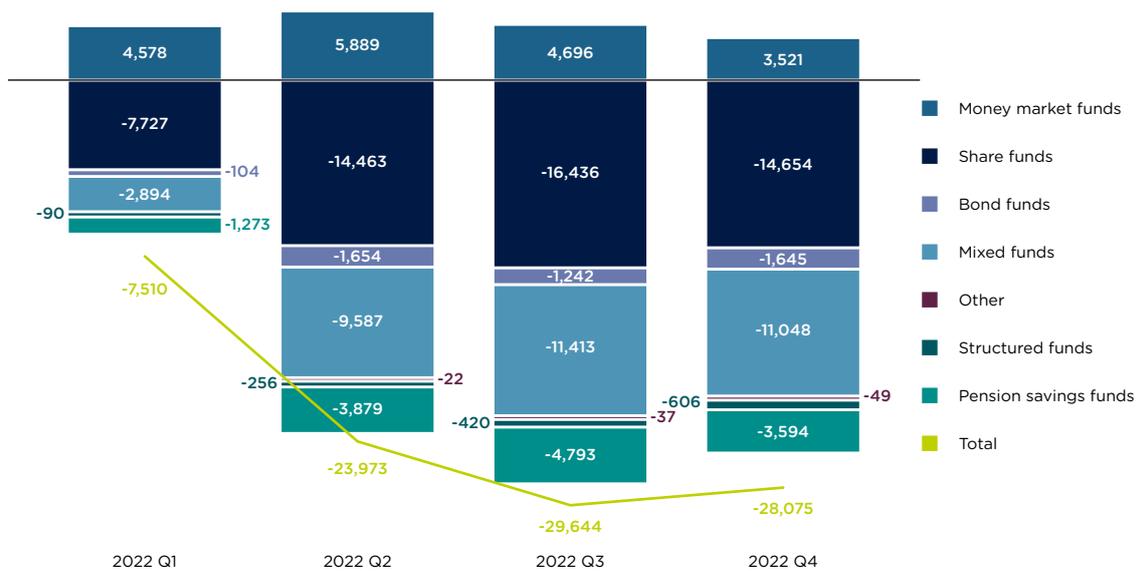
³³ The 'total net assets' is the value of the UCI's assets after deducting any debts.

Graph 4: Change in the total net assets of Belgian public open-ended UCIs (in EUR million)



At the end of the first quarter of 2022, the total net assets of UCIs had already decreased by 8 billion euros (see Graph 5). At the end of September 2022, they had decreased even further to almost 30 billion euros. At the end of December 2022, the decrease compared to the previous year was more than 28 billion euros, a fall of more than 13 per cent compared to the end of 2021. This represents the biggest fall in total net assets over the course of one calendar year since 2011. It follows a longer period characterized by an almost constant increase in total net assets.

Graph 5: Change in the net assets of Belgian public open-ended UCIs, broken down by investment policy (in EUR million)



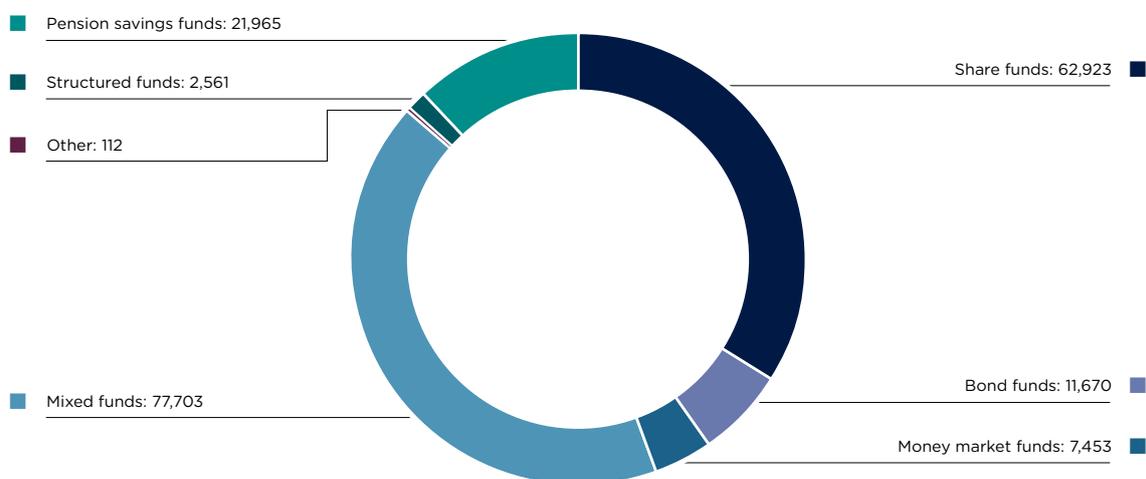
Mixed funds and share funds are the largest categories

The Belgian public fund sector is divided into seven different categories based on the investment policy followed: share funds, bond funds, mixed funds, structured funds, money market funds, pension savings funds and other funds³⁴ (see Graph 6).

Mixed funds are by far the largest category, representing almost 42 per cent of total net assets. Mixed funds invest primarily in shares and bonds. Pension savings funds are mixed funds, but because of their specific investment policy and eligible assets, they are shown as a separate category. They constitute the third largest category, representing 12 per cent of the total net assets.

Share funds and bond funds are the second and fourth largest categories. They represent 34 per cent and 6 per cent of total net assets for the sector respectively. Together, the four largest categories represent almost 95 per cent of total net assets. Funds with a major exposure to shares and bonds saw a strong decline in net assets as a result of the decreases in value of the underlying financial instruments.

Graph 6: Total net assets of Belgian public open-ended UCIs, broken down by investment policy (in EUR million as at 31 December 2022)



³⁴ The division into these categories occurs at the level of the sub-funds. Here, the term 'funds' also relates to a sub-fund of an undertaking for collective investment, in so far as it is divided into several sub-funds. Sub-funds can sometimes also be statistically reclassified.

Moreover, share funds saw global net outflows in 2022. Along with the effect of the falling share prices, this results in a decrease in net assets of 19 per cent. For the bond funds, the fall of 12 per cent in net assets is almost entirely attributable to the net performance of the underlying bond portfolios. In 2022, mixed funds and pension savings funds saw a surplus of inflows, which limited the effect of the market turbulence on the evolution of the total net assets for this category of funds. Their net assets fell 12 and 14 per cent respectively.

Funds may opt to invest directly in certain assets. They can also do so indirectly by investing in other funds. Funds that opt to invest primarily in other funds are also called funds of funds. At the end of 2022, Belgian funds of funds represented 39 per cent of total net assets for the sector and mainly belonged to the category of mixed funds.

Money market funds grow, volume of structured funds continues to decline

Money market funds represent 4 per cent of total net assets for the sector. These funds try to offer a return close to that of the money market and invest predominantly in money market instruments. They attract investors who attach importance to a relatively stable investment and to being able to exit any time.

Fluctuations in money market funds are primarily down to inflows and outflows. During the first half of the year, the net assets of these funds saw strong growth; this was followed by a slight fall. Money market funds closed 2022 with an increase in net assets of 90 per cent compared to the end of 2021.

Structured funds offer investors returns on pre-established dates, based on the evolution of certain underlying financial assets, indexes or reference portfolios. Funds with capital protection come under this category. The number of structured funds and their net assets have fallen lately. This trend continued in 2022 because more structured funds matured than new funds were launched. Evolutions on the financial markets weighed on returns too. At the end of 2022, the fall came to 19 per cent compared to the end of 2021. At the end of 2022, structured funds still represented 1.4 per cent of the total net assets for the sector.

Funds with sustainability criteria are popular

Funds can be divided into different categories on the basis of the information they have to disclose according to the European rules on sustainability disclosures³⁵.

³⁵ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, or 'SFDR'.

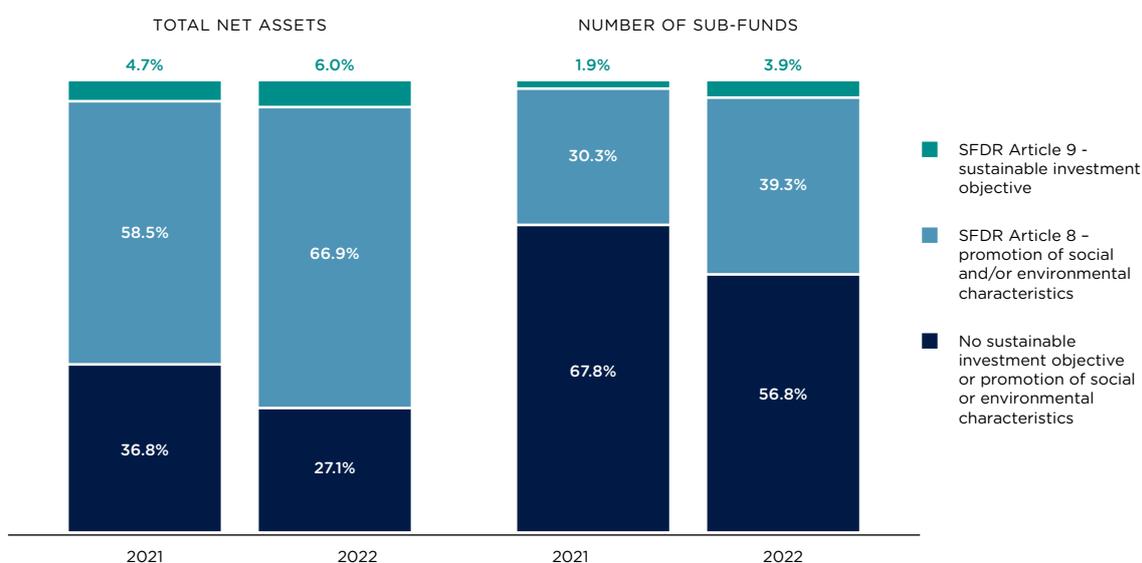
Funds that promote environmental or social characteristics, or a combination of those characteristics, constitute the largest category in the Belgian public UCI sector with two thirds of the total net assets. This category is also called ‘Article 8 funds’. At the end of 2021, this category still represented 58 per cent of the total net assets. The relative importance of this category is growing fast as a result of both a surplus of inflows and the growing number of funds within this category. Whilst at the end of 2021, this was still 30 per cent of the number of funds, their importance grew at the end of 2022 to 40 per cent of the sector.

Funds with sustainable investment as their objective represent 6 per cent of net assets. These ‘Article 9 funds’ constitute the smallest but fastest-growing category. Their net assets grew in 2022 by 11 per cent. For this category too, the growth can be explained by a surplus of inflows as well as the increased number of funds within this category.

Funds that do not aim to make sustainable investments and do not promote any environmental or social characteristics still represented, at the end of 2022, 27 per cent of net assets. The size of this category is decreasing, partly because the number of outflows was greater than the number of inflows. The number of funds in this category is also falling.

In 2022, the investment policy and pre-contractual information for several funds changed to the extent that they changed category. Along with the launch of new funds and the concentration of global net inflows within the category of funds with sustainability characteristics, and of net outflows from funds without sustainability characteristics, these updates are also a major cause of the increased importance of funds with sustainability characteristics.

Graph 7: Total net assets and number of sub-funds of Belgian public open-ended UCIs, classified based on SFDR (in %)



Data-driven and risk-based supervision

Maintaining the reporting of key details

Since the start of the Covid crisis in March 2020, the FSMA has been more frequently collecting a certain number of key details on Belgian public UCIs. This concerned collecting data that endeavours to provide an insight into the evolution of the assets and liquidity risk, including the total net assets, the value of inflows and repayments, and information on the use of liquidity management tools.

The FSMA found that these key details enabled it to gain a detailed and timely insight into the main evolutions and into certain risks within the sector. As a result, these details have, since June 2022 formed an integral part of the reporting format for Belgian public open-ended UCIs. These details also form the basis for statistics on the evolution of the sector that the FSMA publishes on a quarterly basis in the form of a dashboard.

Continued focus on data quality

The quality of the data the FSMA receives from UCIs is crucial for the implementation of its risk-based and data-driven supervision. For this reason, the FSMA has once again opted for verifying data quality based on an automated procedure. Where errors were identified, the FSMA asked the UCIs concerned to correct their reporting. Belgian authorized and registered AIF managers were contacted in 2022 to verify data quality.

The FSMA will continue to devote attention to the quality of these data, and if necessary, take additional action to further improve its quality. In this respect, the FSMA also organized a workshop addressed to small-scale managers of AIFs to give further clarity on the reporting requirements, based on practical examples. During this workshop, the FSMA shared its findings on the details that were reported in practice and offered good practices for completing the reporting.

Asset management and non-bank financial intermediation

In 2017, the FSMA and the NBB published their first joint report on asset management and non-bank financial intermediation. In 2022, a fourth update report was published³⁶. This report contains updated information and an analysis of national and international developments in asset management and non-bank financial intermediation.

³⁶ Update on Asset Management and Non-bank financial intermediation, November 2022. See the FSMA's website.

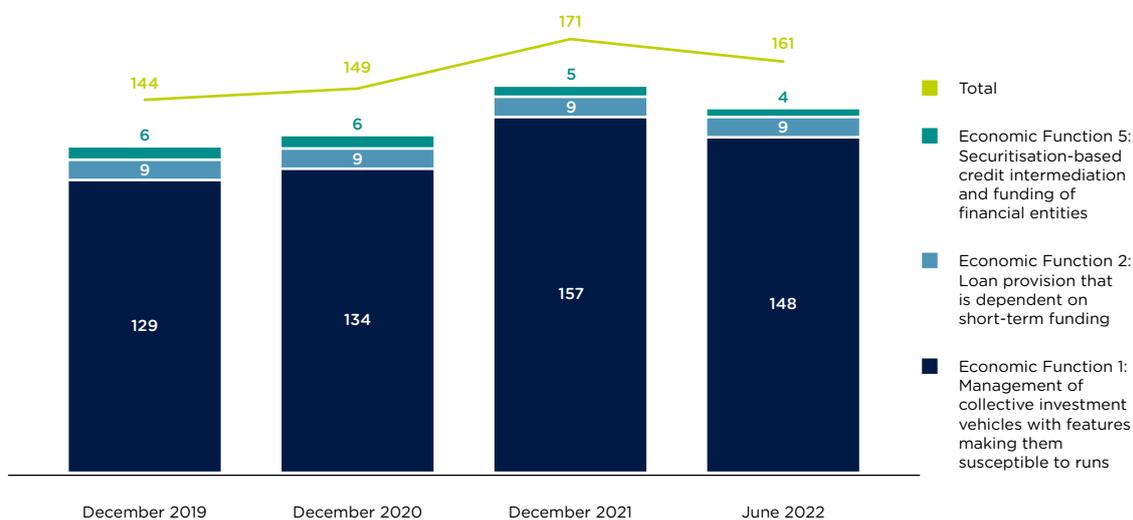
These reports come as a result of a shift towards a more market-oriented financial system. Market-based finance can offer an alternative to raising money from banks, thereby helping to support the economy. However, it can also entail certain risks, both for financial stability and for investors.

The main objective of these reports is to keep a finger on the pulse. The FSMA and NBB paid particular attention in this respect to the risks relating to asset management activities and non-bank financial intermediation and their interconnectedness with other sectors.

The FSMA and the NBB calculated the scale of entities involved in the non-bank financial intermediation sector in Belgium based on the definition from the Financial Stability Board (FSB). At the end of 2022, the total financial assets in this category amounted to EUR 161 billion (see Graph 8³⁷). These assets consist mainly of assets held for investment funds that do not qualify as share funds, the large majority of which come under the supervision of the FSMA.

According to the European Banking Authority's definition, the scale of this sector came to 24 billion euros. This EBA definition does not take investment funds into account if they meet certain criteria.

Graph 8: Change in assets held by entities involved in the non-bank financial intermediation sector in Belgium based on the definition from the FSB (narrow measure) (in EUR billion)



³⁷ The FSB identifies five economic functions (EF) within the 'narrow measure' of non-bank financial intermediation. Economic Function 1 (EF1) consists of certain investment funds. This is the largest segment of non-bank financial intermediation, both in Belgium and globally. More detailed information can be found in the FSMA's and NBB's reports available on the FSMA's website, or in the most recent FSB Global Monitoring Report on Non-Bank Financial Intermediation, available on the FSB's website.

The monitoring exercise reveals that, in 2022, Belgian investment funds once again showed their ability to absorb shocks. The economic and geopolitical evolution and developments on the financial markets were accompanied by considerable decreases in value of the financial assets held in Belgian investment funds. However, these did not give rise to disorderly or forced sales of assets. This resilience of Belgian investment funds to market shocks bears witness to the overall careful risk management of such funds, which is also encouraged by the regulatory framework.

In recent years, the FSMA and the NBB have taken action, both nationally and internationally, and supported initiatives focused on better monitoring developments in this segment of the financial sector, healthier risk management by the financial institutions active in the sector, and where necessary, adapting the regulatory framework.

The FSMA and the NBB did not identify any substantial systemic risks associated with asset management and non-bank financial intermediation. However, the developments in both areas of activity and the links with other sectors of the economy do require careful monitoring, including for potential reputational risks to financial service groups. The NBB and the FSMA therefore continue to actively take part in international work to better analyse European and global developments in non-bank financial intermediation and, where necessary, to strengthen the regulatory framework.

Convergence of supervisory practices

The FSMA takes part in the Common Supervisory Actions (CSA) on ESMA's initiative. These actions focus on particular aspects and aspire to bring more convergence to financial supervision within the European Union. A CSA contributes to creating a common supervisory culture among all competent national authorities, through which experiences can be shared. The FSMA has taken part in several supervisory actions in the area of portfolio management, each time coordinated by ESMA.

CSA on supervision of liquidity risk

At Belgian level, the FSMA conducted in-depth analysis of liquidity risk management among a number of Belgian public funds. In a subsequent step, it opened up this analysis to other public funds, more particularly to put into practice the ESRB recommendations on liquidity risk in investment funds.

To this end, the FSMA contacted the managers of Belgian public funds that are potentially faced with liquidity risk because of a mismatch between the liquidity of their assets and liabilities. Thanks to these discussions, the FSMA was able to instruct a number of managers to make their procedures stricter, change their investment policy or reduce the frequency of repayments they offer their investors. The FSMA also took advantage of the occasion to share good practices it had identified with all managers of Belgian public funds.

CSA on supervision of costs and charges

The costs and charges analysis revealed that funds in Belgium score high in terms of cost transparency. This is partly down to the fact that the FSMA previously approves the legal documents of public funds as well as their advertisements.

Following on from this analysis, the FSMA examined the costs that Belgian public funds charge. It published a communication with information for consumers to better understand what fees are charged to them when they invest in a fund. It mainly explains what different costs may be associated with a fund. With this, the FSMA aspires to make it easier for retail investors to compare the costs they are paying with the costs Belgian funds usually charge. It pinpoints the impact that a fund's fees has on the ultimate return for the investor. This communication can be consulted on the FSMA's website³⁸.

No closet indexing identified

Closet indexing is the practice by which an investment fund is promoted as an actively managed fund, when in reality it closely follows a reference index. This practice is disadvantageous for investors, firstly because they are not getting the active management described in the investment policy and secondly because they have to pay higher costs than those charged for passive management. Investors therefore get passive management, yet pay for active management.

The FSMA has developed a completely new method, based on the input of its expertise centre for data analysis, to detect potential closet indexers. This method can be applied to all funds, irrespective of their investment policy (shares, bonds or mixed).

The analysis did not identify a single closet indexer, which is good news for investors. However, further to an in-depth analysis, the FSMA established that in the management of a small number of funds, an index is referred to. Despite this, that was not stated in the information provided to clients.

This is not considered closet indexing, though, because those funds do not try to align their investment policy with the composition of the index. The fact that those funds use an index, for example because they want to perform better than the index, should have been communicated to investors. The funds concerned changed their documentation to be more transparent to their investors.

38 See the FSMA's website.

FAQs clarify new advertising rules for UCIs

Since 15 December 2022, new advertising rules³⁹ are in place for marketing communications for open-ended UCIs that are distributed to retail investors.

To clarify the new advertising rules, the FSMA published a communication⁴⁰ with FAQs. These FAQs clarify the advertising rules that apply in various situations and the FSMA's supervision on the subject. They also further explain some aspects specific to marketing communications relating to a public offer of public open-ended UCIs.

The FAQs take into account the fact that public open-ended UCIs have to have a PRIIPs KID from 1 January 2023⁴¹.

Given that these new FAQs contain all the information relating to prior notification to the FSMA of marketing communications with a view to their ex-ante verification, Communication FSMA_2019_15⁴² became superfluous to requirements and was removed from the FSMA website.

Overview of the Belgian provisions containing marketing requirements for UCIs

The CBDF Regulation⁴³ aims to promote cross-border marketing of UCIs. It aspires to achieve this, inter alia, by promoting transparency and investor protection and ensuring better access to information.

The Regulation obliges competent authorities to publish full and up-to-date information on the applicable national provisions relating to marketing requirements for UCIs. In this context, the FSMA published a communication⁴⁴ on the marketing requirements for UCITS and AIFs.

The communication was updated at the beginning of 2023, in particular following the new advertising rules for UCIs⁴⁵ and the obligation for public open-ended UCIs to publish a PRIIPs KID⁴⁶.

39 For more information, see the section on the Royal Decree of 5 December 2022 transposing Commission Delegated Directive (EU) 2021/1270 of 21 April 2021 amending Directive 2010/43/EU as regards the sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities (UCITS), adapting the rules on marketing communications of undertakings for collective investment in transferable securities, and laying down miscellaneous provisions.

40 Communication FSMA_2022_29 of 12 December 2022: FAQs about marketing communications for UCIs.

41 See this report, p. 56.

42 Communication FSMA_2019_15 of 30 July 2019 on the procedure for submission of advertisements for UCIs distributed in Belgium.

43 Regulation 2019/1156 of the European Parliament and of the Council of 20 June 2019 on facilitating cross-border distribution of collective investment undertakings and amending Regulations (EU) No 345/2013, (EU) No 346/2013 and (EU) No 1286/2014.

44 Communication FSMA_2022_05 of 25 January 2022: National marketing requirements for UCITS and AIFs.

45 For more information, see the section on FAQs on the new advertising rules for UCIs and the section on the Royal Decree of 5 December 2022 transposing Commission Delegated Directive (EU) 2021/1270 of 21 April 2021 amending Directive 2010/43/EU as regards the sustainability risks and sustainability factors to be taken into account for Undertakings for Collective Investment in Transferable Securities (UCITS), adapting the rules on marketing communications of undertakings for collective investment in transferable securities, and laying down miscellaneous provisions.

46 See this report, p. 56.

New rules for information about sustainable investments by UCIs

Obligation to publish an information document as an annex to the prospectus

From 1 January 2023, management companies of UCIs must publish, with the prospectus, a pre-contractual information document for each UCI that meets the transparency requirements of Article 8 or 9 of the SFDR. That document contains the key information on the UCI's sustainability characteristics (environmental and/or social characteristics or sustainable investment), as well as the method and criteria for selecting the assets composing the UCI's portfolio.

That information is provided in a standardized way in the pre-contractual information document. That way, investors can compare the different UCIs and it is clear what the UCI is aspiring for in terms of sustainability. The legislation does not state that the FSMA must approve the completed pre-contractual information document in advance. That verification occurs ex post. However, the FSMA does expect the completed template documents to be systematically sent to it when they are published. The FSMA has explained in a communication exactly how they have to be sent⁴⁷.

Position of the FSMA on the application of the Taxonomy

In the document template, a distinction is made depending on whether or not investments are made in the economic activity classified, by the European taxonomy, as environmentally sustainable. To complete those pre-contractual information documents, the managers must base themselves as closely as possible on the reports that the issuers provide. Nevertheless, on 1 January 2023, those reports from issuers in accordance with the Taxonomy Regulation were not yet available. They will only be audited from 2025 to a limited degree (reporting on the 2024 financial year).

At this time, the reporting from companies on the alignment of their activity with the Taxonomy is not yet complete, let alone audited. Bearing this in mind, and in order to prevent greenwashing, the FSMA is of the opinion that the managers of 'Article 9 SFDR' and 'Article 8 SFDR' products may not tick the box in the information document that says 'environmentally sustainable activity within the meaning of the EU Taxonomy' until further notice.

The FSMA will review its position on this based on the evolution of the regulatory requirements and the future standpoints at European level.

⁴⁷ Communication FSMA_2022_18 of 10 May 2022 on digital transfer of information to the FSMA with regard to undertakings for collective investment.

Q&As about the SFDR

On 1 January 2023, a delegated regulation came into force⁴⁸. This crystallizes the transparency requirements of the SFDR, more particularly by prescribing the use of pre-contractual and periodic information documents. To support managers with this, the FSMA published Q&As⁴⁹ to provide answers to the questions and concerns from the sector. In those Q&As, it brings together the most relevant clarifications for the UCIs, which have recently been published by the European Commission and the European supervisory authorities, and specifies exactly what it expects in terms of the application of the delegated regulation.

Research among management companies

In May 2022, the FSMA surveyed management companies of UCITS and AIFs with regard to compliance with the SFDR⁵⁰. With this, the FSMA chiefly wanted to ascertain whether these companies published information on their websites on the way in which they bear in mind sustainability risks, and the adverse effects of their policy on sustainability factors.

Overall, the FSMA ascertained that the information the companies stated in their answers was not always as readily available on their website and needed to be supplemented in order to better comply with the obligations as laid down by Delegated Regulation 2022/1288⁵¹, which would enter into force on 1 January 2023.

Based on the answers received, the FSMA prepared a document for the companies in which it further explained a number of its expectations. The aim of this document was threefold:

- to provide companies with an insight into the way the FSMA assesses how they apply the rules on sustainable finance;
- bring convergence into the implementation of these rules;
- give the companies further information on its expectations with regard to supervision that apply from 1 January 2023.

In a later stage, the FSMA will provide an update of its analysis of the information that was published by the management companies in the wake of the SFDR.

48 Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

49 Communication FSMA_2023_01 of 24 January 2023: 'Q&A about the entry into force of the Delegated Regulation supplementing the Sustainable Finance Disclosures Regulation (SFDR)'.

50 Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

51 Delegated Regulation (EU) 2022/1288 supplementing the Sustainable Finance Disclosure Regulation with regard to regulatory technical standards.

Supervision of investment products

Simpler structured products thanks to the moratorium

Structured products are complex investment products. They are indirectly linked to one or more assets through derivative products such as options. Structured products differ from conventional investment products in the sense that they do not always follow the price movements of underlying assets. They react sometimes strongly and sometimes weakly to a price movement. This makes structured products difficult for retail investors to understand, meaning that they have trouble estimating the risks.

To protect investors, the FSMA launched a moratorium in 2011 on the distribution of particularly complex structured products. The moratorium lays down the criteria by which to prohibit the distribution of structured products that have too complex a structure. The moratorium also aims to give investors better insight into the costs, credit risk and market value of structured products.

In Belgium, nearly all providers of structured products have signed on to the moratorium. In doing so, they have committed not to distribute to retail investors products that are considered particularly complex under the criteria of the moratorium. The FSMA continuously scours the market to see whether distributors are adhering to the moratorium.

If there are any doubts as to whether or not a structured product should be considered particularly complex, it is analysed in detail.

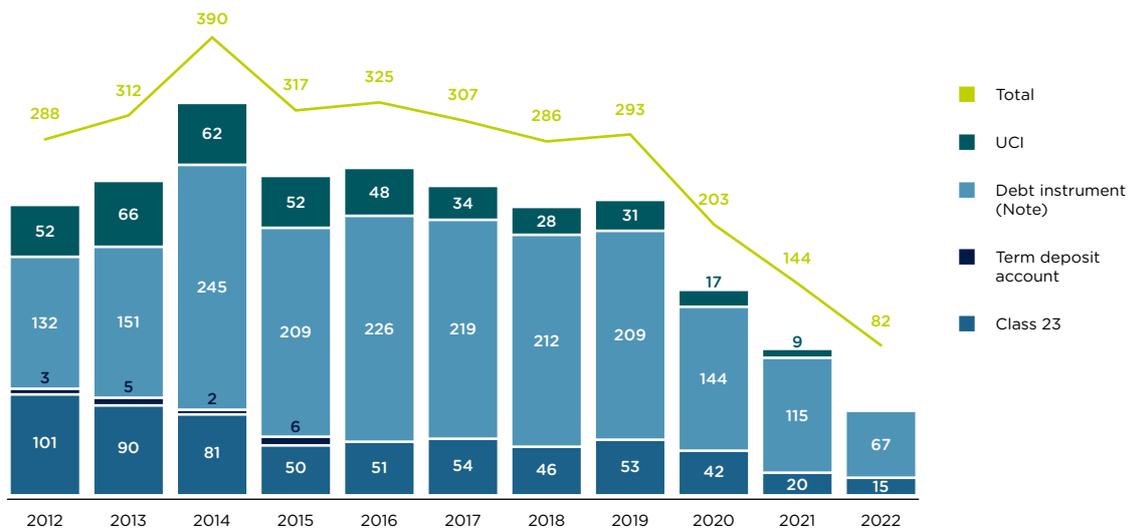
In 2022, the FSMA examined 16 products with new characteristics. In the end, it designated five of those as particularly complex. They were therefore not brought to the retail market. The FSMA has also noted an increase in the sector in the number of requests for qualification of indexes. In 2022, it received 12 applications for qualification. More than half of those indexes are considered a 'customized index'⁵².

52 A 'customized index' generally means an index that does not meet the following cumulative conditions: 1° it has existed for at least one year, 2° its price can be consulted through an accessible source, and the method of calculation and breakdown of the price are appropriately disclosed, 3° it is used by several other professional and unrelated market participants, 4° it has a clear investment objective to be sufficiently representative for the market to which it relates, 5° it is sufficiently diversified, 6° it has a maximum three-monthly rebalancing frequency.

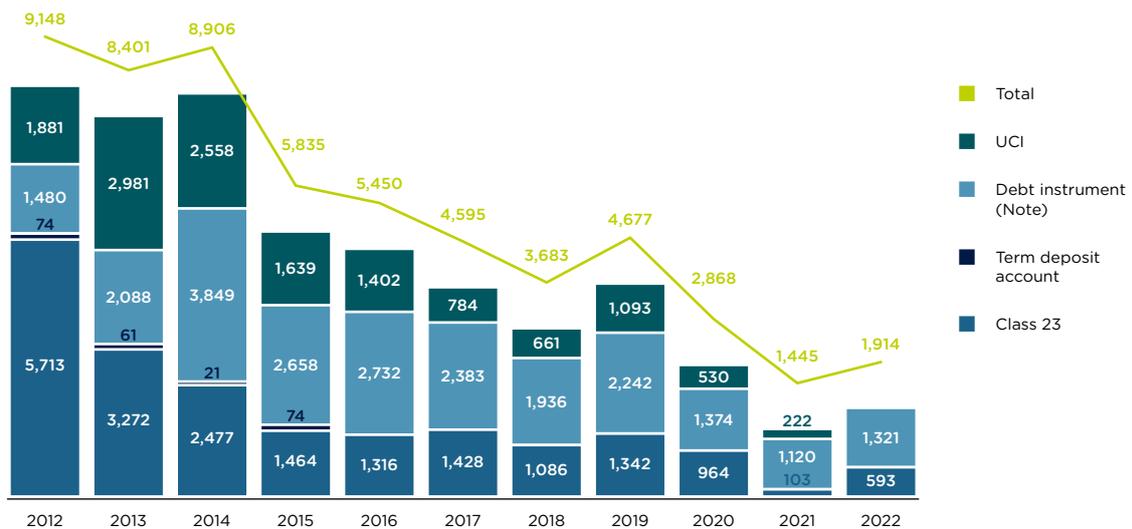
The market for structured products in figures

Since the launch of the moratorium in 2011, 6,397 structured products have been distributed in Belgium (see Table 1). A little over half of these (3,287 structured products) fall under the moratorium. The other 3,110 structured products fall under the opt-out regime⁵³.

Graph 9: Change in the number of structured products distributed in Belgium (per year)



Graph 10: Change in the issue volume of structured products distributed in Belgium (in EUR million per year)



53 The opt-out regime offers issuers the option not to apply the moratorium to clients who hold deposits and financial instruments with the issuer with a value at the time of distribution of more than EUR 500,000 in movable assets. The opt-out applies only to the portion of the assets that exceeds the threshold of EUR 500,000.

Table 1: Structured products distributed in Belgium since the launch of the moratorium
(1 August 2011-31 December 2022)

	Number of products since the launch of the moratorium	Issue volume (in EUR million) excluding private notes and products under the opt-out regime
Class 23	617	20,387.89
Under the moratorium	616	20,387.89
Opt-out	1	N/A
Debt instrument (Note)	2,093	23,799.51
Under the moratorium	1,984	23,799.51
Opt-out	109	N/A
Term deposit account	18	245.48
Under the moratorium	18	245.48
UCIs	440	14,142.76
Under the moratorium	427	14,142.76
Opt-out	13	N/A
Private Note	3,229	N/A
Under the moratorium	242	N/A
Opt-out	2,987	N/A
Total	6,397	58,575.64

Trends on the structured product market in 2022

Amounts invested higher, number of products continues to decrease

In 2020 and 2021 the number of investments by Belgian investors in structured products fell considerably. This trend did not continue into 2022. More was invested than in 2021, especially in structured Class 23 products and, albeit to a lesser extent, in structured debt instruments. In 2022, not one single structured UCI was distributed for Belgian investors. On the other hand, the number of structured products distributed per year continues to steadily decrease for all legal forms of structured products. In all legal forms of structured products, a steady decrease is recorded in the number of structured products distributed per year.

Fewer dollar products

Since 2018, there has been an increasing number of products issued in US dollars. That trend did not continue in 2022. More than 90 per cent of the structured products were issued in euros (both in terms of issue amount and number of products).

More capital protection

In recent years, distributors focused more and more on the sale of structured products with a right to a repayment of at least 90 per cent. In 2022 there were more products sold, both in terms of number of products and issue amount, with a right to repayment of the capital on maturity. In total, this constituted more than 90 per cent of the issue amount in 2022. Less than 5 per cent of the issue amount offered no capital protection at all. That information confirms that Belgian investors, in their investment decisions, are largely motivated by the right to repayment of the capital on maturity.

Shorter maturities

The FSMA had identified that the maturities of structured products sold were longer due to the low interest-rate climate of the past few years. Because of the rise in interest rates in 2022, those maturities were once again shorter. More than half of the issue amounts of structured products had a maturity of between 5 and 8 years.

More interest rates as underlyings

Historically, the most common underlyings were baskets of shares. Since 2013, producers of structured products have been giving increasing priority to a customized index as the underlying. Those customized indexes often have built-in mechanisms⁵⁴ to minimize their volatility or to take out a fixed dividend. The customized indexes often addressed current themes such as ESG. In 2021, this trend was even more apparent, and customized indexes were the most common underlying among producers of structured products, both in terms of issue amount and number of products. In 2022, we witnessed the comeback of interest rates as underlyings. They represented more than half of the structured products in terms of issue amount in 2022.

54 The preference in these customized indexes, in terms of the selection and/or the weighting, is often for shares with a historically low volatility.

Recommendations and toolkit for product governance

In 2021, the FSMA conducted a series of inspections under the Common Supervisory Action (CSA) of EU agency ESMA. These focused on the way in which the product governance rules, as prescribed by MiFID II, were applied to the development and distribution of investment funds, structured debt instruments and warrants.

The FSMA gathered together the main findings, good practices and recommendations that came to the fore during this CSA in a sectoral report⁵⁵. As an annex to this report, the FSMA also provided the sector with a toolkit on product governance. The intention is to support companies with the organization and application of the product governance process.

One of the main findings to come out of this CSA related to the cost structure of structured debt instruments. Developers and distributors appeared not to sufficiently justify and document how they evaluate the cost structure in light of the needs, characteristics and objectives of the intended target market, and how they ensure that the expected returns are not undermined by the cost structure of the instrument.

Customized indexes only for appropriate target group

In its previous annual report⁵⁶, the FSMA indicated that since 2013, distributors were increasingly selling structured products on a customized index. A customized index aims to follow a specific investment strategy by periodically adjusting the components of the index according to a previously determined method. Furthermore, the method and selection filters are becoming ever more diverse and complex. Equally, more frequent use is made of synthetic dividends. There is also a fixed fee deducted regularly from the index.

From the inspection of the product governance process among various banks, it emerged that when developing and distributing these products, they often did not ask after the specialized knowledge of the target group. It is, however, essential that these products be presented to the right public. The FSMA considers that these products should only be offered to a target group that has very good financial knowledge and that is qualified to correctly estimate the impact of the selection filters on the return and the economic reality that is followed.

55 See the FSMA's website. Sectoral report on product governance, July 2022.

56 See the 2021 FSMA annual report, p. 37.

The FSMA communicated this opinion during the period under review to the distributors of structured products for retail investors in Belgium. It also pointed out that clients with average financial knowledge or basic knowledge of financial matters should form part of the negative target market. The FSMA set out its opinion in the sectoral report on product governance⁵⁷.

Since stating its position on structured products on an index, and publishing the sectoral report on product governance (see above), the FSMA has noted an increase in the number of applications from the sector for the qualification of indexes. When handling these applications, the FSMA bases itself on FAQ 10 from the moratorium. This states the criteria an index has to fulfil to be qualified as a benchmark. For more transparency, the FSMA proposed a change to FAQ 10. The change pertains to the way in which the terms 'unrelated market operators' and 'sufficiently diversified' should be interpreted.

KID provides information on retail and insurance-based investment products

On 1 January 2023, the new PRIIPs Delegated Regulation entered into force. Since then, undertakings for collective investment in transferable securities (UCITS) are obliged to prepare a PRIIPs KID (Key Information Document). In a communication⁵⁸, the FSMA describes the way in which the UCIs have to submit their PRIIPs KID in advance. The new Delegated Regulation has introduced a number of changes to the former Delegated Regulation⁵⁹, with the main ones explained below:

- introduction of a new method for calculating performance scenarios for category-2 products (primarily developed by the investment funds);
- obligation for UCITS, alternative investment funds and unit-linked insurance-based investment products to publish the product's past performance;
- the presentation and calculation method of the cost indicators; and
- the specific presentation of costs by packaged retail investment products and insurance-based investment products (PRIIPs) that offer a range of investment options.

PRIIP offerors are obliged to provide their retail clients with a document containing key information (KID). The KID is a brief document setting out the key information about a PRIIP in language that is easy to understand. It must be uniform, both in terms of content and in terms of format. This allows consumers to compare the KIDs of different PRIIPs.

57 See the FSMA's website. Sectoral report on product governance, July 2022.

58 Communication FSMA_2022_18 of 10 May 2022 on electronic submission to the FSMA of information on undertakings for collective investment.

59 Commission Delegated Regulation (EU) 2017/653 of 8 March 2017.

Before a PRIIP can be marketed in Belgium, the KID must be submitted to the FSMA. In 2022, the FSMA received 223 notifications of KIDs for packaged retail investment products. The majority of these KIDs related to structured products (119) and AIFs (58). The notifications came from the Grand-Duchy of Luxembourg (121), Belgium (69), Germany (14), the United Kingdom (13) and France (6).

In 2022, the FSMA received 23 KIDs for new contracts for insurance products and 142 KIDs were submitted because of an update. In the same year, it also received 21 documents about new investment options and 283 documents with updates to existing investment options. Apart from Belgian developers, it was mainly Luxembourg developers that sent KIDs and documents.

Supervision of savings accounts

Interest on savings accounts rises

In a low-interest rate climate, banks have for many years been offering a minimum remuneration for a regulated savings account: 0.01% basic interest and 0.10% loyalty premium.

In the last few months of 2022, they increased the interest rates on these accounts. That was in line with the interest rate increases introduced by the ECB. This led to a major increase in the number of marketing communications and documents with key information for savers, which were submitted to the FSMA for approval⁶⁰. This meant that in 2022, the FSMA approved 75% more marketing communications than the previous year.

The FSMA sets out recommendations for savers

The FSMA has noted a new trend with the offer of savings accounts. After raising the interest on existing savings accounts, the banks bring to the market new savings accounts with higher interest rates. Some clients who open a new account benefit from a higher remuneration. This means that savers' interests are not always upheld.

In the Wikifin newsletter, the FSMA recommended to consumers that they examine what terms apply to their savings account, as well as that they compare the offers from banks to ascertain what savings account is the most beneficial to them. Savers should not hesitate, where necessary, to open a new savings account with the same bank, or move to another bank.

⁶⁰ Article 28, §2, of the Law of 2 August 2002 on the supervision of the financial sector and on financial services says that the FSMA is competent to verify whether a savings account presented by a credit institution as a regulated savings deposit, meets the criteria established by law. When these are marketing communications for regulated savings accounts and key information documents for savers, the FSMA conducts this check ex ante. For unregulated savings accounts, the FSMA can ascertain ex post whether the marketing communications meet the principles of the Royal Decree on Advertising.

Supervision of insurance products

The FSMA sees to it that insurance products subject to Belgian law are in compliance with the law. This pertains to the product conditions as well as to the pre-contractual and contractual provision of information on these products. In addition, the FSMA strives to contribute to the protection of insureds by further clarifying certain themes or by warning against certain risks.

The supervision of insurance products is risk-based and comprises two pillars. The first pillar is audits on a particular theme. The second pillar is reactive supervision triggered by a particular event or by a problem that has been detected.

Survey on sustainability among insurance companies

The FSMA sees to it that the information that companies under its supervision publish about sustainability is accurate, clear, not misleading, sufficient and transparent in order to prevent greenwashing. In 2022, the FSMA surveyed Belgian insurance companies regarding compliance with the rules on sustainable finance.

That survey revealed that most companies declare that they integrate sustainability risks into their investment decisions and take into account the main adverse effects of investment decisions on sustainability factors.

Yet whilst most companies do indeed describe a number of aspects of the process for integrating sustainability risks, such as their exclusion policy, and state when these are integrated, this information is not detailed enough to guarantee full transparency to the investor.

The information is also not always easy to find on the websites and some companies, in their documents, confuse the information on sustainability risks with the information on the transparency of adverse sustainability impacts.

Based on this survey, the FSMA drew up a list with supervisory expectations, practices that could be improved on, and other findings. This document was sent to the companies concerned.

Value for money

The FSMA particularly focuses on the implementation of the requirements on Product Oversight and Governance (POG). The POG rules are, in the first place, intended to ensure that an insurance product is in line with the needs, objectives and expectations of its target market, both at the time of development and during its lifespan or distribution⁶¹.

In 2022, the FSMA conducted a study into the way in which the POG rules are applied in the insurance sector, more particularly for insurance linked to an investment fund (Class 23), payment protection insurance linked to consumer credit, multimedia insurance and travel insurance, and particularly in terms of exclusions. Those various checks come under the Union-wide Strategic Supervisory Priorities on the initiative of EIOPA, the European Insurance and Occupational Pensions Authority.

⁶¹ The majority of the POG rules are included in Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (the IDD) (which are implemented in the Belgian Law of 4 April 2014 on insurance) and Commission Delegated Regulation (EU) 2017/2358 of 21 September 2017 supplementing Directive (EU) 2016/97 of the European Parliament and of the Council with regard to product oversight and governance (POG) requirements for insurance undertakings and insurance distributors.



KAREL DE BONDT TALKS ABOUT SUPERVISION AND GOVERNANCE OF INSURANCE PRODUCTS

“When an insurance product is developed, the interest of the customer must be central”.

The Covid crisis and the volatility of the markets could have repercussions for insurance products. “The FSMA must oversee that an insurance product is always in line with the consumer’s characteristics and objectives”, underlines *Karel De Bondt*, Deputy Director, referring to the action that the FSMA took in 2022 to verify compliance with the POG rules.

What steps does the FSMA take in its supervision of insurance products to ensure that the POG (Product Oversight and Governance) rules are being complied with?

“In 2021, the FSMA already presented various insurance companies with a questionnaire to find out the impact the Covid crisis had had on the application of the POG rules. In 2022, the FSMA tightened its supervision of compliance with the POG rules with the intention of making it even stricter in 2023.

A sector-wide survey was conducted on the theme of the value for money of insurance products, and on exclusions. As part of this, a questionnaire was sent to 15 insurance companies and 2 insurance distributors for different categories of insurance.

Apart from this survey, the FSMA conducted various specific checks on the value for money of Insurance-Based Investment Products (IBIPs). Those checks were mainly based on the quantitative information in the key information documents prepared in accordance with the PRIIP Regulation. In that way, we were able to considerably broaden our database, which allows us to conduct risk-based analysis to identify outliers on different aspects, such as costs, returns, etc.”

