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**Securities & Exchange Organization**

**PROTECT INVESTORS THROUGH FINANCIAL  
LITERACY IN SECURITIES MARKETS**

Meysam Hamedi

October 2016



## Outline of the presentation:

- Participants of the Survey;
- International Organizations for Financial literacy
- IOSCO Objectives and review;
- What the task force has done;
- The survey findings;
- What should be done in future.



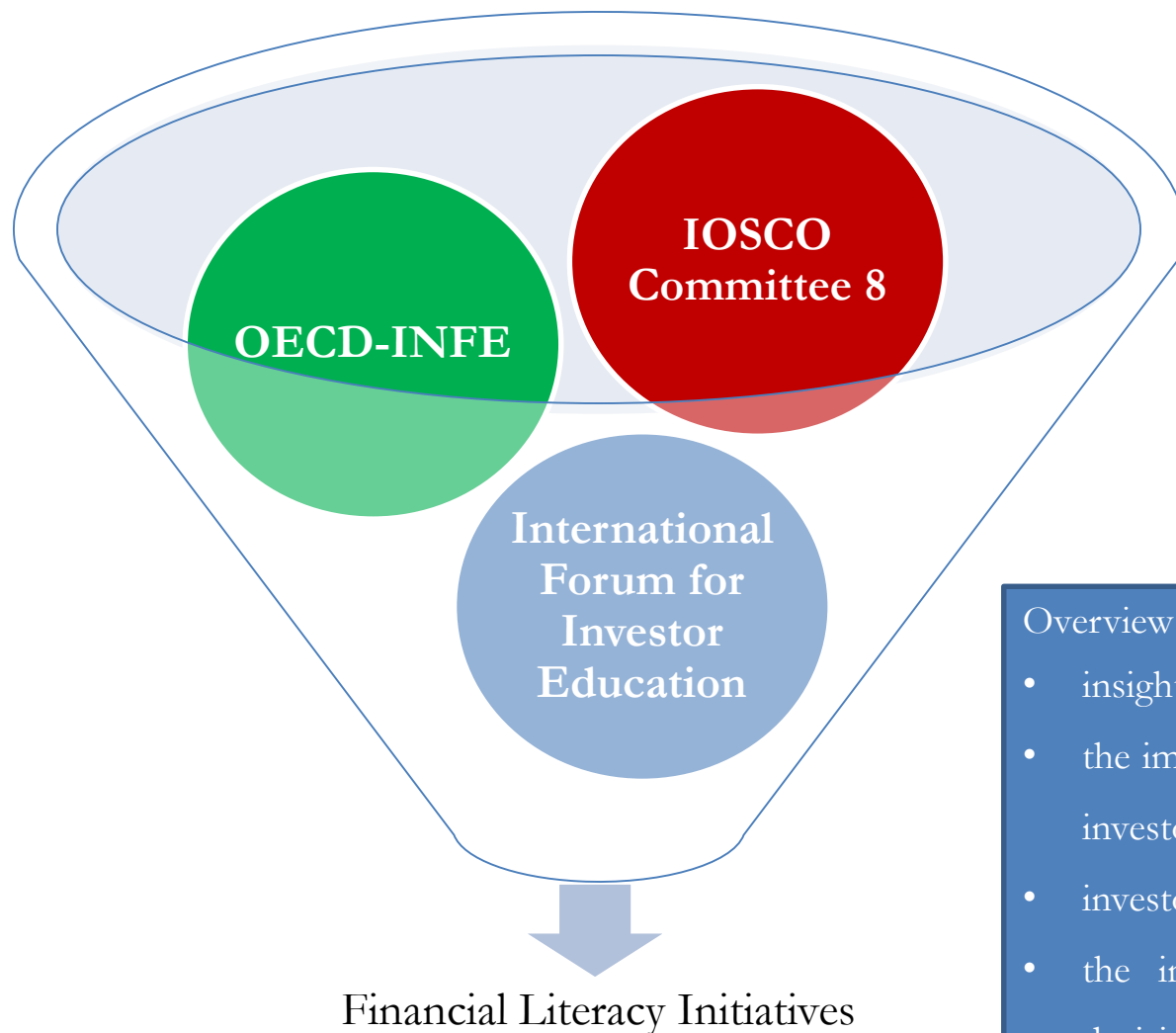
## Participants of the survey

- United Arab Emirates;
- Islamic Republic of Iran;
- The Hashemite Kingdom of Jordan;
- State of Kuwait;
- Malaysia;
- Republic of Maldives;
- State of Palestine;
- Islamic Republic of Pakistan;
- Republic of Turkey;

# International Organizations for Financial literacy



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Overview of IOSCO 2016 Committee 8 Meeting:

- insights from behavioral economics
- the implications of new financial technologies for investor education
- investor engagement and emerging risks
- the impact of cognitive decline on financial decision-making by seniors.



# IOSCO Objectives

The protection of investors

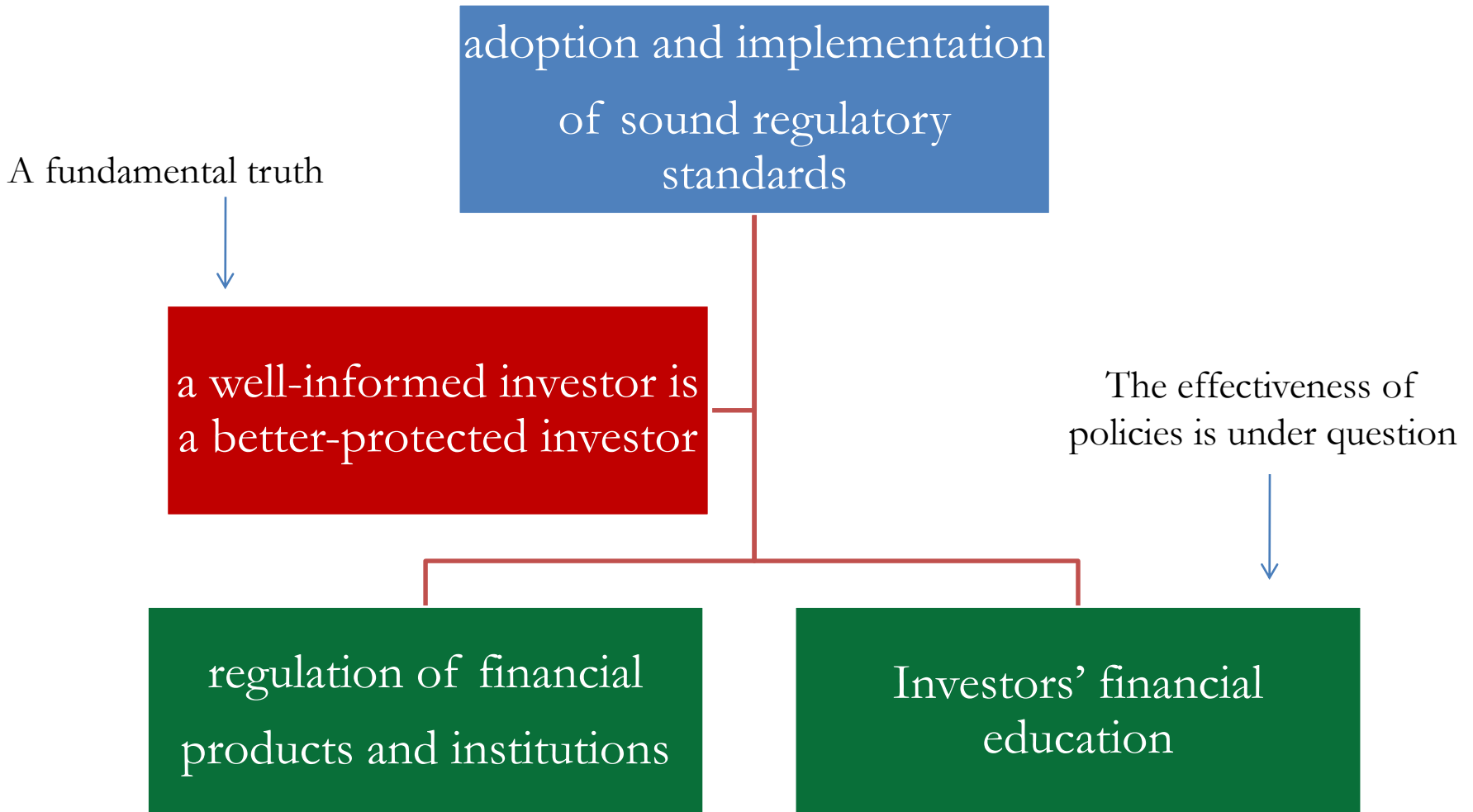
Ensuring that markets are fair,  
efficient and transparent

