

# ASIC's Application of Behavioural Economics

Suzan Campbell | Senior Manager |  
Financial Capability

Behavioural Finance Roundtable, 6 June 2017



**ASIC**

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# What does ASIC mean by BE?

We're only human



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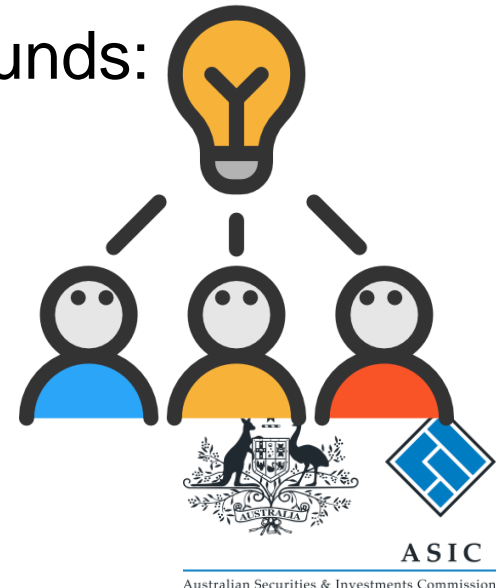
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# ASIC's BE team

- ASIC's specialist BE team was established in 2014.



- 7 staff with diverse skills and backgrounds:
  - Economics
  - Social and market research
  - Decision science
  - Consumer policy



# ASIC is using BE to...

Understand problems



Respond to problems



...looking  
at both the  
demand  
AND  
supply  
sides.



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# Financial services and decision making

We don't cope well when given **too many choices or too much information**, or when things are inherently complex, emotional or unfamiliar.

We are generally really bad at making **decisions involving uncertainty** and so we often misjudge probabilities.

We tend to prioritise things that are **easier to imagine, more emotive, or more recent** than things that are more abstract or far away.



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# ASIC's application of BE



- **Lab experiments** in relation to hybrid securities;



- Guidance on **applying behavioural principles to communication** – remediation and refund letters;



- **Desk-based literature reviews** – credit card decision-making;



- **Qualitative consumer research** – add-on insurance in car yards.



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# Lessons learned by ASIC

- **We needed a specialist team** with diverse skills across behavioural sciences
- **Nudges put BE on the public policy map** however they are just one tool in the kit that BE provides.
- **Its about firm behaviour and conduct too** not just focusing on consumer behaviour or capability
- **Context is key** – you can't take a one-size-fits all approach. Tools can have different effects (or may even backfire) in different situations.
- **Robust testing is needed** to understand impact. Interventions can't be 'set & forget' as impact can change over time.



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Thank you



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