

FSMA



ANNUAL REPORT 2023

FINANCIAL
SERVICES
AND
MARKETS
AUTHORITY



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FOREWORD



Dear readers,

It is my great pleasure to present to you the Annual Report of the Financial Services and Markets Authority (FSMA) for the year 2023. This report examines the main issues that were at play in 2023 and reports on the various supervisory activities carried out by the FSMA.

Geopolitical tensions weigh on European economy

2023 was a year in which tensions between major economic powers had an increasing impact on the global economy and European competitiveness. These tensions are confronting Europe with the reality that in recent decades the continent had become very dependent on other parts of the world in relation to a number of factors.

One example is cheap energy from Russia, which fell away after the outbreak of war in Ukraine. Europe also faces the general challenge of becoming less dependent industrially and technologically on production from other regions of the world. Europe needs investment to make its economy more sustainable, be able to produce its own essential basic needs, keep at the forefront of technology and build up its own defence.

The consequences of these geopolitical tensions include increasing trade tariffs, disruptions in supply chains and uncertainty in financial markets. In such times, strong institutions are needed and international cooperation becomes even more important. As you can read in this report, international and European circumstances and cooperation are therefore increasingly important to our work.

Capital markets, for which the FSMA is responsible in Belgium, are also gaining in importance for the financing of the economy, including the transitions to sustainability and digitalization, and there is a broad consensus that the capital markets union within the EU should be further fostered.

The FSMA provides its expertise to the Belgian presidency ...

The European context was very much apparent during the first six months of this current year. Belgium held the presidency of the Council of the European Union in the first half of 2024. This was the 13th time that Belgium served as Council President, and the first time since 2010 that Belgium was at the helm of the EU.

It goes without saying that thorough preparations were made for this presidency during 2023 and that the FSMA made its expertise available to the Belgian presidency. Successfully, too, because the work of FSMA experts played a role in reaching agreements on new legislation between the Council of Finance Ministers and the European Parliament.

These agreements included measures to give SMEs easier access to the stock market, a European framework for sustainability ratings on ESG (environmental, social and governance) matters and the revision of the European Market Infrastructure Regulation.

... and puts the spotlight on financial education

As part of the Belgian presidency of the Council of the European Union, the FSMA, together with the European Commission, organized a high-level international conference on financial literacy at the FSMA premises. The conference was a great success, with 250 people in the room and as many more following the conference online.

The international conference focused on financial literacy, resilience and inclusion. It was an ideal opportunity for experts in these fields to share ideas on strategies and concrete measures in this area. In total, more than 20 speakers took the floor during speeches and panel discussions. Among them were European Financial Services Commissioner Mairead McGuinness, Deputy Prime Minister Vincent Van Peteghem and Secretary of State Alexia Bertrand.

For on-site participants, the conference was also the ideal opportunity to discover the Wikifin Lab, the FSMA's globally unique financial education centre. The conference also served as an input to the Ecofin meeting of finance ministers held in Ghent a few days later, where I was able to present the results of the conference as well as the Belgian approach to financial education via the Wikifin programme.

IOSCO makes major breakthroughs ...

IOSCO, the international organization of financial regulators, spans over 130 jurisdictions which together control 95 per cent of global financial markets and thus plays an important role in international cooperation. 2023 was an exceptional year for IOSCO, which I have chaired since the end of 2022, with breakthroughs in a number of key areas.

A first milestone was the agreement that IOSCO reached on policy recommendations for crypto and digital assets. These recommendations are important because they lay the groundwork for a worldwide regulatory approach to those markets, with the aim of protecting consumers and ensuring the proper functioning of the market. The IOSCO recommendations give policymakers and regulators all over the world a qualitative basis for regulating crypto and digital assets in their jurisdictions.

A second major breakthrough was IOSCO's endorsement of the first set of sustainability reporting standards produced by the International Sustainability Standards Board (ISSB). Again, it is hard to overstate the importance of this. These ISSB standards should ensure that investors have reliable information on sustainability. They will help companies communicate on how they identify and manage the sustainability risks and opportunities they face. The standards will be implemented in 2024 and it is encouraging that, less than a year after IOSCO's approval, a large number of jurisdictions are indicating a desire to use them.

... and confirms confidence in the FSMA

After this exceptional year of major breakthroughs, IOSCO will, from 2024 onwards, focus mainly on implementing them. And it is a great pleasure for me that I will have the honour of helping to lead this ongoing work. IOSCO's Board unanimously re-elected me as chair for a second two-year term. I wish to thank the members of the Board for their confidence and look forward to our continued cooperation.

The renewal of my appointment as IOSCO chair is also a recognition of the quality of the FSMA's work and the excellent reputation it enjoys internationally. Moreover, the recent audit by the IMF under the five-year Financial Sector Assessment Program also confirmed the quality of financial sector supervision in Belgium and noted that the FSMA has a well-developed supervisory framework.

This recognition and appreciation allows the FSMA to help steer the important forums that set the direction of international financial regulation on global topics such as sustainability, digitalization and the interests of financial consumers. This is a unique position, especially for a regulator from a non-G20 country.

FSMA projects are being realized

These major international themes also help determine the FSMA's action items. At the end of 2022, the FSMA launched 20 projects for the future. The aim of the projects is to take action ourselves if we can or to start a debate where a particular issue falls outside the FSMA's remit.

The projects cover seven current topics, with a central theme of providing ever stronger protection for financial consumers and shareholders. The topics include sustainability and digitalization, but also compliance, checks and balances for listed companies, transparency of costs, our interaction with courts and tribunals, and financial education.

We have been working on these projects since then, and in fact, all but a few of these projects have now been completed or are in the course of implementation. I would like to say more about a number of topics and some concrete achievements of the FSMA in that regard.

Digitalization: advertising rules for crypto-assets ...

Digitalization is currently one of the biggest topics in society and in the financial sector. One important phenomenon in this context is the rise of cryptocurrencies. To make consumers aware of the risks associated with such assets and to regulate their advertising, the FSMA drew up a regulation in 2023 on the marketing of virtual currencies to consumers. The most visible element is the mandatory warning "Virtual currencies, real risks. The only guarantee in crypto is risk."

The FSMA took several steps in 2023, which ranged from raising awareness among market participants before the regulation took effect and contacting certain providers directly to taking enforcement measures. The authority thus spoke to some 20 platforms and investment firms that failed to include the mandatory warning in their virtual currency advertising. Following the FSMA's intervention, about half of them either complied voluntarily with the obligation or ceased marketing in Belgium. The other half did the same following a reminder from the FSMA with the threat of a possible fine.

... and a focus on finfluencers

Compliance with advertising rules and other legislation by so-called finfluencers is also a key focus of the FSMA. The FSMA built a web-scraping tool in 2023 to actively track finfluencers on social media. The tool tracks influencers who advertise cryptocurrencies, enabling the FSMA to check their compliance with cryptocurrency advertising rules.

The tool also tracks influencers promoting financial derivatives whose marketing is prohibited in Belgium, and influencers posting investment recommendations on social media. The FSMA makes sure that they stick to the rules. For instance, influencers recommending investments must publish objective information and disclose whether they have interests in the financial instruments they recommend. If the FSMA identifies problems, it can issue a warning, put a stop to certain activities and impose an administrative fine.

Sustainability: using data analysis to spot greenwashing

The tool to track finfluencers is one illustration of the FSMA's increasing use of data analysis. Another illustration can be found in our oversight of a second globally important theme, namely sustainability. In 2023, sustainable finance was booming. Awareness is growing among companies and financial market participants that sustainability disclosures are a powerful means to attain non-financial targets and make a contribution to investors' environmental and social concerns.

As a regulator, the FSMA monitors the data published on this subject by market participants and actively combats greenwashing. Among other things, the FSMA has developed a tool to spot greenwashing in investment funds. The tool automatically screens fund portfolios and identifies which funds need in-depth qualitative research to determine whether greenwashing is actually taking place.

Attention to the fees and returns of financial products ...

By sniffing out greenwashing, we help to ensure that consumers can trust the information that funds provide. To enhance consumer confidence, it is also important that the financial products offered to them offer the opportunity of real returns and do not charge unjustifiably high fees. This means that managers of these financial products must always put the interests of financial consumers first and provide adequate potential for returns. That value-for-money concept is also a key focus at European level.

The FSMA has taken several initiatives to contribute towards value for money. It has published a study on the fees charged by Belgian funds and in 2023 it also scrutinized their returns. If a fund was shown to provide insufficient value for money in practice, a remedial plan was requested. The FSMA also performed similar analyses of other financial products, such as structured notes and insurance products. It also carried out a study on the fees associated with pillar two and pillar three pensions.

... and development of calculation tools to help consumers

The FSMA has already developed several tools to help consumers compare financial products. These include comparison tools for savings and current accounts, which it makes available on its financial education website Wikifin.be. In 2023, the FSMA added the first insurance comparison tool to the site. This is a comparison tool for personal liability insurance, known in Belgium as 'family insurance'. With the tool, you can easily compare different family insurance policies based on information about your age, your family status and whether or not you wish to opt for additional legal expenses cover.

In 2023, the FSMA also worked on updating its savings account comparison tool, which had to be adjusted in line with the new rules that took effect in 2024. The updated, more user-friendly 'Savings Account Comparison Tool' was launched in March 2024 and provides consumers with more information and filters to compare the range of regulated savings accounts.

To help consumers in their search for a suitable pension product, the FSMA has also developed an online fees tool. This simulates the combined effect of fees on contributions and on savings reserves, enabling consumers to understand the impact of different fee types on building up their pillar two and pillar three pensions. This tool was launched in April 2024 and we aim to develop it further, so that in future it can also be used to compare the fees charged with market averages and extreme values.

Banker's oath introduces new disciplinary regime

On top of these specific initiatives on fees, the banker's oath will also introduce new ethical rules for the benefit of financial consumers. A regulation to this effect was published in the Belgian Official Gazette in January 2024. The new disciplinary regime puts customers' interests first and aims to bolster trust in the financial sector, specifically by emphasizing the personal responsibility of bank employees.

The regulation includes ethical rules that focus on honesty, integrity, professionalism and the interests and fair treatment of customers. As from 2025, providers of banking services will take an oath binding them to comply with these rules. There will also be a central register for disciplinary sanctions and bans on professional practice for rulebreakers. Anyone wanting to join the banking sector will have to provide proof that they have not been the subject of a ban.

Wikifin celebrates its tenth anniversary

Financial education is an essential complement to regulation and supervision, and the FSMA's commitment to it remains undiminished. The Wikifin financial education programme celebrated its 10th anniversary in 2023. It has since become the key reference point for financial education in Belgium, and research shows that 30 per cent of Belgians have already heard of it.

We are continuing to develop new ideas to put the spotlight on Wikifin and financial education. In March 2024, for instance, the FSMA launched a roadshow with an eye-catching vehicle that will travel all over Belgium visiting different locations such as markets, coworking spaces and local events.

New training programme for professionals

Finally, during 2024 the FSMA will launch the "FSMA Academy". This training programme is intended for financial sector professionals and revolves around the rules that the FSMA must enforce.

In this report, you will find much more information on the big issues the FSMA dealt with in 2023 and on its supervisory activities. Happy reading!

Jean-Paul SERVAIS
Chairman



THE FSMA AND ITS SUPERVISORY UNIVERSE

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Mission and vision

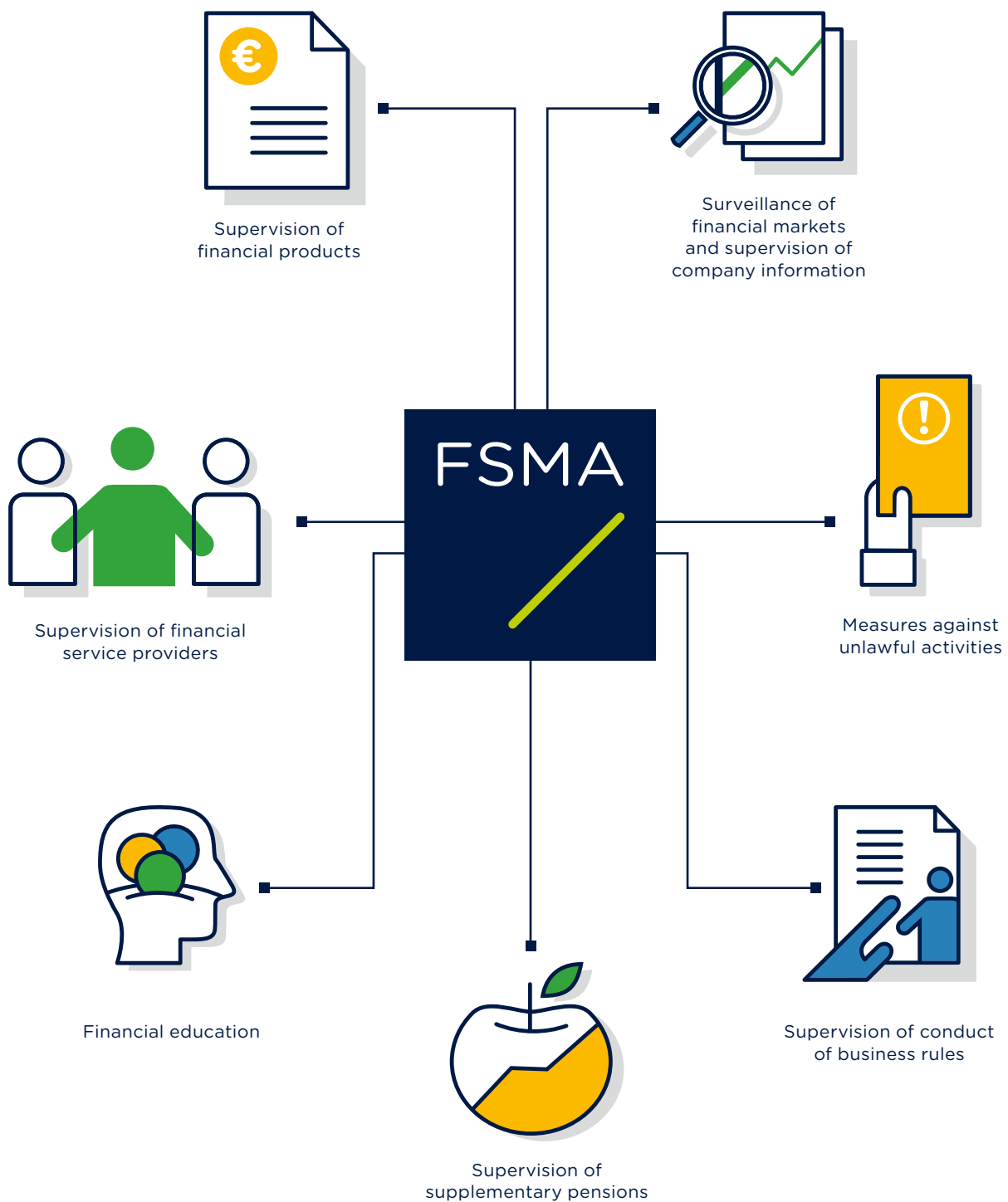
The FSMA strives for a financial system in which consumers can rely on the proper provision of financial services and on transparent and open markets, in which consumers can buy financial products in line with their wishes and needs, and in which the financial industry serves society and contributes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

Every year, the FSMA establishes an action plan on how it will put these organizational priorities into play. The action plan is 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 2023

Supervision

101

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

163

listed companies

18,657

registered
intermediaries

151

pension funds
governed by Belgian law

4.35 million

employees and self-employed persons
with a Belgian pension plan

Financial landscape



Deposits with credit
institutions governed
by Belgian law¹:
763.2 billion euros



Balance sheet total
of pension funds:
45.8 billion euros



Assets under management
by funds governed
by Belgian law:
203 billion euros



Market capitalization
of Euronext Brussels:
535 billion euros



Balance sheet total of
credit institutions governed
by Belgian law²:
1,179.5 billion euros



Premium income
on the Belgian
insurance market:
32.1 billion euros

¹ September 2023.
² September 2023.

A few key dates

— 1 February

The FSMA publishes a warning on stock issues by listed companies in financial distress. Shareholders of such companies are at great risk when such issues take place.

— 23 May

Under the leadership of FSMA chairman Jean-Paul Servais, IOSCO, the global organization of financial market regulators, launches recommendations on the regulation of virtual assets.

— 17 March

Wikifin, the FSMA's financial education programme, celebrates its 10th anniversary. The celebration kicks off Money Week. More than 100,000 students take part in Money Week, an initiative that encourages people to talk openly about money matters.

— 7 June

The FSMA launches its first comparison tool for insurance products. The tool gives consumers an overview of the cover provided by personal liability policies ('family insurance') and the premiums they charge, and enables them to compare the different policies on the market.

— 17 May

The FSMA introduces tough rules on the advertising of virtual currencies. The risks of virtual currencies must be made sufficiently clear to consumers every time they are advertised, including through the mandatory inclusion of the warning "Virtual currencies, real risks. The only guarantee in crypto is risk".

— 23 June

The FSMA finds that crypto trading platform Binance is providing exchange services between virtual and fiat currency and offering custody wallets in Belgium. Binance does so from countries that are not members of the European Economic Area. This form of operation is not permitted. The FSMA therefore orders Binance to immediately cease all offering and provision of such services in Belgium.

— 17 May

The FSMA suspends the Belgian insurance distribution activities of French insurance intermediary SFAM. The suspension is related to consumer complaints about automatic direct debits taken by SFAM without customers' consent.

6 July

The FSMA publishes its half-yearly dashboard on investment fraud and illegal offers. The FSMA received a record 2,170 notifications in this regard in 2023. Almost 1,000 reports related to fraudulent trading platforms. It warned the public about 256 fraudulent entities and 313 websites.

25 July

Under the leadership of FSMA chairman Jean-Paul Servais, IOSCO, the global organization of financial market regulators, approves a first set of standards on corporate sustainability reporting. These standards are intended to ensure that investors have reliable information on sustainability.

2 October

The FSMA launches an awareness campaign against online investment fraud. The campaign includes a video in which the 'CEO' of a gang of fraudsters gives a tour of his fake firm and explains how he tricks investors. In total, the FSMA reached 1.2 million Belgians with this campaign and the ads were shown 3.7 million times.

2 October

The FSMA takes part in World Investor Week. This initiative by IOSCO, the global organization of financial market regulators, puts financial education and investor protection in the spotlight.

3 October

The FSMA charts the fees of structured debt instruments. Reflecting its concern for providing better information to consumers, the FSMA publishes information to enable them to better understand and assess the fees charged by such products. In light of this, it formulates several recommendations for the industry.

4 December

FSMA chairman Jean-Paul Servais attends the UN COP28 climate conference in Qatar with a delegation from IOSCO. Climate finance is high on the conference agenda. The financial sector and businesses have a crucial role to play in the transition to a more sustainable economy.

7 December

The International Monetary Fund presents its assessment of the financial sector in Belgium. The fund makes a series of recommendations to the FSMA and the National Bank of Belgium.

A brief overview in figures



The FSMA checked compliance with the rules on compliance and risk management, foreign operations and ESG at **5 investment fund management companies** and **5 portfolio management and investment advice companies**.



Thanks to the FSMA's reports, the public prosecutor's office was able to block access to **278 fraudulent websites** containing illegal investment offers.



The FSMA opened **38 new cases** that could give rise to the imposition of **administrative fines**.



The FSMA launched **104 preliminary or full analyses** of potential market abuse. It suspended trading in a share 29 times.



The FSMA received **238 whistleblower reports** on actual or potential breaches of financial legislation.



The FSMA conducted **43 compliance checks** on the sale of investment and insurance products.



The FSMA checked the files of **6,719 intermediaries** for compliance with the conditions of registration.



The FSMA published **256 warnings**. These publications warn the public of the dangers of (potentially) unlawful offers.



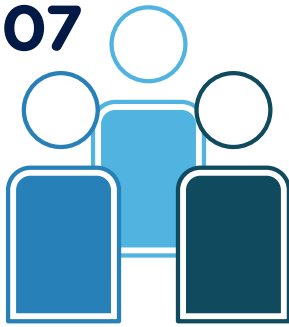
The FSMA received **3,493 messages** from consumers on a wide range of financial subjects. Two thirds of the messages were about fraud and irregular offers of financial products and services.



The FSMA received **1,134 notifications** of managers' transactions.



The FSMA examined **3,213 advertisements** for funds, regulated savings accounts and structured debt instruments, derivatives and bonds offered by financial institutions.

307

The FSMA struck
307 intermediaries
from the register.

1.2 million

The anti-fraud campaign launched
in October 2023 reached nearly
1.2 million people. The ads were
shown 3.7 million times.

4 million

Wikifin, the FSMA's financial
education programme, received
over **4 million visitors** to its website.

5,023

The FSMA audited **5,023 entities**
for compliance with anti-money
laundering and terrorist
financing legislation.



The FSMA approved **14 agreed settlements** in
administrative sanction 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 **EUR 471,145** for the Treasury.



HIGHLIGHTS

This part of the annual report discusses some of the key points of 2023. They relate both to the FSMA's supervisory priorities and to topical issues and international activities. The selection of key points is non-exhaustive. Some of these issues have been important focus areas for several years; others were specific points of interest in 2023.

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The FSMA pays particular attention to the fees and returns of financial products

Increasing the confidence of financial consumers is about ensuring that the financial products offered to them provide the chance of real returns and do not come with unjustifiably high fees. This means that managers of these financial products must always put the interests of financial consumers first and provide adequate potential for returns. This is what is meant by the value-for-money concept, which is now also a key area of focus at European level. According to the European Commission's proposed Retail Investment Strategy package, some investment products fail to provide adequate value for money for investors. The European authority EIOPA raises the same issue for insurance products.

Link between fees and returns for Belgian investment funds

In 2022, the FSMA examined the fees of Belgian investment funds and published a study³. In 2023, it extended that analysis, scrutinizing not only the fees charged by Belgian investment funds but also their performance.

Its approach was to compare the fees and returns for each fund with the fees and returns for other funds with similar characteristics. This exercise was carried out for all Belgian and foreign funds marketed in Belgium. This method allows funds to be compared with others of a relatively similar type. For example, it avoids comparing the return on a European equities fund with that of an Asian bond fund. Combining data on both fees and performance allows the value for money each fund offers to investors to be assessed from a quantitative viewpoint.

³ See the FSMA Annual Report 2022, pp. 32-33.

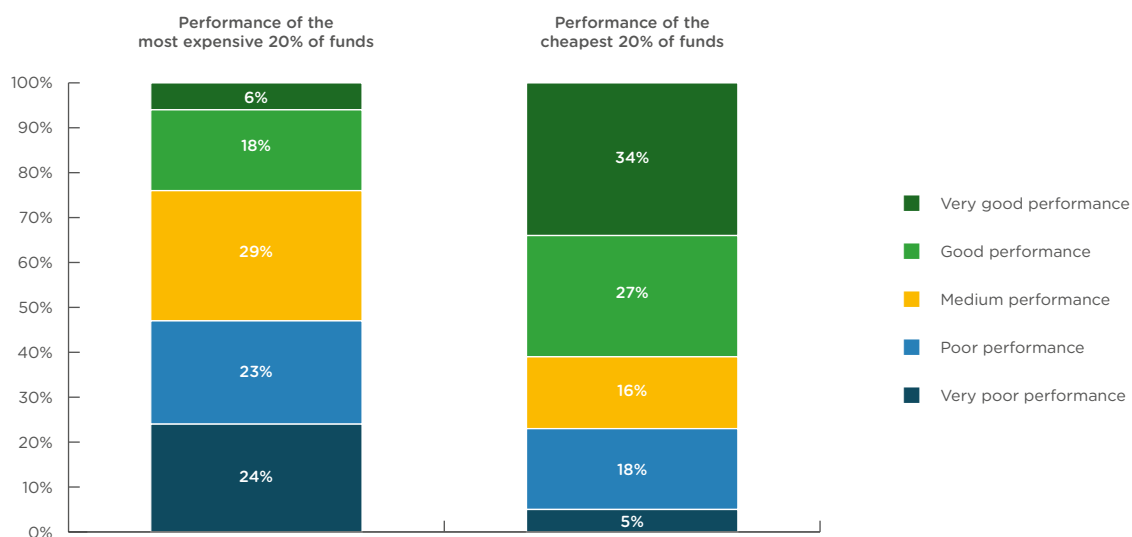
Introduction of a remedial plan in case of proven inadequacy

Funds that charged much higher fees than the average for their category and whose returns were much lower than the average for their category may well have offered inadequate value for money to their investors. More extensive analyses involving the managers of those funds helped to confirm or disprove such suspicions. If a fund was shown to provide insufficient value for money in practice, a remedial plan was requested. Such a plan can take many forms, ranging from restructuring the fund or charging lower fees to including additional disclosures in the fund's legal documentation about certain aspects of the manager's strategy, where these have a major impact on the achieved or expected result.

Existence of a link between high fees and low returns

The FSMA's analysis pointed to a close link between the fees and returns of funds. Funds that charge relatively high fees (the most expensive 20 per cent) were rarely – in only 24 per cent of cases – found to deliver good or very good returns relative to other funds in the same category. Conversely, 61 per cent of funds that charge relatively low fees (the cheapest 20 per cent) delivered good or very good returns relative to other funds in the same category.

Graph 1: Performance relative to other similar funds



This finding again shows the importance of comparing the fees charged by funds. After all, high fees automatically mean lower returns for the investor. However, that automatic drop in returns does not usually entail that managers will work hard for higher returns.

The FSMA ensures that Belgian public investment funds offer adequate value for money to their investors, which can help to increase public trust in capital markets.

Assessment of the fees and returns of structured debt instruments

The FSMA also conducted a study on the value for money of structured notes. Structured products allow investors to pursue a specific investment strategy that is generally less risky than a direct investment in, say, equities, but offers higher potential returns than a fixed-income product. The value for money of the structured product is quantitatively expressed by this ability to opt for such a strategy, at a certain cost. On that basis, it should be possible to regard the return as a pertinent indicator of the product's value for money.

The key information document prescribed by the PRIIPs Regulation (PRIIPs KID) includes return scenarios that reflect the likely returns on a product. These scenarios are calculated before the product is issued. Examining that data showed a correlation between those scenarios and the previous returns⁴ on the product's underlying asset: in the KID scenarios, the return will be low if the market was declining in the 5 years up to the date the KID was prepared and vice versa. From this finding, the FSMA concluded that the return scenarios in PRIIPs KIDs are not necessarily a reliable indicator and that there is no valid argument to say that a product that has poor return scenarios in its PRIIPs KID, and which therefore performed poorly in the past, does not offer the potential for future returns and thus adequate value for money.

The FSMA then studied the interdependence between the derivative component and the product fees for a given savings component (a risk-free interest rate and a given credit risk). This was based on an assumption of correct pricing as well as on the fact that fees reduce the amount available to purchase the derivative component and that it is the derivative component that determines the potential return of the product. The FSMA noted that these fees are a relevant and indeed essential factor in assessing the value for money of a product.

Tighter checks in relation to fees for structured notes

The FSMA undertook several supervisory actions on the fees of structured notes to assess whether the structured notes offered on the market provide investors with adequate value for money.

4 'Previous returns' means returns before the date on which the product was issued.

In this regard, please refer to the press release entitled 'Study on the costs associated with structured debt instruments'⁵. It warns that rising interest rates in the economy should not be seen by issuers or distributors as an opportunity to increase margins.

The FSMA also further tightened the checks carried out before a structured note is issued. Where a structured note is deemed to be an outlier in terms of fees, the FSMA makes sure that the product governance procedure is properly followed. As part of that procedure, the distributor must assess whether the interests of the investor are safeguarded, including in terms of fees.

Checking the value for money for insurance products

In 2023, the FSMA completed a supervisory action on the topic of value for money and exclusions at 15 insurers and two insurance distributors. This involved examining both 'life'⁶ and 'non-life' insurance products⁷. This topic usually concerns whether the fees charged on the product are in proportion to the benefits it provides, including investment performance, guarantees, services and insurance covers. The aim of the action was to check the procedures applied to the product at both testing and review levels.

Regarding exclusions, the FSMA essentially checked whether product developers, when determining what exclusions apply to a product⁸, take proper account of the needs and objectives of the target market when assessing whether the exclusions are appropriate for that market.

Several findings formulated for the benefit of insurance companies

As part of its supervisory action, the FSMA passed on its findings to the insurance companies concerned. In total, it formulated nine orders⁹, 58 recommendations¹⁰ and one point for attention¹¹.

⁵ See FSMA press release_2023_23 dated 3 October 2023.

⁶ In particular, life insurance linked to investment funds (class 23) and payment protection insurance to cover the repayment of a consumer loan (class 21).

⁷ Mainly travel insurance and insurance covering risks associated with electronic devices.

⁸ Especially exclusions associated with systemic risks in travel insurance policies.

⁹ An 'order' is a measure by which the FSMA orders the firm concerned to take corrective action within a set time limit. The FSMA takes this measure if it identifies a breach of the IDD rules of conduct or of a related regulation, or if it finds a deficiency in the firm's organizational structure, insofar as that structure is intended to ensure compliance with those rules of conduct. These corrective measures will be validated by the FSMA and will be the subject of a specific follow-up. The orders are based on Article 307, § 1 of the Law of 4 April 2014 on insurance.

¹⁰ A 'recommendation' points to deficiencies in the company's application of the IDD rules of conduct or of a related regulation within its organization. With a recommendation, the FSMA encourages the firm to apply certain rules differently or adjust its organizational structure. The FSMA expects the firm to establish an action plan detailing the steps it will take to remedy the deficiency, the timeframe within which it will do so, and who will be responsible for implementing it.

¹¹ A 'point for attention' is a finding that the FSMA brings to the firm's attention without expecting the firm to draw up a short-term action plan in this regard.

The various findings refer in particular to the fact that product developers have not always developed systems and procedures that put customers' interests first. The systems and procedures should detail and accurately determine when and how products are useful to consumers from the value-for-money standpoint. In this regard, the FSMA points out that analysing a product from the value-for-money perspective is not the same as determining how profitable the product is for the company.