The reduction of systemic risk.

# The Context of IOSCO Objectives & Principles



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# The Task Force Initiatives

In order to make financial literacy policies effective, Financial Literacy Improvement Principles were issued in 2015

principles' current status was assessed among member countries



# The Survey findings





## Regulators should play an active role in the education of investors and other market participants

All respondents consider financial literacy as an important concept

All respondents believe authorities are aware about the importance of financial literacy

All members believe regulators play active role in financial literacy context



# Practices Among Member Countries



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# Practices Among Member Countries



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OCT 2016  
**22**  
EVENT: InvestSmart Stock Market Seminar  
VENUE: Hilton Kuching Hotel, Sarawak

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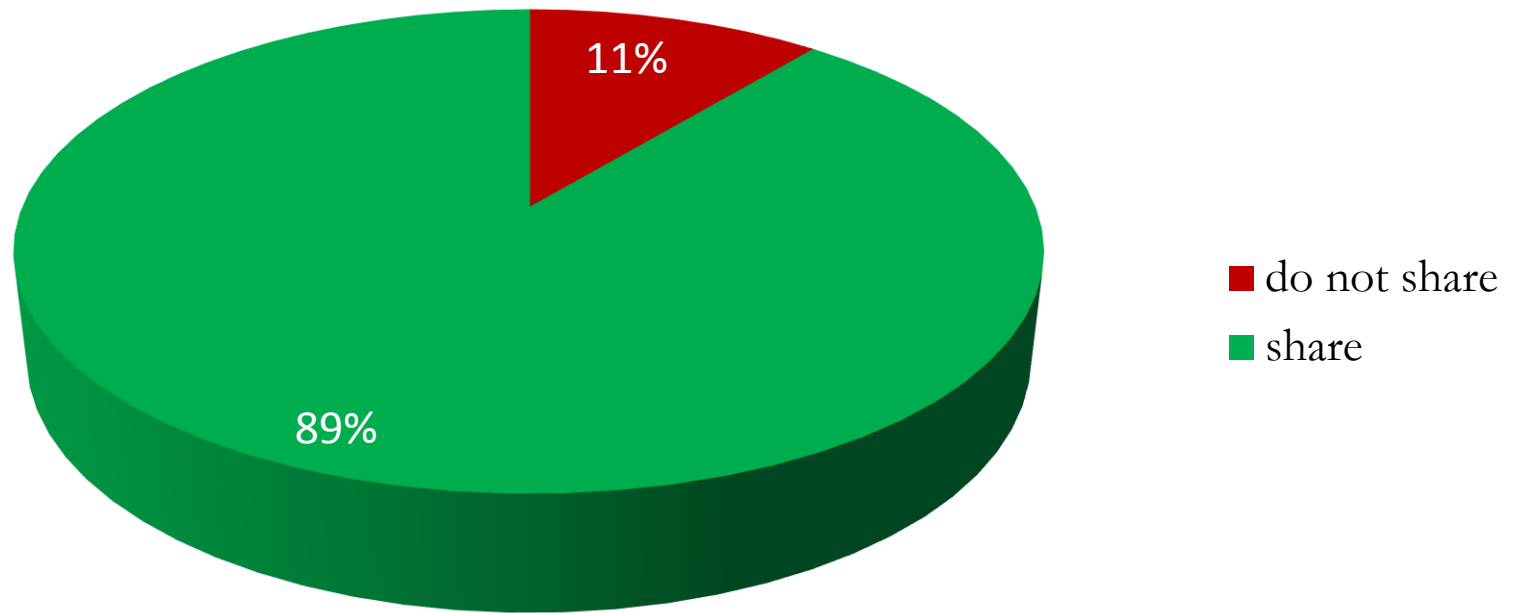
[www.investsmart.my](http://www.investsmart.my)

# Regulators should adopt an approach to motivate participation of other practitioners in securities market



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sharing initiatives with stakeholders



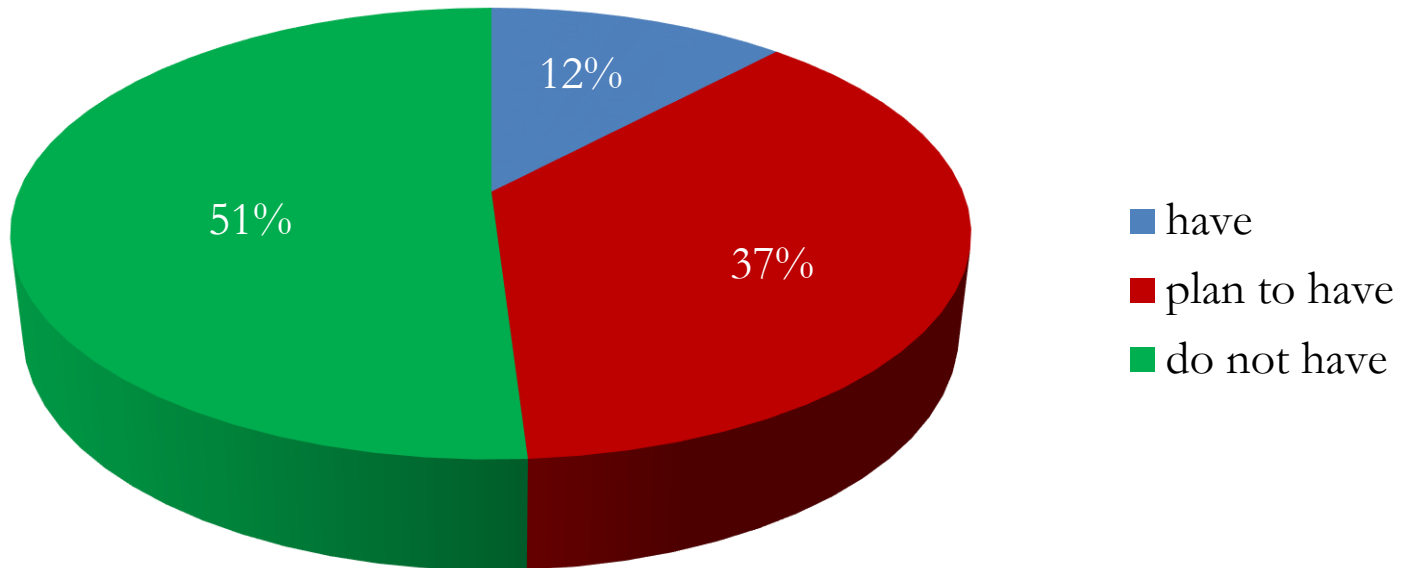
Based on Received responses, there is no incentives available

