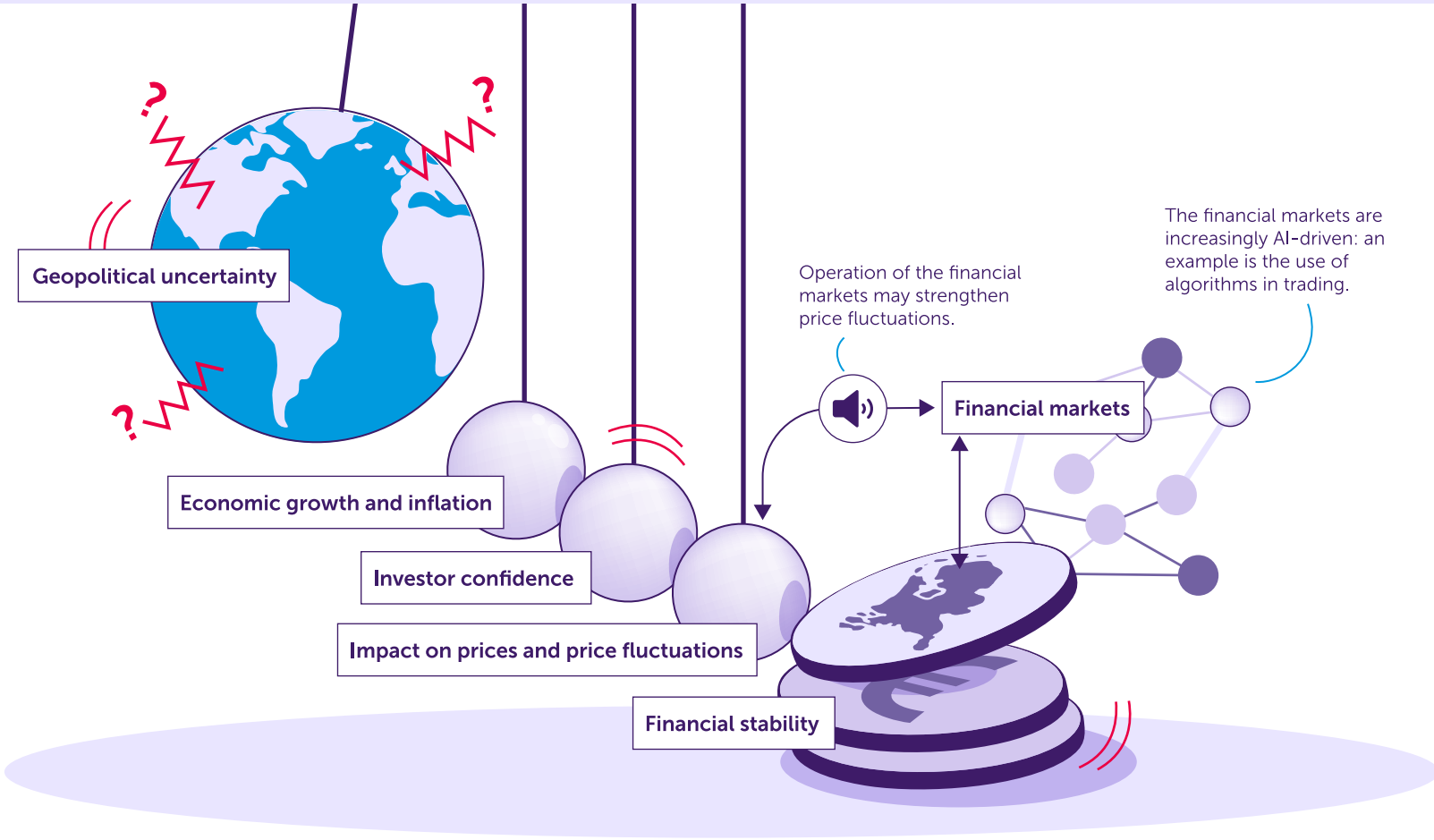
ANALYSIS REPORT

Financial Stability Report

In short. Rising geopolitical tensions have contributed to growing economic uncertainty, triggering sell-offs and heightened market volatility – especially in April, following U.S. trade tariff announcements. The current geopolitical climate has also increased cyber risks, highlighting the need for strong operational resilience in both financial institutions and households. In response to these challenges, stronger European cooperation is vital. While liquidity risks in the asset management sector have remained contained so far, they are likely to rise under continued market stress. Housing affordability has worsened, though signs of stabilization are emerging. Continued attention to climate risks remains essential, as they pose long-term threats to financial and economic stability.



MAY 2025

AFM

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1. Introduction and summary

Geopolitical tensions have increased sharply, leading to higher uncertainty and volatility in financial markets. The US government's trade policy is creating a lot of uncertainty and contributing to geo-economic fragmentation, which will have a negative impact on the global economy. Growth and inflation expectations have become highly uncertain and recession concerns have increased. The import tariffs are having a disruptive effect on global supply chains. In addition, the high level of uncertainty is causing investment decisions to be postponed or adjusted and prompting consumers to save more and spend less. A global recession has a direct impact on companies' earnings expectations and the valuations of financial and physical assets.

In the capital markets, the trade tariffs announced by the US have resulted in a sharp fall in prices and very high volatility. Equity valuations have been revised downwards. In the Netherlands, price-earnings ratios are now around pre-pandemic levels, just below the long-term average. In the US, valuations are still above the long-term average despite sharp declines, so a further market correction is not entirely unlikely. Furthermore, volatility in stock markets has been higher since the announcement of the trade tariffs. So far, this has not led to major liquidity problems among financial institutions. However, investors, including pension funds, have suffered substantial losses. Prices in the gas market have fallen due to the trade tariffs. They nevertheless remain above the level before the gas crisis in 2022, due to the scaling down of Russian pipeline gas, which means that Europe is making more use of liquefied natural gas (LNG) supplied by ship.

The geopolitical environment is also increasing operational risks. Due to the digitisation of processes in the financial sector, cybersecurity has become crucial. Particularly having regard to the current geopolitical developments, which may increase cyber attacks, it is important that institutions are digitally and operationally resilient. New European regulation is contributing to this and the AFM is supervising its implementation. Furthermore, developments in the field of AI are moving at lightning speed, resulting in potential risks for financial institutions and capital markets. The use of AI can offer advantages that promote the efficiency of operators, but at the same time requires greater attention to be devoted to institutions' (model) risk management. In addition, AI applications in capital markets may cause higher volatility and homogeneous behaviour. Here too, regulations and a deep understanding of the behaviour of trading algorithms help to manage risks.

It is important for asset managers to implement adequate liquidity risk management, including in the areas of stress testing and the availability of liquidity management tools (LMTs). Due to the high volatility and uncertainty in financial markets, managers of investment funds face increased liquidity risks from capital outflows and margin calls. It is important that they manage these risks and take appropriate measures. In addition to the availability of LMTs, regular performance of stress tests is an important part of risk management. The AFM previously shared considerations regarding liquidity stress tests. For example, it is useful to calculate hypothetical scenarios in addition to historical stress scenarios. In the current volatile environment, tail risks are increasing and future market shocks may be larger than has previously been the case. For pension funds, the risk of margin calls on derivative positions is also relevant. Although they have been able to meet hefty margin calls during periods of market stress in recent years, the availability of liquidity in money markets is a prerequisite for this. Due to the transition to the new pension system, many funds have increased their interest rate hedges, resulting in potentially higher margin calls.

House prices have continued to rise and affordability has deteriorated, although it seems to be stabilising. The high demand for housing and the lagging supply remain decisive in this regard. Excessive mortgage debt is a risk because it may mean that

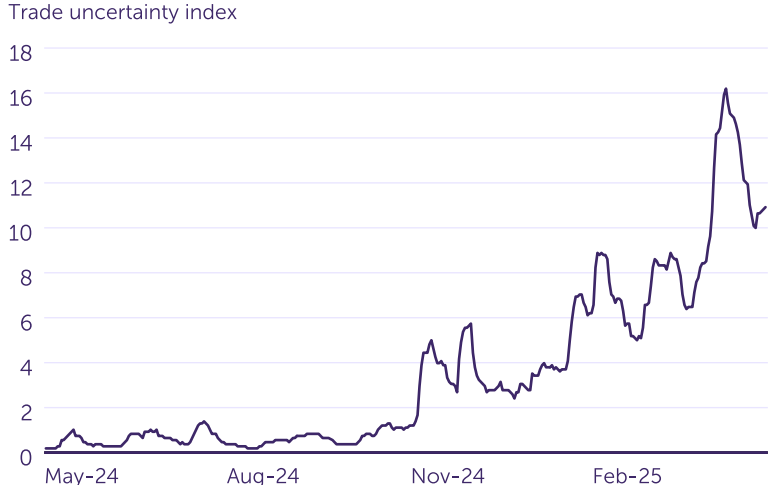
households can no longer meet the cost. This is partly mitigated by fixed mortgage rates. Although total mortgage debt in the Netherlands has increased in recent years, it is decreasing as a percentage of GDP. The behaviour of lenders, advisers and appraisers should prevent the housing market from continuing to overheat. Further research into this would be useful in order to gain more insight into the quality of appraisals. It could also help to make the bidding process more transparent, for example through the bid log. Finally, there are climate risks in the housing market, such as the risk of foundation damage, which may not be sufficiently priced in. It is therefore important that households are well informed. However, the current dynamics in the housing market mean a higher prevalence of outbidding without any reservation concerning financing or a technical inspection.

2. General trends and risks

2.1 Geopolitical and macroeconomic developments

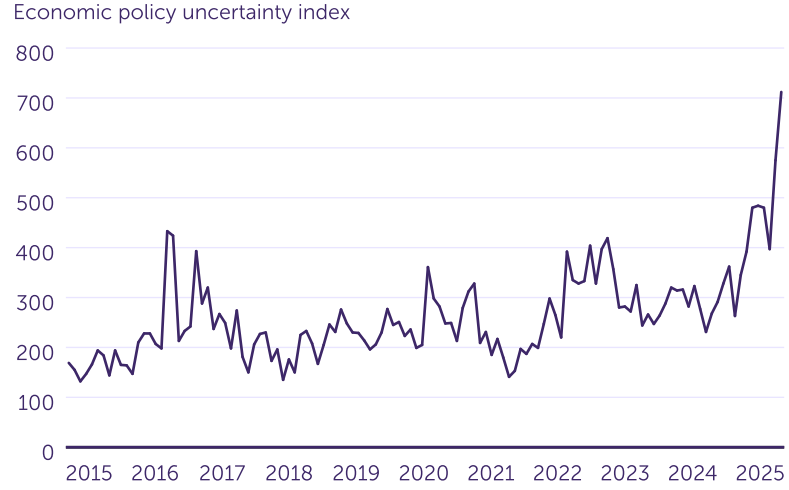
Geopolitical risks have increased in recent years due to conflicts and international political developments, resulting in heightened risks to financial stability. On 2 April, US President Trump announced hefty trade tariffs against almost every country worldwide. Trump declared this day "Liberation Day". A rate of 20% has been set for the EU, which is still relatively low compared to other countries. For example, a tariff of 34% was initially announced for China, on top of the 20% already in force. This led to a further escalation of the trade war between China and the US, with both countries raising trade tariffs further. In the end, trade tariffs were largely postponed for 90 days (a minimum tariff of 10% was maintained), except for China. The US government's trade policy is creating a lot of uncertainty in terms of both trade and economic policy (Figures 1 and 2)[1] and contributing to geo-economic fragmentation. In addition, with the ongoing war in Ukraine, the situation in the Middle East and in the South China Sea, there is also a lot of unrest in the world in terms of conflicts. The use of trade-restricting measures by the US, their further escalation due to counter-reactions from other countries and ongoing conflicts are putting relationships on edge and will have a negative impact on the real economy. As a result, the risks to financial stability have increased.

