

IFIAR 2020 Member Profile – AFM

1. Jurisdiction	1.1 Insert the name of the jurisdiction in English: The Netherlands
2. Member¹	2.1 Insert the name of the Member, both in the local language and in English: Stichting Autoriteit Financiële Markten Dutch Authority for the Financial Markets 2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information: <u>Postal address:</u> P.O. Box 11723 1001 GS AMSTERDAM The Netherlands <u>Visiting address:</u> Vijzelgracht 50 1017 HS AMSTERDAM <u>Phone:</u> +31 20 - 797 2000 <u>Fax:</u> +31 20 - 797 3800 <u>Website:</u> www.afm.nl <u>E-mail address for audit oversight:</u> wta@afm.nl 2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation: As per the Articles of Association, the AFM's aim and task is to supervise business conduct on the financial markets and to decide on market entry by companies in the financial sector. As per the Audit Firms Supervision Act (<i>Wet toezicht accountantsorganisaties</i> , Wta), the AFM is ultimately responsible for licensing/registration, oversight and enforcement of audit firms that perform statutory audits. The objective of the Wta is the justified

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>restoration of confidence in the auditor and his auditor's reports in order to enhance confidence in the financial markets.</p> <p>2.4 Have there been any major changes to the Member's organization or to the governing legislation since completing last year's Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p> <p style="text-align: center;">-</p>
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member's governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>As of February 1, 2020, the executive board of the AFM is composed of:</p> <ul style="list-style-type: none"> - Ms. Laura van Geest, Chair - Mr. Gerben Everts, Board Member - Mr. Hanzo van Beusekom, Board Member - Mr. Jos Heuvelman, Board Member <p>In addition:</p> <ul style="list-style-type: none"> - Ms. Ellen van Schoten, Chief Operations Officers (COO) <p>The COO forms part of the executive board of the AFM but does not carry any board responsibilities for the exercise of supervision as per AFM's Articles of Association.</p> <p>The Head of the Audit & Reporting Quality Division is Mr. Ruud de Hollander.</p> <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>As per the Articles of Association, the Board comprises of between three and five Board Members. Board Members are appointed by the minister of Finance, on the basis of a non-binding proposal of the Supervisory Board of the AFM. The Supervisory Board of the AFM determines the eligibility criteria and qualifications required for Board members. All Board Members</p>

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<p>have a fulltime appointment at the AFM. The duration of an appointment is four years and can be prolonged with another period of four years.</p> <p>As per the Audit Firms Supervision Act and the Regulation (EU) 537/2014, all Board members should be independent from the audit profession. More about this follows below.</p>
	<p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>
	<p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p style="text-align: right;">N/A</p>
	<p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p style="text-align: right;">N/A</p>
	<p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>As per section 47 of the Wta, Board Members of the AFM:</p> <p>a. may not be responsible for conducting statutory audits during the period of being a member of the Board, nor have been responsible for conducting statutory audits during the previous three years;</p> <p>b. may not be solely or jointly responsible for the day-to-day management of an audit firm during the period of being a member of the Board, nor have been in the previous three years;</p> <p>c. may not be a voting member of the board of an audit firm during the period of being a member of the Board, nor have been such voting member in the previous three years;</p>

	<p>d. may not have any voting rights in an audit firm during the period of being a member of the Board, nor have had such rights in the previous three years;</p> <p>e. may not be employed by or affiliated to an audit firm during the period of being a member of the Board, nor have been in the previous three years.</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member's organization (including in any inspections, committee or panel role)?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p>
<p>4. Funding Arrangements</p>	<p>4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:</p> <p>The supervision activities of the AFM are levied to the firms under supervision. The AFM's budget, which is the basis for the levies, is approved by the minister of Finance. The calculation of the levies is consulted with the Advisory Panel, which encompasses representatives of the professional bodies and the market. The Advisory Panel has no formal decision-making powers. The minister of Finance sets the levies. There are separate levies for market entry and for annual supervision activities. The main drivers for the annual levies imposed on audit firms are the turn-over in non-PIE-audits and in PIE-audits.</p> <p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>As already set out above, the Advisory Panel has no formal decision-making powers. It is the Minister of Finance that sets the levies and these levies are laid down in a Royal Decree.</p>
<p>5. Inspection System</p>	<p>5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?</p>

