

OECD/CVM Centre on Financial Education and Literacy in Latin America and the Caribbean



THIRD REGIONAL SEMINAR ON FINANCIAL EDUCATION TRENDS IN THE LAC REGION
Special session/Roundtable - Behavioural economics and financial literacy

Pasquale Munafò
Consob - Italy

___ São Paulo: Brazil or Italy? ___

“Among all Italians who immigrated to Brazil, 70% went to the State of São Paulo. In consequence, São Paulo has more people with Italian ancestry than any region of Italy itself”

Source: Wikipedia

(between 35% and 50% of residents may have Italian ancestors according to unofficial surveys)

São Paulo hosts more than 7,000 Italian pizzerias

Palmeiras was founded in 1914 as Palestra Italia and among its supporters there is a large number of Brazilians with Italian ancestry.



Consob at a glance



The Italian authority responsible for the supervision of the securities sector

CONSOB
COMMISSIONE NAZIONALE PER LE SOCIETÀ E LA BORSA



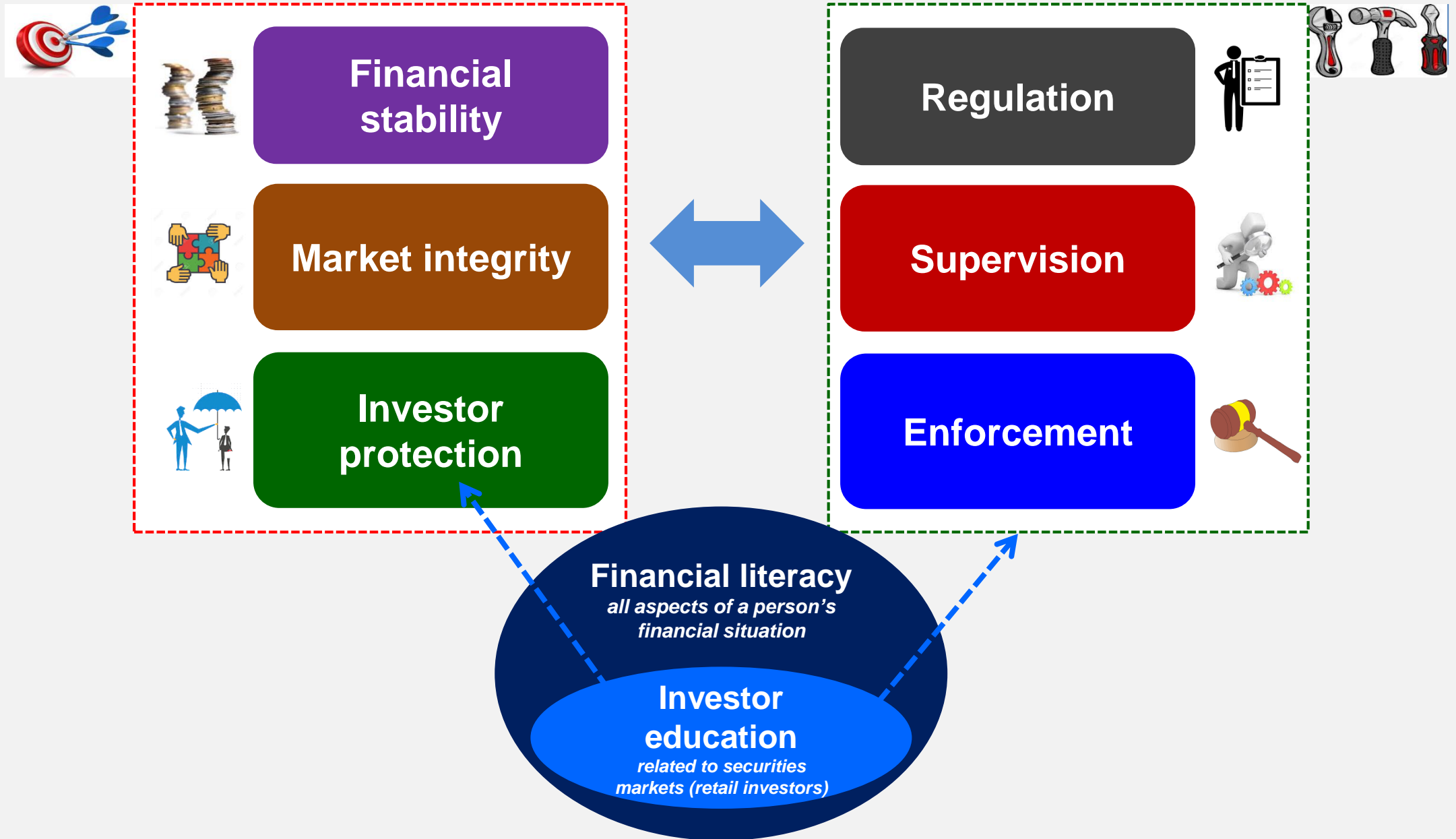
Some international fora with **specific focus on financial/investor education**