Figure 1: Doubts about tariff policy remain at unsustainable levels, as measured by the Bloomberg Trade Uncertainty Index.



Source: Bloomberg.

Figure 2: Geopolitical risks are also increasing uncertainty about economic policy in Europe.



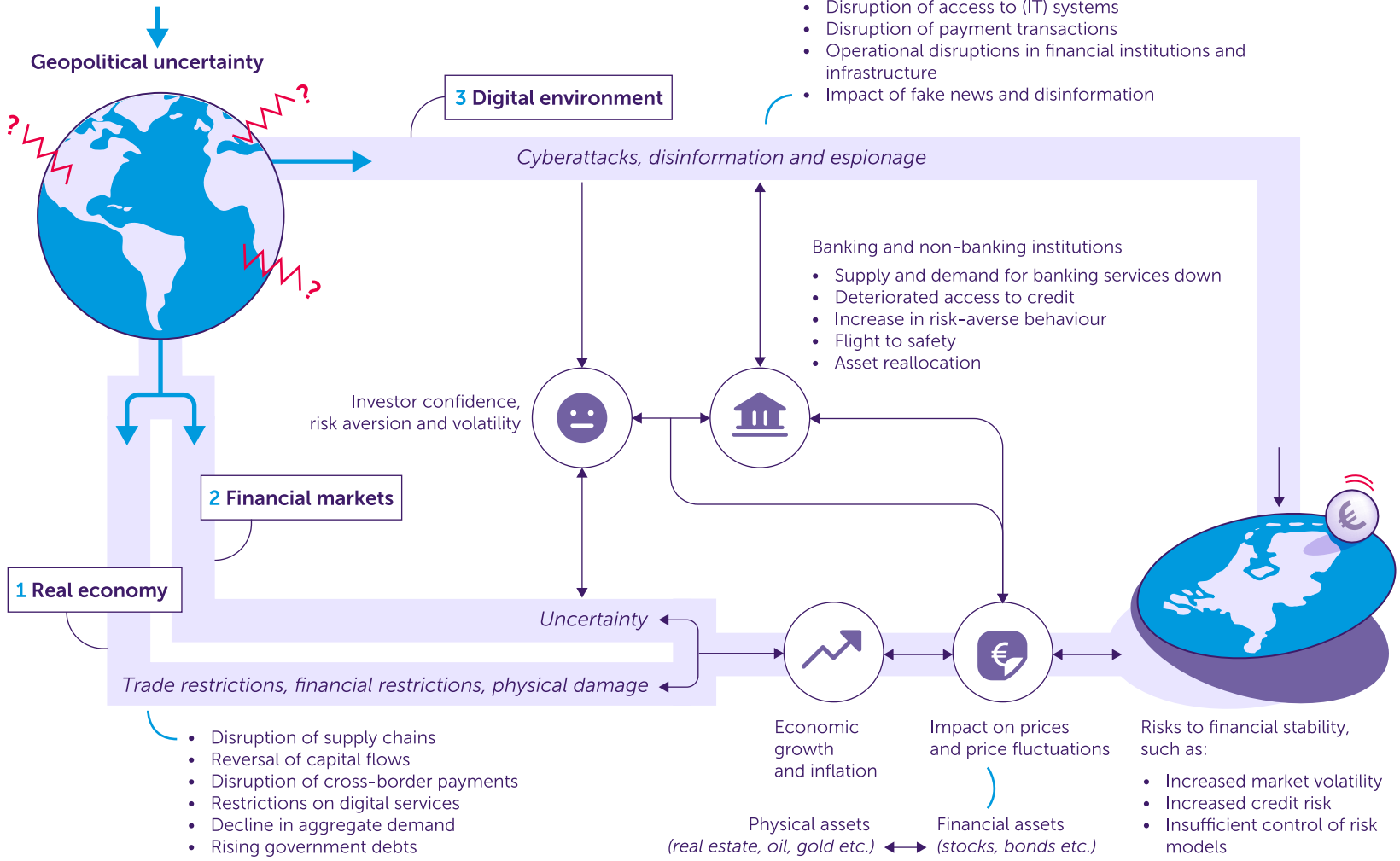
Source: Bloomberg.

1 The cut-off date for including relevant information is 7 May 2025. All graphs in the report were last updated on 1 May 2025.

Geopolitical developments can result in risks to financial stability, as they affect economic growth and inflation (expectations) and lead to uncertainty and volatility in the financial markets. Three risk channels can be distinguished: (i) the real economic channel, (ii) the financial markets channel and (iii) the digital/operational environment (Figure 3). In the real economic channel, trade restrictions, financial restrictions and physical damage from conflicts have an impact on economic growth and inflation (expectations), because they disrupt supply chains and capital flows, among other things. Through the financial markets channel, geopolitical risks create uncertainty that impacts investor confidence, risk aversion and volatility. Both channels then have an impact on prices of financial and physical assets, which in turn can have a reinforcing effect on the economy. Ultimately, this can result in risks to financial stability, including increased market volatility, pressure on the solvency and liquidity of financial institutions, shocks spreading from interconnected financial systems and insufficient management of risks in risk models. Through the digital/operational channel, geopolitical risks can result in material and operational damage and disruption due to cyberattacks and disinformation. This in turn can have an impact on investor confidence, risk aversion and volatility (see also 2.2).

Figure 3: Conceptual framework for geopolitical risks.

*The current geopolitical uncertainties may impact financial stability through three channels: the real economy **(1)**, the financial markets **(2)** and the digital environment **(3)**.*



Source: based on IMF.

Geopolitical developments will take a toll on the global economy. Last year, global GDP growth was 3.2%. In the Netherlands, GDP growth was 1%, roughly equal to the eurozone average. Due to geopolitical tensions, estimates for 2025 and 2026 have been revised downwards and have become very uncertain.[2] There are major concerns about a global recession. Trade restrictions are distorting capital and trade flows, leading to a negative impact on growth and inflation. According to a study by the Netherlands Bureau for Economic Policy Analysis (CPB), Dutch GDP growth will be 0.4 percentage points lower in 2025 and 0.6 percentage points lower in 2026 due to trade tariffs.[3] The high level of uncertainty is also causing investment decisions to be postponed or adjusted, driving risk premiums higher – making raising capital more expensive for companies – and prompting consumers to save more and spend less. Changes in growth and inflation expectations are also affecting expectations regarding the profitability of companies. This will result in adjustments to valuations of assets, currencies and credit.

Inflation in the Netherlands is still high compared to the eurozone, and expectations have become more uncertain due to the trade barriers imposed. Since peaking at more than 10% at the end of 2022, HICP inflation in the euro area gradually declined to 2.2% in April 2025. According to a flash estimate, Dutch HICP inflation was much higher in April at 4.1%.[4] A trade war with broad import tariffs raises the prices of imported products, fuelling inflation. The impact of this will be felt especially in the US. In the eurozone, a stronger euro against the dollar, weaker economic growth and lower global energy prices due to higher recession risks may have a dampening effect on inflation. This, combined with deteriorating growth expectations, prompted the ECB to cut interest rates by 0.25 percentage points in April.

In light of geopolitical risks, the high levels of public debt of some EU Member States may pose a risk to financial stability. The need for higher defence spending could lead to further debt increases. Many euro area countries already have debt well above 60% of GDP and/or a budget deficit of more than 3% (Figure 4). High debt positions with rising interest rates can mean that countries can no longer bear their financing costs. In addition, high public debt may have a negative impact on the macroeconomic environment in Europe, which could spill over into financial markets. For example, financial institutions, especially banks, often have a lot of government bonds on their balance sheets. When government bond yields rise, their value falls, which can affect institutions' balance sheets.

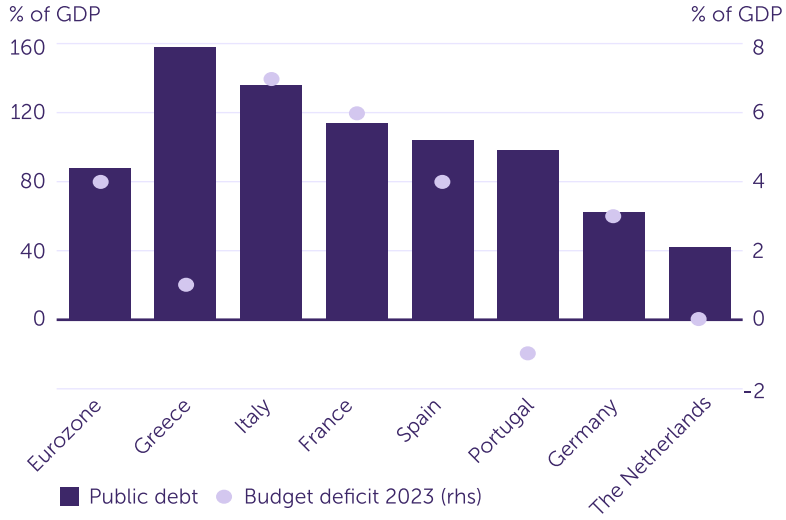
The substantial investment plans of Germany and the European Commission could give a positive boost to economic growth, but also result in more upside risks. The budget plans of the new incoming German government amount to EUR 500 billion earmarked for infrastructure and climate action. In addition, the Bundestag has agreed to a relaxation of the German budget rules, allowing more borrowing to invest in defence. The European Commission also wants to release EUR 800 billion to rearm Europe. However, this sharp change of course, and the associated possible debt issuance, caused the German government interest rate to suddenly shoot up in March. Government yields of other Member States then also rose because they are often priced relative to the German yield curve. Spreads, i.e. differences between Member States' government interest rates, were not directly affected by this. Spreads were affected after the political crisis in France at the end of last year, when the Franco-German spread rose to over 0.8 percentage points (Figure 5). Since President Trump announced the trade tariffs, German government interest rates have fallen back to the level before the budget announcement. America's economic policy has fuelled concerns about US government debt, calling into question the 'safe haven' status of US government bonds and leading to German government bonds being seen as safer (see also section 3.1).

2 IMF (2025). World Economic Outlook.

3 CPB (2025). The economic effects of import tarrifs.

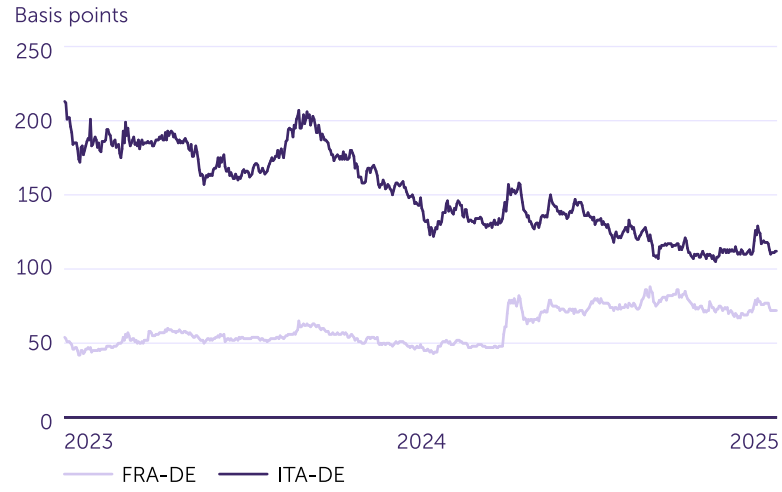
4 CBS (2025). April inflation rate 4.1 percent according to flash estimate | CBS.