**Regulators should set goals for financial literacy improvement and lead practitioners in this respect**



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### **Outstanding strategic Plans in 2013**



**In 2016, all respondents have Financial literacy related plans.  
However, Only 44% of these plans are in English.**

# A Practice Among Member Countries



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FINANCIAL ACCESS, FINANCIAL EDUCATION,  
FINANCIAL CONSUMER PROTECTION  
STRATEGY AND ACTION PLANS



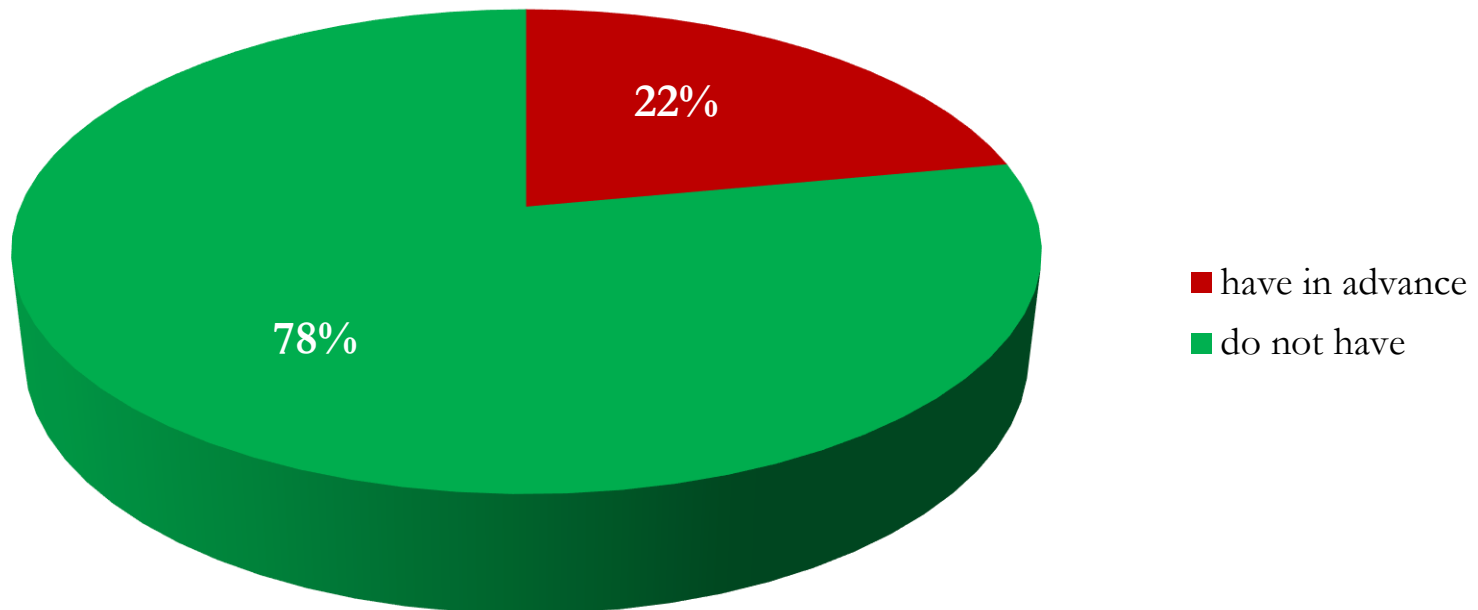
June 2014  
Ankara

# Regulators should involve financial literacy in rules and regulation of systematic initiatives



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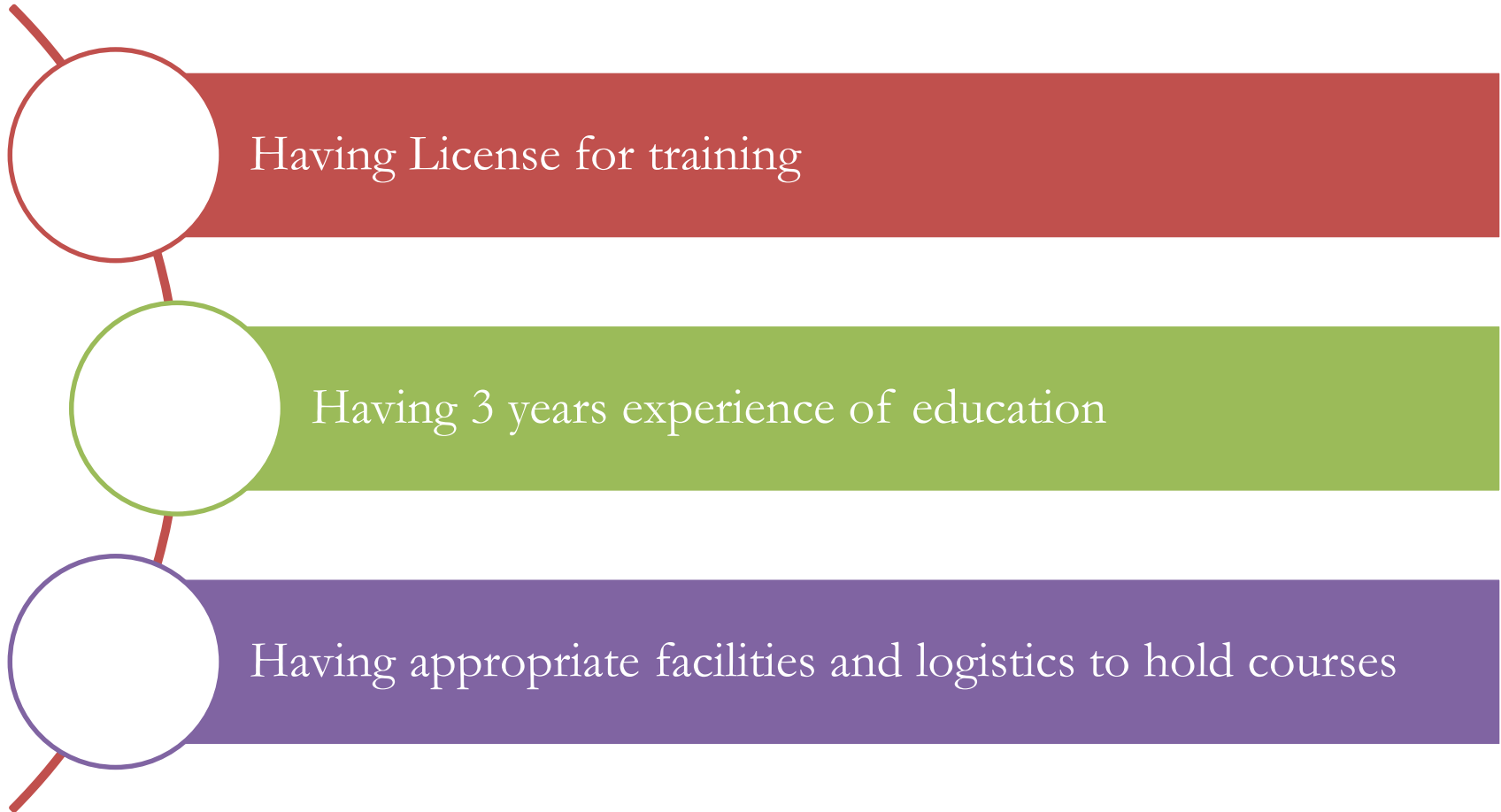
availability of rules and regulations- competency requirements



It seems that albeit there are cooperation with stakeholders, regulating financial education providers is not as important as other regulatory initiatives.