The FSMA also found that the vast majority of developers define their target market broadly without precisely determining the needs, characteristics and objectives of the customers who make up the chosen target market. Moreover, because some developers have not worked out their own definition of a 'complex product', it is difficult or even impossible for them to provide evidence of a sufficient level of granularity for their target market.

Other problems identified relate to the failure to carry out appropriate testing when insurance products are substantially changed, and the lack of regular and efficient re-examinations. Moreover, developers do not sufficiently document their product development procedures.

Publication of a sectoral handbook

Following its audit, the FSMA published a handbook¹² to inform the sector about its various recommendations and expectations on the implementation of value-for-money and exclusions requirements.

The practice guide is aimed at developers of insurance products and is also useful for insurance intermediaries acting as co-developers of insurance products.

In total it contains some 18 recommendations, which are mainly subdivided into seven themes. Those themes include the following recommendations:

- developers should make the customer's interest central to their product approval process, by elaborating clear criteria that should be systematically applied. Among other things, the developer must prevent or manage potential conflicts of interest. In the FSMA's view, this means, among other things, checking that the fee structure of an insurance product is not harmful to the customer's interests;
- testing and evaluation procedures should be applied, which should address the value-for-money aspect;
- when the developer defines the scope of a product, the exclusions should not be such that they render the product useless to the defined target market.

Developers should apply their policies and procedures as specifically as possible to the situation it has to assess, taking into account the specific insurance product, the proposed distribution channel and its actual business activities. The product approval process should not constitute a tick-the-box exercise.

¹² See communication FSMA_2023_17 of 4 July 2023, entitled "*Vademecum on Product Oversight and Governance (POG) for Insurance*".

The FSMA invests in data analysis

Acquiring and understanding data is very important for financial regulators. It allows them to detect risks sooner and take action faster. The FSMA is investing in data analysis in a number of areas. In just a few years, data analysis has become an indispensable tool for the FSMA. It analyses both structured and unstructured data and makes use of advanced analysis techniques. The FSMA aims to further develop data-driven supervision in the future.

Below are some specific examples of projects.

Software tool screens information notes

The FSMA has developed a software tool for the daily content-based screening of information notes based on natural language processing.

Information notes contain important information for investors, including on certain public offerings of investment instruments. The FSMA is authorized to supervise information notes post-issue.

The software tool constitutes an important additional tool in auditing information notes. The risk-based tool allows problems relating to public offerings of investment instruments in Belgium to be detected quickly and efficiently.

The FSMA can then take action against such offerings and also impose administrative sanctions if the information notices are found not to comply with legal requirements or if the public offerings are illegal or fraudulent.

Web scraper checks advertising for insurance products

The FSMA has the authority to supervise the advertising of insurance products ex post. Such advertising is spread across the web. To monitor it, the FSMA uses a computer technique that enables it to scour the internet for insurance product advertising. This technique is called web scraping.

The FSMA has developed a web scraper to identify ads for insurance products. First, the web scraper searches for advertising from Belgian insurance companies. It then checks whether the ads contain all the information required by law, based on natural language processing. This enables the FSMA to know whether an ad is in order. Further analysis enables it to take action against insurance companies, where necessary¹³.

Tracking influencers

In 2023, the FSMA continued building a web-scraping tool to actively track “influencers” (financial influencers) on social media. As influencers are a diverse group who cover a range of topics and are active on a variety of social media channels, the FSMA decided to develop a web-scraping tool with three segments.

1. The first segment tracks influencers advertising cryptocurrencies. The FSMA checks whether these influencers abide by the rules on crypto advertising. The FSMA's Crypto Regulation of 5 January 2023¹⁴ states that such advertising must not be misleading or false. Advertising must also be balanced: it should not emphasize the potential benefits of cryptocurrencies without giving a clear indication of the risks. Ads must also include a risk warning¹⁵.
2. The second segment tracks influencers promoting financial derivatives that are prohibited from being marketed in Belgium¹⁶, such as contracts for difference or forex instruments. An increasing number of Belgian influencers promote complex financial instruments like these as a way to make lots of money fast. Not infrequently, these influencers are manipulated by trading platforms which reward them for every new customer they bring in. The FSMA intervenes whenever influencers breach the marketing ban.
3. The third segment tracks influencers who post investment recommendations on social media. An increasing number of influencers pose as financial experts and circulate emails with analyses and recommendations on certain financial instruments. The FSMA makes sure that the influencers keep to the rules. For example, influencers must disseminate objective information. Among other things, they must disclose whether they have interests in the financial instruments on which they make investment recommendations. If the FSMA's tool unearths problems, the authority can put a stop to certain activities. It can also publish a warning and impose an administrative fine.

¹³ See also this report, p. 73.

¹⁴ See the FSMA Regulation of 5 January 2023 placing restrictive conditions on the distribution of virtual currencies to consumers, approved by Royal Decree of 8 February 2023.

¹⁵ See also this report, p. 50.

¹⁶ See the FSMA Regulation of 26 May 2016 regulating the distribution of certain financial derivatives to retail clients.

Tool tracks greenwashing in investment funds

The FSMA has developed a tool to spot greenwashing in investment funds. Greenwashing can occur if a company, financial product or service promises to take certain sustainability features into account, when in reality it does not do so or does so only partly. Such a practice is misleading to consumers, investors and other market participants¹⁷.

An investment fund, for instance, may be greenwashing if the investments held are not consistent with the fund's name, investment objective, strategy and characteristics as stated in the investor documentation.

Investment fund managers must provide information to investors about certain sustainability features of funds. This information must be included in the prospectus¹⁸ of the fund, and should enable investors to understand the fund's level of ambition on sustainability.

The tool automatically screens the portfolios of open-ended Belgian investment funds. The focus is on 'Article 8 funds' and 'Article 9 funds'.

Article 8 funds promote environmental or social characteristics. Article 9 funds aim to make sustainable investments. These funds are at increased risk of greenwashing and are widespread. At the end of 2023, about three-quarters of the net assets of open-ended Belgian investment funds were invested in Article 8 and Article 9 funds.

To carry out the screening, the FSMA collects data on the composition of the funds' portfolios. For funds that invest in other funds, the FSMA aims to look at the underlying investments. It then links this portfolio data with information on the environmental or social characteristics of the investments. Based on this data, the tool calculates a number of indicators that enable the environmental or social character of the portfolios to be assessed.

Indicators may relate, for example, to the fund's investments in controversial companies, countries, activities or sectors. Other indicators may be based on an assessment of environmental or social features. Based on the results of the analysis, the FSMA begins an in-depth qualitative investigation to determine whether greenwashing has actually occurred in a specific case.

The tool complements other tools used by the FSMA to combat greenwashing. The FSMA also pays attention to the risk of greenwashing in investment funds during the initial approval of the prospectus and advertising.

¹⁷ A common interpretation of greenwashing has been proposed by the ESAs. See:

1. ESMA: *ESAs put forward common understanding of greenwashing and warn on risks*, 1 June 2023, available at www.esma.europa.eu.
2. EIOPA: *ESAs put forward common understanding of greenwashing and warn on risks*, 1 June 2023, available at www.eiopa.europa.eu.
3. EBA: *ESAs present common understanding of greenwashing and warn on related risks*, 1 June 2023, available at www.eba.europa.eu.

¹⁸ For AIFs that are not required to publish a prospectus, the information should be included in the pre-contractual disclosures to investors.

Sustainability and greenwashing are high on the agenda

In 2023, sustainable finance is booming. The legal framework is being further developed and there is growing awareness among companies and financial market participants that sustainability disclosures are a powerful means to attain non-financial targets and make a contribution to investors' environmental and social concerns. As a regulator, the FSMA monitors the information published on this subject by market participants and combats practices that misuse such information for greenwashing. Combating greenwashing is one of the FSMA's core tasks. It is therefore devoting an increasing share of its resources to supervisory actions and to enforcing the legal framework that has been developed in recent years.

A strict framework for sustainable financing

Corporate activity plays a central role in the areas that can contribute to an energy transition. In 2022, the European Union adopted a list of economic activities that contribute to climate change mitigation or adaptation. New activities were added to the 'taxonomy'¹⁹ of environmentally sustainable economic activities in 2023 that curb greenhouse gas emissions and encourage investments that contribute to their reduction.

Criteria were also published to identify business activities that contribute to four other objectives²⁰: the sustainable use and protection of water and marine resources, the transition to a circular economy, the prevention and control of pollution and the protection and restoration of biodiversity and ecosystems. The criteria in the taxonomy provide a consistent and harmonized foundation that sets the framework for ambitious actions to safeguard our environment.

¹⁹ Regulation (EU) No 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) No 2019/2088; ('Taxonomy Regulation'), OJ L 198, 22 June 2020.

²⁰ Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to the sustainable use and protection of water and marine resources, to the transition to a circular economy, to pollution prevention and control, or to the protection and restoration of biodiversity and ecosystems and for determining whether that economic activity causes no significant harm to any of the other environmental objectives and amending Commission Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities, OJ 21 November 2023.

Since 2023, in addition to non-financial reporting, companies have also been required to disclose what proportion of their activities meets the criteria of the taxonomy. That information can be used to assess the extent to which an investment contributes to meeting environmental objectives. Data on the extent to which a company's economic activities are taxonomy-aligned are included by producers in their documentation on financial products covered by the Transparency Regulation (SFDR)²¹ but can also be used to indicate the degree of ambition of other financial instruments, such as green bonds that comply with the new EU Green Bond Standard. This new European certification for green bonds was approved in 2023. It requires funds to invest at least 85 per cent of their assets in activities that contribute to the aims of the taxonomy.

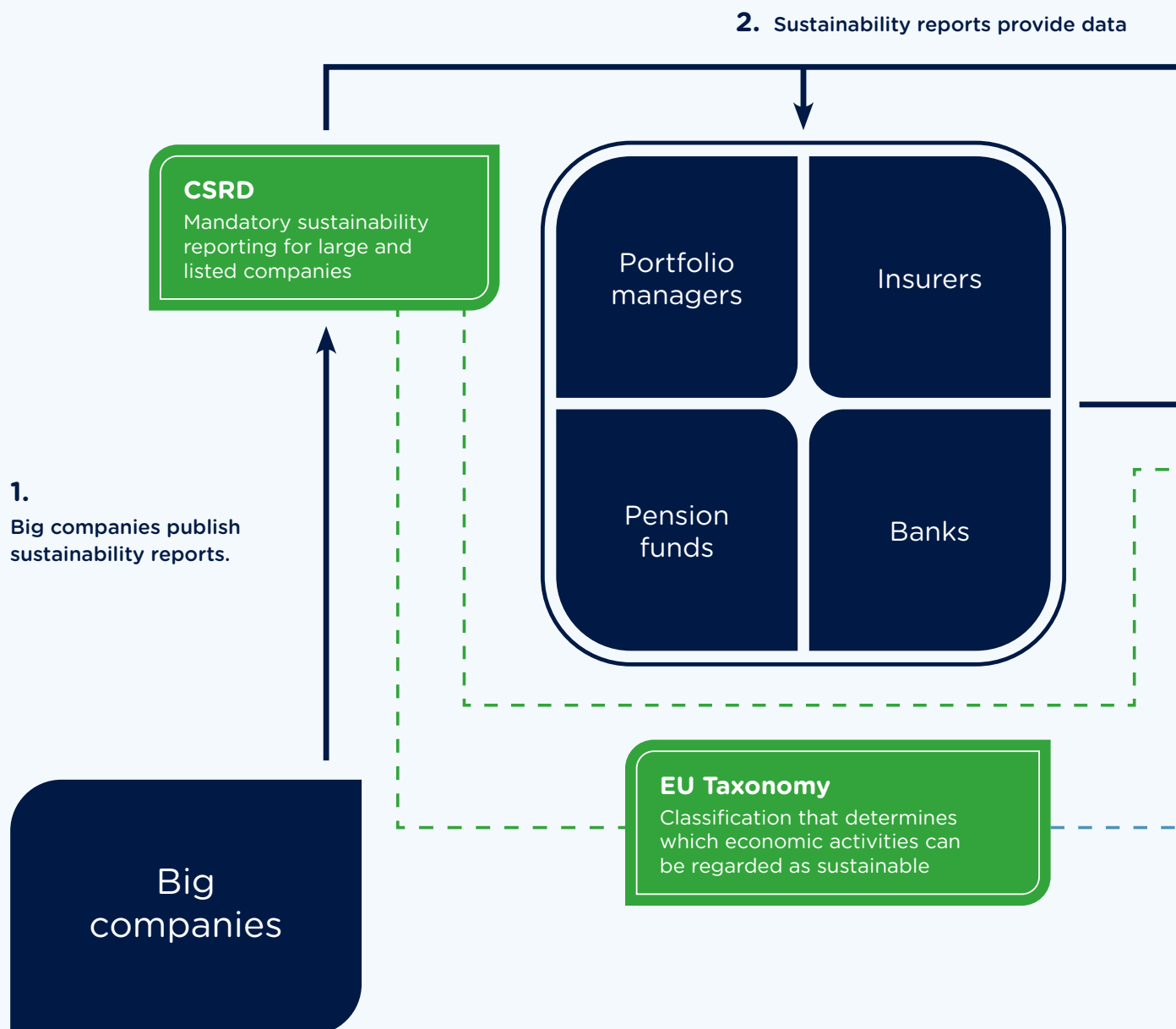
The European bodies, in cooperation with the FSMA, prepared a first report on greenwashing in 2023 with the aim of defining the phenomenon more precisely and developing a common approach at European level. The FSMA has already been working for a number of years to make the new but demanding framework for sustainable finance accessible both to investors and professional market participants in the financial and insurance sectors. The new disclosure obligations will make it possible to keep greenwashing in check and provide greater transparency to citizens about the environmental and social risks and opportunities.

21 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 ('SFDR'), OJ L 317, 9 December 2019.

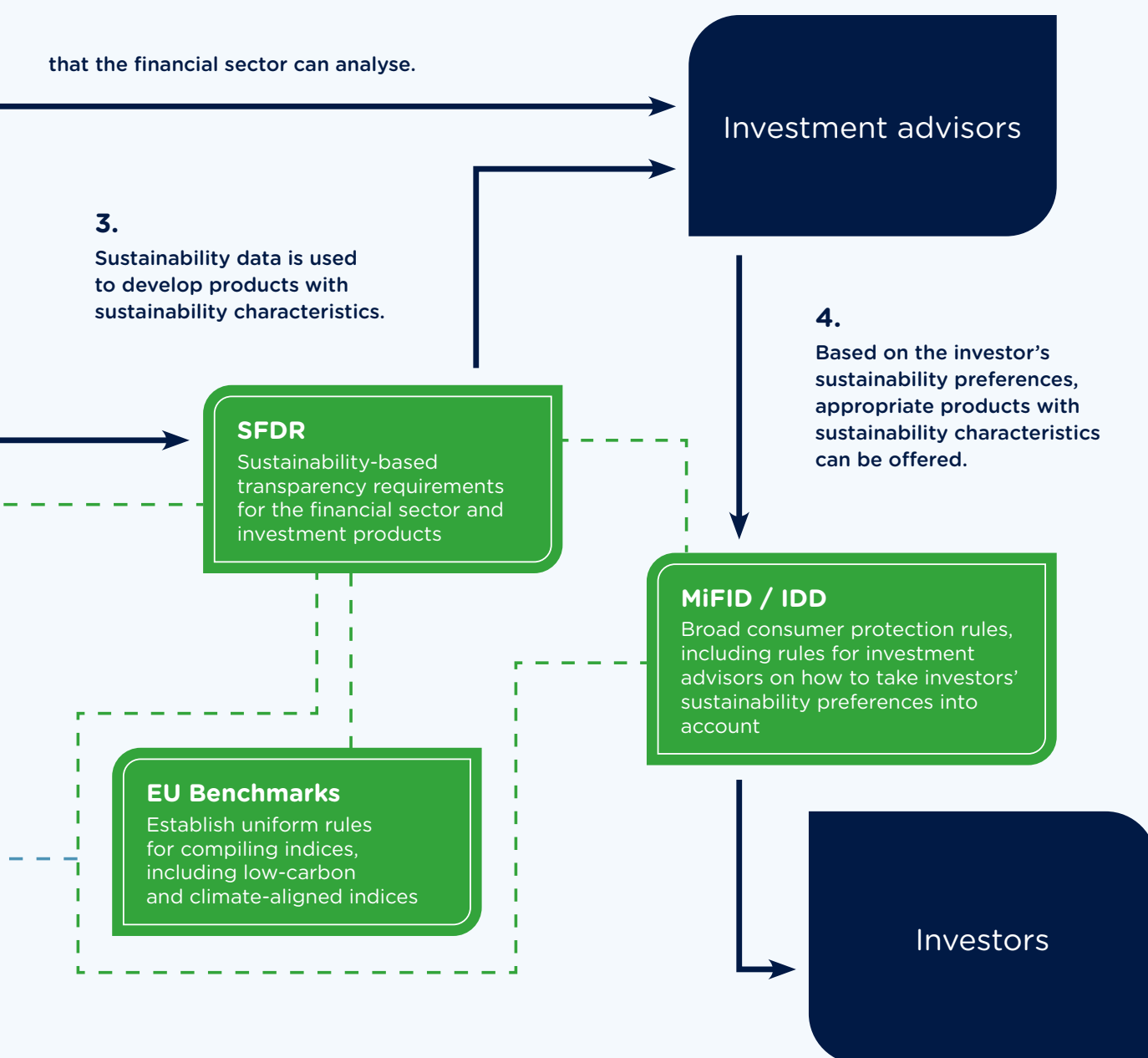
From sustainability reporting to sustainable investing

With the CSRD, taxonomy, SFDR, benchmarks and sustainability preferences, the European Union has put a whole raft of measures and regulations in place in the financial sector to achieve its Green Deal climate goals.

Towards sustainability



Europe's biggest companies will be required to report on their environmental and social footprint from 2024, and this requirement will gradually be extended to other large European companies. Banks, insurers, pension funds and asset managers will work with the data from these large companies, developing financial products with sustainability features that match investors' sustainability preferences. This is the scenario the European Union has outlined in order to embed sustainability in the financial sector in the coming years.



Reporting on climate matters in financial statements

As part of its action plan on climate change and greenwashing, the FSMA reviewed how Belgian listed companies reported on climate matters in their 2022 financial statements. The FSMA found that reporting could be improved.

Listed companies must take climate issues into account when preparing financial statements²². This includes, for example, the impact of extreme weather events or rising temperatures due to climate change, transition risks such as changes in consumer behaviour, disruptions in supply chains or rising charges for CO₂ emissions. Specifically, these matters have an impact on the assumptions used to prepare the financial statements, for example, in determining write-down and depreciation.

Below are the main conclusions of this review of financial statements for the 2022 financial year.

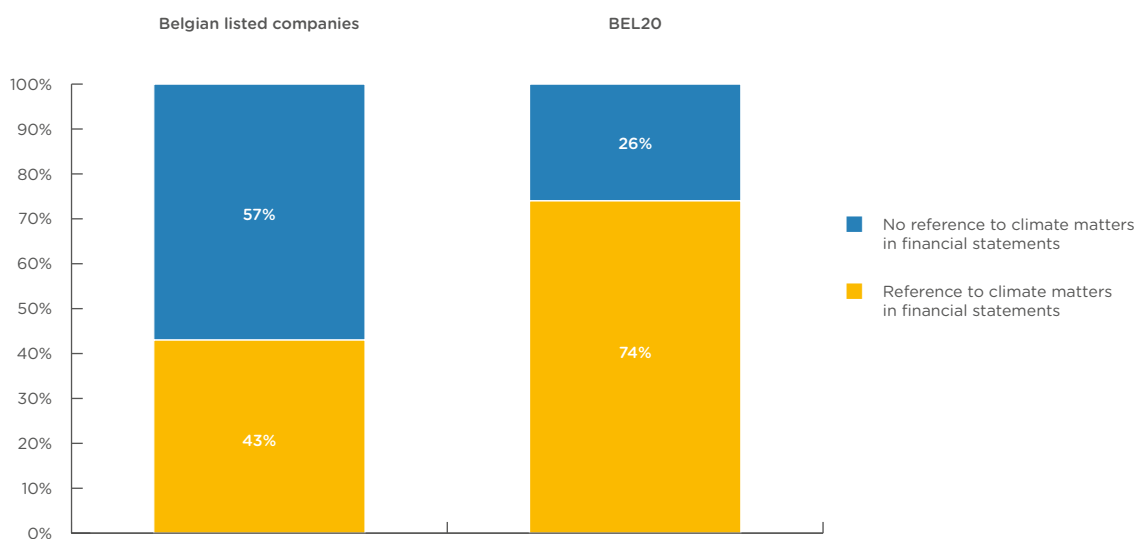
References to climate matters in financial statements

43 per cent of listed companies refer to climate matters in their financial statements. Among companies in the BEL20, the Belgian stock market index, the figure is 74 per cent.

Some of the companies that say nothing about climate matters may do so because such matters are not a significant consideration in the preparation of their financial statements, as their activities have little or no climate impact.

However, there are also companies that highlight the importance of climate matters to their operations in other places but fail to clarify the specific impact on their financial statements. This group of companies needs to improve its reporting.

Graph 2: How many Belgian listed companies refer to climate matters in their financial statements?



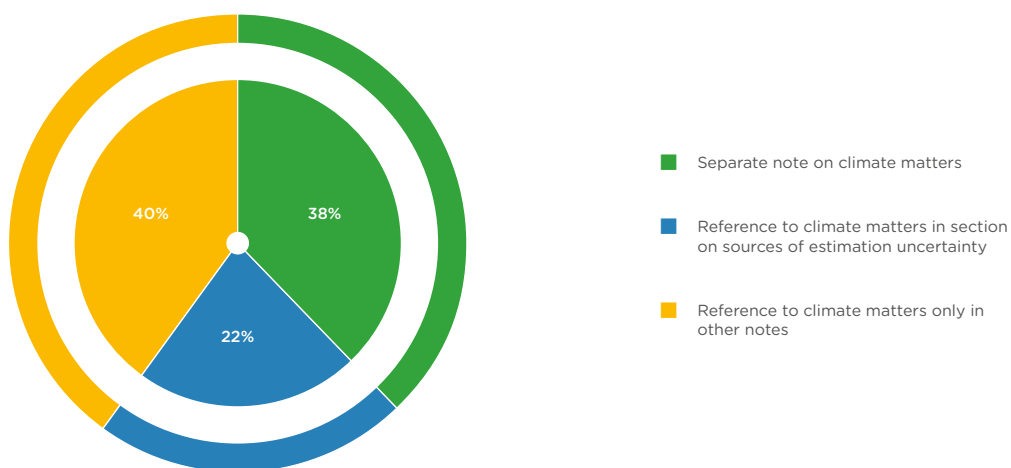
²² IASB, Effects of climate-related matters on financial statements prepared applying IFRS Standards, November 2020.

Accessibility of information

About 60 per cent of companies reporting on climate matters in their financial statements either group the disclosures on this matter in a single note or map out where this topic is covered in the different notes. This practice is recommended as it facilitates access to the information.

The graph below provides a schematic representation of where companies include information on climate matters in their financial statements.

Graph 3: Where is the information on climate matters in the financial statements?



Extent of disclosures

Disclosures on climate matters in financial statements are often limited to a discussion of physical risks such as extreme weather events or rising temperatures. The impact of transition risks such as changes in consumer behaviour, disruptions in supply chains or rising charges for carbon emissions is discussed much less.

A more structured, comprehensive description would enhance the comprehensibility and usefulness of the disclosures.

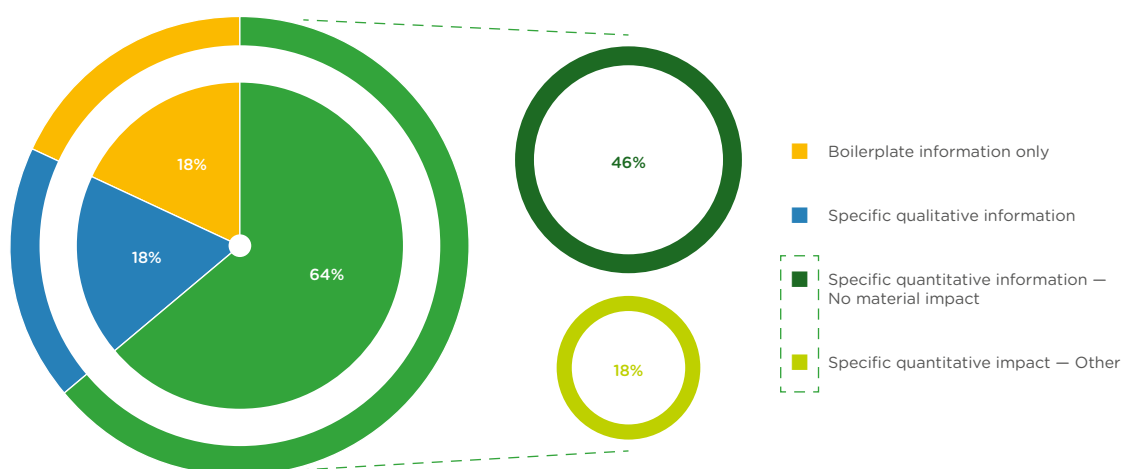
Content of the disclosures

The content of the disclosures is often limited to general assertions (boilerplate) and vague or purely qualitative statements.

Around 64 per cent of companies reporting on climate matters in their financial statements provide insights into the quantitative impact on the financial statements. This may include specific information on capital expenditure budgets or on research and development costs for climate-related innovations. Other companies provide insight into how they take certain climate scenarios into account in their business plans for the purpose of determining write-down.

The great majority of these companies (46 per cent) conclude that there is no material impact. In most cases, this is based merely on certain partial aspects. For instance, a number of companies specify that they do not expect the physical risks associated with climate matters to have a material impact, while remaining vague about the possible effects of transition risks. Only in a limited number of cases do companies provide insight into the specific quantitative effects on their financial statements of climate matters in a broad sense.

Graph 4: What disclosures on climate matters are provided in the financial statements?



The results of the FSMA's review show that there is still room for improvement. The review confirms that there is, first of all, a need for companies to show greater awareness and a greater intent to communicate effectively and transparently about the effects of climate matters on their financial statements. To this end, companies should first assess the likely impacts on their operations and look at the concrete effects they will have on their financial statements. This often poses a challenge for both companies and their auditors, especially when the impacts are indirect, manifest over the longer term or relate to sectors that are not directly exposed to climate change.

In October 2023, the European authority ESMA published the report *The Heat is On: Disclosures of Climate-related Matters in the Financial Statements*. This research aims to help companies deliver more powerful messages and aims for more consistency in how they incorporate climate matters into their financial statements. The FSMA will use the individual results of its investigation to raise awareness among companies under its supervision and launch more targeted, interactive surveys as part of its monitoring plan.

Joint supervisory action for greenwashing

The FSMA regularly participates in Common Supervisory Actions (CSAs). These are joint supervisory actions initiated by the ESMA with the aim of increasing convergence in financial supervision within the European Union.

As part of one of these CSAs, the FSMA set up checks in 2023 to identify potential greenwashing risks in the management companies of undertakings for collective investment in transferable securities (UCITS) and public alternative investment funds (AIFs), mitigate those risks where necessary and verify that these funds properly take sustainability risks into account and publish sustainability information.

FSMA chairs international organization IOSCO

IOSCO is the International Organization of Securities Commissions. Its 130 members collectively oversee 95 per cent of the world's financial markets. FSMA chairman Jean-Paul Servais is also the chair of the IOSCO Board. Under his chairmanship, IOSCO made progress in 2023 in a number of key areas, such as the introduction of global standards on sustainability reporting and the approach to crypto-assets and decentralized finance (DeFi) and non-bank financial intermediation (NBFI).

ISSB reporting standards on sustainability and sustainable finance

In 2023, the FSMA and its chairman played a vital guiding role on the international stage in connection with work on sustainable finance. The FSMA's engagement was reflected in its many discussions with IOSCO members and senior representatives of the International Financial Reporting Standards (IFRS) Foundation and the International Sustainability Standards Board (ISSB) to achieve IOSCO's endorsement of the first ISSB sustainability reporting standards.

In July 2023, the FSMA and the IFRS Foundation held an international press conference, at which the FSMA and IOSCO Chair announced that the IOSCO Board had decided to endorse those standards²³. Furthermore, the FSMA continued to participate actively in IOSCO's work on sustainable finance, specifically in the Task Force created for this purpose within IOSCO.

The FSMA chairman also attended COP28 in Dubai, where, on behalf of IOSCO, he presented IOSCO's actions on financial sustainability: the international standards for reporting on climate and other sustainability matters to be published by companies, voluntary carbon markets with the publication of a consultation report²⁴, and the prevention of greenwashing. Attendance at COP28 enabled the general public to be informed about the relevance of the work being done by financial markets regulators on sustainable finance, which was widely reported in the international media²⁵.

²³ See *IOSCO endorses the ISSB's Sustainability-related Financial Disclosures Standards*, press release, 25 July 2023, available at www.iosco.org.

²⁴ See *Consultation Report to promote the integrity and orderly functioning of the Voluntary Carbon Markets*, 3 December 2023, available at www.iosco.org.

²⁵ See *IOSCO uses presence at COP28 to drive debate on sustainable finance*, press release, 7 December 2023, available at www.iosco.org.

Coordinated response on crypto-assets and decentralized finance (DeFi)

In 2023, IOSCO also carried out important rule-setting work on regulating markets for cryptocurrency and digital assets. The extent of the need for IOSCO's recommendations became apparent when a major player in the sector collapsed and breaches by certain industry service providers came to light. Those events in the markets drew attention to the risks that investors had run, the need for appropriate standards and the essential need to strengthen international cooperation among regulators.

IOSCO's global scope gives it an advantage in coordinating and developing consistent global standards. Its recommendations echo the call by the G20 and the G7 for a consistent international regulatory framework for the cryptocurrency and digital asset markets. The IOSCO recommendations were developed in consultation with the Financial Stability Board (FSB), which carries out parallel work.