Figure 4: Average government debt in the eurozone well above 60%.



Source: Eurostat.

Figure 5: Convergence of French and Italian spreads.



Bron: Bloomberg.

Geopolitical risks can destabilise financial markets through increased uncertainty, potential capital constraints and sanctions. The sudden announcement of hefty trade tariffs by the US and their unpredictability led to significant volatility in financial markets, an increase in risk aversion and flight-to-safety behaviour by investors (see 3.1). While uncertainty is not new to financial markets and can be priced in, the current situation is leading to more shock price movements. This also puts financial stability at risk. In addition, an increase in risk-averse behaviour can lead to reduced access to credit, which in turn feeds through to economic growth through lower investment. In mid-April, a degree of calm returned to the markets, partly due to the temporary postponement of a large part of the trade tariffs. The uncertainty persists, however, so volatility is still higher than before the announcement of trade tariffs.

Dutch financial institutions and households face risks of uncertainty due to their exposure to US assets. For example, pension funds invest a total of almost EUR 500 billion in the US (of the EUR 1,568 billion total in long-term investments). In the case of Dutch investment funds, approximately EUR 126 billion (26% of net assets) is invested in North America. Specifically for equity funds, the percentage is higher, with 40% of their net assets invested in North America. Nearly three-quarters of investments in listed shares of Dutch companies, institutions and households are invested in companies outside the euro area, mainly in US institutions, including large tech companies such as NVIDIA, Apple and Microsoft.[5]

Current geopolitical developments and the dependence on US (financial) infrastructure underline the importance of European cooperation and further development of the European capital markets. Many economists see the announcement of the US trade tariffs as bad economic policy. From the perspective of economic

5 DNB (2025). Dutch portfolio investments total nearly €3,500 billion | De Nederlandsche Bank.

statecraft – where economic policy measures are used to achieve foreign policy or national security goals – they are easier to explain.[6] From this perspective, dependence on US financial institutions and infrastructure is a vulnerability.[7] The Dutch financial sector is strongly intertwined with the US. Dutch pension funds and households invest a lot in US equities. American financial institutions are important service providers in Europe and the Netherlands is largely dependent on American technology. Global capital markets also rely heavily on the dollar as a reserve currency and US Treasuries are seen as a highly liquid, safe-haven investment. This may all change due to the change of course in the US, which may be accompanied by stability risks. For example, the market turmoil of March 2020 showed that the availability of dollar swap lines with the Fed is crucial for European institutions. If the independence of the Fed is no longer a given, and such instruments can be used as a means of pressure, this could have major consequences for financial stability in Europe.

Better European cooperation and further deepening of the European capital market, as described in the Draghi report[8], is needed to reduce dependence on the US. A joint supervisory approach with the US authorities is no longer self-evident. The AFM is therefore strongly in favour of promoting the Savings and Investment Union (SIU) as a cornerstone for stimulating economic growth and financial stability in the EU. A well-functioning SIU will (i) attract market financing and foster a more competitive financial ecosystem, (ii) create a level playing field through consistent supervision and harmonised regulation, (iii) enhance the EU's financial stability by diversifying sources of funding, and (iv) strengthen Europe's strategic autonomy in global markets.

2.2 Digitisation

Increasing digitisation has made cybersecurity crucial, partly in the face of increasing geopolitical risks. Due to the greater reliance on IT systems, cyber incidents can have major consequences for the financial sector. Figures from the Statistics Netherlands (CBS) cybersecurity monitor show that large companies (>250 employees) and companies in the financial services sector are most often victims of cyberattacks. It also appears that the costs are often higher for financial institutions. Although the total costs of external cyberattacks decreased in 2022, a larger proportion of affected financial institutions faced relatively high costs of between 5% and 10% of turnover.[9] Large-scale cyber risks can threaten financial stability, for example because essential parts of the financial system, such as the payment system or trading infrastructure (platforms, clearing and settlement), are shut down. In the financial sector, banks are most frequently targeted by cyberattacks.[10] In addition, government agencies and individuals are also often targeted (Figure 6).

There are large dependencies in areas such as cloud services, where a limited number of third parties provide services for a large number of financial institutions. Cyber incidents at such parties can therefore have a broad impact on the financial sector. This can have major financial and economic consequences, affecting both consumers and financial institutions. In addition, Europe also has a high dependence on American cloud service providers in the field of data storage. A lot of data from European citizens, companies and governments is stored on servers in the US. The current geopolitical climate, especially the change in US foreign policy, risks limiting Europe's strategic autonomy. Another factor is that Europe is in danger of losing an important partner in combating digital attacks from Russia now that the US has suspended offensive cyber operations against Russia.[11]

6 Forging a positive vision of economic statecraft - Atlantic Council. See also Macrostrategy versus "Grand Macro Strategy" - Rabobank for an in-depth explanation of economic statecraft and the instruments that can be used in this regard.

7 Hellendoorn, E. (2025). Finance, Strategy and European Autonomy. *Survival, 67*(1), 99–122. https://doi.org/10.1080/00396338.2025.2459014.

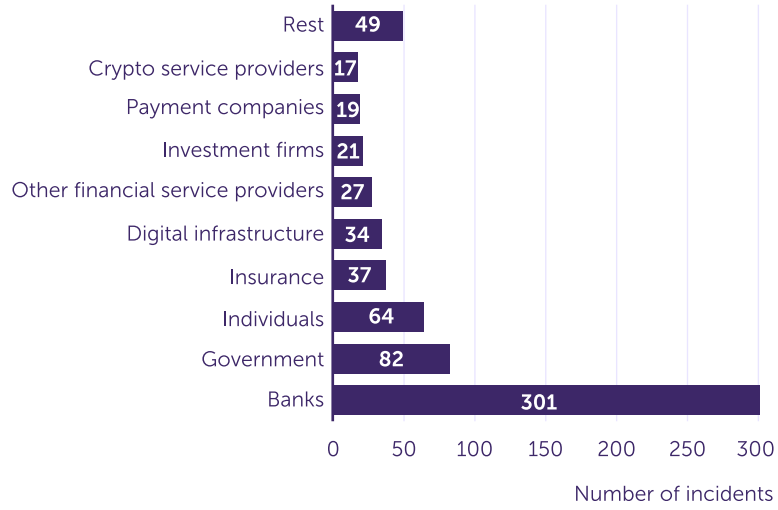
8 The Draghi report on EU competitiveness.

9 CBS (2024). Cybersecuritymonitor 2023 | CBS.

10 ENISA (2025). ENISA Threat Landscape: Finance Sector. January 2023 to June 2024.

11 BBC (3 March 2025). Hegseth orders pause in US cyber-offensive against Russia.

Figure 6: Banks are especially targeted by cyberattacks. Goverment agencies and individuals are also in the top 3.



Source: European Union Agency for Cybersecurity (ENISA).

The rapid technological developments surrounding artificial intelligence (AI) may also contribute to increased stability risks. The increasing use of AI solutions can have advantages, for example in the areas of operational efficiency, cost reduction and risk management. At the same time, this greater dependence on digital processes also creates increased operational risks. This makes the financial sector more vulnerable to cyberattacks or IT incidents, requiring greater attention to be devoted to resilience. In capital markets, the use of AI in trading algorithms may lead to increased volatility and herd behaviour (see 3.4). AI applications also require greater attention to be paid to model risk in the risk management of financial institutions.

The Digital Operational Resilience Act (DORA) ensures that financial organisations take measures to become more resilient to cyber threats. DORA is intended to ensure that financial organisations manage their ICT risks better and thus become more resilient to cyber threats and ICT disruptions. Companies have had to comply with the regulations since 17 January 2025. The AFM takes DORA requirements into account when assessing licence applications, receives reports of ICT incidents and notifications from ICT service providers, and conducts investigations. In doing so, the AFM strengthens its insight into the resilience of institutions and compliance with DORA. For example, it requests the Register of Information (RoI), which provides insight into the ICT service providers used by financial institutions and the structure of the service chain. This will allow critical ICT service providers to be identified and placed under direct supervision at European level. The AFM will also investigate compliance with the rules relating to ICT risk management. DORA is also assessed when issuing licences. It is also important that providers and users of AI applications ensure a sufficient level of 'AI literacy' among their employees and others who work with and are responsible for these AI applications. This is in accordance with the European AI Regulation, which came into force on 1 August 2024. These and other measures help strengthen the digital resilience of the sector.

Households can also prepare for failures of digital services such as the payment system, for example by always keeping cash on hand. In previous incidents, the payment systems of payment service providers partially failed, often for periods of a few minutes to a few hours. In April, for example, the payment service provider Adyen was the target of DDoS attacks, which temporarily halted debit card payments in shops, restaurants and online stores. Although a cyberattack has been ruled out at the time of writing, a major power outage in Spain and Portugal meant that debit card payments were not possible in many places at the end of April. A day later, the network was largely restored. However, it is not inconceivable that these systems will be unavailable for a longer period in the future as a result of a cyber incident. Recently, the National Cyber Security Centre (NCSC) warned of increasing cyber threats to the Dutch infrastructure.[12] In order to be resilient to cyber threats and other disasters, Dutch and European politicians have previously called on households to have emergency supplies in their homes (batteries, water etc.) for 72 hours. Holding cash is also part of this emergency kit.

12 FD (30 april 2025). NCSC over stroomuitval: 'De risico's zijn groot en nemen alleen maar toe'.

2.3 Sustainability

Climate change and the sustainability transition can pose significant risks to the financial sector. Physical risks such as flooding can have a macroeconomic impact. Indirectly, such events can have a financial impact on banks, insurers, pension funds and investment firms. Since climate goals relating to global warming are apparently not being met, climate risks will increase. According to a report by the United Nations (UN), the world is heading for a warming of 2.6 to 3.1 degrees on the basis of current policies and the goal of 1.5 degrees will be unattainable without further action.[13] At the same time, companies and financial undertakings appear to be paying less attention to climate change, especially in the US. In the case of the Netherlands and Europe, it remains important that the financial sector adheres to its climate commitment. Transparency with respect to companies' sustainability characteristics is important in this regard. Although the Corporate Sustainability Reporting Directive (CSRD) has not yet been implemented in national legislation, and new Omnibus plans[14] are aimed at simplification, the AFM calls on companies to remain committed to reliable sustainability information.[15] Slowing down the sustainability transition will increase the likelihood and impact of materialising physical risks in the future, which will also affect the financial sector. Therefore, it is important for institutions to be aware of the climate risks to which they are exposed and to take measures to manage them. New climate policy also entails transition risks for financial institutions, for example in the area of investments in fossil fuels. Consumers are affected by climate risks through the housing market, among other things (see 5.2).

