

## MEDIA RELEASE



IOSCO/MR/15/2018

30 May 2018

### **Use of behavioural insights may help educate investors, say IOSCO/OECD**

Financial regulators, public authorities, and other organisations are increasingly using behavioural insights to educate investors to make more informed financial decisions, according to a report published today by the International Organization of Securities Commissions (IOSCO) and the Organisation for Economic Co-operation and Development's International Network on Financial Education (OECD/INFE).

The accelerated growth of new and innovative technologies, an excessive amount of available financial information, and increasingly sophisticated financial products make it progressively more difficult for retail investors to navigate today's complex financial markets. Although many organisations offer education and financial literacy programs, investors often fail to make rational financial choices because of their own cognitive, social and psychological biases—all of which can act as barriers to sound financial decision making.

The IOSCO-OECD report, [\*The Application of Behavioural Insights to Financial Literacy and Investor Education Programmes and Initiatives\*](#), examines how findings from behavioural sciences can be used to develop investor education and financial literacy initiatives that may be more effective than traditional programs, largely by mitigating the effects of behavioural biases. Behavioural sciences focus on the way individuals think and behave, based on empirical evidence from a range of social sciences, such as economics, psychology, and social marketing, as well as from other fields like neuroscience.

The report draws on an extensive literature review of strategies that use behavioural insights to help break down the barriers to satisfactory or rational decision making and nudge consumers towards better

## MEDIA RELEASE



financial planning and investment. The report also builds on the input from more than 80 IOSCO and OECD/INFE member institutions and includes a wide variety of practical applications of behavioural insights, ranging from “debiasing” applications for educational purposes (e.g. online comparison and simulation tools) to the development of campaigns and targeted messaging.

The report also provides various approaches for regulators, policy-makers, and practitioners to choose from when considering whether and how to apply behavioural insights. These approaches include such things as: gaining a full understanding of the problem that consumers or investors face before designing a solution; taking the context of financial decision making into account; conducting small-scale pilot and field tests before implementing and scaling up initiatives; evaluating outcomes rigorously; sharing knowledge and experiences within organisations and with stakeholders and keeping track of this information; preparing the groundwork within organisations before starting to consider behavioural insights; combining traditional approaches and behavioural insights; and reviewing programs and initiatives regularly.

The IOSCO-OECD report highlights the effectiveness of conducting evaluations against a control group (e.g. randomised controlled trials) to gauge the impact of different initiatives on investors’ behavioural responses and to learn and build on those experiences.

### NOTES TO THE EDITORS

#### About IOSCO

1. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
2. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 34 securities regulators. Mr. Ashley Alder, the Chief Executive Officer of the Securities and Futures Commission (SFC) of Hong Kong, is the Chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, China, Egypt, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Kenya, Korea, Kuwait, Malaysia, Mexico, the Netherlands (observer), Ontario, Pakistan, Panama, Portugal, Quebec, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, the United Arab Emirates, the United Kingdom, and the United States of

## MEDIA RELEASE



America. The European Securities and Markets Authority (ESMA) and the Chair of IOSCO's Affiliate Members Consultative Committee are also observers.

3. The Growth and Emerging Markets (GEM) Committee is the largest committee within IOSCO, representing close to 80 per cent of the IOSCO membership, including 11 of the G20 members.

Mr. Ranjit Ajit Singh, Chairman of the Securities Commission Malaysia and Vice Chair of the IOSCO Board, is the Chair of the GEM Committee. The Committee brings members from growth and emerging markets together and communicates members' views and facilitates their contribution across IOSCO and at other global regulatory discussions. The GEM Committee's strategic priorities are focused, among others, on risks and vulnerabilities assessments, policy and development work affecting emerging markets, and regulatory capacity building.

4. IOSCO aims through its permanent structures:

- to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;
- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and
- to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

### **About the OECD**

The OECD is a forum in which governments compare and exchange policy experiences, identify good practices in light of emerging challenges, and promote decisions and recommendations to produce better policies for better lives. The OECD's mission is to promote policies that improve the economic and social well-being of people around the world.

### **About the OECD International Network on Financial Education (INFE)**

OECD governments officially recognised the importance of financial literacy in 2002 with the launch of a unique and comprehensive project. In 2008 the project was further enhanced through the creation of an International Network on Financial Education. The OECD/INFE has high-level membership

## MEDIA RELEASE



from over 240 public institutions – including central banks, financial regulators and supervisors, ministries of finance and ministries of education - in around 120 countries.

OECD/INFE promotes and facilitates international co-operation between policy makers and other stakeholders on financial education issues worldwide and supports policy implementation. Members meet twice a year to share country and member experiences, collect evidence, discuss strategic priorities and research, to develop policy responses and standards.

[www.financial-education.org](http://www.financial-education.org)

### MEDIA ENQUIRIES

Carlta Vitzthum

Outside office hours

Email:

Website:

Follow IOSCO on [Twitter here](#)

+ 34 91 787 0419

+ 34 697 449 639

[carlta@iosco.org](mailto:carlta@iosco.org)

[www.iosco.org](http://www.iosco.org)