What is the purpose of the supervisory action?

“In those checks, the FSMA oversees whether the product takes enough account of the needs, characteristics and objectives of the target market. It also ascertains whether the product offers value for money to its target market. The idea is that insurance products that are put on the market always meet the needs, characteristics and objectives of the consumers they are intended for. However, it has been noted that this is not always the case”.

“The FSMA oversees whether the product takes enough account of the needs, characteristics and objectives of the target market.”

Can you give an example of this?

“In life insurance policies linked to investment funds, we sometimes see such a high cost structure that this has a considerable impact on the return the consumer gets. To our mind, that raises doubts as to the value for money of the product. That issue also occurs for example with insurance products with such broad exclusions that they are no longer of much benefit to the policyholder. That aspect can also come to light from the quantitative information such as the claims ratio”.

What advice would the FSMA give to insurance companies?

“First of all, the FSMA emphasizes that the interest of the customer has to be central to the analysis of the value for money of an insurance product. This means that very clear and precise criteria or standards must be set out with which it can be demonstrated that the product is indeed the interest of the consumer. To clarify this for the sector, the FSMA will publish its expectations and recommendations for the POG

requirements on value for money and exclusions. Finally, it should be kept in mind that supervision of compliance with the POG rules is an absolute priority for both the FSMA and the European Insurance and Occupational Pensions Authority (EIOPA).”

Impact of the increase in retirement age on insurance policies

The statutory retirement age will be raised in 2025 to 66 and in 2030 to 67⁶². Through a survey, the FSMA looked into the impact that the gradual rise in the statutory retirement age has on existing insurance policies, excluding second-pillar pensions. With this survey, the FSMA wanted to identify, for the Belgian market, what type of insurance policy this could have an impact on, and set up an overview of the contractual rules or, where there were none, the strategy that the insurers go by.

This survey showed that for life insurance policies, insurers usually do not contractually set out the impact of the rise in the statutory retirement age on insurance policies.

Non-occupational disability insurance goes up to the age of 65 or, in some cases, a younger age. These insurance products are useful as long as the policyholders have not reached statutory retirement age. For them, an extension to the cover in line with the retirement age is therefore of great benefit.

62 Law of 10 August 2015 raising the statutory pension age, conditions for access to early retirement and the minimum age for a survivors' pension.

For occupational health insurance, particularly insurance that covers the cost of healthcare and disability and incapacity insurance, retirement age is only in a very small number of contracts the end date for cover. What should be understood as 'retirement age' here is set out by the legislation at the time of retirement. The end date therefore changes without the contract having to be amended over the course of its term. In other cases, the contract specifies a term that could differ from the retirement age. The survey found out that insurers use very varied strategies: some insurers refuse every extension, others accept requests for extension of the cover without an additional premium and without other conditions, whilst others accept extensions to the term of the cover only if an additional premium is paid and/or with other conditions (such as a new medical examination). Here too, it is very beneficial to policyholders if the cover is extended, in line with the statutory retirement age.

In June 2017, the sector introduced a code of conduct for income protection insurance. Because the statutory retirement age was increased, the term of these insurance policies was also lengthened. This code of conduct applied to requests for extension of income protection insurance submitted to the insurer before 1 June 2021.

Given that extending cover to align it with the statutory retirement age remains very beneficial to policyholders, the FSMA required that the sector draw up a new code of conduct and thoroughly inform policyholders about this.

IDD overview

For targeted and efficient supervision of the rules under the Insurance Distribution Directive (IDD), the FSMA needs basic information on the insurance distribution activity of Belgian insurance companies and branches established in Belgium of foreign companies. Apart from that, the FSMA also needs the figures on certain insurance products for retail customers.

To obtain this information, regular reporting will be introduced, namely the IDD overview. Thanks to this overview, the FSMA will be able to gauge the sector's risk profile. Just like the MiFID overview, the IDD overview is included in an FSMA regulation. Practical aspects of the reporting are published in an FSMA communication.

The overview asks for basic details per brand. This request is limited to general information, such as identification of the brands, number of points of distribution in the face-to-face network, the use of remote distribution channels, etc.

The overview also asks for current figures on a number of products that are sold to natural persons. This includes information about the product with the highest commission rate, the product with the lowest claims rate, the product with the highest number of refused claims, the product with the greatest increase in the number of new insurance contracts etc.

This reporting applies from 30 June 2023 and must be completed yearly by the companies. The FSMA expects insurance companies to deliver an initial report on 30 September 2023 about their activity during the 2022 calendar year. From the subsequent year onwards, insurance companies must deliver their reports annually on 30 June concerning their activity in the preceding year.

Easier-to-read fire insurance policies

Fire insurance policies are often difficult for consumers to understand. The aftermath of July 2021 floods once again made this clear. These policies are very complex and include a lot of complicated terms. This makes fire insurance policies difficult to read.

The Insurance Ombudsman confirms this in the 2021 annual report, in which 1,335 interventions are reported for this type of product, a rise of 20 per cent compared to 2020.

To tackle this issue, when launching its 20 projects for the future, the FSMA looked into how fire insurance policies can be simplified. One of the principles that will be taken into consideration is the fact that contracts have to be written in a clear and accessible language with the use of short and simple sentences. The contracts must also be structured and use clear terminology. Finally, the principle of “everything is covered, except...” applies, which has the advantage of making it clear to consumers what is not covered.

FOCUS 2023

In 2023, the FSMA will devote additional research to POG, especially the theme of ‘value for money’. It is, after all, important that insurance products offer good value for money in line with the needs, characteristics and objectives of the target market. This applies to both life and non-life insurance products.

The FSMA will also advocate clear insurance policies that are easier to read, especially in the case of fire insurance, which is all too often still complicated for policyholders.

Information must be accurate, clear, balanced and easy to understand

The FSMA supervises the marketing of financial products. Given that usually, consumers receive their initial information on financial products through advertisements, that supervision is of great importance. Consumers must, after all, be able to assess financial products in an informed way. That is why advertising material needs to be accurate and readable.

Advertisements for financial products must comply with the requirements laid down by Belgian legislation. The information must be accurate and easy to understand, and be clear as to the risks and costs associated with the product. The advertisement must point out both the advantages and the disadvantages of a product, and show them in a balanced way. Providing misleading information is prohibited.

Advertisements for certain financial products undergo prior screening by the FSMA. That is the case for advertisements for public investment funds, regulated savings accounts and certain investment instruments. Screening allows the FSMA to intervene at the right time, i.e. before investors sign up on the basis of inaccurate, incomplete or misleading information or advertisements. That way, the FSMA can prevent losses.

In 2022, the FSMA analysed 2,973 advertisements for funds, regulated savings accounts, insurance products and structured debt instruments, derivatives and bonds offered by financial institutions. An advertisement is any form of provision of information of a promotional nature for a financial service or a financial product. The FSMA sent 1,746 emails with remarks on advertisements for funds, regulated savings accounts and insurance products. Mostly, these remarks refer to the obligatory minimum content of advertisements and the presentation of historic returns. In 2022, the number of advertising dossiers for funds, regulated savings accounts, insurance products and structured debt instruments, derivatives and bonds offered by financial institutions was 1,104. The majority of the marketing material, i.e. 688 dossiers, related to funds.

Table 2: Supervision of advertising in 2022

	Number of dossiers	Website dossiers	Number of advertising messages	Number of emails with comments from the FSMA
Funds	688	242	2,029	1,286
Regulated savings accounts	94	72	191	222
Insurance products	126	38	380	238
Structured debt instruments, derivatives and bonds offered by financial institutions	196	N/A	373	N/A
Total	1,104	352	2,973	1,746



RULES OF CONDUCT PROTECT CONSUMERS

Companies under the FSMA's supervision must treat consumers honestly, fairly and professionally. They should have an appropriate organization and follow certain procedures to guarantee that consumers are treated with due care and attention when providing financial services. One of the things the FSMA does is to conduct inspections to check that the companies under its supervision comply with these conduct of business rules.

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Scope of the rules of conduct

Rules of conduct protect consumers by preventing them from buying financial products that do not fit in with their risk profile or investment objectives and by preventing financial companies' interests prevailing over those of consumers.

Rules of conduct do not exist only to protect consumers. Certain rules of conduct also apply to companies' professional clients.

There are different rules of conduct depending on the type of activity. For banks and investment firms, there are the MiFID conduct of business rules⁶³. For the insurance sector, there are the IDD rules of conduct⁶⁴. Other rules of conduct apply for crowdfunding, financial planning and lending to small and medium-sized enterprises.

For every application for authorization or additional authorization, the FSMA checks whether companies have an appropriate organization and clear policies to guarantee compliance with the rules of conduct.

The FSMA also conducts inspections to check whether companies comply with the rules of conduct that apply to them. In these inspections, it also checks whether the companies are appropriately organized to apply these rules, and whether they effectively comply with the rules. If the FSMA identifies breaches of the rules of conduct, it addresses them to make sure that shortcomings in the companies' organization are eradicated.

In 2022, it examined the applications for authorization or extensions thereto, if they could have an impact on compliance with the rules of conduct. This was the case for example for crowdfunding platforms, now called 'crowdfunding service providers'. Now that the European Regulation has entered into force that harmonizes crowdfunding service provision⁶⁵, these providers have to apply for a new authorization. When going through the authorization procedure for a service provider, the FSMA carefully tests its policies and procedures for due diligence, conflicts of interest and complaints handling in light of the rules of conduct. Compliance with rules of conduct is one of the conditions for business operation and is therefore tested again after the authorization has been granted.

63 MiFID stands for the Markets in Financial Instruments Directive.

64 IDD stands for the Insurance Distribution Directive.

65 Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937.

2022 will be remembered as the pivotal year for the integration of sustainable finance into the IDD and MiFID conduct of business rules⁶⁶. From now on, customers' sustainability priorities (ESG) are added to their investment goals. It is therefore the task of companies to gauge their customers' preferences in that respect. Portfolio management or investment advice that overlooks a customer's sustainability priorities is no longer deemed appropriate. The product governance rules were also revised to take into account a product's ESG characteristics when defining the target market. Finally, when companies look into the conflicts of interest that could occur when providing portfolio management or investment advice, they must from now on take into account the conflicts of interest arising from their customers' sustainability priorities.

In 2022, the FSMA took part in a great deal of work at a European level either to bring more convergence to the interpretation and application of the rules of conduct or to prepare the future reforms on this subject. Some of the work gives the sector direction for the application of the new rules on sustainable finance⁶⁷, and some of the work relates to reflecting, at a European level, on the strategy to be followed to protect retail investors⁶⁸. In general, the European work entails a number of challenges and the FSMA increasingly conducts checks in a broader context than has been established at a European level.

In 2022, the FSMA again took part in ESMA's⁶⁹ common supervisory actions.

Rules of conduct in the banking sector: focus on product governance and reporting on costs and fees

In 2022, the FSMA completed an inspection that took place at ESMA's initiative on product governance obligations for developers and distributors of financial instruments (see the 2021 annual report). It gave detailed feedback to the supervised companies on the measures that they had to take to comply with their obligations. The FSMA continues to closely monitor that these measures are fulfilled.

66 See Commission Delegated Regulation (EU) 2021/1253 of 21 April 2021 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms, Commission Delegated Directive (EU) 2021/1269 of 21 April 2021 amending Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into the product governance obligations and Commission Delegated Regulation (EU) 2021/1257 of 21 April 2021 amending Delegated Regulations (EU) 2017/2358 and (EU) 2017/2359 as regards the integration of sustainability factors, risks and preferences into the product oversight and governance requirements for insurance undertakings and insurance distributors and into the rules on conduct of business and investment advice for insurance-based investment products.

67 That work led to guidance by EIOPA (Guidance on the integration of sustainability preferences in the suitability assessment under the Insurance Distribution Directive (IDD), 20 July 2022), and an ESG section being included in ESMA's existing guidelines for the suitability test (Guidelines on certain aspects of the MiFID II suitability requirements, 23 September 2022).

68 See Calls for advice to the European Supervisory Authorities on the protection of retail investors, 3 August 2021.

69 Common Supervisory Actions aim to achieve more convergence in financial supervision in the European Union.

Based on this common action, the FSMA identified a number of good practices as well as points for improvement, which were explained in a sectoral report. The associated product governance toolkit is intended to help companies with the organization and concrete application of the product governance process for structured debt instruments. In 2022, the FSMA published another two sectoral reports on the suitability test and the appropriateness test⁷⁰.

In 2022, the FSMA took part in two common ESMA initiatives on reporting costs to retail clients. An initial initiative was an inspection of ex-post cost reporting⁷¹. This is the information that since 2018 companies must provide annually to customers about all costs and fees associated with financial instruments and investment and ancillary services. The focus of the inspection was on reporting on European UCITS share funds, shares, plain vanilla bonds⁷², structured notes or bonds and products that are directly or indirectly subject to foreign exchange costs.

The FSMA looked into whether the reporting accurately and completely represented the costs and fees, including all implicit and explicit costs, and whether the companies provided it on time. The FSMA analysed companies' procedures and conducted spot checks on the most recent reports. Here too, the companies that were inspected received detailed feedback on the action that they have to take to comply with their obligations, and the FSMA continues to closely monitor the fulfilment of these measures. In 2023, the FSMA will publish a sectoral report on ex-post cost reporting.

The second common ESMA initiative in which the FSMA took part concerned ex-ante⁷³ information on costs and fees. For the first time, ESMA coordinated a mystery shopping exercise (see interview) on the information customers must receive before they embark on a transaction. The exercise was formed of two parts. The first scenario involved mystery shoppers visiting bank branches to obtain investment advice. In the second scenario, they visited a website or an application to make an investment on their own initiative, without investment advice. In both scenarios, the focus was on investment funds and bonds. The mystery shoppers were both new and existing customers. They did not execute any transactions. After their visit, the mystery shoppers filled in an evaluation form and gave all the information they received to the FSMA, which it analysed.

For the online visits, it was examined whether the companies fully reported on and categorized all the costs and fees, including any foreign exchange costs, whether they correctly showed the effects of the costs on returns, and whether they provided the documentation required by law regarding the products.

70 The FSMA's sectoral reports can be found on its website under the 'Rules of conduct' theme.

71 This reporting is called 'ex post' because it is provided after the transaction, in contrast to the ex-ante information (see below).

72 The term 'plain vanilla' refers to financial products that are used and traded regularly.

73 This information is called 'ex ante' because it has to be given to the customer before they embark on a transaction, in contrast to the ex-post cost reporting (see above).

For the office visits, the FSMA examined whether the bank staff provided all the mandatory information on the bank, its services and the products offered, with particular attention to the costs and fees. As much as possible, it also examined whether the members of staff gathered the necessary information to conduct a suitability test before they recommended a product, and whether they provided the customer a statement on suitability in a timely manner.

As customary with this type of supervisory action, in which the companies are not able to provide explanations for the shortcomings identified, the FSMA did not take any remedial measures purely on the basis of the results of the mystery shopping. However, when it was complete, the FSMA did provide detailed feedback to the companies that had been checked and asked them to draw up an action plan.

In the period 2020-2022, the FSMA also conducted a check on compliance with the rules on RTS⁷⁴ 28 reporting. This technical standard determines that companies must annually, on 30 April, publish the top five order execution venues on their websites (quantitative aspect), along with a summary of their conclusions on the quality of the order execution (qualitative aspect).

In the first phase, the FSMA examined whether the companies published the report on time and whether its content complied with the rules. For a selection of companies, it conducted a second, more in-depth check that also concerned the order execution policy. These companies received detailed feedback and drew up an action plan.

The FSMA also conducted an inspection on the commercial objectives, the incentives and the remuneration system that one bank had created for its bank agents. It ascertained that this system led to conflicts of interest and contained incentives that could lead the bank agents to prioritize their own interests or those of the company over the interests of clients. The FSMA also ascertained that the bank's policy and register of conflicts of interest were not interpreted broadly enough and that the compliance function was not sufficiently involved in the preparation and review of the remuneration policy. The FSMA ordered the bank to put an immediate stop to certain objectives and for the rest, to swiftly take remedial measures.

74 RTS stands for Regulatory Technical Standards. RTS28 is a European Commission technical standard on mandatory reporting on order execution venues and the quality of the execution.

Conduct of business rules in the insurance sector: supervisory action on the IDD rules of conduct

In 2022, the FSMA continued a series of inspections among brokers, which it had commenced in 2021. These examined whether they conduct due diligence when they distribute savings and investment insurance policies. The inspections revealed that many brokers do not sufficiently document the collection of data on their clients' knowledge, experience, financial situation and investment goals. Some brokers do not seem to really gauge their clients' knowledge but are content to let their clients evaluate their knowledge themselves. Other brokers do not provide the mandatory information correctly, for example the information on the nature of the advice they give to the clients (for example: is the advice based on an impartial analysis?). The FSMA provides brokers with guidance for remedying the breaches established. It provides the necessary information during follow-up meetings and refers brokers to the handbook⁷⁵ it published in January 2022.

Following the flood of complaints from clients, the FSMA also conducted on-site inspections, without warning, of the networks of ancillary insurance intermediaries in the multimedia insurance sector. In one inspection, several serious shortcomings were identified, which led to a ban on the exercise of the intermediation activity concerned. The FSMA published and enforced this ban until all of the shortcomings had been remedied.

In 2021, a joint action was set up, coordinated by EIOPA, in connection with a product marketed on the territories of several Member States. This action continued in 2022. In Belgium, this product was only sold by one broker. The FSMA completed the inspection of this broker in 2022. It had identified several serious infringements of the rules on product governance and inducements, as well as of due diligence. In the meantime, the broker put a stop to the sale of the product concerned. The FSMA expects this broker to remedy the shortcomings identified and provide the FSMA with a prior analysis of the inducements if it decides to sell similar insurance products from the insurer concerned again.

In 2022, the FSMA conducted off-site supervisory action, too. Apart from supervisory action in which it examined the products themselves, it checked the product governance policy and procedures of several insurance companies.

Furthermore, still in terms of product governance, the FSMA surveyed several insurers to ascertain how they take account in their policies and procedures of the specific characteristics of the local target markets when they design insurance products intended for clients from other Member States and distributed under the free provision of services.

The FSMA also started an action to verify several insurers' compliance with the rules on inducements when distributing savings and investment insurance policies, as well as one to verify compliance with the code of conduct for inducements in life and non-life insurance⁷⁶.

⁷⁵ Practical guide FSMA_2022_06 on IDD Rules of Conduct, 25 January 2022.

⁷⁶ As a reminder: this code of conduct was drawn up by the sector and approved by Royal Decree of 17 June 2019.



ELS DE KEYSER TALKS ABOUT MYSTERY SHOPPING AS A SUPERVISORY INSTRUMENT

“With mystery shopping, the FSMA keeps its finger on the pulse of how companies treat their clients”

In the past few years, the FSMA has made a lot of use of on-site inspections that were previously announced. However, when it comes to rules of conduct, mystery shopping is an important additional supervisory measure, says Director *Els De Keyser*.

Why is mystery shopping so valuable for the supervision of rules of conduct?

“To correctly apply the rules of conduct, it is essential for companies to have adequate procedures, systems and internal controls. During off-site inspections and checks, the FSMA therefore examines whether all aspects of the legislation and regulations are sufficiently built in to the companies’ organization. Spot checks on client files gives it an image of the extent to which the rules of conduct are correctly applied. If it identifies shortfalls, it imposes remedial measures and the companies must improve their organization. But a perfect organization does not necessarily lead to proper application of rules of conduct. To truly see companies and their members of staff in action, the FSMA may therefore resort to mystery shoppers. They appear unannounced, either in an office, or online, and report on their experience as a client. That allows the FSMA to identify problem areas in the companies’ operation.

Afterwards, the FSMA gives feedback to the companies and may request an action plan. Because the companies are not pre-warned and therefore do not get the chance to react to the findings, the FSMA never takes formal measures purely on the basis of mystery shopping.”

Are the mystery shoppers really objective? For example, do they try to incite the ‘wrong’ conduct?

“It is essential for mystery shopping to be as objective as possible. The FSMA usually calls on specialist companies, based on a public procurement contract. FSMA staff may also conduct mystery shopping. All mystery shoppers satisfy a pre-established profile and follow a scenario they have been trained on. After their visit, they have to fill in an evaluation form and

provide all the information they have received to the FSMA. It is the FSMA that analyses this information and draws the conclusions.

From discussions between the FSMA and the companies concerned, the FSMA understands that they too often use mystery shoppers to examine whether their staff are complying with the rules of conduct. The frequency and number of sales outlets they visit is usually even higher than in the FSMA’s case. What is striking is that irrespective of the number of visits, the overall conclusions of the companies and the FSMA are alike. That seems to indicate that the FSMA’s method is effective.”

“A perfect organization does not necessarily lead to proper application of rules of conduct.”

Do the mystery shoppers also execute transactions?

“To this day, the FSMA’s mystery shoppers have not executed any transactions. When they visit an office to get investment advice, they will not proceed with the investment itself. As a result, the FSMA cannot at this time get a full picture of all aspects of the rules of conduct. What came out of the exercise coordinated by European agency ESMA was that some of our neighbouring countries have amended their regulatory framework to be able to execute transactions. The FSMA is currently looking into what needs to happen to be able to do the same.”

Accredited compliance officers fulfil a key role in the application of the rules of conduct

The FSMA accredits compliance officers. In 2022, 13 candidates were accredited. Before being accredited, each candidate has a meeting with the FSMA. Sometimes, this meeting is conducted jointly with the National Bank of Belgium. During that meeting, which forms part of the accreditation process, it can be ascertained whether the candidate meets certain conditions for accreditation such as the prerequisite of appropriate experience. Moreover, that meeting is an opportunity to have the first contact with the future compliance officer.

Compliance officers at regulated undertakings fulfil a key role. After all, they enable certain guarantees to be offered with respect to compliance with rules of conduct. In that way, they contribute to consumer protection.

Compliance officers are the FSMA's preferential contacts in regulated undertakings. Usually, they are the contact during inspections. The FSMA is fully aware of their crucial role. As a result, based on a risk-based approach, it organizes meetings with compliance officers who are exiting their role in a company. During these meetings, the compliance officers can take stock of their experience.

FOCUS 2023

Achieving greater convergence in the interpretation of the rules of conduct at a Belgian and European level is one of the FSMA's priorities for 2023, too. This is achieved through its contributions to European working groups and through the publication of new communications and sectoral reports on the rules of conduct.

It takes part in new European initiatives to carry out inspections on the subject of rules of conduct, especially the provision of information to retail clients. This happens under the MiFID conduct of business rules with particular attention to sustainability aspects. It takes initiatives to identify the implementation of the rules on sustainability priorities by companies and take supervisory initiatives on that basis.

Inspections in 2022

The Central Inspection Team takes care of all inspections in the FSMA's areas of supervision on behalf of the Belgian Audit Oversight College⁷⁷. In 2022, it carried out inspections on compliance with the MiFID and IDD rules of conduct. It also carried out inspections on compliance with authorization or registration conditions, including by institutions for occupational retirement provision, independent financial planners, portfolio management and investment advice companies and management companies of UCIs and UCITS, compliance with money laundering rules by bureaux de change, insurance intermediaries, portfolio management and investment advice companies and management companies of UCIs and UCITS, as well as company auditors' quality control.

The FSMA usually uses a risk-based approach when selecting the companies at which it conducts inspections. It takes into account various factors, such as the impact of the company's activity in terms of the number of retail or professional clients, the type of products and services it offers, its market share and the likelihood of a risk.

The inspections aim, inter alia, to assess whether the activity of these companies could cause damage to consumers or have a negative impact on trust in the financial system. In most cases, the FSMA also tries to guarantee the broadest possible market coverage when selecting companies under its supervision for an inspection.

77 For more information on the Belgian Audit Oversight College, see: www.ctr-csr.be.

Table 3: Number of inspections per theme

	Theme	Number of inspections
MiFID	Conflicts of interest	1
	Ex-post reporting on costs and fees	6
	Product approval process	4
IDD	Due diligence	7
	Product approval process	1
Institutions for occupational retirement provision	Data management	9
Portfolio management and investment advice companies	Conditions for pursuit of business	1
UCIs and UCITS management companies	Conditions for pursuit of business	1
Bureaux de change	Anti-Money Laundering (AML)	1
Intermediaries	Conditions for registration	2
Virtual Asset Service Provider	AML	2
Market abuse		1
Audit firms	EQCR ⁷⁸ and Acceptance & Continuance ⁷⁹	3 ⁸⁰

78 Engagement Quality Control Review – A process designed to provide an objective evaluation, on or before the date of the auditor's report, of the significant judgements the engagement team made and the conclusions it reached in formulating the auditor's report.

79 Procedures for accepting a new client and/or a new engagement and procedures for continuing an audit engagement.

80 This figure only takes into account the inspection procedures and not the work conducted by the Belgian Audit Oversight College.



ACTION AGAINST UNLAWFUL ACTIVITY

Financial consumers can be a target for fraudsters. The FSMA is tasked with warning consumers against unlawful activity such as boiler room fraud, binary options, virtual currencies or pyramid schemes. It investigates indications of suspicious offers. It does so on the basis of information from third parties, reports from consumers or its own findings. Apart from publishing warnings, an investigation may lead to sanctions or measures to stop the unlawful activity.

Unlawful activity	80
Cooperation with judicial authorities and publication of warnings	80
Fraudulent online trading platforms are the most common type of investment fraud	81
The first scam is almost always followed by a second	83
Many victims are still falling prey to fake credit	83
Publication of a dashboard to monitor fraud statistics	84
Detecting Virtual Asset Service Providers (VASPs) operating without registration	84
Handling whistleblower alerts	85
Consumer notifications	87

Unlawful activity

Cooperation with judicial authorities and publication of warnings

Cooperation with judicial authorities and blocking access to 293 fraudulent websites

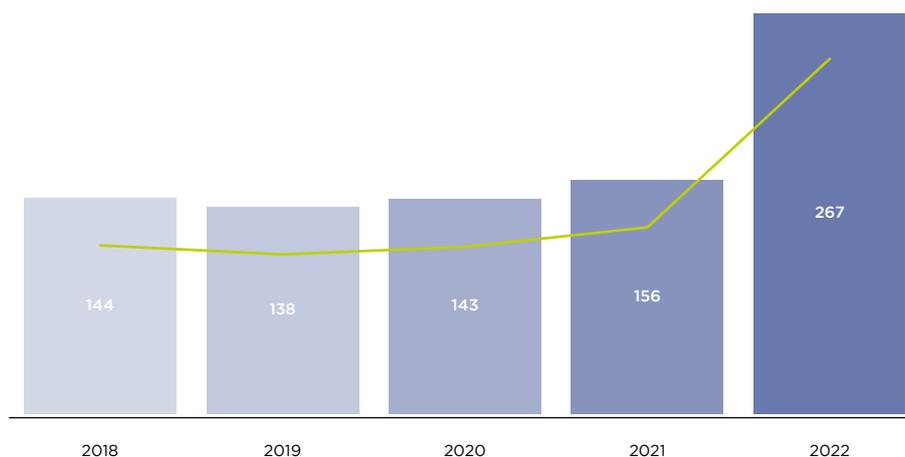
If the FSMA suspects that financial products or services are offered unlawfully, it may decide to commence an investigation. If during this investigation, criminal offences come to light, it forwards the dossier to the judicial authorities. If a criminal investigation effectively leads to prosecution by a criminal court, that court may, unlike the FSMA, also rule on civil claims and grant compensation to the victims who have put themselves forward as parties to civil proceedings.

In the cases sent to the public prosecutor's office, there are often indications of investment fraud, mostly in an international context. For this, extensive investigative measures are required, which should preferably lead to criminal prosecution. When the FSMA forwards such a case to the judicial authorities, it always proposes blocking access to the fraudulent websites. Thanks to the cases forwarded by the FSMA to the public prosecutor's office in 2022, access was able to be blocked from Belgium to 293 fraudulent websites.

Publication of 267 warnings

Alongside its cooperation with judicial authorities, the FSMA publishes warnings itself on its website to alert the public to the dangers of certain offers. In 2022, it published 267 warnings.

Graph 11: Warnings



In addition to its own warnings, the FSMA also publishes the warnings of its European counterparts. It receives them via ESMA. In 2022, the FSMA published 776 of these warnings.

The FSMA equally places hyperlinks on its website to warnings of supervisory authorities outside the European Union that are members of IOSCO.

Fraudulent online trading platforms are the most common type of investment fraud

Just as in 2021⁸¹, the FSMA established that fraudulent online trading platforms without a doubt constitute the most common type of investment fraud. That applies both to the number of complaints received and the number of fraudulent entities detected.

That sort of fraud always follows the same pattern: consumers read news articles on social media in which celebrities claim to have become rich by investing in virtual currencies. In reality, these people have been impersonated. As soon as the consumers have filled in their contact details, they are sold investments in derivatives or cryptocurrencies. Later on, those investments transpire to be fictional and the consumers are unable to get their money back.

Over one in two questions that the FSMA received in the last few months of 2022 about unlawful activity, concerned that type of fraud. It published warnings about 149 fraudulent trading platforms in 2022. Based on the information at its disposal, the FSMA estimates that Belgian consumers invested more than 69 million euros on those platforms between May 2019 and January 2023. Because that phenomenon is ever-increasing, it will remain a focal point in 2023.

81 See the 2021 FSMA annual report, p. 69.



CHLOÉ VANHEEUVERSWYN TALKS ABOUT THE STANDARD METHODS OF INVESTMENT FRAUD

“Usually, fraudsters use very similar methods to scam consumers. We almost always see several identical stages”.

From the many FSMA investigations, and from consumer reports and complaints, it seems that a very well-oiled investment fraud scheme is used, often with an identical modus operandi. “Fraudsters systematically follow a multi-stage process to achieve their objective”, clarifies *Chloé Vanheeuverswyn*, coordinator specialized in combating investment fraud.

What is the first step of the investment fraud process?

“It all starts off with recruiting investors: fraudsters place adverts on social media or use scam websites. They promise extremely high returns and risk-free investments.”

What happens if an investor takes the bait?

“The second step is the investment itself. Consumers are won over by the skilful pitch of an experienced salesperson and initially invest a small sum. Up until this point, everything seems perfect: the contact persons act very professionally. They answer all of the consumers’ questions and queries and the portfolio can easily be tracked online. Consumers see their investment getting results and delivering good returns. This convinces them to invest higher amounts.

Next comes the disappointment: they can’t recover the amount they have invested and keep having to pay new taxes and different fees.”

How do fraudsters react when the money is paid in?

“Either they are never to be seen again, or it is the opposite and they become very pushy and aggressive, or even intimidating. At this point, victims must absolutely report it to the police and the courts, as well as to the FSMA. They are also recommended to contact their bank to try to mitigate any losses.”

Can victims still hope to recover the money they have invested?

“For the victims, it is of course very difficult to recover the money they have invested in these types of fraudulent organizations. Although they do keep hoping that at some point they will. Fraudsters are well aware of this and often try to use this hope to their advantage. They then pretend to be a confidant, or they impersonate reliable companies, or even financial authorities, to make victims believe they can help them get their money back. In certain cases, the victims’ details are sold on to other fraudulent entities. In order to allegedly be able to get their money back, the victim has to pay another sum. This is called “recovery room fraud”. It is crucial for victims of investment fraud to be aware that they might be contacted in the context of recovery room fraud. It goes without saying that they should not pay out a single cent, as they will never get their money back later anyway!”

“At first, everything seems to go smoothly, but very quickly, it all gets complicated. You must always be very vigilant, even when everything looks good at first sight.”

The first scam is almost always followed by a second

Recovery room fraud is nothing new. Fraudsters have already for a long time contacted victims of previous fraudulent practices with false claims of helping them recover the money they have lost.

In 2022 however, the FSMA detected that attempted recovery room fraud happened almost systematically, even more so for victims of fraudulent trading platforms. Usually, the fraudsters are very pushy: some victims even get up to five offers from different recovery rooms.

To make their promises seem more convincing, and gain the trust of their victims, fraudsters use identity theft. They pretend they are cryptocurrency specialists, legal firms or even financial sector supervisors. As a result, a great deal of vigilance is needed.

Many victims are still falling prey to fake credit

Fake credit offers have become a fixture among complaints received about fraud. In 2022, they represented approximately 20% of reports of fraud to the FSMA.

This is a simple and efficient type of fraud, and its modus operandi has not really changed in the past few years. Because of the difficult economic context, many consumers seek to increase their budget with a loan. Then they come into contact with fake lenders, often through adverts on social media.

In fact, these supposed loans are only intended to cheat consumers out of money. Those who offer such loans pretend they are authorized lenders or registered credit intermediaries. Sometimes, they even go so far as to use the name or logo of legitimate financial service providers.

In 2022, the FSMA published warnings about 95 fake lenders. A large number of these were detected thanks to a new web scraping tool that the FSMA has started to use. That tool actively detects fraudulent parties and complements the FSMA's ex post resources based on consumer complaints and reports.

Publication of a dashboard to monitor fraud statistics

In 2022, the FSMA launched a dashboard containing its figures on fraud and unlawful activity. That dashboard is published every three months in the form of a report and is available on the FSMA's website.

The dashboard contains statistics on the number of reports the FSMA receives, the categories of fraud to which these reports relate, and the figures on the warnings published in that period. Those figures are explained and compared with earlier periods.

Every six months, an extra page called 'Focus' is added, giving additional information on a specific problem.

Detecting Virtual Asset Service Providers (VASPs) operating without registration

Since the entry into force of a new Royal Decree⁸² on 1 May 2022, certain service providers in the virtual currencies sector must be registered with the FSMA in order to be able to conduct business⁸³.

Since the new legislation entered into force, the FSMA has detected various parties that were operating within Belgium without the required registration. After analysis, the appropriate measures were taken. In these cases, the FSMA keeps close contact with the judicial authorities and with the Belgian Financial Intelligence Processing Unit (CTIF-CFI).

The FSMA has also developed a monitoring tool that it uses to proactively detect as many as possible of the parties operating in an unlawful manner.

82 Royal Decree of 8 February 2022 on the status and supervision of providers engaged in exchange services between virtual currencies and fiat currencies and custodian wallet providers.

83 For more information on this, see also this report, p. 121.

FOCUS 2023

Combating investment fraud requires preventive action. As the saying goes, 'prevention is better than cure'. In terms of prevention, the FSMA wishes to concentrate its efforts in 2023 on two aspects.

First and foremost, it will prepare new awareness-raising campaigns for the general public. In 2023, it will launch an awareness-raising campaign on social media to warn the general public about investment fraud and to again focus attention on good practices in terms of investment. It is crucial for consumers to develop the right reflex action to be able to react properly to the many investment offers available on the internet.

The FSMA also intends to specifically address young people, a group that is very vulnerable to certain forms of investment fraud. Soon, the pupils who visit the Wikifin Lab⁸⁴, the FSMA's financial education centre, will become familiarized with the risks of investment in cryptocurrencies through a range of new modules, which will also warn them about the dangers of investment fraud.

Parallel to this, the FSMA will continue its intensive work on detecting new fraud phenomena. It has developed and tested new monitoring tools for this purpose⁸⁵. In 2023, it will pursue its analysis with a view to applying these tools on a larger scale.

Handling whistleblower alerts

Since 28 September 2017, the FSMA has a 'Whistleblowers' Point of Contact' for alerts of actual or potential infringements of financial legislation. These alerts help it detect potential deficiencies and address them in the right way.

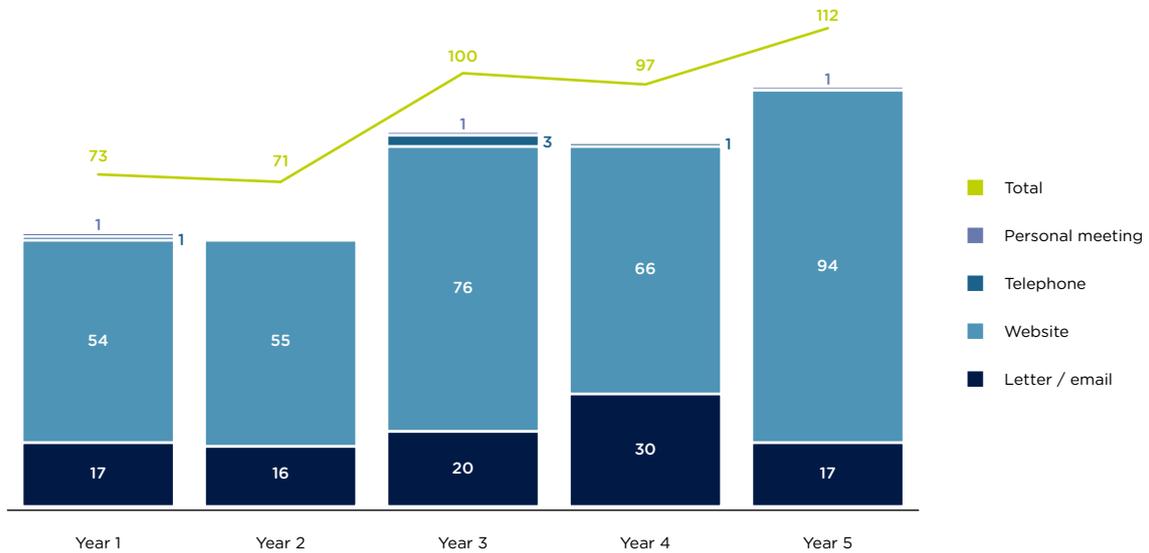
A whistleblower is someone who alerts the FSMA to a breach of the financial legislation that it supervises. Usually, whistleblowers work in the financial sector. If they report wrongdoing in good faith, they are protected from any reprisals from their employer.

The Whistleblowers' Point of Contact analyses all alerts. Whistleblowers have four different channels through which to alert of wrongdoing: via the form on the FSMA website, a letter, a personal meeting or by telephone. The following graphs show that most alerts occur through digital means and to a lesser degree by letter.

84 See also this report, p. 186.

85 See also this report, p. 25, for more information on the data analytics the FSMA uses for its supervisory tasks.

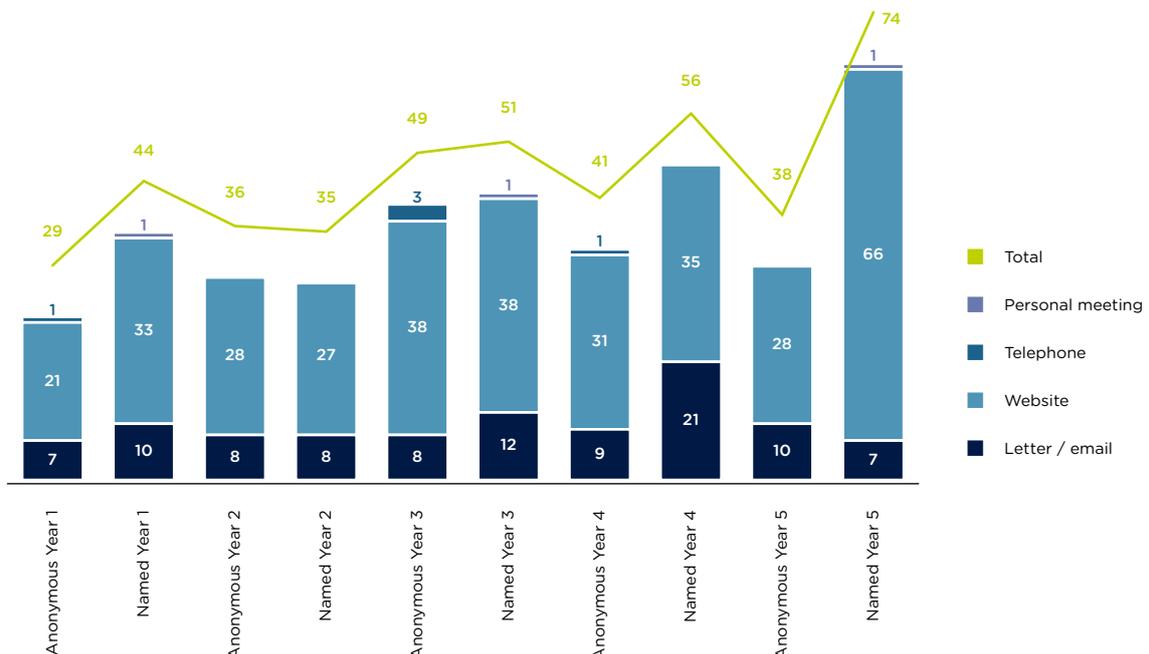
Graph 12: Overview of whistleblower alerts per communication channel (from September 2017 to September 2022)



The number of alerts rose slightly in the fifth year of operation of the Whistleblowers’ Point of Contact, which came to a close on 30 September 2022: there were 112 alerts, compared to 97 in the fourth year of operation.

Last year, there were noticeably more alerts that came with a name than anonymous alerts. That trend had already been noted the previous year and continued into 2022.

Graph 13: Proportion of anonymous and named whistleblower alerts per communication channel (from September 2017 to September 2022)



Because of its obligation of professional secrecy, the FSMA cannot give any individual feedback on the investigations it carries out or on any measures it takes in response to an alert.

Consumer notifications

The FSMA has a mailbox to which consumers can direct their questions, complaints, information and suggestions.

Two thirds of the messages were about fraud and irregular offers

In the period under review, the FSMA received 2,599 messages from consumers on various financial subjects. That is 16 per cent less than in 2021. In that year, the FSMA recorded 3,101 questions and complaints.

Approximately two thirds of the messages were about fraud and irregular offers of financial products and services⁸⁶. In 2022, in total the FSMA received 1,653 messages in this category, 18 per cent less than the previous year.

Most of the messages in this category were about fraudulent online trading platforms (660 alerts) and false credit offers (295 alerts). These are, in particular complaints, but also questions on the accuracy of a financial offer. The FSMA uses this information to warn consumers against fraud and to act against fraudsters in conjunction with the judicial authorities.

The category of fraud and irregular offers furthermore includes alerts on boiler room fraud, recovery room fraud, cryptocurrency fraud, pyramid and Ponzi schemes and phishing.

The FSMA also received hundreds of alerts on other themes.

86 See this report, p. 79.

Consumers sent 195 questions and complaints on pensions. They called on the FSMA's expertise as supervisory authority of supplementary pensions. Their questions and complaints were primarily about the payout of the supplementary pension on retirement and about their pension details that they can consult on the website mypension.be.

The FSMA received 205 messages on investments. They related to questions and complaints about securities, investment funds, investment insurance, portfolio management and the application of the MiFID and IDD legislation to protect investors, as well as about the sustainability of financial products.

In almost all categories, the number of alerts fell after peaking in 2020 and 2021, when the Covid pandemic paralyzed public life.

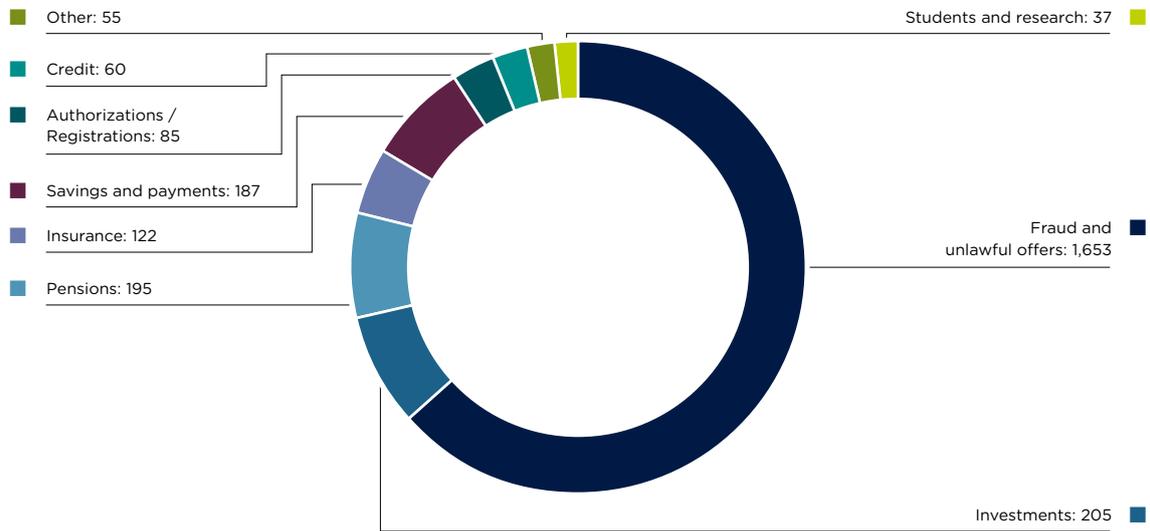
Messages contain important signals for the FSMA

Messages from consumers are a major source of information for the FSMA. They offer an insight into problems with financial products and services. In this sense, they are important signals for the FSMA's supervision of the financial sector.