In the transition to a green economy, the financial sector plays a role in financing sustainable investments. The market for sustainable bonds continues to grow. The European market grew to EUR 2.2 trillion in 2024. More green bonds were also issued in the Netherlands. At the end of 2024, issuance stood at EUR 260 billion (Figure 7). However, ESG investments through investment funds are declining slightly. For example, there are net outflows from funds classified under Article 9 of the Sustainable Finance Disclosure Regulation (SFDR), which indicates that the fund's purpose is sustainable investments. On the other hand, inflows into funds classified as Article 8 (promoting sustainable characteristics without having them as an objective) and Article 6 (no sustainable characteristics) are positive.[16] Reduced investor interest in green investments could be negative for the financing that companies can raise for sustainability. On the other hand, ESMA notes growing interest in transition products. These are investments that are aimed specifically at financing companies' transition plans and often fall under Article 8 of the SFDR instead of Article 9.[17]

13 UNEP (2024). Emissions Gap Report 2024.

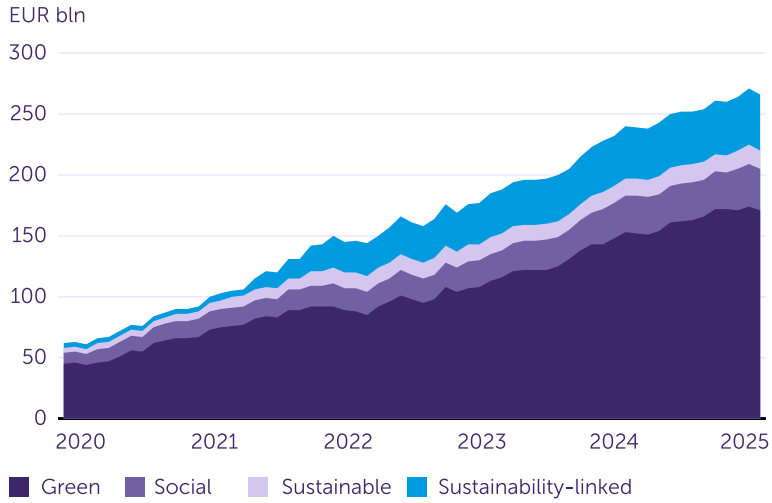
14 The European Commission's Omnibus proposal aims to simplify and streamline sustainability rules. This is expected to reduce the number of listed companies that will fall under the CSRD – and therefore under the AFM's reporting supervision.

15 AFM (2025). Omnibus proposal limits CSRD requirements, AFM maintains approach.

16 ESMA (2025). TRV Risk Monitor. No.1 2025.

17 ESMA (2024). TRV Risk Monitor. No.2 2024.

Figure 7: The majority of Dutch sustainable bond issuances are classified as green. Share of sustainability-linked bonds is rising.



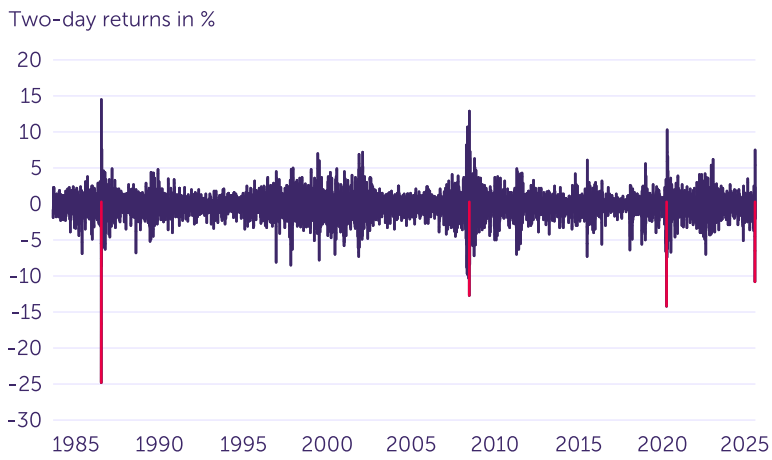
Source: DNB.

3. Risks and trends in the capital markets

3.1 General trends and developments

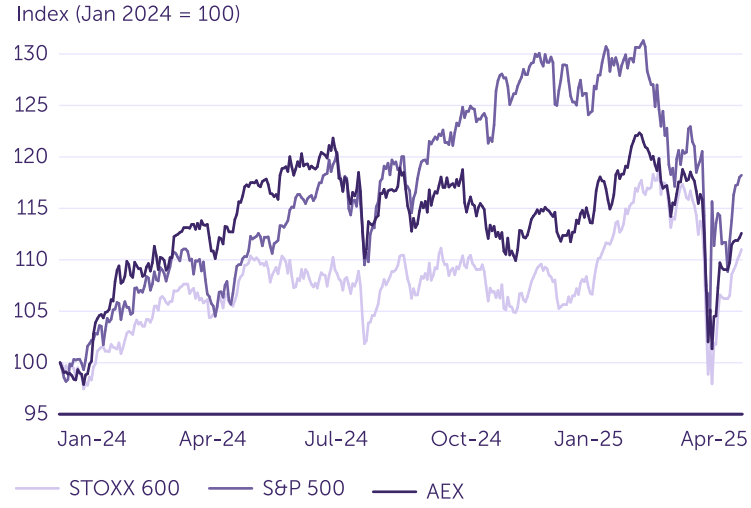
Trade tariffs have dominated global stock markets since April, wiping out a lot of the gains made in 2024 and early 2025. European stock indices had risen to record levels by early 2025. On 2 April, sentiment changed due to the announcement of import tariffs by US President Trump. The level of tariffs and countermeasures by other countries led to a revision of the economic outlook, resulting in a sharp market correction and increased volatility. Within one week, stock markets worldwide lost a significant part of the returns they had built up in the previous year. For example, the US S&P 500 lost 10.5% after the "Liberation Day" announcement – a loss seen only twice before this century (Figure 8). The S&P 500 eventually lost 12% between 2 and 8 April, the European Stoxx 600 also lost more than 12% and the AEX fell by more than 11% in the same period. The S&P 500 was thus at the mid-2024 level, while the Stoxx 600 and the AEX had fallen back to levels of early 2024 (Figure 9). Since then, prices have partially recovered.

Figure 8: Two-day loss during Liberation Day unrest at 4th lowest since 1985.



Source: Macrobond.

Figure 9: Announcement of import duties led to significant market corrections.

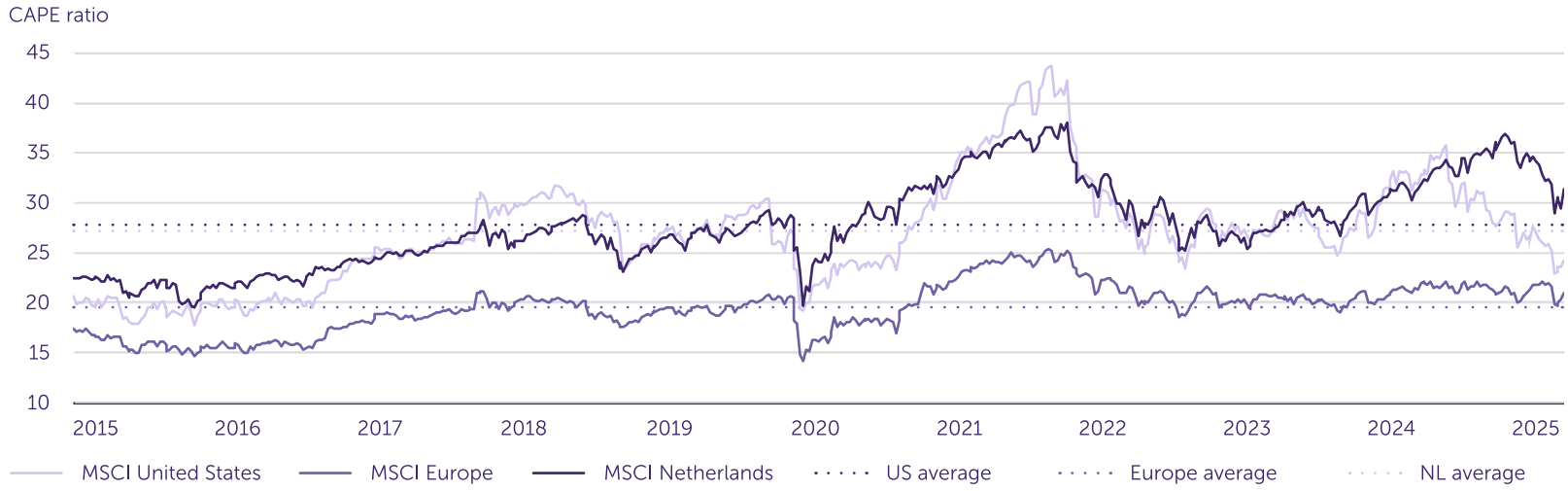


Source: Macrobond.

Recent price declines have seen equity valuations in Europe fall back to their ten-year averages, while equity valuations in the US remain elevated. Share prices fell sharply as a result of the announced trading tariffs. The cyclically adjusted PE ratio (CAPE)[18] – a measure of the level of valuations – is now below the ten-year average for European and Dutch equities (Figure 10). In the case of Dutch shares, investors are currently paying around EUR 23 per euro of profit, compared to almost EUR 33 a year ago. The US CAPE ratio has decreased from 35 to around 30, that of European shares from 21 to 19.[19] The Dutch CAPE is relatively high compared to other European countries due to the large weight of technology companies with generally higher P/E ratios.

As a result, the index is more similar to the American index in terms of its composition with corresponding valuations. At the same time, the Dutch CAPE fell faster, as technology stocks – such as ASML – were already under pressure before "Liberation Day". ASML lost almost 40% compared to a year ago, partly due to export restrictions to China. Due to ASML's large weight in the Dutch indices, this decline can be readily identified. While valuations worldwide are now more in line with pre-pandemic levels, the current economic context differs significantly from that period. If the announced tariffs are actually introduced, this could put pressure on the profitability of companies, with the result that current valuations – including from a historical perspective – could still turn out to be too high.

Figure 10: Shiller 10-year PE (CAPE) ratios in the US remain above the ten-year average, despite recent downgrades.



Source: Bloomberg.

18 The CAPE ratio, also known as the Shiller P/E, reflects the ratio between the stock price and the average inflation-adjusted earnings per share over the past ten years. It is one of the many indicators used to indicate the level of equity valuations. A high P/E ratio indicates that investors have high expectations of future growth.

19 The CAPE ratios mentioned are based on the MSCI indices for the Netherlands, Europe and the United States. The CAPE of the MSCI Netherlands index is considerably higher than that of the AEX index. This is because the AEX is a capped index, in which individual companies make up a maximum of 15% of the index when reweighted. ASML, with a relatively high CAPE, weighs around 34% in the MSCI Netherlands index as of 31 March, compared to a maximum of 15% in the AEX.

The announced import duties not only reduce the profitability of companies but can also affect capital flows. Valuation multiples for US equities have traditionally been higher, partly due to the sheer size of the US capital market and the yield advantage that US companies seem to generate over the rest of the world.[20] This has helped the US to be a major destination for foreign capital for some time, reinforcing higher valuations. However, geopolitical and economic developments may change this. They may result in a capital shift towards other investment regions, such as Asia or Europe, ultimately affecting valuations of various financial assets. The recent decline in the dollar is an initial indication of this (Figure 11). Further development of the European capital markets is needed to properly absorb and stimulate capital flows to Europe.