The development of regulatory standards for decentralized finance (DeFi), a topic on which IOSCO also published a report in 2023²⁶, was underpinned by the principle of technological neutrality. That work was led by the IOSCO Fintech Task Force, of which the FSMA is a member. The task force is in charge of implementing IOSCO's fintech programme, with a mandate covering both cryptocurrencies and the issues surrounding decentralized finance, the 'tokenization' of financial assets and artificial intelligence. Work on these issues will start in 2024.

The FSMA's chairman not only chairs the IOSCO Board, but has also chaired the IOSCO European Regional Committee (ERC) since 2014. In December 2023, the FSMA hosted ERC members for a plenary session and workshop on supervisory technologies (SupTech). During the workshop, ERC members shared their experience of real-life cases where they successfully applied new technologies in the context of their supervisory activities. Those cases involved monitoring social media, market supervision, artificial intelligence and ways to use technology to tackle greenwashing²⁷.

²⁶ See *IOSCO Finalizes its Policy Recommendations for Crypto and Digital Asset Markets*, press release, 16 November 2023, available at www.iosco.org.

²⁷ See 'IOSCO European Regional Committee at FSMA', FSMA press release, 19 December 2023.

Non-bank financial intermediation and financial stability

In 2023, IOSCO published guidance on the use of certain liquidity management tools in fund management. This was an outcome of IOSCO's commitment to the Financial Stability Board (FSB), which, like IOSCO, aims to promote financial stability²⁸.

Several international organizations and regulators, including the FSMA, have been paying increasing attention to the vulnerabilities of the non-bank financial intermediation (NBFi) sector in recent years. These can lead to systemic risks and pose a threat to financial stability. Such vulnerabilities emerged during the period of market turbulence at the start of the Covid-19 pandemic. To gain a more precise understanding of them, the FSB established an ambitious NBFi work programme in 2020, to which IOSCO is actively contributing. As chairman, Jean-Paul Servais represents IOSCO within the FSB, helping to oversee the implementation and creation of the work programme.

One of the vulnerabilities in the NBFi sector is the structural liquidity mismatch in open-ended funds. Such a mismatch occurs when there is a discrepancy between the redemption terms offered to investors by a fund and the time the fund manager may need in order to sell the fund's investments in an orderly manner and thus fulfil the redemption requests.

The FSB published recommendations on this liquidity mismatch in 2017. IOSCO further elaborated on these recommendations through the publication of its own recommendations on liquidity risk management. Under the NBFi work programme, IOSCO and the FSB reviewed their respective recommendations on liquidity risks. Among other things, they noted that there was room to further improve the availability and use of liquidity management tools.

28 The FSB is an organization created by the G20 that coordinates global work on financial stability.

In this regard, the FSB has emphasized the important role that anti-dilution liquidity management tools can play. These allow a fund manager to pass on liquidity costs to the investors whose subscriptions or redemptions give rise to them. Anti-dilution liquidity management tools can lead to better investor protection and thereby contribute to financial stability²⁹.

In 2023, IOSCO and the FSB, in mutual consultation, worked on two connected reports on liquidity risks in investment funds. The FSB published a revised version of its earlier recommendations, while IOSCO elaborated on some of those recommendations by publishing guidance on anti-dilution liquidity management tools. The joint publication illustrates the close cooperation between the two organizations in this field. These publications should lead to a significant strengthening of liquidity management in funds relative to current practices³⁰.

The FSMA has consistently attached great importance to the management of liquidity risks in funds and the role that liquidity management tools can play in this regard. During the 2020 pandemic, the FSMA already argued strongly for the employment of liquidity management tools to be made possible for all funds for which it is useful. In 2023 the FSMA chairman also continuously stressed the importance of publishing both reports both within IOSCO and within the FSB. In so doing, he stressed that it was important to complete the work on time and move on to the implementation phase.

Under the chairmanship of Jean-Paul Servais, IOSCO has strengthened its cooperation with the FSB, including for the work on vulnerabilities in the NBFIs sector. Going forward, IOSCO will further strengthen ties with the FSB and collaborate on topics such as the parallel financial sector, the digitization of financial services, crypto-assets and the financial risks of climate change.

29 When investors wishing to exit from an investment fund have to bear the full estimated costs associated with their exit, there is no longer a first mover advantage. This first mover advantage could be a motivation for investors to exit. If investors were to exit for this reason, it could pose a threat to financial stability, especially if a significant number of investors are involved and the exits take place amid difficult market conditions.

30 See *FSB and IOSCO publish policies to address vulnerabilities from liquidity mismatch in open-ended funds*, press release by IOSCO and the FSB, 20 December 2023, available at www.iosco.org.

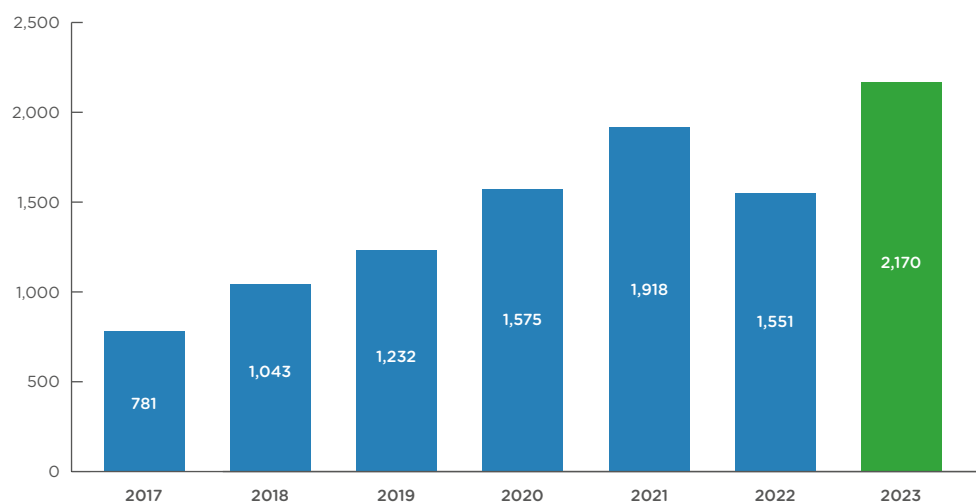
Investment fraud soars

Investment fraud has soared in recent years. Fraudsters find plenty of victims among consumers, promising sky-high profits, winning their trust and so depriving them of their money. The FSMA lays particular stress on prevention and awareness, in order to stop consumers falling victim to investment fraud.

Record number of consumer reports on fraud and irregular activities

In 2023, the FSMA handled 2,170 consumer reports on fraud and irregular activities in the financial sector. This is an absolute record. The number of queries and complaints about fraud and irregular activities has been rising steadily since 2017. In that year, the FSMA received 781 such reports.

Graph 5: Number of consumer reports to the FSMA on fraud and irregular activities



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

As in previous years, fraudulent online trading platforms are the most common type of investment fraud, both in terms of the number of complaints received and in terms of the number of fraudulent entities identified.

This type of scam always follows the same pattern. Consumers read fake press articles on social media in which celebrities claim to have got rich by investing in virtual currencies. In reality, the identities of these celebrities are being hijacked. When consumers input their contact details, they immediately receive a request to invest in derivatives or cryptocurrencies. Those investments later prove to be purely fictitious and the consumers cannot get back the money they put in.

More than 40 per cent of the queries about fraud and irregular activities received by the FSMA in 2023 were about this type of fraud. It published warnings about 146 fraudulent online trading platforms in 2023. Many people have fallen victim to these platforms in Belgium. Fraud victims in Belgium reported to the FSMA that they had transferred EUR 15.5 million to platforms of this type. Since May 2019, victims in Belgium have reported a total loss of almost EUR 82 million to the FSMA.

The FSMA notes that the largest group to report being victims of this type of fraud were French-speaking men aged between 50 and 59. 73 per cent of consumers contacted by the FSMA about platform scams had already invested money. Victims lost an average of EUR 15,896 on such platforms. In scams of this type, an initial investment of EUR 250 is usually requested.

Anti-fraud campaign warns of scams

The record number of consumer reports in 2023 is partly explained by the success of the fraud prevention campaign launched in October by Wikifin, the FSMA's financial education programme. This campaign explained how fraudulent online trading platforms operate. Thanks to the campaign, the number of consumer reports received in October and November 2023 was more than 80 per cent higher than in the same period the year before. Almost half the reports received in that period concerned fraudulent online trading platforms.

The campaign was aimed at anyone who was searching for investment opportunities online and might fall victim to fraud as a result. It used a series of fun videos and online ads to create awareness of the risks of investment fraud. Members of the public were also given tips on how to spot fraud sooner and keep a critical eye for fraudulent offerings. As part of the process, members of the public were urged to take the fraud test on the Wikifin.be website.

In six weeks, the campaign reached nearly 1.2 million people across a variety of platforms such as social media and on-demand video. The ads were shown 3.7 million times. The launch of the campaign coincided with the start of World Investor Week, which also shone a spotlight on the issue of investment fraud. World Investor Week is an annual event run by IOSCO, the international organization of financial market regulators.



The FSMA focuses on prevention and publishes 256 warnings

In the fight against investment fraud, it is important to focus on prevention. When the FSMA notices companies offering fraudulent investments or fake loans to Belgian consumers, it warns the Belgian public as soon as possible. In 2023, it issued 256 warnings about 313 fraudulent websites.

In addition to its own warnings, the FSMA also publishes the warnings of its European counterparts, which it receives from the European agency ESMA. The FSMA published 1,144 such warnings in 2023.

It also places hyperlinks on its website to warnings by non-EU supervisory authorities that are members of IOSCO.

The FSMA cooperates with judicial authorities

If, in the course of its investigation into irregular financial offerings, the FSMA finds evidence of possible criminal offences, it submits a file on them to the judicial authorities. If a criminal investigation leads to an actual prosecution by a criminal court, the court may also rule on civil claims and grant compensation to victims who have joined the proceedings as civil parties. The FSMA cannot do that itself.

Judicial authorities block access to 278 fraudulent websites

The cases that the FSMA sends to the public prosecutor's office frequently contain evidence of possible investment fraud, often in an international context. Such cases require extensive investigative measures, which should ideally lead to criminal prosecution. When the FSMA forwards such a case to the judicial authorities, it always proposes blocking access to the fraudulent websites. Based on the cases passed by the FSMA to the public prosecutor in 2023, judicial authorities blocked access from Belgium to 278 fraudulent websites.

The FSMA provides information to consumers and professionals

Consumer protection is a central part of the FSMA's mission. To guide consumers through the financial world, the FSMA disseminates a wide range of information. Its main information channel is the Wikifin website, which offers accessible information to consumers on many financial topics and has several calculation and comparison tools they can use.

For the financial sector, it is important to have a clear understanding of the regulator's expectations. The FSMA goes to great lengths to make its expectations clear. It does so, for example, in newsletters to intermediaries and in press releases and circulars. The FSMA also organizes webinars and information days for the financial sector.

Brochures on supplementary pensions

A consumer survey conducted by the FSMA on supplementary pensions³¹ showed that there is a great need for clear and easily accessible information on supplementary pensions for the general public. For this reason, the FSMA has drawn up two brochures on supplementary pensions: one for employees and one for the self-employed.

The brochures inform employees and self-employed workers about their options for building up a supplementary pension. The FSMA believes it is important for consumers to be well informed about their rights and options. That way, they can make informed choices.

The brochures briefly and simply explain the three pension pillars, describe where supplementary pensions fit into that system and provide an overview of the different schemes for employees and the self-employed, such as the Voluntary Supplementary Pension for Employees or the pension for self-employed business managers.

The brochures are available on the FSMA website. Pension consumers can find additional information on supplementary pensions on the Wikifin website and in the summary of frequently asked questions on the FSMA website.

³¹ See the FSMA Annual Report 2022, pp. 148.

Development of a new family insurance comparison tool

In its 2020 coalition agreement, the federal government pledged to make it easier for consumers to compare key banking and insurance products. This commitment stems from the observation that the financial sector provides crucial services to society and it is therefore important to ensure consumer protection by improving the transparency of the most popular financial products.

Given its experience with savings and current account comparison tools, the FSMA was asked to develop a new insurance tool and make it available on its financial education website Wikifin.

For this first insurance comparison tool, we chose civil liability insurance, better known as 'family insurance'. This very popular product – 70 per cent of Belgians have a policy – offers the advantage of being relatively standardized.

The general operation of the comparison tool and the methods for submitting information to the FSMA are laid down in a protocol between the FSMA and Assuralia, the professional association of insurance companies. Insurance companies joining the protocol – of which there were ten at the start of 2024 – undertake to provide the information required to run the comparison tool at their own risk.

This new tool allows consumers to compare different family insurance policies in a simple and accessible way based on information about their age, family status and whether or not they want to opt for supplementary legal expenses insurance. The output is a list of policies offered by the insurance companies that have joined the protocol, with an estimated annual premium for each policy. Users can further refine their search by adding extra filters based on the different types of cover offered by insurers. They can also download an information document for each product that lists its main covers and exclusions. The comparison tool allows consumers – from the value-for-money perspective – to get an idea of the different covers available under each policy, which they can compare with the estimated premium.

The FSMA unveiled this new tool at a press conference on 7 June 2023 in the presence of Mr Pierre-Yves Dermagne, Deputy Prime Minister and Minister for the Economy and Employment, and Ms Alexia Bertrand, Secretary of State for the Budget and Consumer Protection.

Transparency and comparability of regulated savings accounts

At the end of November 2023, the federal government and Febelfin signed an agreement on the transparency of regulated savings accounts, which also involved the FSMA. The FSMA is responsible for the application of this agreement within the scope of its powers.

To increase the transparency and comparability of the accounts on offer, banks will henceforth create a webpage showing all the relevant information on the regulated savings accounts they offer. Each bank will post the same information on its page, in the same order.

The banks also undertook to inform savers every quarter of the amount of the acquired loyalty premium and the applicable percentage of the loyalty premium for each of their regulated savings accounts. They also state the basic interest rate applicable at that time.

Lastly the number of regulated savings accounts that a single credit institution (or a particular brand³²) may offer is limited to a maximum of four different savings accounts³³.

To increase comparability in the regulated savings account market, all accounts must now belong to one of the three categories defined in the agreement, which consumers can recognise as follows:

- category A: 'classic' savings accounts, which combine a basic interest rate and a loyalty premium with no additional conditions. This category is limited to a maximum of two savings accounts per credit institution/brand;
- category B: savings accounts with 'amount conditions', i.e. either a minimum/maximum balance on the savings account or a specified monthly deposit (or a minimum/maximum deposit). This category is limited to a maximum of two savings accounts per credit institution/brand;
- category C: savings accounts for a specific age group (e.g. young people): this category is limited to a maximum of two savings accounts per credit institution/brand.

All advertising and contractual documents in relation to a savings account must clearly state which category the account belongs to.

From 15 January 2024, no new savings formulas may be offered that are not in line with the savings formulas listed in the agreement.

When the agreement took effect, around two-thirds of banks offering regulated savings accounts had to adjust their offerings. Half of the regulated savings accounts marketed in Belgium belong to category A.

³² The term 'bank brand' refers to a brand with a separate distribution network within the same legal entity, i.e. a network that has at least ten physical branches in Belgium or, failing that, five physical branches in at least one of the three regions of Belgium. If a brand does not have a separate distribution network, the savings accounts of that brand are added to the credit institution's other savings accounts to check whether the maximum of four savings accounts has been reached.

³³ The term 'different savings accounts' refers both to savings accounts marketed under different names and savings accounts offering different return formulas. A 'return formula' means the combination of a base rate and a loyalty premium.

Wikifin on Tour, a financial education roadshow

In 2023, the FSMA began developing a new initiative: 'Wikifin on Tour'. The name refers to the roadshow that the FSMA is organizing in 2024 to raise awareness of Wikifin, its financial education programme. The eye-catching Wikifin on Tour vehicle will travel all over Belgium, visiting locations such as markets, business centres and local events. The roadshow also includes an educational component. Visitors to the Wikifinmobile can answer a savings quiz, testing their knowledge about savings. They will also have a chance to find out about the upgraded savings accounts comparison tool. Wikifin on Tour was unveiled to the general public during Money Week in March 2024.



Marketing of cryptocurrencies to Belgian consumers

Virtual currencies such as Bitcoin and Ether have been in the media spotlight for several years. They have been intensively promoted to the general public and have grown to be an extremely popular investment. Despite this, they are extremely risky. To mitigate that risk to some extent, a framework has been devised to restrict advertising for virtual currencies. In addition, a specific legal status has been created for providers of exchange services between virtual and fiduciary currencies and providers of currency wallets (virtual asset service providers, or VASPs for short).

Framework for virtual currency advertising

To make consumers aware of the risks associated with virtual currencies and to set rules for their advertising, the FSMA has introduced a regulation on the marketing of virtual currencies to consumers.

This regulation entered into force on 17 May 2023, with a one-month transition period for existing advertising to be brought into line with the new rules.

The regulation imposes various obligations, including:

- the obligation to comply with a number of substantive rules to ensure that advertising is not false or misleading;
- the obligation to include specific messages at the start of the advertisement, including the message *'Virtual currency, real risks. The only guarantee in crypto is risk'*, as well as a longer warning summing up the main risks associated with an investment in virtual currencies;
- the obligation to notify the FSMA of all advertisements in a mass media campaign at least 10 days before their dissemination, in the form in which they will be disseminated.

Before the regulations took effect, the FSMA looked closely at the Belgian 'cryptosphere' to identify the platforms, investment firms and other persons marketing these kinds of instrument in Belgium. In total, it identified around 60 platforms, investment firms and influencers.

Since then, the FSMA has taken several steps, ranging from raising awareness of the regulation among market participants before it took effect, to taking administrative measures since its entry into force.

On its website, the FSMA has published FAQs as well as a newsletter and a practical guide on mass media campaigns. It has also held a webinar in which numerous market participants took part.

The FSMA also approached a number of market participants to alert them that there were signs that they were operating in Belgium and urge them to comply with the forthcoming regulation. Several of the platforms and investment firms contacted then took steps to halt the marketing of their products in Belgium before the regulation came into force.

As part of its post-issue supervision of virtual currency advertising, the FSMA contacted some 20 platforms and investment firms that failed to comply with the rule requiring mandatory warnings to be included in their virtual currency advertising. Following the FSMA's request, about half of those contacted either complied with the obligation or ceased marketing in Belgium. The other half of this group did the same but only after a reminder from the FSMA with the threat of a possible fine.

One of the major challenges faced by the FSMA was to prove that the persons involved were indeed marketing virtual currency on Belgian territory. Investigating this involves a factual assessment based on various indications, such as a reference to contact persons in Belgium, the existence of an establishment in Belgium or the provision of services in Belgium, or the use of an intermediary or influencer operating in Belgium.

Most platforms and investment firms operating in virtual currencies work on a referral or membership basis and reward introducers. If a company works with introducers in Belgium, then it carries out marketing in Belgium. At the FSMA's request, platforms that do not wish to operate in Belgium have discontinued these referral programmes for people living in Belgium.

After the regulation came into effect, the FSMA initially focused its attention on compliance with the regulation by platforms and investment firms. Going forward, it will also pay specific attention to influencers. It has already developed a web-scraping tool for this purpose, which has been operational since the end of 2023³⁴.

34 See also this annual report, p. 28.

Virtual Asset Service Providers (VASP) status

Following the transposition into Belgian law of the Fifth Anti-Money Laundering Directive, providers of exchange services between virtual and fiat currency and providers of currency wallets (VASPs) who wish to carry out their activities have had to register with the FSMA since 1 May 2022.

As of 31 December 2023, the FSMA had not received a single application for registration from a VASP.

The Belgian scheme for VASP registration is based on the AML Directive and applies to VASPs with an establishment in Belgium, including through ATMs. VASPs governed by the law of another Member State of the European Economic Area may carry out their activities in Belgium without registering with the FSMA. They are assumed to be supervised in their home Member State in accordance with the AML Directive. However, VASPs governed by the law of a country that is not a member of the European Economic Area may not carry out their activities on Belgian territory.

The FSMA imposes remedial measures on pension funds

The FSMA supervises Belgian pension funds or institutions for occupational retirement provision (IORPs). It oversees the sound organization and financial stability and solidity of IORPs in order to protect the rights of pension consumers. Pension funds must provide appropriate funding for their pension liabilities. If they fail to do so, the FSMA requires them to take remedial measures to plug funding deficits, as shown in the overview based on end-2022 data.

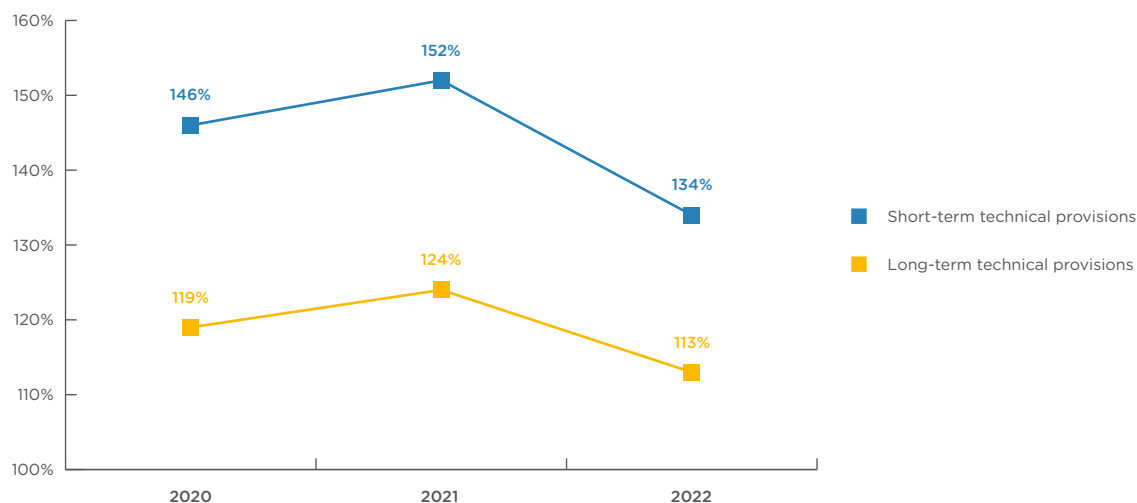
Financial situation of pension funds worsened by inflation and fall in bond and equity markets

Due to the geopolitical situation related to the war in Ukraine and fears of a global recession, the pension fund sector operated in an unfavourable economic environment in 2022.

Among other things, 2022 was marked by a sustained rise in inflation which had already begun in 2021. Due to automatic wage indexation in Belgium, inflation caused the technical provisions of some pension plans to increase.

To temper inflation, the European Central Bank raised its base rate several times, pushing up the yield curve. The rise in interest rates drove down the market value of the bonds held in pension funds' portfolios. On top of this, the equity markets also tumbled in 2022.

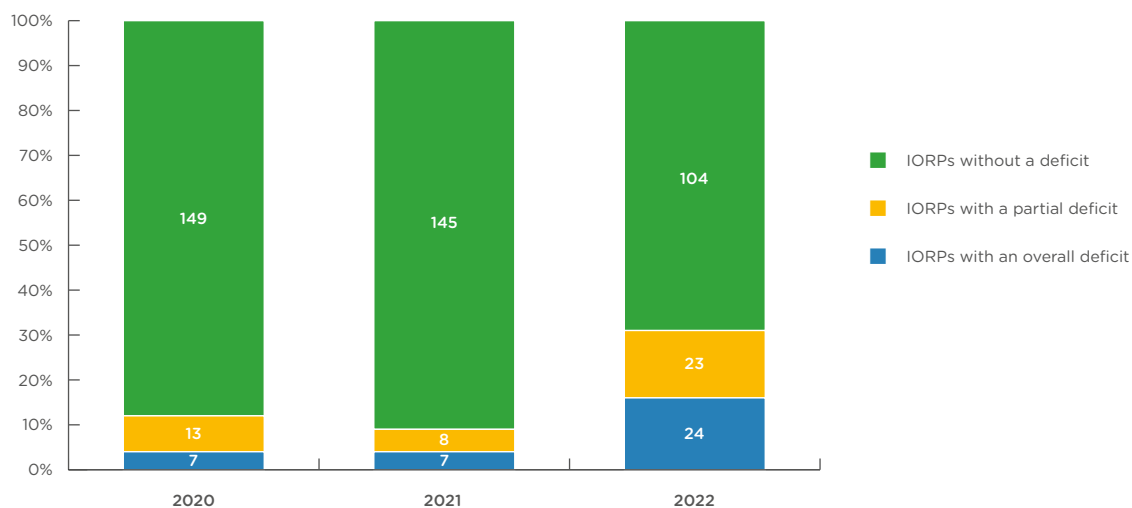
All these factors contributed to a worsening of the financial position of the pension fund sector. The average funding ratio of the sector's short-term and long-term technical provisions at the end of 2022 was 134 per cent and 113 per cent respectively, both figures representing a fall from 2021. A pension fund's funding ratio indicates the extent to which its technical provisions are covered by assets.

Graph 6: Pension fund sector funding ratio

Larger number of pension funds with deficits

Pension funds with funding ratios below 100 per cent have a funding deficit and must take remedial measures to eliminate it. Such a deficit 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’.

At the end of 2022, 47 pension funds were in deficit, of which 22 had a partial deficit and 25 an overall deficit. At the end of 2021, eight pension funds had partial deficits and seven had overall deficits. The funding deficits occurred mainly in the area of long-term technical provisions.

Graph 7: Number of IORPs with or without a deficit

Pension funds take remedial measures

If a pension fund identifies a funding deficit at the financial year-end, the fund must draw up remedial measures and submit them to the FSMA for approval. This should be done in consultation with the companies that build up supplementary pensions for their employees in the fund.

Remedial measures for deficits relative to short-term technical provisions should enable the deficits to be cleared within a year. For deficits relative to long-term technical provisions, pension funds draw up measures that will lead to recovery over a maximum period of five years.

In so doing, each pension fund takes its own specific situation into account, in particular the pension schemes it manages, the structure of its assets and liabilities, its risk profile, its liquidity planning, the age profile of its member pension consumers, and so on.

Affected employers undertake to make the necessary remedial contributions each year in order to aid the pension fund's recovery.

The FSMA watches that the pension funds take appropriate remedial measures. It only accepts measures that under normal circumstances offer certainty that the funding ratio will recover within the predetermined period. Remedial contributions should therefore be appropriately distributed over the recovery period³⁵.

The following examples of remedial measures to restore long-term technical provisions do not meet the FSMA's requirements:

- remedial measures that consist of paying in one-fifth of the initially identified deficit for five years;
- making a remedial contribution only if there is still a deficit at the end of the five-year recovery period;
- remedial measures that consist of announcing a revision of the funding plan that results in lower technical provisions;
- not providing for remedial contributions on the grounds that simulations based on prudent estimates of expected returns show that the funding deficit will resolve itself over time.

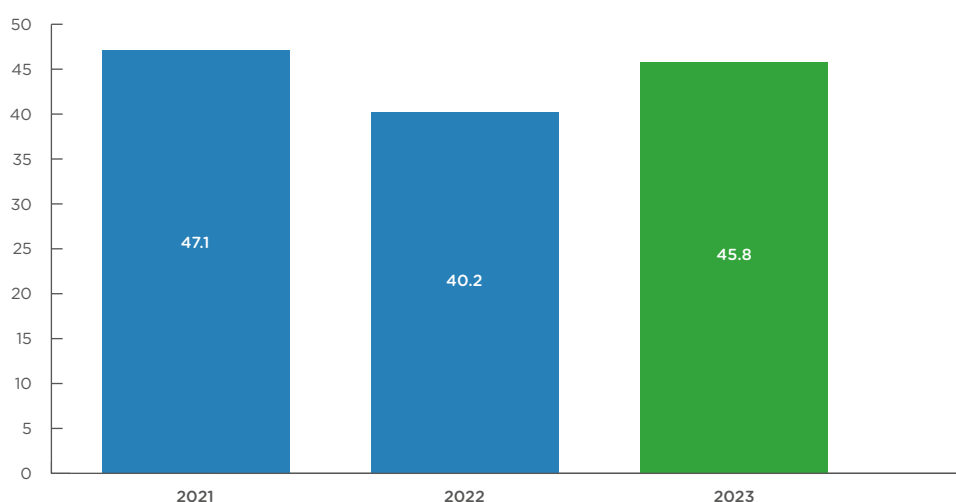
The FSMA expects each pension fund to observe proper regular reporting so that the FSMA can correctly determine the funding level. Particular areas of focus are the reporting of the assets covering the technical provisions and the solvency margin as well as reporting the funding ratio for each sponsoring undertaking.

³⁵ Remedial measures should be designed so that technical provisions are fully funded by the end of the recovery period and remedial contributions are appropriately distributed across the recovery period. Pension funds should therefore develop remedial measures that provide minimum funding targets for technical provisions at intermediate annual review points. Such funding targets may be expressed in terms of a minimum funding ratio or in the form of a maximum nominal deficit. Employers must honour these funding targets and make the necessary remedial contributions as required.

The FSMA makes its own regular assessments of pension funds' funding ratio and follows up on any remedial measures introduced. It expects the funding level of pension funds to be better at the end of 2023 than at the end of 2022.

On the other hand, pension funds are likely to take advantage of the rise in interest rates to increase the discount rate they use to calculate technical provisions. The volatility in the financial markets is grounds for caution, however. In this regard, it is extremely important to assess whether the interest rate rises are structural in nature. The FSMA will therefore continue to remain vigilant in checking the prudence of technical provision calculations, paying particular attention to the discount rate.

Graph 8: Balance sheet total of IORPs governed by Belgian law (in EUR billion)



On technical provisions, funding deficits and acquired reserves

Upon reaching retirement age, pension consumers are entitled to have their supplementary pension paid out, based on the pension rights they have accumulated over their career. Pension funds must ensure that they can pay out vested pension rights with a very high degree of certainty, even if funding from the employer were to cease in the future. For this reason, they must set aside the necessary provisions in their balance sheet to ensure that they meet their pension obligations in the long term. These provisions are called long-term technical provisions.

