



## ESBG 2023 Financial Education Conference

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Good morning. I would like to thank Peter Simons, ESBG and WSBI for inviting me to this conference. I am delighted to be among such distinguished panellists today, here in Brussels.

The moment chosen for this event has proven to be very timely. Just a few days ago in Spain, we held the Financial Education Day, the ESAs consumer protection day and, this week, we join the World Investor Week promoted by IOSCO, the International Organization of Securities Commissions, which as you know has its headquarters in Madrid, to raise awareness on the importance of investor education<sup>1</sup>.

**So, financial education is keeping securities regulators busy and there is a good reason for this, since it is a vital pillar of our supervisory strategy.**

Financial education has the ability to empower citizens to take responsible decisions and be aware of their rights as investors. And this empowerment helps us, as supervisors, in our mission to ensure better market conduct among banks and financial services providers. Therefore, pursuing investor protection and good financial literacy is of the utmost importance.

Additionally, it goes without saying that financial education is also essential to have a healthy society. It allows citizens to increase their financial welfare and quality of life, it promotes economic growth<sup>2</sup> and it increases social cohesion among societies, since it enables financial inclusion of those whose situation may be more vulnerable.

But, and there is always a but, despite all the efforts made on this front over the years, the results are not as good as they should be, particularly among the youth.

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<sup>1</sup> In Spain, Financial Education Day is held on the first Monday of October since 2015. [World Investor Week, Spain](#) will take place from 23 to 27 October. Among other initiatives, the CNMV plans to launch nine podcasts related to raise awareness of the risk of fraud and scams, the [CNMV, Investors and Financial Education](#)

<sup>2</sup> For instance, reinforcing financial knowledge has a positive effect on entrepreneurs and their management capacity. López-Valeiras et al. FUNCAS (2023)

**Some pieces are still missing in this puzzle and the new digital environment is increasing the challenge.**

Several studies have pointed out that there is still a long road ahead to improve financial decision-making, particularly when looking at the basic understanding of financial concepts, such as the effects of inflation on your savings, interest rates and risk diversification. For instance, 52% of young people in Spain could not grasp the concept of inflation correctly. More broadly, according to the last Eurobarometer<sup>3</sup>, 43% of young people in Europe cannot answer a simple question on inflation and only 22% of young people understand the effect of an increase of interest rates on bond prices. Currently, it is difficult to overstate the importance of both these concepts and I could go on and on.

This is why events particularly focused on youngsters, such as today's, are so important to encourage the debate and to join efforts on how to make financial education more appealing nowadays.

**With this in mind, I would like to contribute to this debate by highlighting two areas which I believe deserve special attention.**

**The first one is related to the new digital environment, the dynamics of new sources of information and the increase in fraud.**

New technologies undoubtedly bring benefits to enhancing financial knowledge. Social media and the Internet allow for a constant exchange of information between potential connected investors, and this can contribute towards a better-informed financial community.

However, we should also be aware of how social channels are changing the way young people are informed and educated. There is plenty of "information" available to everybody, but the quality of the information is often not good enough. In the immensity of the Internet, information is not the same as knowledge. We need to be able to differentiate between a good source and a bad source (this not being as simple as it seems) and to provide young people adequate tools to incorporate that knowledge into their everyday decisions.

Also, we are witnessing how digital transformation has increased the opportunities for fraud and misconduct, particularly among the youngest tranche of the population.

There is an increasing abundance of online investment offers, not to mention those related to crypto-assets, that are misleading or outright fraudulent.

**In Spain we have taken some initiatives to mitigate these risks.**

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<sup>3</sup> See Eurobarometer, "Monitoring the level of financial literacy in the EU", June 2023, EU, and "Survey of Financial Competences", Bank of Spain and the CNMV, 2016.

In the crypto sphere we have regulated the advertising of cryptos, with clear warnings of their risks. It is worth recalling that it is precisely young people who are most active in crypto investments.

And we are also paying attention to fin-influencers on social media, to ensure that they follow the rules applied to investment recommendations.

Being more ambitious regarding fraud prevention, we also launched the **National Action Plan against financial fraud** two years ago, to strengthen the collaboration between public and private institutions. Right now there are 19 institutions working together to foresee fraud detection and limit its damage. And we are starting to see some results.

For instance, the recently approved Spanish Securities Market Act<sup>4</sup> includes measures to reduce potential financial fraud advertising on search engines and social network platforms, helping to reduce the spread of attempts to defraud investors.

The key point here is to work together to prevent fraud, while reminding investors of the benefits of regulated institutions and professional investment advice when taking important investment decisions.

**The second point that I would like to stress today is the need to be aware of how behavioural investment biases can be exacerbated by certain financial market participants in the new digital environment.**

Advanced marketing strategies and other technological techniques are being designed to exploit our most basic instincts, making investment decisions look more like playing a video game. This “gamification” of investing can be particularly appealing to the youngest. Some apps do this not only by promising safe profits in a very short time, but also by doing so in a way in which it is easy to forget that you are dealing with real money, distracting investors from the main risks of investing.

**There are plenty of well-known unconscious biases present in any financial decision.**

For instance, the overconfidence bias which consists in overestimating one’s own knowledge. This is particularly real among individuals with lower skills, those who tend to self assess their abilities as being much higher than they objectively are<sup>5</sup>.

Another example is the halo effect, which is the tendency to judge a person or institution based on a single positive or negative quality that overshadows all others. At present, this is quite common on social media.

Mixing this irrational investment behaviour with the latest digital techniques can be an explosive cocktail. Financial education initiatives should take this into account, offering the right tools to citizens to detect these practices. Investment service providers should also make a responsible use of engaging technology, to expand their customer base in a sound way having long-term prospects.

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<sup>4</sup> Article 246.3 of the Spanish Securities Market Act.

<sup>5</sup> The so called Dunning-Kruger effect. By contrast, individuals with higher competencies tend to underestimate their abilities.

**So, allow me to draw some conclusions.**

**There is a clear need for public and private institutions to work together**, to adapt the financial education of young generations to their current reality and, when doing so, we should use their own language, understanding the challenges they face upon entering the world of investing for the first time.

**This is what we are trying to achieve in Spain by means of our Financial Education Plan**, which started in 2008. With the Bank of Spain and the Ministry of Economic Affairs and Digital Transformation, we now have a network of 55 collaborators from banking and financial institutions, as well as from other public institutions, NGOs and universities, working in coordination to improve the financial education of citizens, providing them with tools, knowledge and skills for them to take informed financial decisions throughout their lives.

Since then, we have carried out many initiatives and achieved important goals. Thanks to the collaboration agreement signed with the Ministry of Education, the law now requires the teaching material at schools to include certain financial contents. As a result, financial education is considered a "basic knowledge" for mathematical competence since 2022, therefore being part of the syllabus in primary and secondary education.

I should also mention and welcome the **Financial Competence Framework**, that was announced a few days ago by the **OECD and the European Commission**, particularly addressed to children and youth<sup>6</sup>. This will prove one of the most important milestones in this topic as a reference for developing financial education initiatives for young people.

**But there is still a long way to go.** I once again wish to express my appreciation for the organisation of this conference. The most efficient way to achieve concrete results is to make a joint effort and today's event is a good example of this.

Thank you very much.

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<sup>6</sup> [Launch of the joint EU/OECD-INFE financial competence framework for children and youth \(europa.eu\)](https://europa.eu)