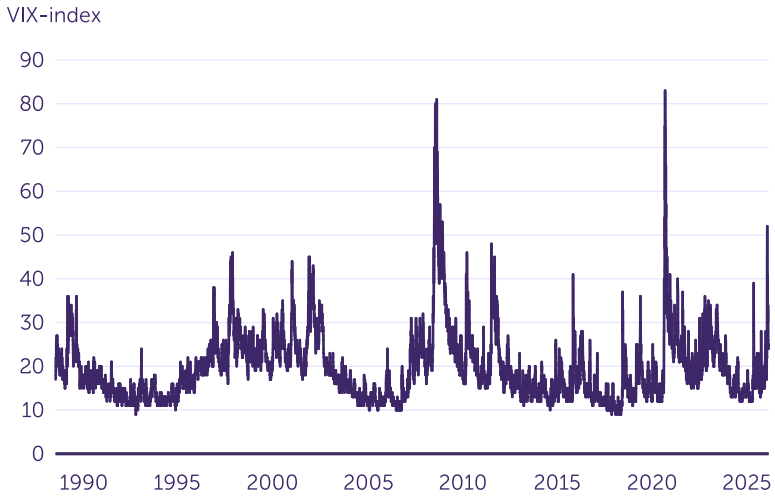
Amid high political and economic uncertainty, investors react abruptly to new (sometimes incorrect) information. Uncertainty surrounding economic policy is at its highest level in years (see 2.1). This has resulted in historical price movements, causing volatility indicators such as the VIX (Figure 12) to rise to levels not seen since the coronavirus crisis. Given the potentially profound impact of the announced tariffs, investors react strongly to any indication of a change in policy. Combined with the ever faster processing of information by trading algorithms (see also 3.4), this makes the market vulnerable to incorrect information. This was evidenced, among other things, by the market rally triggered by an unsubstantiated social media post about an alleged "90-day pause in tariffs". The S&P 500 was up 5.7% and the AEX was up 3.7% within eight minutes, but the gains were rapidly reversed after it turned out that the report was incorrect (Figure 13). A few days later, President Trump announced an actual pause of

Figure 11: Since the beginning of April, the dollar has lost ground against a basket of world currencies, as measured by the DXY dollar index.

Source: Bloomberg.

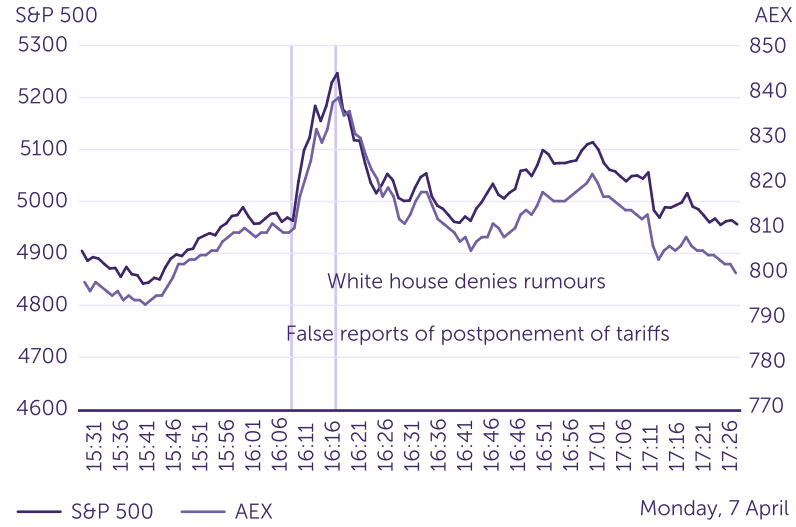
20 Economist (14 October 2024). Why the American stockmarket reigns supreme.

Figure 12: VIX index at a level only seen during COVID 19 and GFC.



Source: Macrobond.

Figure 13: Prices of the AEX and S&P 500 rose sharply in a short period of time after unsubstantiated reports of a 90-day tariff pause.



Source: Bloomberg.

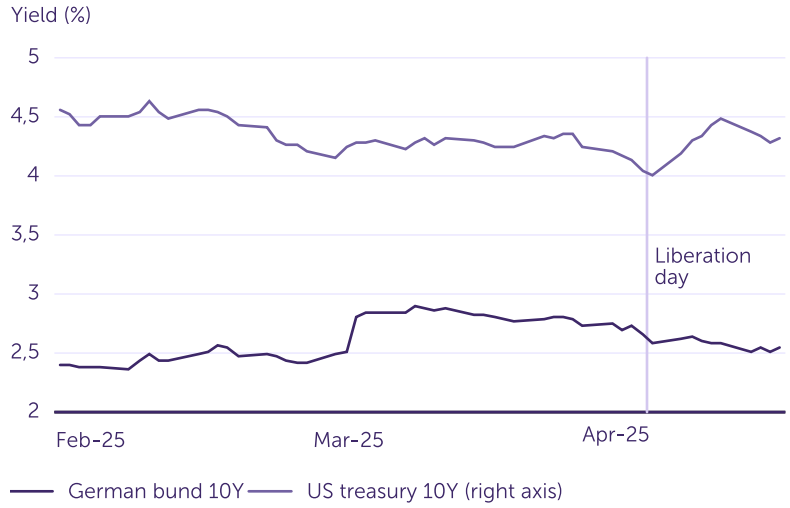
90 days, after which the S&P 500 rose by more than 9%. Investors seem to anticipate that the ultimate impact of the tariffs will be limited, but the question is whether postponement will lead to cancellation. As long as policy remains unpredictable, volatility in global markets will remain elevated and potential market corrections are not far away.

High volatility increases the risk of disruption within the financial system. Rapid price movements can lead to problems for market participants or disruptions in the financial infrastructure. For example, liquidity can decrease, leading to wider bid-ask spreads and higher transaction costs. This makes the buying and selling of assets by market participants more difficult and expensive. Unpredictable reactions from trading algorithms can cause temporary deviations from the underlying asset. Circuit breakers – temporary trading halts in the event of extreme price movements – are intended to cushion this and give investors room to process information. While these stops tend to occur with smaller funds in normal times, they also occurred with big names during the recent sell-off. Abrupt price movements can also cause large margin calls, forcing market participants to quickly raise liquidity and compelling them to sell shares or other assets, such as bonds. So far, markets seem to have absorbed the recent shocks well, without major disruptions or liquidity problems at financial institutions. However, investors, including pension funds, have suffered significant losses.

The unpredictability of US trade policy and its economic impact has led to a loss of confidence in US Treasuries. Normally, investors resort to US government bonds as a safe haven when uncertainty increases. Since the beginning of April, the effective yield on ten-year US Treasury bonds has risen sharply, indicating large-scale selling. Although the current yield of around 4.4% is still below the peak of January 2025, the speed of the increase is particularly striking: an increase of more than 50 basis points in one week has not occurred since 2001. German government bonds, on the other hand, have shown an opposite

movement. After earlier increases – prompted by expectations of higher government spending on defence and infrastructure – yields have now fallen again (Figure 14).

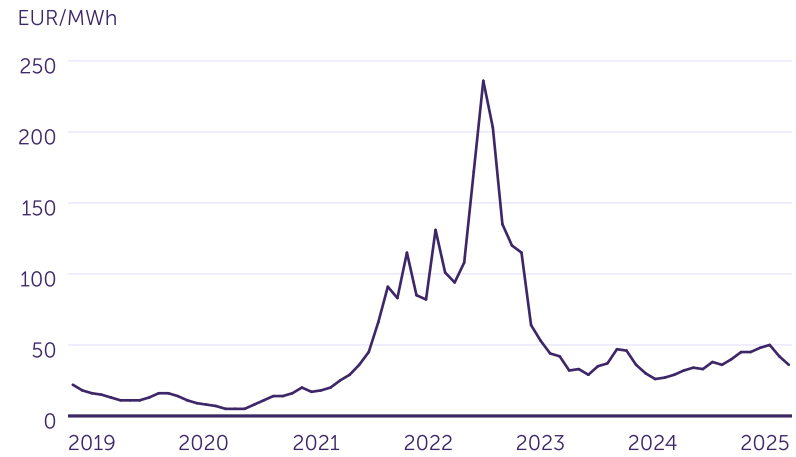
Figure 14: US government bond yields have risen sharply, while German government bond yields continue to fall.



Source: Bloomberg.

Due to escalating trade tensions, gas prices have fallen further, although they seems to remain structurally higher than the level before the gas crisis of 2022. Recently escalating trade tensions have put pressure on energy demand, temporarily easing international competition for LNG cargoes and lowering gas prices. The front-month TTF gas price is currently around EUR 36 per megawatt hour, whereas it was around EUR 41 at the beginning of the year. A low gas price is beneficial for replenishing gas reserves, which are exceptionally low in Europe after a cold winter. Although TTF prices have fallen recently, gas prices appear to remain structurally above pre-crisis levels (Figure 15). By comparison, the TTF gas price at the end of 2020 was still around EUR 16 per megawatt hour. Since the start of the Russia-Ukraine war and the subsequent sanctions, the European gas supply has changed dramatically. Europe now relies more heavily on liquefied natural gas (LNG), which is supplied by ship, and on Norwegian pipeline gas. The dependence on these sources makes the market more sensitive to disruptions in supply, weather influences and variations in renewable energy production, such as wind and solar.

Figure 15: Falling gas prices due to escalation of trade war.



Source: Macrobond.

3.2 Functioning of the money markets

Well-functioning money markets have an important role in financial institutions' liquidity management, especially during periods of market stress. This includes the secondary market for short-term debt securities and the repo market. It is important for market participants that these markets continue to function properly so that they can safely store excess liquidity or attract liquidity at all times. This is necessary, for example, when receiving or meeting margin calls. Non-bank institutions do not have access to a central bank (emergency) facility and are therefore dependent on money markets.

There were no signs of market stress in the repo market last year. In terms of size, the repo market remained about the same in 2024. Dutch market participants' involvement in the repo market amounts to approximately EUR 550 billion in transactions every day. This makes the repo market one of the largest and most liquid money markets. There were occasions in previous years when the repo market did not function well at quarter- and year-ends and the repo rate showed a strong negative peak. Although volume declined slightly at the end of 2024, there was no market stress. Even when European capital market interest rates suddenly rose sharply at the beginning of March, it functioned well. Among other things, the reduced scarcity of high-quality collateral ensures that the repo market remains liquid. In addition, market participants see possible market stress coming at the year-end and prepare for this by, for example, entering into longer-term transactions going beyond the year-end.

Money market funds are also important in this market segment. In recent years, it has become apparent during periods of market stress that financial institutions use shares in money market funds in their liquidity management. When pension funds are faced with substantial margin calls, for example, it is important that these money market funds remain liquid. However, in the event of large outflows, money market funds may be able to suspend forced fund entries and exits. This then also has an impact on financial institutions invested in these funds. The Money Market Fund Regulation (MMFR) could therefore be improved, including in the area of liquidity requirements of money market funds. Increasing the minimum regulatory liquidity requirements could help, but it must be possible to use them in a timely manner during periods of market stress. In addition, improved reporting by money market funds may be useful to better monitor systemic risks in this market segment. Finally, a European approach is crucial given the international nature of money market funds. The AFM, DNB and the Ministry of Finance have raised these points in a response to the European Commission's consultation on macroprudential policy for non-bank financial institutions (NBFI).[21]

21 Reactie op consultatie EC macroprudentieel beleid NBFI.

3.3 Risks of concentration and dependencies

Concentration of services and dependencies in capital market infrastructure may increase stability risks. Trading venues, clearing houses and proprietary traders perform important functions in capital markets. Any operational risks materialising among these operators can have a broader impact on financial markets. For example, markets depend on well-functioning platforms on which trading can take place. When a risk materialises that causes a platform to fail, the orderly functioning of markets can be jeopardised, and this can lead to losses at other financial institutions. Digitisation trends and pressure on profit margins have increased the concentration of services among a limited number of operators, which also increases the risks affecting the capital markets value chain as a whole. This also depends on the extent to which services can be taken over by other parties. With limited substitution options, concentration risks and dependencies are greater.

