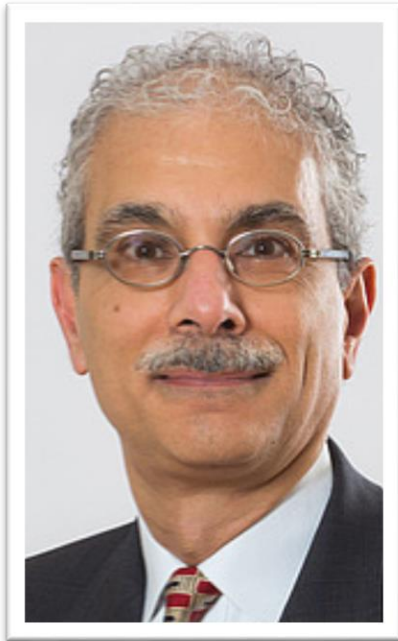


Investor inclusion, protection and education, vision of IOSCO¹



Paul Andrews, Secretary General of the International Organisation of Securities Commissions (IOSCO)

1. Why is IOSCO embarked in the project of World Investor Week?

The basic idea is to organize meetings where all stakeholders, regulators, practitioners, investors, come together to debate the issues of investor inclusion, protection and education and or to launch initiatives to develop those issues further.

It is crucial to define the role of the regulators in the promotion of the World Investor Week. At IOSCO we consider that as a part of our core mission statement. This year 75 countries participate. This illustrates a big interest for the key theme of this year “What is a smart investor?”. The idea is to be so concrete as possible. It is a long process which will not be accomplished in one week, or one month or one year. But we do have no choice.

¹ Report written by Frank Lierman, Chairman Editorial board Revue bancaire et financière/Bank- en Financieuzen.



Nine elements are crucial:

- The counter party is he licensed to advise and to sell financial products? The regulator has to survey critically the whole process of attribution of a license.
- The research in the product: to what extent is it suitable for the goal of the investor?
- The structure of the fees is critical because the impact on the expected return is not negligible.
- The risk of the product: is it appropriate for me as investor?
- The “to get rich quick” schemes and the “can’t fail investments” schemes. It is clear that this is too good to be credible. Nevertheless, many investors still fall for such schemes.
- The power of compound interest. It is in fact not so difficult to understand the mechanism if the explanation is given in an appropriate way.
- The diversification of investments is crucial taking into account the different stages of life to which various goals are linked: some examples are buying a house, divorce, education of children, retirement, ...
- The focus on the future implies not to look on the short term
- The power to do regular and long-term investments. If you invest 10 euro each month, which means you invest in all cycles, reflects a sustainable attitude and contributes to a decent performance over time.

During the first week of October 2017 we note following activities among many others, expressing the creativity of organisations and a variety of approaches:

- In Palestine: the trading market simulation
- In Caribbean area: videogame with financial products for young people to compete with each other
- In Italy: info meetings and seminars in schools and universities
- In Kenya: radio campaign.

Of course, the challenge is to assess the results once the World Investor Week is finished. How to leverage on what other have done? What was successful? What didn’t work? The IOSCO board is meeting in the coming weeks to evaluate the obtained results and to formulate proposals for further developments.

2. Investor education and protection at IOSCO

IOSCO considers it as a critical tool which is complementary to regulation, supervision and enforcement. It is described as a core mission which can be split up into five domains:

- The explicit view on investor protection and education
- The resilience of capital markets
- The data privacy and information sharing
- The financial innovation
- The development of capital markets.



The role of capital markets is growing which makes it more difficult to provide a social safety net for investors. Governments do have a difficult time and are only focussing on basic needs, so the markets themselves have to increase credibility and to build up confidence, knowing it is the oil in the machine. At IOSCO we concentrate our efforts on mainly three major developments beside other ones:

- The ageing of the population, which is a worldwide phenomenon. We observe increased cognitive impairment. Elder people are not aware of the risks they face with their investments. We hope to gather some ideas about how regulators could deal with it. A report is expected before the end of 2017.
- The behavioural economics which influences not only investors, but also the regulators. How can the regulation take into account this challenge? A joint report of IOSCO and OECD could be ready early 2018. The joint efforts should increase the power of the proposals.
- The over the counter leveraged retail products such as binary options, forex transactions, which are increasingly sold to investors. We like to formulate a policy response in order to increase protection and education of those vulnerable investors. In fact those products are not suitable for retail clients. The report should be ready by mid-2018. IOSCO welcomes the banning of most of those products by the FSMA in Belgium.

3. The future development of financial innovation

It is difficult to predict the future but we must recognise that new products and services will be launched constantly. The speed of innovation is huge. Retail investors are overwhelmed by this development. We speak now of fin tech, sup tech, reg tech in order to underline the enormous underlying dynamics. We are not against innovation but the question is how to balance that with the explicit need of education and protection of investors. We are convinced that investors in emerging markets are extremely vulnerable, due to the fact that digital finance is introduced in an environment without decent infrastructure built up since many years.

At the same time we must question ourselves how to interact with the millennials, who are the next generation of investors, in order to give them the choice and freedom to do experiments. They are confident with technology much more than we are. They have other expectations. In fact, age is not a crucial factor in the debate. The degree of their technological skills will become much more decisive.

Besides this focus on financial innovation we are also looking to

- The general framework of financial technology via the preparation of a research paper in which an inventory of all recent developments are handled. The paper should be ready in February 2018;
- The general framework of regulatory technology also via a research report in order to discover how the regulators can improve their job;
- Cyber security;
- Crypto currencies;
- Initial coin offerings;
- Artificial intelligence.



All big and difficult issues. As global market regulators we have to tackle them. They represent a huge opportunity. Working together enhances innovation. We have to address the complexities that exist. We must help to improve the investors' choices. In fact, that contributes to an overall well-being.