## Competency Requirements in IRAN



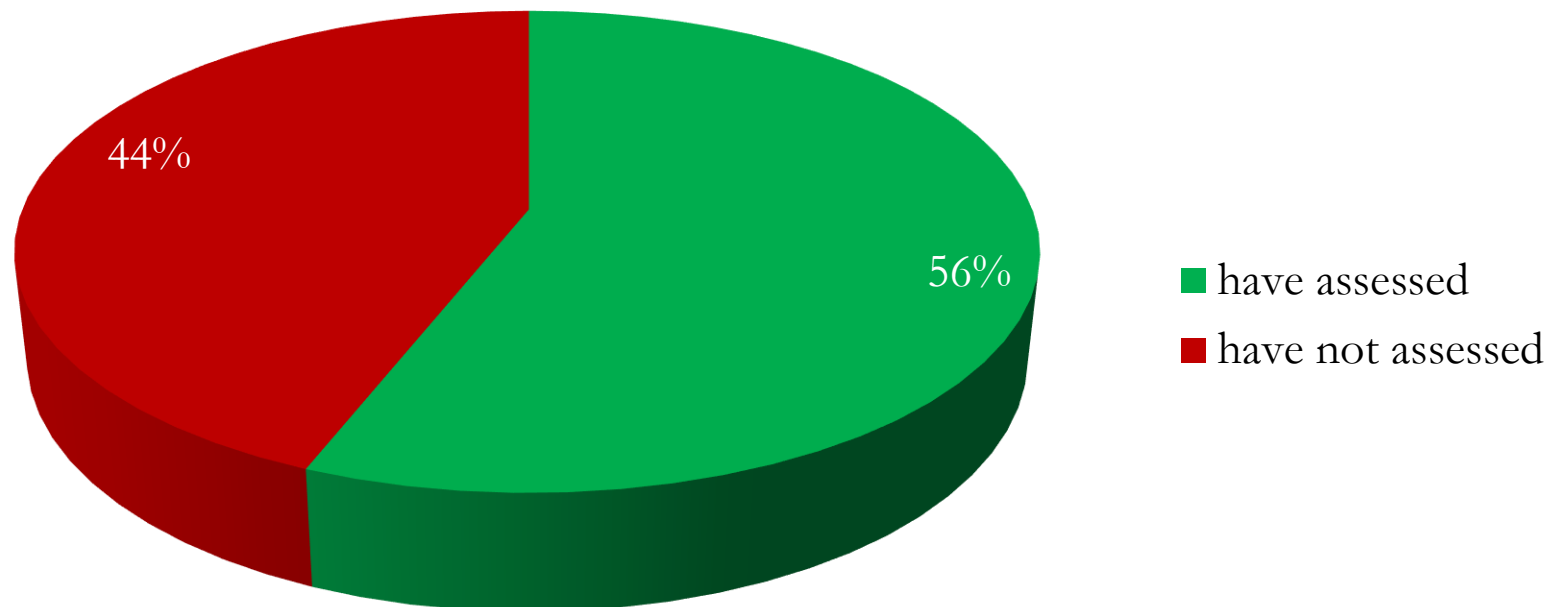




## Regulators should consider financial literacy improvement process as a continuous task

In the survey conducted in 2013, only 33% of respondents (similar respondents) assessed financial literacy

