ASIC’s Application of Behavioural Economics

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What does ASIC mean by BE?

We’re only human
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.
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.
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.
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.

• **It’s 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.
Thank you