«**National Committee on Financial Education**»

Cooperation with other National Competent Authorities

Goals and tools



___ Challenging the standard paradigm ___

- ✓ A long reliance on **information disclosure**, **rules of conduct** and **financial education**
- ✓ Founded on **rationality hypothesis**
- ✓ Since several 2000s financial scandals and after latest financial crisis \Rightarrow rising interest in **behaviourally informed initiatives** and **policies**



The main applications of cognitive sciences

Regulatory/supervisory purposes

Specialised staff at Consob within the Research Department (N. Linciano and P. Soccorso)

Financial education purposes

- ✓ Since 2010 triggered by a mis-selling case
- ✓ 1st step: research paper reviewing studies in behavioural finance, cognitive psychology and experimental evidence
- ✓ 2nd step: observatory to gather data on consumers' financial knowledge, attitudes and investment choices
- ✓ 3rd step: review of key pillars of IP through behavioural lenses



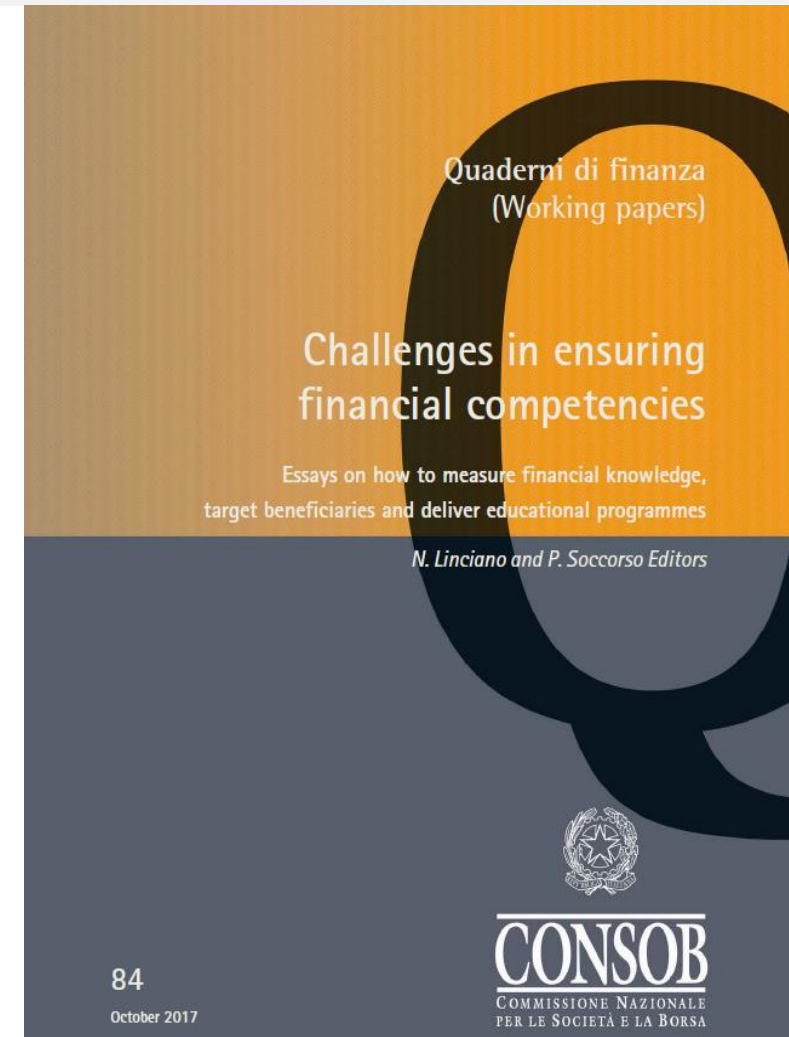
- Financial disclosure
- Rules of conduct

___ CS/BE on financial education – latest initiatives ___

- ✓ **Charter of Investors (2014)**
 - Consob web-portal > interactive tools: (i) tutorials on cognitive biases and emotional carryovers; (ii) questionnaires and tests (e.g. to gauge impulsivity and overconfidence); (iii) budgeting tool; (iv) interactive game on investment choices and behavioural biases
- ✓ Analysis of challenges raised by **digitalisation** and the **development of learning tools** (games and simulations)
- ✓ Collective work on **financial education challenges (2017)**

‘Challenges in ensuring financial competencies’

- ✓ **Collective work** > essays on how to measure financial knowledge, target beneficiaries and deliver educational programmes
- ✓ Launched during **WIW 2017**
- ✓ Touches upon **challenges** and bring forward insights of theoretical and empirical literature of **multiple disciplines** and **multiple approaches**