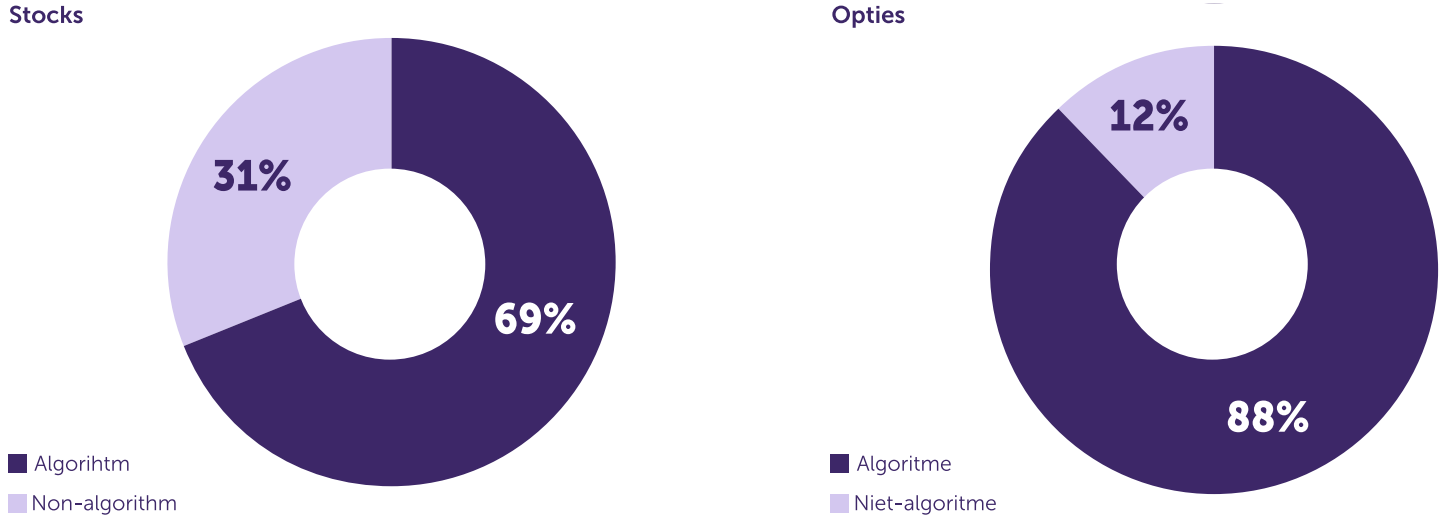
The AFM pays attention to these risks and contributes to financial stability in its risk-based supervision of the controlled and sound business operations of institutions. For example, the AFM pays a lot of attention to the (digital) resilience of infrastructure operators. Specifically in the field of ICT, the AFM supervises the requirements of DORA. These should help make market participants more resilient to cyber risks and IT incidents. Both in licence applications and in ongoing supervision, the AFM looks at how parties have set up their IT processes. Any outsourcing of their IT processes must be reported to the AFM. When outsourcing takes place, the management of related risks (including sub-subcontracting) is important. In this way, risks of concentration and dependencies are also addressed.

3.4 Use of AI in trading algorithms

Algorithmic trading is widespread in financial markets and ranges from simple "hard-coded" models to advanced systems driven by artificial intelligence (AI). These algorithms are used by various market participants, from pension funds to proprietary traders. They operate

on the basis of predefined rules and calculations, often with minimal human intervention. Currently, on most trading platforms, around 70% to 90% of the trading volume in shares and options is algorithmic (Figure 16), whereas this percentage is lower for more heterogeneous products such as bonds. Most retail investor trades passed through a broker are made manually. In many cases, brokers use algorithms to execute these orders. In the case of institutional investors, however, the majority of transactions are both placed and executed by algorithms. Technological advances, such as better availability of data and more computing power, are expected to further increase algorithmic trading.

Figure 16: The vast majority of transactions in shares and options involve algorithms on most Dutch trading platforms.



Source: AFM trade data.

AI-related techniques can increase the efficiency of capital markets, but also entail risks, potentially affecting financial stability. AI can contribute to more efficient capital allocation, higher trading volumes, more liquidity and faster processing of information in the price of shares. It can also improve risk management and thus reduce risks to financial stability. In addition, AI enables both market participants and regulators to better monitor financial markets. At the same time, the use of AI entails various risks, for example in terms of privacy, explainability of decisions and possible socially undesirable outcomes. The use of AI can also pose risks to financial stability. For example, research by BIS employees shows that the use of AI in capital markets, among other things, can increase the frequency of illiquid periods.[22] Furthermore, the speed with which AI processes (dis)information can lead to abrupt market movements, potentially resulting in flash crashes. AI can also increase homogeneity in markets, amplifying boom-bust cycles and market stress, while interactions between AI algorithms can create unforeseen dynamics that lead to larger and less predictable price swings.

Trading algorithms are becoming increasingly complex, which can make managing risk difficult. Although many algorithms still work with a limited number of fixed parameters, both the number of parameters and the use of (self-learning) AI techniques are increasing. Self-learning trading algorithms use AI methods to continuously improve their performance. This can make it more difficult to understand why an algorithm makes certain (trading) decisions. This lack of transparency complicates manageability and increases the likelihood that AI risks will materialise. Moreover, self-learning algorithms that maximise profit do not automatically follow the rules and, if left unchecked, can unintentionally violate regulations.[23] Financial institutions then no longer control the model risk in their company's risk management. The basis for managing (model) risks is that employees have a sufficient level of AI literacy, as also prescribed in the European AI Regulation, which came into force on 1 August 2024.

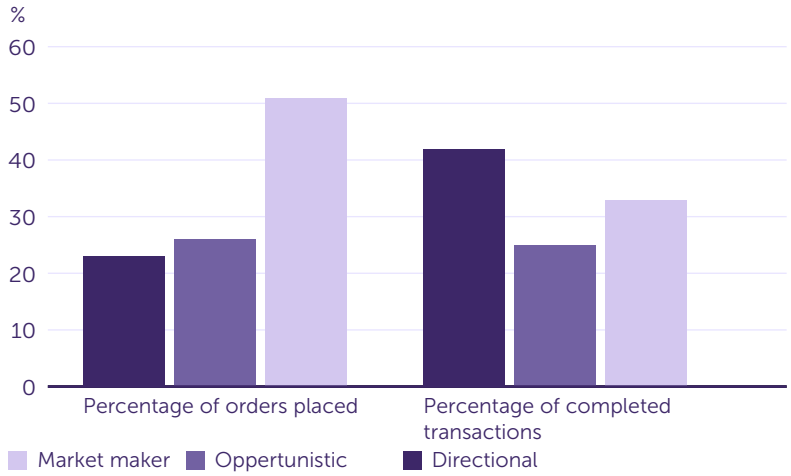
A deep understanding of AI is essential to keep up with rapid developments and mitigate AI risks, including from a financial stability perspective. In a recently published study[24], conducted in collaboration with universities, the AFM uses trading data to map the behaviour of trading algorithms. The study identifies three groups of algorithms: (i) *directional trading algorithms*, which try to predict where the price is going in order to take advantage of it, (ii) *opportunistic trading algorithms*, which extract attractively priced orders and (iii) *market maker trading algorithms*, which place both buy and sell orders to take advantage of the price differences between them. Algorithms that place orders do not always lead to actual transactions; a large proportion of them remain unexecuted or are withdrawn. Most orders are placed by market maker trading algorithms, while directional trading algorithms are most often involved in a trade (Figure 17). It is important for the AFM to understand which trading algorithms are active in the Dutch market, and what motivates them to make buy and sell decisions. These insights help, among other things, in detecting *market manipulation*, where understanding the motivations of algorithms is crucial. They are also important for monitoring financial stability, where insight into the behaviour of — and the balance between — different types of trading algorithms under different market conditions is important. In particular, *directional algorithms* can amplify price movements, possibly resulting in flash crashes. *Market maker algorithms* are important for providing liquidity, but in times of stress the question is to what extent these algorithms will continue to provide liquidity or withdraw from the market.

22 Aliyes, N., Aquilina, M., Rzayev, K., and Zhu, S. (2024). Through stormy seas: how fragile is liquidity across asset classes and time?.

23 See, for example, our publication on algorithmic collusion from AFM: Digitalisation is changing the financial sector; the housing market is not taking sufficient account of climate risks.

24 Álvaro Cartea, Samuel N Cohen, Robert Graumans, Saad Labyad, Leandro Sánchez-Betancourt, Leon van Veldhuijzen, Statistical Predictions of Trading Strategies in Electronic Markets, *Journal of Financial Econometrics*, Volume 23, Issue 2, 2025, nbae025, https://doi.org/10.1093/jjfinec/nbae025.

Figure 17: Most orders are placed by market maker trading algorithms, while directional trading algorithms are most often involved in a trade.



Source: Statistical Predictions of Trading Strategies in Electronic Markets | Journal of Financial Econometrics | Oxford Academic, Table 12.

3.5 Interconnected crypto-assets

Since President Trump's election victory, the crypto market has grown rapidly. Crypto investors are very optimistic about a more crypto-friendly environment due to the Trump administration's policies and the potential inclusion of bitcoin as a strategic reserve. Accountancy standards related to cryptos have been relaxed in the US, and several lawsuits filed by the SEC against crypto operators have been halted. In the week after President Trump's victory on 5 November, the price of bitcoin shot up by more than 30% (Figure 18). At the beginning of December, it even exceeded USD 100,000 per bitcoin. Other coins such as ether and memecoins such as DOGE also rose sharply in value. However, uncertainty about trade wars and associated higher interest rates have largely wiped out the gains made at the end of 2024. The bitcoin price peaked at around USD 105,000 but has already fallen. In addition, there was disappointment at the way in which the US intends to fill the strategic crypto reserve and a very large hack took place at the Bybit crypto exchange. These events show that the crypto market is just as much in tune with macroeconomic developments as other high-risk assets. In addition, crypto remains a highly volatile product and vulnerable to crime. Although the new US policy may provide a more crypto-friendly climate, the exact details remain uncertain. With the lack of strict regulations in the US, greater participation in the market by institutional operators may lead to a larger crypto market in the long run.

Due to the increased size of the crypto market and its connections to financial institutions, stability risks of crypto-assets may increase. This interconnectedness is increasing because, for example, investment firms offer crypto ETFs and banks are starting to offer crypto services such as custody. Net inflows into the spot bitcoin ETF IBIT have risen to more than EUR 40 billion since the beginning of 2024 (Figure 19). The investors in IBIT include many institutional operators. Furthermore, there are companies such as Strategy (originally a software company, listed on NASDAQ, formerly MicroStrategy) that buy large amounts of bitcoin and finance it by issuing convertible bonds, among other things. This strengthens the interaction between crypto-assets and regular financial products. Strategy now owns more than 500,000 bitcoins, which may also create a concentration risk. Volatility and persistently lower crypto prices can hit investors in convertible bonds through this operator. In addition, forced sales of bitcoin may consequently have a market impact. This example demonstrates the increasing interconnectedness and adds to the concern that a crash in the crypto sector could spill over into traditional financial institutions and markets. Finally, the complexity in the sector is increasing due to, among other things, the rehypothecation of cryptos (staking). This is not yet happening on a large scale, but if it increases, a failing crypto protocol could trigger a domino effect.