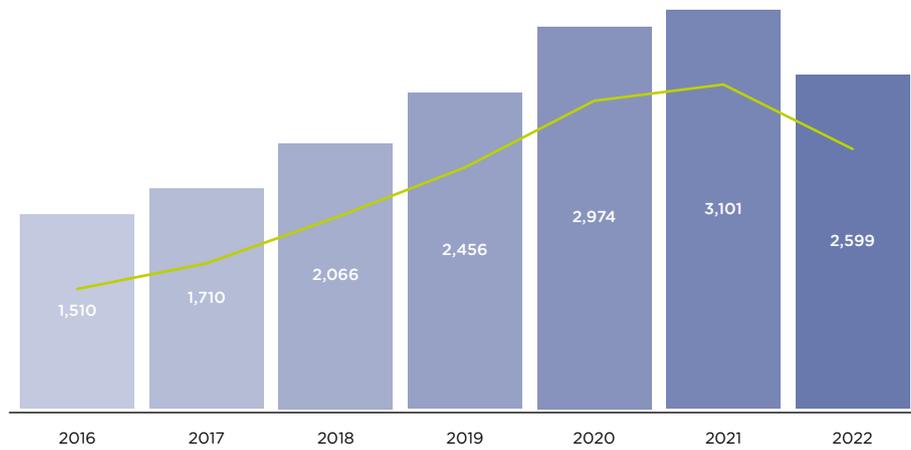
The FSMA is not allowed to mediate if a consumer has a complaint about a financial product or financial service. Mediation is the task of the Ombudsman for financial disputes and the Insurance Ombudsman.

Some messages are on subjects that fall outside the FSMA's competence, for example about insurer authorizations, tax matters or payment transactions. In such a case, the FSMA refers consumers to other institutions, such as the National Bank of Belgium, the FPS Finances and the FPS Economy. The FSMA is a partner of the FPS Economy Contact Point for Fraud.

Graph 14a: Number of consumer messages by category



Graph 14b: Number of consumer messages per year





TRANSPARENCY OF FINANCIAL MARKETS

Investors need accurate information on companies to be able to make well-informed investment decisions. The FSMA sees to it that the information from listed companies is complete, true, and fair and is made available to the public on time and in the correct way. The FSMA supervises the correct and transparent operation of the markets on which these companies are listed. Additionally, the FSMA checks the information from unlisted companies at the time of a public issue of securities with the purpose of collecting money from investors.

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Supervision of transactions of listed companies

In the case of public offers of investment instruments and admissions of investment instruments to trading on regulated markets, listed companies must in principle publish a prospectus approved by the FSMA. The information in that prospectus must be thorough, easy to understand and consistent.

Issuances and initial public offerings

In 2022, there were no IPOs at all on the regulated market of the Brussels stock exchange.

Three listed companies launched a public offer of shares. Six listed companies asked the FSMA to approve a prospectus for the stock market listing of shares ensuing from private placements, a number of which as part of large-scale refinancing or recapitalizations⁸⁷.

Furthermore, the FSMA approved three prospectuses for public offers of listed bonds and four prospectuses for the listing of bonds. In addition, seven Universal Registration Documents were submitted to it.

Several dossiers on takeover bids

Voluntary bid on a regulated real estate company

In February 2022, RE Invest Belgium NV announced a voluntary takeover bid on regulated real estate company, Befimmo. The legislation on takeovers and on regulated real estate companies (SIR/GVV) needed to be adhered to.

The Law on Regulated real estate companies provides for a 'free float' requirement of 30 per cent. That requirement has repercussions for a party acquiring more than 70 per cent of the voting securities of a SIR/GVV in a public bid. That party must either obtain 100 per cent of the voting securities or bring its participating interest under 70 per cent again.

87 See on the subject p. 100 of this annual report: "The FSMA warns against issues of convertible bonds by companies in need of financing".

In this case, if the offeror acquired 95 per cent, it could launch a simplified squeeze-out bid to reach 100 per cent. If after the bid, despite this it ended up with a participating interest of between 70 per cent and 95 per cent, it had to come up with several scenarios to either fall under the 70 per cent again or reach 100 per cent.

It was important for the shareholders of Befimmo to know what the offeror planned to do in each of those scenarios. As a result, these scenarios were explained in detail in the prospectus:

- If the offeror was only slightly over the 70 per cent threshold, it would try to fall under it again.
- If it by far exceeded the 70 per cent threshold, it would do everything to reach the 95 per cent threshold again to then be able to launch a simplified squeeze-out bid.
- If the latter did not succeed, it would implement an alternative scenario.

The offeror had three potential alternative scenarios. At the FSMA's request, it committed to precede the implementation of each of them with a new public bid. That would then become a takeover bid by a controlling shareholder. The offeror moreover committed not to issue such a bid at a price under the first bid price.

The initial period for acceptance of the voluntary takeover was from 7 June to 5 July. On 12 July, the offeror announced that it had acquired 84.94 per cent of the voting securities of Befimmo. Subsequently, from 29 August to 16 September, there was a voluntary reopening of the bid. Because shareholder AG Finance decided just before 16 September to include its remaining participating interest in Befimmo in the bid, the voluntary reopening was extended for a few days in accordance with the takeover legislation, in this case until 30 September.

After the end of the voluntary reopening, the offeror had 96.90 per cent of Befimmo's voting securities, meaning that it could launch a simplified squeeze-out from 25 October to 3 January 2023.

Voluntary exchange bid by Tessenderlo Group for Picanol

In July 2022, Picanol and Tessenderlo Group announced an exchange bid by Tessenderlo Group on Picanol. There were several special aspects to this case. It included:

- an exchange bid,
- a bid by the subsidiary for its parent (because Tessenderlo Group was a subsidiary of Picanol),
- a bid involving two Euronext Brussels listed companies: one as the offeror, the other as the offeree company,
- a bid launched by the controlling shareholder of both companies involved, thereby entailing a conflict of interest.

In the event of a conflict of interest, the legislation provides for specific safeguards to protect minority shareholders, with an important role set aside for the independent directors.

The protection of minority shareholders of the offeree company is, in such a case, regulated in the takeover legislation⁸⁸. The legislation provides for the appointment of an independent expert by the independent directors of the offeree company. This expert has to value the securities comprised in the bid and the securities offered by way of consideration, and analyse the valuations that the offeror has made.

In this case, the expert's report did indeed contain the expert's opinion on both valuations, but only in terms of the fairness of the exchange ratio for the shareholders of the offeree company. The expert report was published as an annex to the prospectus.

The protection of the offeror's minority shareholders is regulated in company law⁸⁹. That provides for the appointment of a committee of at least three independent directors who may be assisted by one or more independent experts. They have to advise the board of directors about the envisaged transaction.

Initially, the committee based its opinion on the fairness of the exchange ratio for the minority shareholders of Tessengerlo Group on the work conducted by a valuation expert appointed by the board of directors of Tessengerlo Group. At the FSMA's request, the committee appointed its own financial expert. This expert concluded that the exchange ratio was fair, from a financial standpoint, for the offeror's shareholders. The expert's Opinion Letter was published as an annex to the prospectus.

Another aspect of this case pertained to the listing of the new shares of Tessengerlo Group. Tessengerlo Group prepared an exemption document⁹⁰ for this. The Takeover Decree⁹¹ requires that the details in this document regarding the securities offered by way of consideration and the information on the issuer of those securities be included in the takeover prospectus, too. Because it only approves the takeover prospectus and not the exemption document, the FSMA asked the offeror to ensure that the takeover prospectus and the exemption document could properly be distinguished from each other. The exemption document was therefore included as a reference in the takeover prospectus.

Other takeover dossiers

As already announced in the previous annual report, a mandatory bid was launched in 2022 on AKKA Technologies and on Resilux⁹². Both companies disappeared from the stock exchange after the bid was complete.

88 Specifically in Articles 20 to 23 of the Takeover Decree.

89 Specifically in Article 7:97 of the Code on Companies and Associations.

90 As referred to in Commission Delegated Regulation (EU) 2021/528 of 16 December 2020 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the minimum information content of the document to be published for a prospectus exemption in connection with a takeover by means of an exchange offer, a merger or a division.

91 Section 4.1.6 of Annex I to the Takeover Decree.

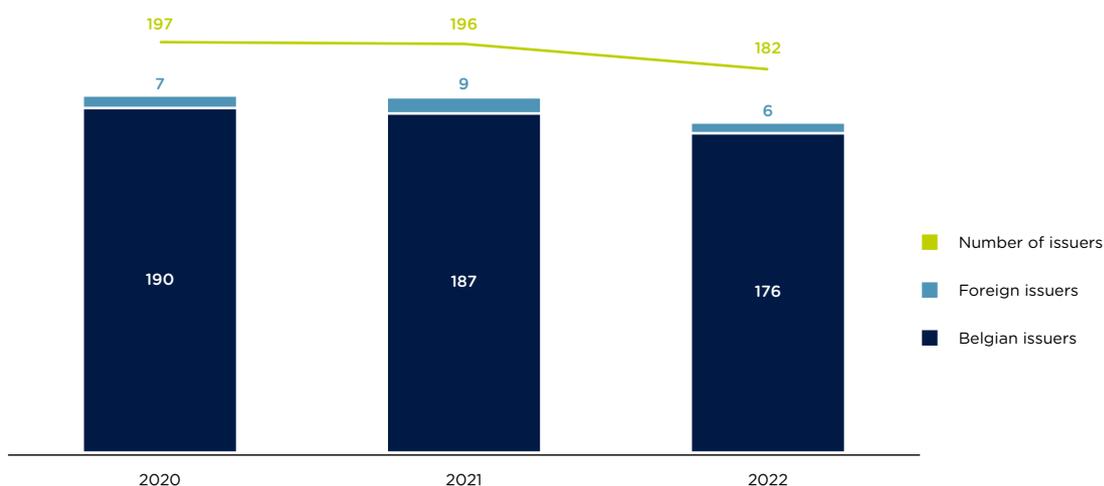
92 See the 2021 FSMA annual report, p. 79.

Supervision of regulated information from listed companies

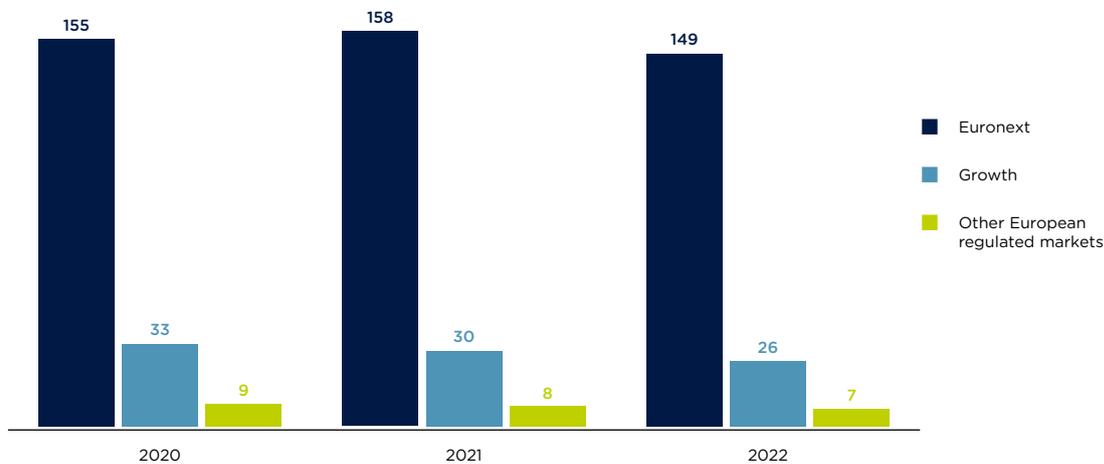
The FSMA supervises not only the transactions of listed companies but also the regulated information they provide to the public. That includes the information they regularly publish as well as the information considered inside information.

182 issuers

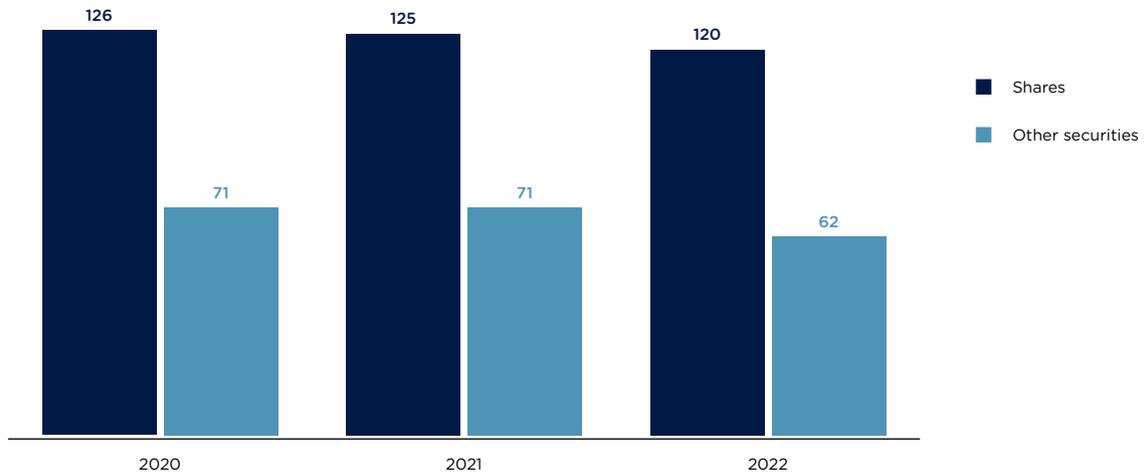
Graph 15a: Issuers whose regulated information is checked by the FSMA



Graph 15b: Issuers per market



Graph 15c: Issuers per type of instrument



Risk-based supervisory approach

When the FSMA receives signals indicating a specific risk at an issuer under supervision, it will immediately take proactive action and start an investigation. Such signals can for example come from contact with the management, the directors, or the auditors of listed companies or from alerts from whistleblowers. Such investigations can also be started following specific transactions that entail risks in terms of disclosure obligations such as transactions entailing conflicts of interest.

Apart from such targeted investigations based on specific risks, the FSMA sets out a supervisory plan once a year for supervision of the periodic financial reporting obligations of supervised listed companies. The companies in the supervisory plan are selected using a combination of selection criteria, based on risk, rotation and random samples.

The investigations the FSMA starts every year encompass different aspects of the supervision of information.

Supervision of non-financial information

As part of its supervisory plan for 2022, the FSMA verified the non-financial reporting of companies included in the supervisory plan and that come under the Law of 3 September 2017 transposing the NFRD (Non-Financial Reporting Directive). The FSMA based these checks on the transparency requirements under this law.

It also focused attention on the publication of information as referred to in Article 8 of the Taxonomy Regulation.

In the wake of the entry into force of this Regulation, the FSMA, in its communication of 16 February 2022⁹³, explained the key aspects of the rules on sustainable finance for listed companies. It gave a brief overview of the new transparency requirements laid down by the Regulation, and set out the schedule of its entry into force.

In the periodic checks it conducted in 2022, the FSMA also examined whether issuers had published the required Taxonomy Key Performance Indicators (KPIs) in their non-financial reporting and whether they had given a description of their method that was in line with the description in Article 8 of the Delegated Regulation.

For this first application of the Taxonomy Regulation, apart from the periodic checks, the FSMA examined whether all issuers under its supervision and subject to the Law of 3 September 2017, had included their Taxonomy KPIs in their non-financial reporting. The FSMA ascertained that several issuers had not included the KPIs in their non-financial reporting. It wrote to them to ask them to remedy this in their next annual financial statements.

On 29 September 2022, the FSMA took part in a panel of experts at a seminar organized by the Federal Council for Sustainable Development (FRDO – CFDD). The theme of the seminar was sustainability reporting by companies. The presentation explained the key aspects of developments in the regulatory framework for the publication of sustainability disclosures by listed companies, citing the phase-in of the transparency requirements pursuant to Article 8 of the Taxonomy Regulation, and the imminent application of the CSRD (Corporate Sustainability Reporting Directive) and the ESRS (European Sustainability Reporting Standards). In the meantime, the CSRD was published on 16 December 2022. The presentation also clarified the principles on which the checks on non-financial information are based in the context of the current application of the NFRD and the first application of the new transparency requirements pursuant to Article 8 of the Taxonomy Regulation.

In preparation of the draft European Sustainability Reporting Standards (ESRS), the FSMA and the other national supervisory authorities took part in the work of ESMA's working groups. Those working groups focused on the ESRS published by EFRAG. They participated in the preparation of ESMA's response to EFRAG's consultation. ESMA published its response at the beginning of August 2022 on its website⁹⁴. It is within these working groups that the FSMA takes part in preparing the ESMA Opinion on the draft ESRS standards that EFRAG submitted on 22 November 2022 to the European Commission. These are 12 standards: 2 are crosscutting standards that explain the general principles and 10 are topical standards on specific sustainability themes, of which 5 on environmental aspects, 4 on social aspects and 1 on governance.

93 See Communication FSMA_2022_09 of 16 February 2022 on the key aspects of the rules on sustainable finance - listed companies.

94 See ESMA, 'ESMA provides comments on first draft of European Sustainability Reporting Standards', 8 August 2022, available on www.esma.europa.eu.

The reporting standards will be phased in, geared to the various types of company. The first companies will have to apply the standards for the 2024 financial year, i.e. in 2025. Listed SMEs are obliged to do so from 2026, with an opt-out option until 2028.

Supervision of financial information

When examining the annual and half-yearly financial statements of the issuers under its supervision, in 2022, the FSMA paid particular attention to:

- information disclosure on the potential long-term impact of – or the recovery from – the Covid pandemic; and
- the impact of climate risk on financial statements: on this subject, the FSMA looked at the consistency between the financial statements prepared in accordance with the IFRS standards and the disclosures on non-financial information.

European authority ESMA had indicated that these themes were European joint supervisory priorities for the 2021 annual financial statements.

In the supervision of financial information, the FSMA looks at the use of alternative performance measures, or APMs. Apart from financial information from the financial statements, in practice, APMs are often an essential aspect of the communication between an issuer and its investors or potential investors.

APMs can, for example, help show the underlying result from business activities by eliminating certain one-off items. Apart from that, they can give an insight into the criteria by which the management of the company is assessed. At the same time, there is a risk that APMs are used opportunistically to attain certain profit objectives or paint a more positive picture of the company's performance.

The FSMA examines, among other things, whether the issuers adhere to the principles of the ESMA guidelines on APMs. For example, the use of meaningful names and clear definitions in the APMs, clear reconciliation between the IFRS figures and the APMs, and consistent methods of calculation. Just as in previous years, the FSMA regularly identified infringements of these guidelines in 2022. These primarily concerned the use of misleading labels such as reference to 'recurring EBITDA' and the lack of – or incomplete – reconciliations between the IFRS figures and the APMs.

With its examinations of financial information, the FSMA seeks to achieve an overall improvement in the quality of financial reporting. For this purpose, it regularly enters into dialogue with issuers under supervision, their auditors and with colleague supervisory authorities – including in the European Enforcers Coordination Sessions (EECS) – and it is active in national and international discussion fora.

Example of the analysis of financial communication by a listed company

In 2021 and 2022, the FSMA examined the financial information that a company had disseminated on a regulated market.

A major focal point during this investigation was the activation of deferred tax liabilities ensuing from tax losses carried forward. The background to this was the finding that this entry in the balance sheet had considerably gone up over the past few years despite worse operating results.

The FSMA involved both the company and its statutory auditor in the investigation. It asked for the calculations to support the capitalized amount, conducted an analysis and challenged the assumptions in the business plan.

As a follow-up to the FSMA's findings, the company published a press release announcing that:

- an error had been made with the calculation of the capitalized tax losses carried forward at the end of the 2019 and 2020 financial years. As a consequence of this error, the entry in the balance sheet, the equity and the results were adjusted downwards⁹⁵; and
- the method for the calculation of the capitalized tax losses carried forward were adjusted to take into account the uncertainty associated with the realization of the business plan.

In the press release, the company also provided additional information about the sources of estimation uncertainties in connection with the capitalization of deferred tax liabilities. The additional information included a sensitivity analysis of the capitalized tax losses carried forward for the main assumptions and estimations their calculation was based on.

Supervision of the European Single Electronic Format (ESEF)

Companies listed on the regulated market must prepare their annual financial statements in the European Single Electronic Format (ESEF)⁹⁶. That occurred for the first time in the 2021 financial year. The single electronic format makes it easier to analyse and compare the consolidated annual accounts of listed companies.

In the first phase, IFRS only required tagging the primary consolidated financial statements. From 1 January 2022, block tagging of the notes became mandatory. Block tagging obliges issuers to tag blocks of text from their notes, but not the individual figures shown in the notes.

95 In accordance with IAS 8.

96 See the 2021 FSMA annual report, p. 85.

Eighty-four per cent of issuers subject to the ESEF obligation published their annual financial statements for 2021 in the ESEF within four months after the end of their financial year. Issuers that had not complied on time received a reminder, after which they used the right format.

The FSMA also supervised the application of the ESEF regulatory technical standards. This was done through software-based checks when uploading the ESEF document on its eCorporate platform. The supervision also took place via more in-depth manual checks, including on the completeness and accuracy of tagging and the use of extensions.

Based on the findings from the ESEF checks, and following amendments to the ESMA handbook and the additional mandatory block tagging, the FSMA updated the FAQs on its website about the use of ESEF.

Awareness campaigns relating to specific transactions

Publication of a warning against issues of convertible bonds by companies in need of financing

The FSMA found that listed companies in financial difficulty are increasingly issuing convertible bonds in order to meet their financing needs. It therefore warned shareholders of such companies of the major risk such issuances entail for them⁹⁷.

A convertible bond gives the holder thereof the right to convert the bond into shares. That occurs at a conversion price established in advance. Normally, the conversion price will be at a premium over the market price of the issuing company at the time of issuance of the convertible bond.

In some cases however, the conversion price is lower than the market price at the time of conversion. In those cases, there is a high risk for shareholders associated with this type of financing. The conversion into shares often leads to significant dilution. Moreover, there can be a considerable negative impact on the market price.

The FSMA established that nine listed companies under its supervision used such convertible bonds to meet their financing needs. The majority of these are biotech or med-tech companies.

Those that offer this type of financing are primarily foreign investment funds that specialize in this type of transaction. In exchange for their financing, they receive high fees and an advantageous conversion price. They can convert their bonds into shares at a discount from market value at the time of conversion.

⁹⁷ See Communication FSMA_2023_02 of 1 February 2023: 'Risks associated with issues of convertible bonds and equivalent equity lines by listed companies in need of financing'.

That discount is usually around five to eight per cent, but in some cases can go up to 20 per cent. As soon as the conversion into shares is complete, the investment funds sell the shares on the stock exchange. Usually, they have no intention of becoming shareholders.

The FSMA recommends that shareholders take note of the relevant information made available by issuers. In that way, they can better assess the risk of downward pressure on share prices and significant dilution, and raise critical questions at the general meeting of shareholders about this type of financing.

The FSMA additionally asked listed companies and their directors to think carefully before issuing such convertible bonds and to be aware of the responsibility they are taking on if they do. Providers of this type of financing must above all be vigilant not to engage in market manipulation when selling the shares.

Update of the FAQ and further responsibility for independent directors with regard to contributions in kind, mergers, divisions and equivalent operations

In 2016, the FSMA published an FAQ about contributions in kind, mergers, divisions and equivalent operations that can give rise to conflicts of interest on the part of those initiating the operation. Although generally compliance with these FAQs is very good, the FSMA has improved it in a few areas based on its experience in recent dossiers⁹⁸.

The main improvements are:

- The FSMA emphasizes that the committee of independent directors must appoint an independent financial expert as well as a legal expert to assess the fairness of the exchange ratio.
- It also insists that the independent financial expert deliver a full assessment regarding fairness. This means that the valuation analysis must meet a number of conditions: it must be delivered by a professional and independent party and it should steer clear of substantial limitations.

For the statutory board of directors' reports, the FSMA further explained its expectations regarding the main assumptions on which the valuations are based being reported in quantitative form.

98 See the FSMA's website. 'FAQ about contributions in kind, mergers, divisions and equivalent operations'.



**SONJA D'HOLLANDER TALKS ABOUT
THE TOOLBOX FOR INVESTOR RELATIONS**

“The listed company world is changing fast. The FSMA gives direction to those in this sector so that they can comply with their obligations as well as possible, especially when it comes to providing information to investors”.

On 13 October 2022, during a meeting of the Belgian Investor Relations Association (BellR) the FSMA introduced a new toolbox⁹⁹ aimed at the listed companies under its supervision, more specifically for those responsible for investor relations. “With the new toolbox, we want to give those people a few points of reference to make their interaction with the FSMA easier”, says coordinator *Sonja D’Hollander*.

Why did the FSMA develop this instrument?

“Supervision of listed companies’ information disclosures is very multi-faceted, and it is constantly changing. To give a couple of examples: there are not only rules with regard to periodic information, such as annual reports and half-yearly reports, there are also rules regarding recurring, yet non-periodic information, such as inside information and transparency notifications. There are rules with regard to the content of the information as well as with regard to how it is published, and the deadlines for publication. Another aspect: listed companies do not only have to publish information, they have to keep it too, on their website and on STORI, so that the information may be consulted.

The FSMA has published numerous circulars, communications, handbooks, FAQs etc. about the various facets of supervision of information disclosure. Moreover, it regularly updates these documents. We do understand that, for example, a new listed company or a new investor relations manager may find it tricky to see the wood for the trees and to comprehend exactly what obligations a listed company has to fulfil, and how. This is precisely why the FSMA has developed this toolbox.”

So would you consider it preventive action?

“Yes. Prevention is a major aspect of the FSMA’s supervision of the information provided by listed companies.

The FSMA is always available to answer questions from listed companies, for example about the content of their disclosure obligations, about the methods for public disclosure of inside information etc. This approach however, can only work if the person who has a question, knows who to address it to.”

What themes does the toolbox cover?

“Only a limited number of themes are covered by the toolbox. That is a conscious choice to avoid the document becoming too long and readers getting obfuscated.

First of all, it covers a few very practical aspects, such as how to contact the FSMA. Then, the toolbox delves further into the publication and safekeeping of various types of regulated information. It also focuses on certain specific rules in connection with capital increases in the context of authorized capital. Finally, there is a brief word on managers’ transactions.”

“It is crucial for people who are responsible for investor relations to know where to direct their questions.”

What was the reaction to this initiative from listed companies?

“So far, all the reactions were nothing but positive. This shows that the toolbox responds to a genuine need in the sector.”

99 The Toolbox is on the FSMA’s website.

Supervision of transactions of unlisted companies

The FSMA has published FAQs on its website summarizing the basics of the Prospectus Regulation and the Prospectus Law for offers to the public¹⁰⁰. Those FAQs include information to gain a better understanding of the legal and regulatory requirements for offers to the public of investment instruments without the involvement of crowdfunding service providers.

16 issue prospectuses in 2022

The FSMA is tasked with supervision of prospectuses of unlisted issuers, too. In 2022, it approved sixteen prospectuses, five of which for the issuance of shares in cooperatives and eleven for tax shelters.

Information notes

The Prospectus Law of 11 July 2018 provides that an information note must be prepared for offers to the public of five million euros or eight million euros and under, depending on the case, as well as for admission to Euronext Growth and Euronext Access.

Between 1 January and 31 December 2022, 413 information notes and 35 supplements were submitted to the FSMA.

Handbook on information notes

After the closure of the public consultation, which ran from 1 to 15 February 2023, the FSMA published the final text of the handbook on information notes.

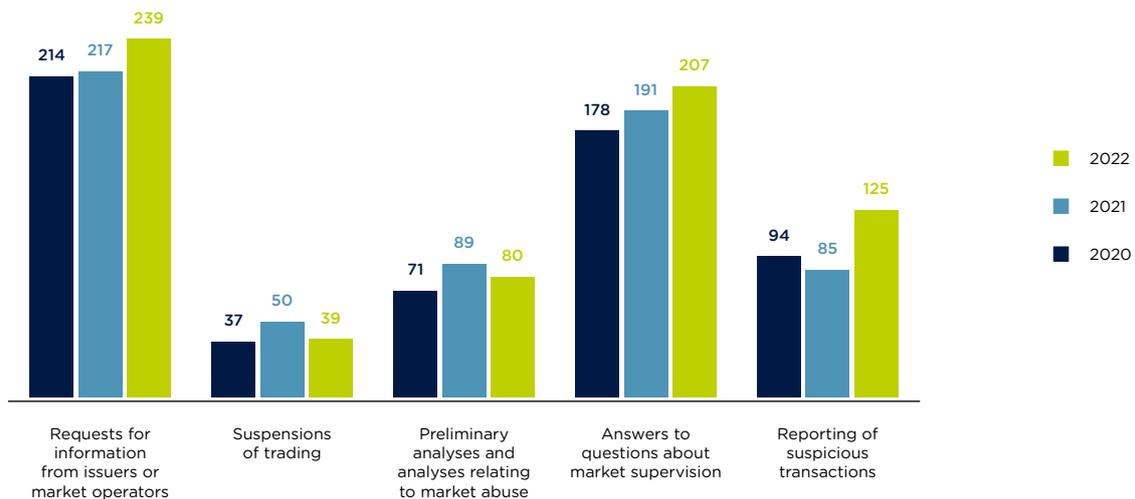
The handbook covers the content and provision of information notes on offers of investment instruments and in addition to the rules in force, contains interpretations, expectations and recommendations from the FSMA.

The handbook aims to serve as a guide for preparing information notes for smaller-scale transactions. This should allow those responsible for the information notes to provide quality information notes to the public, on time, which ultimately benefits investor protection.

¹⁰⁰ See the FSMA's website, FAQs - Rules on offers of investment instruments to the public without the involvement of a crowdfunding service provider.

Supervision of financial markets

Graph 16: Real-time supervision and detecting market abuse



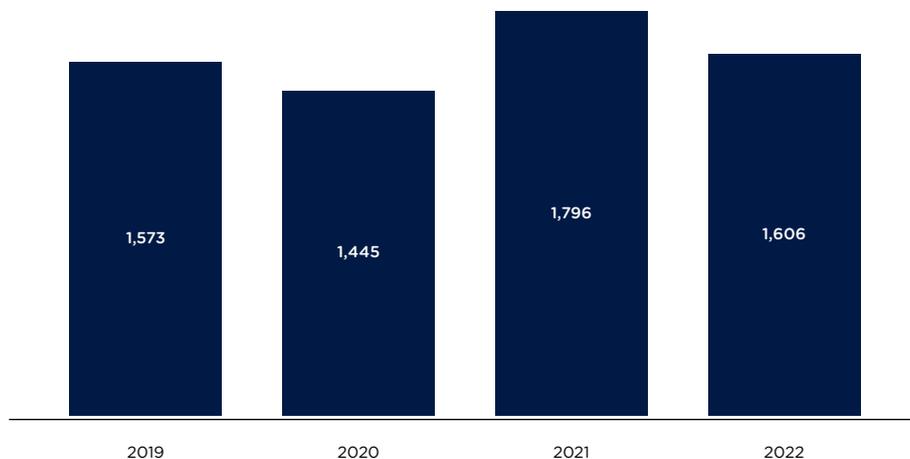
To prevent and detect potential market abuse, the FSMA conducts real-time supervision of securities trading by the issuers under its supervision. Graph 16 shows an overview of the various actions taken in this context.

Managers' disclosure obligations

Persons discharging managerial responsibilities at a listed company and persons closely associated with them are obliged to disclose their transactions in financial instruments that have a connection with that company¹⁰¹.

The number of disclosures from managers and persons closely associated with them fell slightly in 2022. Those disclosures are published on the FSMA's website.

101 See also this report, p. 25.

Graph 17: Transactions by managers

Embargo on press releases revoked

The FSMA has examined the use of an embargo on press releases.

An embargo gives listed companies the chance to send press releases during trading hours without their content being published immediately. Only after the embargo ends – as a rule, after trading hours – can the content of the press release be released.

Taking into account the evolution of communication, the FSMA is of the opinion that such a practice is no longer necessary in the context of media digitalization. Moreover, the FSMA found that virtually none of the European legislators still allows this practice.

As a result, the FSMA asked the listed companies to no longer make use of an embargo¹⁰².

The FSMA reminded listed companies that they have to ensure that their regulated information is disseminated widely, allowing quick access for all interested parties.

Sale and acquisition of own shares

At the FSMA's request, two changes have been made to the Royal Decree implementing the Code on Companies and Associations. The changes relate to the sale and acquisition by listed companies of their own shares.

The first change refers to the equal treatment of holders of securities when selling or acquiring their own shares in the case of intra-group transactions that take place outside the market. A specific rule has been introduced to ensure equal treatment by way of the equivalence of the price offered when acquiring own shares and the price asked when selling own shares.

102 It updated the Circular FSMA_2012_01 accordingly.

The second change exempts listed companies from publishing press releases on the sale of their own shares in the context of staff share option schemes.

Price equivalence and intra-group transactions executed outside the market

Listed companies can guarantee equal treatment of holders of securities when the listed parent company or its subsidiaries sell or acquire their own shares, such as shares, profit-sharing certificates and certificates outside the market, with the use of an equivalent price.

In the event of acquisition of own shares outside the market, the Royal Decree on the Code on Companies and Associations¹⁰³ sets out that the price offered is equivalent if it is no higher than the highest current independent bid price or maximum reference price. In that way, the holders of securities of the listed parent company are guaranteed that they are not acquired at a higher price than the price they could be sold at on the market.

In the event of the sale of own shares outside the market, the Royal Decree on the Code on Companies and Associations¹⁰⁴ sets out that the price offered is equivalent if it is equal to or higher than the lowest current independent ask price or minimum reference price. In that way, the holders of securities are guaranteed that they are not sold at a lower price than the price they could be bought at on the market.

In the event of an intra-group transaction, listed companies cannot comply with both requirements given that the lowest ask price in practice will always be higher than the highest bid price. To eradicate this issue, the Royal Decree on the Code on the Companies and Associations provides for a special rule for intra-group transactions.

It reads as follows: the equivalence of the price offered for an acquisition and of the ask price for a sale is safeguarded when it is equal to the latest trading price. If the intra-group transaction takes place outside trading hours, this is the closing price in the order book. If the transaction takes place during trading hours, this is the price at the time of the transaction. The liquidity on the market in turn guarantees the equivalence of these market prices and therefore the equal treatment of holders of securities.

Exemption of publication of the sale of own shares as part of staff share option schemes

The second substantive change exempts listed companies from the obligation¹⁰⁵ of publishing the transactions of sales to staff as part of share option schemes by the end of the seventh trading day following the date of execution of these transactions.

In practice, this obligation ended up entailing a heavy administrative burden for listed companies, disproportionate to the transparency objective, partly due to the information contained in the annual report and the disclosure obligation for persons discharging managerial responsibility.

103 Article 8:5 of the Royal Decree on the Code on Companies and Associations.

104 Article 8:7 of the Royal Decree on the Code on Companies and Associations.

105 Pursuant to Article 8:6 of the Royal Decree on the Code on Companies and Associations.

Inspection targeting compliance with the rules on detecting market abuse

In 2022, the FSMA conducted an inspection at a major Belgian bank to ascertain whether they were complying with the rules on detecting market abuse. The reason for this inspection was the results from a risk analysis by the FSMA.

The main aim of the inspection was to check the rules, systems and procedures the bank had introduced to detect insider dealing, market manipulation and attempts thereof in accordance with Article 16 of Regulation (EU) No 596/2014 (hereinafter 'Article 16 MAR') and Articles 31 and 54 of Directive 2014/65/EU.

The FSMA was able to uncover ten shortcomings and weaknesses. Two of these led to an order, eight to a recommendation. The two orders related to the following aspects:

- **The process for detecting market abuse**

The FSMA established that the rules, systems and procedures of the bank are not effective and efficient enough and do not lead to the bank being able to analyse, individually or on a comparative basis, each transaction executed and each order placed, amended, cancelled or refused.

- **Delimitation of the detection process**

The FSMA established that the arrangements, systems and procedures aimed at detecting market abuse or attempted market abuse do not take into account orders the bank receives from Luxembourg.

The FSMA ordered the bank to take the necessary measures within a specific period of time to remedy the shortcomings identified. If after the end of this term, the situation is not remedied, the FSMA can always resort to remedial measures or administrative sanctions.

FOCUS 2023

In terms of Environmental, Social and Governance (ESG), the FSMA will primarily focus its attention in 2023 on compliance with the disclosure obligations that the Taxonomy Regulation imposes, on the preparation by listed companies of their disclosure obligations arising from the CSRD (Corporate Sustainability Reporting Directive) and on drafting European standards for sustainability reporting (ESRS - European Sustainability Reporting Standards).

On 7 December 2022, the European Commission published its Listing Act Initiative. That initiative, embedded in the broader scope of the Capital Market Union Package, should make the EU more attractive for SME stock market listings. For this purpose, the regulations for the prospectus and on market abuse, among others, are being amended. The negotiations in the Council started on 27 January 2023 and are expected to last until the end of 2023. The tripartite consultation will most likely take place during the Belgian EU presidency in the first half of 2024.



SUPERVISION OF FINANCIAL SERVICE PROVIDERS

All consumers must be able to trust their financial companies. They must be sound, and their employees must have expertise and integrity. The FSMA oversees different types of companies in the financial sector. The checks it carries out are on different subjects such as organization and business continuity, the fitness and propriety and expertise of directors, sound governance, compliance with training requirements, and compliance with the Law on Money Laundering and Terrorist Financing.

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Overview of financial service providers

The FSMA supervises different types of financial service providers. Depending on their status, they must have an authorization, an enrolment, a registration or a European passport to conduct activity in Belgium.

Financial service providers with an FSMA authorization

	31/12/2020	31/12/2021	31/12/2022
UCITS management companies	9	10	10
AIF management companies	14	14	17
Portfolio management and investment advice companies	17	17	19
Mortgage lenders	111	107	102
Consumer credit providers	79	77	75
Crowdfunding service providers	8	8	8
Independent financial planners ¹⁰⁶	6	7	8

Financial service providers registered with the FSMA

	31/12/2020	31/12/2021	31/12/2022
Intermediaries in mortgage loans	3,899	3,625	3,390
Broker	1,687	1,554	1,435
Tied agent	1,963	1,808	1,692
Sub-agent	249	263	263
Intermediaries in consumer credit	6,064	5,778	5,510
Broker	1,367	1,280	1,189
Tied agent	2,028	1,912	1,809
Agent in an ancillary function	2,669	2,586	2,512

	31/12/2020	31/12/2021	31/12/2022
Insurance intermediaries	10,005	9,821	9,407
Broker	6,027	5,795	5,490
Agent	1,625	1,533	1,410
Sub-agent	2,248	2,053	1,959
Ancillary insurance intermediary	66	395	496
Mandated underwriter	39	45	52
Reinsurance intermediaries	24	33	32
Broker	18	24	25
Agent	6	9	7

¹⁰⁶ Apart from these specific authorized firms, certain other regulated undertakings may ipso jure conduct these activities without needing an additional authorization.

Table 7: Registered intermediaries in banking and investment services	31/12/2020	31/12/2021	31/12/2022
Intermediaries in banking and investment services	2,067	1,924	1,812
Broker	23	22	19
Agent	2,044	1,902	1,793

Financial service providers enrolled with the FSMA

Table 8: Registered firms	31/12/2020	31/12/2021	31/12/2022
Bureaux de change	7	8 ¹⁰⁷	9
Small-scale managers	140	176	197

Financial service providers with a European passport

Table 9: Firms with a branch in Belgium ¹⁰⁸	31/12/2020	31/12/2021	31/12/2022
Investment firms	21	21	21
UCI management companies	17	19	20

Table 10: Companies active in Belgium under the 'free provision of services'	31/12/2020	31/12/2021	31/12/2022
EEA UCI/AIF management companies	244	264	270
EEA investment firms	968	998	1,013
Third-country investment firms	82	398	408

107 Payment institutions that offer currency exchange services are not included in this number. They are under the supervision of the National Bank of Belgium.

108 This table only shows branches under the FSMA's supervision. Investment firms that provide services which are reserved to stockbroking firms in Belgium must register their branches with the National Bank of Belgium.

Supervision of intermediaries

The FSMA supervises access to the business of intermediation in the financial sector. This comprises intermediaries in insurance and reinsurance, banking and investment services, and mortgage loans and consumer credit. The FSMA's task consists essentially of handling applications for registration in the different intermediary registers. It holds these public registers and verifies that the intermediaries adhere to the legal conditions for the exercise of their profession.

On 31 December 2022, 20,151 intermediaries were listed in the FSMA's registers. The FSMA registered 9,407 insurance intermediaries, 32 reinsurance intermediaries and 1,812 intermediaries in banking and investment services. As regards credit intermediation, there were 3,390 intermediaries in mortgage loans and 5,510 intermediaries in consumer credit registered.

Action against the sale of some multimedia insurance policies

Company S. operates several mobile telephone shops in Belgium.

Since 25 January 2022, it was registered with the FSMA as an ancillary insurance intermediary. As such, it was able to offer its customers insurance cover for the products it sells. A customer could go to Company S. for a telephone and an insurance policy to cover it (e.g. cover for theft). For this, Company S. worked with a broker governed by French law and registered in France, which was allowed to conduct business in Belgium pursuant to the European passport.

At the beginning of 2022, the FSMA received complaints indicating that consumers had been "forced" to enter into an insurance policy or that they had entered into such a policy without their knowledge.

The FSMA investigated the insurance distribution practices of Company S. It also concurrently conducted inspections at the registered office of Company S. and in three of its sales outlets.

Pursuant to its investigation, the FSMA banned Company S (by way of a decision on 2 March 2022) from distributing insurance. That decision ensued from the FSMA's findings during its inspections regarding non-compliance with certain legal or regulatory provisions, in particular with regard to information disclosure to customers and rules of conduct. Furthermore, the FSMA ordered Company S. to remedy those breaches within a period of 30 days.

Before the end of that term, Company S. declared its wish to withdraw its registration in the register of insurance intermediaries and ancillary insurance intermediaries. The FSMA took formal note of this withdrawal, which began as of 25 March 2022.

The fact that Company S. was no longer registered meant it was no longer allowed to offer insurance in Belgium.

In the meantime, the FSMA also inspected another entity from the same group. Just like Company S., that entity withdrew its registration shortly after the FSMA's inspections. The FSMA took formal note of this withdrawal which began as of 3 March 2022.

The FSMA made a point of reacting quickly and firmly to the complaints received. It conducted several simultaneous inspections and, in light of the findings and information gathered, took appropriate measures with a view to protecting consumers.

The complaints received from consumers and these findings culminated in the FSMA taking long-term action across the entire multimedia sector. After all, when buying a multimedia device, consumers are often offered insurance against faults, loss or theft of the device, or to cover any damage thereto. The premiums usually have to be paid monthly. Some insurance policies offered free cover for the first month or gradually increased the monthly instalments during the term of the policy. To convince customers to sign up for insurance, salespeople mainly emphasized that the first month's cover was free, and that the customer was able to cancel the policy during that time.

That sales technique is incompatible with the obligation of verifying that the insurance offered is in line with the customer's needs and wishes, and to only offer customers insurance that effectively meets these. Because the monthly instalments go up gradually, at the time of entering into the policy, customers have no idea of the amount that they will eventually have to pay for that cover.

For that reason, the FSMA decided, by regulation, to ban the sale of such policies to consumers. This FSMA Regulation was approved by Royal Decree and entered into force on 13 November 2022.



VINCENT DE BOCK TALKS ABOUT THE BAN ON CERTAIN MULTIMEDIA POLICIES

“The rules of conduct were being flouted”

Through a Regulation, the FSMA prohibits insurance policies with variable premiums being sold with multimedia devices. “This prohibition is to protect consumers from poor practice associated with the sale of mobile phones”, says Deputy Director, *Vincent De Bock*.

The FSMA bans certain insurance upon the purchase of multimedia devices. Why?

“We want to put a stop to the unethical practices that were emerging with the sale of insurance for multimedia devices such as mobile phones, iPads or computers. The FSMA received complaints from consumers about this”.

