Investor education initiatives relating to investment services. March 2013.

IOSCO Board has published, the 25 of February, a report on investor education relating to investment services based on a fact-finding survey carried out on Committee 3 members. This descriptive report sets out the results of this survey and its purpose is to provide IOSCO members and the public in general with an overview of the different approaches supervisory authorities are taking to educate retail investors on issues relevant to investments in financial products that are distributed by intermediaries.
1. Scope of supervisory authorities on investor education.

Most of the supervisory authorities consider investor education to play an essential role in achieving investor protection. In some of these jurisdictions, financial education is one of the statutory objectives of the supervisory authorities and they place units or departments within their organisation charged with investor education function that, frequently, develop issuing guidelines (brochures) with information useful for the investment decision process, or strategy paper/plans generally publicly available on web pages, although some jurisdictions limit their own investor initiatives to the issuance of investor alerts. Other jurisdictions have opted for the establishment of separate independent investor education bodies promoted jointly by different supervisory authorities together with different Ministries (justice, education, finance, labour etc) for the adoption of investor education initiatives. One jurisdiction has created a separate investor education fund that is funded from fines and settlement charges imposed by the supervisory authority.

Many authorities provide information for investors on their websites about investment services and specific financial instruments, and some authorities complement online information about specific complex instruments with case studios that illustrate, based on specific examples, how investors might lose their investments, thereby translating otherwise theoretical risks into realistic scenarios. Also, some authorities make use of online tests and quizzes for investors on subjects such as scam potential or on general information about investments and securities. Such tests are found to be popular with investors as they offer a more informal approach to financial matters.

2. Targets, contest and form of investor education activities.

Many authorities target public in general as well as the retail investors specifically. A widely followed approach is to divide the population into target groups, each with a different risk profile and varying levels of financial knowledge. This approach helps to target investor education measures and make them more effective. Some authorities identify, within their monitoring activities, which target groups are most in need of investor education. The target groups significantly used are: children in secondary education, wage earners, executives, middle-income, retirees and advanced investors. The inclusion of some form of financial literacy or personal finance education in the classroom has been the focus of significant work in several jurisdictions.

In addition to using conventional tools in their investor education initiatives, such as written information, conferences and websites, some authorities employ more innovative tools such as TV campaigns or social marketing.

3. Investment firm industry activities.

In many jurisdictions, industry associations, self regulatory organisations and investment firms undertake investor education activities as a result of their corporate social responsibility agenda. Some of this initiatives are, for example, websites that serve the needs of adult investors, stock market simulation games for students, presentations and seminars, guidelines etc. Concretely, games simulating the experience of purchasing, holding and selling financial instruments over a certain period of time often targeted at students to give them first-hand experience in the field of investment services.

These private initiatives cannot substitute measures taken by the supervisory authority and there is no assurance that an industry association will be completely impartial or will provide all the relevant information needed by investors. Measures undertaken by the industry, may, however, be useful tools to supplement other investor education initiatives. Generally, this measures are not governed by statutory guidelines but rather are performed on a voluntary basis. Supervisory authorities, in general, do not directly oversee the initiatives undertaken by the industry.

4. Methods to assess the efficiency and effectiveness of investor education measures..

Some supervisory authorities have sought to assess the effectiveness and efficiency of investor education measures, however, most of these authorities have not established a formal evaluation process to examine the results of such measures because finding the appropriate measurement tools has proved to be difficult. In order to try a measurement, authorities´s assessments commonly are carried out with the help of surveys, quantitative measures (keeping track of the number of brochures distributed to the public, or the number of connections to a website) and through comparisons of the different financial literacy measures available within in a jurisdiction. One authority is currently developing a financial literacy index to assess the impact of financial education initiatives and, at the same time, others are considering the feasibility of a partnership with various industry sectors (newspapers and other media) to promote and distribute educational tools.

5. Other public authorities/institutions or private organizations charged with educational tasks.

Investor education initiatives are, in most jurisdictions, offered by a range of public or private stakeholders and entities from economic areas connected, besides the initiatives provided by supervisory authorities, central banks or the investment firms industry. In some jurisdictions, supervisory authorities are involved in the investor education programs of these other stakeholders and, generally, coordination between them takes place, at the least, on a sporadic basis. Two different approaches can be detected to organise coordination among public and private entities charged with educational tasks: first, a separate institution that coordinates all the different initiatives within a jurisdiction and is, often, headed by members of the supervisory authorities or ministries concerned and, second, without coordinating entity relying instead on formal and informal coordination between the different entities providing investor education initiatives.

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