The crypto sector also remains vulnerable to digital crime. Earlier this year, North Korean hackers managed to steal USD 1.5 billion worth of ether from the crypto exchange Bybit. This was the largest ever crypto theft (measured in USD). It was perpetrated while the crypto coins were in a so-called 'cold wallet' (offline to prevent hacks). This

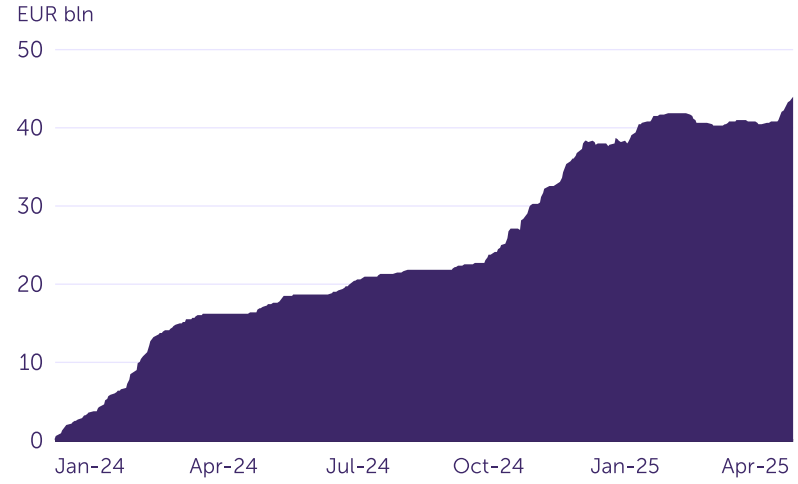
seriously dented the confidence of crypto investors, who tried *en masse* to liquidate their portfolios at Bybit. In total, approximately USD 6 billion was withdrawn from Bybit, more than a third of the total cryptos under management. With the help of emergency loans from other crypto companies, these withdrawals could eventually all be honoured and did not result in bankruptcy.

The new MiCAR regulations have been in force since 30 December 2024, as a result of which the AFM is receiving various licence applications. Bringing crypto-asset service providers under supervision, such as those involved in the custody and administration of crypto-assets, the operation of a crypto-asset trading platform and/or the exchange of crypto-assets for funds,[25] contributes to the maturation of this market. This gives the AFM more tools to supervise requirements in the field of asset segregation, the prevention of money laundering and the fair provision of information. In addition, unlicensed providers have been illegal since 30 December, enabling enforcement action to take place. However, this does not mitigate all risks. For example, crypto lending is not regulated as a MiCAR service and there are no product development requirements, which means there is less oversight of the cryptos themselves. In addition, crypto-assets remain high-risk products that are subject to strong price volatility.

Figure 18: Bitcoin and ether prices rebounded after Trump's election, but are now also sensitive to uncertainty.

Source: Macrobond.

Figure 19: More than EUR 40 billion net inflows into BlackRock's spot bitcoin ETF.



Source: Bloomberg.

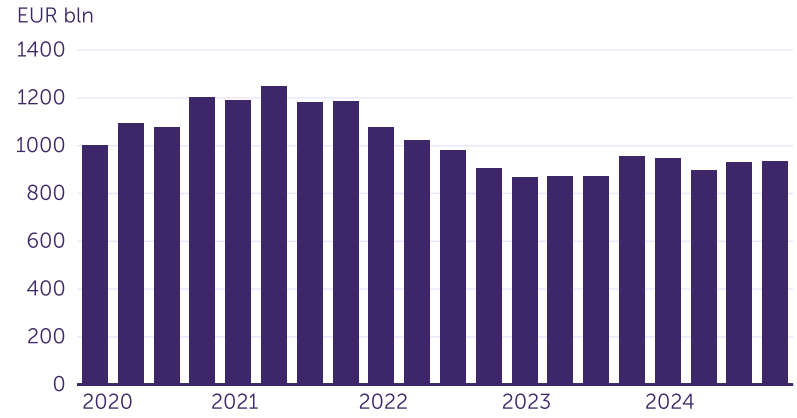
25 See also the AFM website for a more detailed explanation of crypto-asset services: Crypto companies.

4. Risks and trends in the asset management sector

4.1 General trends and developments

Geopolitical tensions add to the risk of simultaneous sharp adjustments in valuations of financial and real estate assets, potentially leading to procyclical outflows from funds. Changes in expectations for the economic growth path or the monetary policy path, due to geopolitical risks among other things, could lead to further declines in the financial markets. The high level of uncertainty that now prevails in financial markets may lead to investors reassessing the outlook or having to meet increased liquidity needs, and this may result in procyclical outflows from investment funds. Vulnerabilities in public finances could also translate into a revaluation of government bonds and thus contribute to outflows from bond funds. In 2024, the assets of Dutch investment funds decreased slightly compared to 2023, to approximately EUR 907 billion (Figure 20). The decline in the total value is mainly due to the relocation of funds from the Netherlands to other countries and the shift of assets from funds to segregated mandates. Since the announcement of the trade tariffs by the US, outflows from Dutch funds have remained relatively limited.

Figure 20: Total invested assets in Dutch alternative investment funds (AIFs) remained fairly stable in 2024.



Source: AIFMD-data.

Due to the ongoing uncertainty and relatively high valuations of US equities, US shares are still at risk of a market correction, mainly due to their high and concentrated holdings. Just under 50% of all equity investments in mutual funds are shares denominated in dollars. Pension funds had EUR 293 billion (about 19% of the total portfolio) in US non-financial companies at the end of 2024.[26] Moreover, if these assets are not hedged, they can pose exchange rate risks. Linked to this is the expectation that fund managers will reallocate their portfolios from US equities. A survey by Bank of America shows that many asset managers are looking to reduce their exposure to the US.[27] This could have major implications for valuations of US equities (potentially lower) and valuations of equities from other regions. Changes in valuations can result in increased outflows from investment funds.

The use of AI is also playing an increasing role in the asset management sector. Although the implementation of AI in business operations is still in its early stages, it is expected to increase in the coming years. AI applications offer advantages in areas such as risk management, decision-making and personalised services. However, it may increase operational risks and lead to greater dependence on third parties. Due to a lack of data and reports, there is little insight into the precise risks borne by asset managers. The AFM is therefore conducting an exploratory investigation into this. Research by ESMA already shows that fund managers rarely publish anything in official documents about their use of AI.[28] The number of funds that do so has increased in recent years, but this increase seems to be levelling off. Moreover, the assets in the funds that claim to use AI amount to only EUR 13 billion, 0.1% of the total assets in UCITS.[29]

4.2 Liquidity risks

Liquidity risks in investment funds can contribute to stability risks, with liquidity mismatches in particular liable to amplify adverse market dynamics. A liquidity mismatch occurs when investor liquidity (the time in which investors can withdraw a certain amount) is greater than portfolio liquidity (the time in which a certain amount of assets can be liquidated). In that case, investors may withdraw faster than assets can be liquidated. The liquidity mismatch in Dutch investment funds remained stable in 2024. The total short-term mismatch (<7 days) is approximately EUR 6 billion and in the longer term (181-365 days) approximately EUR 17 billion. This means that if all investors who can exit in the short term make that request, funds will have a deficit of EUR 6 billion if all assets that can be sold in the short term are sold. As a percentage of the total NAV of more than EUR 1,500 billion, the mismatch is relatively small and the risks to financial stability are therefore limited. The risk from the liquidity mismatch is relevant in the case of individual funds.

Liquidity risks must be well managed. Liquidity risks are partly mitigated by the investor base, which in the case of Dutch funds consists mainly of professional investors, and the availability of liquidity management instruments (LMTs) (e.g. suspensions and anti-dilution instruments). Both the redemption conditions and the available LMTs must be balanced and appropriate for the investment policy. Next year, AIFMD II will come into force in the Netherlands, including new requirements for liquidity management and LMTs. Market-wide shocks in recent years and current economic and geopolitical risks highlight the importance of being well prepared for unexpected events. Conducting regular liquidity stress tests helps with this and reduces risks. The results of the stress tests should also be used to test the selection and calibration of LMTs.

26 DNB (2025). Dutch pension funds invest heavily in US companies | De Nederlandsche Bank.

27 Bloomberg (2025). Investors Haven't Been This Bearish in 30 Years, BofA Poll Shows - Bloomberg.

28 ESMA (2024). ESMA50-43599798-9923 TRV Article - Artificial intelligence in EU investment funds: adoption, strategies and portfolio exposures.

29 Undertakings for Collective Investment in Transferable Securities.

An investigation by the AFM into stress test policy shows that fund managers largely carry out the stress tests in line with the European guidelines.[30] There are a few areas where the guidelines have not yet been fully implemented by all managers. For example, not all managers use both historical and hypothetical scenarios for their liquidity stress tests. If managers only use historical scenarios, they may not have a clear picture of future, more severe stress scenarios. Especially in these times of great political uncertainty, the likelihood of tail risks is increasing and it is important to take unexpected scenarios into account. In addition, it is also wise to make more use of reverse stress tests to identify the limits of the funds. Finally, not all managers take into account risk factors such as the type of investor and the concentration of investors when applying scenarios on the liability side, i.e. the obligations towards the investor.

It is also important for pension funds to carry out stress tests which also examine the extent to which they can meet margin calls. Last year, the AFM and DNB reported in their joint investigation that stress tests show that Dutch pension funds can meet margin calls on derivatives, but are dependent on well-functioning money markets.[31] Recent interest rate rises in response to the announcement concerning German debt financing (see 2.1) have also shown this. The rapid rise in German interest rates resulted in large margin calls for pension funds, which nevertheless had sufficient liquid assets to meet them. This change in interest rates was less severe than the interest rate scenario applied by the AFM and DNB in their stress test and the limited impact on the repo market was therefore to be expected. The events of March 2020 have shown the important role that Dutch pension funds play in the dynamics of the financial markets and potential systemic risks. During this period, market developments led to significant fluctuations in the variation margin (VM), with volumes estimated to be close to EUR 50 billion between 11 March and 23 March 2020. It is notable that during this period of stress within the eurozone more than 90% of these VMs were placed by Dutch insurance companies and pension funds.[32]

The transition to a new pension system is prompting concerns about the settlement of derivative positions in transition. In order to limit the negative effects of interest rate changes on funding ratios in the run-up to the transition, Dutch pension funds have significantly increased their average interest rate protection to more than 70%.[33] However, the upcoming transition for Dutch pension funds will entail changes in interest rate risk hedging strategies, which may affect the liquidity and stability of the market. In the transition to the new system, many pension funds plan to reduce their strategic interest rate hedges, which will reduce their dependence on derivatives after the transition date. The market is expressing concern about the coincidence of this adjustment of the interest rate hedge and the limited liquidity that is available in the market because pension funds do not want to adjust their investment portfolio before conversion, particularly since most pension funds plan to make the transition on 1 January 2026 or 2027. There are concerns that the market will be confronted with the simultaneous sale of long-term interest rate swaps and German and Dutch government bonds around the transition date in 2026 and 2027 if pension funds simultaneously want to dispose of the assets to be sold in a short period of time. If they take more time for this, the risks to market functioning appear limited.[34]

30 AFM (2024). Asset managers have adequate liquidity stress tests policies in place.

31 AFM (2024). AFM highlights resilience of financial sector in rapidly changing environment and AFM (2024). Dutch pension funds can meet margin calls on derivatives, but depend on functioning money markets.

32 ECB (2020). Interconnectedness of derivatives markets and money market funds through insurance corporations and pension funds.

33 IPE (2024). Dutch pension funds increase interest rate hedge above 70%.

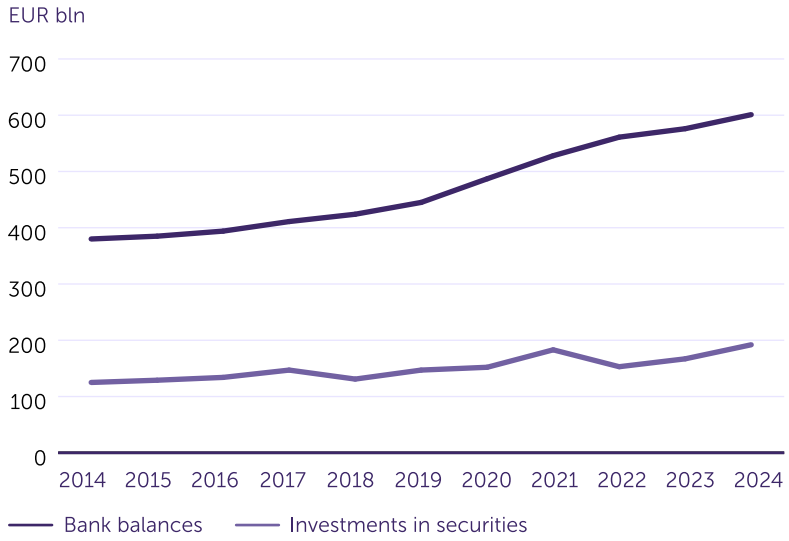
34 PensioenPro (2025). 'Markt kan verkoopgolf swaps rond transitiedatum niet aan' | Pensioen Pro.