What was going wrong?

“The rules of conduct had been flouted. Sellers may only offer insurance policies that tie in with the wishes and needs of their customers. That was not the case here”.

What sort of complaints did consumers have?

“They say that their wishes and needs had not been enquired about and were consequently not taken into account. The insurance formula proposed was, for example, not personalized. As a result, consumers were invariably offered the most expensive insurance formula. Some consumers complained that they did not even know they had signed up for insurance”.

When you sign up for insurance, you can always cancel. Can't you?

“In principle, consumers were allowed to cancel the insurance in the first month of the contract. But cancelling the contract transpired to be more difficult than expected. The call centre hired for that purpose was not easy to contact at all. Consumers also had difficulties with getting a confirmation of their contract cancellation. This was problematic”.

Did these problems occur in all insurance policies?

“No. It was only the insurance policies with a variable premium. They offer free cover for the first month or gradually increase the premiums over the course of the policy. That is why the FSMA prohibits these policies. The only contracts still allowed are those with a fixed monthly premium”.

“The only contracts still allowed are those with a fixed monthly premium.”

Has the FSMA Regulation solved the problems?

“That’s the intention. The FSMA takes care of consumer protection and will come down hard against potential infringements of its Regulation”.

The FSMA struck off 248 intermediaries from the registers

In 2022, the FSMA struck off 248 intermediaries from the registers because they no longer met the requirements for registrations. The FSMA also temporarily suspended the registration of six intermediaries. Table 11 provides an overview of the reasons for these measures.

If potential intermediaries do not prove that they meet the registration criteria, the FSMA turns down the application. In 2022, that occurred 21 times.

Table 11: Eliminations, suspensions and refusals in 2022

	Eliminations	Suspensions	Refusals
Registration dossier not in order	57		13
Professional integrity, or fitness and propriety not fulfilled	11	6	8
Professional liability insurance not in order	62		
Contribution to operating expenses not paid	98		
Insufficient cooperation with ombudsmen	1		
Intermediary bankrupt	19		
Total	248	6	21

Use of fake diplomas by candidate intermediaries

The FSMA is competent for the supervision of access to the business of financial intermediation.

As part of this, it supervises compliance with the professional knowledge required by law for these intermediaries, and for the persons that have regulated functions with them. In particular, it is ascertained that the responsible persons in question at least hold an upper secondary education diploma. The applicant has to provide the FSMA with a copy of that diploma.

Based on a law, overseas diplomas may be made equivalent to a Belgian diploma. Diplomas can also be declared equivalent. For this, a candidate intermediary has to follow a particular procedure.

In 2022, the FSMA found that several candidate intermediaries used fake diplomas and fake diploma equivalence certificates to demonstrate their professional knowledge.

As a result of these findings, the registrations of those candidate intermediaries were refused. In parallel, the FSMA declared those practices to the courts.

If a false document is submitted to the FSMA, that also has a negative impact on the FSMA's assessment if the provider of that false document later on asks to be appointed for a regulated function. To be appointed for such a function, the person concerned must, after all, meet the conditions on appropriate expertise and fitness and propriety.

No fitness & propriety without transparency

The financial system is based on trust between the various players. Transparency is essential to earning and keeping this trust. As a supervisory authority, the FSMA expects clear, active and spontaneous communication. Every person in a regulated function with an intermediary has to have the appropriate expertise and professional integrity; in other words, they have to be fit & proper. The regulated functions for which the FSMA conducts a fit & proper assessment depend on their status. It can be a person responsible for distribution, the senior manager, the intermediary who is a natural person and the director¹⁰⁹.

The FSMA expects transparent communication about all the information which can be reasonably assumed to be relevant for a fit & proper assessment. Candidates for a regulated function fill in a questionnaire upon registration or appointment. If after a certain time, the answers are no longer correct, the FSMA expects the person concerned to inform the FSMA of their own accord.

For example, if a senior manager of an insurance intermediary is questioned by the courts as a suspect in a criminal investigation, this has to be specified to the FSMA, either through the insurance intermediary for which the person works or directly. If someone has any doubts as to whether certain information is relevant or not, it is best to communicate it anyway, where necessary accompanied by a note. Transparent communications of this kind do not automatically mean that the person is no longer fit & proper. If the FSMA, however, finds out that someone has held information back, this can have a negative impact on its assessment. The FSMA carefully examines every dossier. It looks at the situation based on all the information it has and takes into account the documentation that the parties concerned provide.

¹⁰⁹ Only for intermediaries in mortgage loans.

Harmonization of the requirements of knowledge for the different categories of intermediaries

With the Harmonization Royal Decree¹¹⁰, the legislature wanted to bring the categories of credit intermediaries and intermediaries in banking and investment services more in harmony with the existing rules for insurance and reinsurance intermediaries. Because of this harmonization, there are more uniform rules for these different categories under the FSMA's supervision¹¹¹. This is mainly to the benefit of the intermediaries who have more than one registration in the register held by the FSMA.

This harmonization, in particular, contains rules for professional knowledge aligned to different areas.

- Now, for all categories concerned, it is assumed that holders of a Masters degree have the necessary theoretical knowledge to exercise their function. That assumption also applies to holders of a Bachelors degree, albeit with the proviso that the supplement to the degree shows that at least 11 credits were obtained in subjects that tie in with the category concerned.
- The obligation of continuing education was also harmonized. Intermediaries in banking and investment services have to follow 15 hours of training every year, just like insurance and reinsurance intermediaries. For credit intermediaries, three hours of training per year suffices, which was already the case for ancillary insurance intermediaries.
- It is also clarified that the duration of the practical experience is counted based on full-time working hours. If for a particular function a minimum of six months' relevant practical experience is required, in the case of part-time working hours, a minimum practical experience requirement of 12 months applies.

The FSMA provides the sector with a step-by-step plan¹¹² and checklists¹¹³. This document provides a specific overview of the (amended) requirements as regards professional knowledge per category and per regulated function. The FSMA also refers to the Frequently Asked Questions on the website¹¹⁴ and to its newsletters through which it informs the sector on the Harmonization Royal Decree¹¹⁵.

New aspects are also introduced through the Harmonization Royal Decree. In each category, there is now the figure of 'trainee person in contact with the public'¹¹⁶. Insurance sub-agents can already register when they have completed their theoretical knowledge but do not yet have six months' relevant practical experience (calculated on the basis of full-time work). In that case, they are a 'trainee insurance sub-agent' who can gain or continue their practical experience on the field. This must, however, occur under strict guidance from the broker or agent under whose responsibility the sub-agent works¹¹⁷.

110 The 'Harmonization Royal Decree' is the Royal Decree of 12 December 2021 on the harmonization of various royal decrees on intermediation in the financial services and insurance sector, as published in the Belgian Official Gazette of 24 December 2021. This Harmonization Royal Decree entered into force on 1 January 2022.

111 In the newsletter of 7 January 2022, the FSMA informed the sector of the main changes the Harmonization Royal Decree entails.

112 See the FSMA's website.

113 See the FSMA's website.

114 See the FSMA's website.

115 Not only the aforementioned newsletter of 7 January 2022 but also the newsletter on trainee sub-agents (see below) and the newsletter of 24 November 2022 on continuing education.

116 A 'trainee PCP' is from now on also allowed for intermediaries in banking and investment services and credit intermediaries.

117 The newsletter of 7 July 2022 informs the sector on the figure of trainee sub-agent.

Professional knowledge of intermediaries: online exams officially recognized

Accredited examination centres organize exams on set dates for intermediaries and candidate intermediaries to test their professional knowledge. Covid made it almost impossible to organize these exams in person. This led to the advent of online exams.

To bring online exams to the same level as in-person exams, the FSMA temporarily recognized the online exam system in May 2021, provided that the conditions for security and integrity were complied with. After a 12-month test period, the FSMA evaluated the online exams, and on 3 May 2022 decided to convert the temporary recognition of the various examination centres into a permanent recognition.

An end to collective registrations

Intermediaries must be registered with the FSMA to be able to work in the financial sector. Only individual applications for this are permitted. There are no longer collective registrations.

In the past, intermediaries could let a central institution register with the FSMA on their behalf. This entity submitted collective registration applications for several intermediaries. The central institution conducted first-line supervision on compliance with the conditions for registration by the intermediaries concerned. It would keep the dossiers available for the FSMA.

Because of changes in the law¹¹⁸, such collective registrations are no longer possible. Moreover, the legislation provides for the transfer by the central institutions of all collective dossiers to the FSMA.

The transfer took place in the first half of 2022. The central institutions transferred a total of 5,919 dossiers of collectively registered insurance intermediaries, intermediaries in banking and investment services and credit intermediaries to the FSMA.

The technical transfer of these dossiers took place on 8 June 2022. From that date on, all intermediaries are responsible for managing their own registration dossier themselves. They are obliged by law to immediately communicate any change in their registration dossier to the FSMA in the Cabrio application¹¹⁹. The FSMA personally informed all intermediaries concerned about this.

At the end of June 2022, the physical transfer of the collective dossiers to the FSMA was completed. This brought an end to the concept of a central institution and collective registration.

¹¹⁸ Article 20 of the Law of 6 December 2018 transposing Directive (EU) 2016/97; Articles 142, 188, 2° and 189, 2° of the Law of 2 May 2019 containing miscellaneous financial provisions.

¹¹⁹ Cabrio is the online application with which lenders and intermediaries can submit their application dossier online to the FSMA. Every change in the authorization or registration dossier must also be communicated to the FSMA via this application.

PCP in credit intermediation: broader definition

In 2022, the FSMA published FAQs on its website on the broadening of the legal definition of a person in contact with the public (PCP) for credit.

A PCP is a person who works in credit intermediation for a lender or credit intermediary. The PCP offers credit agreements or provides information on these. This person is in direct contact with the public. Since 1 August 2022, people who are not directly in contact with the public also come under this status. These are people who work in the back office and are not in contact with customers.

Credit intermediation, according to the legal definition, covers all the way from the pre-contractual stage to the signing of a credit agreement.

There is some work that is not credit intermediation. For example, the administration and performance of credit agreements or providing assistance with them. Anyone who works in these areas does not therefore come under the broader definition of a PCP.

This definition does not encompass those in support functions that have nothing to do with the offer or signature of credit agreements, or are indirectly involved. For example, those who work in the HR or IT department. The same goes for those who prepare the sales and legal documents, such as brochures and templates that are used for a loan offer.

In its new FAQs¹²⁰, the FSMA gives concrete examples of the activities that do and don't come under the definition of PCP. It is the person's specific activity that is decisive in this; not their job description.

The FSMA focuses on simplifying administration

In 2022, the FSMA placed a lot of focus on simplifying administration for the intermediaries under its supervision.

Intermediaries have to provide different documents and information to the FSMA, for example so that the FSMA can ascertain that the candidate has the appropriate expertise and professional integrity. For this, the FSMA provides a number of questionnaires and templates.

¹²⁰ See FAQ 342 Who qualifies as a PCP in credit intermediation or is equivalent thereto?

The FSMA has updated the different questionnaires and templates. The reporting on continuing education has also been simplified. From now on, one declaration on honour per year for each intermediary suffices. With this declaration, intermediaries confirm that all those working in their organization and that are subject to the obligation of continuing education have followed the necessary continuing education over the past year. This declaration applies to all statuses of intermediary¹²¹.

The FSMA has made a number of improvements to the Cabrio application. With these improvements, intermediaries can keep their dossier up-to-date more easily. Their applications that contain very few changes, for which they no longer have to submit documents, are handled much more swiftly.

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The Harmonization Royal Decree, which entered into force on 1 January 2022, harmonized the rules for the various types of intermediary. In 2023, there will be new developments with regard to continuing education. There is an FSMA regulation in the pipeline, and the publication of a new series of FAQs is planned.

2023 is the first year in which an intermediary must deliver a declaration on honour regarding compliance with the obligation of continuing education. By 31 March 2023 at the latest, the intermediary must upload this declaration to the Cabrio online application.

As in previous years, the FSMA will send newsletters in 2023 about continuing education, which is developing rapidly.

121 This completed and signed declaration is provided to the FSMA by the intermediary through the Cabrio application (as explained in the newsletter of 24 November 2022).

Supervision of lenders, crowdfunding and other service providers

The FSMA supervises access to the business of a range of service providers and the way in which they comply with their conditions for authorization or other conditions. These are lenders of mortgages and consumer credit, crowdfunding platforms, independent financial planners, bureaux de change and virtual currency service providers.

On 31 December 2022, there were 177 lenders, eight crowdfunding platforms and eight independent financial planners authorized by the FSMA. Nine bureaux de change were registered with the FSMA.

Mandatory registration of certain virtual currency service providers

Since 1 May 2022, as a result of the transposition into Belgian law of the Fifth Anti-Money Laundering Directive, registration is required to engage in the activities of providers of exchange services between virtual currencies and fiat currencies and of custodian wallet providers (VASPs).

Legal entities that exercised these activities on 1 May 2022 as their regular professional activity were legally permitted to continue their activity, on the twofold condition that they report this to the FSMA by 30 June 2022 and that they submit an application for registration by 1 September. They may continue to exercise their activity on this temporary basis until the FSMA had made a decision on their application for registration. As at 31 December 2022, no VASP had been registered in the register of VASPs.

Handling of crowdfunding platform authorization dossiers

The European Regulation introducing the uniform status of European crowdfunding service provider applies to companies since 10 November 2021. This means that, from that date on, a European authorization is required to be able to provide crowdfunding services in the European Union if they come under the Regulation. It concerns crowdfunding in the form of loans or securities, the project owners of which are not allowed to be consumers.

The Regulation provides for a transitional period that enables crowdfunding platforms that were authorized previously under the rules of the Law of 18 December 2016, to convert their 'Belgian' authorization into a 'European' authorization.

That transitional period initially ran until 10 November 2022. The European Commission decided to extend it up to 10 November 2023. This gives the existing platforms extra time to prepare their authorization dossier, with the proviso that they should have obtained their authorization by the end of the transitional period to be able to continue to offer their services.

The Regulation provides for a strict framework for the procedure for an application for authorization, both in terms of deadlines and in terms of content of the authorization dossier. Moreover, a European Commission Delegated Regulation¹²² supplements the Regulation with, among other things, a standard form for the application for authorization.

In 2022, the FSMA authorized the first European crowdfunding service provider. Four other requests for authorization are currently being examined. Of the eight platforms¹²³ on the lists kept by the FSMA, three declared their wish to submit an application for authorization to an authority of another European Member State. In such a case, and when the platform is authorized in that other Member State, they will be authorized to offer their services in Belgium based on their European passport.

New crowdfunding service providers must apply for the European authorization anyway to be able to start their crowdfunding activity.

Combating money laundering and terrorist financing

There are strict rules and obligations in terms of preventing money laundering and terrorist financing for certain financial service providers under the FSMA's supervision. They have to identify, assess and understand the risks to which they are exposed and then take the necessary measures to reduce and manage these risks. This is an important focal point for the FSMA's supervision.

Centralization of the FSMA's powers

Since March 2022, all powers of the FSMA concerning combating money laundering and terrorist financing (AML/CFT) have been centralized within one service, for the aspects relating to operational supervision and for the development of AML/CFT policy.

¹²² Commission Delegated Regulation (EU) 2022/2112 of 13 July 2022 supplementing Regulation (EU) 2020/1503 of the European Parliament and of the Council with regard to regulatory technical standards specifying requirements and arrangements for the application for authorization as a crowdfunding service provider.

¹²³ There is in fact one regulated undertaking that has made its intention known of offering crowdfunding services in Belgium, and in accordance with the European Regulation, it must also submit an application for authorization.

That organization increases the efficiency of that area of supervision because it optimizes the interplay between practical knowledge of the supervised sectors and an exchange of views on the evolution of the legal and regulatory framework. The combination of the lessons learned from the checks conducted and the principal discussions about the legal AML/CFT framework means that action is better substantiated and accurate on all levels, for the application and interpretation of the legal and regulatory provisions and their development.

Moreover, because of that centralization, there is a single point of contact for all entities subject to the AML/CFT legislation if they for any reason want to contact the FSMA. That central point of contact is not only for the obliged entities, but also for any competent authorities for AML/CFT, both nationally (National Bank of Belgium, Belgian Financial Intelligence Processing Unit, Treasury, FPS Economy etc.) and internationally (European Banking Authority, European Commission, Financial Action Task Force etc.).

Organisation of the first edition of AMLCO DAY

On 3 October 2022, the FSMA organized the first edition of AMLCO DAY. This event was mainly for anti-money laundering compliance officers (AMLCOs) of obliged entities under the FSMA's supervisory powers.

The aim is to share essential and up-to-date information about the AML/CFT legislation with the AMLCOs from both a national and European standpoint. This event also offers the AMLCOs the chance to receive feedback on the AML/CFT checks that the FSMA conducted in the past year.

This first virtual edition brought more than 2,300 people together, both Dutch-speaking and French-speaking. It centred around the AMLCOs' questions about their role and about the role of the highest-level senior managers and senior management for the obliged entities under the AML/CFT legislation.

The FSMA intends to organize this event regularly. This first edition of the event was open to a broad public from all sectors under supervision. Depending on the supervisory priorities or the specific developments within one or more sectors, AMLCO Day may differ, and more specifically target AMLCOs from particular sectors.

Diversity of checks and provision of information to obliged entities

The AML/CFT procedures of different investment firms and management companies were examined as part of their application for authorization or application to extend their authorization. The FSMA conducted several on-site inspections at a bureau de change and at companies with activity in the asset management sector.

The FSMA pursued its efforts in terms of informing the sectors under supervision with the publication of two newsletters on current AML/CFT themes. In March 2022, it published a communication about the sanctions imposed on Russia and Belarus as a response to their military aggression against Ukraine. It reminded the obliged entities that compliance with these sanctions entailed them ascertaining and then determining the necessary measures to adhere to these sanctions vis-à-vis their customers, transaction or financial product counterparties, and the financial services offered. The FSMA also reiterated the obligation to inform the Treasury (SPF Finance) of all information on the execution of financial sanctions such as information about frozen assets or any infringements identified. Finally, it underlined that the AMLCOs of the obliged entities must also take into account the financial sanctions in the implementation of their risk-based AML/CFT approach, including for the application of due diligence measures vis-à-vis their customers and the transactions that have a link with countries subject to sanctions.

Supervision of management companies of investment funds and portfolio management and investment advice companies

Investment funds management companies

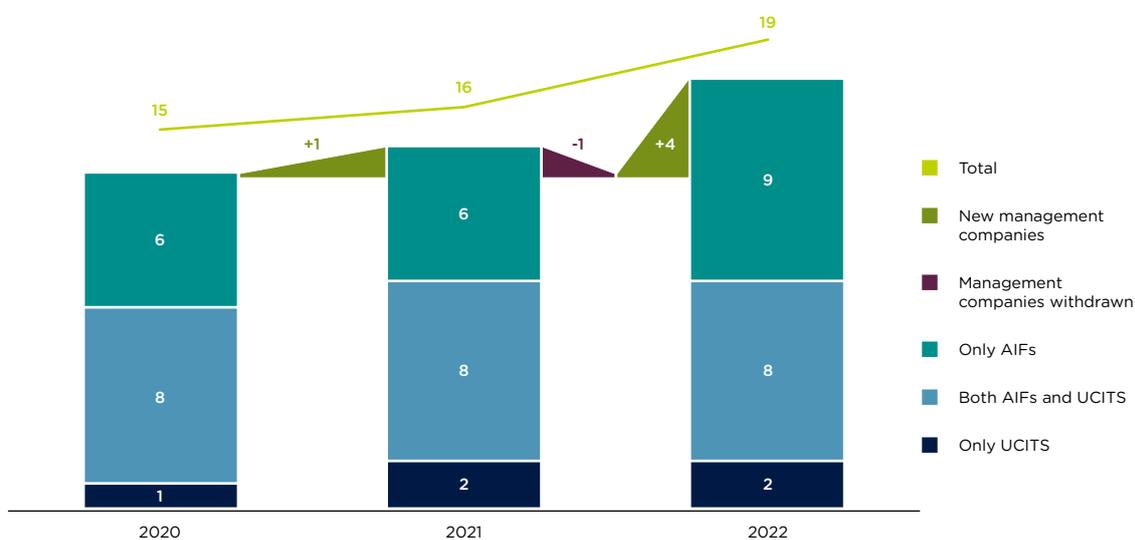
Number of management companies on the rise

The FSMA also supervises the organization and operation of Belgian authorized management companies. Management companies' core business is to manage investment funds. There are two types of authorization for management companies, depending on the type of investment fund they may manage based on their status: undertakings for collective investment in transferable securities (UCITS) and alternative investment funds (AIFs). Management companies may also have both authorizations.

UCITS are UCIs that meet the conditions of the UCITS Directive. They have a European passport allowing them to be traded freely within the EEA. AIFs may pursue a broad range of investment strategies. AIFs may for example be private equity funds, real-estate funds or hedge funds. Share funds, bond funds, money market funds, or mixed funds that are not authorized in accordance with the UCITS Directive are AIFs. There is no harmonized European supervisory regime for AIFs but the authorized managers of AIFs are, just like management companies of UCITS, subject to European harmonized legislation and regulations.

In 2022, the number of management companies went from sixteen to nineteen (see Graph 18). This growth is primarily down to the increase in the number of management companies that only have an authorization to manage AIFs. Three management companies of AIFs were authorized. The number of management companies with an authorization to manage UCITS remained stable. A management company with a dual authorization was converted into a branch of a foreign management company, while one new management company obtained a dual authorization. At the end of 2022, ten management companies had an authorization to manage UCITS and seventeen management companies had an authorization to manage AIFs.

Graph 18: Change in the number of Belgian authorized management companies of UCIs/AIFs (as at 31 December)



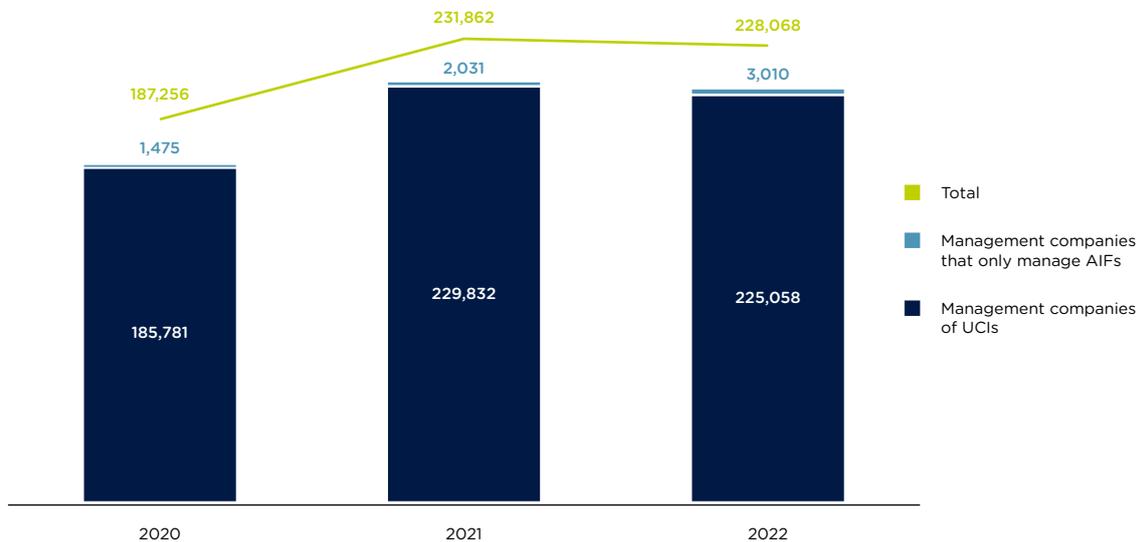
Slight fall in assets under management

The assets under management of Belgian authorized management companies fell slightly in 2022 (see Graph 19)¹²⁴. This slight decline took place in challenging market conditions and despite the fact that a major player is no longer authorized as a Belgian management company.

Management companies with an authorization to manage UCITS overall have considerably more assets under management than management companies that may only manage AIFs. At the end of 2022, the ten management companies authorized to manage UCITS have 225 billion euros under management, in AIFs, and the vast majority in UCITS. Compared to that figure, a limited amount of three billion euros is under management for the nine management companies that only have an authorization to manage AIFs.

¹²⁴ The statistics on management companies may change in the future if a management company provides the FSMA with a correction to certain statistics at a later date.

Graph 19: Change in assets under management of Belgian authorized management companies
(in EUR million, as at 31 December)



Small-scale managers

Small-scale managers of non-public AIFs are entities that may only keep a limited amount of assets under management. Depending on their investment policy, that figure is either 100 million euros or 500 million euros. As long as they adhere to this threshold and they do not publicly offer the units of the AIFs they manage, they are only subject to the obligation of the aforementioned obligation of registration, annual reporting, and compliance with the rules on combating money laundering and terrorist financing AML/CFT.

	31/12/2020	31/12/2021	31/12/2022
Small-scale managers	140	176	197

In the year under review, the FSMA handled 36 registrations and 15 registration removals. This means that the sector, in net terms, grew by 21 small-scale managers.

At the end of 2021, the sector had an amount of 7.3 billion euros¹²⁵ in assets under management.

¹²⁵ Figures on the size of the sector for assets under management at the end of 2022 are not yet final to date. Based on the latest reporting, the amount of assets under management at the end of 2022 is 8.14 billion euros.

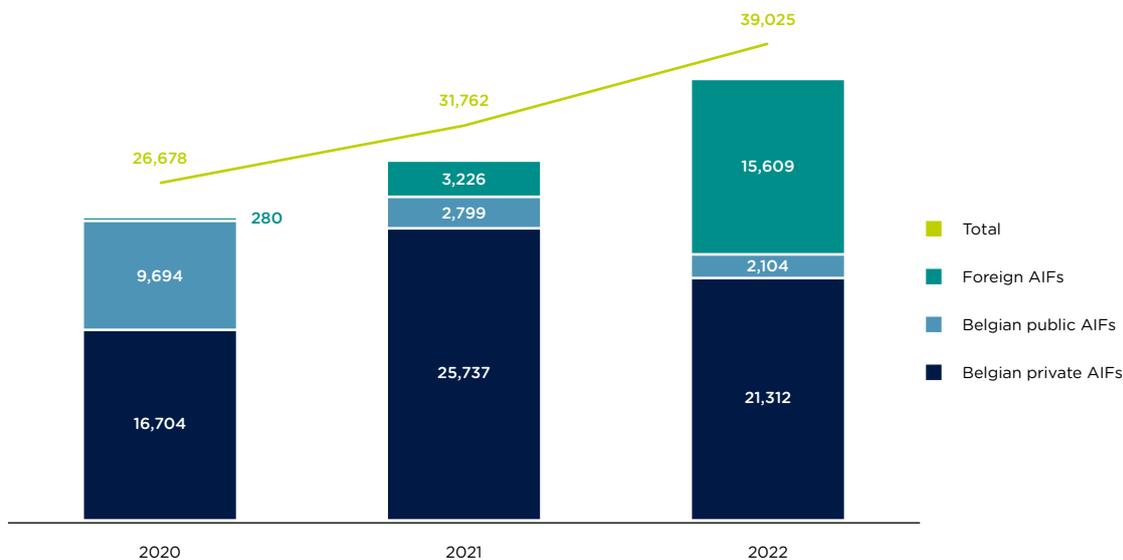
Increased share of non-public AIFs and foreign AIFs

The total net assets of AIFs under management of Belgian authorized management companies grew in 2022 by 25 per cent to almost 40 billion euros¹²⁶. In the year under review, the composition of the AIF population under management by Belgian management companies changed.

Whilst Belgian public AIFs still represented 36 per cent of this sector at the end of 2020, their share fell to five per cent at the end of 2022. At the same time, the share of foreign AIFs grew to 40 per cent. Although their net assets declined in 2022, Belgian non-public AIFs still represent the majority of total net assets, with 55 per cent. The changes in the composition of the sector can partly be explained by the changes in the population of authorized AIF management companies (see Graph 20).

The majority of net assets were managed via funds of funds. Alongside this, there are ‘other funds’, mainly bond funds, share funds and mixed funds¹²⁷. The overall share of private equity funds and real-estate funds is rising, but remains limited.

Graph 20: Change in total net assets of AIFs managed by Belgian authorized management companies (per type and in million euros, as at 31 December)



¹²⁶ Total net assets of AIFs reported by Belgian authorized AIF management companies, excluding reported master funds.

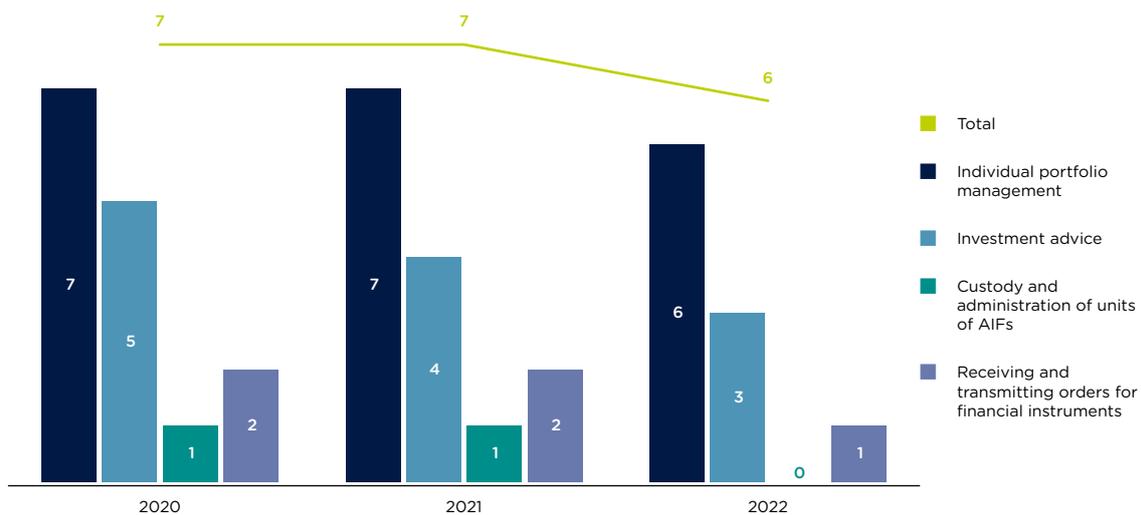
¹²⁷ According to the types shown in the reporting about AIFs to the FSMA.

Investment services offered by management companies

Apart from their core business, management companies may also offer investment services. The investment services the management companies may offer consist of individual portfolio management and the offer of investment advice. Management companies of AIFs can also offer custody and administration of units in AIFs and receipt and transmission of orders for financial instruments as an investment service.

Six management companies are authorized to offer investment services (see Graph 21). The six management companies all have an authorization to conduct individual portfolio management. Three companies also have an authorization to provide investment advice, whilst one company may also receive and transmit orders for financial instruments.

Graph 21: Change in the number of Belgian authorized management companies of UCIs/AIFs authorized to offer investment services (as at 31 December)



The small number of companies with an authorization to offer investment advice means the assets under advisement remain limited at seven billion euros (see Graph 22).

Management companies outsource part of the management tasks

The management of investment funds includes management of the investment portfolio, administration, trading units, and risk management. Management companies may take care of these management tasks themselves for each of the UCIs for which they are management companies, or under certain circumstances, outsource them to other entities.

Companies must identify and manage any risks that ensue from outsourcing agreements. They must also use monitoring and reporting methods adapted to the nature of the outsourced functions and their associated risks. Furthermore, they must allocate internal responsibilities for the implementation and follow-up of the outsourcing arrangement.

The outsourcing may be for one or more of these tasks and can include the entire management task or a well-defined portion thereof. Companies must, however, always continue to carry out sufficient tasks itself. They may not become an “empty shell” or a “mailbox company”.

In 2022, the FSMA examined the outsourcing practices of management companies for their regulated functions, including collective management tasks. This resulted in a detailed overview of outsourcing by these companies. It also allowed the FSMA to assess the risks these outsourcing practices entail, as well as the management companies’ ability to appropriately manage these risks.

The FSMA found that it is primarily management companies of public UCIs that outsource their regulated functions in whole or in part. Outsourcing is limited among management companies that only have an authorization to manage non-public AIFs.

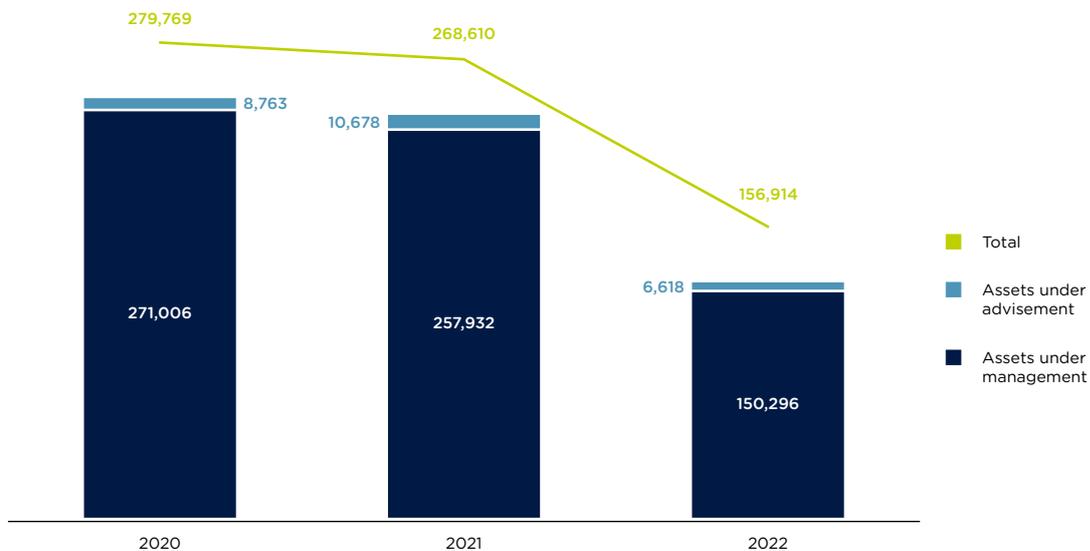
Management of the investment portfolio is outsourced by 37 per cent of management companies (see Graph 23, panel A). Only a limited number of management companies outsource the portfolio management of a considerable proportion of the UCIs. For most management companies that outsource portfolio management, the outsourcing is limited to half of their assets under management.

At the end of 2022, Belgian management companies managed portfolios to a value of 157 billion euros (see Graph 22). This amount is smaller than the 228 billion euros of total assets under management (see Graph 19). That difference can partly be explained by the partial outsourcing of portfolio management.

The portfolios that Belgian authorized management companies manage are the portfolios of UCIs for which they have been appointed as management company and the management of which they do not outsource, portfolios of UCIs for which they have not been appointed as the management company, but for which they were appointed as portfolio manager, and portfolios of other clients. This concerns other forms of collective management¹²⁸ or portfolios of individual clients.

At the end of 2021, the amount of managed portfolios was higher still than the amount of total assets under management. The fall in the amount of managed portfolios can largely be explained by the changes in the population of authorized management companies during the period under review (see Graph 18).

Graph 22: Change in total assets under management and under advisement of Belgian management companies of UCIs/AIFs (in EUR million, as at 31 December).



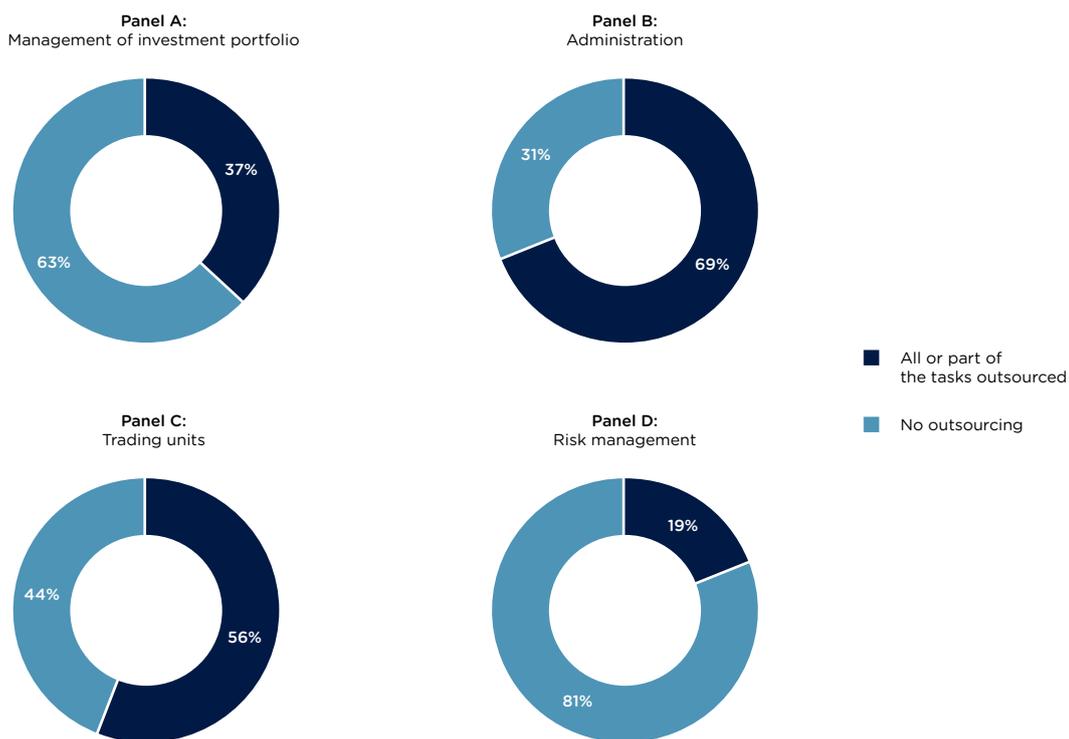
¹²⁸ The management of the portfolio of an Institution for Occupational Retirement Provision (IORP) is an example of a form of collective management.

Almost 70 per cent of the management companies outsource at least part of the administration of UCIs to other entities (see Graph 23, panel B). This outsourcing may, for example, relate to the valuation of the portfolio and the determination of the value of the units, or monitoring compliance with the legal and regulatory requirements. However, the management companies mostly call on other entities for the issuance and purchase of units, for the registration of transactions and for custody of documents.

A little more than half of the management companies outsource the trading of units, in whole or in part (see Graph 23, panel C). The majority of management companies outsource this task to one distributor. A number of companies outsource this task to several distributors.

Only a limited number of management companies outsource the risk management function (see Graph 23, panel D).

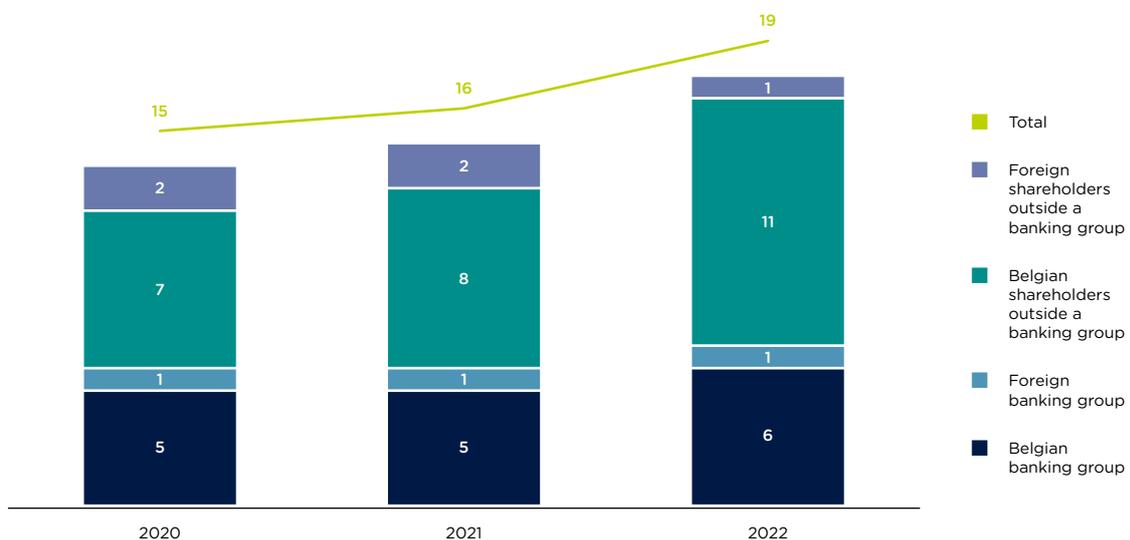
Graph 23: Number of Belgian authorized management companies for which all or part of the management tasks are outsourced (in %, 2022)



Belgian shareholdership remains considerable

The FSMA supervises the suitability of the shareholders of management companies. At the end of 2022, almost all Belgian management companies have a shareholdership with a Belgian majority shareholder. With the majority of management companies, the majority shareholder does not belong to a banking group (see Graph 24). Based on the total assets under management, the management of a majority of the assets is in the hands of management companies that belong to a Belgian banking group.

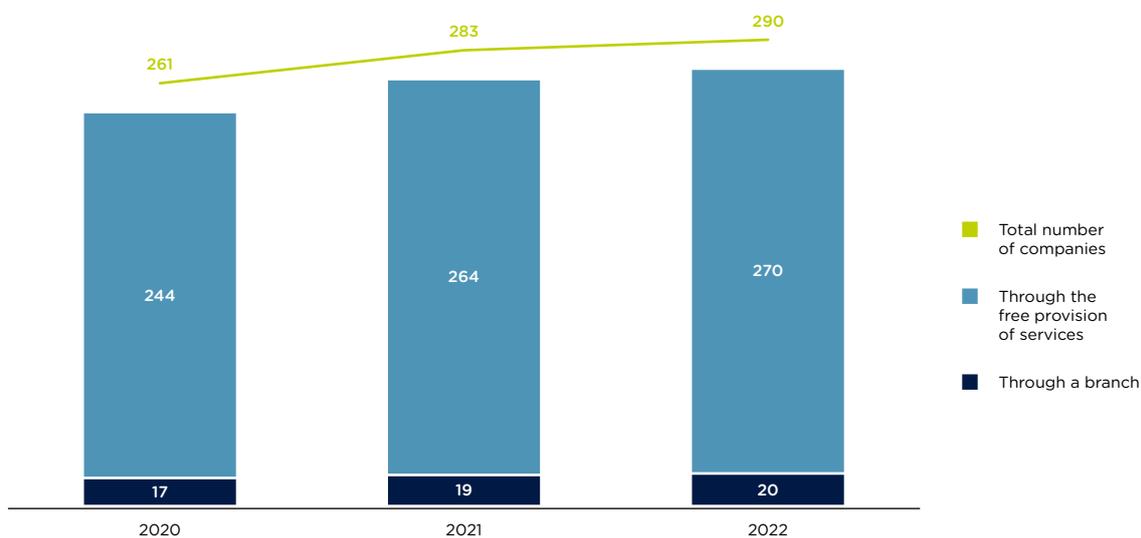
Graph 24: Change in the number of Belgian authorized management companies of UCIs/AIFs per type of shareholder based on the majority shareholder(s) (as at 31 December)



7.5.1.6. Growing number of foreign management companies

Management companies from other countries in the European Economic Area are allowed to be active in Belgium through branches or the free provision of services. The number of foreign management companies that are allowed to be active in Belgium grew during the period under review. At the end of 2022, there were 19 branches of foreign management companies registered in Belgium. For 270 foreign management companies, the FSMA received a notification about their intention to operate in Belgium via the free provision of services (see Graph 25).