Long-term technical provisions represent a prudent assessment of the current value of pension liabilities. An extremely important factor in the calculation of these technical provisions is the long-term return the pension fund expects to achieve. However, this return cannot be precisely predicted. Deviations from the expected return depend to a large extent on the investment policy followed by the fund, and more specifically on the asset allocation between equities and bonds. Long-term technical provisions should therefore include safety buffers to accommodate such deviations.

When setting aside technical provisions, particular attention is paid to the appropriate funding of vested reserves. Vested reserves are the pension rights that pension consumers can transfer to a new employer's pension institution when they change jobs. Pension funds must also build up sufficient reserves so that they have a high degree of certainty of being able to make regular pension payments to pensioners who opt to have their supplementary pensions paid out in this way. Provisions to cover vested reserves and current interest payments are called short-term technical provisions.

Funding deficits relative to short-term technical provisions must be cleared within a year. After all, they concern liabilities that the pension fund should be able to meet immediately at all times. Deficits relating to long-term technical provisions do not immediately jeopardize either vested rights or ongoing pension payments. These deficits can therefore be cleared over a longer period of up to five years.

The FSMA monitors banker's oath and disciplinary regime

The new banker's oath and disciplinary rules for the banking industry were published in early 2024. The FSMA is now responsible for monitoring and enforcing these new regulations.

Banker's oath

"I undertake, in the performance of my professional activities, to act with honesty and integrity and with competence and professionalism in all circumstances, and in so doing to take customers' interests into account and treat customers fairly. I have taken note of the specific rules laid down by the King in this matter."

Why a banker's oath?

The aim of the banker's oath is to increase customer confidence in the banking sector.

Who takes the oath?

Bankers and bank employees: the providers of banking services.

What does the banker's oath contain?

Providers of banking services will comply with rules of personal conduct. They will act with honesty, integrity, competence and professionalism, have regard to the interests of their clients and treat them fairly.

Where is the oath sworn?

Providers of banking services swear the oath at the FSMA, at their bank or at their banking agency.

When will the oath be sworn?

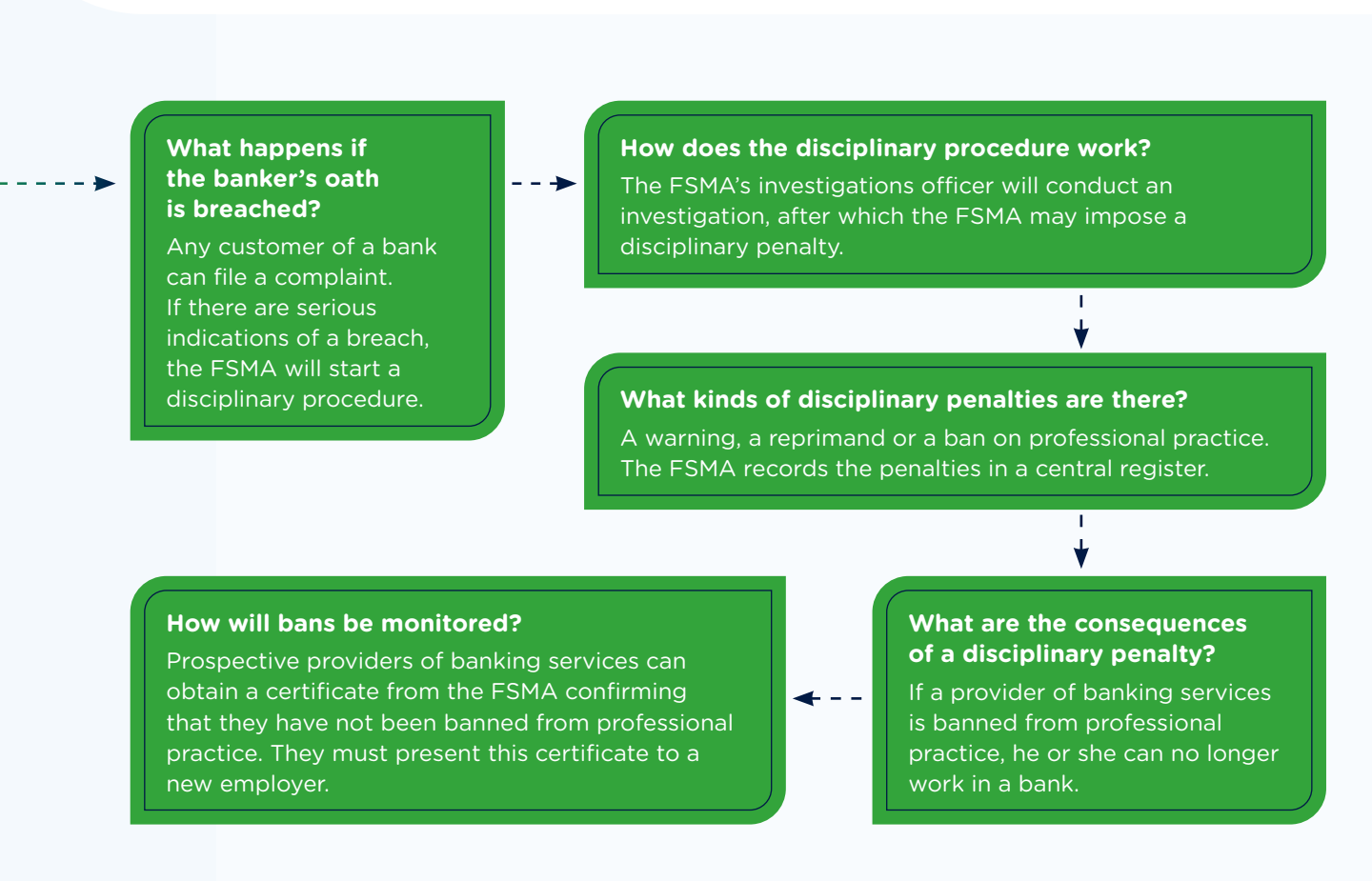
Senior executives will take the oath from 15 January 2025. Bank employees will take the oath from 15 July 2026.

Ethical rules in the interest of customers

The new disciplinary regime puts customers' interests first and aims to bolster trust in the financial sector, specifically by emphasizing the individual responsibility of bank employees. The scheme rests on a number of essential pillars:

- the elaboration of ethical rules focusing both on the core values of honesty, integrity, professionalism and competence, and on the interests and fair treatment of customers;
- an oath by which providers of banking services undertake to comply with these rules;
- the ability of the FSMA to impose disciplinary sanctions;
- the setting-up of a central register to record disciplinary sanctions and bans on professional practice; and
- the requirement for prospective providers of banking services to present evidence that they have not previously been banned from professional practice before they join the banking sector.

The diagram below summarizes the key features of the new scheme.



To inform the different parties in the industry and familiarize the general public with the new rules, the FSMA has explained the applicable provisions in more detail in the FAQs on its website.



SUPERVISORY ACTIVITIES

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Transparency of financial markets	85
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Financial products that are easy to understand and trustworthy

The FSMA supervises 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.

Correct, clear, balanced and understandable information

The FSMA supervises the marketing of financial products. Advertising is usually the first information a consumer receives about a financial product, which is why supervision is important. It helps consumers to make properly informed choices. Advertising must contain the legally required information, be correct and understandable, and present the pros and cons of a product in a balanced way.

Advertising for some products is pre-screened. This is the case for advertising for public investment funds, regulated savings accounts and certain investment instruments. Where necessary, this ex ante supervision enables the FSMA to intervene before the advertising is launched.

In 2023, the FSMA reviewed 3,213 ads and sent 1,922 emails with comments on the advertising. More details are shown in Table 1.

Table 1: Supervision of advertising in 2023

	Number of cases	Cases on internet sites	Number of ads	Number of emails with comments from the FSMA
Funds	563	197	2,261	1,452
Regulated savings accounts	188	126	552	470
Structured debt instruments, derivatives and bonds offered by financial institutions	225	N.A.	400	N.A.
TOTAL	976	323	3,213	1,922

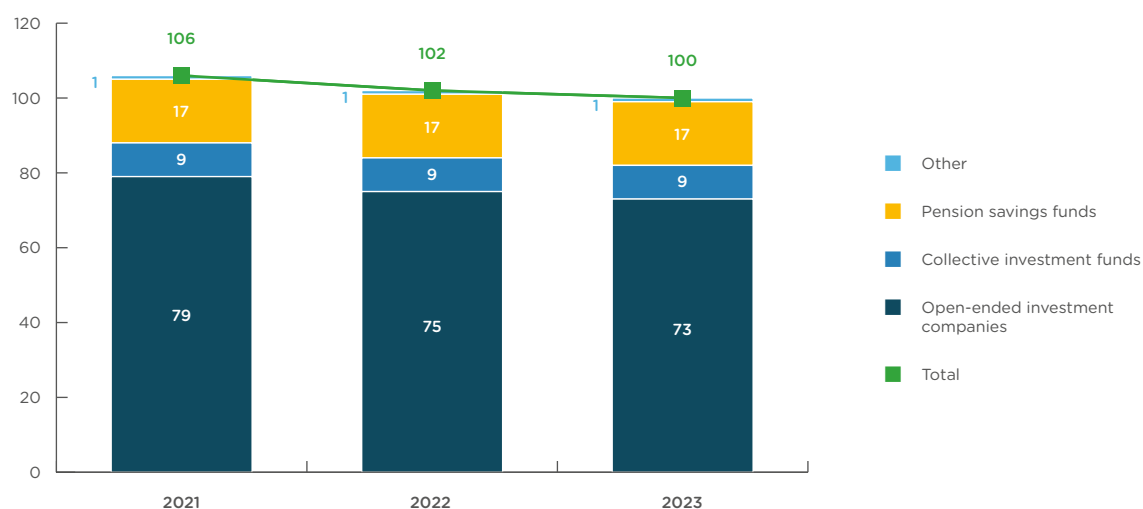
Supervision of funds

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

The FSMA supervises public undertakings for collective investment (UCIs), i.e. investment funds. The total number of UCIs fell slightly in 2023, from 102 to 100 (see Graph 9)³⁶. These UCIs primarily take the form of collective investment funds and open-ended investment companies; the latter are also called *beveks* in Dutch and *sicavs* in French.

Pension savings funds are a specific type of public collective investment fund. Such funds enable individuals to build up their own supplementary pension. This is known as the ‘third pillar’ in the Belgian pension system. Investors in pension savings funds enjoy certain tax benefits.

Graph 9: Change in the number of Belgian public UCIs by legal form

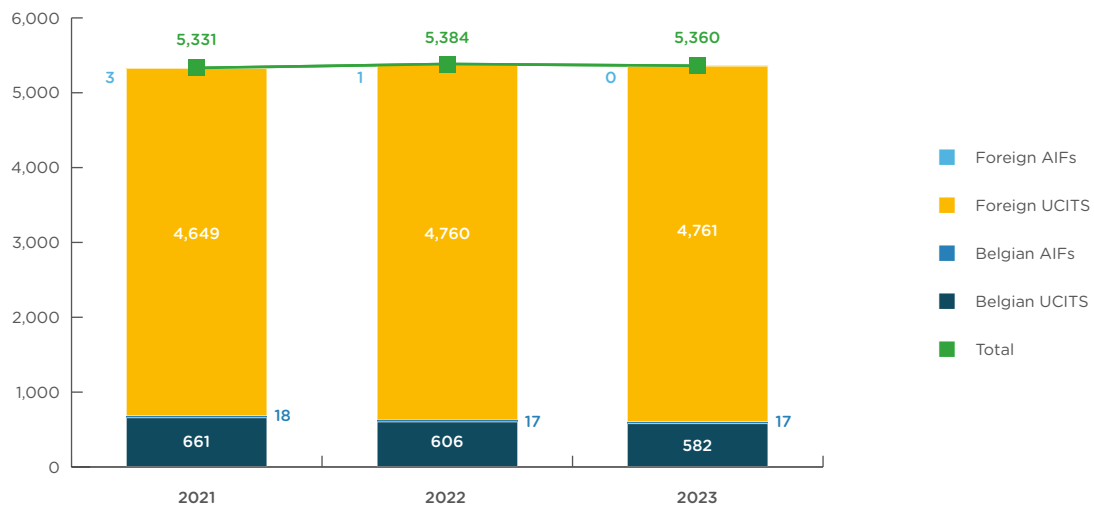


³⁶ The statistics on UCIs may in the future be adjusted if the registration of a UCI or a sub-fund of a UCI is withdrawn on a particular date, starting on the date of withdrawal if it happened on an earlier date or if a UCI provides the FSMA with a correction to certain statistics at a later date.

Number of UCI sub-funds remains stable

Most public UCIs are composed of several sub-funds. A sub-fund is a segregated part of a UCI with its own investment policy. At the end of 2023, there were 5,360 sub-funds of public open-ended UCIs registered with the FSMA³⁷ (see Graph 10).

Graph 10: Change in the number of sub-funds of public open-ended UCIs



Almost all foreign sub-funds offered to retail investors in Belgium are sub-funds of UCIs that comply with the provisions of the UCITS Directive. These are also referred to as undertakings for collective investment in transferable securities (UCITS). UCITS have a European passport, which means they can be freely traded within the European Economic Area (EEA).

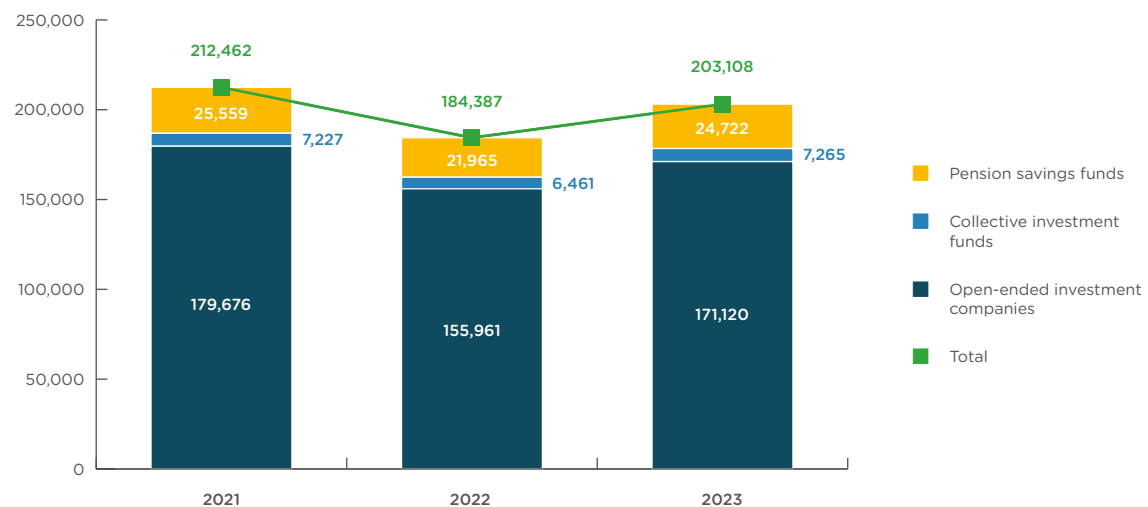
There are also public alternative investment funds (AIFs). These do not have a harmonized European supervisory regime or passporting scheme. They form a smaller group within the UCIs offered to retail customers in Belgium.

³⁷ 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.

Net assets of Belgian public UCIs rise again³⁸

The total value of the net assets³⁹ of Belgian public open-ended UCIs grew to EUR 203 billion in 2023 (see Graph 11). This increase is largely the result of the favourable trend in the financial markets, which led to positive returns on the financial instruments held by the UCIs.

Graph 11: Change in total net assets of Belgian public open-ended UCIs (in EUR million)



Mixed funds are popular

The Belgian public UCI sector is divided into seven different categories, based on the investment policy they pursue: equity funds, bond funds, mixed asset funds, structured funds, money market funds, pension savings funds and other funds⁴⁰ (see Graph 12).

Mixed asset funds, equity funds, bond funds and pension savings funds are the four largest categories, accounting in total for more than 97 per cent of total net assets.

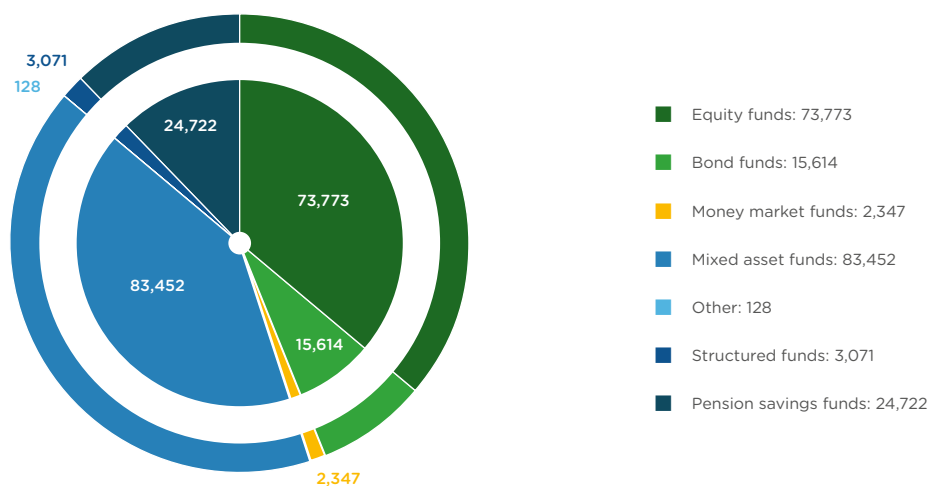
³⁸ This section of the annual report contains a selection of statistics on Belgian public open-ended UCIs. The FSMA also publishes a quarterly dashboard on its website with a wider range of statistics on trends in this sector.

³⁹ Total net assets means the value of the UCI's assets after deducting any debts.

⁴⁰ Classification at sub-fund level. Here, the term 'fund' also refers to a sub-funds of an undertaking for collective investment, in so far as it is divided into several sub-funds. Sub-funds may also sometimes be subject to statistical reclassification.

Structured funds, money market funds and other funds are of limited significance. Money market funds try to offer a return close to that of the money market and invest predominantly in money market instruments. Structured funds offer investors returns on pre-established dates, based on the evolution of certain underlying financial assets, indices or reference portfolios. This category includes funds with capital protection. During 2023, the systematic downward trend in the net assets of structured funds was reversed. At the end of 2023, this category represented almost 1.5 per cent of the total net assets for the sector.

Graph 12: Total net assets of Belgian public open-ended UCIs by investment policy (in EUR million)

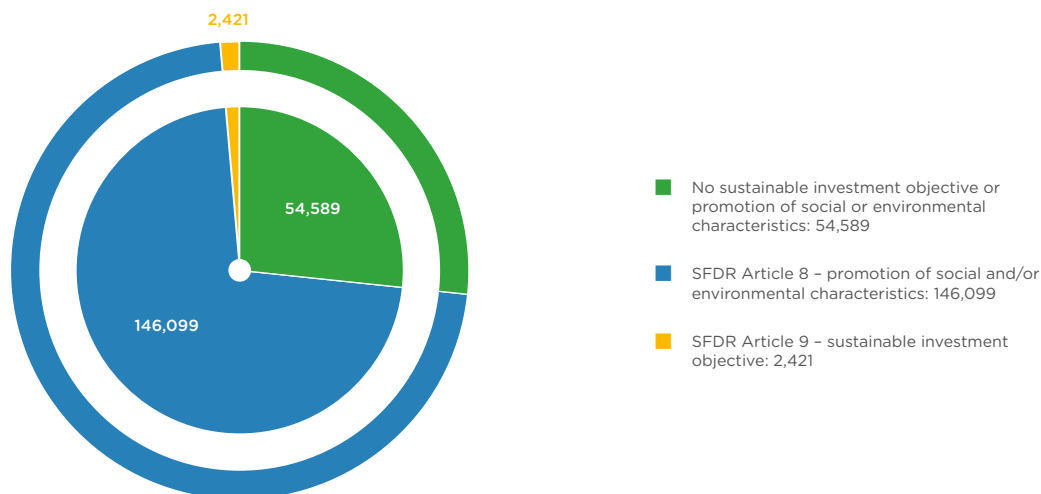


Funds promoting environmental or social features are on the rise

Funds can also be classified into different categories based on the information they have to disclose under the European rules on sustainability disclosures⁴¹.

Funds that promote 'environmental or social characteristics', or a combination of those characteristics, form the largest category in the Belgian public UCI sector, representing 72 per cent of total net assets (see Graph 13). This category is also referred to as 'Article 8 funds'.

⁴¹ 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, known as the 'SFDR'.

Graph 13: Total net assets of Belgian public open-ended UCIs by SFDR classification (in EUR million)

The relative weight of this category increased systematically after the European rules on sustainability-related disclosures entered into force. The increase in 2023 is mainly due to funds changing categories. Funds may be recategorized if the investment policy and pre-contractual information are adjusted and those adjustments relate to sustainable investments or environmental or social characteristics.

Funds targeting sustainable investments accounted for 1.2 per cent of total net assets. These 'Article 9 funds' constitute the smallest category. The net assets of this category fell sharply during 2023. The decrease is a result of funds changing categories.

The weight of funds that do not have a sustainable investment objective and do not promote environmental or social characteristics remained relatively stable during 2023.



BENJAMIN LEROY ON INVESTMENT FUND CHARGES

“The FSMA sees to it that investors find answers to their most important questions”

Investment funds are popular investments both in Belgium and elsewhere in Europe. The charges associated with such funds are an important element that investors should consider before they invest. “The difficulty for the investor is usually how to assess those charges: are they competitive or are they higher than the competition? What impact do they have on expected returns? The FSMA therefore carried out an in-depth analysis to help investors assess and compare the charges of such an investment more effectively,” says **Benjamin Leroy**, a specialist in investment fund supervision.

Why does the FSMA take an interest in investment fund charges?

“The main charges associated with a fund are subtracted directly from the fund’s returns. So ultimately, it’s the investors who pay the fees – but they don’t need to take out their bank cards to do so. The charges therefore become less real to them. This is why the regulations stipulate that investors should be informed in a fully transparent way about the charges they have to pay.

The FSMA watches over the transparency of charges, but also looks at the level and justification of those charges: that way it can see whether the funds on offer really provide a prospect of returns.”

How can investors assess and compare the charges of a fund?

“Investors can find the charges of any fund with a few clicks. Yet they don’t necessarily find answers to all their questions. Are the charges competitive? What factors affect the charges? What impact will they have on the final return? To help investors find answers to all these questions, the FSMA has published a study.”

What tips – in relation to charges – would you give to an investor looking to invest in a fund?

“First of all, investors need to determine what type of service they expect from their bank or investment firm: do they want an execution-only service, or the provision of advice, or portfolio management? After all, the type of service can have an impact on the overall costs. They should then ask themselves whether the features of the funds match their needs. For example, should they go for actively managed funds, which involve higher charges, or will a passively managed fund meet their expectations better?

After those first two steps, they should analyse all the charges associated with the funds and compare them with the charges of similar alternative funds, taking into account the impact of those charges on the expected return. They can find valuable information about this in the funds’ KIDs. Finally, of course, they should not hesitate to consult our study on fund charges!”

“Ultimately, it’s the investors who pay the fees – but they don’t need to take out their bank cards to do so. The charges therefore become less real to them.”

Simpler structured products

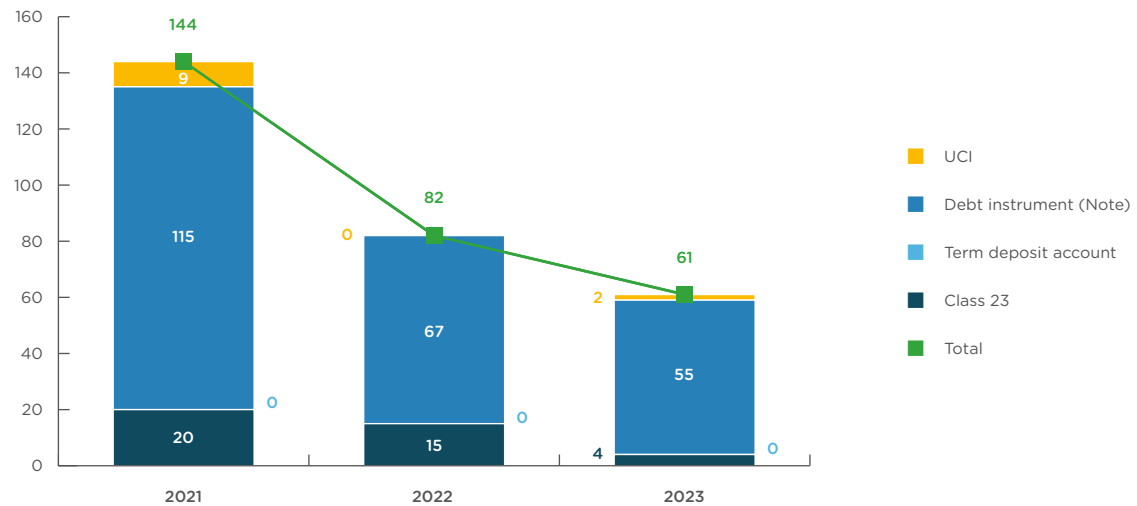
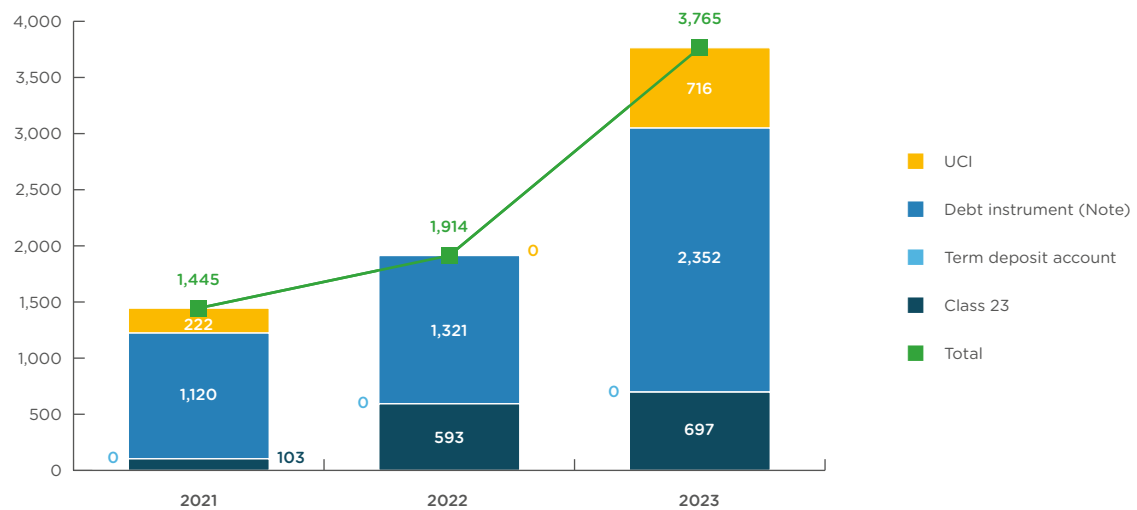
Structured products are complex investment products. They are often difficult for retail investors to understand, which means they have trouble estimating the risks. To protect investors, the FSMA placed a moratorium in 2011 on the distribution of particularly complex structured products. The moratorium lays down the criteria by which the distribution of structured products with an overly complex structure can be prohibited. This led to a simplification of the products on offer.

Since the launch of the moratorium in 2011, 6,586 structured products have been distributed in Belgium (see Table 2). A little over half of these (3,362 structured products) fall under the moratorium. The other 3,224 structured products fall under the opt-out regime⁴².

Table 2: Structured products marketed in Belgium since the start of the moratorium
(1 August 2011 - 31 December 2023)

	Number of products issued since the start of the moratorium	Issue volume (in EUR million), excluding private notes and products covered by the opt-out
Class 23	621	21,085.30
Under the moratorium	620	21,085.30
Opt-out	1	N.A.
Debt instrument (note)	2,156	26,150.99
Under the moratorium	2,039	26,150.99
Opt-out	117	N.A.
Term deposit account	18	245.48
Under the moratorium	18	245.48
UCIs	442	14,858.58
Under the moratorium	429	14,858.58
Opt-out	13	N.A.
Private Note	3,349	N.A.
Under the moratorium	256	N.A.
Opt-out	3,093	N.A.
TOTAL	6,586	62,340

⁴² The opt-out regime gives 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 EUR 500,000.

Graph 14: Change in the number of structured products distributed (per year)**Graph 15:** Change in the issue volume of structured products distributed (in EUR million per year)

The amounts invested into structured products by Belgian investors fell significantly in 2020 and 2021. That trend did not continue in 2022, when the amounts invested went back up. In 2023, new investments almost doubled compared to 2022, mainly thanks to structured debt instruments.

However, this sharp increase in the amount issued was not reflected in the number of structured products distributed each year: structured products in all legal forms have continued to decline.

Overall, the structured products distributed in 2023 were less risky than in previous years:

- **Structured products had shorter maturities:**

Due to the lower interest rate environment in recent years, the structured products put on the market had longer maturities. The rise in interest rates in 2022 led to shorter maturities in structured products. This trend continued in 2023. Just over a third had a maturity of less than five years. All class 23 structured products had a maturity of at least eight years.

- **The vast majority of structured products were issued in euros:**

Between 2018 and 2021, an increasing number of products were issued in US dollars. That trend did not continue in 2022 and 2023. In 2023, euro-denominated products accounted for more than 90 per cent of structured products, both in terms of issue volume and in terms of the number of products.

- **Almost all structured products offered the right to receive a repayment of capital at maturity:**

The right to a repayment of capital at maturity is always an important element in Belgian investors' decision-making. In recent years, distributors have increasingly marketed structured products that guarantee investors a repayment of at least 90 per cent of the capital they invest. The rise in interest rates since 2022 meant that distributors were again able to distribute structured products almost all of which included a guaranteed capital repayment at maturity (both in terms of number of products and issue amount). They represented more than 98 per cent of the amount issued in 2023.