financial literacy assessment

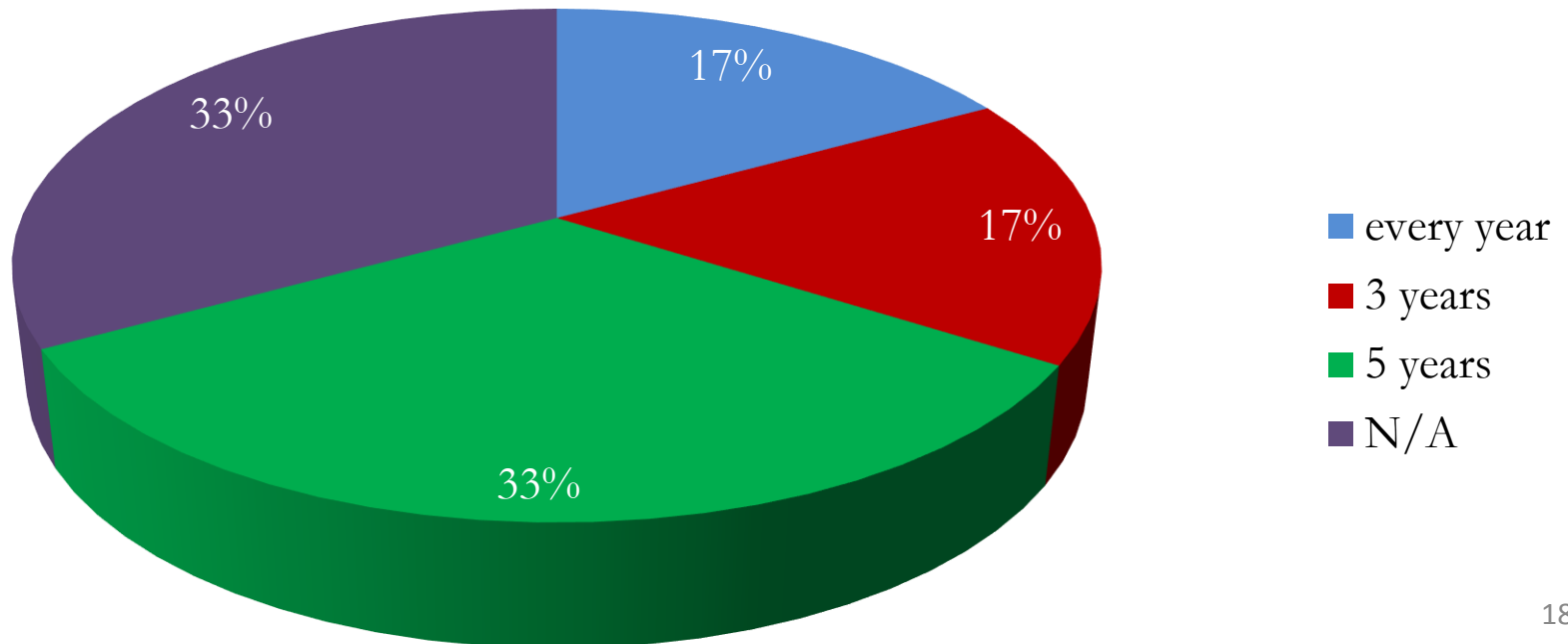




## Regulators should assess and plan financial literacy periodically

67% of respondents have plan to re-assess financial literacy level

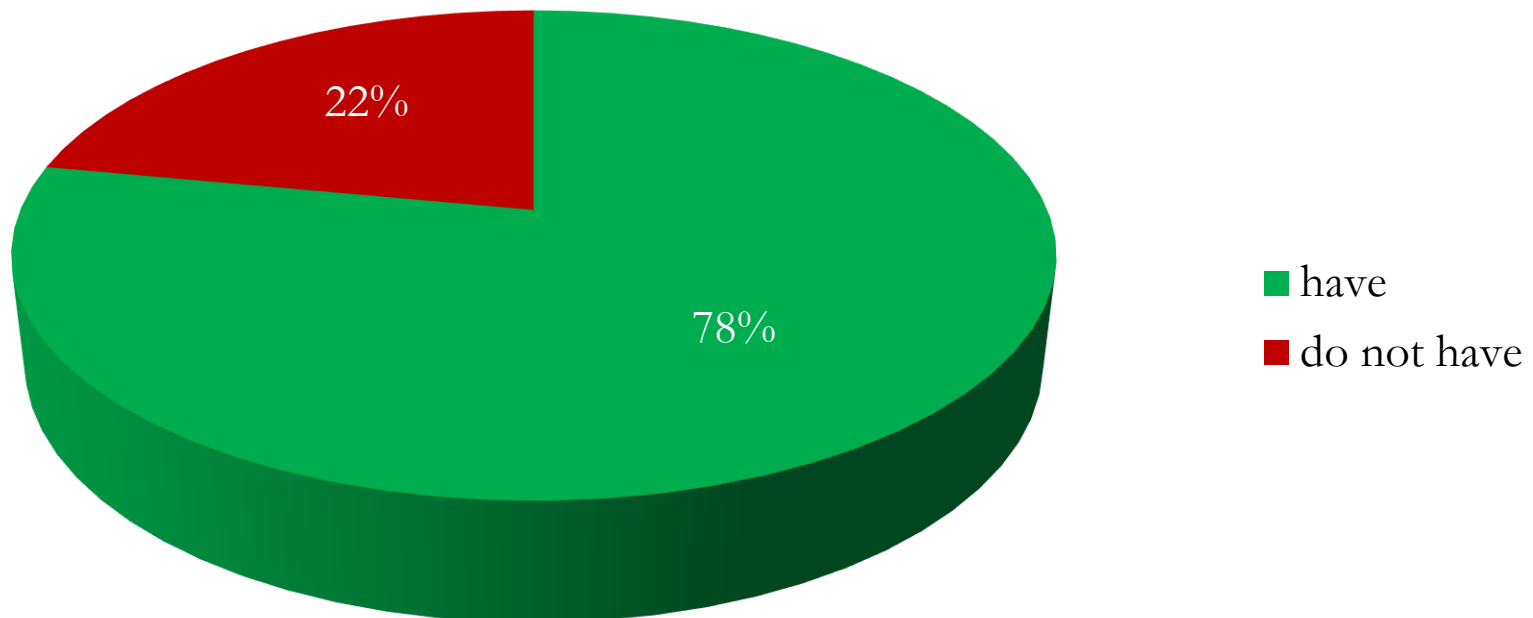
### reassessment plan





## Regulators should have distinguished delivery methods for particular target audiences

availability of dedicated website



67% of respondents have asked investors their favorite delivery methods. However, only 33% of respondents have uploaded an exam on the website. There should be a way allowing investors assess their own financial literacy (It may help avoiding overconfidence in the market)



**Regulators should allocate budget and have stable sources of funding sufficient to implement financial literacy improvement initiatives.**

- Educational programs are mainly self funded. However, there are some alternative ways for funding development in the capital market;
- Since the lack of effectiveness was highlighted by IOSCO previously, 2 points should be considered by members: 1- Budgeting (aligned with regulation) and 2- Monitoring initiatives.



# Alternative Way for Budgeting: Capital Market Development Fund

## CMDF

Dana Pembangunan Pasaran Modal  
Capital Market Development Fund

### Capital Market Development Fund

CMDF is a trust fund, whose purpose is to support the development of the Malaysian capital market.



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The CMDF is a trust fund, whose purpose is to support the development of the Malaysian capital market.

The CMDF creates value through the support and funding of the right projects. These would be projects and initiatives that could demonstrate measurable value, such as by addressing or closing gaps within the Malaysian capital market.

The CMDF has four statutory objectives, which are:

1. To promote and develop the Malaysian capital market to be efficient, innovative and internationally competitive;
2. To develop and upgrade skills and expertise required by the Malaysian capital market;
3. To develop and support high quality research and development programs and projects relating to the Malaysian capital market; and
4. To develop self-regulation of professional associations and market bodies.

In addition, the CMDF Board, in its evaluation of submissions, would also consider whether the projects are:

1. In line with national agenda;
2. Relevant to meet the needs and priorities of a developing capital

improving the quality of their leadership, accountability and transparency.

**18 May 16**

### Minda now Institute of Directors

The Malaysian Directors Academy (Minda) now enters the second phase of its development with a bid to position itself as an institute of directors (IoD) for Malaysia.

**10 Mar 16**

### Msiian capital market grew by 2.1 per cent last year despite volatile global environment

The Malaysian capital market grew by 2.1 per cent in 2015 to RM2.82 trillion from RM2.76 trillion recorded in 2014, despite volatile global environment.

**26 Oct 15**

### Malaysia aims to boost Islamic finance with new initiatives in budget

Malaysia is hoping new incentives for



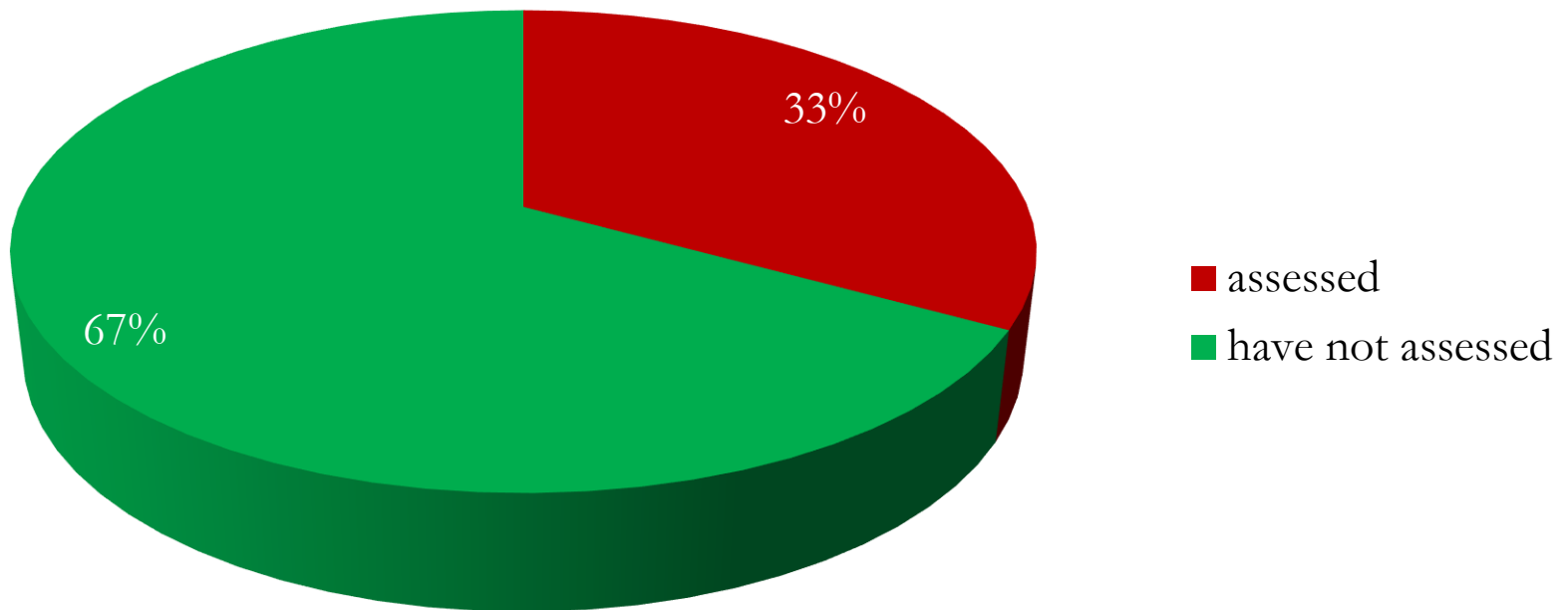
- Indeed, although capital market regulators allocated budget to financial literacy related programs, their main focus has been based on regulation, not education. Therefore, outsourcing educational programs should be the main trend.