	<p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:</p> <p>AFM employs its own inspectors who conduct the licensing and inspection work. Regarding supervision of firms that audit non-PIEs, the AFM has entered into arrangements with the Dutch Institute of Chartered Accountants (<i>Nederlandse Beroepsorganisatie van Accountants, NBA</i>) and the SRA (<i>Samenwerkende Registeraccountants en Accountants-Administratieconsulenten</i>). (Pursuant to Section 48 of the Audit Firms Supervision Act). These arrangements contain agreements on the carrying out of quality controls by the NBA and the SRA on firms that perform statutory audits of non-PIEs. Under the arrangements, the NBA and SRA are obliged to immediately inform the AFM when they obtain information on (serious) violations of the Audit Firms Supervision Act or regulations issued thereto. The AFM remains to have the right to carry out its own inspections on firms that do statutory audits other than those of PIEs.</p> <hr/> <p>5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:</p> <p>The AFM is solely and fully responsible for the licensing and supervision of firms that audit PIEs. These firms must be inspected at least every third year, and the inspections are performed by staff of the AFM.</p> <p>The AFM is also solely responsible for the licensing and supervision of firms that audit non-PIEs. These firms must be inspected at least every six years.</p>
<p>6. Audit and Financial Market</p>	<p>6.1 Provide the number of audit firms subject to inspections. Include an indication of the number of public interest audits (PIEs) and other audits that fall under the Member’s oversight or mandate.</p> <p>As of February 3rd, 2020, 6 firms are licensed to audit PIEs, and 270 firms to audit non-PIEs. Further, 11 firms are registered as third country audit entities.</p> <p>In the Netherlands, a total of 19,333 statutory audits were carried out in the year 2018/2019. Of this number, 773 were audits of PIEs (banks, insurance companies and listed companies).</p> <hr/> <p>6.2 What are the sizes and market shares of each of the largest audit firms in the Member’s jurisdiction?</p> <p>The audit market in the Netherlands is highly concentrated. The majority of audits of PIEs is performed by the Big 4 firms. In year 2018/2019 the market shares (based on the number of audits of PIEs) were as follows:</p>

	<ul style="list-style-type: none"> - KPMG: 28.5% - Deloitte: 11.4 % - EY: 19% - PwC: 24.3% - Other 16.8%
7. Main Other Responsibilities of the Member <u>within</u> the area of Audit Oversight	<p>7.1 Please indicate whether the Member has responsibility for tasks other than Inspections within the area of Audit Oversight:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Registration/Licensing <input type="checkbox"/> Audit and/or Ethics Standard Setting <input checked="" type="checkbox"/> Permanent Education of Auditors <input checked="" type="checkbox"/> Enforcement <input type="checkbox"/> Other: _____ <hr/> <p>7.2 If the Member has the responsibility for <u>Registration/Licensing</u>, please indicate whether this responsibility is undertaken directly or through oversight of Registration/Licensing conducted by another organization?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedure applied, as well as the role of the Member in these procedures.</p> <p>The AFM is solely and fully responsible for the licensing (registration) of firms that carry out statutory audits, as well as the registration of auditors employed by, or otherwise associated with, those audit firms.</p> <hr/> <p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>N/A</p>

	<p>(The AFM has no formal role regarding standard setting and regulation, however regarding standard setting and regulation the AFM advises the minister of Finance and the NBA.)</p> <p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input checked="" type="checkbox"/> Through Oversight</p> <p>If directly, please describe the responsibility with an appropriate level of detail. If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The AFM is responsible for the oversight of Permanent Education of auditors.</p> <p>Permanent education standards are set by the NBA. Furthermore, the NBA register the obliged permanent education followed by each auditor. In case of non-compliance, the AFM or the NBA can file a disciplinary complaint against an individual auditor at the Disciplinary Court for Auditors ('<i>Accountantskamer</i>'). Furthermore, the audit organization has a duty of care regarding the permanent education of its auditors. The AFM's responsibility to oversee audit firms, includes compliance with permanent education requirements for auditors; non-compliance by the audit organization can be enforced by administrative measures as described below.</p> <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <p>If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The AFM has the power to impose administrative sanctions in case of violations of the law and regulation against audit firms (including imposing fines and deregistration), and individual board members (imposing fines or removal from (board) position). Further the AFM has the power to file a disciplinary case against statutory auditors at the independent Disciplinary Court for Auditors. This Court can amongst others withdraw the license from individual auditors and impose disciplinary fines.</p>
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	<p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail:</p> <p style="text-align: center;">N/A</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>Outside the scope of audit oversight, the AFM has a broad range of other tasks in the area of financial supervision. The Dutch Authority for the Financial Markets (AFM) is responsible for supervising the operation of the financial markets. This means that the AFM supervises the conduct of the entire financial market sector: savings, investment, insurance and loans. This includes market abuse, public bids and offerings, financial reporting and securities regulation.</p>
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>October 14, 2019 The AFM released its report ‘Large differences in quality change other PIE audit firms’. This report summarizes the outcomes of an assessment of the quality-oriented culture, the process of continuous improvement and the embedding and application of quality safeguards, as well as the inspection of a number of statutory audits at the five other PIE audit firms in the Netherlands.</p> <p>May 9, 2019 The AFM released a report ‘The contribution of attitude, conduct and culture to the focus on quality of the audit team’. This report includes a number of suggestions for audit firms based on an assessment of the Big-4 audit firms.</p>