- **The most commonly used underlying asset for determining the pay-off formula was interest rates:**

In 2022 and 2023, interest rates made a big comeback as the underlying assets for determining the pay-off formula. By 2023, they represented – in terms of the amount issued – almost half of all structured products and more than 75 per cent of structured debt instruments. Equity baskets are also returning as underlying assets in structured UCIs and class 23 structured products.

- **In 2022, the structured products that were distributed were simpler on average:**

This phenomenon can mainly be explained by the fact that fewer structured products had as an underlying asset a property index that included at least one mechanism.

Insurance supervision

Delays in life insurance payouts: insurance companies must pay the interest on their own initiative

In the performance of its supervisory duties, the FSMA found that some insurers failed to comply with their obligations regarding the deadlines for paying out an insured benefit after receiving a surrender request for a life insurance policy.

The law⁴³ stipulates that when an insurer receives a request for the payout of a life insurance policy, it must tell the beneficiary/policyholder in writing within two weeks what documents and information the latter must provide in order to have the insurance benefit paid out. After it receives all the required documents and information from the beneficiary/policyholder, the insurer must pay the insurance benefit within one month. This period is suspended, however, if payment cannot be made for a reason outside the insurer's control. If an insurer fails to comply with the deadlines, it is stipulated that the interest automatically accrues by law on the insurance benefit payable. The payee does not need to serve notice of default.

In its 2021 annual report, the FSMA insisted that insurers who failed to comply with the deadlines must pay any statutory interest owed on their own initiative, without any need for the beneficiary or policyholder to demand it.

In 2023, the FSMA found that not all insurers systematically and automatically paid the accrued interest on their own initiative when they failed to meet the statutory deadlines. It therefore reiterates that all insurers must comply with this obligation.

⁴³ Article 197/2 of the Law of 4 April 2014 on insurance. This provision does not apply to policies made in connection with the second pension pillar.



CAROLINE DE RIDDER ON THE SUPERVISION OF INSURANCE PRODUCTS

“The FSMA has developed a web-scraping tool to identify problematic advertising messages”

The FSMA’s supervision of insurance products includes the targeted processing of quite a lot of data. “The quantitative data enables us to identify specific issues and to spot notable trends or particular risks that can then be appropriately incorporated into our supervisory models,” says **Caroline De Ridder**, director of the Insurance Products Supervision department.

What role does the FSMA play in the supervision of insurance products?

“The FSMA ensures that every insurance product complies with the applicable regulations and is consistent with the needs, characteristics and objectives of consumers. Every financial product should be useful to consumers, which unfortunately is not always the case.

For example, the FSMA checks whether consumers receive all the required and necessary pre-contractual information before entering into an insurance policy. To this end, it is constantly improving its monitoring tools. For instance, it recently developed a web scraping tool. This enables us to identify advertising messages on the web that could be problematic in the light of the applicable regulations.”

How does the FSMA check whether a product is useful for consumers?

“The FSMA checks, among other things, whether an insurance product meets the needs, characteristics and objectives of the target market and offers consumers a good ratio of costs to benefits. It carries out checks based on quantitative data. That data allows it to identify, for instance, which products are most at risk of being of little or no use to consumers.”

What types of data do you use?

“Some of the data available to us comes from Solvency II reporting. We extract other data from the key information documents (KIDs) we receive. The KIDs provide a useful picture of a product’s costs and its returns.

“Some data, for instance, paints a useful picture of a product’s costs and returns”

We also refer to the mapping, which is a form of regular reporting introduced in 2023 that applies to all Belgian insurance companies and branch establishments in Belgium. Through that reporting, we have information, for example, on which products have the highest commission rates, which products have the lowest claims ratios, which products have seen the biggest rise in the number of new policies and which products have the highest number of claims closed without a payout.

These are just a few examples, which demonstrate the importance of numerical data in the context of the reviews of insurance products carried out by the FSMA.”

FOCUS 2024

All insurance products on the Belgian market must be suitable for their target market and offer value for money. The FSMA will review this and pay attention to the charges of these products, as well as to other parameters such as claims ratios, returns and exclusions.

Sustainability in life insurance also remains a focus for 2024. The FSMA will examine how insurance companies communicate about this topic. There is a risk that, for commercial reasons, insurance companies may portray their products as greener or more ethical than they really are and thereby engage in greenwashing.

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 conduct inspections to check that the companies under its supervision comply with these conduct of business rules.

The FSMA imposes remedial measures after insurance inspection

The FSMA carried out an inspection of an ancillary insurance intermediary on compliance with the conduct of business rules for the distribution of insurance products. Ancillary insurance intermediaries are people or businesses that sell insurance, but not as their main occupation. In this case, the company sold multimedia devices and offered insurance in the process. There are rules governing which ancillary insurance intermediaries must be registered with the FSMA and comply with rules of conduct when selling insurance.

These rules stipulate, among other things, that the insurance distributor must examine the customer's insurance needs. It may only propose insurance policies to customers that are consistent with their wants and needs.

The FSMA noted that the sales training for employees was heavily focused on selling more expensive insurance products and that, as a result, these more expensive products were the ones that were most commonly sold.

The company did not adequately enquire into the customer's insurance needs. Many insurance policies were cancelled within the 30-day cooling-off period.

In the FSMA's view, the way in which the company rewarded employees for selling insurance and the sales techniques used constituted an incentive to distribute insurance products in a way that was contrary to the duty to always act honestly, fairly and in the best interests of the customer. It therefore imposed remedial measures on the company.

Red flags during inspections about inducements

The FSMA conducted supervisory actions in relation to inducements in the insurance sector. Inducements are monetary or non-monetary consideration paid to or by an insurance distributor following the sale of an insurance product.

The receipt and payment of inducements is subject to a number of legal rules. They must not compromise the duty of an insurance distributor to act honestly, fairly and professionally in the best interests of its customers.

Insurance-based investment products are subject to additional rules. Inducements must not impair the quality of the service provided to the customer. Specifically for insurance-based investment products, European regulations set out six factors that can increase or decrease the risk of an adverse impact on the quality of the relevant service to the customer.

The customer's interests must always be paramount

In addition, the insurance industry adopted a code of conduct in 2019, approved by royal decree, which insurance distributors must abide by. This code contains a number of basic principles. The customer's interests are always paramount. It is not permitted to pay remuneration for a product in such a way that the intermediary may be induced to sell that product rather than the product that best matches the customer's wants and needs. Furthermore, charges should be in reasonable proportion to the service they are paid for.

Specific rules for training seminars and events

The code of conduct also provides specific rules for training seminars and events. These include the maximum duration: no more than three days for training seminars and two days for events. They also concern the location of events: events are not permitted outside the continent of Europe. Attendance should not be subject to criteria that could give rise to a conflict of interest.

Lastly, the code of conduct contains a 'negative list' of inducements that are deemed to be detrimental to quality of service and are therefore prohibited. Among other things, rewards in the form of travel are prohibited, even if the insurance distributor has to pay for them.

Before paying or receiving inducements, insurance distributors should examine whether those inducements are compatible with the statutory rules and the code of conduct. Thus they must check proposed inducements against the statutory rules and the code of conduct. They must be able to demonstrate to the supervisor that they have performed this examination.

The FSMA has taken two supervisory actions related to inducements.

The first action specifically concerned compliance with the code of conduct. The FSMA investigated whether the sales actions that several firms had set up for insurance brokers were in line with the rules in the code of conduct.

The FSMA noted a lack of attention to potential conflicts of interest in certain remuneration practices at a number of firms. The firms did not, or did not sufficiently, consider whether certain inducements gave rise to conflicts of interest. This is a general rule of conduct, which moreover is explicitly stated in the code of conduct. The FSMA noted compensation practices that it had previously identified as red flags on several occasions in various communications.

The FSMA asked the firms to demonstrate why the practice was acceptable and therefore complied with the conflict of interest condition. Companies could demonstrate this in any way they saw fit. For instance, they could provide production figures that showed that the inducement had not given rise to product pushing. In the course of follow-up measures, some insurance companies were able to convince the FSMA on the basis of such data that certain actions were acceptable. Other firms had done no analysis or only a very general analysis. These firms had to redo their homework.

A second action dealt with compliance with the legal rules on inducements when selling insurance-based investment products. The FSMA found that some firms did not sufficiently investigate whether inducements had a negative impact on service quality. Among other things, they could not demonstrate that they had tested the inducements against the six minimum criteria set out in the European regulations. These companies, too, had to change the way they operated.



JELLE VAN CAEKENBERGHE ON RISK-BASED SUPERVISION IN THE INSURANCE SECTOR

“IDD mapping brings insurance companies into focus”

The FSMA carried out a major survey of Belgium-based insurance companies in 2023. This was the first time this had happened. “The results of the survey help determine where we conduct inspections,” says **Jelle Van Caekenberghe**, who oversees compliance with the conduct of business rules.

What was the survey about?

“Belgian insurance companies and Belgian branches of foreign insurance companies completed what is known as the IDD mapping for the first time. This is a new supervisory tool that the FSMA uses to request the information it needs for its supervision of insurance products and compliance with conduct of business rules.

The questions we ask include how many and what type of insurance intermediaries the company works with, which remote distribution channels they use and how they cooperate with other firms in distributing insurance. We also ask questions about the product approval process. What products is the company developing? What products have undergone significant changes?”

Does the FSMA not already have this information?

“Companies have a lot of reporting obligations. We only ask for information we do not already have. For example, the FSMA needs figures on certain insurance products aimed at retail customers. After all, protecting private insurance consumers is one of the FSMA’s core tasks. These are products we all know well, such as fire insurance and family insurance. Among other things, we want to know which products distributors get the highest commissions for, which products have the highest number of rejected claims and which products have the biggest increase in number of new policies. These are potential red flags for our risk-based supervision.”

How should we picture that?

“Risk-based supervision is based first of all on identifying risks (risk identification). This is followed by an assessment (risk assessment), after which we set priorities (risk prioritization), which lead to concrete supervisory actions.

The IDD mapping contributes to the first two steps. In our risk assessment, we combine the scores from the mapping with other data to obtain an up-to-date risk profile of the insurance sector. This exercise determines where we inspect compliance with the conduct of business rules. We deploy our resources in situations where policyholders are at high risk.”

“We deploy our resources in situations where policyholders are at high risk”

What were the findings from the survey?

“The IDD mapping confirms in the first instance that the insurance sector in Belgium is very diverse. There are firms that have very limited business or that focus on just one specific risk or sector. Other firms offer a wide range of services and products, but within a simple distribution model.

Some firms have separate brands with vastly different product offerings, distribution models and target customer groups. The mapping gives FSMA a clearer view of these differences.”

FOCUS 2024

Since 2 August 2022, companies providing investment advice or asset management and insurance distributors advising on insurance-based investments are obliged to ask customers about their sustainability preferences. Does the customer want to invest a certain percentage of their portfolio in sustainable products? What criteria does the customer consider important? In so doing, firms must clearly explain the sustainability jargon to the customer. In 2023, the FSMA asked firms how far they had progressed towards implementing this new framework. In 2024, it will carry out supervisory actions to check whether they are complying with the rules.

Measures against unlawful activities

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.

Scammers often commit identity fraud

Fraudsters hijack the identities of companies and government bodies to scam consumers. They falsely use their names, logos or addresses. In this way they want to make consumers believe that they have a proper licence to offer their financial services and products.

This type of fraud is on the increase. In the first half of 2023, one in six consumer reports of fraud related to identity fraud. The FSMA advises consumers to be on their guard and always double-check the contact details of counterparties with the information available on the FSMA's website.

Who do the fraudsters impersonate?

Insurance brokers

Fraudsters assume the identity of FSMA-registered insurance intermediaries and offer financial products to consumers.

Banks

Fraudsters obtain consumers' trust by posing as a bank and offering fraudulent savings products or fake loans to consumers, who believe they are dealing with a well-known major bank.

Financial regulators

Consumers who have been victims of investment fraud are contacted by fraudsters posing as financial regulators. The fraudsters promise to help the victims recover their lost money. In fact, it is a trap to cheat consumers out of even more money.

And many others...

Law firms, judicial authorities, crypto platforms ... fraudsters impersonate all kinds of organizations in order to deceive consumers.

The FSMA supervises ancillary travel insurance intermediaries

Vendors of non-financial goods and services who also offer insurance products are deemed to be ancillary insurance intermediaries by the FSMA. In 2023, the FSMA performed checks on whether ancillary insurance intermediaries in the travel industry complied with the relevant requirements.

Travel agents must be registered with the FSMA as insurance or ancillary insurance intermediaries if they offer customers insurance when booking a trip. There is an exception to that rule, however. If travel agents sell insurance with a premium of less than EUR 200, they are exempt from registering with the FSMA. Nevertheless, these exempt ancillary insurance intermediaries must still comply with certain conduct of business rules when distributing insurance products. Those rules are there to protect their customers.

For instance, an exempt ancillary insurance intermediary must inform the customer of the essential features of the insurance product and be able to provide the customer with a clear explanation of them. Moreover, the insurance product should be in line with what the customer needs and wants. Customers should also receive a standard document containing basic information about the insurance product. They should also be given information on who the insurer is and where and how to complain in case of problems.

Insurance firms or insurance intermediaries working with exempt ancillary insurance intermediaries must ensure that these rules of conduct are observed.

Some irregularities

The FSMA requested information from several insurance firms, some insurance intermediaries and a number of travel agents. The FSMA found that many travel agents operate as exempt ancillary insurance intermediaries. Half of the insurance firms and insurance intermediaries audited use an exempt ancillary insurance intermediary. The FSMA's review revealed some irregularities. It contacted the insurance companies, intermediaries and travel agents concerned to ensure proper compliance.

The review also aimed to raise awareness of this issue among the insurance companies and insurance intermediaries. After all, the rules on ancillary insurance intermediaries apply not only to the travel industry but also to other business sectors that offer insurance to customers on an ancillary basis. These include undertakers, bike shops, removal firms, garages, etc.



CORENTIN POURTOIS ON THE FSMA'S CONTACTS WITH CONSUMERS REPORTING CASES OF INVESTMENT FRAUD

“If you have doubts about the legitimacy of a financial services provider, it’s a good idea to contact the FSMA before investing”

The FSMA received no fewer than 2,170 reports of investment fraud or illegal activities in 2023. “We pay particular attention to handling this kind of report. After all, they are an essential source of information for the FSMA. Quick responses to such reports can save consumers a lot of headaches,” says **Corentin Pourtois**, a specialist in combating investment fraud.

When do consumers typically contact you about investment fraud?

“Often consumers contact us before they invest, when they have doubts about the legitimacy of a financial services provider. That’s the right approach, by the way: by contacting us before they transfer any money, they can save themselves a lot of trouble.”

What specific help can the FSMA give to those who contact it?

“We provide quick and personal responses to all the reports we receive, and there are plenty of them. Doing this can prevent some people from falling into the trap that fraudsters have set for them. If consumers fail to recover their investment, we explain how they can make a complaint to the police, and how they can contact their bank. Furthermore, we give them tips on how to prevent the situation from getting worse: fraudsters tend to harass victims repeatedly and pressure them to transfer more and more money.”

What are the right reflexes if you have doubts about the trustworthiness of a financial services provider?

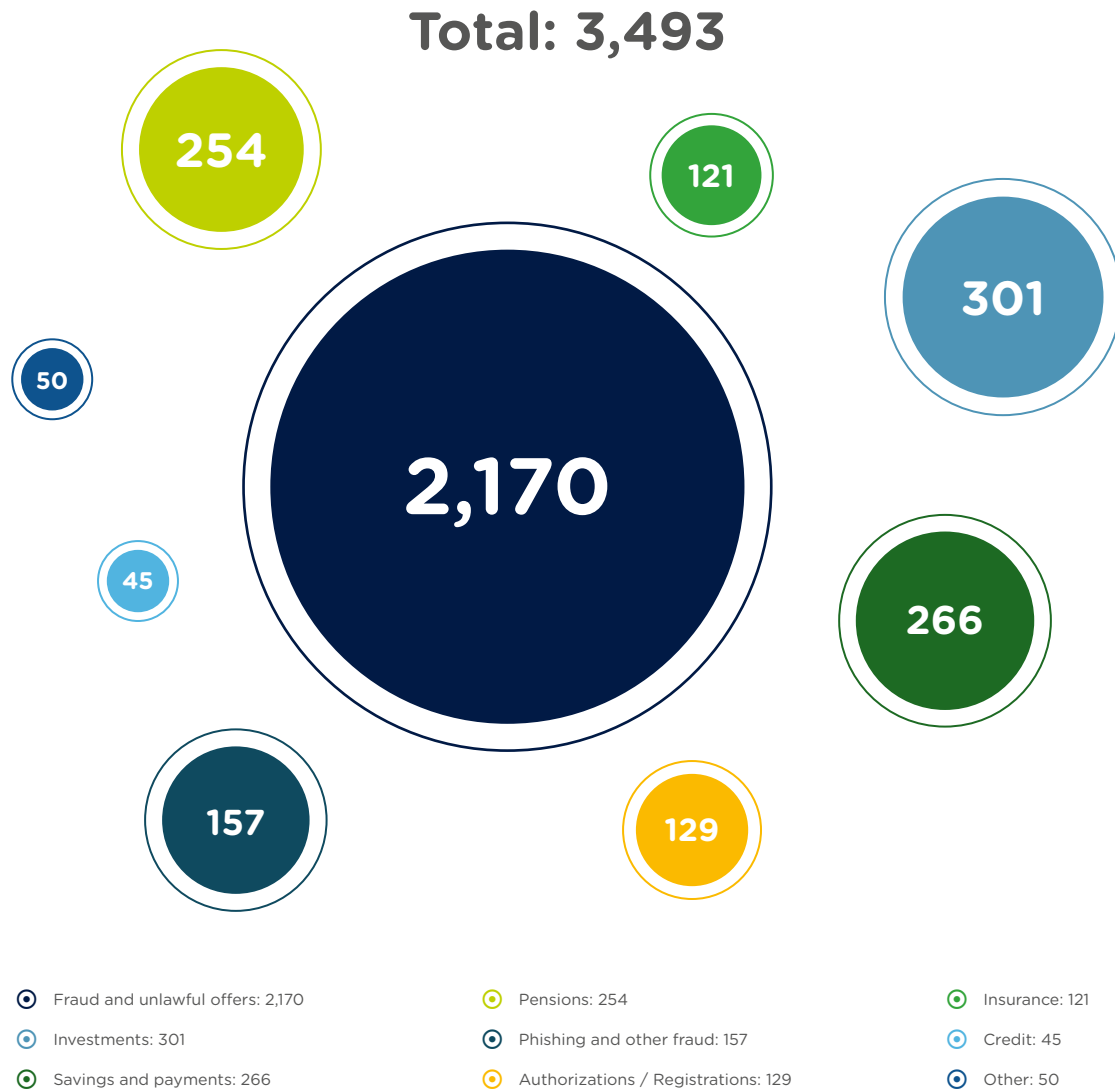
“Before consumers invest, it’s important to check the FSMA registers and the list of warnings. It’s also helpful for them to consult the fraud page on our website. One of the things

they can find there is a test that allows them to quickly assess the fraud risk of a proposed investment. If they still have doubts, they should have absolutely no hesitation in contacting us via the contact form on our website.”

“Before consumers invest, it’s important to check the FSMA registers and the list of warnings. If they still have doubts, they should have absolutely no hesitation in contacting us via the contact form on our website”

What means does the FSMA use to combat investment fraud?

“We conduct investigations, publish warnings by name and report fraudulent actors to the judicial authorities, which we systematically ask to block access to the identified fraudulent websites. We also carry out numerous preventive actions against fraudulent practices, for example by disseminating prevention videos on social media, on which fraudulent actors are highly active.”

Graph 16: Number of consumer messages by category

In the period under review, the FSMA received 3,493 messages from consumers. Two-thirds of these messages were reports of fraud and irregular offers. There were 2,327 such reports: 2,170 fell within the supervisory remit of the FSMA; 157 concerned phishing and other fraud and were out of scope.

FOCUS 2024

Due to the high number of consumer messages about fraud, in 2024 the FSMA will introduce a new channel on its website for reporting investment fraud and other potentially irregular offers of financial services and products. This will provide better guidance to consumers with making their reports.

Whistleblowers turn to the FSMA

Since 28 September 2017, the FSMA has had a 'Whistleblowers' Point of Contact' for reporting actual or potential breaches of financial legislation. Whistleblowers are finding their way to this hotline.

The reports help the FSMA detect potential failings and address them in the right way. Such reports are not intended to solve the reporter's personal problems or to ask questions. There are other channels for that.

Usually, whistleblowers work in the financial sector. If they report a problem in good faith, they are protected against any reprisals from their employer. In early 2023, a new law came into force that made a number of changes to the legal framework on whistleblowers and improved the protection and support for whistleblowers in a number of ways⁴⁴.

Whistleblowers have four different channels through which to report potential problems directly to the FSMA: via the form on the FSMA website, by letter, in a personal meeting or by telephone. The FSMA may also receive whistleblower alerts from other authorities, namely the National Bank of Belgium, the Belgian Audit Oversight Board, the FPS Economy or the Federal Ombudsman.

The Whistleblowers' Point of Contact analyses all reports and forwards them to the competent FSMA department or to another authority. In principle, the whistleblower always receives an acknowledgement of receipt. The FSMA will confirm to the reporter within six weeks whether or not what they have reported is a breach of the financial legislation supervised by the FSMA. Some reports do not contain any useful information or are not sufficiently backed up with evidence.

The new law provides that the reporter must be given feedback on, among other things, the final outcome of the investigations to which the report gives rise. However, owing to its duty of professional secrecy, the FSMA can only provide feedback in cases where the report leads to measures or sanctions that give rise to a named disclosure. This is explained to the whistleblower.

The FSMA received 238 reports in 2023. Of the four channels available, the most used is the electronic channel, followed by writing a letter. The majority of reports are of quite good quality and there is no distinction between named and anonymous reports on this point. Those who submit a report anonymously or do not leave contact details cannot be contacted in the event of questions and cannot receive an acknowledgement of receipt from the FSMA.

44 Law of 28 November 2022 on the protection of reporters of breaches of Union or national law identified in a legal entity in the private sector.

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 information provided by listed companies is complete, accurate 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 information provided by unlisted companies when they make a public issue of securities for the purpose of collecting money from investors.

Improved compliance by managers with reporting requirements on own transactions

Transparency about the transactions of persons with managerial responsibilities at a listed company is a preventive measure against insider trading and also a valuable source of information for investors.

Persons with managerial responsibilities such as CEOs, finance and operations directors and other board members are therefore required to report their transactions. More specifically, they must declare any purchases or sales they make of shares or bonds in their listed company or in other financial instruments related to it. Notice must be filed within three working days of completing the transaction. The FSMA then publishes those transactions on its website.

The reporting obligation also applies to persons who are close related parties of a manager. For example, the child of a board member must report a purchase of derivative financial instruments that concern the listed company's shares. Transactions made by a management company led by a CEO of a listed company are also covered by the reporting obligation.

To ensure proper compliance with the reporting obligation, the listed companies themselves have an important role to play. They must keep a list of persons with managerial responsibilities and their close related parties so that they can alert them to the reporting obligation.

The FSMA uses data analysis to check compliance with reporting obligation

For several years, the FSMA has had a detection tool to check whether managers properly comply with the reporting obligation. With the help of data analysis, the FSMA can detect unreported transactions and check whether the transaction reports received are correct. If the reporting obligation is found to have been breached, the FSMA considers it important that a notification should still be made so that the proper information will appear on its website. Depending on the seriousness of the case, the FSMA may take further action. Non-compliance with the reporting obligation is subject to administrative sanctions.

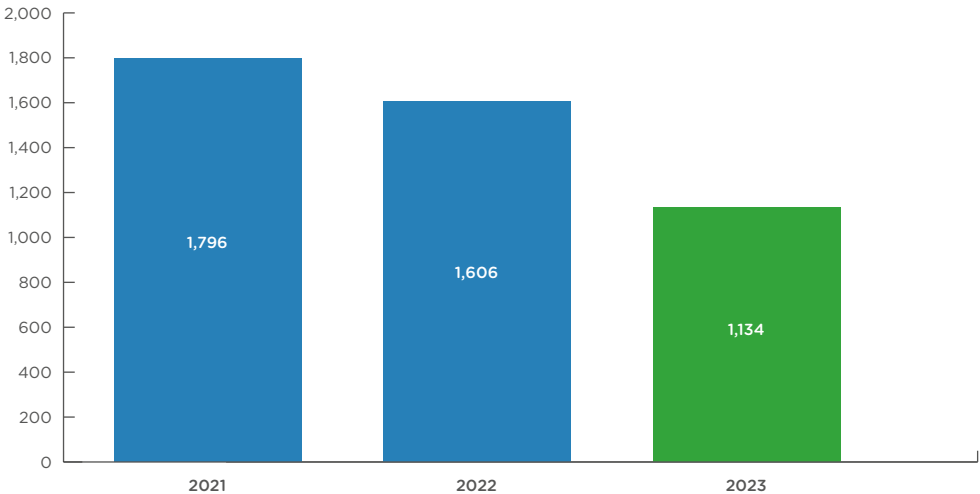
This proactive approach is clearly bearing fruit. The FSMA finds that fewer people are neglecting to report their transactions. Moreover, the transaction reports received contained fewer errors, for example in relation to the transaction date or number of shares. By staying on the ball, the FSMA shows the persons concerned, as well as the listed companies, that they should take the reporting obligation seriously.

Going forward, the FSMA will continue to use the detection tool to ensure accurate disclosures to investors.

Transaction data is after all an important source of information for investors. Managers are assumed to be well informed about the value of their listed company and market trends. As a result, their transactions and those of their close related parties may serve as a signal to other investors. Disclosure allows everyone to be aware of these transactions and provides full transparency.

Moreover, the reporting obligation is an important preventive measure against market abuse, especially insider trading. Before making a transaction, managers and their close related parties should ask themselves whether they are in possession of inside information, so that they do not commit market abuse. The fact that they have to report every transaction encourages them to refrain from trading in the event of the slightest doubt. Now and again people deliberately fail to report a transaction in order to conceal insider trading. The FSMA's detection tool can also help uncover market abuse in such cases.

Graph 17: Number of managers' transactions



Graph 18: Real-time supervision and detecting market abuse



As part of its efforts to detect and prevent potential market abuse, the FSMA monitors trading in the securities of issuers under its supervision in real time. Graph 18 provides an overview of the various actions taken by the FSMA in this regard.

The double materiality principle in the reporting of listed companies

In the ESG regulations, the 'inside-out' or dual materiality perspective is intended to determine what information should be disclosed in the sustainability reporting that companies must draw up. This means that whether or not information is adjudged to be material is assessed from two viewpoints:

- the financial viewpoint, in order to identify and assess sustainability risks and opportunities for the company and its operations; and
- the impact viewpoint, to recognize the effects (positive or negative, actual or future and potential) of the company's activities on its wider environment.

Companies also present the information required by the Taxonomy Regulation in their sustainability reporting. No materiality analysis is performed on that information because companies are required to disclose it by default. Nevertheless, the double materiality principle applies to this reporting, too. For an activity to be classed as Taxonomy-aligned, it must contribute substantially to at least one environmental objective while doing no significant harm to the others, and must be carried out in compliance with social standards and human rights.

The aim is that anyone subsequently using these different reports will have good-quality information from both perspectives.

These reporting requirements apply to some 50 large listed companies. The FSMA is charged with monitoring compliance with those reporting obligations as part of its supervision of so-called 'periodic' reporting. In the course of that supervision, it takes the double materiality principle into account. In other words, it checks whether the listed companies describe both the significant risks and opportunities of their activities from an environmental and social point of view and the significant sustainability risks from the company's perspective – more specifically, from the perspective of its financial situation.

Starting from the 2024 financial year, all companies listed on a regulated market will gradually have to publish sustainability information in accordance with the CSRD Directive, including the information required by the Taxonomy Regulation. To help them do this, the FSMA has published two communications: a communication on the CSRD, in which it discusses some of the steps to be taken by companies, and a communication on the application of the Taxonomy Regulation. In these communications the FSMA underlined the need for listed companies to carry out a dual materiality analysis on all sustainability topics as soon as possible.

163 listed issuers under FSMA supervision

At the end of December 2023, 163 listed issuers were supervised by the FSMA. These are mainly firms with shares or bonds listed on Euronext Brussels, Euronext Growth and other European regulated markets. Listed issuers can also include local governments and other authorities.

The number of issuers supervised by the FSMA again fell sharply in 2023. The decline was most pronounced among bond issuers. Eight Flemish cities and municipalities ceased to be overseen by the FSMA once their jointly issued bond matured at the end of 2023.

Among equity issuers, the decline is mainly due to deregistrations following successful takeover bids. Shares in Telenet Group, Rosier, Befimmo and Picanol are thus no longer listed on Euronext Brussels.

Not all takeover bids were successful. The bid for Exmar failed, and its shares therefore remain listed on the stock exchange.

The Brussels stock exchange welcomed one newcomer in 2023 with the listing of Syensqo, a spin-off of Solvay.

Supervision of transactions of listed companies

The FSMA supervises both the transactions of listed companies and the regulated information they provide to the public. This includes the financial and non-financial reports or sustainability information they publish on a regular basis and information that is deemed to be inside information.

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 complete, easy to understand and consistent.

In 2023, three listed companies launched a public offering of shares. Six listed companies sought the approval of a prospectus for a share listing pursuant to private placements.

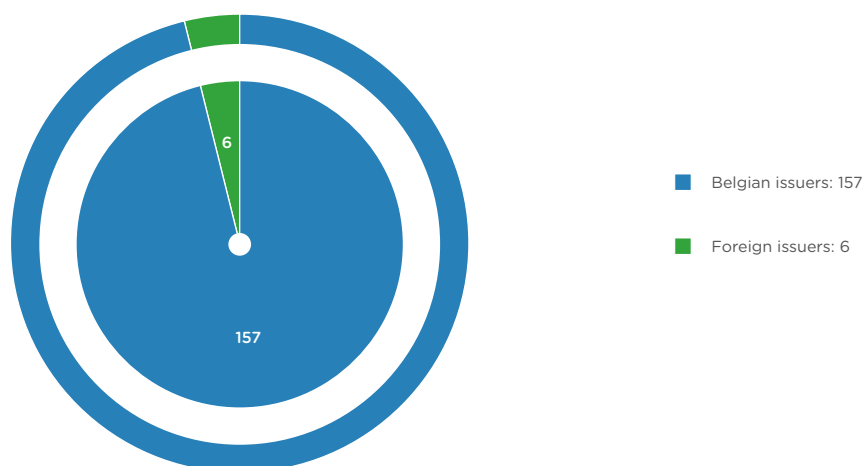
The FSMA also approved three prospectuses for public offerings of listed bonds and two prospectuses for new bond listings.