Regulators should ensure that its staff receives adequate ongoing training (IOSCO principle 3, key issue 4)



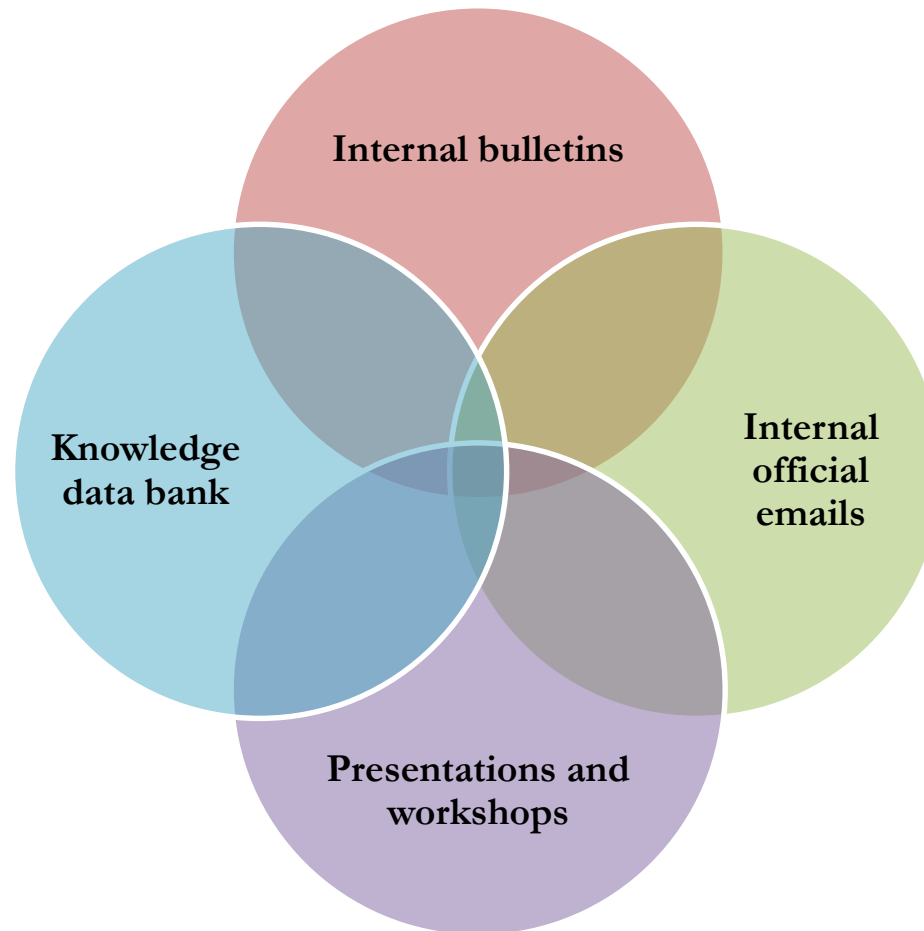
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Financial literacy of staffs





# Ways for informing staffs regarding regulatory procedures

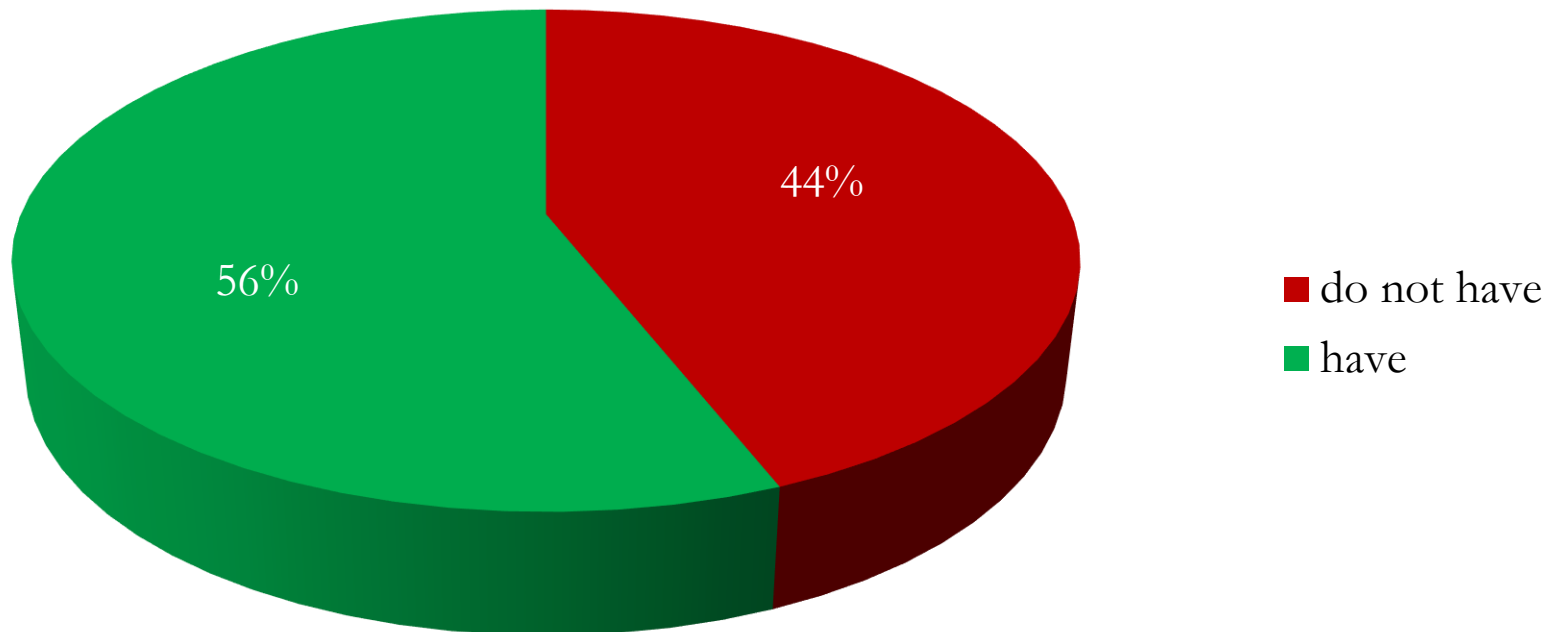






Regulators should ensure that entrepreneurs are among financial literacy target audiences.

entrepreneurs training





## Regulators should support education programs which promote investment not speculation

	Domestic	Foreign
retail	N/A (or Confidential)	N/A (or Confidential)
Institutional	N/A (or Confidential)	N/A (or Confidential)

