SEC Newgate retail investor research

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Key Messages

On 11 August, ASIC published REP 735 Retail Investor Research, with findings of commissioned research into the motivations, attitudes and behaviours of retail investors since the onset of COVID.

The research showed a change in the mix of product types being traded, with cryptocurrency the second most common product type held (44%) after Australian shares (73%).

Only 20% of cryptocurrency owners considering their investment approach to be ‘risk-taking’.

The research also confirms the prominence of digital and social channels as sources of information for investors (for 41% of investors surveyed), and the diversity in trading platforms they use.

The findings have been informing our work in the retail sector, including changing practices in retail product design and distribution, investor protection strategies and crypto-assets.

The survey results provide a point-in-time snapshot of investor behaviour during a period of increased activity in retail markets, supplementing existing market data and research conducted in Australia and overseas.

Background

In recent years there has been an increase in retail investor interest and activity in markets, amplified by the onset of COVID.

To better understand these changes, ASIC commissioned SEC Newgate Research to survey Australian retail investors in late 2021.

SEC Newgate surveyed 1,053 Australian retail investors aged 18 and over who had directly traded in securities, derivatives or cryptocurrencies at least once since March 2020.

Fieldwork was undertaken in August (qualitative focus groups) and November 2021 (quantitative online survey).

Despite changes to economic conditions since the research was conducted, retail market activity has generally remained elevated this year compared to pre-pandemic levels.

ASIC Action

The findings in this report builds on our understanding of retail investing - who is investing in what, and significant developments in the retail trading landscape.

These insights are important with the research showing an influx of new, young entrants to financial markets, with over half of surveyed investors (51%) who had started investing during or after March 2020 aged between 18 to 34 years old.

The research also found that although a third of all surveyed investors said they are 'in it for the long-term', half of those surveyed admitted they have invested in things because they didn't want to miss out.

Retail interest in crypto-assets has changed:

- cryptocurrency was the second most common product type held (44%) after Australian shares (73%)
- for a quarter of cryptocurrency investors, cryptocurrency was their only investment
- investors who started investing in the last five years were more likely to say cryptocurrencies were their first investment (26%), compared to just 3% of those who had been investing for five years or more.

While it is encouraging to see more people, particularly younger investors, engaging in the market, we are concerned about the number of people investing in unregulated crypto-asset products as their first investment.

The technical features of crypto-assets make it unclear whether they are financial products that fall within ASIC's jurisdiction.

This leaves crypto-asset investors without the same protections as investors in traditional products.

We believe there is a strong case for regulation of crypto-assets to better protect investors. However, this is ultimately a matter for Parliament.

Digitalisation and socialisation of trading is evolving:
The research showed that investors are using a wide range of online trading platforms that offer easy access to a range of products.

Many investors are also using digital channels and social media platforms to source information on investing:

- 34% of surveyed investors reported sourcing information from Google searches
- 41% of surveyed investors reported sourcing information from social media and networking platforms, including YouTube (20%), Facebook (11%), podcasts (10%), and financial influencers (10%).

More complex and opaque financial product and service offerings, and the speed and reach of marketing and distribution through digital channels, may expose investors to new risks or higher levels of existing risks.

The research will help inform our review of the practices and potential harms arising from evolving digital engagement practices and distribution channels that are used to attract investors.