Supervision of transactions of unlisted companies

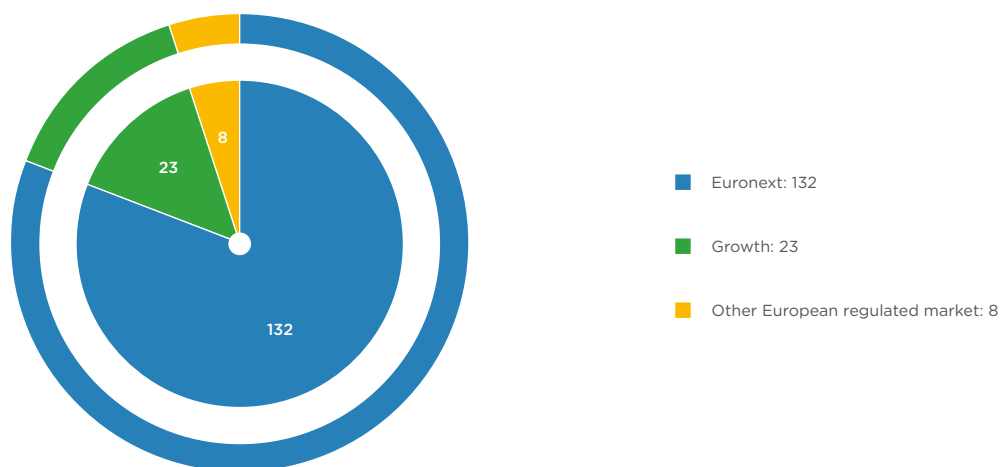
The FSMA is tasked with supervising the prospectuses of unlisted issuers too. It approved 16 such prospectuses in 2023, of which five were for share issues by cooperatives and eleven were for tax shelters.

For small transactions by unlisted issuers, the FSMA received 258 information notes and 49 addenda to information notes during the year under review.

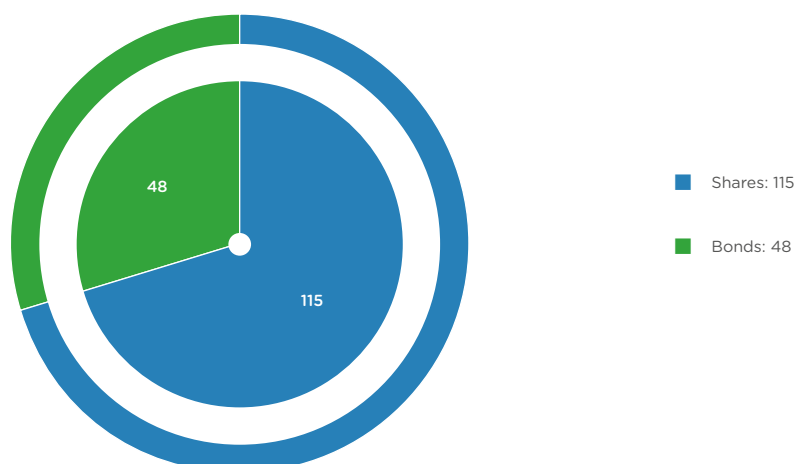
Graph 19a: Issuers whose regulated information is monitored by the FSMA



Graph 19b: Issuers by market



Graph 19c: Issuers by type of instrument





THIERRY LHOEST ON RECENT DEVELOPMENTS ON THE BELGIAN STOCK MARKET

“For some companies, 2023 was a very eventful year”

The rise in interest rates in recent months had major impacts on some listed companies. “Several listed companies struggled to obtain financing resources through traditional channels,” says **Thierry Lhoest**, director of the Listed Companies Supervision Department.

What were the main trends for listed companies in 2023?

“In 2023, the Belgian stock market had to deal with several price corrections. It ultimately finished the year at the same level it had started it. The market was also heavily influenced by interest rates, which were consistently much higher than in the previous decade. All this had a major impact on listed companies and their supervision.”

What exactly was the impact for listed companies?

“Economic factors like these make it harder to obtain funds in the market and make the external financing costs of companies more onerous. This kind of environment leads to corporate reorganizations or takeovers and naturally proves much harder to manage for companies whose financial position is insecure, especially if they have already been weakened by a high debt ratio.”

Does this also have an impact on how the FSMA carries out its supervision?

“Definitely. There were no IPOs in 2023, but several takeover bids and major restructurings took place, such as the Solvay demerger. We can also point to the many companies with financial difficulties, for which the timely publication of suitable information and serious, objective risk assessments are indispensable.

The FSMA takes particular care to ensure that the market has the information it needs to make an informed decision, in the case of a takeover bid, for instance, or to correctly assess the financial position of companies.”

“We take particular care to ensure that the market has the information it needs to make an informed decision”

What other things would you like to draw attention to?

“I’d like to point to the emergence on stock exchanges of ‘last resort funding’ for companies in financial difficulty that can no longer obtain finance. Several companies, notably biotech firms whose clinical trial results became uncertain, could no longer obtain finance through the traditional channels. Last resort funding offers convertible loans on very onerous terms, which means severe dilution for existing shareholders. Because such financing structures worried the FSMA, it published a notice for investors and listed companies. In it, it warns the market about the impact of such transactions on stock values, and draws attention to the responsibility borne by boards of directors who choose this type of funding for their companies.”

FOCUS 2024

Crowdfunding platforms offering stock transactions or loans must have a European licence as a crowdfunding service provider issued by the FSMA or a European authority. By early 2024, seven crowdfunding service providers were licensed in Belgium under the new European regulation on this matter.

Crowdfunding service providers must provide potential investors with a key investment information sheet for each crowdfunding offer. The FSMA will perform checks on the key investment information sheets and marketing communications of the various platforms in 2024.

Supervision of financial service providers

All consumers must be able to trust their financial companies. These companies 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 propriety and expertise of the directors, sound governance, compliance with training requirements, and compliance with the law on money laundering and terrorist financing.

Overview of financial service providers

The FSMA supervises various types of financial service providers. Depending on what they do, they must have an authorization or a registration to carry out activities in Belgium.

Financial service providers licensed by the FSMA

Table 3: Authorized companies

	31/12/2021	31/12/2022	31/12/2023
UCITS management companies	10	10	8
AIF management companies	14	17	17
Portfolio management and investment advice companies	17	19	18
Mortgage lenders	107	102	100
Consumer credit lenders	77	75	74
Crowdfunding service providers	8	8	5
Independent financial planners ⁴⁵	7	8	5

⁴⁵ In addition to these specifically authorized companies, certain other regulated companies are entitled by law to carry out these activities without an additional licence.

Financial service providers registered with the FSMA

Table 4: Registered credit intermediaries

	31/12/2021	31/12/2022	31/12/2023
Intermediaries in mortgage loans	3,625	3,390	3,043
• Broker	1,554	1,435	1,325
• Tied agent	1,808	1,692	1,465
• Sub-agent	263	263	253
Intermediaries in consumer credit	5,778	5,510	5,154
• Broker	1,280	1,189	1,111
• Tied agent	1,912	1,809	1,593
• Agent in an ancillary function	2,586	2,512	2,450

Table 5: Registered insurance and reinsurance intermediaries

	31/12/2021	31/12/2022	31/12/2023
Insurance intermediaries	9,821	9,407	8,847
• Broker	5,795	5,490	5,184
• Agent	1,533	1,410	1,289
• Sub-agent	2,053	1,959	1,795
• Ancillary insurance intermediary	395	496	523
• Authorized underwriter	45	52	56
Reinsurance intermediaries	33	32	33
• Broker	24	25	26
• Agent	9	7	7

Table 6: Registered intermediaries in banking and investment services

	31/12/2021	31/12/2022	31/12/2023
Intermediaries in banking and investment services	1,924	1,812	1,580
• Broker	22	19	20
• Agent	1,902	1,793	1,560

Financial service providers registered with the FSMA

Table 7: Registered firms

	31/12/2021	31/12/2022	31/12/2023
Currency exchange offices	8⁴⁶	9	8
Small-scale managers	176	197	223

46 Payment institutions providing currency exchange services are not included in this number. These are under the supervision of the National Bank of Belgium.

Identifying, assessing and understanding money laundering risks

The FSMA has launched a review exercise on aligning its supervisory practice more closely with the risk-based approach required by the Law on the Prevention of Money Laundering and Terrorist Financing (AML/CFT) and by the recommendations of the Financial Action Task Force (FATF) (see Focus 2024). More specifically, this work covers the implementation of FATF recommendation no. 1, which deals with the general principle of the risk-based approach. This principle concerns identifying, assessing and understanding the ML/FT risks to which a country is exposed⁴⁷.

One of the key steps of this process is the preparation of sector-based analyses of ML/FT risk for each sector supervised by the FSMA. By identifying the specific ML/FT risk factors of each sector, supervisory resources can be matched to the highest-risk sectors and supervision can be focused on managing the specific risks of those sectors.

In light of this, and taking into account the biggest ML/FT risk within that sector, the FSMA drew up a supervisory plan for the currency exchange offices sector. That plan aimed to monitor the compliance of these entities with AML/CFT legislation. In addition, the FSMA examined how currency exchange offices organize themselves to detect counterfeit notes in the course of their cash exchange operations.

Those checks began in the final quarter of 2023 and continued in early 2024. The checks carried out resulted in the temporary suspension of one currency exchange office and the formulation of instructions aimed at remedying the identified shortcomings.

In addition, the risks identified in the virtual currency sector are prompting the FSMA to pay particular attention to registration requests from virtual currency service providers. To date, the FSMA has not registered a single service provider.

⁴⁷ See also this report, p. 97.



GAËTAN LAGA ON MONEY LAUNDERING PREVENTION RULES AND AMLCO DAYS

“Supervision also implies guidance and familiarization of the parties under supervision”

Combating money laundering and terrorist financing is a key focus for the FSMA. The Authority actively monitors whether the entities concerned deploy the necessary resources to identify, assess, understand and manage the risks to which they are exposed. “It is crucial to adopt an approach that is both vigorous and repressive, while also providing preventive guidance to the industry by supporting them, answering their questions and giving them constructive feedback,” says **Gaëtan Laga**, anti-money laundering specialist.

What are AMLCO Days about and why does the FSMA hold this kind of event?

“The FSMA attaches great importance to exchanging ideas with the sectors under its supervision. In this respect, the prevention of money laundering and terrorist financing also goes hand in hand with the guidance and familiarization of the entities we oversee. That’s why we hold specific day-long events on this topic. These events offer AML compliance officers (AMLCOs) the opportunity to exchange ideas with the FSMA in a privileged manner.”

Is it intended to hold such events regularly? And, if so, in what form?

“The frequency will depend on timeliness and on developments in the sectors under supervision. At the moment, one event a year seems appropriate. Of course, the form can also vary. Depending on the topics covered, the FSMA may address all the sectors under its supervision or one sector in particular.”

What is the main message the FSMA wants to give to AMLCOs?

“The AMLCO is a key figure who has to oversee the implementation of preventive measures and take responsibility for the analysis of unusual transactions. AMLCOs also take care of

the awareness and training of those exposed to the risk of money laundering or terrorist financing. They should be able to put forward on their own initiative all measures needed to ensure the conformity and efficiency of the prevention toolkit. In other words, the AMLCO is a central figure in the prevention system whom the FSMA regards as its key point of contact.”

“The AML Compliance Officer (AMLCO) is a central figure in the prevention system whom the FSMA regards as its key point of contact”

In 2023, AMLCO Day was focused on the asset management sector. Why?

“The asset management sector is one of the biggest sectors in terms of the amounts handled. Moreover, actors in the industry face very specific problems. We therefore want to learn more about the specific features of that industry, as well as listening to any questions they may have about implementing the prevention toolkit for money laundering and terrorist financing. That made AMLCO Day 2023 a very valuable moment of exchange.”

FOCUS 2024

The Financial Action Task Force (FATF) oversees the fight against money laundering and terrorist financing. This international organization performs checks on how its members fight that battle. In 2024 and 2025, it will evaluate the Belgian approach and how Belgium puts FATF recommendations into practice. This evaluation takes the form of a peer review, in which members from various countries assess Belgian policy. The evaluation will give rise to a final report in autumn 2025. As a competent organization, the FSMA is taking part in the preparations for the review together with the National Bank. The Treasury is coordinating this exercise.

Supervision of intermediaries and financial service providers

The FSMA strikes 307 intermediaries from the registers

In 2023, the FSMA struck 307 intermediaries from the registers because they no longer met the requirements for registration. The FSMA rejected the registration applications of 23 prospective intermediaries during the year under review for failing to meet the entry requirements. Four of them were not fit or professionally reliable.

At the end of 2023, the FSMA had 18,657 intermediaries on its registers. They include 8,847 insurance intermediaries, 33 reinsurance intermediaries, 1,580 banking and investment service intermediaries, 3,043 mortgage intermediaries and 5,154 consumer credit intermediaries.

The FSMA monitors in-service training organizations

Employees of intermediaries, insurers and reinsurers, credit institutions and lenders must complete a minimum number of hours of professional training each year. This should be done at training organizations recognized by the FSMA. The FSMA has had sole authority over the recognition of such organizations since the start of 2024. It ensures that the organizations comply with licensing conditions, work with qualified trainers and have procedures for the quality control of training courses. Professional training helps improve services and protect financial consumers.

The FSMA performs Brexit check in insurance sector

In 2023, the FSMA performed a check in the insurance sector of all intermediaries who indicated that they use a UK branch for insurance distribution activities for policyholders and risks in the European Union. The aim of the exercise was to determine the extent to which Belgian insurance intermediaries rely on UK branches for this purpose. The FSMA examined various aspects of the intermediaries' activities and organization. The FSMA check came in response to guidelines from EIOPA⁴⁸. This European authority wants to avoid over-reliance by European Union intermediaries on branches in the UK, which has been a non-EU country since Brexit.

The FSMA authorized five crowdfunding service providers

10 November 2023 marked the end of the transition period provided in the European regulation establishing the EU-wide crowdfunding service provider (CFSP) status. By that date, all crowdfunding organizations operating under the pre-existing Belgian law had to be in possession of a European authorization in order to continue offering their crowdfunding services. All of them obtained that licence.

The FSMA granted the first authorization at the end of 2022. In 2023, it authorized five existing operators.

To obtain the authorization, existing operators had to do a considerable amount of work in terms of compliance and documentation. The authorization process is relatively extensive and complex.

The new European status makes it easier to provide crowdfunding services on a cross-border basis, since authorized operators only have to file a simple notification in order to market to investors in other EU member states. European CFSP status also offers other benefits, such as increased specific protection for investors classed as 'inexperienced' and the presentation of information about a project in a standardized form by way of a key investment information sheet.

Applying this European regulation will remain a challenge going forward, as it raises certain problems of interpretation. The FSMA is monitoring these closely and will communicate about them in due course.

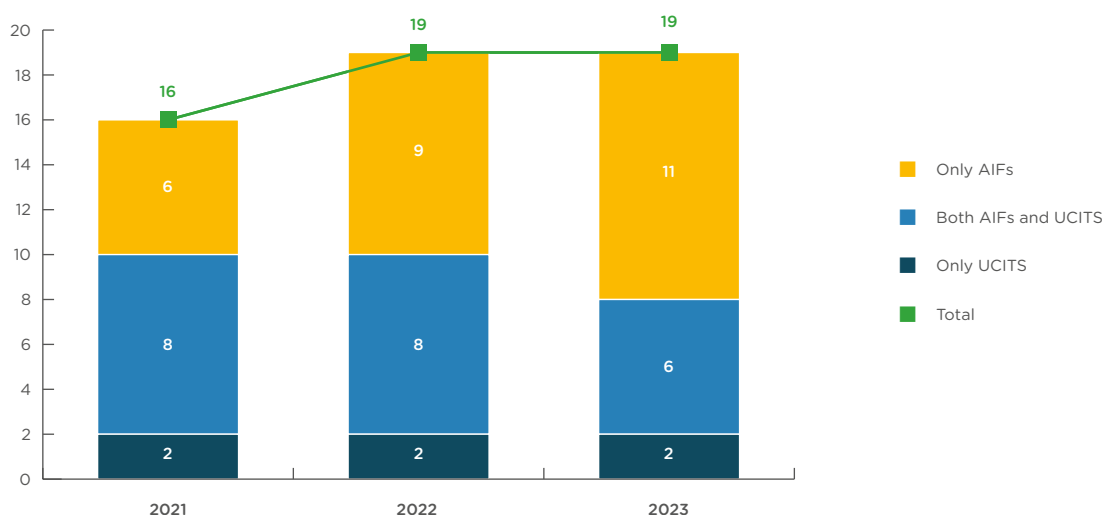
48 See EIOPA, *Supervisory Statement on the use of governance arrangements in third countries*, 2 February 2023, available at www.eiopa.europa.eu.

Supervision of investment fund management companies

Number of AIF management companies increases

The FSMA oversees the structure and operation of Belgian authorized management companies. Management companies have as their main activity the management of investment funds. Two new management companies were authorized in 2023, while one was converted into a branch of a foreign management company⁴⁹ and one was taken over in the course of a merger. Overall, the total number of management companies thus remained steady (see Graph 20).

Graph 20: Change in the number of Belgian authorized UCI and AIF management companies (as at 31 December)



There are two types of authorization for management companies, according to the type of investment fund they are permitted to manage: undertakings for collective investment in transferable securities (UCITS) and alternative investment funds (AIFs). Management companies can hold both authorizations at the same time.

The two companies that were deregistered were both authorized to manage both UCITS and AIFs. This reduced the number of dual management companies from eight to six.

⁴⁹ The conversion took place on 31 December 2022.

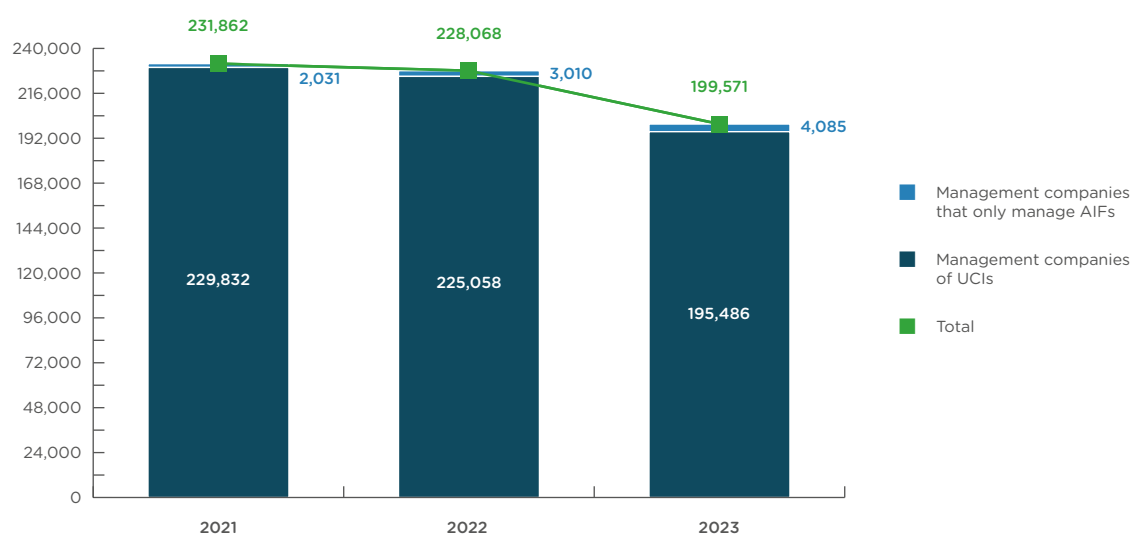
Most of the more recently authorized management companies are permitted to manage AIFs only. Since 2021, the number of management companies of this type has increased from six to eleven. AIFs can pursue a wide range of investment strategies. They can act, for instance, as private equity funds, real estate funds or hedge funds. However, equity or bond funds are also AIFs if they are not authorized in accordance with the UCITS Directive.

Several AIF management companies authorized in recent years initially operated as small-scale managers of non-public AIFs, before subsequently applying to the FSMA for an authorization following an (anticipated) increase in their assets under management.

Assets under management decline

Despite favourable trends in the financial markets, the assets under management of Belgian authorized management companies fell to just under EUR 200 billion in 2023 (see Graph 21)⁵⁰. This decrease is a consequence of the fall in the number of management companies with an authorization to manage UCITS (cf. supra).

Graph 21: Change in assets under management of Belgian authorized management companies (in EUR million, as at 31 December)



⁵⁰ The statistics on management companies may change in the future if a management company provides the FSMA with a correction of certain statistics at a later date.

The increase in the number of management companies authorized to manage AIFs only is accompanied by a growth in the assets under management of this type of management company. During 2023, their assets under management increased by 36 per cent to EUR 4 billion. However, the total amount of assets managed by these companies is considerably smaller than the assets under management of firms authorized to manage UCITS or both AIFs and UCITS. This is because of the different nature of the funds they manage. Almost all the management companies that only have an authorization to manage AIFs are only permitted to manage non-public AIFs. They often manage AIFs that invest in private equity or real estate.

Small-scale managers

Small-scale managers of non-public AIFs are entities that are allowed to hold only a limited amount of assets under management. For managers who exclusively manage unleveraged AIFs for which redemption rights cannot be exercised for a period of five years, assets under management must remain below a limit of EUR 500 million. The limit for other managers is EUR 100 million. Provided they respect this limit and do not offer units in the AIFs they manage to the public, they are only subject to an obligation to register in advance, an annual reporting obligation and the duty to comply with anti-money laundering and terrorist financing (AML/CFT) rules.

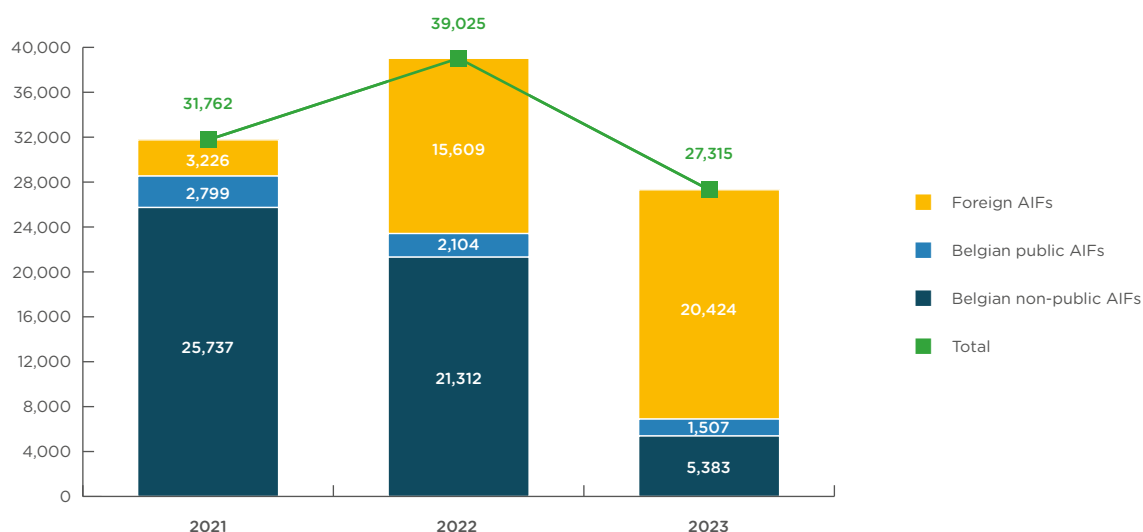
In 2023, the FSMA dealt with 37 registrations and eleven deregistrations. This means the sector grew by a net total of 26 small-scale managers.

	31/12/2021	31/12/2022	31/12/2023
Small-scale managers	176	197	223

Increased importance of foreign AIFs

The total net assets of AIFs under the management of Belgian authorized management companies fell to EUR 27 billion during 2023 (see Graph 22)⁵¹. The overall composition of the population of AIFs managed by Belgian management companies also changed. The significance of foreign AIFs further increased, to three quarters of net assets, while the share of Belgian non-public AIFs fell to 20 per cent. These changes are related to the changes in the population of authorized management companies as described above.

Graph 22: Change in total net assets of AIFs managed by Belgian authorized management companies (by type, in EUR million as at 31 December)



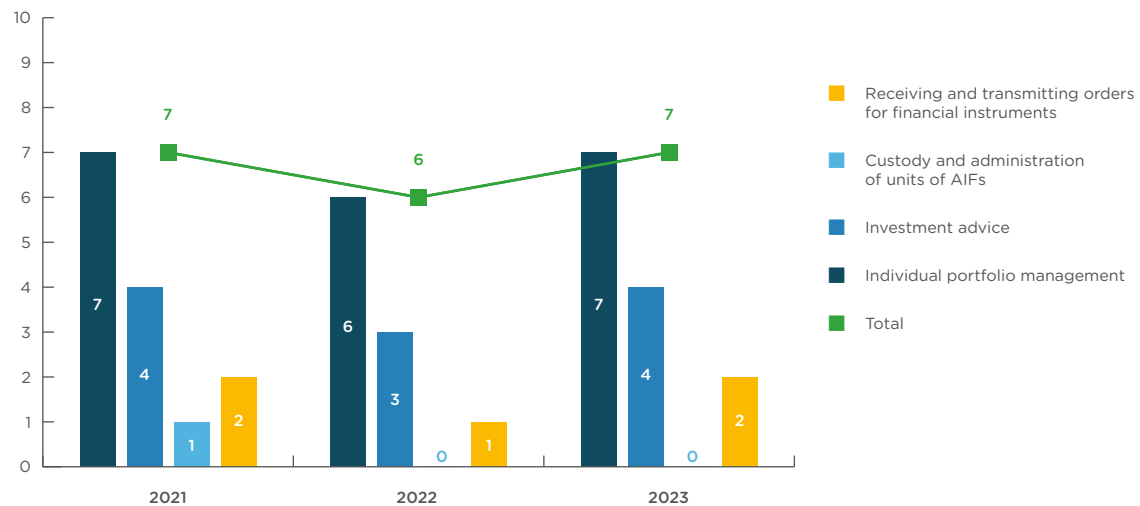
Investment services offered by management companies

In addition to performing their main activities, management companies can also offer investment services, provided they are authorized to do so. Such services comprise individual portfolio management and the provision of investment advice. AIF management companies may additionally offer as an investment service the safekeeping and administration of AIF units and the reception and transmission of orders in relation to financial instruments.

Seven management companies are authorized to offer investment services (see Graph 23). All of these companies are licensed to engage in individual portfolio management. Four companies are also licensed to provide investment advice, while two can also receive and transmit orders for financial instruments.

⁵¹ Total net assets of the AIFs reported by Belgian licensed AIF management companies, excluding reported master funds.

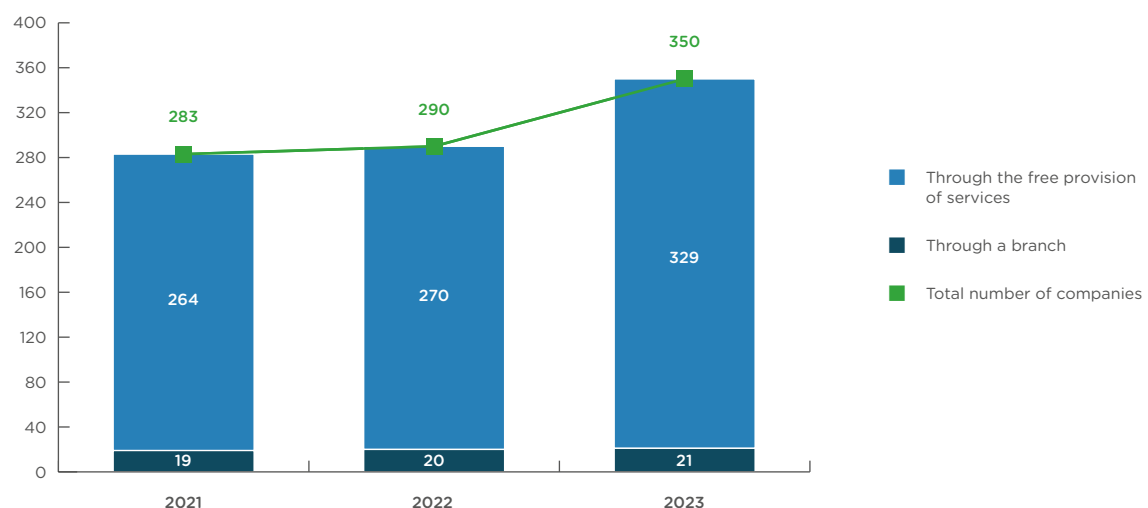
Graph 23: Change in the number of Belgian authorized UCI and AIF management companies authorized to offer investment services (as at 31 December)



Rising number of foreign management companies

Management companies from other European Economic Area countries can operate in Belgium through branch establishments or by way of the freedom to provide services. The number of foreign management companies able to operate in Belgium increased during the reporting period. At the end of 2023, 21 branches of foreign management companies were registered in Belgium. The FSMA received a notification for 329 foreign management companies of their intention to carry out activities in Belgium by way of the freedom to provide services (see Graph 24).

Graph 24: Change in the number of foreign UCI and AIF management companies registered in Belgium (as at 31 December)



Supervision of portfolio management and investment advice companies

Portfolio management and investment advice companies (PMIAs) are firms whose main activity is the provision of investment services to personal clients. The number of such firms fell from 19 to 18 in 2023. One firm was converted into an AIF management company.