Graph 25: Change in the number of foreign authorized management companies of UCIs/AIFs registered in Belgium (as at 31 December)



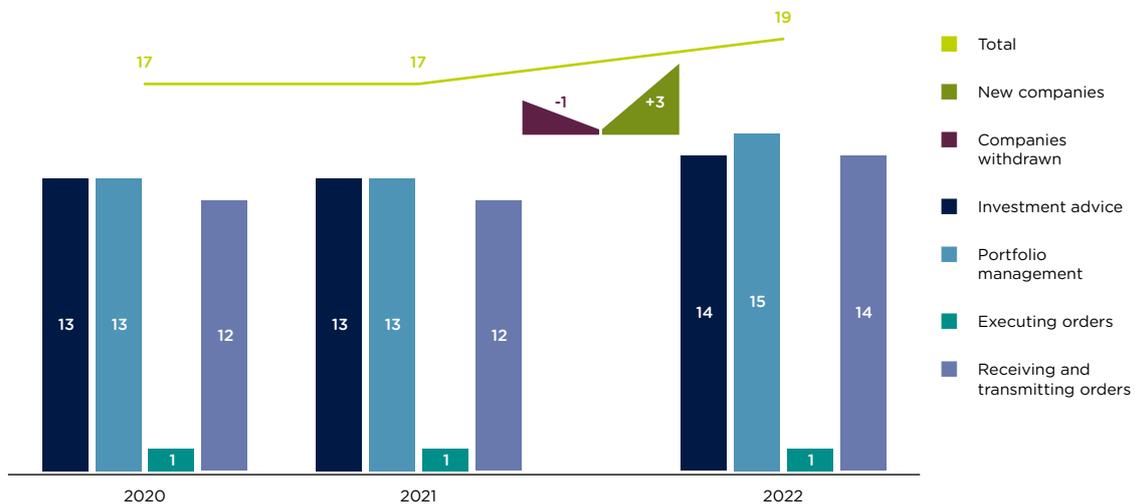
Portfolio management and investment advice companies

Increase in the number of portfolio management and investment advice companies

Portfolio management and investment advice companies' core business is to provide investment services to individual clients. In 2022, the total number of portfolio management and investment advice companies grew from seventeen to nineteen. In the period under review, three companies were authorized as portfolio management and investment advice companies, whilst one company put an end to its activity of this kind.

The investment services that the portfolio management and investment advice companies may offer consist of portfolio management, investment advice, receipt and transmission of orders for one or more financial instruments, execution of orders on behalf of clients and a combination of the aforementioned services. Portfolio management and investment advice companies have almost all received an authorization to offer their clients portfolio management or investment advice, or a combination of both (see Graph 26). Eleven of the nineteen portfolio management and investment advice companies offer both investment services, whilst seven portfolio management and investment advice companies offer one of these two services. Fourteen portfolio management and investment advice companies also have an authorization to receive and transmit orders for one or more financial instruments. For one of the portfolio management and investment advice companies, this is the only investment service it offers. One portfolio management and investment advice company is authorized to execute orders on behalf of clients.

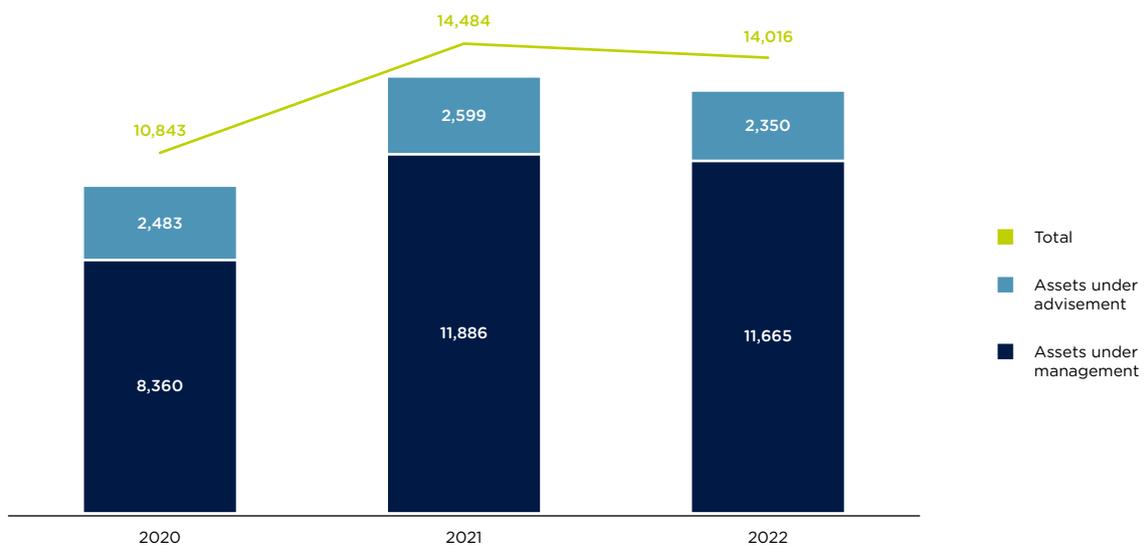
Graph 26: Change in the number of Belgian authorized portfolio management and investment advice companies and the investment services for which they are authorized (as at 31 December)



Assets under management and advisement slightly down

Despite the increased number of portfolio management and investment advice companies, assets under management fell and assets under advisement fell slightly in 2022 (see Graph 27)¹²⁹. This fall took place in difficult market conditions, often with negative returns on the financial markets.

Graph 27: Change in total assets under management and under advisement of Belgian portfolio management and investment advice companies (in EUR million, as at 31 December)



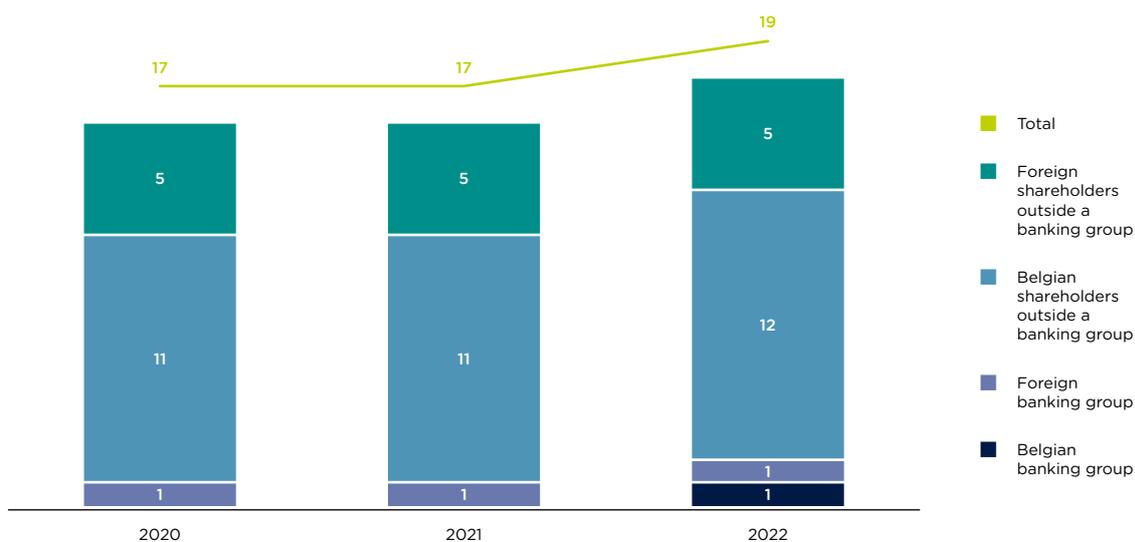
¹²⁹ The statistics on portfolio management and investment advice companies may change in the future if a portfolio management and investment advice company provides the FSMA with a correction to certain statistics at a later date.

Portfolio management and investment advice companies may offer investment services to retail clients and to professional clients. They may also offer these services through forms of collective management¹³⁰. With portfolio management, the majority of assets are managed through collective investment products. The majority of assets under advisement belong to retail clients.

Belgian shareholding remains considerable

The FSMA supervises the suitability of the shareholders of portfolio management and investment advice companies. At the end of 2022, the vast majority of Belgian portfolio management and investment advice companies had a shareholding with a Belgian majority shareholder. With the majority of portfolio management and investment advice companies, the majority shareholder does not belong to a banking group (see Graph 28).

Graph 28: Change in the number of Belgian portfolio management and investment advice companies per type of shareholders based on the majority shareholder(s) (as at 31 December)

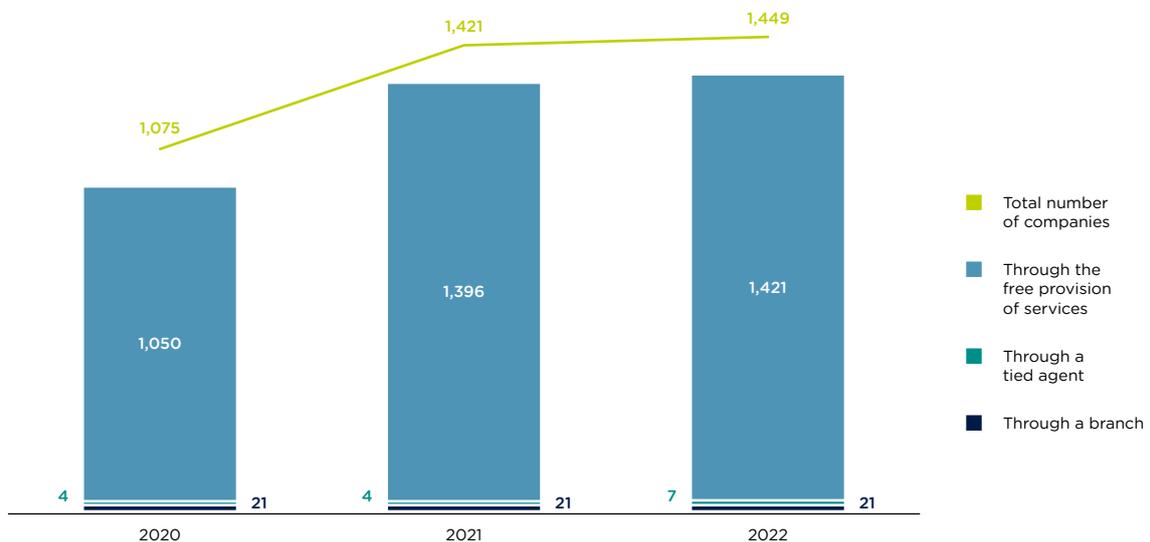


130 For example, an undertaking for collective investment (UCI) or an Institution for Occupational Retirement Provision (IORP).

Number of foreign investment firms on the rise

Investment firms from other countries in the European Economic Area are allowed to be active in Belgium through branches, tied agents or the free provision of services. The number of foreign investment firms that are allowed to conduct investment services or investment activity in Belgium increased during the period under review. At the end of 2022, there were 21 branches of foreign investment firms registered in Belgium. In addition, a notification was received from seven foreign investment firms about their intention to provide investment services via a tied agent. For 1,421 investment firms, the FSMA received a notification that they wished to work in Belgium via the free provision of services (see Graph 29).

Graph 29: Change in the number of foreign investment firms registered in Belgium (as at 31 December)



Suitability of shareholders of portfolio management and investment advice companies

As part of its prudential supervision, the FSMA assesses the suitability of persons who wish to acquire a qualifying holding in a portfolio management and investment advice company governed by Belgian law, or wish to increase their qualifying holding as a shareholder.

The FSMA assesses whether these people are suitable to guarantee sound and prudent management of the portfolio management and investment advice company. If the FSMA is not convinced of the suitability of these persons, it may oppose their intention to acquire or increase a qualifying holding. It has an assessment period of 60 days for this.

The FSMA is guided in its analysis by the Belgian legislation¹³¹ and the guidelines of the European Supervisory Authority¹³². These guidelines entail that the FSMA must take into account the financial health of the candidate acquirer and the target company's compliance with prudential rules.

The FSMA handled two dossiers (from one company) in the period under review proposing a change in the shareholdership that fell under the scope of this legal regulation.

In the first scenario, a newly to be established company would acquire all the existing shares of a portfolio management and investment advice company. In a second scenario, the newly to be established company would acquire only a minority stake in the target company.

In both scenarios, a major proportion of the acquisition price would be financed through a bank loan. The candidate acquirer would repay this bank loan entirely via dividends from the target company. These dividends (i.e. future income with no guarantee) constituted the only source of income for the candidate acquirer.

Based on these scenarios, the candidate acquirer would not be able to financially support the target company if necessary. Moreover, the need to repay the bank loan through dividends would clearly have a negative impact on the target company's financial situation and this could lead to conflicts of interest between the candidate acquirer and the target company.

The financial solidity of the candidate acquirer was consequently not guaranteed. In the first dossier, it also seemed that it had insufficient equity to comply with the legal requirements. The FSMA relayed its concerns to the candidate acquirer, which withdrew the dossier for both scenarios.

The supervision of the financial solidity of regulated undertakings, where the financial capacity of the shareholders plays an important role, is a cornerstone of the FSMA's prudential supervision. The FSMA will closely monitor such cases and ascertain whether the requirements on the suitability of the shareholders who wish to acquire a qualifying holding are complied with at all times or not.

¹³¹ Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies, Article 31.

¹³² Joint Guidelines on the prudential assessment of acquisitions and increases of qualifying holdings in the financial sector.

Better monitoring of cloud service outsourcing

Management companies and portfolio managers call on cloud service providers for certain tasks.

To better clarify such outsourcing, European authority ESMA published guidelines to help companies and competent authorities identify the risks and monitor the challenges of cloud service outsourcing agreements. That approach applies as of the decision to outsource, the selection of a cloud service provider, the monitoring of the outsourced tasks all the way to the development of exit strategies.

The guidelines apply to all outsourcing contracts entered into from 31 July 2021. Existing agreements had to be reviewed before 31 December 2022 based on these guidelines.

In 2022, the FSMA published the guidelines on its website and offered more clarification on the subject. It enquired among management companies and portfolio managers at that time about the outsourcing of critical or important tasks to cloud service providers.

This enquiry showed that two thirds of the companies call on an external cloud service provider to perform all or some of their critical or important tasks. Companies mostly call on such service providers for three categories of tasks: data storage, network infrastructure and order or portfolio management software. Such outsourcing mainly occurred among a number of established players.

The FSMA will use the data from the enquiry to assess the risks that arise from outsourcing agreements for cloud services and to identify and monitor potential concentration risk. The FSMA will evaluate the potential consequences of such risks for other companies it supervises and for the stability of the financial market.

Outsourcing requires the right framework for maintaining appropriate organization

As part of their efforts to rationalize their organization, it can be necessary for portfolio management and investment advice companies and management companies to outsource certain tasks. That outsourcing should benefit their conduct of business and proper functioning on different levels.

Despite the outsourcing, those companies must continue to observe sound management practices in their conduct of business, in order to maintain appropriate organization.

Having a solid and appropriate organization is a pre-requisite for the authorization of portfolio management and investment advice companies and management companies¹³³. The FSMA verifies whether each of those companies is organized appropriately to conduct the activities for which they are authorized, including any outsourced activities, in accordance with the applicable legislation.

The regulations that apply to portfolio management and investment advice companies and management companies clarify the outsourcing of certain specific functions, such as the management of the investment portfolio of the UCI and discretionary portfolio management¹³⁴.

The European Banking Authority (EBA) has published guidelines¹³⁵ that clarify similar legal requirements for other companies from the financial sector, such as credit institutions, and that apply to all outsourcing of tasks, irrespective of whether specific legal rules apply thereto or not. In those guidelines, the EBA specifies the arrangements for internal governance, including sound risk management, that those companies must implement if they outsource functions, in particular when this concerns critical or important functions.

Based, *inter alia*, on the legal outsourcing provisions and those EBA guidelines, the FSMA has published a handbook with a detailed explanation on the principles of sound management that apply for the outsourcing of every task¹³⁶.

The aim of this handbook is to help portfolio management and investment advice companies and management companies that outsource tasks identify and manage the risks this entails. The handbook wishes not only to offer assistance to those companies from the time at which they decide to outsource until the time at which they implement exit strategies, but also with the choice of service provider and the follow-up of the outsourced activity.

133 Article 25 of the Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies; Article 26 of the AIF Law; Article 201 of the UCITS Law and the Royal Decree of 12 November 2012 on undertakings for collective investment that fulfil the conditions of Directive 2009/65/EC.

134 For the management companies, see Articles 29 to 32 and 320 of the AIF Law, Article 202 of the UCITS Law, and Article 75 et seq. of Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (hereinafter referred to as the 'AIFM Regulation').

For portfolio management and investment advice companies, see Article 25 of the Law of 25 October 2016 and Article 30 et seq. of Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (hereinafter referred to as 'MiFID II').

135 Guidelines on outsourcing arrangements (EBA/GL/2019/02) of 25 February 2019.

136 This handbook replaces CBFA Circular PPB 2004/5 of 22 June 2004 regarding sound management practices in outsourcing by credit institutions and investment firms, which is abrogated.

This handbook will also apply without prejudice to the specific requirements with regard to outsourcing to cloud service providers. These are contained in Circular FSMA_2022_19 of 8 June 2022 about enforcing the ESMA Guidelines on outsourcing to cloud service providers.

The FSMA assesses leveraged finance in AIFs

Leveraged finance, or simply ‘leverage’ in the management of investment funds can entail risks for financial stability. The European legislation and regulations therefore provide that competent authorities must assess the systemic risk¹³⁷ that arises from the use of leveraged finance by managers of alternative investment funds (AIFs).

Based on this assessment, competent authorities can impose limits for the use of leveraged finance, or impose other restrictions with regard to the management of the AIFs.

ESMA has published guidelines on this subject, with the aim, inter alia, of arriving at a coherent approach for this assessment¹³⁸. The guidelines provide for the competent authorities to assess the risk every quarter, in accordance with the frequency of reporting that forms the basis for this assessment.

In the period under review, the FSMA examined the use of leveraged finance by Belgian managers of AIFs. It selected 25 AIFs eligible for the examination because of the level of their leveraged finance or because of their scale. These were both Belgian and foreign AIFs, primarily funds of funds, share funds, bond funds, mixed funds and structured funds.

The FSMA did not identify any immediate systemic risks that would require imposing leverage-related measures, such as setting limits to the use of leveraged finance.

However, a number of questions arose about the underlying information and the quality of the reporting. The FSMA asked these management companies additional questions. In that way, it could ascertain that they had a good understanding of the way in which the management companies complete the reporting and how they can improve the data quality. If necessary, it will take additional measures to improve the data quality.

¹³⁷ Article 25 of Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers and amending directives 2003/41/EC and 2009/65/EC and regulations (EC) No 1060/2009 and (EU) No 1095/2010, transposed into Belgian law by Article 75, § 1 of the Law of 19 April 2014 on alternative investment funds and their managers.

¹³⁸ Guidelines on Article 25 of Directive 2011/61/EU.

Leveraged finance entails systemic risks

Investors who wish to increase their exposure can do so by using leveraged finance, or leverage. They can do this for example by borrowing cash or securities or by entering into derivative transactions. By using these techniques, investors can increase their potential return, although the potential losses increase as well. The use of leveraged finance therefore also entails risks for investors who use it.

The use of leveraged finance can also lead to risks for other market participants and for financial stability. The increased risk of loss for investors who use these techniques may lead to these investors having financial difficulties, meaning that there is also the risk for the counterparties of these investors and for the parties who directly or indirectly have interests in – or are associated with – these investors. The interconnectedness of investors with the financial system can therefore lead to systemic implications for the use of leveraged finance.

Investors who make use of leveraged finance can also, because of sudden price fluctuations, be exposed to the obligation of delivering additional collateral to counterparties in a financial transaction ('margin calls' or 'collateral calls'). As a result, they may have to sell assets to acquire liquidity.

If these sales take place in stressed market conditions, this can lead to a further fall in asset prices and additional liquidity pressure, which can also have an impact on other investors exposed to the same assets. If these other investors also use leveraged finance, they may also in turn have to deliver additional collateral and sell assets, creating a downward spiral. Joint exposures of investors who use leveraged finance can therefore lead to systemic implications.

Derogation from the rules for prudential consolidation of investment firm groups

The FSMA allowed several Belgian companies active in portfolio management and investment advice a derogation from the European requirements¹³⁹ on prudential consolidation for investment firm groups. This derogation provides less of an administrative burden for these companies. To be eligible for this regime, the companies must meet certain criteria. Their group structure must be sufficiently simple and entail no significant risks for clients or the market. When granting a derogation, the FSMA also ensured that the FSMA can continue to have access to the information that is key to its supervision. The derogation applies for a period of one year. The FSMA may extend the derogation after evaluation.

139 Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms.



PROTECTION OF SUPPLEMENTARY PENSIONS

The FSMA is responsible for the supervision of supplementary pensions that employees and the self-employed may accrue through their professional activities. Administration of these second-pillar pensions occurs through insurance companies or pension funds. The FSMA supervises compliance with the social legislation applicable to second-pillar pensions by these pension institutions and their organizers. In addition to this social supervision, the FSMA also exercises prudential supervision of pension funds. This means that the FSMA oversees the financial health and appropriate organization of these institutions.

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Social supervision

The social legislation regarding supplementary pensions establishes the rules for granting, acquiring and paying out supplementary pension rights. Protecting these rights is key to this legislation. This occurs in the first instance by obliging employers, businesses and the self-employed to grant the administration of the pension rights accrued to a pension institution. This can be a pension fund or an insurance company. The social supplementary pension legislation also aims to guarantee that affiliates get accurate information on their accrued rights and in certain cases also have a say on their supplementary pension.

The FSMA is tasked with supervising compliance with this social legislation. This supervision targets both the organizers of the supplementary pension and the pension institutions. In social supervision, the emphasis lies on inspections, in which a specific theme is investigated for the whole sector. When determining its priorities and the theme to be investigated, the FSMA opts for a risk-based approach: the most major risks are dealt with first.

Inspections can lead to individual enforcement processes for the pension institutions or the organizers of supplementary pension plans that disregard the legislation. The organizers are in most cases the employers that provide a supplementary pension to their employees.

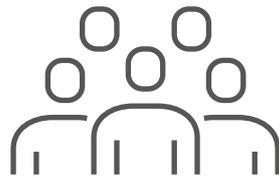
Inspections often lead to guidelines that offer pension institutions help with correctly complying with the legislation. That occurs using good practices established during an inspection. Inspections also sometimes lead to policy recommendations for the public authorities concerned.

Supplementary pension reserves reach the 100-billion-euro mark

Every year, the FSMA publishes an overview of second-pillar supplementary pensions that employees and self-employed persons accrue. The overview includes a range of data from the DB2P pension database. These data provide an overview of the situation on 1 January 2022.

In total there are 4.17 million people who accrue a supplementary pension. That is a rise of three per cent compared with 2021. This number represents approximately 83 per cent of the professional population.

The pension rights accrued represent a total amount of 101 billion euros. That is five per cent more than in 2021.



4,173,628

people are members of a supplementary pension plan



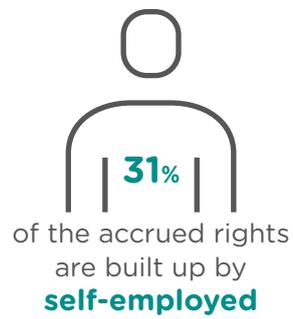
Graph 30: Members by age and gender





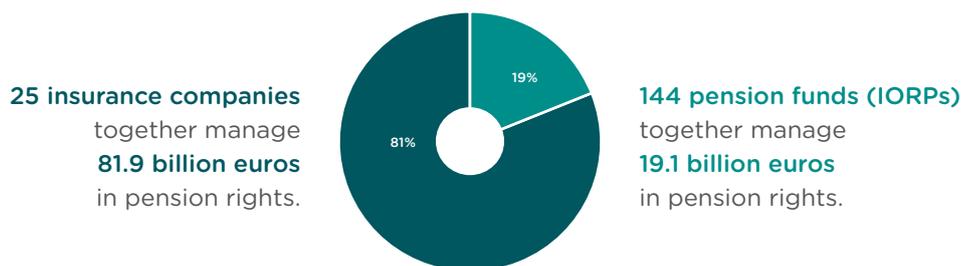
in accrued rights

The **accrued right** is the amount of pension reserve that members have already built up at a particular time in their career and that is accrued. When the member leaves an employer, this amount can be transferred to another pension institution.



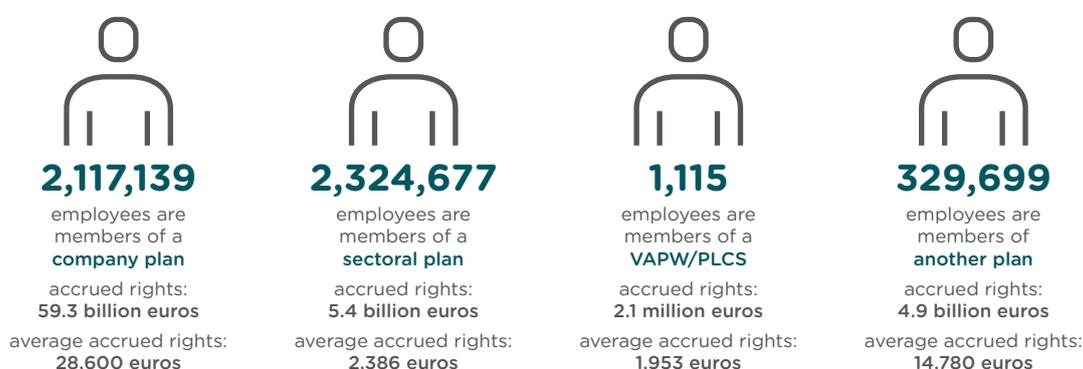
18.1	Pension funds	1.0
51.5	Group insurance	30.4
69.6	Total	31.4

Accrued rights (in EUR billion)



Pension plans for employees¹⁴⁰

The initiative for accruing a pension plan for employees is mainly that of the employer. Many employers have a pension plan for all or some of the employees in their company. That is a **company plan**. The initiative can also be that of a sector. In that case, the pension plan applies to all employees in the sector. This is a **sectoral plan**. Those who accrue a very low supplementary pension with their employer or sector can accrue a **voluntary supplementary pension for employees (VAPW/PLCS)**. A range of **other plans** exists, too, such as the transfer facility for pension assets for managing pension rights of employees who leave an employment and transfer their pension rights to a pension institution other than that of their ex-employer.



Pension plans for the self-employed¹⁴¹

Someone who is self-employed may individually accrue a **supplementary pension via the voluntary supplementary pension for the self-employed scheme (VAPZ/PLCI)**. If a self-employed person has the status of a self-employed director, for example as a board member or director of a company, the company can accrue a supplementary pension for him/her. Self-employed people who do not exercise their professional activity in a company have the possibility of saving for a pension through the **supplementary pension for self-employed persons working as a natural person (VAPZNP/PLCIPP)**.



140 Employees may be members of several types of pension plans, for example, company plans and sectoral plans. These are counted several times in the figures.

141 The self-employed may be members of several types of pension plans, for example under the supplementary pension for the self-employed scheme (VAPZ/PLCI) and as a self-employed director. These are counted several times in the figures.

Checks, research and consumer surveys

The FSMA regularly checks compliance with the social legislation by pension institutions. In the period under review, it published the results of a check on the payouts from a supplementary pension and the provision of information on costs and returns. It verified whether employers comply with the obligation of allocating the management of the supplementary pension to a pension institution. It checked compliance with the legislation on individual pension commitments by employers and continued its investigation into the risks of financing group insurance. The FSMA started a thorough examination in 2022 into the shift in the management of supplementary pensions to Class 23 products. It is pursuing this examination in 2023.

The importance of annual DB2P declarations

The database for supplementary pensions (DB2P), managed by vzw/asbl Sigedis, is an important source of information for citizens, where they can find details on their supplementary pensions. DB2P gathers the data on supplementary pensions that employees and self-employed persons have accrued in Belgium. The database is accessible to citizens via the secure app mypension.be. In that way, everyone can at any time see the evolution of their supplementary pension rights.

In the checks conducted by the FSMA in the past few years, it took strict action against pension institutions that did not correctly comply with their reporting obligations to DB2P. As a result, they have become more aware of the importance of high-quality and punctual DB2P declarations. The positive trend already seen for several years continued between 2021 and 2022, especially with regard to compliance with the declaration deadlines. Because accurate DB2P reporting is important, the FSMA will keep closely monitoring the declarations by pension institutions. That way, it can ensure that the efforts made so far continue reaping their rewards.

Delays with the payout of supplementary pensions due to the use of old addresses

Swift and accurate payout of the supplementary pension has, over the past few years, become an important focal point for the FSMA. This theme was high on the agenda in 2022 as well.

The supplementary pension must in principle be paid out at the time of statutory retirement. At that time, the pension institution must contact members of the supplementary pension plan. It is crucial for the pension institution to have recent address details for the beneficiary.

In order to be able to effectively meet these obligations, pension institutions have access to the details in the Civil Register. Since June 2017, it is governmental organization Sigedis that regularly keeps pension institutions up-to-date, through a digital data stream from DB2P, with changes in the Civil Register.

The FSMA conducted an investigation into the soundness of a pension institution's payment procedure. This was done following complaints from retired members who had not received their supplementary pension.

The investigation revealed that the pension institution sometimes contacted members on the basis of obsolete details from an internal administration system. It had, for several years, not taken into account changes of address in the Civil Register. The FSMA ordered the pension institution to remedy this, resulting in the pension institution being able to pay out several supplementary pensions, totalling 800,000 euros.

Over the course of 2022, the FSMA extended its investigation to other pension institutions. It identified that a small number of pension institutions ran the risk of not paying out the supplementary pension because of the use of obsolete address details.

The FSMA reminded the pension institutions of the obligation of effectively paying out the supplementary pension upon retirement. It warned that the use of obsolete address details could deliver sensitive information into the wrong hands. Where necessary, the FSMA imposed remedial measures and requested that the payout procedures be adapted.

In 2023, the FSMA will make further checks on the use of up-to-date address details by pension institutions when paying out the supplementary pension.

Room for improvement in the provision of information about cost and returns

A quest for transparency in the often-complex world of supplementary pensions has been the core of the FSMA's checks for a long time. Given the length of the term for the accrual of a supplementary pension, it is beneficial to know how a pension institution manages the pension contributions entrusted to it.

One important document for this is the 'transparency report'. This is a document to be prepared each year, in which the pension institution provides an insight into the mechanics of the supplementary pension. Some of the points that must be included in this report relate to costs and returns, as well as the investment strategy used and information about the sustainability of its investments.

The pension institution must provide this report to the employer that has set up the pension plan for its employees. The employees who are members of the supplementary pension plan may also request this report.

When the FSMA checked the quality of these reports, it made a series of observations, including the use of vague language and excessive amounts of jargon. Certain aspects that are obligatory were completely missing from some reports. The FSMA asked the pension institution to make efforts to heighten the quality of these documents.

In spring 2022, the FSMA completed the second round of checks. This time, the focus was on the information that the transparency report must include on the costs and returns, fuelled by the increased focus on value for money.

Overall, a lot of progress has been observed. Almost all the pension institutions adjusted their transparency report and made efforts to prepare a complete and comprehensible document.

Nevertheless, problems were identified again. A small number of institutions for example still do not provide enough information about the cost structure. Moreover, a number of pension institutions give insufficient information about the real return on investment obtained by the management of a supplementary pension. Pension institutions must remedy these infringements.

Payout of supplementary pension to non-retired members

In 2020, the FSMA conducted supervisory action on the payout of the supplementary pension. The results were published in 2021¹⁴². During this supervisory action, situations came to light that seemed to point to payouts being made to non-retired members, when since 2016, by law, the supplementary pension may only be paid out on statutory retirement.

As a result of those findings, the FSMA conducted targeted supervisory action in 2022. It looked into whether pension institutions followed all the legal rules regarding when the supplementary pension can be paid out.

That supervisory action was in the first place based on an analysis of the DB2P declarations. Several indications came to light that showed that between 2018 and 2020, members between 20 and 59 years of age had received their supplementary pension, i.e. before their statutory retirement, which breaches the aforementioned payout rule.

Afterwards, individual supervisory processes pointed to the fact that in most cases, with only two exceptions, this was due to errors in the DB2P reporting. The pension institutions concerned were called upon to correct this information in DB2P.

Non-compliance with obligatory outsourcing of supplementary pension management

The management of a supplementary pension must, in principle, be entrusted to a pension institution. This can be an insurance company or an institution for occupational retirement provision (IORP). That principle is called the 'externalization obligation'. This means that the pension institution is responsible for investing the contributions received, correctly calculating the pension rights, and paying out the supplementary pension.

In 2022, the FSMA launched supervisory action on compliance with the externalization obligation. The FSMA's action was based on the anonymized information in the pension register.

The pension register is a database that registers, among other things, the payouts of all sorts of supplementary pension benefits. Based on the 2020 data, the FSMA identified that the pension register received declarations of supplementary pension benefits from institutions that are not pension institutions.

142 Communication FSMA_2021_14 of 8 June 2021: Payout of the supplementary pension - Overview of findings. See also the 2021 FSMA annual report, p. 116-117.

To determine whether this was a case of non-compliance with the externalization obligation, the FSMA examined whether these pension benefits were supplementary pensions as defined in the social legislation on supplementary pensions.

For the pension benefits that come under the social legislation on supplementary pensions, the FSMA looked into whether a legal exemption applied to the externalization obligation. This required a tailored analysis. It entailed, inter alia, examining the specific status and potential regulatory and institutional framework of the 'sponsor' of the pension benefits concerned.

The FSMA checked 45 'sponsors' of pension benefits. For 30 institutions, an exemption applied by law to the externalization obligation. The FSMA intends to individually monitor the other 15 institutions in 2023.

The FSMA investigates the granting of individual pension plans

Employers may promise a specific employee a supplementary pension. This would be considered an individual pension plan.

To prevent, in particular, such a pension plan being used as an 'end-of-career' scheme, the legislature has attached strict conditions to the granting of an individual pension plan. One of these conditions is that granting employees a pension plan within the last 36 months of their retirement is prohibited. The FSMA has for several years been supervising, on an annual basis, compliance with that condition.

The supervision that the FSMA conducted in 2021 concerned the members who were retiring in 2020 and received an individual pension plan. That supervision showed that there were serious indications that 15 individual pension plans did not comply with this condition.

Such an infringement may be punishable by imposing an administrative fine to the organizers concerned, coming to 35 per cent of the capital or the investment capital, irrespective of the amount concerned.

Of those individual schemes, three had been granted within the last 36 months of the retirement age (65 years) and 12 within the last 36 months of the early retirement age of the members concerned.

In view of these aspects, the Management Committee of the FSMA tasked the investigations officer with an investigation of all the dossiers concerned¹⁴³.

143 See also this report, p. 172.

Follow-up investigation into the financing of group insurance

In this type of defined benefit pension plan, the amount of supplementary pension employees will receive on retirement is established in advance. In most cases, the amount depends on the number of years worked and their salary. To accrue this supplementary pension, contributions are made to a pension institution. The latter invests those amounts. If at the end of the road it looks as though the accrued amounts are not enough to pay out the promised supplementary pension, the employer has to top it up.

In an investigation in 2019, the FSMA found that certain group insurance plans entailed a high risk of shortfall. If the employer disappeared, the financing accrued would not suffice to pay out the accrued benefit in full. The accrued benefit is the amount a member is entitled to on retirement.

The FSMA published the findings of this investigation at the beginning of 2020 and appealed to group insurance plans at the time not to use calculation methods that only aimed to achieve a minimal amount of financing.

The Minister of Pensions asked the FSMA to investigate whether this appeal had had a concrete impact on the sector. For this reason, in 2021, the FSMA started a follow-up investigation for the first time in which it asked insurers to provide it with some quantitative information about the plans under their management with a minimum financing method.

From the reports received, it was found that the FSMA's appeal did not lead them to change course. There was no more prudent method used to finance pension plans with minimum finance. The quantitative data did, however, date from prior to Covid, which may explain why nothing had changed. After all, economic uncertainty in the wake of Covid could have applied the brakes to initiatives to improve the financing of supplementary pensions.

This is combined with the fact that the number of plans with minimum financing has not increased, which is a positive finding in itself. Moreover, the fall in both the number of members and the amount of accrued rights points to the extinguishing of such plans. The accrued rights are the pension rights a member employee can transfer to another pension plan when he or she leaves an employer.

Management of supplementary pensions shifts to Class 23 products

The characteristic of Class 23 products is that the value of the contributions fluctuates based on one or more investment funds. The insurance company itself does not guarantee a return, as is the case with Class 21 insurance products. In 2022, the FSMA for the first time quantified the spread of Class 23 as a form of management for supplementary pensions with the help of the information from DB2P, delivered by SIGeDIS.

Although the historical preference for Class 21 management still results in a lower presence of reserves in Class 23 in absolute terms, a number of findings suggest the beginnings of a shift towards broader entry into Class 23 management in the second pillar. As a result, the growth of reserves within Class 23 is considerably faster than the growth of reserves in Class 21. In a period of five years (2016-2021), the reserves in Class 23 increased almost fivefold (an increase of 470 per cent), while the reserves in Class 21 showed a more modest growth of 26 per cent.

The increased popularity of Class 23 moreover does not occur equally within the entire second pillar, but is influenced too by the type of supplementary pension. As a result, the highest share of reserves in Class 23 is seen within pension plans in which there is no statutory guaranteed return. That is primarily the case with supplementary pensions for self-employed company directors (WAPBL/PLCI) and with more recent forms of individual pension accrual (VAPW/PLCS and VAPZNP/PLCIPP). For supplementary pensions where there is a statutory guaranteed return, namely for employees (WAP/LPC) and the voluntary supplementary pension for self-employed persons (VAPZ/PLCI), the availability of reserves in Class 23 is considerably more modest. Especially within VAPZ/PLCI, where the guaranteed return is the responsibility of the pension institution itself, it is worthy of note that it is rare to see reserves managed only in Class 23.

Complaints handling, information, regulation and advice

Every year, the FSMA handles questions and complaints from consumers and professionals. It provides brochures with general information about the supplementary pension. As a supervisory authority, it assists with work on new legislation and gives advice about subjects that come under its competence.

The FSMA is the contact point for consumers and professionals

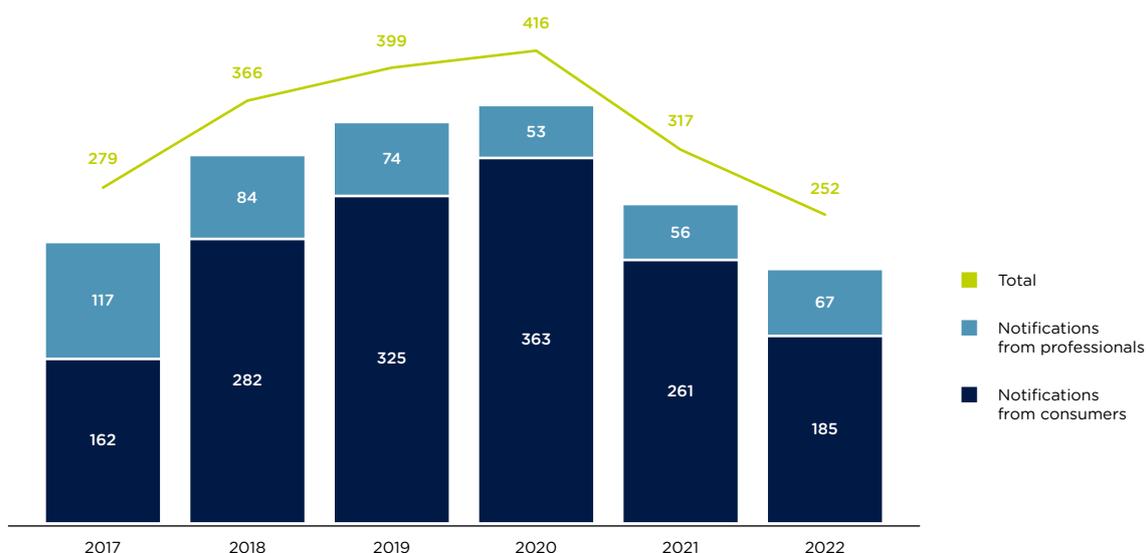
If consumers have a question or complaint about a supplementary pension, which is not resolved by their employer or pension institution, they can come to the FSMA. In 2022, the FSMA received 185 messages from consumers.

Approximately half of those messages concerned the payout of the supplementary pension upon retirement. That is a recurrent finding every year. Consumers mainly go to the FSMA for information on the payout procedure and the tax rate that applies upon payout.

Most questions or complaints about supplementary pensions came from employees (92 per cent). Only eight per cent came from the self-employed.

The FSMA is also the contact point for professionals. They ask about matters that occur in pension practice. In that context, the FSMA gives its interpretation of the legislation it supervises. In 2022, the FSMA received 67 messages from professionals.

Graph 31: Number of messages from consumers and professionals



Pension brochures for employees and self-employed persons

The FSMA has prepared brochures to inform employees and self-employed persons on their options for accruing a supplementary pension. These brochures meet the great demand among the general public for clear information about supplementary pensions. They will be available over the course of 2023.

The brochures briefly explain the three pillars of pensions in simple terms. They also describe the place of supplementary pensions therein and give an overview of the various systems of employees and self-employed persons.

To guide pension consumers as effectively as possible through the brochure, they are divided into employees and self-employed persons and structured based on the social pension plan (WAP/LPC, WAPW/LPCLS, WAPZ/LPCI, WAPZNP/LPCIPP and WAPBL/PLCI). All the information needed to understand a particular plan is collected in one chapter.

The various subjects are presented as briefly and simply as possible in order not to overload the brochures. Readers who want additional information are referred to Wikifin, the FAQ on supplementary pensions on the FSMA's website and www.MyPension.be.

The FSMA is contributing to new transparency legislation

At the request of the ministers responsible for Pensions and the Self-Employed, the FSMA has prepared draft texts for a law¹⁴⁴ supplementing the social legislation on supplementary pensions with new transparency rules from the European Pension Funds Directive, IORP II.

The information obligations introduced by the IORP II Directive until recently only applied to pension funds¹⁴⁵. They are now being extended to all pension institutions. From now on, they apply to insurance companies, too. The new information obligations will be implemented in stages.

144 Law of 26 December 2022 amending several provisions to strengthen transparency in the context of the second pension pillar, published in the Belgian Official Gazette on 2 February 2023.

145 The IORP II Directive was transposed by the Law of 11 January 2019 transposing Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs) and amending the Law of 27 October 2006 on the supervision of Institutions for Occupational Retirement Provision.

Although there are already a range of rules on information, sometimes it is not easy for members to get a clear insight into their supplementary pension. In several of the FSMA's investigations, it was found that the information on the supplementary pension lacks uniformity and is not easy to understand. For these reasons, the FSMA was keen on working on a reform of the information obligations.

To prepare the texts, the FSMA was in close contact with sectoral organizations PensioPlus, Assuralia, trade unions and employers' organization VBO/FEB. It also took advice from the Supplementary Pensions Commission¹⁴⁶, the Supplementary Pensions Commission for the Self-Employed¹⁴⁷ and the National Labour Council¹⁴⁸.

The intention is, after all, that the new Transparency Law be widely implemented. The further practical preparation of the new provision on DB2P declarations and the method of submission to www.mypension.be occurs in close consultation with the social partners and pension institutions.

Advice on small pensions and notional income

In 2022, the FSMA provided advice to the National Labour Council (NAR/CNT). The first piece of advice related to the payout procedure for small supplementary pension benefits, lower than 150 euros. The second piece of advice regarded the parameters for calculating the coefficient to convert the capital into 'notional income'.

Update of the information available online on supplementary pensions

The FSMA provides information on supplementary pensions on its website, including in the form of FAQs on supplementary pensions and on wikifin.be. It places a lot of importance on keeping this information up-to-date. It updated several amounts arising from social legislation, including as a result of the automatic indexation of income tax and exceeding the threshold index. It fine-tuned the information on the statutory guaranteed return for supplementary pensions. It provided information on extending the Covid measures and the special measures for the energy crisis, as well as the consequences thereof for the supplementary pension plan for employees and employers.

¹⁴⁶ Opinion No 41 of the Supplementary Pensions Commission on simplifying administration within the second-pillar pensions for employees, 30 May 2022.

¹⁴⁷ Opinion No 15 of the Supplementary Pensions Commission for the Self-Employed on the potential for automation with a view to reducing administration costs and costs for members, 27 April 2022.

¹⁴⁸ Opinion No 2282 of the National Labour Council on simplified payout procedures for very small pension benefits, less than 150 euros, 29 March 2022.

Prudential supervision

The FSMA exercises prudential supervision on Institutions for Occupational Retirement Provision (IORPs), generally known as pension funds, active in Belgium. It protects the rights of members and pensioners and oversees the IORPs' sound organization, and financial stability and solidity. Pension funds have to appropriately fund their pension liabilities. They must carefully value their pension liabilities and ensure prudent and sufficiently diversified investments. They must examine all the relevant risks. They must take responsibility for their organization and be transparent on their policy vis-à-vis stakeholders.

Overview, results and recovery measures

Below is an overview of the Belgian pension funds sector, its results in the period under review and information on pension funds taking remedial measures to eradicate shortcomings.

Small pension funds transfer activity to other funds

At the end of 2022, Belgium had 153 IORPs governed by Belgian law compared to 160 pension funds in 2021. The consolidation that has been going on for several years now is continuing.