‘Challenges in ensuring financial competencies’

«...multiple disciplines (Behavioural Finance, Neuro-economics, Psychology, Sociology, Pedagogy and Economic History) and multiple approaches, with the aim at stimulate the debate and provide inputs on both methodological and practical grounds»

Education needs and the role of financial literacy

Financial knowledge, attitudes and behaviours of Italian investors

Nadia Linciano and Paola Soccorso

- 1 Introduction
- 2 Financial knowledge
- 3 Personal traits and inclination towards behavioural biases
- 4 Financial control
- 5 Investment decision process

Decision making in investments and savings

Some experimental evidence on the role of financial literacy

Daniela Teresa Di Cagno and Luca Panaccione

- 1 Introduction
- 2 The role of financial literacy: evidence from the experimental research
- 3 The impact of financial education programmes
- 4 Concluding remarks and future work

The assessment methodologies of financial literacy

Gianni Nicolini

- 1 Introduction
- 2 Financial literacy: definition and key elements
- 3 The assessment of financial literacy: evidence from previous studies
- 4 Measuring financial literacy: technicalities and practical recommendations
- 5 Conclusions

Gauging the drivers of financial choices

Loss aversion and inertia in financial decision making

Matteo Ploner

- 1 Introduction
- 2 Loss aversion
- 3 Inertia in financial decision making
- 4 Conclusions

A little insight on the maze of risk

Caterina Lucarelli

- 1 Introduction
- 2 A theoretical path in the objective-subjective risk dialectic
- 3 The real path in the objective-subjective risk dialectic: some drawbacks
- 4 Knowledge of risk is a labyrinth: so what?

Financial risk as anxious feeling and uncertainty driven by episodic future thinking (EFT)

Gianni Brighetti

- 1 Economic mindset and probability theories
- 2 On subjective time
- 3 Episodic prospection, decision making, uncertainty/anxiety

Targeting beneficiaries

One size does not fit all

The importance of investors' personality in financial education

Enrico Maria Cervellati

- 1 Introduction
- 2 Theories of personalities
- 3 Personality and financial decisions
- 4 Personality and behavioural issues
- 5 Effective communication strategies with distinct personality temperaments
- 6 Conclusions

Gender differences in financial literacy in Italy

Exploratory explanations

Emanuela E. Rinaldi

- 1 Introduction
- 2 Materialism
- 3 Socialization patterns: different norms, expectation and values
- 4 Mathematical literacy
- 5 Conclusions

Delivering educational programmes

How to decide in the large world of finance

The bounded rational adaptive nudges

Riccardo Viale

- 1 Is Behavioural Economics a genuine descriptive enterprise?
- 2 Rationality in a 'Large World'
- 3 Bounded Rational Adaptive Nudges (BRAN) to empower the financial decision making

Improving financial literacy through neuroscience and experiential learning

Understanding how the brain works and how we learn to deliver more effective solutions

Duccio Martelli

- 1 Introduction to educational neuroscience
- 2 Experiential learning
- 3 Future applications to improve financial literacy

From nudging to engaging in pension

Barbara Alemanni

- 1 Introduction
- 2 The pros and cons of nudging in retirement saving
- 3 From nudging to engaging: how to 'nudge' towards active awareness in pension decision
- 4 Few final remarks

Debiasing financial education

Gabriella Agrusti, Giovanni Ferri and Claudio Giannotti

- 1 Introduction
- 2 Teachers' role in financial education
- 3 Tentative suggestions from a field survey on a financial education class
- 4 Conclusions

Trust and financial literacy

Substitutes or complements?

Caterina Cruciani and Ugo Rigoni

Some takeaways

- ❑ **Financial/investor education** as a complement to regulation/supervision/enforcement
- ❑ **Cooperation** and **information sharing** among regulators (and relevant stakeholders – e.g. academia) vital to identify best practices and experiences in investor education
- ❑ Use of **behavioural insights within a multidisciplinary approach** as a powerful complement to other traditional policy approaches (not only in investor education)
- ❑ Important to develop **a rigorous methodological approach** reliant on (i) collection of data on investors' behaviour; (ii) data analytics skills; and (iii) assessment of the effectiveness of the initiatives undertaken
- ❑ Educational programmes accounting for **individuals' heterogeneity** and **behavioural biases** (communication strategies) as well as for **individuals' learning processes** and **emotional triggers** (development of interactive and experiential learning tools)



Multidisciplinary
approaches



Integrated methodological
setting

**OECD/CVM Centre on Financial Education and Literacy
in Latin America and the Caribbean**



Obrigado!

THIRD REGIONAL SEMINAR ON FINANCIAL EDUCATION TRENDS IN THE LAC REGION
Special session/Roundtable - Behavioural economics and financial literacy

Pasquale Munafò – p.munaf@consob.it