Graph 25: Change of the number of Belgian authorized portfolio management and investment advice companies and the investment services for which they are licensed (as at 31 December)



The investment services that PMIAs may provide include asset management, investment advice, the reception and transmission of orders relating to one or more financial instruments, order execution on behalf of clients, or a combination of these services. Almost all PMIAs are licensed to offer portfolio management or investment advice, or a combination of both, to their clients (see Graph 25). Thirteen PMIAs are also authorized to receive and transmit orders for one or more financial instruments. One of the PMIAs offers this as its sole investment service.

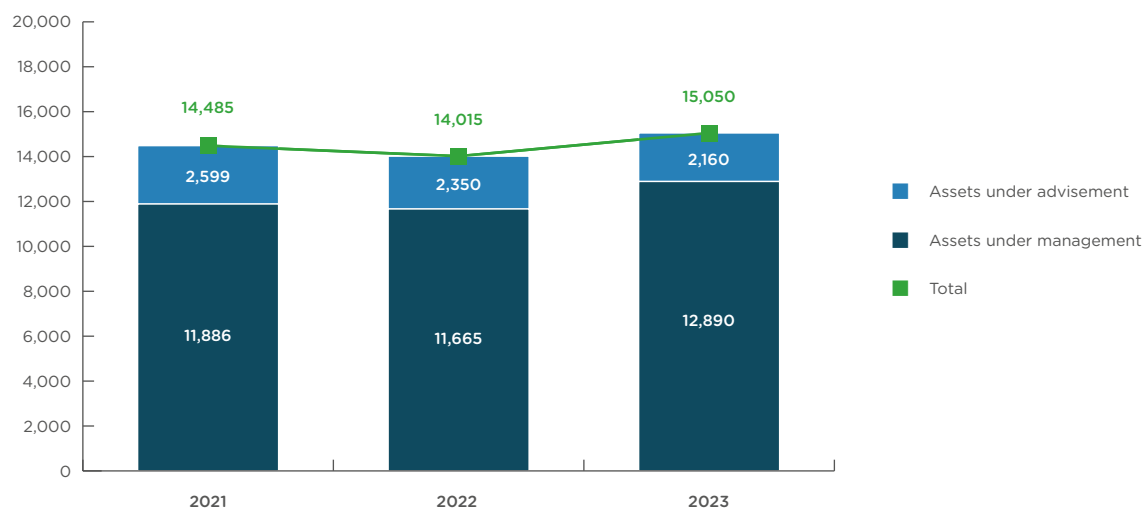
Both assets under management and assets under advice increased during 2023, despite the decrease in the number of PMIAs (see Graph 26)⁵². This increase took place amid market conditions that were more favourable than those in previous year.

PMIAs can offer their investment services to both retail and professional clients. They can also offer these services through forms of collective management⁵³. In portfolio management, the majority of assets are managed via collective investment products. For total assets under advice, there is a roughly equal split between retail and professional clients.

⁵² The statistics on PMIAs may still change in the future if a PMIA provides the FSMA with a correction of certain statistics at a later date.

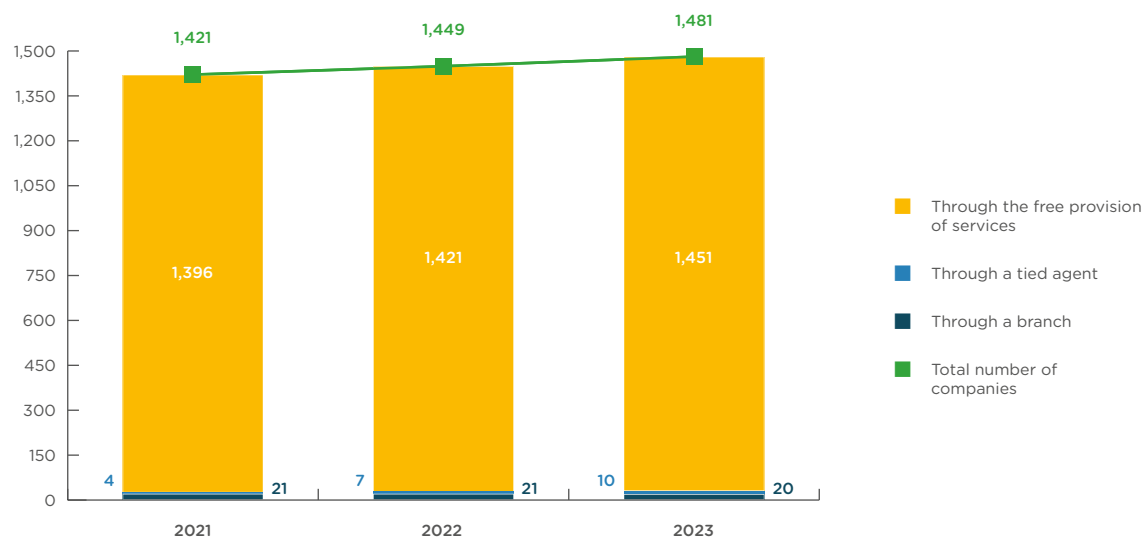
⁵³ For example, an undertaking for collective investment (UCI) or an institution for occupational retirement provision (IORP).

Graph 26: Change in total assets under management and advice of Belgian portfolio management and investment advice companies (in EUR million, as at 31 December)



Investment firms from other European Economic Area countries may operate in Belgium through branch establishments, through tied agents or under the freedom to provide services. The number of foreign investment firms that can perform investment services or investment activities in Belgium increased in 2023 (see Graph 27).

Graph 27: Change in the number of foreign investment firms registered in Belgium (as at 31 December)



Protection of supplementary pensions

The FSMA is responsible for supervising the supplementary pensions that employees and the self-employed may accrue through their professional activities. These second-pillar pensions are administered via insurance companies or pension funds. The FSMA checks the compliance of these pension institutions and their sponsors with the social legislation applicable to second-pillar pensions. 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.

How much is my supplementary pension?

How much supplementary pension will I receive when I retire? This is a question many pension consumers ask themselves in the run-up to retirement. New legislation will give them a clearer picture of their supplementary pension, which should enable them to prepare better for their retirement.

All pension consumers have an estimate of their supplementary pension. They can consult this estimate on the pension summary that comes with their annual pension statement, or on the website mypension.be.

This estimate gives the consumer a good idea of the supplementary pension they have accrued in defined-benefit type pension schemes (DB plans). Under these plans, the pension calculation formula is usually based on the number of years of service and on salary details.

If a supplementary pension is accrued in a defined-contribution type scheme (DC plan), the accrued pension depends on the returns achieved on those contributions by the pension institution.

Uncertainty in estimating supplementary pensions

With DC plans, the amount of the supplementary pension the pension consumer will actually receive upon reaching the legal retirement age cannot be precisely calculated. This is because the future returns the pension institution will earn are not yet known.

The return depends, among other things, on the pension scheme management type (class 21, class 23 or pension fund), the make-up of the assets in which contributions are invested and the development of the financial markets. Higher-risk investments may give rise to larger fluctuations in this regard.

This uncertainty applies to all pension schemes under which part of the supplementary pension depends on allocated returns. This is the case, for example, for DB plans which have a profit-sharing element on top of the basic pension formula. It is also the case for so-called cash balance plans, where the rate granted depends on a benchmark set in the pension scheme rules.

Pension projections provide clearer picture of expected supplementary pension

New legislation⁵⁴ makes it possible to quantify this uncertainty and provide more transparency. It provides for the introduction of new projections for calculating supplementary pensions. These projections are made on the basis of adverse, realistic and favourable economic scenarios.

Through these projections, pension consumers will obtain a clearer picture, with some degree of certainty, of the range within which their supplementary pension will fall when they reach retirement age. This will allow pension consumers to prepare better for their retirement from a financial point of view.

From 1 January 2026, pension institutions will be obliged to include pension projections in pension statements. Pension consumers can access pension statements on the website mypension.be.

Methodology for calculating pension projections

A royal decree will determine how pension institutions should calculate pension projections. A methodology for doing this was devised by a working group in 2023. The group tested various methods on the Belgian pension sector, some of which already existed at the European level. Important criteria in this testing were the feasibility of the method for pension institutions and the realistic and stable nature of the results.

The test resulted in two separate methodologies: one methodology for pension schemes based on class 23 products or managed by pension funds and another for pension schemes based on class 21 products.

The working group included representatives of the Minister for Pensions, the Minister for the Self-employed, the professional associations Assuralia and PensioPlus, Sigedis (the administrator of mypension.be) and the FSMA. The FSMA played a coordinating role and wrote up the working group's decisions into a draft royal decree.

Model portfolios for class 23 products and pension funds

The supplementary pension of pension schemes based on a class 23 product or managed by a pension fund depends directly on the return of the assets in which the pension institution invests the contributions.

54 Transparency legislation for supplementary pensions of 26 December 2022.

To gain insight into that return and the pension projections, the working group introduced six model investment portfolios. Each of these model portfolios has a specific asset allocation, ranging from a very cautious portfolio investing exclusively in government bonds to a very dynamic portfolio investing mainly in equities.

For each of these six investment portfolios, the expected return to be applied is set annually for each of the three scenarios (unfavourable, realistic and favourable). This will be done based on the historical returns of representative benchmarks for government bonds, corporate bonds and equities.

For each member, the pension institution must select the model portfolio that most closely matches the asset allocation in which the member invests their contributions. The draft royal decree provides for an opt-out that will allow pension institutions to provide a more granular estimate of forecast returns if they wish to do so.

Belgian government bonds as benchmark for class 21 products

Pension projections should also be carried out for pension plans managed on the basis of class 21 insurance products. This is because the pension accrual depends not only on the insurer's current return rate but also on the allocated profit shares and the future development of the return rate. Taking the general investment policy of insurers into account, the working group has set projection parameters based on the historical yields of Belgian government bonds.

Faster payout of supplementary pensions

In 2023, the FSMA continued to monitor whether pension institutions correctly used the addresses provided to them by Sigedis asbl/vzw in the supplementary pension payout procedure.

These checks revealed that some insurance companies were not systematically using members' most recent addresses, even though Sigedis has been providing them to them since 2017. In the wake of that finding, the FSMA asked the institutions concerned to adjust their payment procedure so that the updated information flows from Sigedis are more quickly integrated into the relevant procedure. The FSMA also asked them to correct previous failings by re-contacting the beneficiaries of unpaid benefits on the basis of the updated data.

The FSMA's intervention not only improved existing payout procedures, but also triggered a review and correction process that one of the relevant insurance companies initiated of its own accord. This eventually led to supplementary pensions with a value of EUR 6.8 million being paid to their beneficiaries.

The FSMA will continue its supervisory action on a larger scale in 2024 and monitor how the situation evolves.



FREDERIK OOLS ON THE USE OF CLASS 23 PRODUCTS IN THE SECOND PENSION PILLAR

“Class 23 products must offer value for money”

The use of class 23 products is increasingly common in supplementary pension accrual. These products must yield a sufficient return for the customer. “In that respect, there is still room for improvement,” says pension specialist **Frederik Ools**.

The FSMA examined the use of class 23 products for supplementary pension accruals. Why?

“Traditionally, insurance companies have managed supplementary pensions within class 21 products. With the declining interest rates that were seen up until 2022, we noticed that several insurers were increasingly promoting class 23 management as an alternative. The FSMA wanted to get a better view of this trend and further examined the spread of class 23 in the second pillar.”

What were the findings?

“The second pillar is characterized by the existence of different schemes, each of which has its own framework of rules. We find that class 23 is substantially more prevalent in some schemes than others. These differences are mainly related to whether or not the scheme is subject to statutory guaranteed returns.

In schemes with guaranteed returns, there is some reluctance to go for class 23. This caution is clearly apparent in supplementary pensions for the self-employed. For a long time, class 23 has also been a rather marginal phenomenon in employee pension awards. Yet we are seeing an increasing use of class 23 in the management of these systems, too.

In schemes without statutory guaranteed returns, class 23 has been promoted as a management form for some time, which is evident, for example, in pension contributions for self-employed company managers.

Moreover, insurers are not putting their faith in class 23 in equal measure. A number of insurers are clearly taking the lead in developing a class

23 offering as a spearhead of their commercial strategy.”

Are there any concerns about class 23?

“A typical feature of class 23 products is that the insurance company no longer bears the investment risk, which falls to the customer instead. Anyone signing up to a class 23 product therefore needs to be very aware of all the possible implications.

It’s crucial to know that a second-pillar insurance product must offer the customer sufficient value for money. Insurance companies need to be vigilant about this. The FSMA has checked whether they take sufficient account of this obligation.”

“We are seeing an increasing use of class 23”

What did this check reveal?

“Sometimes there are things missing in the product approval process. As an example, a product came onto the market without having first being tested. Testing, however, is crucial in order to investigate whether a product earns sufficient returns for the intended customer group.

In addition, the target market for class 23 products is often defined too broadly, for instance because no attention is paid to an aspect like risk aversion, even though that’s hardly unimportant in the context of class 23 insurance. In an extreme case, when developing a new product the obligation to provide value for money to the customer was totally ignored. We therefore find that there is room for improvement.”

FOCUS 2024

At the request of the ministers in charge, the FSMA conducted an enquiry into the fees charged by financial institutions for their pension products. The FSMA requested data on this subject from a large number of institutions operating in the second or third pillar. The enquiry gave rise to a report which the FSMA presented to the government during 2023.

The FSMA notes that it is not always easy for consumers to correctly estimate the fee level of a specific product. In 2024, the FSMA will examine what initiatives could lead to a better understanding regarding the impact of fees. Among the ideas being considered is a calculation tool that visually illustrates the impact that fees have on the build-up of a pension.

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 may lead to an agreed settlement.

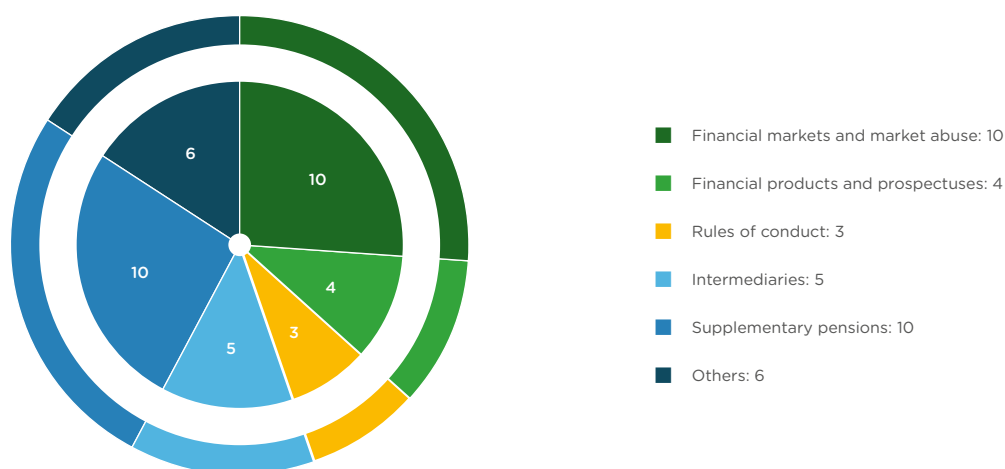
Examining cases and the role of the investigations officer

When the FSMA Management Committee identifies strong indications of the existence of a practice liable to give rise to an administrative fine, it tasks the investigations officer with investigating the case. The investigations officer and his staff have been granted certain investigative powers. These enable them to request written information or telecommunications records, conduct formal interrogations and seize certain data. After the investigation, the investigations officer submits a written report to the Management Committee. The Management Committee may then require further investigative duties to be carried out, transfer the dossier to the Sanctions Committee, accept an agreed settlement or close the case.

38 new investigations opened in 2023

In 2023, the Management Committee opened 38 new investigations⁵⁵.

Graph 28: Thematic overview of investigations opened in 2023



⁵⁵ This figure does not include investigations opened by the FSMA in relation to cooperation requests from foreign regulators. For more information on how such requests are dealt with, see this report, p. 112.

Agreed settlement option

It is possible to close a case with an agreed settlement. The decision to accept an agreed settlement lies with the FSMA Management Committee. The person concerned must have cooperated with the investigation and must have already agreed to the settlement proposal.

In 2023, the Management Committee, on the proposal of the investigations officer, accepted 14 agreed settlements for a total amount of EUR 471,145.27. The FSMA website contains the full text of all agreed settlements, each with a press release summarizing the facts and the FSMA's analysis of them.

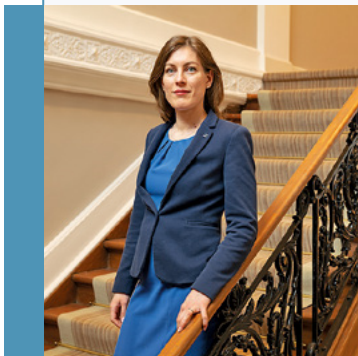
Legal proceedings

In its decision of 10 February 2023, the Supreme Court ruled that the FSMA's appeal against a judgment of the Market Court dated 23 March 2022 was well founded. The judgment had annulled the decision taken by the FSMA's Sanctions Committee on 6 October 2020 to impose a fine for an infringement of the ban on market manipulation. The Supreme Court overturned the judgment of the Market Court and sent the case back to that court, sitting in a different configuration.

In its ruling, the Supreme Court accepts the sole plea invoked by the FSMA against the Market Court's judgment. The first element of that plea was essentially that the Market Court had wrongfully held that there was a breach of the legality principle, the proportionality principle and the obligation to provide material justification, inasmuch as the FSMA did not have a previously announced policy on fines or a rulebook setting out in detail the criteria for the application of the sanction. The second element of the plea was that by deciding that it is not sufficient for the alleged perpetrator to be able to oppose the fine called for by the Management Committee, but that the Sanctions Committee must, before imposing the sanction, inform the alleged perpetrator of the sanction that it plans to impose, the Market Court failed to acknowledge the legally mandated organic separation between the investigation and prosecution on the one hand, and the decision on the merits on the other hand, which is intended to guarantee the independent and impartial treatment of the case. The Supreme Court found in favour of the FSMA on both elements.

The international dimension of combating financial crime

In 2023, the FSMA received 28 requests for international cooperation from foreign regulators, compared to 25 in 2022. The FSMA also sent 20 cooperation requests of its own to foreign competent authorities in 2023, compared to 17 in 2022.



ISABELLE LE GRAND ON 2023'S SANCTION CASES

“Sanction cases cover a wide range of matters under the FSMA’s jurisdiction”

Of the cases examined by the FSMA, 15 led to an agreed settlement or a decision by the Sanctions Committee in 2023. The sanctions imposed came to around half a million euros. “The amounts collected under sanction procedures go to the Treasury,” explains investigations officer **Isabelle Le Grand**.

What can you tell us about 2023’s sanctions cases?

“In 2023, 15 of the cases examined by the FSMA resulted in an agreed settlement or a decision by the Sanctions Committee.

These cases covered a wide range of matters under the FSMA’s jurisdiction, such as the prevention of market abuse, compliance with the rules of conduct or with the requirements applicable to financial intermediaries and the rules applicable to the public offering of investment instruments, as well as the terms of personal pension awards.”

In 2023, the FSMA investigated 38 new cases. What areas did the investigations relate to?

“The 38 investigations opened in 2023 covered very different areas of supervision. The diversification of the matters addressed has been a striking trend in recent years, by the way.

A large number of investigations involved serious indications of market abuse or infringement of rules of conduct. Other investigations concerned, for example, the terms of public offerings of investment instruments or the advertising of financial products aimed at retail customers.

Market abuse investigations may involve insider trading or market manipulation. Other investigations might concern the late disclosure of inside information or alleged shortcomings in the reporting of own transactions by managers of listed companies.

Lastly, investigations may deal in other cases with compliance with conduct of business rules or with the requirements to keep the registrations of financial intermediaries up to date.”

“Whistleblowers now play a role in detecting serious indications of financial breaches”

What notable trends are emerging in the opening of investigations?

“Several notable changes have stood out in recent years.

First and foremost, investigations are being opened more often than in the previous decade.

Moreover, some cases involve technical violations, the investigation of which can be completed very quickly. These include alleged failures to update the registrations of financial intermediaries, or the granting of individual pension awards in the run-up to employees’ retirement.

Lastly, whistleblowers now play a role in the detection of serious indications of financial breaches. They may be at the root of a supervisory action, which in turn leads to a referral by the investigations officer and the possible imposition of a sanction.”

Financial education

The FSMA has the task of contributing to financial education in Belgium. To this end, in 2013 it set up Wikifin, a programme that develops initiatives to improve the financial literacy of the population. This constantly evolving programme rests on three pillars:

- an offering for the general public, including through the Wikifin.be website;
- the Wikifin School platform, which provides free teaching support for teachers;
- the Wikifin Lab, the interactive experience centre for financial education, where secondary school students can experiment with different financial situations from everyday life.

The benchmark for information on money matters

The Wikifin.be website is and remains the benchmark for independent and reliable information on money matters in Belgium. With more than four million visits, the website was again very successful in 2023. This success can be explained by several factors.

Consumers can find answers to all their questions about money matters on over 500 web pages. Moreover, the website content was expanded in 2023 to include new relevant topics such as the importance of diversifying your investments, the risks associated with cryptocurrencies, new financial service providers, trading apps, etc.

In addition to new laws and regulations, the family insurance comparison tool⁵⁶ was introduced. This new tool allows consumers to compare the key coverage elements and prices of personal liability insurance, or 'family insurance' as it is often called. The tool neatly complements other popular tools such as the Inheritance Simulator (850,000 consultations) and the Current Account Comparison Tool (720,000 consultations).

Consumers can find their way to Wikifin.be simply and easily via the Google search engine. Care is taken, both technically and in terms of content, to ensure that Wikifin.be ranks high in Google's search results. It also attracts visitors through its good reputation. Visitor numbers peaked in September 2023 with the launch of the State Note (government savings certificate), which aroused a great deal of interest.

The monthly Wikifin newsletter with a wide range of news on money matters has 20,000 loyal subscribers. The newsletter is easy to read. In 2023, more than half the subscribers opened every newsletter, which is a lot compared to other similar newsletters.

⁵⁶ See this report, p. 47.

Campaigns raise awareness

To increase Wikifin's brand awareness among the general public, the FSMA repeated its successful autumn 2022 campaign entitled 'You can't be an expert in everything. Luckily, there's Wikifin for all your questions about money'. This took place during Money Week in March 2023. The FSMA also disseminated online ads and launched a brand awareness campaign on all major Belgian radio stations, which yielded excellent results.

A large-scale anti-fraud campaign and a schools communication campaign followed in October 2023, an action which brought the Wikifin School platform to the attention of financial education teachers who were not yet familiar with Wikifin's free and independent learning materials. The campaign ran mainly on social media and also briefly on the Smartschool online schools platform. In six weeks, the number of visits to the platform trebled and more than 600 new teachers registered.



**“Sir, how much will we earn
with our first job as a student?”**

Looking for inspiration for your financial education classes?
Download free teaching materials from Wikifin School.

The Wikifin Lab is constantly evolving

The Wikifin Lab is the FSMA's interactive digital centre for financial education. Secondary school pupils can use tablets, touchscreens and other devices to experiment with different financial situations from everyday life. This gives them the chance to improve their knowledge and gain a better understanding of several basic financial mechanisms. Each group of students is accompanied by a guide who introduces learning moments to spark critical thinking and embed the knowledge they have acquired.

Every year, the Wikifin Lab is quickly booked up as soon as registrations open. A few figures: since it was opened in September 2020, the Wikifin Lab has been visited by more than 19,000 students from more than 730 classes across Belgium. Some teachers have even returned several times with different classes.

Since the Lab was first opened, the visit has been modified several times. The key developments in 2023 were:

- the launch of a new cryptocurrency module;
- the incorporation of fraud elements into several of the games;
- the translation of several games into English.

These various developments are discussed in detail below.

New cryptocurrency module

To meet the many questions from students and teachers, a new cryptocurrency module was developed. It consists of:

- a box (interactive table) with a touchscreen and virtual guides. This game tests students' knowledge of the basic concepts of cryptocurrency through quiz questions. Students can also buy and sell cryptocurrencies and watch how the value of their portfolio evolves;
- a room in which the FSMA guides hold a debrief. They delve into the students' experiences and the key concepts covered during the game. This is also the point at which the basic knowledge students have acquired about crypto is cemented in place through questions such as:
 - What is a cryptocurrency?
 - What is a means of payment?
 - What are the risks?
 - What regulations apply in this area?
 - What role do finfluencers play?
 - etc....

Addition of certain fraud elements

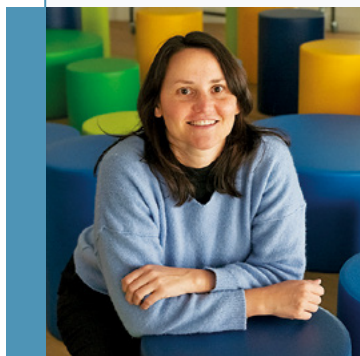
Young people increasingly have to deal with fraud attempts in their daily lives. To hone their awareness of fraud, fraudulent elements were incorporated into several of the games throughout the visit. For example:

- in one game, students receive an email telling them that their bank account has been blocked due to the updating of the bank's security protocols and that they need to provide personal data if they want to continue making transactions;
- in another game, an influencer promises an incredible return on a new cryptocurrency if students transfer their money directly to him; and
- in yet another game, a telecom company sends students a text message telling them that their payment was rejected by their bank, and that if they want to continue using its phone services, they must click on a link to make their payment instead.

In the room, the guides go into those fraud attempts in more detail by showing students their results. They also explain several different common fraud techniques, and give students tips on how to become more vigilant.

Translation of games into English

Many international delegations visit the Wikifin Lab. It was therefore decided to dub the stock market game into English and to develop the module on cryptocurrencies in three languages – Dutch, French and English – at once.



STEPHANIE ROUSSEAU ON WIKIFIN'S EDUCATIONAL OFFERING

“We have a very extensive, high-quality offering”

Through Wikifin, the FSMA offers support to teachers who include financial education in their lessons. **Stéphanie Rousseaux** helped develop this offering. She talks about Wikifin's educational offering, the importance of providing financial education to young people, and efforts to make Wikifin School even more well-known to teachers.

With Wikifin School, an offering of free teaching materials and training for teachers, the FSMA is making a major commitment to education. Why?

“You can't start soon enough with financial education. Even young people have to deal with financial decisions. Moreover, good habits last a lifetime. Having sound financial knowledge and the right attitudes and habits when it comes to money matters is essential for making informed choices later on, too.

Offering financial education in schools is a way to reach all young people. Not everyone receives financial education at home. By motivating and supporting teachers with their financial education classes, the FSMA aims to contribute to the financial literacy of all young people.”

In what ways does Wikifin School support teachers?

“Through Wikifin School, the FSMA provides a free online platform for teachers with more than 300 teaching materials for their financial education classes. These include lesson sheets, videos, online quizzes, games, simulation tools and posters. More than 19,000 teachers use the platform.

Wikifin School also offers training for teachers. The first Financial Education Day was held in 2023 – a training day at the Wikifin Lab in which over 120 secondary school teachers took part.

Wikifin also organizes Money Week every year. During Money Week, we aim to highlight the importance of financial education and motivate teachers to engage in financial education in a fun way. For instance, we distribute free games for primary schools and hold a big quiz for secondary schools. In 2023, more than 100,000 students took part!”

How do teachers find out about Wikifin School?

“We ran a major campaign in 2023 to publicize our offering to teachers. We used various online channels such as YouTube, LinkedIn, Facebook and Instagram to encourage teachers to explore the Wikifin School platform. The campaign did its job: we saw visits treble in just six weeks.

We also try to be present as much as possible in places where teachers look for information, such as specialist education magazines, education fairs, Facebook groups, etc.”

“You can't start soon enough with financial education”

What are the biggest challenges in your job?

“I'm proud of the work we do through Wikifin School: we have a very extensive, high-quality offering. But I'm aware that there are still a lot of teachers who don't know about Wikifin School. So I think one of the challenges is to make sure Wikifin School is better known, so that we can support even more teachers in their financial education classes.”

FOCUS 2024

'Wikifin On Tour' was launched during Money Week in March 2024. This roadshow will travel to various locations all across Belgium in 2024. The goal is to make Wikifin even better known to the general public.

International activities

The internationalization of the financial markets has led to financial regulations increasingly being set at European or international level. International cooperation and collaboration between supervisors has gained in importance as a result. The FSMA is a member of several European and international organizations that are instrumental in setting new rules and standards for the financial sector. Since October 2022, the FSMA has chaired the global organization IOSCO.

International

At the 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 the drafting and transposing of new financial legislation. It is a member of:



the European Securities and Markets Authority



the European Insurance and Occupational Pensions Authority



The FSMA takes part in the work of the European Systemic Risk Board

The FSMA is a member of several European and international organizations and its chairman Jean-Paul Servais holds several important international positions.

Jean-Paul Servais is chair of IOSCO. This is a network of more than 130 national regulators who are responsible for the financial markets supervision and for the supervision of conduct and financial products. The organization was founded in 1983 and its members cover 95 per cent of the global financial sector.

Jean-Paul Servais was elected chair of IOSCO in October 2022 for a two-year renewable mandate. He also chairs IOSCO's European Regional Committee.

The IOSCO chairmanship puts the FSMA in the global spotlight on financial regulation. This privileged position will allow it to expand its influence on strategically important topics such as sustainable finance, digital finance and non-bank financial intermediation.

At 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.

Belgian EU Presidency successfully completes financial legislation

Belgium held the presidency of the Council of the European Union in the first half of 2024. This was the 13th time that Belgium played the role of Council President, and the first time since 2010 that Belgium was at the helm of the EU.

The FSMA made its expertise available to the Belgian presidency. FSMA experts helped to reach agreements on new legislation between the Council of Finance Ministers and the European Parliament.

FSMA experts help reach agreements

A number of issues were successfully dealt with. These included measures to make it easier for SMEs to access the stock market, a European framework for environmental, social and governance (ESG) sustainability ratings and the revision of the European Market Infrastructure Regulation.