Small pension funds also decided to cease their activity in the period under review. They mainly transferred their activity to other pension funds, either to multi-employer funds or existing pension funds in the same economic group. One pension fund transferred its activity to a group insurer. Another one paid out the retirement capital to its only member.

The consolidation in the pension funds sector was motivated by the increased obligations as regards governance. These arise from the entry into force of the IORP II Directive¹⁴⁹. Equally, the additional reporting requirements from the European Central Bank and European authority EIOPA, as well as increasing administrative costs may have contributed to this, too.

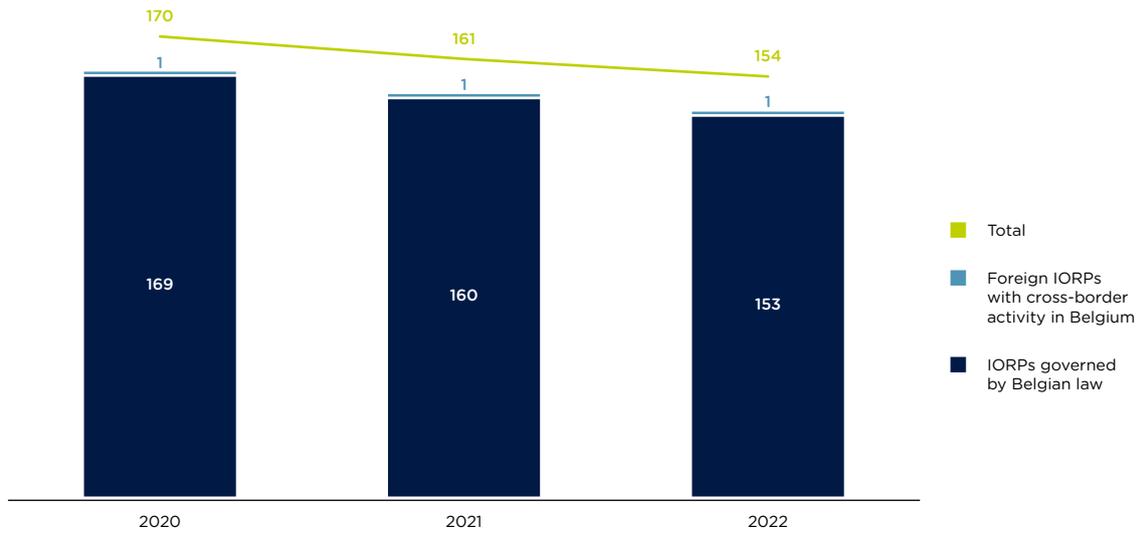
At the end of 2022, one pension fund from another Member State of the European Economic Area (EEA) managed a pension plan subject to Belgian social legislation and labour law.

Fourteen pension funds under the FSMA's supervision are active abroad. In the period under review, the FSMA received three notifications for the exercise of new cross-border activity. On top of this, there were eight notifications of a change or extension to activity already conducted.

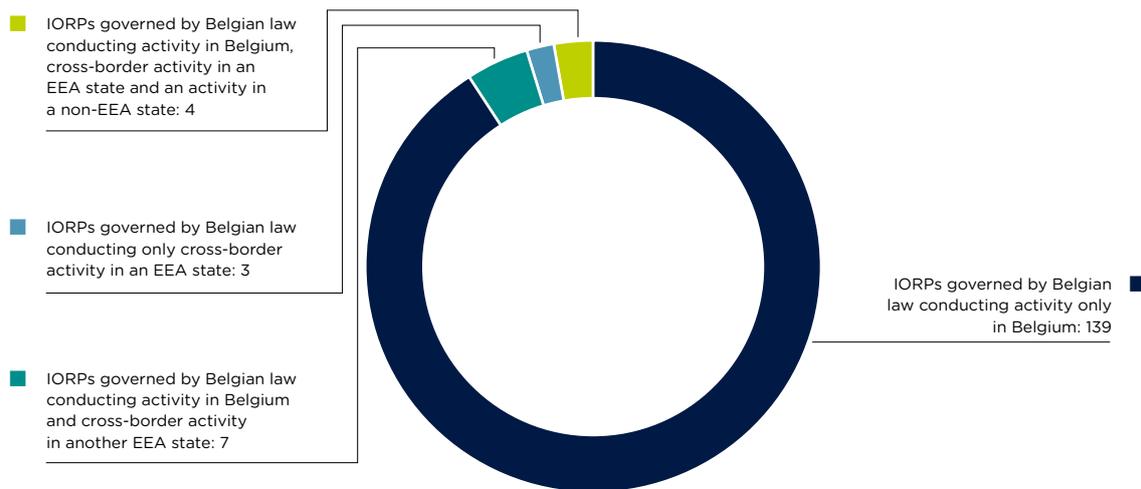
¹⁴⁹ Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORPs).

A number of key figures on the pension fund sector are shown in the following graphs. More statistics on the sector can be found on the FSMA's website¹⁵⁰.

Graph 32: Number of IORPs

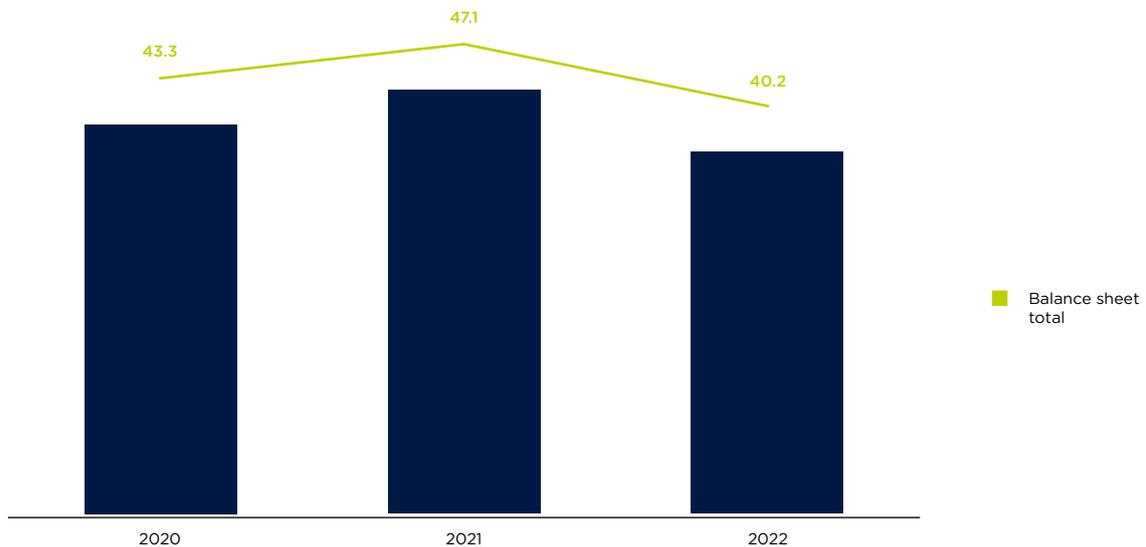


Graph 33: Number of IORPs governed by Belgian law (in 2022)



150 See the sectoral overview.

Graph 34: Balance sheet total of IORPs governed by Belgian law (in EUR billion)



Negative impact of events in Ukraine

In 2021, pension funds obtained very high returns of more than eight per cent. The events in Ukraine, the subsequent energy crisis and the inflation associated therewith caused a considerable U-turn. Partly because of the poor results in the stock exchanges, the balance sheet total fell in 2022 from 47.1 to 40.2 billion euros. This is a fall of almost 15 per cent.

Inflation rose considerably in 2022, after already rising in 2021 prior to the Ukraine war. To ease inflation, in 2022, the ECB raised its policy interest rates several times, making the yield curve go up.

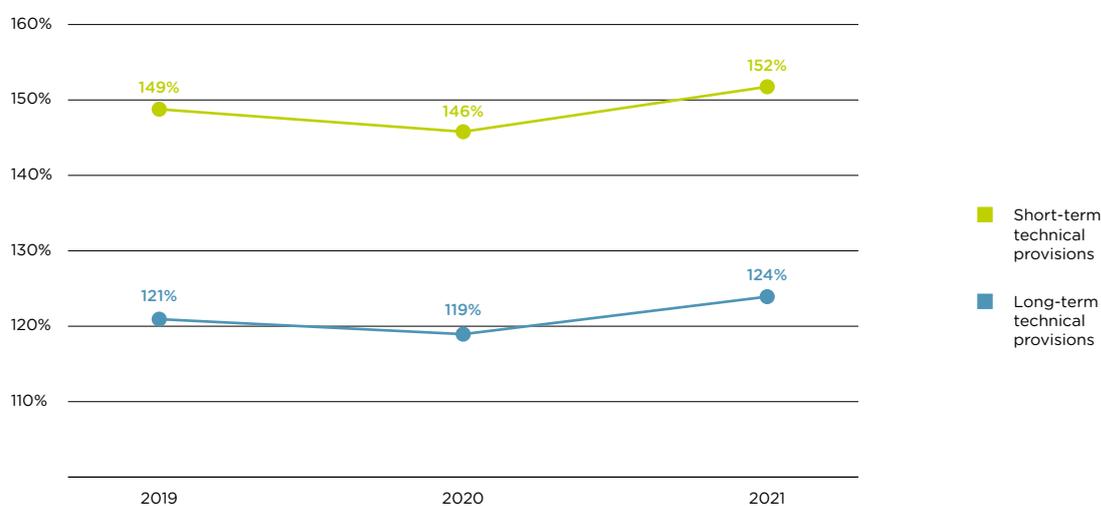
The rising interest rates led to a fall in the market value of the bonds in pension funds' portfolios. Because of inflation, the pension liabilities of some pension funds increased. This combination contributed to worsening the financial situation of pension funds.

The FSMA urged pension funds to be cautious. It asked them to await the further evolution of interest rates before reviewing their financing plans.

Pension funds take recovery measures

The coverage ratio shows the means a pension fund has to continue to meet its requirements. Technical short-term provisions are in line with accrued rights. These are the pension rights that members can transfer to another pension institution if they leave their employer. The technical long-term provisions are formed by a prudent estimate of pension liabilities managed. At the end of 2021, the short- and long-term liabilities of the sector came to 152 and 124 per cent respectively, a slight rise compared to the percentages at the end of 2020.

Graph 35: Evolution of the level of coverage



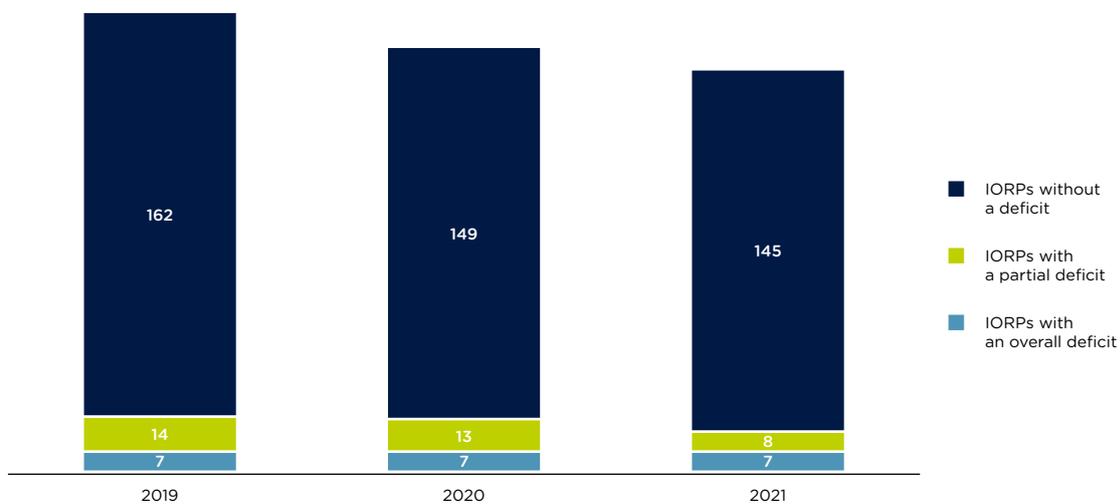
Pension funds with a level of coverage of under 100 per cent, which therefore have a funding gap, must take recovery measures to remedy this gap. Such a gap may occur at the level of the fund as a whole – an ‘overall deficit’ – or at the level of the pension plan of one or more sponsoring undertakings – a ‘partial deficit’.

Seven pension funds had an overall deficit at the end of 2021. That number remained the same in 2020 and 2021. The number of pension funds with a partial deficit fell slightly (eight at the end of 2021, compared to 13 at the end of 2020).

Funding gaps primarily occurred with regard to long-term pension liabilities. At the end of 2021, only three IORPs showed a short-term gap.

Because of the geopolitical context and the associated socioeconomic uncertainties and volatility on the financial markets, the FSMA closely monitored the financial markets of the pension funds during the second half of the period under review. It regularly assessed their level of coverage itself. The IORPs with a level of coverage assessed as insufficient were asked to closely monitor their financial situation and where necessary prepare recovery measures, as well as to inform the FSMA thereof.

Graph 36: Number of IORPs with/without a deficit



FOCUS 2023

The FSMA recurrently assesses the level of coverage of IORPs itself. Based on this, it expects the number of IORPs with a funding gap to have considerably increased by the end of 2022, and therefore that in 2023 a large number of new recovery measures will be on the cards.

On the other hand, it is possible that pension funds seize the interest-rate rises as an opportunity to increase the discount rate they use to calculate technical reserves¹⁵¹, thereby avoiding a funding gap. The volatility on the financial markets however, requires caution. The evaluation of the structural nature of the increase in interest rates is a very important focal point in this respect. For that reason, in 2023, the FSMA will not only focus particular attention on IORPs with a funding gap, but also subject the pension funds that increase the discount rate to specific screening.

¹⁵¹ The technical provisions reflect the pension liabilities that an IORP manages. They are the current value of the pension payouts in the long term. That current value is calculated using a discount rate on the future pension benefit.

Stress test, investigation, advice and inspection

In the period under review, the FSMA assisted with a European stress test for pension funds. It examined whether key staff of pension funds had enough time and resources to duly perform their roles. Advice was given on investments in fossil fuels by pension funds. It checked the Own Risk Assessment of pension funds and conducted inspections on their data management.

Negative market developments: stress test measures temperature of pension funds

Since 2015, the European Insurance and Occupational Pensions Authority (EIOPA) has been organizing regular stress tests for pension funds. Their aim is to see how they react to adverse market conditions and to see what the potential consequences could be for financial stability.

To measure the impact of an unfavourable scenario, a stress test examines the financial situation of pension funds in a simulated stress situation. More particularly, the level of coverage of their pension liabilities and any funding gaps are examined in that stress scenario.

To measure the impact on financial stability, the 'transmission effects' or 'second-round effects' of an adverse scenario are looked at. Pension funds can directly disrupt financial markets if they dispose of assets en masse by changing their investment policy because of adverse market conditions.

An unfavourable scenario can also indirectly have an impact on economic stability. Companies' revenue and investment capacity can be jeopardized if they are forced to remedy funding gaps in their pension liabilities.

From the preparation to the publication of results, a stress test takes approximately five quarters. How does this work?



How is a stress test done?

1. Topics

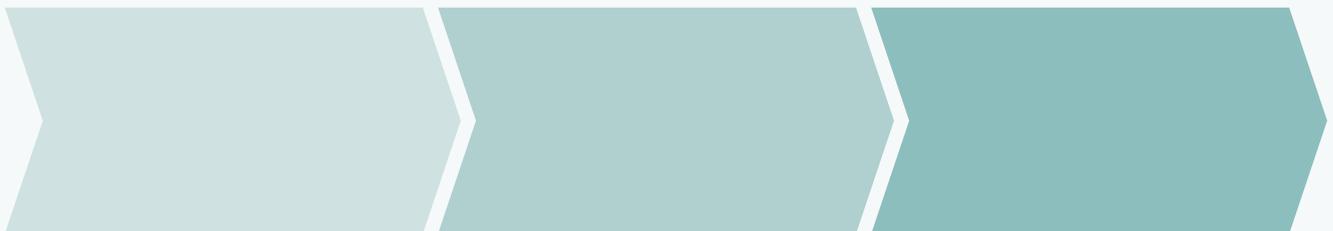
EIOPA draws up a roadmap.

That contains all the topics of the stress test, such as the unfavourable scenario the pension funds encounter, how pension funds have to measure the impact of the unfavourable scenario, the percentage of participation etc.

2. Development

EIOPA works out the technical specifications of the stress test in detail.

The European Systemic Risk Board (ESRB), in close collaboration with the European Central Bank (ECB), develops the unfavourable scenario. The final calibration of the scenario occurs just before the launch of the stress test so that it is based on the most recently available economic and financial data.



3. Selection

Conducting a stress test is a complex and costly exercise. For proportionality reasons, not all pension funds have to participate.

EIOPA does, however, impose minimum criteria for taking part in a stress test. It does that first and foremost on the basis of the scale of the overall sector in each Member State. Participation in a stress test is obligatory for all Member States with a national second-pillar sector greater than 500 million euros. That is the case for Belgium.

Furthermore, EIOPA lays down minimum participation percentages in terms of managed assets for participating Member States. In 2022, it was 60 per cent.

4. Implementation

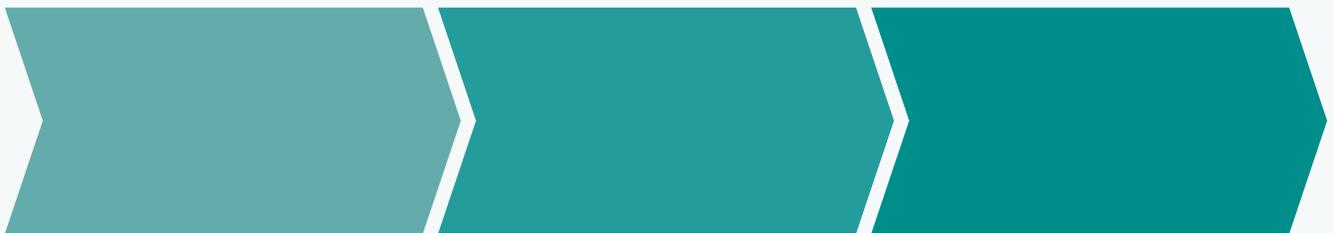
The selected pension funds conduct the stress test and examine the effects on their financial situation. To do so, they follow the national valuation rules and the Common Balance Sheet developed by EIOPA, based on a harmonized method, which makes it easier to make comparisons between Member States.

Depending on the goals, EIOPA can impose different exercises (cash flow analysis, pension projections etc.).

5. Validation

National supervisory authorities examine and validate the results. For example, they check whether the pension funds have fully completed the stress test reports, whether the data are coherent with the reporting details they have and whether the results are in line with expectations.

Then, with the support of the national supervisory authorities, EIOPA conducts a central validation. In particular, they focus their attention on gaps or incoherent information, and on outliers. These are pension funds with very differing data.



6. Analysis and publication

EIOPA analyses the results and summarizes them in a report. The report is usually published in mid-December.



TOBIAS DE VOLDER TALKS ABOUT EIOPA'S STRESS TEST

“The results from Belgian pension funds are among the top in Europe”

In 2022, EIOPA organized a climate stress test for the first time to gain an insight into the effect of environmental risks on the pension funds sector. “Belgian pension funds are prepared to absorb a climate shock”, says pensions specialist *Tobias De Volder*.

A climate stress test? What does that entail?

“A climate stress test can come in many forms. EIOPA's test in 2022 looked at how pension funds react to an abrupt change in climate policy.

For this, EIOPA worked with the ECB to develop a stress test scenario based on a sudden and disorderly transition to a green economy with a sharp rise in carbon prices. The rise in carbon prices has repercussions for the entire economy, including a fall in share prices and an increase in interest rates.

In this scenario, no account is taken of the physical consequences of climate change such as extreme drought or floods.”

What pension funds took part in this exercise?

“In total, 187 pension funds from 18 Member States took part in this stress test exercise. 15 of these were Belgian pension funds. They represent approximately 60 per cent of the assets of the Belgian supplementary pension fund sector and they form a representative sample of the sector”.

What is the overall impact of this climate scenario on the participating pension funds?

“This scenario has a material impact on the market value of the assets of the global European pension funds sector. It falls 13 per cent.

The impact varies depending on the type of supplementary pension scheme. There are DB plans, which entitle members to receive a fixed pension payment, and there are DC plans, in which the return from the pension fund affects the pension payment.

Pension funds with DB plans were overall able to absorb the shock on assets well. In this case, employers do not have to make any additional payments in order to finance the retirement benefits commitment. Members of DC plans, however, entirely or partly bear the financial risk themselves. Their pension rights are therefore affected.”

How did Belgian pension funds perform?

“Under the stress test scenario, Belgian pension funds show one of the highest funded statuses, second only to Scandinavian pension funds, for DB pension liabilities. Thanks to their ample financial buffers, Belgian pension funds were properly able to absorb the stress test's climate scenario.

For DC plans, Belgian supplementary pension legislation provides for a protection mechanism in the form of a statutory guaranteed return. If the pension fund does not achieve this minimum return at the time of transfer or payout of the pension rights, the employer must make up the shortfall. This limits the downside risk for members.”

“For EIOPA, the results are an important tool for the supervision of financial stability.”

What happens with the results of the stress test?

“For EIOPA, the results are an important tool for the supervision of financial stability and for drawing up its policy. Given that not all Belgian pension funds take part in the stress test, the FSMA has not planned any individual follow-up action.

No conclusions could be drawn from the results of this stress test about the current macroeconomic situation. We can't compare the results with previous stress tests because they are based on a different principle.”

System for assessing the number of mandates of a key function holder

The Law on the Supervision of Institutions for Occupational Retirement Provision (IORP Law) sets out that IORPs must have holders of four key functions: the compliance function, the internal audit function, the risk function, and the actuarial function. Those key function holders must pass a 'fit & proper' test from the FSMA before starting their function. They must also have the necessary resources at their disposal, such as the time needed to exercise their function.

In the examination of the candidatures, the FSMA found that certain natural persons exercised a great number of key function mandates, including directly or indirectly as permanent representatives of legal entities.

Following this finding, the FSMA examined whether those concerned had the time and resources needed to properly exercise their function.

That led to the development of a method to determine whether a new mandate is able to be accepted in view of the availability requirement for a key function holder. The main parameters of this method are the type of key function and the complexity of the IORP in which the mandate is exercised.

When someone is examined as part of the new appointment or a renewal of an appointment, the FSMA now examines their availability using this method. Where applicable, the FSMA contacts them to ask for further information or to ask that they give up one or more mandates or candidatures.

Advice on investments in fossil fuels

Further to the energy agreement of 18 March 2022, the federal government decided to organize a consultation with the financial sector aiming to gradually phase-out investments in fossil fuels in second and third pillar pensions. The Federal Public Service Health, Food Chain Safety and Environment, which was consulted in this context, advised that an exclusion policy be drawn up for investments in companies active in fossil fuels. On 15 July 2022, the Minister responsible for Pensions, and the Minister responsible for Finance asked the FSMA for advice on the recommendation of the Federal Public Service. On 20 September 2022, the FSMA provided its advice to the Ministers.

Guidelines on the unique identifier for legal entities

On 1 July 2022, the new EIOPA guidelines on the unique identifier for legal entities (LEI) entered into force. The FSMA published a communication¹⁵² on the implementation of these guidelines to institutions under its competence.

As regards pension funds, the FSMA asks based on these guidelines that at least the IORPs with a balance sheet total of 1 billion euros or more have an LEI code and use this for their identification. In that way, the FSMA can comply with the obligation to use these LEI codes in the information that they must provide EIOPA about pension funds.

Pension funds assess their own risks

A major objective of the IORP II Directive is to encourage pension funds to actively manage their risks. They have to appoint a risk management function holder, set up a risk management system and conduct an Own Risk Assessment (ORA) at least every three years.

An ORA serves as an overall assessment of all risks to which the IORP is exposed and of the risk management conducted. The ORA must be structured so that the IORP may obtain a holistic overview of its risk profile and understand how risks can influence its proper functioning and compliance with its obligations. The FSMA detailed its expectations with regard to the ORA in its Handbook for IORPs on the implementation of the IORP II Directive¹⁵³. This is in close keeping with the EIOPA Opinions on governance and risk management.

All pension funds had to complete their first ORA by 13 January 2022 and report on this to the FSMA. In the period under review, the FSMA checked a representative sample of pension funds to assess the quality of the ORA reports. It found that pension funds had put a lot of work into properly conducting their first ORA and preparing a high-quality ORA report on the subject. This does not, however, mean that the FSMA did not find a great deal of diverse approaches and room for improvement in some aspects of the reporting. The FSMA will provide feedback to the sector in the course of 2023.

152 See Communication FSMA_2022_17 of 24 May 2022: Use of the legal entity identifier (LEI) code: implementation by the FSMA.

153 See the FSMA Handbook FSMA_2022_01 of 14 December 2021: Implementation of IORP II and the EIOPA Opinions on governance and risk management.

Campaign of inspections on data management exposes shortcomings

In 2022, the FSMA pursued its campaign of inspections, which it started in 2021, on data management. It is essential to have members' correct identification, salary and career information, as this forms the basis for accurate calculation of pension rights.

Managing this data is crucial for properly managing pension commitments and guaranteeing members' pension rights. The inspections examined the quality of the data management process. Particular attention was paid to the risks in terms of business continuity, fraud, cybercrime and legislation and regulations. For that latter risk, the FSMA investigated whether IORPs take into account new changes in social legislation in their data management.

The FSMA completed this campaign in 2022. The overall findings from the inspections showed a positive trend in terms of automation of the data management process and enhancement of the verification procedures to tackle fraud and cyber risks. IORPs also overall properly implemented the new aspects of the social legislation in their data management process.

The FSMA's findings equally showed some room for improvement. The procedural framework and internal control measures could, in many cases, be improved. Based on data analysis, the FSMA regularly found errors in the data. Sometimes, there was a lack of checks on data and calculations, or the checks were insufficient.

The quality control of the data delivery process sometimes left a lot to be desired. This is the data stream from the employer to the IORP or its service provider. In certain cases, the FSMA identified differences between the data in the DB2P and the IORP's database. Pension funds furthermore do not make enough use of certain data that SIGeDIS automatically provides.

The FSMA additionally identified a number of incidents with an increased risk. These situations primarily related to changes of pension institution, service provider and data management system.

Finally, the FSMA identified that internal audit function holders often fall short when it comes to checking the data management process.

The FSMA provided individual feedback statements to the pension funds involved in the campaign of inspections.



COMBATING FINANCIAL INFRINGEMENTS

An infringement of financial legislation may be punished by the FSMA with an administrative sanction in the form of a fine, imposed by an independent Sanctions Committee, or can lead to an agreed settlement.

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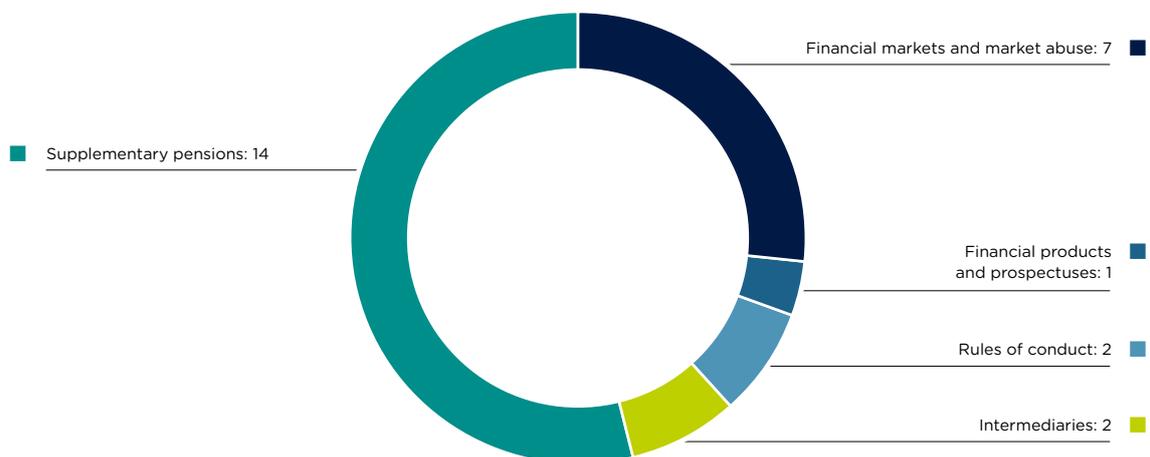
Investigation of dossiers and the role of the investigations officer

When the Management Committee of the FSMA identifies strong indications of a practice liable to give rise to an administrative fine, it tasks the investigations officer with investigating the dossier. Certain investigative powers are granted to the investigations officer and teams. They may ask to be given written information, or ask for details of telecommunications, question a person or seize certain data. Once the investigation is complete, the investigations officer provides the final report to the Management Committee. The Management Committee may then require further investigative duties to be carried out, it may transfer the dossier to the Sanctions Committee, accept an agreed settlement or close the case.

26 new investigations opened in 2022

In 2022, the Management Committee opened 26 new investigations¹⁵⁴.

Graph 37: Thematic overview of investigative dossiers opened in 2022



¹⁵⁴ This figure does not include investigative dossiers that the FSMA has launched as part of requests for cooperation from foreign supervisory authorities. For more information on how such requests are handled, see this report p. 177.

Possibility of reaching an agreed settlement

There is the possibility of closing a dossier with an agreed settlement. It is the Management Committee of the FSMA that may decide to accept an agreed settlement. Nevertheless, a number of conditions have to be met for this. The person involved must have cooperated with the investigation and have agreed in advance to the proposed agreed settlement.

In 2022, the Management Committee, on the proposal of the investigations officer, accepted 24 agreed settlements for a total amount of 1,573,160.97 euros.

All the texts of these settlements that were closed in 2022 can be found on the FSMA's website. For illustration purposes, we describe some of these agreed settlements below.

Some agreed settlements reached in 2022

Agreed settlement relating to market manipulation

On 5 April 2022, the FSMA accepted an agreed settlement regarding market manipulation with a company listed on Euronext Brussels and the CEO and CFO of that company at the time, and with a stockbroking firm and several members of staff of that stockbroking firm. The agreed settlement consisted of the payment of a total of 397,500 euros and a publication with name on the FSMA's website for 6 months.

The FSMA had identified infringements of the prohibition on market manipulation as part of a share buy-back scheme by a company listed on the Euronext Brussels continuous market. This ensued in the FSMA opening an investigation into potential breaches in operating that buy-back scheme, which ran from 1 June 2017 to the end of March 2018. As part of this, it analysed transactions conducted across 23 trading days shortly before close of trading. Based on that analysis, the FSMA judged that those transactions aimed to push up the closing price of the company's shares.

The FSMA detected that contacts from the listed company and the stockbroking firm had agreed on how they could make the share price rise just before market close.

The FSMA's investigation showed that the transactions executed on each of the investigated days had, albeit by a limited amount, indeed increased the closing price of the share. According to the FSMA, false or misleading signals were given to the market in this way, resulting in the investors who were trading based on the listed prices being misled. The FSMA's findings showed that the prohibition of market manipulation had been breached.

Agreed settlement for non-compliance with certain MiFID conduct of business rules

On 31 May 2022, the FSMA accepted an agreed settlement with a credit institution governed by Belgian law that had not complied with certain MiFID conduct of business rules and associated organizational rules relating to the suitability and appropriateness of the services provided (duty of care). The agreed settlement consisted of a payment of 500,000 euros and a publication with name on the FSMA's website.

At the time of the investigated facts, the credit institution concerned provided investment services, including investment advice, to retail investors. The credit institution had to comply with the MiFID (Markets in Financial Instruments Directive) rules that applied at the time.

That legislation determines that, if investment advice is given to customers, information must be gathered about their investment objectives, financial situation, and knowledge and experience. That way, the suitability of certain transactions may be determined. MiFID also contains rules about the company's appropriate organization, the internal control procedure and the storage of certain data.

The FSMA investigated compliance with the MiFID rules. It transpired that in the questionnaire that the credit institution used to test customers' knowledge and experience, certain important investment risks were not mentioned. No distinction was made between certain categories of investment products. It also identified shortcomings in the assessment of the customers' experience and the suitability of the transactions, as well as in the internal controls of the system and the data storage.

Based on its investigation, the FSMA concluded that the credit institution infringed certain MiFID rules, including about obtaining information on the customers' knowledge and experience, assessment of the suitability of the transactions, the internal control conducted of the system and data storage. Since then, the company amended and reinforced its rules, systems and procedures regarding those points.

Agreed settlements regarding abuse of inside information

In 2022, the FSMA accepted two agreed settlements for 25,831 euros and 34,149 euros respectively for infringements of the provisions on abuse of inside information. The two settlements were published with names for three months.

The Market Abuse Regulation prohibits anyone from engaging or attempting to engage in insider dealing. Engaging in insider dealing means that a person who has inside information uses that inside information by, inter alia, selling financial instruments to which this inside information relates for their own account.

On 26 April 2022, the FSMA agreed to a settlement of 25,831 euros. On 18 February 2021, a company listed on Euronext Brussels governed by British law announced its intention to raise 20 million euros through a private placement of new ordinary shares. In that private placement, one credit institution acted as the only bookrunner.

The natural person concerned was at that time Senior Private Banker at the Belgian branch of a European bank, which was one of the potential investors that the bookrunner approached in the market sounding prior to the private placement. He was the contact of the bookrunner at the bank concerned.

This was the context in which that person on Monday 15 February 2021, 6 minutes after he had received the information about the planned private placement, placed a sell order for himself of 1,980 shares of the company concerned at the market price. According to the FSMA, the sale of 1,980 shares by that person on Monday 15 February 2021, when he was aware of the planned private placement, which was announced on Thursday 18 February 2021, constituted insider dealing, which is prohibited by the Market Abuse Regulation.

The second settlement that was agreed on 20 December 2022, for 34,149 euros, concerned a natural person who was the financial director of a Belgian listed company between 2007 and 2018 and after that, between July and September 2019, the director of a bank.

On 10 September 2019, the listed company announced a capital increase via a private placement of new shares. This announcement caused the share price to fall sharply, by 26.19%.

On 29 August 2019, the person concerned sold 1,653 of the company's shares and tried to sell 10,000 other shares as part of a transfer under discretionary management. If he had sold those 1,653 shares after the announcement of the capital increase, he would have lost 4,149 euros. In the week prior to the disputed orders, the person concerned, as part of his professional activities, had contact with insiders of the planned capital increase of the listed company.

The FSMA deemed that the person concerned had used inside information about the capital increase of the listed company when he sold and tried to sell his shares, which can be qualified as insider dealing, and which is prohibited by the Market Abuse Regulation.

Agreed settlements with regard to reporting of managers' transactions

Pursuant to Article 19 of the Market Abuse Regulation, persons discharging managerial responsibility in a company that is listed on a regulated market or a multilateral trading facility must, above a certain threshold, inform the FSMA and the issuing institution, within three days, of their transactions in the financial instruments of that issuing institution¹⁵⁵.

The FSMA agreed 4 settlements in 2022, on 1 February, 5 July, 30 August, and 6 September respectively with people who did not comply with this reporting obligation. These agreed settlements came to 7,500 euros, 40,000 euros, 30,000 euros and 100,000 euros and were also published with names on the FSMA's website for a period of 3 to 6 months, depending on the circumstances.

Legal proceedings

In a decision on 6 October 2020, the Sanctions Committee identified an infringement of the prohibition of market manipulation and imposed a fine¹⁵⁶. An appeal was lodged against this decision at the Market Court. In a judgment dated 23 March 2022, the Market Court overturned the Sanctions Committee's decision and ordered the publication of the decision to be removed from the FSMA's website. The FSMA lodged an appeal with the Supreme Court against this judgment. In a judgment handed down on 10 February 2023, the Supreme Court upheld the FSMA's appeal against the judgment of the Market Court dated 23 March 2022. The Supreme Court, having overturned the judgment of the Market Court, sent the case back to that court, sitting in a different configuration.

¹⁵⁵ See also this report p. 104.

¹⁵⁶ See the 2020 FSMA annual report, p. 176.

The international dimension of combating financial infringements

In 2022, the FSMA received 25 requests for international cooperation from foreign supervisory authorities compared to 15 in 2021. It responded to all these requests within an average of 32 days, depending on the nature and scale of the investigative duties to be conducted. Often, in this context, the request is to identify the beneficiaries of a transaction.

Sometimes, the FSMA is asked to gather information from an issuer or a digital communication operator, or to organize a hearing of people suspected to have committed an infringement, or of witnesses.

In 2022, the FSMA sent 17 requests for cooperation itself to foreign competent authorities compared to 21 in 2021.



10 JAAR ANS DE wikifin

To be continued

- 2023**
 Spel basisonderwijs
 Jeu pour l'enseignement primaire
- 2022**
 Wikifin Lab:
 Bezoek ministers van Onderwijs
 Visite des ministres de l'enseignement
- 2021**
 Wikifin.be 2.0
 Web
- 2020**
 Opening / Inauguration Wikifin Lab
- 2019**
 Schoolcampagne
 Campagne enseignement
- 2018**
 Spaarcampagne
 Campagne Épargner
- 2017**
 Erfenisimulator
 Simulateur héritage
- 2016**
 De Week van het Gold 1st editie
 La Semaine de l'Argent
- 2015**
 Conferentie financiële educatie
 Conférence sur l'éducation financière
- 2014**
 iMMOsimulator
 Simulateur immobilier
- 2013**
 Lancering / Lancement Wikifin

wikifin
www.gisfsa.be

FSMA
 Het Federaal Instituut voor de Bescherming van de Consument en de Financiële Markten
 Le Service Fédéral de la Protection des Consommateurs et des Marchés Financiers

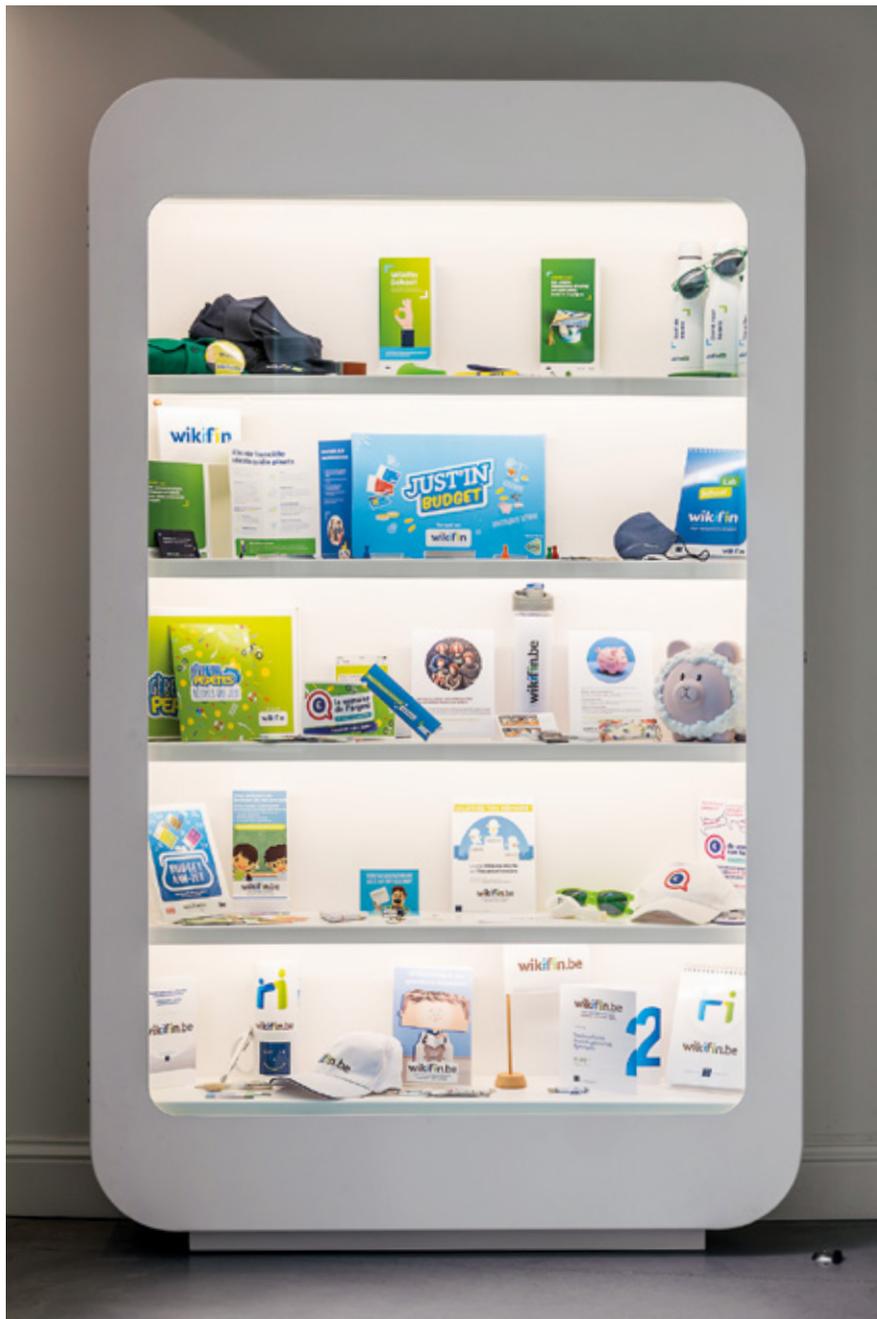
FINANCIAL EDUCATION

The FSMA is tasked with contributing to financial education in Belgium. In 2013, it set up Wikifin for that purpose, a programme that develops initiatives to improve the population's financial literacy. This programme is constantly evolving and is based on three components:

- an offer for the general public, including via the website Wikifin.be;
- the platform 'Wikifin School', which offers free educational support for teachers;
- the 'Wikifin Lab', a centre offering an interactive experience for financial education, where secondary school pupils can experiment with different day-to-day financial situations.

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At the beginning of 2023, the FSMA celebrated the tenth anniversary of the launch of the Wikifin programme. On this occasion, a glass cabinet was placed in the Wikifin Lab containing objects, boxes of games and photos to illustrate the various FSMA initiatives on financial education over the past 10 years. During Money Week, the FSMA organized an event with various organizations involved in financial education. During that event, participants could share their initiatives with each other, and exchange ideas on good practices on financial education.



The Wikifin.be website, communication campaigns and the Wikifin newsletter

Wikifin.be: independent, reliable and practical financial information for consumers

Over the past ten years, the website www.wikifin.be has met with great success, with more than four million visits per year. The aim of the website is to give consumers independent, reliable and practical financial information on money matters.

Over the past few years, the FSMA has been expanding the website. In 2022, information was added on the health & welfare lasting power of attorney, judicial sequestration and universal banking. In addition to the information on day-to-day money matters, the website contains a host of new calculation tools, including the popular inheritance simulator (consulted 790,000 times) and current account comparison tool (consulted 650,000 times). The inheritance simulator gives consumers an idea of how their inheritance will be divided up and how much their heirs will have to pay in inheritance tax. With the current account comparison tool, consumers find out what current accounts best fit in with their requirements.

Campaigns highlight the Wikifin website

To boost Wikifin's position as the number one independent and reliable source for all questions on money matters, the FSMA set up ongoing and ad-hoc campaigns so that consumers can easily find their way to the Wikifin website. The ongoing campaigns occur through small ads on Google and regular messages on social media.

In 2022, the Wikifin website was promoted through online advertisements and radio spots. Consumers were reassured with the message "You can't be an expert at everything. Luckily, Wikifin is here for your questions about money".



This campaign met with great success. In total, the adverts were shown more than 19 million times and the number of visits to the website grew by 35 per cent.



YASEMIN VOLDERS TALKS ABOUT THE ADVERTISING CAMPAIGNS FOR WIKIFIN

“Wikifin is the only independent and reliable source for all questions on money matters”

Since its launch in 2013, the Wikifin website has met with great success. The number of visits to the website increases every year. “We promote the Wikifin website with ongoing and ad-hoc campaigns so that it continues to be the go-to for all questions on money matters”, says *Yasemin Volders*, communications project manager for Wikifin, the FSMA’s financial education programme.

Can you explain what makes Wikifin.be a go-to for all questions on money matters?

“Consumers are very often faced with questions on money matters that they don’t know the answer to. With the Wikifin website, the FSMA aspires to help consumers with these questions. The website contains practical information on a lot of varied themes such as budget management, insurance, inheritance, tax returns, investing, pensions, mortgages, and more. As an autonomous public institution, the FSMA provides this information for free, independently of private financial players. That makes Wikifin the only independent and reliable source for all questions on money matters”.