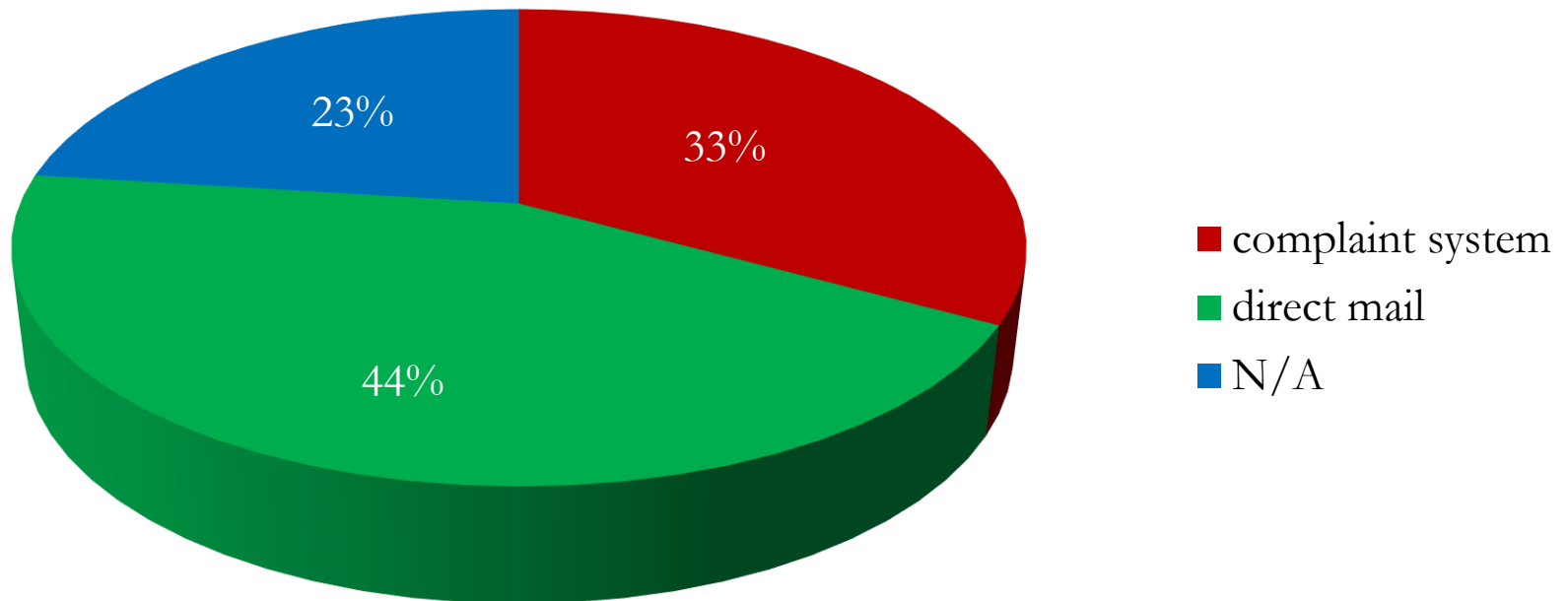
Getting information in this respect can help regulators for better planning. It questions speculative atmosphere of our markets.



## Regulators should warn and inform investors about outdated and misleading strategies or formulas.

89% of respondents allow advertisement of products and entities. However, 78% of respondents have direct or indirect rules and regulations regarding advertisements