5. Risks for clients of financial institutions

5.1 Retail investments

Although investments by Dutch households reached a record size in 2024, there are still a lot of savings held in banks. At the end of 2024, investments amounted to EUR 192 billion (Figure 21), compared to more than EUR 600 billion in bank balances. 10 years ago, households held EUR 129 billion in investments and EUR 385 billion in bank balances, which is about the same ratio. It must be said that households still have a lot of assets with pension funds and insurers, which are also invested.

Figure 21: Bank balances and investments of Dutch households are increasing. Growth is mainly in bank balances.



Source: DNB.

Social media have become a channel for some investors to obtain information about investing. They meet a need because this is an accessible and approachable way to obtain information compared to traditional channels. There are associated risks, especially if content creators have little or no experience in the investment world. Young people are particularly sensitive to this and may not be able to properly assess the reliability of the information. However, the AFM Consumer Monitor shows that only a small proportion of consumers are affected. Less than 5% of investors indicate that finfluencers had a major role in their decision to invest and only 5% indicate that they use information from finfluencers in buying and selling decisions. In recent years, the AFM has paid a great deal of attention to this relatively new development. For example, it has conducted an investigation into the behaviour of finfluencers, pointed out the applicable laws and regulations, and carried out a number of enforcement processes.

Market turmoil and sharp price declines, such as those seen at the beginning of April, can lead to panic among investors, but some investors considered it a good time to enter the market. These investors assume that, after a sharp decline, stock prices are cheap and will eventually rise again (buy-the-dip). This can be risky, however, because markets may fall sharply again before they rise. Many retail investors were already invested in US equities at the end of March, before the sharp price declines resulting from the announcement of trade tariffs.[35]

35 FT (25 March 2025). Retail traders plough $67bn into US stocks while investment giants flee.

5.2 Buy-now-pay-later

Consumers increasingly see buy-now-pay-later (BNPL) as an option for online purchases.[36] This enables them to postpone the payment of their purchase for two weeks or a month, or to pay in instalments. Many customers indicate that they use this to make sure that the product is in proper condition and does not need to be returned. However, there is also a proportion of consumers (16%) who use this service to be able to choose the time of payment themselves or even because they do not have enough money in their account at the time of purchase (7%). The risk for consumers is that they become over-indebted and therefore get into financial difficulty. Another factor is that minors, who are less able to make informed financial decisions, often take advantage of this by circumventing age checks. For example, research shows that in 2023 almost 600,000 iDeal transactions were carried out in the name of minors who can be linked to BNPL providers.[37]

Regulation from Europe is not yet in force in this area. Provided that it is repaid at insignificant cost and within three months, BNPL is exempt from consumer credit legislation for the time being. Many strict requirements regarding lending therefore do not yet apply to BNPL providers. In addition, BNPL lenders are often not affiliated with the Dutch National Credit Register (BKR), which means they have no insight into existing consumer credit. The European Commission has already proposed a bill to regulate BNPL within the Consumer Credit Directive (CCD), and a consultation is currently underway. The regulation on BNPL is not expected to come into force until 2026. The bill also contains rules to verify the age of the customer.

Plans to introduce BNPL in brick-and-mortar stores could amplify risks for consumers. One of the BNPL providers plans to offer BNPL in physical stores, so other providers may follow suit. It was previously established that this cannot yet be prohibited. This development will further increase the risks associated with BNPL. The ease with which BNPL payments can be made also leads to debt habituation that may make consumers financially vulnerable. The AFM Consumer Monitor shows that almost a third of consumers do not consider post-payment to amount to incurring debt.[38]

5.3 Housing market

House prices have risen further in the past year. In March, house prices were on average 10.6% higher than a year earlier. The number of transactions has also increased. In the first three months of 2025, more than 51,000 homes were sold, almost 16% more than a year earlier. In particular, the persistent shortage in the housing market, high demand and lagging supply are causing prices to rise rapidly. In addition, rising wages and falling interest rates are enabling households to borrow more, leading to an increase in bidding activity. House prices in the Netherlands have also risen sharply compared to many other EU countries (Figure 22). This shortage is also reflected in the extent of overbidding for homes. According to the Dutch Association of Real Estate Agents (NVM), 71% of transactions took place above the asking price in 2024Q4. This is significantly higher than at the end of 2023, when outbidding took place in 53% of transactions.

At the same time, housing affordability has deteriorated, although it seems to be stabilising. This is because the maximum borrowing capacity has risen less rapidly than house prices in recent years.[39] The interest rate on the existing mortgage portfolio has also increased, so that homeowners are now spending more on their mortgage payments on average. Interest rates on new mortgages will have fallen slightly in 2024, although these rates are higher than for current mortgages (Figure 23). It is therefore especially difficult for first-time buyers to purchase a home. First-time buyers also spend a relatively large part of their disposable income on mortgage payments. According to ING, this was about 30% at the end of last year, while the

36 AFM (2022). Buy-now-pay-later.

37 AFM (2024). Action needed to stop minors from using Buy Now, Pay Later.

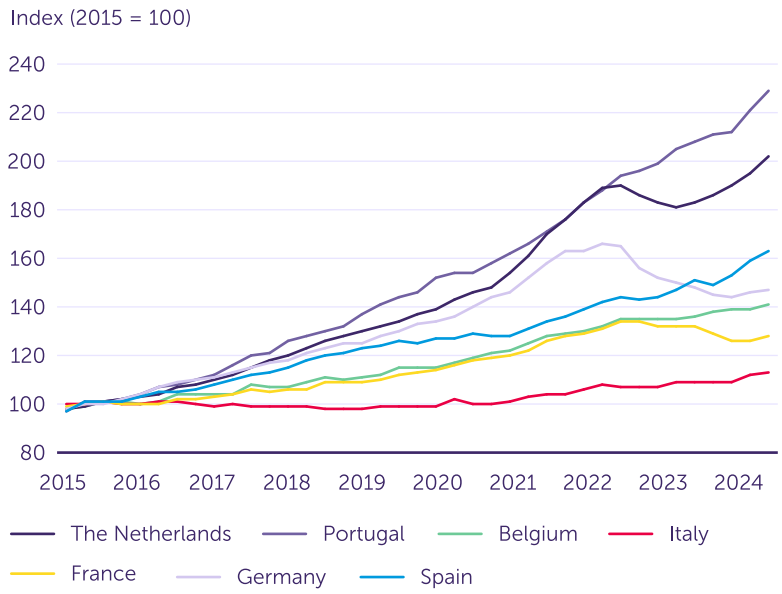
38 AFM (2024). Consumentenmonitor Krediet.

39 DNB (2025). Housing market | De Nederlandsche Bank | De Nederlandsche Bank.

average is around 23%.[40] Moreover, the loan-to-income (LTI) for new mortgages for first-time buyers is often significantly higher than for those trading up.

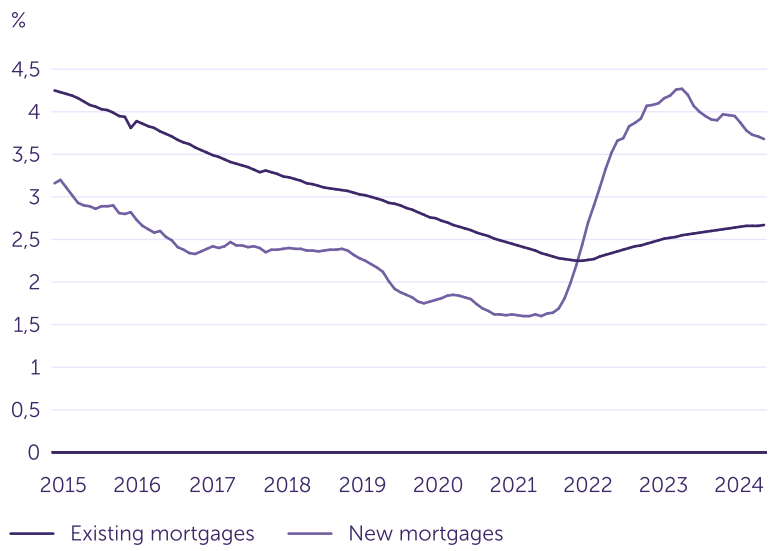
High mortgage debts can increase household vulnerabilities. Although the total mortgage debt of Dutch households has increased in recent years, it has actually decreased as a percentage of GDP. Excessive debt can lead to households no longer being able to pay their expenses. Until now, this risk has been relatively limited because mortgage interest rates are usually fixed for 10 years or longer. An interest rate rise "therefore" does not directly lead to higher costs for most households. Moreover, the higher interest rate is still low from a historical point of view. The interest rate on existing mortgages has risen from 2.5% to 2.66% since last year. The share of households that are struggling to make ends meet is also declining, according to Nibud, although vulnerable groups remain.[41] It is also true that households often prioritise the payment of rent and mortgage payments. In the event of financial problems, the payment arrears are therefore more likely to increase in other accounts.

Figure 22: House prices are rising relatively fast in the Netherlands (index, 2015=100).



Source: Eurostat.

Figure 23: Average bank mortgage rates on current mortgages are slowly rising, while average interest rates on new mortgages are falling.



Source: DNB.

40 ING (2025). Betaalbaarheid koopwoning voor starters historisch slecht.

41 Nibud (2024). Rapport Geldzaken in de praktijk (2024) - Nibud.

The policies and behaviour of lenders, advisers and appraisers must prevent the housing market from overheating further. In any case, lending standards should not be relaxed, because this would lead to higher risks for households if they were to borrow more relative to their income and the value of their home. Targeted tax policy can also help to temper borrowing behaviour and thus ease house prices instead of stimulating them. In addition, appraisers have an important role in the independent valuation of homes. The appraisals also determine the amount that buyers can borrow. It is therefore important that valuations are carried out independently and not based solely on the purchase price. This is especially important now that the extent of overbidding has increased sharply. To gain more insight into the quality of appraisals, it would be good to have further research done on this, for example by the Dutch Register of Real Estate Appraisers (NRVT). Furthermore, it is useful for buyers if the bidding process is transparent. A bid log that gives buyers insight into the bids that have been made contributes to this.

Climate risks must be taken into account when valuing homes.[42] In the current market, it has become normal to place bids without any reservation concerning financing and a technical inspection, in order to have a better chance of a winning bid. The disadvantage of this is that structural risks may not be sufficiently included in the bids and that households may pay too much. The risk of foundation damage, for example, may therefore not be properly included in the price. Research has shown that this risk is increasingly likely to materialise in the coming years. Consumers are often unaware of this risk. The AFM's Consumer Monitor shows that about half of respondents do not know on which type of foundation their home is built.[43] Foundation damage can have a significant financial impact and is uninsurable. It is therefore very important that homeowners ensure they are informed about this in a timely manner.

42 AFM (2023). Wees je bewust van risico's van extreem weer voor je koopwoning.

43 AFM (2025). Woningeigenaren vaak onbekend met zelf betalen van funderingsschade.