- **Listing package**

The listing package contains a series of measures to encourage companies to go public or remain listed. To achieve this goal, the legislation on prospectuses and the rules on market abuse will be simplified. The rules on investment analysis are also being relaxed, in particular to increase the visibility of SMEs among investors.

- **ESG ratings**

ESG ratings give an indication of the sustainability profile of companies and financial instruments. They have a significant influence on the operation of capital markets, as well as on investor confidence in sustainable products. The new framework should further strengthen the reliability and comparability of these ratings among financial consumers and should therefore also help prevent greenwashing. This new framework is based on the IOSCO recommendations and is one of the first binding agreements of its kind in the world.

- **Market Infrastructure Regulation**

The revision of the European Market Infrastructure Regulation contains numerous measures to make clearing activities – the settlement of securities transactions – more attractive in the EU. This will make the procedures for obtaining authorization as a central counterparty (CCP) more efficient. Clearing members are required to settle transactions centrally with a European central counterparty. The regulation also streamlines the supervision of CCPs and improves the exchange of information with the European authority ESMA. It also draws lessons from the energy crisis and requires non-financial counterparties to report intra-group positions.

In addition to these issues, FSMA experts also contributed to the progress of discussions within the Council on the Retail Investment Strategy and the regulation on a framework for access to financial data. Moreover, the FSMA played a role in the revision of the Benchmark Regulation, with the aim of making the supervision of benchmarks more efficient.

FSMA and European Commission put the spotlight on financial education

As part of the Belgian Presidency of the Council of the European Union, the FSMA and the European Commission held a high-level international conference, as well as an academic conference, on financial literacy at the FSMA buildings on 20 and 21 February 2024. For the 300-plus participants, this was also an ideal opportunity to discover the Wikifin Lab, the FSMA's centre for financial education.

During the international conference, European Commissioner for Financial Services Mairead McGuinness, Deputy Prime Minister Vincent Van Peteghem, State Secretary Alexia Bertrand, FSMA President Jean-Paul Servais and policymakers and experts from a wide range of sectors were able to exchange views and discuss strategies and concrete initiatives to promote financial literacy, resilience and inclusion.



ANTOINE VAN CAUWENBERGE ON THE IMF'S VISIT TO BELGIUM

“Good points on financial sector supervision”

The International Monetary Fund (IMF) made a visit to Belgium in 2023 and gave us good tips on financial sector supervision. “The IMF recognizes the effectiveness of financial supervision in our country,” said head of international relations **Antoine Van Cauwenberge**.

The IMF paid a visit to Belgium in 2023. What did the Fund come to do?

“The IMF’s visit was part of the Financial Sector Assessment Programme (FSAP). This is a five-yearly review of financial supervision by the IMF in countries with systemically important financial sectors, such as Belgium.

The IMF conducted two field missions during which its FSAP teams held in-depth technical discussions with the FSMA, the National Bank of Belgium (NBB), FPS Finance and various financial institutions and industry federations.

The missions gave rise to a report with findings and recommendations. The IMF Executive Board approved the report in December 2023 and made it public.”

What were the main findings about the FSMA and its supervision?

“The FSMA and NBB are effective in supervising the financial sector in Belgium. The FSMA has a well-developed framework for product and conduct supervision of banks and the Belgian regulatory framework for the conduct supervision of insurance companies is comprehensive.

The FSMA meets the international standards for independent regulators and the FSMA and the NBB work closely together within the Belgian ‘twin peaks’ supervisory model.

The Belgian investment fund sector has large-scale liquidity management tools and is robust enough to absorb large shocks. The IMF made this finding on the basis of a liquidity stress test. It also found that Euroclear Bank is subject to effective supervision by the NBB and the FSMA.”

What action will the FSMA take on the report?

“The FSMA especially appreciates the collaboration with the IMF teams and the sharing of expertise during the field missions. It welcomes the results of the analysis and the recommendations of the FSAP report and will take the report’s recommendations to heart, including as part of its 2024 Global Action Plan.

The NBB and the FSMA have already followed the IMF’s recommendation to expand the data-sharing arrangements for investment funds. In accordance with the IMF’s recommendation, the FSMA will conduct periodic liquidity stress tests of investment funds. Those stress tests should quickly identify structural vulnerabilities in the investment fund industry.

With the IMF’s support, the FSMA will continue to push at European level for more extensive possibilities for ex ante supervision in the insurance sector.”

“The FSMA will take the IMF’s recommendations to heart”

What does the IMF say about the banker’s oath?

“The IMF endorses the objectives of the banker’s oath, which was still under preparation at the time of the field mission. The IMF stresses that the banker’s oath will enhance bank employees’ awareness of their responsibilities. According to the IMF, it will become harder for people who have been subject to disciplinary sanctions to continue working in the banking sector.”



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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**,
Member of the Management Committee

Organization chart of the departments and services (current as of 1 January 2024)

Management Committee					
 Jean-Paul SERVAIS, Chairman	Legal and economic affairs, Public, institutional and strategic affairs – International relations and Sustainability policy - Communication and Financial education				
	Legal affairs  Michaël ANDRÉ	Economic affairs  Karel DE BONDT	International relations and Sustainability policy  Antoine VAN CAUWENBERGE	Management of public, institutional and strategic affairs and strategic projects  Geoffrey DELRÉE	Communication and Financial education  Jim LANNOO
 Annemie ROMBOUTS, Deputy Chairman	Supervision of markets, asset management and bank savings and investment products – Human resources				
	Supervision of information disseminated by listed and unlisted companies – Supervision of financial markets – Post-trade  Thierry LHOEST	Supervision of asset management, savings products and bank investment products  Veerle DE SCHRYVER		Human resources  Hilde DAEMS	
 Henk BECQUAERT, Member	Supervision of insurance products and supplementary pensions – IT service and Facilities & infrastructure				
	Supervision of insurance products and supplementary pensions  Caroline DE RIDDER			 Greet T'JONCK	IT service and Facilities & infrastructure  Dominique MICHAUX
 Sébastien YERNA, Member	Central inspection team – Supervision of conduct of business rules, intermediaries and financial service providers – Anti-money laundering policy – Procure to Pay				
	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		Procure to Pay	
 INVESTIGATIONS OFFICER Isabelle LE GRAND	 DEPUTY INVESTIGATIONS OFFICER Jessica HEYSE	 INTERNAL AUDITOR Marie-Pierre VANRUMBEKE			

Supervisory Board

Composition



Jean Eylenbosch,
Chairman



Selien De Schryder



Roland Gillet



François Koulisher



Pierre Nicaise



Kristien Smedts



Reinhard Steennot



Luk Van Biesen



Jan Verhoeve



Maud Watelet

Report on the performance by the Supervisory Board of its statutory tasks

General oversight of the FSMA

In 2023, the members of the Supervisory Board met six times and used the written procedure once. At their meetings, the members were able to exercise their statutory supervisory duties based on presentations by the Management Committee and the FSMA staff. The members were thus able to play their role as sounding boards for the FSMA's management to the fullest extent. They are pleased that in 2023 the FSMA completed the bulk of the 20 future projects it had announced in 2022, with the central guiding principle of working ever harder to protect financial consumers and shareholders.

It is also to the FSMA's credit that its international standing has reached a new peak thanks to the exceptional positions held by its chairman, in particular as chairman of the global organization of market regulators. The FSMA's expertise was also welcome during the Belgian presidency of the EU in the first half of 2024.

Overview of topics covered

Members repeatedly exchanged views on topical issues addressed in the FSMA's 2023 global action plan, such as regulatory oversight challenges in relation to the sustainable financial services regulations for the prevention of greenwashing.

The council was also briefed on the development of modern supervision tools such as the use of data analytics. It encourages the FSMA to continue along the path of data use and the employment of techniques such as web-scraping.

Members were also briefed on the results of a data exercise on charges for the provision of investment services. They were also updated on the first practical experience of the crypto advertising Regulation.

On the basis of its statutory task mentioned in Article 49, § 3, of the Law of 2 August 2002, the Supervisory Board made recommendations to the Management Committee on a number of draft regulations. The board was also kept up to date on the preparation of the legislation introducing the banker's oath, which will be administered by the FSMA.

The board also closely followed the FSMA's initiatives on financial education and its members attended several of the events held in connection with Wikifin.

Members also received regular updates on key developments at European and international level in relation to areas in the FSMA's remit. In that regard, the board was briefed on the positive findings of the IMF's review of financial supervision in Belgium, conducted under its five-yearly Financial Sector Assessment Program (FSAP)⁵⁷. The board welcomes the fact that an international review of the FSMA's supervisory fields based on international standards has recognized the quality of the FSMA's supervision.

The members also regularly exchanged views on numerous topics that concern the FSMA's organization and human resources policy. For example, they were informed about the setting-up within the FSMA of a channel for internal whistleblower reports. The members, with the assistance of the Audit Committee, also dealt with a request on the operation of the FSMA's governing bodies.

As part of its statutory tasks, the board approved the FSMA's 2024 budget on 12 December 2023. The board approved the annual accounts for the year 2022 on 25 April 2023 and the annual accounts for 2023 on 23 April 2024.

The Supervisory Board approved the present report as regards the Supervisory Board's powers on 23 April 2024.

Report on the Audit Committee's performance of its statutory tasks

In 2023, the Audit Committee met six times and used the written procedure twice.

In accordance with Article 48, *§1^{er}*, first paragraph, 3° of the Law of 2 August 2002, the Audit Committee monitored the work of the internal audit service. Specifically, the committee deliberated on the internal audit reports prepared by the internal auditor, including the report on the management of access rights at the FSMA. The Audit Committee also reviewed how the recommendations made in previous audit reports had been followed up, and looked at the priorities for the performance audit assignments in the coming years.

During its meetings, the Audit Committee, at the proposal of the Management Committee, examined the 2023 Annual Report, the 2023 accounts and the budget for 2024 and advised the Supervisory Board to approve them.

⁵⁷ See also this report, p. 124.

The FSMA's internal audit function

Internal audit is an independent and objective function that provides the FSMA with assurance on the control of its actions, advises it on how to improve those actions, and contributes towards achieving added value. Internal audit helps the FSMA achieve its objectives by evaluating its risk management, supervision and governance processes in a systematic and disciplined way and formulating proposals to improve their effectiveness.

The Audit Committee oversees the work of the internal audit service.

The internal auditor submits all audit reports to the Management Committee. Each report is then submitted to the Audit Committee for its deliberation and examined together with the actions proposed by the Management Committee to follow up the audit recommendations.

In 2023, the internal audit service conducted four audit assignments, including an assignment on access rights management at the FSMA and an assignment on the issue of 'operational continuity'.

In addition to these various assignments, the internal audit service conducted three follow-up audits of audit recommendations during 2023. These assessed whether the audited departments had implemented measures to follow up the audit recommendations.

In January 2023, the Management Committee instructed the internal audit service to set up an internal reporting channel for integrity violations at the FSMA, in accordance with the Law of 8 December 2022⁵⁸. Since this channel was opened in July 2023⁵⁹, the internal audit service has been in charge of dealing with integrity violations.

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, on the condition that they are not included on the list of auditors accredited by the FSMA and do not perform 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.

⁵⁸ Law of 8 December 2022 on reporting channels and protection of persons reporting integrity violations in federal government agencies and the integrated police.

⁵⁹ See the FSMA website: 'Integrity Violations Contact Point'.

Sanctions Committee

Composition

The composition of the Sanctions Committee and the duration of the terms of office of members are as follows:



Michel **Rozie**, chairman

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: 28 November 2029⁶⁰)



Sofie **Cools**

Member of the Sanctions Committee

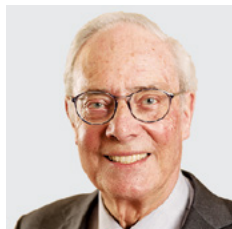
(end of term of office: 16 December 2024)



Erwin **Francis**

Counsellor at 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)

60 Ms Martine Castin's term of office was renewed by Royal Decree of 21 May 2023 (Belgian Official Gazette 25 August 2023). Her term of office commenced at the plenary session of 29 November 2023.



Jean-Philippe **Lebeau**

President of the Commercial Court 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

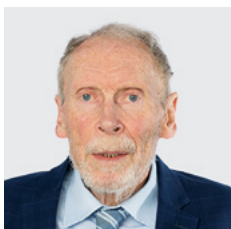
(end of term of office: 16 December 2024)



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)

Decision of the Sanctions Committee

Breach of prohibition on disclosing inside information outside the normal performance of a job, profession or function – Named disclosure and fine

On 11 May 2023, the Sanctions Committee found that a natural person had committed a breach of the prohibition on disclosing inside information outside the normal performance of his job, profession or function (breach of Article 25, §1, 1°, b) of the Law of 2 August 2002, as applicable at the time of the facts in May 2016).

The information disclosed concerned the plans for a merger of two listed companies. The Sanctions Committee found that the information had the characteristics of inside information: it related directly or indirectly to one or more issuers of financial instruments or to one or more financial instruments, was accurate, would have had a significant impact on the price of those financial instruments, and had not been made public.

The Sanctions Committee noted that the sanctioned person had disclosed the inside information during an interview on a popular morning radio programme. It ruled that the disclosure in question was not within the scope of his job, profession or function.

The Sanctions Committee also found that the sanctioned person, given certain of his past positions, knew or should have known that the information he communicated constituted inside information.

In accordance with Article 72 §3 of the Law of 2 August 2002, the Sanctions Committee took into account all relevant circumstances in determining the appropriate sanction. In so doing, it ruled that the person's past functions made the breach particularly serious.

The Sanctions Committee decided to impose a fine of EUR 12,500 and publish its decision, naming the person concerned, for 12 months.

This decision has been appealed to the Market Court.

The FSMA as an employer

Human resources management

Workforce increases slightly

In 2023, the FSMA welcomed 25 new members of staff. Taking into account the employees who retired or left, the year ended with a headcount of 371 on 31 December 2023.

Staff members have an employment contract with the FSMA, except for eleven members of the former Insurance Supervisory Authority who have civil servant status.

Table 8: Workforce

	31/12/2022	31/12/2023
Number of staff members according to the staff register (number)	369	371
Number of staff members according to the staff register (FTE)	347.45	349.15
Operational staff complement (FTE)	333.45	335.15
Maximum staff complement ⁶¹ (FTE)	399	399

The average age of FSMA staff is 44, the same as in 2022.

In 2023, there was a slight predominance of female members of staff, both in terms of staff with a university education and those with a bachelor's diploma. At the close of the reporting year, there were an equal number of female coordinators and male coordinators. By contrast, in 2023, as in 2022, there were more male than female directors and deputy directors.

At the end of 2023, 64 per cent of FSMA staff had a university education and 27 per cent had a bachelor's diploma.

The FSMA is subject to the legislation on the use of official languages in government affairs

As a public institution, the FSMA is subject to the legislation on the use of official languages in government affairs⁶². The language ratios were set at 43.85 per cent French-speaking and 56.15 per cent Dutch-speaking employees. At the end of 2023, the FSMA had 42 per cent French-speaking and 58 per cent Dutch-speaking staff. The language frameworks will be reset in 2024. The FSMA began preparations for this in 2023.

⁶¹ See Royal Decree of 17 May 2012 on the financing of the FSMA's operating expenses, as amended by the Royal Decree of 28 March 2014.

⁶² Two royal decrees lay down the FSMA's language frameworks for each level in the hierarchy: (i) 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 (ii) Royal Decree of 9 January 2018 establishing the hierarchical grades of the Financial Services and Markets Authority, published in the Belgian Official Gazette of 25 January 2018.

The FSMA employees can work remotely for half their working hours

The remote working scheme was refined in 2023, based on the findings from the remote working scheme that was brought in after the Covid crisis. Since September 2023, employees have been coming to the office for two days a week, at fixed times. This approach is felt to be the major asset of the new remote working scheme: people spend two days a week together in the office with their immediate colleagues, which is conducive to formal and informal cooperation. Other working time can be flexibly scheduled by the employees. They must ensure they spend at least half their working hours at the office.

The FSMA supports soft mobility initiatives

The FSMA encourages sustainable mobility. This is part of its activities as a 'pioneering employer', for which it received a certificate in 2023. Besides very generous support for green modes of transport (public transport, walking or cycling), the FSMA also engages in awareness-raising actions. In June 2023, the FSMA participated in the '30 days less car' campaign. The FSMA encouraged its employees to try another form of transport, such as cycling. Staff members acted as 'cycling buddies' to guide their colleagues on this journey.

New procedure for appointment as advisor

Executives can rise to the rank of advisor. Promotion to advisor can be achieved if a candidate demonstrates that they can work fully independently and be deployed in multiple situations. To assess this, the FSMA relies on the performance of the executives in recent years and on a major project that they have to complete independently. The projects are outside the candidates' comfort zones and must deliver clear added value to the FSMA, preferably across multiple departments. Each prospective advisor presents their finished project to a panel of department heads and to the full Management Committee. A decision on the appointment follows this presentation.

The FSMA regards cryptocurrency trades as speculative transactions

Both the members of the FSMA's staff and the members of the Management Committee have to comply with a code of ethics approved by the Supervisory Board. This code of ethics lays down in particular the prohibition on 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, other than customary gifts of limited value.

Over the past year, the FSMA handled staff queries on financial transactions or the exercise of additional roles, as an extension of its powers or otherwise. In this respect, the Management Committee has continued with the policy of previous years.

The FSMA reminded employees that transactions in cryptocurrencies are considered to be speculative trades and are therefore prohibited under the code of ethics. By extension, this prohibition applies to all crypto assets, as these are usually purchased with cryptocurrency.

Consultation on social matters

Sector agreement extended indefinitely

Together with the National Bank of Belgium and Credendo, the FSMA falls under joint committee 325 for public credit institutions. The sector agreement applicable within this joint committee for 2021-2022 was largely converted into a collective agreement of indefinite duration in 2023. The customary agreements on job security and working conditions, among others, are thus extended over the longer term.

Right to disconnect enshrined in employment regulations

The FSMA has issued guidance on the right to disconnect in an annex to the employment regulations. Changes in digital infrastructure and tools have given rise to new forms of work organization. These makes the work more flexible and less bounded in time and space. Disconnecting at regular intervals is crucial for employee wellbeing and concentration at work. The guidelines contain a number of best practices that aim to maintain a healthy balance, while always taking account of the needs and proper functioning of the FSMA.

Monthly meetings between management and employee representatives

At organization level, management and employee representatives held monthly consultations. This was done at the meetings of the works council, the union delegation and the Committee for Prevention and Protection at Work.

A common topic was career progression, e.g. the evaluation campaign and the new appointment procedure for advisors. Other common topics were changes in organizational structure, remote working and knowledge transfer initiatives. Terms of employment also came up regularly. These included the various insurance policies taken out by the FSMA for its staff.

Works council elections will take place in 2024. The FSMA began the initial preparations for this in 2023.



LUCIE SOURDEAU ON SPEAKERS' CORNER AND ONBOARDING

"The FSMA innovates in its training"

The FSMA seeks to continuously inspire its staff with an updated training offer. "In 2023, we organized a Speakers' Corner for the first time and reformed the integration process for new joiners," says HR officer **Lucie Sourdeau**.

Speakers' Corner: how should we picture that?

"The initiative is inspired by what happens in London's Hyde Park. Some 40 FSMA staff gave a presentation of up to 15 minutes in length on a current topic or project. The presentations took place simultaneously at six different locations in the FSMA. Employees could choose which presentations they attended. A wide range of topics were covered, from progress in our on-site supervision, through international work to aspects of FSMA's organization."

What was the best thing about the new initiative?

"It proved to be a very dynamic way to supply new information to all our employees in a nutshell. It also put a spotlight on the speakers, many of whom had worked on the proposed project for a long time. The initiative was widely praised and will undoubtedly become an annual tradition."

The FSMA has an onboarding pathway for new joiners. How has this pathway been revised?

"A lot of really great initiatives for new joiners already existed. In 2023, we explored how to combine, expand and innovate these initiatives to form a single coherent whole, in terms of content, format, timing and participants. Every new joiner, regardless of position or previous training, will now follow a tailor-made pathway for one year when they start work."

Can you give some examples of innovations?

"We are very excited about our revamped bootcamp. As from 2024, this will take place annually in the last week of January. Here, new joiners are prepared for supervisory practice through daily interactive sessions and workshops. We also looked at what the most appropriate format was for each course. For example, some courses are pre-recorded and available online. This allows newcomers to take these courses at a time that suits them best. We have also put a huge amount of effort into interactive training, for example by adding exercises or a quiz, which enhance the learning process."

"Every new joiner, regardless of their position or previous education, now goes through a tailor-made onboarding process"

Does the training offer match the profile of the new employee?

"Definitely. That's essential for the learning process. Much of the training is provided to all new joiners by default. For some roles and functions, we provide more specific training or workshops in order to tie into their training needs and daily practice as closely as possible. Secretarial staff, for example, receive a starter pack with practical training on specific programmes and procedures they work with every day. Employees in support services, such as IT or HR, can put together part of their training package themselves."

Sustainability

As an organization, the FSMA attaches great importance to its corporate social responsibility. Sustainability is one of the priorities of its internal operations.

In recent years, the FSMA has taken many steps that have not only saved it money but also enabled it to move decisively towards sustainable action. Furthermore, the FSMA has limited its environmental impact, thus contributing to the continued conservation of natural resources. It is also adopting a greener procurement policy and promoting sustainable mobility⁶³. Incidentally, due to all the measures it has taken, the FSMA has also been awarded a third star by Brussels Environment under the 'Ecodynamic Label' certification scheme.

In 2023, the FSMA continued and intensified its efforts as it seeks to play its role in sustainability to the full.

63 For more details, see the FSMA's 2022 Annual Report, p. 225-228.



FINANCIAL STATEMENTS FOR THE 2023 FINANCIAL YEAR

This chapter deals with FSMA's financial statements for the 2023 financial year, including explanations of the income statement and balance sheet, the determination of the surplus or deficit and a description of the accounting policies. The Supervisory Board approved the financial statements for 2023 on 23 April 2024, 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 prepares 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 of the Royal Decree of 12 August 2003 determining the layout of the financial statements⁶⁴. The layout of both the balance sheet and the income statement is adapted to the specific nature of the FSMA's activities and powers⁶⁵.

The FSMA's operating expenses⁶⁶ are financed by the firms and persons subject to its supervision or whose transactions or products are subject to its supervision. Where the amounts collected exceed the actual outgoings and costs, the surplus is paid back⁶⁷. If the opposite is the case, additional amounts are claimed⁶⁸.

In accordance with the Financing Decree, the budget for the FSMA's operating expenses for 2023 was EUR 103,962,000. The financing of the headquarters, which amounts to EUR 3,122,000, is not included in this⁶⁹.

Within this budgetary framework, the Financing Decree provides for a maximum amount of EUR 11,000,000⁷⁰ in outgoings and costs. This maximum amount is adjusted at the end of the financial year based on changes in the consumer price index and the proportional increase in the number of staff⁷¹. This adjustment is certified by the FSMA's auditor.

The costs referred to in Article 2, 2° of the Financing Decree⁷² are not covered by this indexed maximum amount, nor are costs relating to the institution's governing bodies and staff.

64 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, 15 October 2003, p. 50050.

65 This annual report contains a condensed version of the financial statements. The full annual accounts – with appendix and notes – can be found on the FSMA website, in the annual reports section.

66 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 the 'Financing Decree') Belgian Official Gazette, 21 June 2012, p. 33859, Article 2.

67 Financing Decree, Article 23.

68 Financing Decree, Article 24.

69 The sum of the two amounts is €107,084,000, equal to the budgeted contributions for operating costs in 2023.

70 Financing Decree, Article 2, 4°; for the 2023 financial year, the maximum amount is €20,560,000.

71 Financing Decree, Article 2, 4°.

72 These include contributions to European supervisory authorities, agency staff, legal fees, taxes, supervision of auditors, etc.

For 2023, the maximum number of operational staff members that the FSMA could employ was 399 full-time equivalents (FTEs)⁷³, excluding certain⁷⁴ categories. This figure does not take into account the new powers granted to the FSMA since 2014, such as implementing the supervision of company auditors. At the end of 2023, 332 FTEs were employed, compared to the maximum of 399 FTEs in accordance with the parameters above. The total number of staff registered at the FSMA was 349 FTEs.

The financing of the supervision of company auditors was laid down in the Royal Decree of 25 December 2016. The costs and contributions for the public supervision of company auditors are included in the FSMA's financial statements.

73 Financing Decree, Articles 2, 1° and 36, § 1.

74 The categories listed in Article 2, 1° of the Financing Decree.

Balance sheet⁷⁵

ASSETS	31/12/2023			31/12/2022		
FIXED ASSETS			29,731			32,396
II. Tangible and intangible fixed assets			29,731			32,396
1. Tangible fixed assets		23,475			26,721	
A. Land and buildings	23,258			26,075		
B. Plant, machinery and equipment	100			127		
C. Furniture and vehicles	117			519		
F. Assets under construction and advances	0			0		
2. Intangible fixed assets		6,256			5,675	
CURRENT ASSETS			46,520			44,785
IV. Receivables within one year			3,479			6,835
A. Receivables for operations		2,186			5,706	
B. Other receivables		1,293			1,129	
V. Investments			34,111			20,003
VI. Liquid assets			8,181			16,501
VII. Deferred charges and accrued income			749			1,446
TOTAL ASSETS			76,251			77,181

LIABILITIES	31/12/2023			31/12/2022		
OWN FUNDS			18,150			16,500
II. Reserves			18,150			16,500
FINANCING FUND			7,599			8,908
PROVISIONS			10,750			10,784
AMOUNTS OWED			39,752			40,989
IV. Amounts owed over more than one year			13,603			15,963
A. Financial liabilities		13,603			15,963	
2. Credit institutions	13,603			15,963		
V. Amounts owed within one year			25,577			24,373
A. Amounts owed over more than one year that come due within the year		2,360			2,252	
C. Amounts owed for operations		5,264			6,697	
1. Suppliers	4,204			4,965		
2. Other amounts relating to operations	1,060			1,732		
D. Amounts owed for taxes, remuneration and social security		12,797			14,269	
1. Taxes	1,322			2,594		
2. Remuneration and social security	11,475			11,675		
E. Other liabilities		5,156			1,155	
VI. Deferred charges and accrued income			572			653
TOTAL LIABILITIES			76,251			77,181

⁷⁵ All amounts in the tables are expressed in thousands of euros unless stated otherwise.

Income statement

INCOME STATEMENT (in EUR '000)	2023 Financial year	2022 Financial year
I. INCOME	107,396	96,817
A. Contributions to operating expenses	107,264	96,641
B. Other income	132	176
II. OPERATING EXPENSES	101,473	94,729
A. Miscellaneous goods and services	19,395	19,052
B. Remuneration, social charges and pensions	76,038	69,988
C. Write-down on receivables for operations	273	181
D. Provisions for risks and costs	-1,343	-1,302
E. Amortization/depreciation of fixed assets	7,110	6,810
III. OPERATING SURPLUS	5,923	2,088
IV. FINANCIAL RESULTS	-467	-933
V. NORMAL OPERATING SURPLUS	5,456	1,155
VI. EXTRAORDINARY RESULTS	1,350	0
VII. OPERATING SURPLUS FROM FINANCIAL YEAR	6,806	1,155

Processing of operating balance in the financial year	2023 Financial year	2022 Financial year
A. Operating surplus or deficit to be allocated from financial year	6,806	1,155
B. Transfer from unavailable reserves		
C. Transfer to unavailable reserves	1,650	
D. Repayments pursuant to Royal Decree of 17 May 2012 on the financing of the FSMA's operating expenses (*)	5,156	1,155
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.

Auditor's report on the financial year ended 31 December 2023

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 for the year ended 31 December 2023.

Report on the financial statements – unqualified audit opinion

We have audited the financial statements for the financial year ending on 31 December 2023, prepared in accordance with the reference accounting system in use in Belgium, with a balance sheet total of EUR 76,251,000 and with an income statement that closed with a surplus of EUR 6,806,000. 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 preparation and fair presentation of financial statements that are free of material misstatement resulting from fraud or error; the selection and application of appropriate accounting policies; and the preparation of accounting 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 conducted our audit in accordance with 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 organization, as well as its internal control procedures. The officers of the FSMA and the members of its Management Committee have given clear answer 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 policies, the judiciousness of the significant accounting estimates made by the FSMA and the overall presentation of the financial statements. We have complied with all ethical requirements relevant to the audit 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 2023 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, 5 April 2024
BDO Bedrijfsrevisoren BV
Represented by Alexandre STREEL

ABBREVIATIONS

For purposes of readability we use abbreviations in the annual report, for which the full names are given below:

AIF	Alternative investment fund
AML	Anti-money laundering
AML/CFT	Anti-money laundering and combating the financing of terrorism
AMLCO	Anti-money laundering compliance officer
ATM	Automated teller machine
Bevek/Sicav	Belgian open-ended investment company
CEO	Chief Executive Officer
COP28	Conference of the Parties to the UNFCCC (28 th session)
CSA	Common Supervisory Action
CSRD	Corporate Sustainability Reporting Directive
DB	Defined benefits
DC	Defined contributions
DeFi	Decentralized Finance
EBA	European Banking Authority
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
ERC	European Regional Committee
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
EU	European Union
FATF	Financial Action Task Force
FPS	Federal Public Service
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FSMA	Financial Services and Markets Authority
FTE	Full-time equivalent
HR	Human resources

IASB	International Accounting Standards Board
IDD	Insurance Distribution Directive
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IORP	Institution for Occupational Retirement Provision
IOSCO	International Organization of Securities Commissions
ISSB	International Sustainability Standards Board
KID	Key Information Document
MiFID	Markets in Financial Instruments Directive
NBB	National Bank of Belgium
NBFI	Non-Bank Financial Intermediation
PMIA	Portfolio management and investment advice company
POG	Product Oversight and Governance
PRIIP	Packaged Retail and Insurance-based Investment Product
SFDR	Sustainable Finance Disclosure Regulation
SMEs	Small and medium-sized companies
UCI	Undertaking for collective investment
UCITS	Undertaking for collective investment in transferable securities
VASP	Virtual Asset Service Provider

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