How does Wikifin promote its website to the general public?

“We promote the Wikifin website with ongoing and ad-hoc campaigns so that it continues to be the go-to for all questions on money matters. We place ongoing advertisements on Google for when users are searching for specific information. We also conduct targeted awareness-raising action in the media to increase Wikifin’s brand awareness among the general public. In 2022, we placed particular focus on radio and social media. We did not only create a whole range of humorous radio spots, we also created videos and advertisements for Spotify, Facebook, Instagram and YouTube. We also send our Wikifin newsletter out monthly.”

What was the message of the campaign in spring 2022?

“The spring campaign’s title was ‘You can’t be an expert at everything. Luckily, Wikifin is here for your questions about money’. This humorous and

reassuring campaign really lent itself well to reaching the largest proportion of the general public possible and tackling a broad range of themes. The campaign also emphasized the reliable and independent nature of Wikifin”.

Did this campaign achieve its goal?

“Yes. We conducted a really successful campaign on the Belgian radio. The radio spots were broadcast daily for four weeks on all large radio stations in both parts of the country. The online adverts were shown in total more than 19 million times. That culminated in a clear increase in interest for Wikifin. The Google searches for Wikifin rose 86 per cent and the number of visits counted on the website rose 35 per cent. The campaign definitely hit its mark”.

“The campaign culminated in a clear increase in interest for Wikifin.”

What do you most like about your job as Wikifin communications project manager?

“As a communications project manager, I work with different colleagues, services, external partners and suppliers to coordinate all aspects of our communications strategy and bring our projects to a successful conclusion. That makes for very varied work! I find it especially enjoyable to work in a team, because I learn a lot from working with colleagues. It gives me a great deal of satisfaction to know that we are aspiring to make a positive impact to society through Wikifin!”

Monthly Wikifin newsletter informs on money matters

Almost 20,000 subscribers received the monthly Wikifin newsletter in 2022. The newsletter includes information on new developments relating to money, and handy tips on day-to-day money matters. This newsletter covers a very diverse range of themes, such as tax returns, saving for a pension, budgeting for students, inflation etc.

Wikifin is there to answer questions from consumers and teachers

Consumers and teachers alike may contact the FSMA through the contact form on the Wikifin website. In 2021, there was a huge rise in the number of questions received via this route. In 2022, the number of questions remained high.

The large majority of questions come from consumers and teachers. Questions from consumers (510) cover a range of subjects: taxes, inheritance, investments, supplementary pension, insurance and loans etc. Teachers (1,000) mostly contact the FSMA about educational materials from Wikifin School and about the Wikifin Lab.

Wikifin School supports teachers

Since the launch of the Wikifin programme, youngsters constitute an important target group. Experts agree that youngsters should start learning about dealing with money from a young age. Schools reach a large number of them. That is why the FSMA puts a lot of emphasis on supporting teachers. This happens through the Wikifin School by supplying educational material and training, and via the Wikifin Lab. The annual 'Money Week' creates an important momentum to do school work on the subject of money matters.

To underline the importance of financial education, the Flemish Minister for Education, Ben Weyts, and the French-language Minister for Education from the Wallonia-Brussels Federation, Caroline Désir, both visited the Wikifin Lab in 2022. During this visit, they received an overview of the FSMA's initiatives for education, as did representatives from the various school networks, and voiced their appreciation for this.

Educational material meets with great success

Through the Wikifin School platform on the Wikifin website, teachers have free access to very varied and diverse teaching materials. Teachers can use the materials in different forms: more than 250 lesson plans, educational games, interactive tools, videos and background information for teachers. This material is constantly being added to. In 2022, among other things, a new document was offered to teachers on the very current subject of inflation.

This material is in line with the attainment targets for secondary education in Flanders and takes into account the common-core syllabus of the Pact for Educational Excellence in French-language education. That means that there is material available for all years of secondary education. The materials cover a lot of topics: payment methods, budgets and budget management, money and society, borrowing, saving and investing and responsible consumption. The number of teachers that use these materials increased greatly to more than 16,000. The lesson plans have already been downloaded a total of 147,000 times. Teachers are updated on what is new several times a year through the Wikifin School newsletter.

Money Week

In 2022, the aim of Money Week is to highlight the importance of financial education and generate discussions about money matters. With 'Money Week', the FSMA creates an important momentum for teachers to work with money matters in class. During this week, 75,000 pupils from primary and secondary schools took part in a variety of activities.

Online lessons from financial experts about saving and investing

Saving. Why is it useful? What is the stock market? Investment. How do I start? How can you avoid getting conned into investing? More than 6,000 pupils in secondary education discovered the answers to these questions live during online lessons. Michaël Van Droogenbroeck (VRT) and Ewald Pironet (Knack) explained everything clearly and concisely for pupils in Dutch-language education. Bruno Colmant, a renowned economist and university professor, gave a lesson to the pupils in French-language education. The lessons were broadcast from the Wikifin Lab during Money Week. The pupils were able to ask any questions live through the chat.

50,000 pupils played budg€tpret and Just'in Budget

With the free games, 'budg€tPRET' and 'Just'in Budget', Wikifin helps third-year to sixth-year primary school teachers with presenting financial education in classrooms in a fun and informative way. The pupils were taught to manage a budget while having fun. During Money Week 2022, more than 50,000 pupils played these games.

More than 800 classes participate in the Wikifin Quiz

More than 800 secondary school classes honed their knowledge of money matters with the Wikifin Quiz. The Quiz covered themes such as budget management, saving, payment methods and fraud.

Study on young people and the stock market

Did the increased interest in the stock market persist? How do young people invest in the stock market? What do they invest in? At the beginning of Money Week the FSMA presented the results of the survey on young people and the stock market in a webinar. More than 750 interested parties signed up for this webinar.

Wikifin Lab

A unique experiential learning centre for financial education

The Wikifin Lab is an interactive experiential learning centre for financial education. It opened its doors in September 2020. Established in Brussels, it spans more than 1,000 square metres. Currently, it is dedicated to pupils from secondary education who follow a fun tour that immerses them in the world of money. There, they can experiment with different day-to-day financial situations. This helps them improve their knowledge of a number of basic financial mechanisms.

During the two-hour tour, the following themes are covered:

- what influences my consumption behaviour?
- what options do I have for saving?
- what impact do my choices have on society and the environment? and
- how do I balance my budget?

The course alternates between:

- games for small groups of 3 to 5 players;
- individual tasks; and
- educational debriefing moments with the whole class, with a presenter who stimulates group interaction.

Every pupil has their own tablet that presents the tour. The tablet is also used for a few of the games.

A team of permanent presenters guide pupils during their visit. In addition, staff from the other FSMA services take on some presenting tasks. These 'occasional' presenters are trained to steer pupils through the educational tour and have learned techniques for guiding a group.

Each group of pupils is accompanied by a presenter who adds educational moments to stimulate their critical mind and help them remember the knowledge they have acquired.

The visit is finished with a film in which youngsters tell their stories about money matters. This aims to incite pupils to take money matters into their own hands in day-to-day life.

Current affairs

The four themes presented in the Wikifin Lab were not plucked from thin air. They are the pillars of financial education, as determined by specialists. They also reflect current challenges in society. Finally, they cover certain aspects that are dealt with in schools, on both sides of the linguistic border.

Testimonial from a pupil:

“We discussed very useful subjects, such as the marketing techniques used in advertisements and smartphone games. The main items in a budget were covered, too. I guessed some of them correctly, but for others, I had no idea. 😊”

Experiential learning

To realize these objectives, the Wikifin Lab opted for an experience-based approach, rather than accumulation of knowledge. Pupils don't just observe, but actively take part in the games. Afterwards there is an exercise where they can reflect on their experiences and put into words what they have learned. That allows them to use their newly acquired knowledge and skills for future decisions and action.

Testimonial from a teacher:

“A visit to the Wikifin Lab is ideal for picking up various points included in the teaching materials in a fun and accurate way. This makes it much easier for me when I talk about them in class afterwards. The pupils can then recollect the experiences they had during their visit to the Lab. That solidifies everything for them”.

Opting for an interactive digital tour

The choice of an interactive and digital tour (tablets, touchscreens etc.) was made to motivate the pupils. They are tools they like to work with and that enable an educational approach. The interchange between interactive digital tools and the use of debriefing in group sessions provides for greater motivation of pupils and allows them to process their newfound knowledge for a longer time. Scientific research has shown that digital technology is conducive to the learning process of pupils, as a complement to other teaching methods. The pupils seem to be more engaged and motivated.

Testimonial from a pupil:

“What I really liked was how it was different to other museums where you’re just expected to listen. Here, we could experiment with different situations you come across in day-to-day life, and play games, on our own or in a team, with a tablet or interactive screen, or discuss them with the whole class. It was really fun, because you’re always actively doing things and the activities are very varied”.

The Knowledge Wall

The Wikifin Lab also has a ‘knowledge wall’ divided into three themes: personal finance, the financial sector, and economic and financial concepts. It has been designed as a space filled with peculiar objects to spark visitors’ curiosity.

For example, a flowerpot with a tulip illustrates the very first stock market crash of modern times and the emergence of the term “market bubble”. A trunk full of grains of wheat refers to the seeds that farmers would borrow for their fields, even before money existed. This forms the basis for the explanation of different types of credit.

The Knowledge Wall is a complement to the tour around the Wikifin Lab. It is free to be visited either before or after visiting the Lab.

Testimonial from a teacher:

“The Knowledge Wall covers many themes included in the curriculum, and contains a wealth of useful information. The pupils really want to discover what lies behind every item. In that sense, the Knowledge Wall is the ideal complement to the various themes discussed during the visit”.



The Wikifin Lab is quickly fully booked

As soon as subscriptions are opened, the Wikifin Lab is quickly booked up. Since it opened, it has been visited by more than 11,000 pupils from more than 400 classes throughout Belgium. Some teachers have even already been on several visits with different classes.

National and international cooperation

The Wikifin Lab has also welcomed other visitors, including:

- Febelfin, the organization that represents the financial sector;
- Assuralia, the organization that represents the insurance companies;
- several insurance sector professional associations, such as Feprabel, FVF, BVVM and BZB-Fedafin;
- the National Bank of Belgium;
- the Federal Ministry of Pensions and Social Integration, in charge of Persons with Disabilities, Combating Poverty and Beliris;
- BelExpo;
- the Supplementary Pensions Commission and the Supplementary Pensions Commission for the Self-Employed;
- the Belgian credit and debt observatory;
- etc.

The importance of the Wikifin Lab reaches far beyond our country's borders. That is why in 2022, part of the tour was translated into English. The Lab was also visited by:

- a delegation from IOSCO (the International Organization of Securities Commissions), which has been chaired, since 2022, by the FSMA Chair and the Audit Monitoring Group (the body that groups together several international institutions and financial regulators looking after the public interest when drawing up international audit standards);
- a delegation from the IFREFI (the French-language institute for financial regulation);
- the Chief Executive of the FCA (Financial Conduct Authority), from Great Britain;
- representatives from the FMA (Financial Market Authority), from Austria;
- a representation from the AFM (Authority for the Financial Markets), from the Netherlands;
- a representative from FLiP (the Austrian centre for financial education).

FOCUS 2023 AND 2024

In 2023, the FSMA will organize multiple activities during the eighth edition of Money Week. Again, education will be one of the main focal points. New in 2023:

- pupils from the 1st and 2nd years of primary school will be able to learn to count with coins and notes thanks to the new activity game EuroKid;
- 10-12 year old pupils will get questions about money in the activity sheet with games on the theme of money;



- 3 events in the Wikifin Lab in the presence of Deputy Prime Ministers Vincent Van Peteghem and David Clarinval, State Secretary Alexia Bertrand, and secondary school classes. Those events will always begin with short educational videos about cryptocurrencies, investments, loans and taxes. The videos will approach these subjects in a fun and educational way and at the same time provide basic theoretical information. The videos will also be available on the Wikifin website.

As in the past, the FSMA will keep updating the Wikifin website to make sure it keeps up with changing consumer needs. The functionalities and content will be further expanded. In 2023, a new tool will be available to compare prices and characteristics of personal liability insurance.

Over the coming years, the FSMA will, moreover, place a lot of focus on the development of digital teaching materials to better support teachers with their lessons on money matters. Digitalization in education plays an important role in this. In 2023, new educational videos, quizzes and a glossary will be provided to teachers through Wikifin School.

In the Wikifin Lab, the attention is focused on updating the content of the information provided. Some changes will be made to take into account the feedback from pupils and teachers, and others to tackle new current themes for youngsters. In light of this, the current educational tour will be adjusted, and new modules will be developed on subjects youngsters might come into contact with, such as cryptocurrencies or phishing. Work is underway on the development of these modules. A quiz about the content of the Knowledge Wall is currently in the test phase.

To further expand the financial education content for the population and further improve on it, the FSMA has started an exercise to bring financial education even closer to citizens. Here, the attention will focus on the different target groups (adolescents, young employees, pensioners etc.), their needs and the resources to further increase the visibility of the Wikifin programme and develop new content.



INTERNATIONAL ACTIVITIES

The internationalization of the financial markets has led to financial regulations increasingly being set at a European or international level. International cooperation and collaboration between supervisors has, as a result, gained importance. The FSMA is a member of several international and European organizations which are instrumental in setting new rules and standards for the financial sector. Since October 2022, the FSMA chairs the international organization, IOSCO.

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The FSMA's European and international activities

International

At international level, the FSMA is a member of:



the International Organization of Securities
Commissions



the International Association of Insurance
Supervisors



the International Organization of Pension
Supervisors

The FSMA is also involved in the work of
the Financial Stability Board



Europe

At European level, the FSMA is involved in drafting and transposing new financial legislation. It is a member of:



the European Securities and Markets Authority



the European Insurance and Occupational Pensions Authority

The FSMA also takes part in the work of the European Systemic Risk Board



The FSMA has always been aware of the importance of the European and international framework when preparing legislation relevant to achieving its goals and fulfilling its supervisory task. Many regulatory initiatives that have an impact on Belgian market players originate from beyond our borders. It is also important that the FSMA can get its voice heard in these debates.

The FSMA plays an active role in a range of international and European organizations and its Chairman, Jean-Paul Servais, holds various other important international offices.

At a European level, the FSMA sits on the Board of Supervisors of ESMA and EIOPA, and is a member of the General Board of the ESRB. In 2022, the FSMA approved the ESMA and EIOPA strategy for the period 2023-2028. In its strategy, ESMA gives a detailed description of its long-term priorities and how it will use its powers and toolbox to deal with future challenges and developments. ESMA will in that period concentrate on reinforcing supervision, improving the protection of retail investors, promoting efficient markets and financial stability, introducing sustainable finance, and facilitating technological change and the efficient use of data. The EIOPA strategy aspires to strengthen the resilience and sustainability of the insurance and pensions sector, and guarantee strong and coherent protection of consumer interests throughout the European Union.

The FSMA becomes chair of international organization, IOSCO¹⁵⁷

The election of the FSMA's Chairman Jean-Paul Servais as chair of the International Organization of Securities Commissions, IOSCO, was a historic milestone in October 2022. This appointment for a renewable term of two years is the result of many years of hard work, in which the FSMA has proven its high level of credibility and built an influential international network. Becoming chair of IOSCO has put the FSMA in the international spotlight in terms of financial regulation. Thanks to this privileged position, it will be able to further expand its influence on strategically important subjects such as sustainable finance, digital finance and non-bank financial intermediation.

The FSMA's chair of IOSCO and IOSCO's work are explained in detail at the beginning of this annual report¹⁵⁸.

¹⁵⁷ See this report, p. 22.

¹⁵⁸ See this report, p. 22.

Sustainable finance a focal point for regulators

The FSMA is strongly committed to achieving more sustainable finance

In 2022, all the attention was once again turned to sustainability and sustainable finance. At COP 27 in Sharm-el-Sheikh in Egypt, it was reiterated that all efforts had to urgently be made to limit climate change and its associated financial risks.

In this area, the FSMA works to achieve a high level of consumer protection, which includes ensuring sufficient transparency regarding the environmental, social and governance aspects of an investment. In recent years, there has been growing emphasis on information about sustainability, which is to be provided along with financial information in order to give investors new criteria to use when making choices. The role of regulators is thus to ensure that simple, reliable and precise indicators are made available by all financial market players, so as to prevent all forms of greenwashing. This is the message that is being emphatically conveyed by the FSMA at international level.

The FSMA is heavily engaged in its coordinating role at an international level

Under the leadership of the FSMA's chairman, who is its new chair, IOSCO particularly emphasizes three structural themes on the subject of sustainable finance: combating greenwashing, carbon markets, and the standards for the sustainability information to be published by companies.

Combating greenwashing has always been a priority for the FSMA. It successfully conveyed its message on the subject during COP 27 and among foreign regulators. This problem is a subject for discussion as a result of major differences in ambitions among companies and producers of financial products. As a forum for that discussion, IOSCO's international working groups provide a clear definition of what specifically is considered greenwashing in 2022. Greenwashing can be combated with complete transparency and a clear presentation of the information in the pre-contractual and regular documents about companies' financial products and securities, and the product selected by investors can be better aligned with their environmental, social and governance (ESG) preferences. The carbon markets, or more specifically the sale of securities representing greenhouse gases, are a very important point for discussion in the coordination of climate targets, and in the budget of companies. Regulators must assess whether the transactions are executed fairly, and with appropriate transparency. The carbon markets are a global phenomenon and international coordination of the regulatory initiatives can enable a more efficient reaction to any potential abuse. In 2022, the FSMA contributed to the creation of ambitious standards for companies' information disclosure on sustainability. At a European level and at the level of the ISSB, the need to have complete information from companies has become urgent. After all, that information is the cornerstone of information disclosure on sustainability. The FSMA has underlined the importance of building a global system that guarantees strong convergence between the various initiatives, and that consists of reliable and easily comparable indicators.

The future Sustainability-related Disclosure Standards being developed by the International Sustainability Standards Board aspire to realize these goals by proposing internationally oriented standards that contain essential indicators for investors, and at the same time identify risks and opportunities. The FSMA is involved in that work, especially as chair of the committee that supervises progress on this subject in the public interest (IFRS Foundation Monitoring Board). The future standards will respond to the urgent demand from investors worldwide.

Improvement and clarification of the European framework

In the working group discussions within the European agencies, several major themes came up. In 2022, the focus lay more specifically on two themes: clarifying the information that, pursuant to the SFDR and the Taxonomy Regulation, must be included in the documentation on financial products, and giving participants in the financial markets and financial advisors indications of how they should take into account investors' sustainability priorities.

The SFDR has already applied for two years but, because of the successive approvals of new delegated acts from the Taxonomy Regulation, a review of the delegated regulations became required, including of the templates for the pre-contractual and periodic documentation for financial products. Because of these amendments, investors gain a better insight into what part of their investments will be used for activities that, from an environmental standpoint should be deemed sustainable, and what capital will be utilised for activity concerning natural gas and nuclear energy. The FSMA has always been an advocate for simple, informative and visual document models. For example, the indicators are reviewed to align them with the measures proposed by the Taxonomy Regulation and the European environmental regulations.

Since August 2022, when conducting the suitability test pursuant to MiFID II, or to the IDD (i.e. when offering portfolio management or investment advice services to a customer, or providing advice on insurance-based investment products, respectively) companies and the intermediaries concerned have to enquire about customers' sustainability priorities to gain an insight into their investment objectives. Then it is the duty of the professional to propose a product to the customer that ties in with that customer's sustainability priorities, or to include such a product in the customer's portfolio. The FSMA played an active role in the development of European guidance that clarifies the practical implementation of those new requirements. In July 2022, EIOPA approved guidelines on the integration of sustainability priorities in the suitability test as referred to in the IDD¹⁵⁹. On its side, ESMA updated its existing guidelines on certain aspects of MiFID II suitability requirements, to clarify these new rules¹⁶⁰. As part of that work, the FSMA as much as possible oversaw that there was convergence in the approaches of the various sectors concerned. On a national scale, the FSMA brought those new clarifications on the suitability test to the attention of the banking and insurance sector.

159 See EIOPA, Guidance on the integration of the customer's sustainability preferences in the suitability assessment under the Insurance Distribution Directive (IDD), 20 July 2022, available on the website www.eiopa.europa.eu.

160 See ESMA, Guidelines on certain aspects of the MiFID II suitability requirements, 23 September 2022, available on the website www.esma.europa.eu.

Finally, still with regard to the European agencies, the FSMA's expertise was called on to gain a better insight into the practices that could be classified as greenwashing. The aim is to come to a uniform definition of the phenomenon, which entails presenting a product as more sustainable than it is in reality (a practice that extends to all sustainability aspects), and think about the best ways to develop regulatory responses at both a Belgian and European level. This study, which is comparable to the research at an IOSCO level, can be used by the Commission as a basis for the various initiatives underway.

In 2022, the European Commission continued work on the development of a regulatory framework for sustainable finance. The Directive for the reform of non-financial information was approved on 14 December 2022¹⁶¹, paving the way for standardized information for companies. However, this framework is not yet complete: the reporting model still needs to be finished and converted into technical rules. The FSMA is always involved in the discussions on this theme at ESMA level. That new Directive on sustainability reporting by companies requires them to publish more comprehensive information on their environmental, societal and governance impact and will, based on an ambitious timeframe, apply to increasingly more companies, on an obligatory basis for larger companies and listed SMEs, and on a voluntary basis for unlisted SMEs. Afterwards, the producers will use all of this information to assess the impact of the investments in the context of their financial products. At the same time, that information will give stock exchanges the opportunity to promote the efforts of the companies that are continuously more committed to sustainability. That information runs in parallel to another legislative proposal¹⁶² that aims to define procedures that companies have to apply to collect all this information in a reliable way. That information will function as a basis for measuring the sustainability efforts of the European economy. The aim of the Corporate Sustainability Due Diligence Directive (CSDDD) is to introduce an obligation of appropriate due diligence in terms of environment and human rights to certain large companies. The European intervention aims, among other things, to provide clarification on the information that has to be gathered and the procedures that need to be implemented to avoid or mitigate negative consequences for the value chain of the company concerned.

The FSMA's expertise was called on as well in the Council discussions about the development of a model for European green bonds. That regulatory initiative defines the minimum that has to be invested in economic activity that the Taxonomy Regulation considers sustainable. Apart from this, it aims to offer certain guarantees with regard to the scale of the social and governance aspects that should be necessary to qualify as a European green bond (EU Green Bond Standard). That initiative, which remains an optional standard, will give investors the guarantee that the investments made with their capital are of a certain quality.

All European initiatives aim to allow every member of society to obtain information on the impact of their investments, on the sustainability of the activities to which they are contributing personally or financially, and on the environmental, social and governance performance of all economic actors. As part of its competences, the FSMA will oversee compliance with these obligations and the guidance of market players in the transition.

161 Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, OJ, L32 of 16 December 2022.

162 Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937, COM(2022)71 of 23 February 2022.



LEGISLATION AND REGULATIONS

The FSMA is closely involved in transposing new legislation and drawing up new rules for the financial sector. This chapter presents an overview of the most important developments in 2022.

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A new regulation governs the sale of multimedia insurance

At the beginning of 2022, messages started to appear in the press about malpractice relating to insurance cover for multimedia devices, such as smartphones.

When consumers purchase a multimedia device, they are often offered insurance against damage, defects, loss or theft. In that sector, it is common for premium payments to be spread with monthly instalments. In some policies, the customer doesn't even have to pay the first month's premium ('period of free cover'), and/or the monthly instalments gradually get higher as the policy runs.

According to the Law of 4 April 2014, when a contract is entered into by way of a previously signed policy or application, policyholders may cancel it within fourteen days after its start. The insurance policies concerned often grant a longer cancellation period (for example thirty days), usually matching the period of free cover.

Many complaints from consumers and inspections by the FSMA as part of its supervisory activity, brought to light these particularly problematic practices. They lead to an inevitable distortion in the analysis of the customer's wishes and needs with regard to insurance. Consumers' attention is focused on the initial free period of cover (teaser) and on the possibility of cancelling the policy in that period, and therefore not on the characteristics of the product that is being offered, even if it completely does not tie in with their wishes and needs. Equally, the gradual increase in payments means that customers have no clear overview of the total amount of the premium.

This practice is intrinsically irreconcilable with the legal obligation to ascertain customers' wishes and needs and propose an insurance policy that ties in with those. This seriously jeopardizes consumer protection because it hinders the legal protection mechanisms from functioning fully (provision of information, analysis of wishes and needs, and the obligation to propose an insurance policy that ties in with those).

On 4 October 2022, the FSMA enacted a regulation banning the sale to consumers of multimedia insurance policies with premium payments spread out as instalments (for example monthly) or not split into equal parts spread regularly over the entire term of the policy. The ban therefore applies to practices in which the amounts owed periodically change over time according to a contractually established instalment plan (for example an initial period of free cover, or monthly premiums that gradually increase), independently of a change to the risks covered.

This Regulation was approved by the Royal Decree of 20 October 2022 and entered into force on 13 November 2022.

Change in the rules for advertising of UCITS

The Royal Decree of 5 December 2022¹⁶³ amends the existing rules concerning advertising to retail investors for the sale of units in open-ended undertakings for collective investment, whether as part of a public offer or not.

The aim of the changes is to align the content of the current legal rules for these advertisements with the CBDF Regulation¹⁶⁴ and with the ESMA 'Guidelines on marketing communications under the Regulation on cross-border distribution of funds' published by ESMA on 2 August 2021¹⁶⁵.

The Royal Decree states that all marketing communications for retail investors have to be prepared in accordance with the provisions of the CBDF Regulation, as further clarified in the ESMA Guidelines. The advertising requirements under the CBDF Regulation and the ESMA Guidelines therefore apply irrespective of the distribution channel, and not only if a UCI manager takes care of distribution. A few additional requirements are also enforced.

The applicable provisions for marketing communications for a public offer of open-ended units in UCIs are from now on grouped in the Royal Decree of 12 November 2017¹⁶⁶ (for UCITS) and in the Royal Decree of 25 February 2017¹⁶⁷ (for public UCIs in financial instruments and liquid assets). The provisions of Royal Decree of 25 April 2014 therefore no longer apply to these marketing communications.

Marketing communications for retail investors that are not part of a public offer must in any case be prepared in accordance with the provisions of the CBDF Regulation, as further clarified in the ESMA Guidelines. In such a case, no specific additional requirements apply for Belgium. That advertising is therefore no longer subject to the substantive rules of the Royal Decree of 25 April 2014¹⁶⁸.

163 Royal Decree of 5 December 2022 transposing Commission Delegated Directive (EU) 2021/1270 of 21 April 2021 amending Directive 2010/43/EU as regards sustainability risks and sustainability factors to be considered by Undertakings for Collective Investment in Transferable Securities (UCITS), amending the rules on marketing communications by open-ended undertakings for collective investment, and laying down miscellaneous provisions.

164 Regulation 2019/1156 of the European Parliament and of the Council of 20 June 2019 on facilitating cross-border distribution of collective investment undertakings and amending Regulations (EU) No 345/2013, (EU) No 346/2013 and (EU) No 1286/2014.

165 See ESMA, Guidelines on marketing communications under the Regulation on cross-border distribution of funds, 2 August 2021, available on the website www.esma.europa.eu.

166 Royal Decree of 12 November 2012 on undertakings for collective investment that fulfil the conditions of Directive 2009/65/EC.

167 Royal Decree of 25 February 2017 on certain public alternative investment funds and their management companies, and containing miscellaneous provisions.

168 Royal Decree of 25 April 2014 imposing certain information obligations when distributing financial products to retail clients.

Marketing communications that are only provided to professional investors come under the provisions of the CBDF Regulation and the aforementioned ESMA Guidelines, in so far as they are provided by a UCI manager. Here too, the approach on a European level is used.

Like the rules until now, the marketing communications must be submitted to the FSMA for approval before being published, only in the case of a public offer. Just as with the prospectus, the Royal Decree contains a number of exceptions to this rule. For example, certain changes in existing marketing communications no longer have to be previously approved.

Integration of sustainability factors in product governance obligations

Over the past few years, various regulatory measures have been taken at a European level on the subject of sustainable finance. Although these measures relate to the financial sector as a whole, some of them more specifically target the investment services sector. In 2021, a European Directive was approved to ensure that investment firms and credit institutions that develop and distribute financial instruments consider sustainability factors in the product approval process and in the other rules on product governance and supervision¹⁶⁹.

In the transposition of this Directive into Belgian law, the Royal Decree of 19 December 2017 laying down detailed rules for implementing the Markets in Financial Instruments Directive (hereinafter referred to as the 'MiFID II Implementing Decree') had to be amended. Those amendments were implemented through the Royal Decree of 5 December 2022¹⁷⁰.

¹⁶⁹ Commission Delegated Directive (EU) 2021/1269 of 21 April 2021 amending Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into the product governance obligations.

¹⁷⁰ Royal Decree of 5 December 2022 transposing Commission Delegated Directive (EU) 2021/1269 of 21 April 2021 amending Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into the product governance obligations, and containing miscellaneous provisions, published in the Belgian Official Gazette of 12 December 2022.

The amending provisions in the first place concern the obligation for investment firms and credit institutions that develop financial instruments¹⁷¹ to identify the target market for those instruments. Those firms must establish the potential target market for each financial instrument they develop, by clarifying the type(s) of client(s) whose needs, characteristics and objectives tie in with the financial instrument. They must also identify the 'negative target market', i.e. the group(s) of clients whose needs, characteristics and objectives do not tie in with that same financial instrument.

It is now set out that, when defining the potential target market for each financial instrument, where applicable, the sustainability related objectives be taken into account. However, where investment firms and credit institutions identify a potential group or potential groups of clients whose wishes, characteristics and objectives do not tie in with the financial instrument, they do not need to consider any sustainability factors. With that rule, the European legislature wishes to ensure that financial instruments with sustainability factors remain readily available, even to clients without sustainability priorities.

Any sustainability related objectives of financial instruments are also considered in the evaluation of the target market that investment firms and credit institutions must make in accordance with Article 22, § 14 of the MiFID II Implementing Decree.

Furthermore, it is now set out that, when investment firms and credit institutions determine whether a financial instrument complies with the established needs, characteristics and objectives of the target market, they have to, inter alia, examine whether the sustainability factors of the financial instrument, where applicable, are in line with the target market.

The sustainability factors of the financial instrument also constitute essential information that must be provided to the distributors of financial instruments. Investment firms and credit institutions that call on third parties for the distribution of the financial instruments they develop are required to present the sustainability factors of the financial instrument transparently, and give the distributors all the necessary information to be able to sufficiently consider the sustainability related objectives of the client or potential client.

Similar changes are made to Article 23 of the MiFID II Implementing Decree on the applicable product governance obligations for investment firms and credit institutions that offer or recommend financial instruments that they have not necessarily developed themselves. Again, the aim is to ensure that the sustainability factors of those financial instruments are taken into account in the definition and evaluation of the target market.

171 This encompasses the creation, development, issuance and/or the design of financial instruments.

Amendment to the Law on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies

On 5 September 2022, the Belgian Official Gazette published a Law amending the Law of 25 October 2016 on access to the activity of investment services and on the legal status and supervision of portfolio management and investment advice companies (hereinafter referred to as the 'Law of 25 October 2016'). This Law partially transposes the new European Directive on prudential supervision of investment firms, referred to as the 'IFD' (Investment Firms Directive)¹⁷² into Belgian law.

This Directive applies in Belgium to two types of company: portfolio management and investment advice companies, and stockbroking firms. Both types of company come under, in Belgian law, the European concept of 'investment firm'. Stockbroking firms may conduct all investment services and activities¹⁷³. Portfolio management and investment advice companies may conduct only a more limited amount of investment services and activities, i.e. only activities that do not entail holding client deposits.

Only portfolio management and investment advice companies fall under the FSMA's prudential supervision. Stockbroking firms fall under the prudential supervision of the National Bank of Belgium.

The provisions of the IFD are supplemented by the provisions of the IFR¹⁷⁴. This European Regulation, the provisions of which are directly applicable in Belgian law, sets out the quantitative prudential requirements that apply to investment firms, and their method of calculation.

172 Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms.

173 These refer to the investment services and activities listed in Part A of Annex I Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, referred to as 'MiFID II'.

174 Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms.

All of these provisions are supplemented by several regulatory standards developed by the European Supervisory Authorities. In these matters, these are the European Banking Authority (EBA) and the European Securities and Markets Authority (ESMA). The aim is to achieve harmonized application of the provisions of the Directive in the European Union, and convergence of supervisory practices.

Until the entry into force of the aforementioned European regulations, the applicable prudential framework for credit institutions¹⁷⁵, with certain amendments, applied to specific investment firms¹⁷⁶.

Such prudential rules, to a great extent based on international banking standards, did not seem particularly suited to the specific vulnerabilities and risks pertaining to the activities of investment firms. In light of that finding, the European legislature wanted to draw up a new specific prudential framework for investment firms, which is at the same time more proportionate. Moreover, that framework strives to maintain the solidity of those companies in the interest of their clients, and at the same time limit the administrative burden and costs that could jeopardize their existence.

For this purpose, the European legislature divided investment firms up based on the nature of their activity and their total assets. The IFR makes a distinction between four different classes of investment firms, usually 'class 1', 'class 1 minus', 'class 2', and 'class 3'. There is an appropriate and proportionate prudential framework for every class of investment firm.

Most portfolio management and investment advice companies come under class 3 of investment firms. This class groups together 'small and not-interconnected investment firms'¹⁷⁷. These are investment firms that, according to their own calculations, fulfil certain quantitative criteria defined by the IFR and that, after notification to the competent authority¹⁷⁸, are eligible for a more flexible prudential approach. Companies that hold client funds, that safeguard and administer assets for their clients, and/or conduct dealing on own account, are excluded from this category. Stockbroking firms are therefore excluded from this category.

175 The conditions for authorization that apply to them, other organizational requirements and conduct of business rules were (and still are) defined in MiFID II.

176 In essence, these related to the investment firms that may provide investment services and/or conduct investment activity entailing holding funds or financial instruments that belong to their clients. In Belgian law, this was in line with the category of stockbroking firms.

177 Article 12 of the IFR.

178 Procedure defined in Article 25 of the IFD, transposed into Belgian law in Article 2/2 of the Law of 25 October 2016.

Certain portfolio management and investment advice companies, however, come under class 2 of investment firms. These are in particular portfolio management and investment advice companies that do not fulfil the quantitative criteria pursuant to which they could be qualified as ‘small and not-interconnected investment firms’, putting them in class 3. These portfolio management and investment advice companies are consequently subject to stricter prudential requirements, comparable with the prudential requirements for stockbroking firms.

The major changes introduced by the IFD in the rules for portfolio management and investment advice companies can be summarized as follows¹⁷⁹:

- The minimum amount of initial capital of an investment firm is also established depending on the type of activity that the firm conducts, but is from now on subject to a maximum harmonization provision. That provision limits the national legislature’s leeway with the transposition. The minimum amount of initial capital for a portfolio management and investment advice company is from now on set at 75,000 euros¹⁸⁰. That is the minimum capital required for investment firms that may not hold client funds or securities.
- The IFD also contains new internal governance standards for investment firms.

It requires, inter alia, that investment firms set up a risk committee and remuneration committee within their statutory governing body. That requirement does not apply to small and not-interconnected portfolio management and investment advice companies. It also does not apply to certain investment firms with a value of on- and off-balance sheet assets on average equal to or less than 100 million euros or 300 million euros, if the competent authority exempts them from that obligation, especially in view of the nature and scale of their activity, their internal organization and, where applicable, the characteristics of the group to which they belong¹⁸¹.

The IFD also includes the criteria that investment firms have to meet in their remuneration policy¹⁸². Specific attention is focused here on gender-neutral remuneration rules, the remuneration of high earners, the ratio of the fixed basic remuneration to the variable remuneration, and the components of the variable remuneration.

¹⁷⁹ In the transposition of the IFD into Belgian law, the essence of the rules for portfolio management and investment advice companies are largely maintained. In the Law of 25 October 2016 some corrections were made and some supplementary provisions were included for purposes of coherence and to achieve a level playing field with the rules for stockbroking firms, and at the same time take into account the more limited activity of portfolio management and investment advice companies.

¹⁸⁰ Article 21 of the Law of 25 October 2016.

¹⁸¹ Article 25/2, § 6, of the Law of 25 October 2016.

¹⁸² Article 37/1 of the Law of 25 October 2016.

- In terms of risk management, a specific rule applies to investment firms based on the risks that clients, the market and the company itself run, apart from the liquidity risk¹⁸³. The IFD includes the obligation, inter alia, for investment firms to assess their capital adequacy and internal risks. On this subject, it allows competent authorities to take into account subscription to professional liability insurance in their assessment of the risk management processes and systems that the investment firms under their supervision implement.

The policy on the prospective management of own funds requirements and liquidity must also take into account the risks that an investment firm makes third parties bear, which is new compared to the existing regulations. This requirement reflects the European legislature's wish to devote special attention to the place and role of the investment firm in the market, and to the consequences of their activity for these other actors.

- A section of the IFD covers responsibilities with regard to review and evaluation by prudential authorities. The emphasis here lies on assessing compliance with qualitative aspects, especially with regard to governance, internal controls and risk management procedures.

The European legislature recognizes the application of the principle of proportionality in this respect, and offers competent authorities the opportunity of setting the frequency and intensity of their review, taking into account the scale, nature, volume, complexity, and where applicable, the systemic importance of the activity of the investment firms. The competent authorities were also asked to regularly, at least every three years, examine whether the internal approaches for calculating the regulatory own funds requirements are in line with the IFR. They must, in particular, take special account of the changes in the activity of the investment firm and of the application of these approaches to new products¹⁸⁴.

- The IFD furthermore focuses special attention on the supervision of investment firm groups. It establishes rules, inter alia, for determining the authority competent for the consolidated group supervision, for the setting up of a college of supervisors and for cooperation between authorities. The legislature also aimed, in the transposition of the Directive into Belgian law, to maintain the continuity and the current level of legal protection by as much as possible reflecting the content of the provisions in the existing rules¹⁸⁵.

¹⁸³ Article 26/3 of the Law of 25 October 2016.

¹⁸⁴ Article 58/1 to 58/11 of the Law of 25 October 2016.

¹⁸⁵ Articles 59 and 60 of the Law of 25 October 2016.



THE ORGANIZATION OF THE FSMA

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Structure and bodies of the FSMA

Management Committee



Jean-Paul **Servais**,
Chairman



Annemie **Rombouts**,
Deputy Chairman



Henk **Becquaert**,
member of the Management Committee



Sébastien **Yerna**¹⁸⁶,
member of the Management Committee

¹⁸⁶ By Royal Decree of 29 June 2022, Sébastien Yerna was appointed, as of 1 September 2022, as member of the Management Committee of the Financial Services and Markets Authority, replacing Gregory Demal, whose term of office he completes.

Organization chart of the departments and services

Management Committee	Legal services, Economic research and forecasting service, Market and post-trade unit and management of multidisciplinary teams, International relations and Sustainability Policy, Strategy and organization, Communication and financial education		
 Jean-Paul SERVAIS, Chairman	Legal services, Economic research and forecasting service, market and post-trade unit and Management of multidisciplinary teams  Jean-Michel VAN COTTEM	International relations and Sustainability policy  Antoine VAN CAUWENBERGE	Communication and Financial education  Jim LANNOO
Operational supervision of the markets, asset management and bank savings and investment products			
 Annemie ROMBOUTS, Deputy Chairman	Supervision of company information, Supervision of financial reporting by issuers and Surveillance of financial markets  Thierry LHOEST	Supervision of asset management and of bank savings and investment products  Veerle DE SCHRUYVER	Human resources  Hilde DAEMS
Data analytics expertise centre and Operational supervision of insurance and pensions			
 Henk BECQUAERT, Member	Data analytics expertise centre and Supervision of insurance  Karel DE BONDT	Supervision of pensions  Greet T'JONCK	IT Infrastructure  Dominique MICHAUX
Central inspection team and Operational supervision of conduct of business rules, Supervision of intermediaries and financial service providers and Anti-money laundering policy, Accounting and Management control			
 Sébastien YERNA, Member	Supervision of intermediaries and of financial service providers and Anti-money laundering policy  Vincent DE BOCK	Central inspection team and Supervision of conduct of business rules  Els DE KEYSER	



ENFORCEMENT PERIMETER SUPERVISION

Michaël ANDRÉ,
Investigations officer



INTERNAL AUDIT

Marie-Pierre VANRUMBEKE,
Internal auditor

Supervisory Board

Composition



Jean Eylembosch,
Chair



Selien De Schryder



Roland Gillet



François Koulisher



Pierre Nicaise



Kristien Smedts



Reinhard Steennot



Luk Van Biesen



Jan Verhoeve



Maud Watelet

Report on the Supervisory Board's exercise of its statutory tasks

General oversight of the FSMA

The Law of 2 August 2002 entrusts the general supervision of the general oversight of the FSMA's work to the Supervisory Board.

In 2022, the Members of the Supervisory Board met eight times and used the written procedure once. They also received regular presentations from the FSMA's services on the evolution of risks for financial markets and market participants.

Summary of themes handled

Members repeatedly exchanged views on current themes such as the evolution of the cryptoassets market and the FSMA's initiatives on this subject. It gave a positive opinion on an FSMA Regulation placing restrictive conditions on the distribution of virtual currencies to consumers. The Board congratulated the Management Committee with regard to this initiative, which prioritizes investor protection pending the entry into force of new European legislation and regulations on crypto-assets. It is important that consumers be clearly advised on the risks of crypto-assets. The Members also welcomed the FSMA's communication providing clarification to market participants on the qualification of crypto-assets as securities, investment instruments or financial instruments.

Like in previous years, the FSMA's services regularly provided information on new supervisory developments during the Board's meetings. For example, the members focused attention on the challenges of maintaining supervision on the wave of new legislation and regulations on sustainable financial service provision to prevent greenwashing.

By virtue of its statutory task contained in Article 49, § 3, of the Law of 2 August 2002, the Supervisory Board also advised the Management Committee on a number of draft regulations such as the Regulation placing restrictive conditions on the distribution of certain types of multimedia device insurance to consumers.

The members also received regular updates on important developments in connection with the FSMA's competences that take place at a European and international level.

The need for cooperation between supervisory authorities so that they can effectively fulfil their tasks is more relevant than ever. In this respect, the Board places a lot of importance on the influence that the FSMA is able to have thanks to its leading role in international and European organizations. The Board was particularly pleased about the election of the FSMA's Chairman as Chair of the International Organization of Securities Commissions (IOSCO). This election contributes to the image of the FSMA and the Belgian financial centre.

The Board also closely followed the FSMA's initiatives regarding financial education, and the members were regularly present at Wikifin events. The members particularly welcome the success of the Wikifin Lab opened in 2020, which is a great source of recognition among foreign supervisory authorities.

The members were also given a presentation by the FSMA of the twenty future projects on the occasion of the twentieth anniversary of the FSMA's organic law.

Operation of the FSMA

Pursuant to the request of the competent ministers, the Board provided recommendations in accordance with its statutory task on the proposal for appointment at the highest level of the FSMA of a new member of the Management Committee.

The members also regularly exchanged views on a number of topics that concern the organization and personnel policy of the FSMA. The audit committee kept the Board informed of the changes to internal audit¹⁸⁷. The members also devoted attention to the re-organization of the FSMA to further expand data-driven supervision and to expand a service tasked with the FSMA's international relations. They also discussed the FSMA's initiatives on external communication such as the organization of online events (webinars). They encourage the FSMA to continue with this approach in order to further clarify its supervisory expectations.

As part of its statutory tasks, the Board approved the FSMA's 2023 budget on 13 December 2022. The Board approved the annual accounts for the year 2021 on 25 April 2022 and the annual accounts for 2022 on 25 April 2023.

The Supervisory Board, in accordance with its competencies, approved the present report on 25 April 2023.

¹⁸⁷ See this report, p. 218.

Report on the Audit Committee's exercise of its statutory tasks

The audit committee met five times in 2022 and deliberated via the written procedure once.

In application of Article 48, § 1ter, first paragraph, 3° of the Law of 2 August 2002, the Audit Committee handled the internal audit reports prepared by the internal auditor, including the audit report in which the content management of the website www.wikifin.be was examined. The Audit Committee also discussed the follow-up to the recommendations from previous audit reports.

