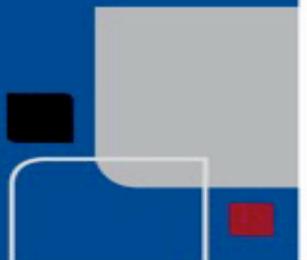




FINANCIAL PLANNING STANDARDS BOARD

Summary On Key Findings for Submission to IOSCO on Crypto-Assets, Gamification, Social Media Influencers & Complex Products.

May 2022



Top six issues identified:

1. Rise of digital trading platforms offers improved access for consumers, but also has the potential to harm (e.g., gamification which can mask the reality of investment fundamentals and risk).
2. Social media has become a major source of influence and is a largely unregulated forum, open to fraud and scams.
3. The profession calls for the regulation of social media influencers to ensure a level playing field is applied to all who provide financial advice.
4. Innovation is occurring at a faster pace than normal, rapidly broadening the regulatory gap, forcing retail consumers to go it alone.
5. There is a need to regulate crypto assets and ensure qualified professionals are licensed and trained to practice in this space – if they choose.
6. A clear definition of ‘complex’ products is needed to allow better regulation and guidance on advising on these, especially with cross-border territory complexities.

Key insights from the survey of CFP professionals*

*886 CFP professionals from 13 countries responded

- 55% (Ireland - 49%) of CFP professionals who responded said there is demand from consumers for advice on crypto assets.
- Only 9% (Ireland - 7%) of CFP professionals who responded are providing financial advice on crypto assets.
- The reason why CFP professionals are not providing advice on crypto assets is twofold, 39% (Ireland - 27%) said it is because of licensee/firm/employer not permitting and 35% (Ireland - 37%) said this is not an area they want to provide advice on.
- As a result, 70% (Ireland - 69%) of CFP professionals responded that they have clients who have purchased crypto assets on their own – i.e., self-directed.
- The risk to not obtaining advice is evident, with 62% (Ireland - 72%) of CFP professionals responding that they have clients who have suffered a financial loss and 90% (Ireland - 80%) of these did so by investing on their own (i.e., no advice).
- Without access to professional advice, consumers are relying on other forms of information to purchase crypto assets, often influenced by parties who do not have appropriate qualifications, professional obligations, or regulatory oversight.

Key insights from FPSB Affiliate survey:

Responses gained from 16 FPSB Affiliate territories.

- The top three priorities Affiliates called for regulation on were (1) categorizing a product into simple and complex, (2) regulation of the marketing and distribution of crypto assets, and (3) regulation of social media influencers or fin-fluencers.
- The demand for crypto assets is primarily driven by social media influencers and marketing/advertising by crypto asset providers.
- 56% of territories would support a ‘sand-box’ approach from regulators in managing social media influencers.
- 50% support the need for social media influencers to be listed on a public register.
- 62% believe retail investors should not be permitted to access complex/leveraged products without some form of ‘knowledge test’ and/or getting advice from a qualified professional.

THE END