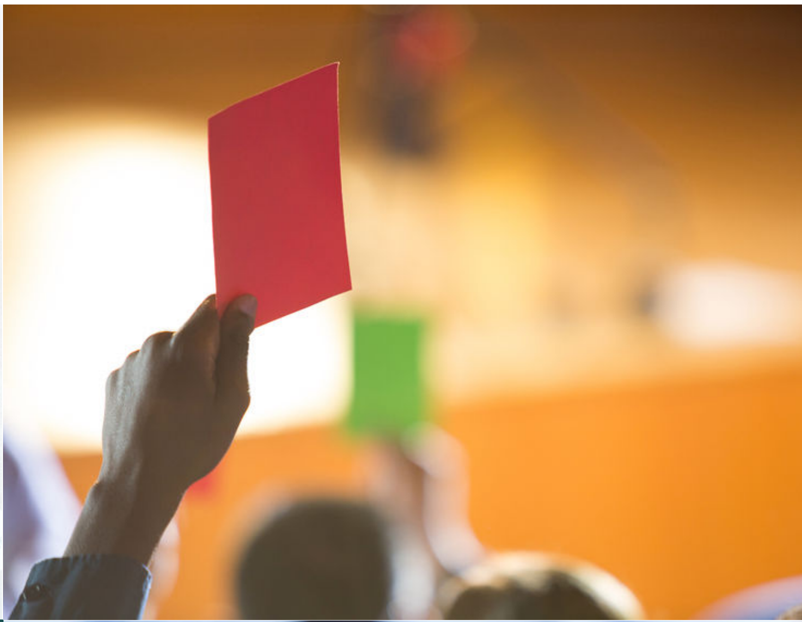
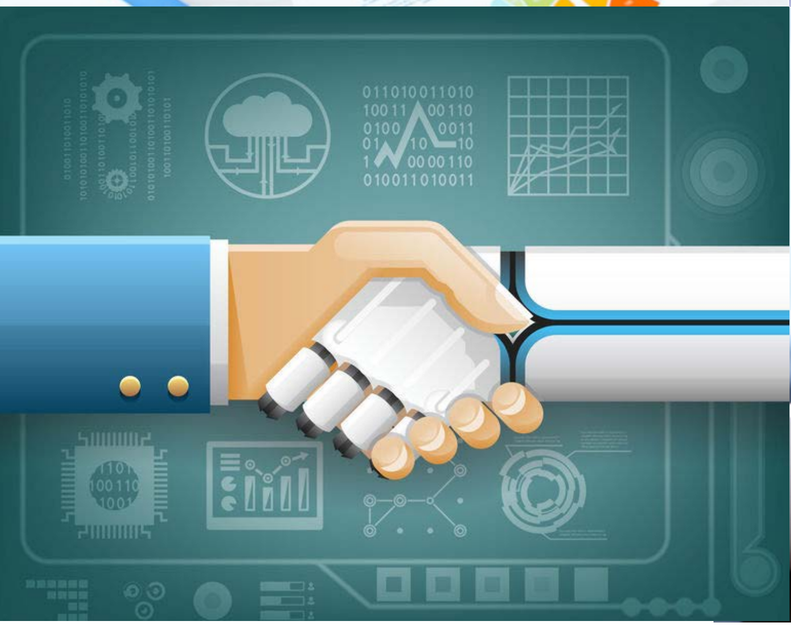
CORE COMPETENCIES FRAMEWORK ON FINANCIAL LITERACY FOR INVESTORS





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2. CORE COMPETENCIES FRAMEWORK ON FINANCIAL LITERACY FOR INVESTORS

2.1. The Framework

	A. AWARENESS AND KNOWLEDGE, i.e. can	B. SKILLS AND BEHAVIOURS, i.e. will	C. ATTITUDES, CONFIDENCE AND MOTIVATIONS
1. Basic investing principles and concepts	• Explain the difference between saving and investing. • Explain the difference between investing and speculation. • Describe the relationship between risk and potential return. • Explain the impact of inflation on a long-term financial plan and long-term investments. • Explain the effect of compounding on wealth accumulation. • Explain the benefits of diversifying investments. • Explain the risks of borrowing money (or leveraging) to invest. • Explain the effects of cost-averaging when investing.	• Create a liquid savings reserve (emergency fund) before contemplating investing. • Choose investments that suit the individual's risk tolerance level and investment objectives. • Diversify investments. • Consider investments in which the features, fees and risks can be explained by the individual. • Set investment objectives for each investment. • Reassess the individual's risk tolerance level when factors that affect it have changed. • Invest regularly and with discipline for long-term financial goals.	• Recognise that the value of an investment may increase or decrease. • Recognise that making uninformed investment decisions can entail more risks. • View investing as part of the financial planning process rather than for speculative gain.
2. Investment product attributes	• Identify and compare the features and risks of different asset classes. • Identify the factors and how they can affect the value of an investment. • Describe the fees associated with an investment product.	• Research and compare potential investment products within the same asset class. • Use appropriate metrics to compare similar investments. • Evaluate the real rate of return on investment products.	• Confident to undertake research on potential investments before committing. • Motivated to research the range of investments incorporated in investment products in order to make both a financial and ethical decision on their suitability. • Recognise that the past performance of an investment is not an indication of future returns.