In application of Article 48, § 1ter, first paragraph, 3° of the Law of 2 August 2002, the Audit Committee monitored the work of internal audit. At the end of 2022, an interim internal auditor was appointed, who was definitively appointed in January 2023.

During its meetings, the Audit Committee, at the proposal of the Management Committee, audited the 2022 Annual report, the 2022 accounts and the budget for 2023 and advised the Supervisory Board to approve these.

The internal audit function at the FSMA

Internal audit is an independent and objective activity that gives the FSMA certainty as to its degree of governance, gives it advice on how to improve its operation, and contributes to creating added value. Internal audit helps the FSMA attain its objectives through a systematic and methodical evaluation of its processes for risk management, supervision and governance and by making suggestions to improve their effectiveness.

The FSMA's Audit Committee supervises the work of the internal audit service.

The internal audit manager presents all audit reports to the Management Committee. They are then sent, along with the measures proposed by the Management Committee to follow-up on the audit recommendations, and explained for the audit committee to deliberate on.

In 2022, the internal audit service prepared several reports, including on the audit examining the content management of the website www.wikifin.be.

Just as in previous years, the internal audit service actively worked on achieving the multi-annual transversal project to realize and oversee a comprehensive matrix mapping of the strategies and policies for supervision of regulations for which the FSMA is competent. To fulfil this task, the service was allocated an additional employee (1 FTE) until the end of April 2022 through internal redeployment.

Apart from these various tasks, the internal audit service takes care of the half-yearly follow-up of the audit recommendations. This looks into whether the measures for following up on the audit recommendations have been implemented.

Auditor

In accordance with Article 57, second paragraph of the Law of 2 August 2002, the FSMA's accounts are inspected by one or more company auditors. They are appointed by the Supervisory Board for a renewable term of three years, and on condition that they not be included on the list of auditors accredited by the FSMA and not exercise any function at a company subject to the FSMA's supervision. The auditors verify and certify every element specified by the regulations on covering the FSMA's operating expenses as referred to in Article 56 of the above-mentioned Law. BDO, represented by Alexandre Streel, was appointed as company auditor by the Supervisory Board.

Sanctions Committee

Composition

The composition of the Sanctions Committee and the duration of the terms of office of members are as follows:



Michel Rozie, Chair
Honorary first president of the Antwerp Court of Appeal, Member of the Sanctions Committee in the capacity of magistrate who is neither a counsellor at the Supreme Court nor at the Brussels Court of Appeal

End of term of office: 15 September 2027



Martine Castin
Member of the Sanctions Committee with appropriate expertise in the area of statutory audits of annual accounts

End of term of office: 17 September 2023



Sofie Cools
Member of the Sanctions Committee

End of term of office: 16 December 2024



Erwin Francis
Counsellor of the Supreme Court, member of the Sanctions Committee on the recommendation of the first president of the Supreme Court

End of term of office: 15 September 2027



Guy Keutgen
Member of the Sanctions Committee

End of term of office: 15 September 2027



Jean-Philippe Lebeau
President of Hainaut, Member of the Sanctions Committee in the capacity of magistrate who is neither a counsellor at the Supreme Court nor at the Brussels Court of Appeal

End of term of office: 16 December 2024



Christine Matray
Counsellor of the Supreme Court, Member of the Sanctions Committee on the recommendation of the first president of the Supreme Court.

End of term of office: 16 December 2024



Pierre Nicaise
Member of the Sanctions Committee

End of term of office: 16 December 2024



Philippe Quertainmont
Counsellor of the Council of State, member of the Sanctions Committee on the recommendation of the first president of the Council of State

End of term of office: 15 September 2027



Reinhard Steennot
Member of the Sanctions Committee

End of term of office: 15 September 2027



Kristof Stouthuysen
Member of the Sanctions Committee with appropriate expertise in the area of statutory audits of annual accounts

End of term of office: 15 September 2027



Marnix Van Damme
Chamber President of the Council of State, member of the Sanctions Committee on the recommendation of the first president of the Council of State

End of term of office: 16 December 2024

Operation

Over the course of 2022, the Sanctions Committee met several times, sometimes in its entirety or in smaller working groups, to discuss a potential reform of the sanctions procedure based on its work over the past ten years and taking into account the evolution of national and European case law.

The Sanctions Committee also gave its opinion on several dossiers it received with a view to imposing administrative measures and fines for breaches of the applicable legal and regulatory standards for company auditors (Article 59 of the Law of 7 December 2016 on the organization of the profession and the public supervision of auditors). The work of the Sanctions Committee with regard to these dossiers will be further explained in the annual report of the Belgian Audit Oversight College.

Organizational aspects

Human resources management

Staff complement falls slightly

In 2022, the FSMA welcomed 19 new members of staff. Taking into account the employees who retired or left, the year ended on 31 December 2022 with a headcount of 369.

Table 11: Staff complement

	31/12/2021	31/12/2022
Number of staff members according to the staff register (number)	374	369
Number of staff members according to the staff register (FTE)	355.19	347.45
Operational staff complement (FTE)	342.50	333.45
Maximum staff complement ¹⁸⁸ (FTE)	399	399

The average age of FSMA staff rose by six months since 2021, to 44.

In 2022, there was a slight predominance of female members of staff, both in terms of those with university education and those with a bachelor's degree. At the closure of the period under review, there were slightly more female than male coordinators. There are more male than female directors and deputy directors since 2022.

¹⁸⁸ See Royal Decree of 17 May 2012 on the operating expenses of the FSMA as amended by the Royal Decree of 28 March 2014.

At the end of 2022, 63 per cent of FSMA staff had a university education and 27 per cent had a bachelor's degree.

The qualifications of university graduate staff are the following:

Table 12: Qualifications of university graduate staff

Law	49.5 %	Economics	35.5 %
Mathematics	3 %	Other ¹⁸⁹	12 %

The number of members of staff with a legal educational background fell slightly, whilst the number of staff with mathematical, economic and other specializations rose slightly.

In 2022, 32 per cent of staff have some form of part-time work arrangement. In contrast to 2021, the FSMA observed a good 3 per cent rise in 2022 in the number of part-time arrangements. The fall in 2021 was therefore compensated. The most common part-time arrangement is the 80 per cent arrangement. The 90 and 95 per cent arrangements are also popular, both among male and female staff.

The number of statutory and contractual members of staff of the former ISA fell from 12 to 11. The average age of this group of staff is 54 years, the youngest of which is 47.

Application of the linguistic framework

As a public institution, the FSMA is subject to the legislation on the use of official languages in government affairs. Two Royal Decrees establish the linguistic framework per hierarchical grades for the FSMA¹⁹⁰. The language proportion is set at 43.85 per cent French-speaking and 56.15 per cent Dutch speaking staff members. At the end of 2022, the FSMA had 43 per cent French-speaking and 57 per cent Dutch-speaking staff.

Recruitment: the FSMA focuses on employer branding and social media

In 2022, the FSMA put a lot of effort into employer branding. The main initiative was participating in the certification of Pioneering Employer.

The FSMA also conducted an active campaign among its own staff to involve their own network, for example through social media such as LinkedIn. The staff members of the FSMA are excellent ambassadors who can also be very valuable when it comes to recruiting new staff.

¹⁸⁹ This concerns mainly members of support staff and the financial education department.

¹⁹⁰ Royal Decree of 9 January 2018 establishing the linguistic framework of the Financial Services and Markets Authority, published in the Belgian Official Gazette of 25 January 2018 and Royal Decree of 9 January 2018 establishing the hierarchical grade of the Financial Services and Markets Authority, published in the Belgian Official Gazette of 25 January 2018.



**LAETITIA CHRISTIAENS TALKS ABOUT
THE FSMA AS A PIONEERING EMPLOYER**

“The FSMA wants to be a pioneer as an employer too”

The FSMA successfully completed a learning process in 2022 and received the certificate of 2023 Pioneering Employer for this. “It is not only as a supervisory authority that the FSMA wants to be a pioneer, it wants to be a pioneer as an employer too”, explains HR specialist *Laetitia Christiaens*.

What did the learning process for the Pioneering Employer entail specifically?

“We gained an insight into our maturity in terms of hybrid work, the combination between working at the office and from home. The Pioneering Employer programme encourages employers to tackle the challenges of hybrid work by having a people-driven policy, as well as reducing commuting and making it greener. We shared challenges, experiences and best practice with other organizations regarding these current themes. This cross-pollination was very rewarding and provided us with new insights and ideas”.

What is the FSMA’s approach to a people-driven policy?

“We heavily invest in our staff. They are central to our organization. We make an effort to offer our full support to staff throughout their entire career. From the integration pathway for newcomers to lifelong learning. We offer our staff all the support necessary to work to the best of their ability. Because the sector is evolving at breakneck speed, we have to put out feelers, understand changes, implement new legislation and come up with new supervisory instruments.”

A people-driven policy also implies attention for physical and mental health.

“The FSMA makes both the physical and mental well-being of its staff a high priority. We place importance on a good work-life balance and respect the right to disconnect. Attention is focused on flexibility, workable work, internal mobility, and many teambuilding initiatives such as a Kubb tournament at lunchtime,

sports and cultural activities, and more. We also invest in training on mental resilience and individual coaching. We offer good medical cost insurance”.

Are the staff members of the FSMA spending less time commuting than before thanks to hybrid work?

“Since 2021, we have been working in hybrid mode. Thanks to teleworking, in 2022, staff spent approximately 40 per cent less time commuting than before. We replicate the comfort of the office environment at their teleworking location. Staff receive a budget for buying additional office materials to work from home. For example for an office chair, an extra screen or a headset or a monthly remote working payment to cover other costs, such as electricity”.

“Our staff is central to our organization.”

How does the FSMA contribute to making commuting greener?

“Our offices are in the centre of Brussels and easily reachable by public transport and bicycle. The FSMA absorbs the entire cost of travel by train, tram, metro and bus and contributes to a parking permit close to the station or stop. The FSMA also encourages and motivates its staff to use a bicycle for their commute. Secure bicycle parking is installed and the maximum bicycle allowance is granted”.

Interactive integration pathway for new staff

In 2022, the FSMA organized an interactive integration pathway for newcomers. The integration pathway already existed but the method has been fully overhauled. The new interactive format of this pathway has been a great success. The integration pathway consisted of 12 sessions, each more than half a day long, spread throughout the year. During each session, one or two members of staff gave an interactive presentation of the tasks in their service. The presentation was followed by an intensive workshop. Newcomers were split into small groups and had to resolve specific cases, which they were given, with exercises and questions. The pathway was found to be very rewarding and informative and will certainly be pursued in the future.

Results of the employee satisfaction survey lead to new initiatives

In 2021, the FSMA organized a survey in which it asked its staff how they experience their work. The results of the employee satisfaction survey were very positive in 2021. In 2022, members of staff were informed of the results per department, as well as of the overall results, through the consultation on social matters. The FSMA and its employees may be proud of the results.

However, the FSMA does not rest on its laurels with these good results. For example, all staff could put forward suggestions for improvement, where applicable, through the annual cooperation meetings, both in general for the FSMA and specific to their service. Many new initiatives have already taken place in response to the suggestions for improvement, such as the debriefs on the decisions of the management committee, which are organized jointly for all staff. During a debrief, employees get a few minutes to explain important dossiers to their colleagues. These debriefs promote equal information flows and at the same time solidarity between colleagues across departments.

HR internal operations in the spotlight

The HR department examined its processes and optimized its internal operations in 2022. This exercise continues in 2023.

Vigilance for ethics

Both the members of the FSMA's staff and the members of the Management Committee must comply with a code of ethics approved by the Supervisory Board. This code of ethics especially lays down the prohibition of trading in the financial instruments of companies subject to the FSMA's permanent supervision. It is also focused on eliminating all conflicts of interest or potential semblance of conflicts of interest. For this reason, members of staff are not allowed to accept corporate gifts from companies under supervision.

In the period under review, the FSMA handled staff queries in relation to financial transactions or the exercise of additional roles, as an extension of its powers or otherwise. In this respect, the Management Committee has pursued the policy of previous years.

Consultation on social matters

Along with the National Bank of Belgium and Credendo, the FSMA is part of Joint Committee 325 for public credit institutions. Within this joint committee, employee representatives kept their finger on the pulse in 2022 on the implementation of the sectoral agreement 2021-2022, in which as usual, arrangements were made on job security, employment conditions and purchasing power.

At a company level, the management and employee representatives consulted on social matters every month in the meetings of the works council, the union delegation and the committee for prevention and protection at work. Subjects that frequently came up were the career path (for example the evaluation campaign and the new procedure for appointing advisors), changes in the organizational structure, the employee satisfaction survey, teleworking and on-call duties as well as their related remuneration, and the management of the buildings. The social partners also received information on the three-year transport arrangements plan.

Developments in IT

Apart from the standard tools it develops, in 2022, the FSMA focused heavily on the development of a new tool for case management. It set up a new platform for this, which will become the backbone for sharing and storing information at the FSMA. On that platform, dossiers with both structured and unstructured information will be able to be managed. Furthermore, through that platform, new workflows can be developed through which future needs will also be able to be addressed. The platform will start to be used in the first half of 2023.

For listed companies, a new computer system has been developed for collecting complex information. As part of this, support was given to the listed companies, more specifically for their first time of using the XBRL file format.

In 2022, the first project was launched that uses web scraping, semantic search and artificial intelligence technology. Thanks to this project, fraudulent websites can be detected that offer fake or illegal loans. For 2023, there are three other similar projects with identical architecture planned.

With regard to IT infrastructure, activity and security, the FSMA drew up new specifications for the servers and their hosting, including the files and databases, the websites, the office services, individual computers and mobile devices, as well as for the suppliers of IT security services.

Finally, in terms of security, the 12 technical projects that were planned for 2022 were completed and further efforts were made to raise awareness among staff, including via an e-learning platform. The level of this awareness was checked through a series of exercises focused on preventing phishing.

Sustainability

In its internal operations, the FSMA places a great deal of importance on its corporate social responsibility and sustainability. For many years already, it has been increasingly focusing on accomplishing sustainability related objectives. Last year was no exception.

Three-star Ecodynamic Label

Thanks to all of its own efforts and those of its staff, the FSMA obtained a third star in 2022 from Brussels Environment under the 'Ecodynamic Label'. That label is an official recognition for Brussels institutions that contribute greatly to reducing the impact of their activity on the environment. It values their initiatives in terms of ecomanagement and rewards their environmental performance in light of their context and that of the Brussels Region. The label particularly rewards their initiatives in terms of waste management and prevention, rational energy consumption, mobility for employees etc. Three stars is the highest distinction awarded under the Ecodynamic Label.

Fair trade takes pride of place

In 2022 as well, Fairtrade Belgium, a fair trade advocacy organization, granted the FSMA the "FairTrade@Work-label". That label rewards companies that decide to work in a socially responsible and environmentally friendly way, to contribute to the realization of the United Nations Sustainable Development Goals. A sustainable purchasing policy is an important instrument to help realize these goals.

The FSMA for example now only supplies fruit juice with the fair trade label or organic fruit juice. The same goes for the coffee, chocolate, biscuits and sugar.

Reduced energy consumption in buildings

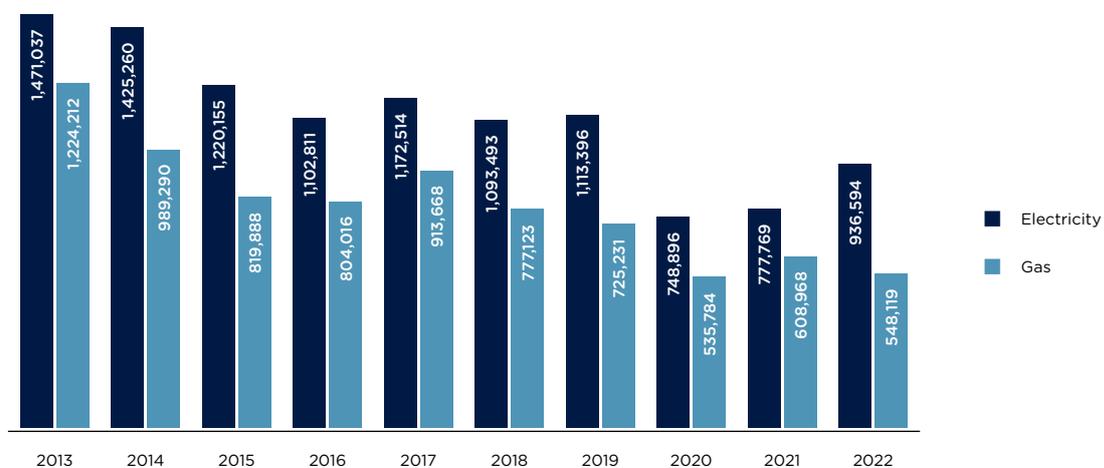
Despite the accolades it has already earned, the FSMA does not plan to rest on its laurels. For this reason, and taking into account the exploding energy prices, in 2022 it set out a new plan to become even more energy-efficient. As an example, it followed the recommendations of the federal Consultation Committee and set the central heating in its buildings to a maximum temperature of 19°. It also decided not to use certain lifts, printers and meeting rooms any more, to also make considerable savings in its energy expenses.

Not only is LED lighting installed in the FSMA offices, but it was also examined if electricity savings could be made in other areas, too. Apart from minor adjustments to the heating and cooling facilities, other measures were taken: a number of all-in-one printers are no longer used, the number of fridges and boilers in the kitchens was cut down, certain lighting was withdrawn, timers were adjusted etc. In compliance with the ventilation rules that apply since Covid, new heating and cooling standards have been drawn up in line with the recommendations of the federal authorities.

The FSMA buys green electricity and uses its solar panels to their best potential. In 2022, they produced 30,400 KWh, the equivalent of the annual energy consumption of 9 families.

As shown in Graph 38, the FSMA's total annual electricity and gas consumption has fallen greatly since the years before 2020 (the 'Covid' years of 2020 and 2021 are not representative because of the lower occupancy of the offices). That fall in consumption is even more striking since the surface area to be illuminated and heated has become bigger after the opening of the Wikifin Lab, the FSMA's centre for financial education.

Graph 38: Evolution of the electricity and gas consumption (in KWh)



With a view to limiting its CO₂ emissions, the FSMA decided, with the launch of a new public procurement contract for the organization of business trips, to compensate the CO₂ emissions of the flights taken, via the Climate Neutral Group, by for example supporting reforestation initiatives. Moreover, an increasing number of international meetings are held virtually.

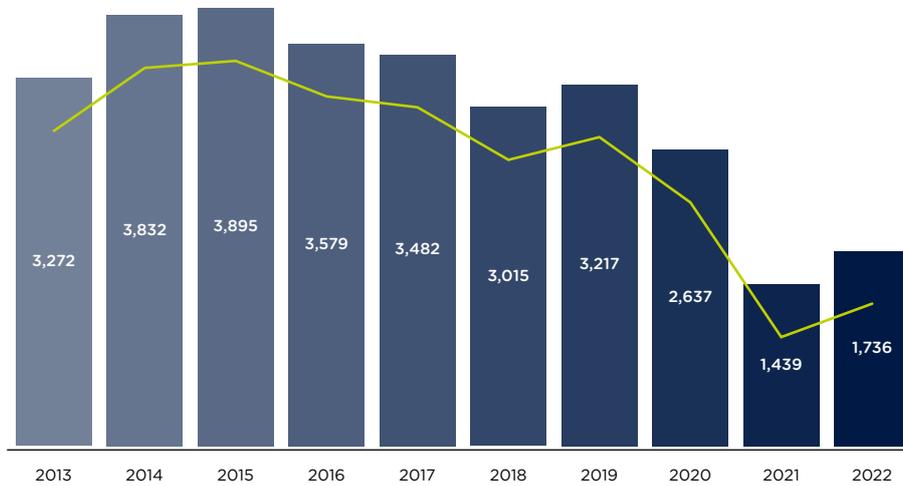
Maintaining natural resources

The FSMA pursued its policy on maintaining natural resources by managing these more efficiently¹⁹¹. It also opted for sorting and separating biodegradable waste for collection. Individual bins were removed from offices. As a result, not only are fewer plastic wastepaper bins used, but the waste can be sorted more effectively in the office thanks to the sorting islands placed on each floor.

As can be seen from Graph 39, the total water consumption of the FSMA has dropped considerably compared to a few years ago.

¹⁹¹ See the 2021 FSMA annual report, p. 181.

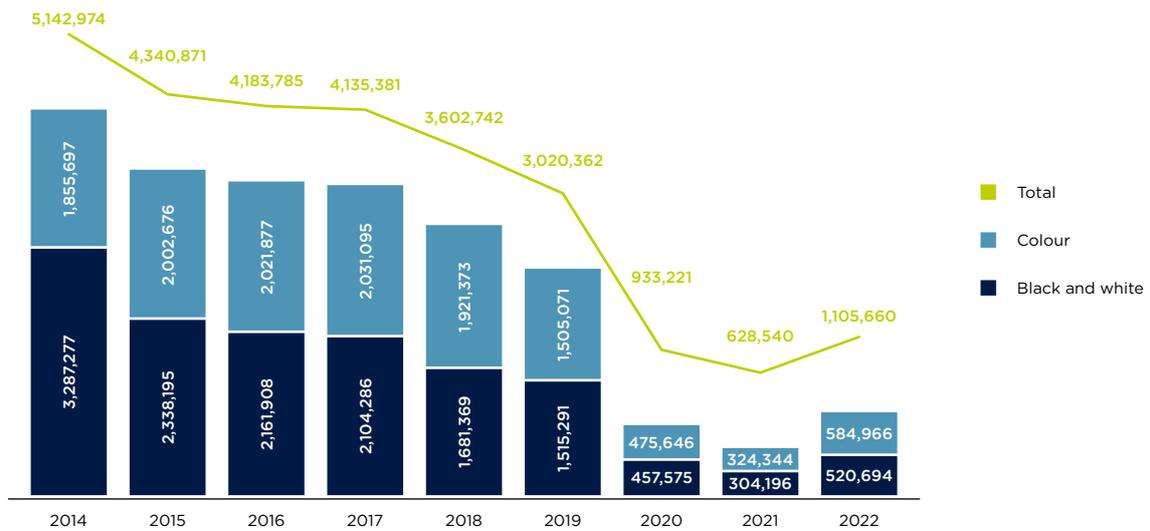
Graph 39: Evolution of water consumption (in m³)



To further reduce paper waste, dossiers have continued to be more digitalized. Measures such as replacing paper with digital cheques (for example ecocheques) form part of the implementation of the FSMA's digitalization strategy too.

As can be seen in the following Graph showing the evolution of photocopies and printouts, the number of printouts and photocopies has kept on going down further (the Covid years are not contemplated because most staff were working from home).

Graph 40: Change in the number of photocopies and prints



A greener purchasing policy

With the launch of the new public procurement contract for cleaning the buildings, a sustainable cleaning method was opted for. That means that water and chemical cleaning products are no longer used, but rather a blend of good bacteria. This project will continue to be rolled out in 2023, which should also have a positive influence on the air quality at the FSMA.

The FSMA's purchasing policy must also be sustainable. Where possible, fair trade products are bought. In the kitchens, organic ingredients are given pride of place and when purchasing, the preference is for organic alternatives. For public procurement contracts, sustainability aspects are systematically analysed when comparing offers.

Moreover, the FSMA has continued its cooperation with Close The Gap, through which it donates IT equipment that needs replacing, and with second-hand shops Télévil. It also donated equipment to the Brussels cooperative RotorDC, which specializes in the reuse and resale of building materials.

Preference for soft and sustainable mobility

Increasingly more staff opt for sustainable mobility by using their bicycle for their commute. They get support from the FSMA for this, which provides them with, for example, secure bicycle parking, padlocks and showers. Moreover, cyclists can use a repair kit, and they get a goodie bag during the annual mobility week. The FSMA also provides a platform for cyclists to share ideas and experiences. In 2022, they received a free training session on bicycle repair.



FINANCIAL STATEMENTS FOR THE 2022 FINANCIAL YEAR

This chapter shows the FSMA's financial statements for the 2022 financial year, including an explanation of the income statement and balance sheet, an evaluation of results and a description of the accounting policies. The Supervisory Board approved the financial statements for 2022 on 25 April 2023, in accordance with Article 48, § 1, 4° of the Law of 2 August 2002 on the supervision of the financial sector and on financial services.

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Legal framework

The FSMA draws up its financial statements in accordance with the provisions of Article 57 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services, and the Royal Decree of 12 August 2003 determining the layout of the financial statements¹⁹². The layout of the balance sheet and of the income statement is adapted to the specific character of the FSMA's tasks and activities.

The FSMA's **operating expenses**¹⁹³ are financed by the companies and persons subject to its supervision or whose transactions or products are subject to its supervision. Where the amounts collected exceed the real outgoings and costs, the surplus is paid back¹⁹⁴. In the opposite case, additional amounts are claimed¹⁹⁵.

In accordance with the Financing Decree, the budget for the FSMA's operating expenses for 2022 comes to 92.744m euros. The financing of the headquarters, which amounts to 3.122m euros, is not included in this¹⁹⁶.

The Financing Decree provides for a maximum amount of 11m euros¹⁹⁷ in **outgoings and costs**. This maximum amount is adjusted at the end of the financial year based on the evolution of the consumer price index and the proportional increase in the number of staff¹⁹⁸. This adjustment is certified by the FSMA's company auditor.

The costs as referred to in Article 2, 2° of the Financing Decree¹⁹⁹ do not come below the index-linked maximum amount, and neither do the costs relating to the bodies and staff of the institution.

For 2022, the maximum number of operational members of staff that the FSMA was allowed to employ, expressed in full-time equivalents and excluding certain categories²⁰⁰, was 399 FTEs²⁰¹. This number does not take into account the new powers granted to the FSMA after 2014, such as the practical supervision of company auditors. At the end of 2022, there were 333 FTEs employed, out of the maximum of 399 FTEs in accordance with the parameters above. The total number of members of staff registered with the FSMA was 347 FTEs.

The financing of the supervision of company auditors was laid down in the Royal Decree of 25 December 2016. The costs and contributions of the public supervision of company auditors are included in the FSMA's financial statements.

192 Royal Decree of 12 August 2003 implementing Article 57, first paragraph of the Law of 2 August 2002 on the supervision of the financial sector and on financial services, Belgian Official Gazette of 15 October 2003, p. 50050.

193 Royal Decree of 17 May 2012 on the financing of the FSMA's operating expenses, implementing Article 56 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services (hereinafter referred to as the 'Financing Decree'), published in the Belgian Official Gazette of 21 June 2012, p. 33859, Article 2.

194 Financing Decree, Article 23.

195 Financing Decree, Article 24.

196 The sum of both amounts comes to EUR 95.866m, which are the budgeted contributions for the operating expenses in 2022.

197 Financing Decree, Article 2, 4°; for the 2022 financial year and comes to a maximum amount of EUR 20.174m.

198 Financing Decree, Article 2, 4°.

199 This concerns the contributions to the European Supervisory Authorities, temporary staff, lawyers' fees, taxes, supervision of company auditors, etc.

200 The categories that are listed in Article 2, 1° of the Financing Decree.

201 Financing Decree, Articles 2, 1° and 36, § 1.

Balance sheet²⁰²

ASSETS	31/12/2022		31/12/2021	
FIXED ASSETS		32,396		35,727
II. Tangible and intangible fixed assets		32,396		35,727
1. Property, plant and equipment	26,721		30,348	
A. Land and buildings	26,075		29,073	
B. Plant, machinery and equipment	127		224	
C. Furniture and vehicles	519		1,051	
F. Assets under construction and advances	0		0	
2. Intangible fixed assets	5,675		5,379	
CURRENT ASSETS		44,785		42,616
IV. Receivables within one year		6,835		6,551
A. Receivables for operations	5,706		5,437	
B. Other receivables	1,129		1,114	
V. Investments		20,003		19,981
VI. Liquid assets		16,501		15,195
VII. Deferred charges and accrued income		1,446		889
TOTAL ASSETS		77,181		78,343

LIABILITIES	31/12/2022		31/12/2021	
OWN FUNDS		16,500		16,500
II. Reserves		16,500		16,500
FINANCING FUND		8,908		10,187
PROVISIONS		10,784		10,806
AMOUNTS OWED		40,989		40,850
IV. Amounts owed over more than one year		15,963		18,215
A. Financial liabilities	15,963		18,215	
2. Credit institutions	15,963		18,215	
V. Amounts owed within one year		24,373		21,905
A. Amounts owed over more than one year that come due within the year	2,252		2,149	
C. Amounts owed for operations	6,697		6,760	
1. Suppliers	4,965		3,378	
2. Other amounts relating to operations	1,732		3,382	
D. Amounts owed for taxes, remuneration and social security	14,269		11,419	
1. Taxes	2,594		2,406	
2. Remuneration and social security	11,675		9,013	
E. Other liabilities	1,155		1,577	
VI. Deferred charges and accrued income		653		730
TOTAL LIABILITIES		77,181		78,343

202 All amounts in the tables are expressed in thousands of euros unless stated otherwise.

Income statement

	2022 Financial year	2021 Financial year
I. INCOME	96,817	91,467
A. Contributions to operating expenses	96,641	91,351
B. Other income	176	116
II. OPERATING EXPENSES	94,729	87,366
A. Miscellaneous goods and services	19,052	17,509
B. Remuneration, social charges and pensions	69,988	64,439
C. Write-down on receivables for operations	181	167
D. Provisions for risks and costs	-1,302	-1,268
E. Amortization/depreciation of fixed assets	6,810	6,519
III. OPERATING SURPLUS	2,088	4,101
IV. FINANCIAL RESULTS	-933	-1,024
V. NORMAL OPERATING SURPLUS	1,155	3,077
VI. EXTRAORDINARY RESULTS	0	0
VII. OPERATING SURPLUS FROM FINANCIAL YEAR	1,155	3,077

	2022 Financial year	2021 Financial year
Processing of operating balance in the financial year		
A. Operating surplus or deficit to be allocated from financial year	1,155	3,077
B. Transfer from unavailable reserves		
C. Transfer to unavailable reserves		1,500
D. Repayments pursuant to Royal Decree of 17 May 2012 on the financing of the FSMA's operating expenses (*)	1,155	1,577
E. Additional deductions pursuant to Royal Decree of 17 May 2012 on the financing of the FSMA's operating expenses (**)		

(*) Article 23 of the Royal Decree.

(**) Article 24 of the Royal Decree.

Annexes

Balance sheet

	Land and buildings	Property, plant and equipment	Furniture and vehicles	Assets under construction	Total tangible fixed assets	Software	Development costs
II. FIXED ASSETS 2022							
a) Acquisition price							
As at end of the previous financial year	67,455	1,090	2,301	0	70,846	1,164	20,816
Changes in the financial year							
Acquisitions	425	7	0	0	432	0	3,047
Other	0	-6	-122	0	-128	0	0
As at year end	67,880	1,091	2,179	0	71,150	1,164	23,863
b) Depreciation/amortization and write-downs							
As at end of the previous financial year	38,382	866	1,250	0	40,498	1,164	15,437
Changes in the financial year							
Recorded	3,423	104	532	0	4,059	0	2,751
Other	0	-6	-122	0	-128	0	0
As at year end	41,805	964	1,660	0	44,429	1,164	18,188
c) Net book value as at year end	26,075	127	519	0	26,721	0	5,675

Income statement

	2022 Financial year	2021 Financial year
I.A. Gross contributions		
1 Credit institutions	10,163	9,544
2 Investment firms and independent financial planners	2,194	2,061
3 Intermediaries	18,051	16,943
4 Dossiers for public offers of securities	978	771
5 Investment firms	22,123	20,785
6 Belgian market listings	8,585	8,062
7 Insurance companies and pension institutions	23,067	21,663
8 Belgian Audit Oversight Board	3,324	3,182
9 Miscellaneous	5,033	5,218
10 Financing of the building	3,123	3,122
Total	96,641	91,351

	2022 Financial year	2021 Financial year
II.B.1. Employees entered in the staff register		
a) Total at end of financial year	370	375
b) Total at end of financial year in FTE	345	356
c) Average number of staff in FTE	344	356
d) Number of hours worked	480,051	495,167
II.B.2. Remuneration, social charges and pensions		
a) Remuneration and direct social benefits	41,385	38,509
b) Employer's social security contributions	10,836	10,148
c) Employer's premiums for voluntary insurance	13,273	12,642
d) Other staff charges	3,217	2,699
e) Pensions	1,277	441
Total	69,988	64,439

	2022 Financial year	2021 Financial year
II.D. Provisions for liabilities and charges		
Liberation of various provisions	-23	-17
Miscellaneous	0	0
Use of Financing fund	-1,279	-1,251
Total	-1,302	-1,268

Explanatory notes

Notes to the balance sheet

Fixed assets

In 2022, only a limited amount of investments were made under the heading 'property, plant and equipment'.

As regards intangible fixed assets, the increase in investments in 2022 was attributable to the development of IT applications.

Current assets

The change under the heading 'receivables from operations' compared to 2021 is not substantial, and is a function of the period in which the contributions were collected.

The FSMA decided, as from 2016, to make a monthly investment on a short term deposit account (32 days). As at year end 2022, an amount of 20,003,000 euros was invested.

Reserves

In 2021, the FSMA decided to increase its liquidity reserves²⁰³ to 16,500,000 euros, so that the liquidity reserve secures the continuity of the FSMA's operations for a period of 2 to 3 months. This reserve was assessed to be sufficient in 2022.

Financing fund

The financing fund helps finance the FSMA's properties.

Amounts owed

The item 'amounts owed over more than one year' (15,963,000 euros) includes the amounts still owed on the loans to finance the FSMA building. The annual repayment due in 2023 (2,252,000 euros) is entered under the heading 'Amounts owed over more than one year that come due within the year'.

Amounts owed to suppliers (4,965,000 euros) are the invoices that remained to be paid on 31 December 2022 as well as the invoices that remained to be received for goods and services delivered during the 2022 financial year. There are no comments on these amounts.

²⁰³ Financing Decree, Articles 32 and 3, § 2.

The 'Other amounts relating to operations' (1,732,000 euros) mainly include the balance of the operational expense surpluses that must be paid back over the following years based on the Financing Decree. The operating surplus (excluding the surplus for the supervision of company auditors) from the 2021 financial year (1,316,000 euros), which must be reimbursed in 2023, is 1,820,000 lower than the 2020 surplus, which was reimbursed in 2022 (3,136,000 euros).

The item 'Amounts owed for taxes, remuneration and social security' is up compared to the previous financial year. This item mainly consists of the amounts owed for salaries and social security (11,675,000 euros). These included, as at 31 December 2022, the holiday pay to be paid out in 2023 (6,992,000 euros), group insurance premiums (3,157,000 euros), bonuses (545,000 euros) and social security and other social expenses (981,000 euros). None of these amounts lapsed at the end of the year.

Notes to the income statement

Income

The 'income' item mainly consists of the contributions that the companies and people under the FSMA's supervision owe to cover the FSMA's operating expenses. These contributions are calculated pursuant to the methods in the Financing Decree based on a fixed contribution per sector under supervision, or of tariffs for transactions, or volume of activity.

The financing of the Belgian Audit Oversight Board (3,324,000 euros) is laid down in the Royal Decree of 25 December 2016. The FSMA serves as support for the Board.

Operating expenses

INCOME STATEMENT (in €k)	2022 Financial year		2021 Financial year	
II. OPERATING EXPENSES	94,729		87,366	
A. Miscellaneous goods and services	19,052	20%	17,509	20%
B. Remuneration, social charges and pensions	69,988	74%	64,439	74%
C. Write-downs, provisions and depreciation/amortization	5,689	6%	5,418	6%

The bulk of the FSMA's operating expenses are staff costs (74%). The staff costs have fundamentally increased compared to the 2021 financial year because of high inflation.

The inflation effect is also a reason for the growth in the item 'Miscellaneous goods and services'.

Financial results

Financial costs consist mainly of interest on the loans entered into to finance the building. The interest costs go down every year.

Operating surplus

The 2022 financial year closed with an operating surplus of 1,155,000 euros, which will be paid back to the financial sector.

Accounting policies

Formation expenses

The restructuring costs are fully charged to the financial year in which they were spent.

Fixed assets

The item 'property, plant and equipment' is broken down into:

- land and buildings;
- plant, machinery and equipment;
- furniture and vehicles;
- other tangible fixed assets.

The acquisition price of the FSMA's registered office is progressively depreciated over a period of 25 years. The annual depreciation amount evolves in proportion with the capital repayment for the loan entered into to finance the building.

Apart from the registered office, property, plant and equipment also includes goods expected to have a useful life of several years and with a minimum purchase price of 1,000 euros per unit.

These tangible fixed assets are recorded at acquisition price and depreciated according to the straight line method over four years, except for hardware, which is depreciated over three years.

'Intangible fixed assets' consist of IT application development fees paid to third parties. In so far as these fees amount to more than 100,000 euros per application, they are depreciated according to the straight line method over a period of five years.

IT licences are depreciated in full in the year in which they were acquired.

Receivables

'Receivables' mainly consist of contributions to the operating costs of the FSMA which are owed by the undertakings under its supervision. Amounts receivable are entered for the amounts yet to be settled. With respect to valuation, a distinction is made between amounts receivable from Belgian and foreign debtors other than intermediaries and amounts receivable from intermediaries.

Amounts receivable from Belgian and foreign debtors other than intermediaries

Amounts receivable from Belgian debtors are entered as doubtful if they remain unpaid three months after a dossier is submitted for collection to the Land Registry, Public Records and Crown Lands Office of the Federal Public Service Finances. At that time, these amounts receivable are written down by 50 per cent. If no payment is received after a new period of three months, an additional write-down of 50 per cent is made.

Amounts receivable from foreign debtors are entered as doubtful and subject to a write-down of 50 per cent where, three months after sending a registered letter, no payment has been received. After a new three-month period, the balance of the claim is reduced to nil and applied to the results.

In the event of a firm's bankruptcy, the amount receivable is immediately entered as doubtful and a write-down is entered forthwith for the full amount.

Amounts receivable from intermediaries

Unpaid amounts receivable from intermediaries that have been deleted from the register are entered as doubtful after the intermediaries are definitively deleted. At the same time, a write-down is recorded for the outstanding amount.

Liquid assets

Cash balances, balances on current accounts and time deposits are valued at face value.

Provisions

Provisions are set aside to cover losses or charges of a clearly defined nature and which, at balance sheet date, must be considered as likely or certain to be incurred, but whose extent can only be estimated.

Provisions for liabilities and charges are individualized according to the liabilities and charges that they are intended to cover.

Amounts owed

Amounts owed are entered at face value as at balance sheet date for the financial year.

Amounts receivable and owed, denominated in foreign currency

Foreign currencies are converted into their euro equivalent at the closing price as at the end of the financial year shown in specialist newspapers. For amounts owed in foreign currencies, there may be translation adjustments. In such a case, these are treated as exchange rate differences.

Rights and obligations not included in the balance sheet

There are some claims for compensation outstanding against the FSMA for alleged shortcomings in the supervision of insurance companies and pension institutions. Given the exceptional circumstances of each of these claims, the FSMA is of the opinion that these claims are inadmissible or unfounded. At this time there are still a number of pending proceedings lodged against decisions to delete insurance intermediaries or intermediaries in banking and investment services from the register, but these do not entail any material or significant financial consequences for the FSMA.

Auditor's report on the financial year ending 31 December 2022

In accordance with the legal and regulatory provisions, we are pleased to report to you on the performance of the audit mandate entrusted to us.

We were appointed by the Supervisory Board on 22 April 2021, in accordance with the proposal by the Management Committee, issued on the recommendation of the audit committee and by nomination of the works council. Our term of office ends on the date of the Supervisory Board meeting that deliberates on the financial statements ending 31 December 2023.

Unqualified audit opinion on the financial statements

We have audited the financial statements for the financial year ending on 31 December 2022, prepared in accordance with the reference accounting system in use in Belgium, i.e. the financial reporting standards with a balance sheet total of 77,181,000 euros and with an income statement that closed with a surplus of 1,155,000 euros. We have likewise conducted the specific examinations required by the Law of 2 August 2002 and the Royal Decree of 12 August 2003.

The preparation of the financial statements is the responsibility of the Management Committee. This responsibility includes: the establishment, implementation and maintenance of an internal control function regarding the drawing up and faithful rendering of the financial statements, free of material misstatement resulting from fraud or error; the selection and application of appropriate valuation rules; and the preparation of bookkeeping estimates that are reasonable under the given circumstances.

It is our responsibility to express an opinion about those financial statements, based on our examinations. We have conducted this audit in accordance with the international standards on auditing (ISAs) as adopted in Belgium. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement resulting from fraud or error.

In accordance with those standards, we have considered the FSMA's administrative and accounting procedures, as well as its internal control procedures. The officers of the FSMA and the members of its Management Committee have given clear answers to our requests for elucidation or information. We have examined, on the basis of our assessment, the evidence supporting the amounts included in the financial statements. We have assessed the soundness of the accounting principles, the judiciousness of the significant accounting estimates made by the FSMA and the overall presentation of the financial statements. We have complied with all the ethical requirements relevant for audits of financial statements in Belgium, including those relating to independence. We believe that our procedures provide a reasonable basis for our opinion.

In our opinion, taking into account the applicable legal and regulatory requirements, the financial statements closed as at 31 December 2022 give a true and fair view of the assets, the financial situation and the operating expenses of the FSMA, and the information given in the notes is in accordance with the provisions of the Royal Decree of 12 August 2003.

Brussels, 25 April 2023
Alexandre STREEL
Auditor

ABBREVIATIONS

For purposes of readability we have used abbreviations throughout the annual report, for which the full official names are given below:

AIF	Alternative Investment Fund
AML	Anti-money laundering
AML/CFT	Anti-money laundering and combating the financing of terrorism
AMLD	Anti-Money Laundering Directive
APM	Alternative performance measures
ATM	Automated teller machine
Bevek/Sicav	Belgian open-ended investment company
CBDF	Cross Border Distribution of Funds
CFD	Contract for difference
COP27	Conference of the Parties to the UNFCCC (27th session)
CSA	Common Supervisory Action
CSRD	Corporate Sustainability Reporting Directive
DB	Defined benefit
DB2P	Supplementary pensions database
DC	Defined contribution
EBA	European Banking Authority
ECB	European Central Bank
EEA	European Economic Area
EFRAG	European Financial Reporting Advisory Group
EIOPA	European Insurance and Occupational Pensions Authority
ESEF	European Single Electronic Format
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ESRS	European Sustainability Reporting Standards
EU	European Union
FAQ	Frequently asked questions
FPS	Federal Public Service
FSB	Financial Stability Board
FSMA	Financial Services and Markets Authority
FTE	Full-time equivalent
GVV/SIR	Regulated real estate companies
HR	Human resources
IBIP	Insurance-Based Investment Product
IDD	Insurance Distribution Directive
IFD	Investment Firms Directive
IFR	Investment Firms Regulation

IFRS	International Financial Reporting Standards
IORP	Institutions for Occupational Retirement Provision
IOSCO	International Organization of Securities Commissions
IPO	Initial public offering
ISA	Insurance Supervisory Authority
ISSB	International Sustainability Standards Board
KID	Key information document
KPIs	Key performance indicators
LEI	Legal entity identifier
LIRP/WIBP	Law on the supervision of IORPs
MAR	Market Abuse Regulation
MiFID	Markets in Financial Instruments Directive
NAR/CNT	Belgian National Labour Council
NBB	National Bank of Belgium
NFRD	Non-Financial Reporting Directive
ORA	Own risk assessment
PCP	Person in contact with the public
POG	Product oversight and governance
PRIIPs	Packaged Retail and Insurance-based Investment Products
Q&A	Questions & answers
SFDR	Sustainable Finance Disclosure Regulation
SME	Small and medium-sized enterprises
UCI	Undertaking for collective investment
UCITS	Undertaking for collective investment in transferable securities
VAPW/PLCS	Voluntary supplementary pension for employees
VAPZ/PLCI	Voluntary supplementary pension for self-employed persons
VAPZNP/PLCIPP	Supplementary pension for self-employed persons working as a natural person
VASP	Virtual asset service provider
WAP/LPC	The Belgian Law on supplementary pensions
WAPBL/PLCI	The Belgian Law on supplementary pensions for company directors
WAPW/LPCLS	The Belgian Law on voluntary supplementary pension for employees
WVV/CSA	the Belgian Code on Companies and Associations
XBRL	eXtensive Business Reporting Language

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