### investors relation regarding illegal activities

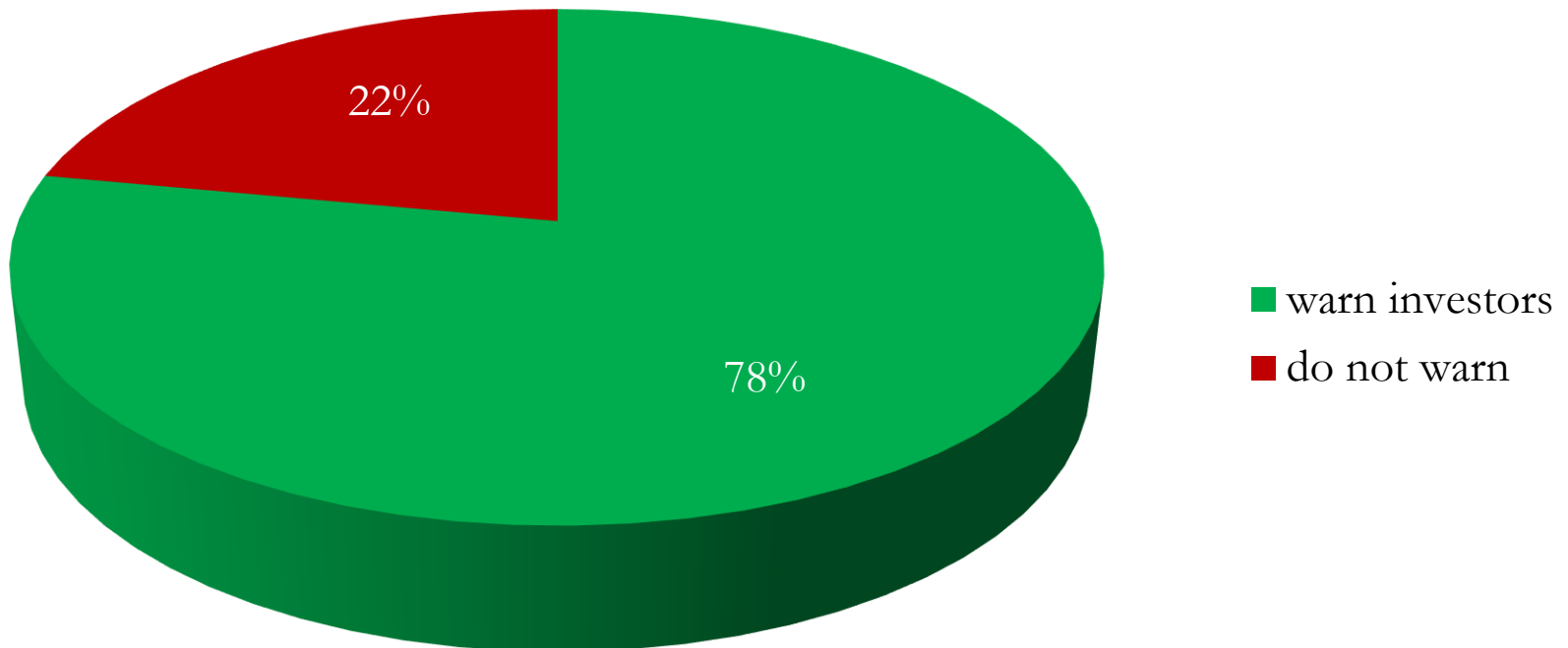


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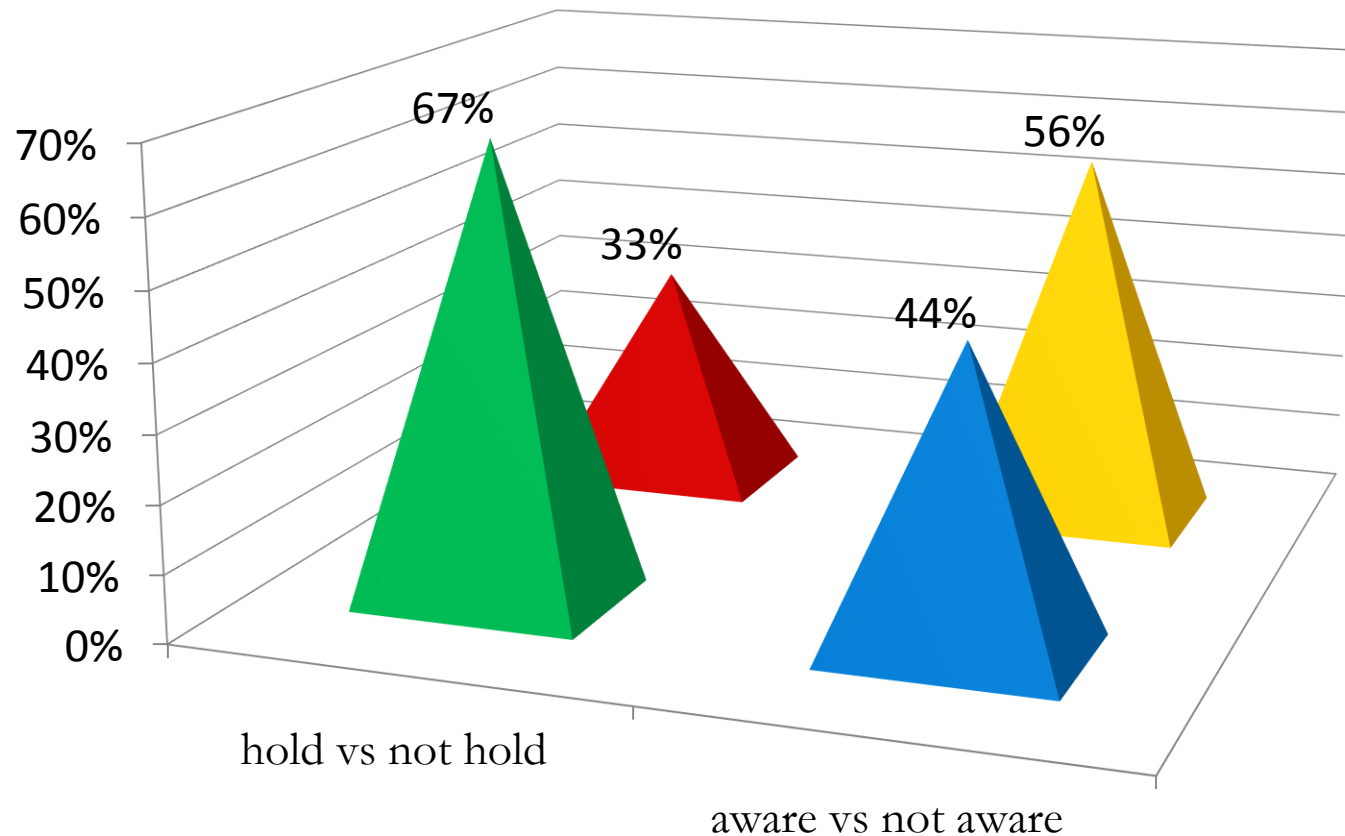
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availability of mechanism to warn investors





# Regulators should inform investors about behavioral traps initially behavioral biases.



67% of respondents have conducted educational programs regarding financial biases. However, 44% believe investors are aware about financial biases.



Regulators should provide appropriate trends for disclosure and should lead investors toward disclosure resources or databases.

All respondents asserted they have outstanding mechanism for information disclosure

Timing and accuracy of information disclosed for investors has never been asked by regulators

Only one authority has asked investors the way they like to be disclosed and the most important regulatory issues.

Regulators should have a mechanism to explain the reasons of decisions that would have significant effects on decision making of investors



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- Majority of respondents disclose their decisions which affect investors decisions (78%).
- This disclosure is through publication of board decisions, annual report and bulletins.



## What should be done by the task force

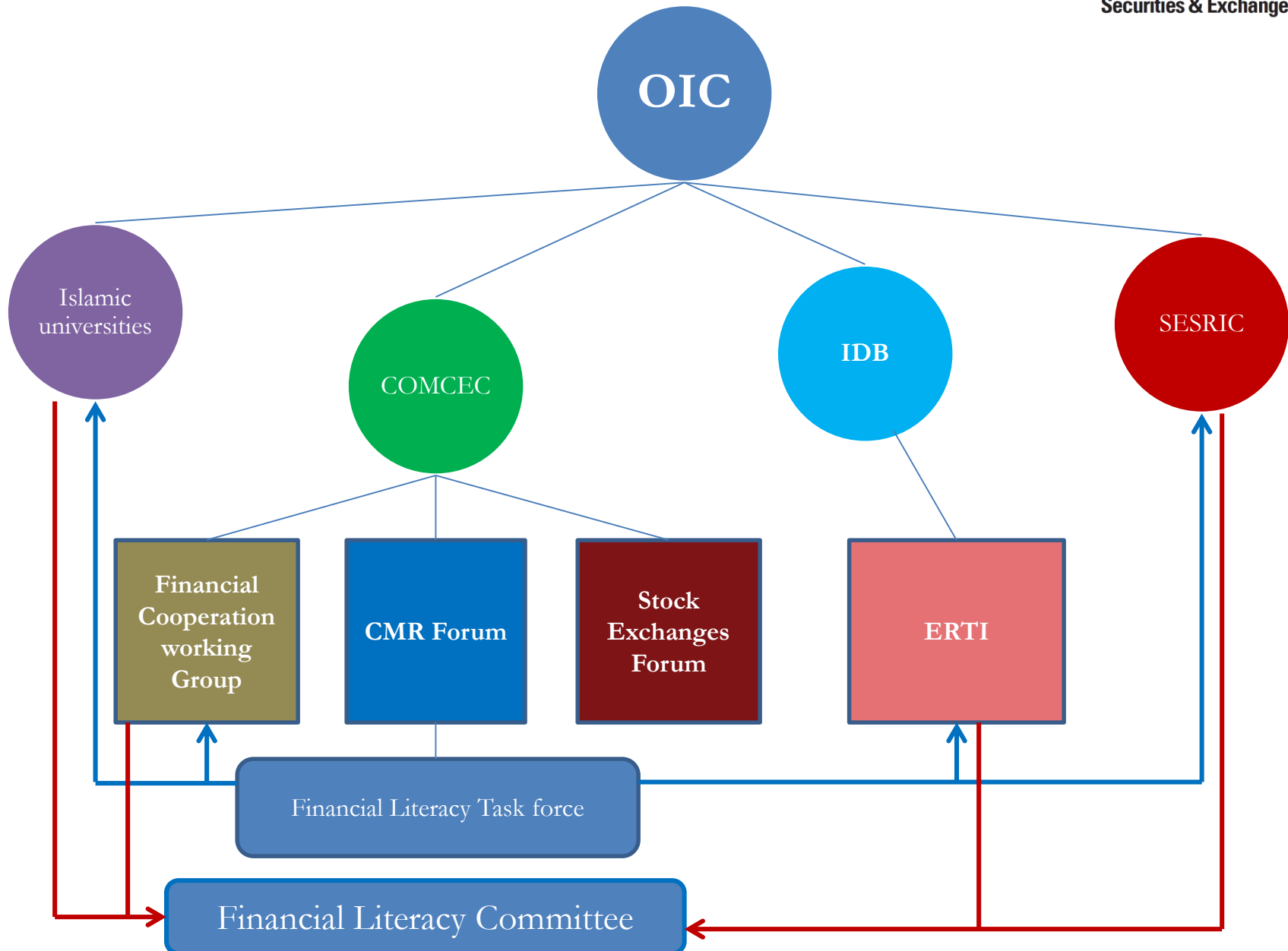
- Organizing joint workshops;
- promoting financial literacy for trainers;
- exchange of experiences and information.
- creation of a unified portal for awareness and education;
- Development of initiatives aimed improving financial knowledge of staff;



# The Task Force Suggestions



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**Aggregately, based on the survey findings, it can be concluded that although there are some deficits, we are moving in a right direction**

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# Thank you

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