	A. AWARENESS AND KNOWLEDGE, i.e. can	B. SKILLS AND BEHAVIOURS, i.e. will	C. ATTITUDES, CONFIDENCE AND MOTIVATIONS
3. Buying/ selling process of investment products	• Describe the features of available channels for buying and selling investment products. • Identify the roles and responsibilities of the financial service provider/intermediary in the buying and selling of investment products. • Explain the risks of delegating the management of an investment account to a third party. • Identify the cyber security risks of using online platforms for investing.	• Use multiple impartial and independent resources, tools and information to assist in making investment decisions. • Ask the financial service provider/intermediary questions to confirm understanding or clarify inconsistencies about investment advice or recommendations. • Seek independent financial advice when necessary. • Compare the pros and cons of buying and selling investment products through different channels. • Check and keep transaction records to confirm they are accurate and genuine. • Use a licensed/regulated financial service provider/ intermediary to buy and sell investment products.	• Confident to make informed investment decisions. • Confident to question investment offers that appear too good to be true. • Confident to ask a financial service provider/intermediary about an investment product; for advice or recommendations; and how they are remunerated for the transaction. • Confident to assess the level of trust that can be invested in a particular financial service provider/ intermediary.
4. Owning investment holdings	• Explain the key information in an investment account statement or transaction confirmation document. • Identify the impact of the different options available when there is a corporate action. • Differentiate between an unrealised and realised gain/loss.	• Regularly review and keep investment account statements, transaction or other documents, and ask for a copy of these documents if not provided. • Regularly review the performance of investments to see if they meet current risk tolerance level and investment objectives. • Rebalance an existing investment portfolio if it no longer fits an individual's risk tolerance level and investment objectives. • Read all communications that are sent regarding existing investments and take appropriate action as necessary.	• Confident to manage investments and make adjustments. • Motivated to be kept informed about existing investments and take necessary actions.

	A. AWARENESS AND KNOWLEDGE, i.e. can	B. SKILLS AND BEHAVIOURS, i.e. will	C. ATTITUDES, CONFIDENCE AND MOTIVATIONS
5. Investors' rights and responsibilities	• Explain investors' rights and responsibilities, the scope of investor protection measures available, including complaint/redress procedures. • Identify the implications of providing inaccurate, misleading or insufficient information to the financial service provider/ intermediary. • Identify the implications of signing documents with a financial service provider/ intermediary.	• Read the sales documents for the investment product before buying one. • Check with financial regulator(s) whether an investment is regulated/registered and how it is regulated/registered. • Check with financial regulator(s) whether the financial service provider/ intermediary is licensed/regulated/ registered to provide such services. • File a complaint about an investment or service with the right parties when there is a dispute. • Clarify all details in a document before signing it and retain a copy.	• Confident to exercise an investor's rights. • Recognise that carrying out investors' rights and responsibilities will reduce the possibility of an investment going wrong. • Recognise that all information in a document (including the small print) may have substantial implications. • Recognise that it is in an individual's best interest to provide the financial service provider/intermediary with accurate and up-to-date relevant information. • Recognise that unregulated investments are higher risk as there is little investor protection. • Accept responsibility for the financial outcome of an investment decision an individual has made.
6. Behavioural biases related to investing	• Aware that investors may not always make rational decisions due to biases. • Provide examples of common emotional or cognitive biases that may affect investing decisions.	• Spot signs of emotional or cognitive biases when making investment decisions. • Avoid making impulsive investment decisions. • Make investment decisions based on factual information.	• Recognise that human characteristics such as emotion can have an impact on investing decisions in unanticipated ways. • Recognise that discipline in investing can minimise behavioural biases.
7. Investment scams and fraud	• Describe the main features of common investment scams and frauds. • Identify the sources available for information on reported investment scams and frauds.	• Recognise if a tactic used in investment scams or fraud is being applied. • Question investment offers that appear too good to be true. • Report to the financial regulator(s) or law enforcement agency(ies) when an investment scam or fraud is suspected.	• Motivated to learn about and how to avoid investment scams and fraud. • Confident to question whether an investment may be fraudulent. • Confident to acknowledge, if it has become apparent, that an investment scam or fraud has taken place. • Recognises that "low risk, high return" investments do not exist.