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Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
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Submitted electronically via finra.org

August 30, 2021

Re: Special Notice 6/30/21, FINRA Request for Comment on Effective Methods to Educate Newer Investors¹

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. Headquartered in the UK with offices throughout the EU, US and Asia, IHS Markit has more than 50,000 key business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions. IHS Markit and its subsidiaries employ approximately 15,000 employees in 38 countries, including over 5,300 employees in the United States with offices in 49 states and the District of Columbia.

Markit Digital, an IHS Markit business line, works with many leading US broker dealers to design the user experience, aggregate financial data from many different providers and manage the online research experience for retail investors. Founded in 1991, the business originally delivered stock reports via fax and has evolved services to now include displaying financial content online, in native mobile applications, via API, virtual reality and video. The bespoke research experiences we provide simplify complex financial information for the most novice investor, by including visualizations and educational tips. As the user and the user's expectations continue to evolve, we strive to provide research experiences that lead to long-term financial success for end users and continued growth for our clients' objective of long-term asset management.

IHS Markit is pleased to have the opportunity to comment on the Financial Industry Regulatory Authority ("FINRA") Request for Comment on Effective Methods to Educate Newer Investors. It is from our vantage point as a leading service provider to retail broker-dealers that we offer our thoughts.

I. Executive Summary

As a general comment, we note that service providers like Markit Digital can facilitate delivery of new educational interventions for investors. We can scale the cost of these interventions across multiple customers, reducing the cost and difficulty of

¹ Regulatory Notice 21-19, FINRA Request for Comment on Effective Methods to Educate Newer Investors, Special Notice, June 30, 2021, <https://www.finra.org/rules-guidance/notices/special-notice-063021>.

implementation. Further below in our answers to specific questions posed in the Request for Comment, we recommend, among other things:

1. Increased focus on the time value of money and compounding returns.
2. A focus on investment vs. training simulation. The latter teaches day trading techniques while the former provides the tools to create a sustainable portfolio of investments.
3. The important role FINRA can provide by (1) pre-approving language and training modules, e.g., as they might relate to social media “meme stocks, in order to facilitate broker-dealer compliance approval, (2) engaging social media, and (3) aggregating data to inform educational interventions that can provide historic performance information on speculative trading strategies, including options trading.

II. Request for Comment Questions

1. *What is the single most neglected area in the field of investor education? How might this area be developed?*

In our experience we have found many retail customers could benefit from improved understanding of the time value of money and the effect of compounding returns. This area could be developed through a social media campaign, e.g., on Facebook, Instagram, or TikTok, etc., that informs investors while engaging them. The campaign could focus on successful investors describing what they do and the campaign follows them through different points in their life.

For example:

- A 22-year-old starts with saving \$5k in a 401k using a target date fund. Could be a millionaire by age 51 (assuming 6% returns, saves an additional \$1000 each year until hits \$19,500 annual max).
- At 45 years old, where the person is at and the path ahead.
- At 65 years old, how much have they got? How does retirement look like?

Brokers will have similar ads showing people investing, but they never talk about results. So, the target can identify with a person logging into a broker’s website, but does not have a next step.

For the 22-year-old, one could provide a high-level plan based on investment best practices that business school students learn about. This would not provide product recommendations, but it would provide a suggested plan (e.g., invest \$x into a y type of investment). The product could be via a financial advisor, robo-adviser, mutual fund, ETF, or basket of ETFs, depending on investor time and interest. Asset allocation and diversification are also important investment concepts that can be incorporated in such a campaign.

There has been rightful criticism of some brokers and social platforms that use the dopamine effect to encourage people to trade. Similar tactics could be used to encourage prudent investment decisions.

- 2. Which methods of educating investors have worked best to increase investor knowledge among self-directed retail investors? Please describe the modes and channels used to reach people and the demographic characteristics of the target audience for such efforts. What should be FINRA's role with regard to educating self-directed investors?*

Social media, chatrooms, and podcasts have the greatest reach. Many of the investors using these channels have little experience and are easy targets to be encouraged to speculate in the short-term vs. invest for the long-term. FINRA should reach out to self-directed investors using the same channels, including Reddit. Investors enjoy the content that they see from speculators and FINRA could use similar tactics to make people feel great about becoming long-term investors.

Unfortunately, professional financial advisors are generally unable to participate on social media due to regulations and firm compliance. While many of these professionals would espouse a responsible counterpoint to speculation, they are unable to do so. As a result, there is an asymmetry on what investors see that leads to a distorted view of markets. Investment professionals use webcasts, often focused on clients or a narrow set of the investing public, that don't reach a broader swath of investors.

Moreover, FINRA could work with financial services firms to suggest pre-approved language/training that provides basic educational information for investments and cautions against reliance on social media. Pre-approved language endorsed by FINRA would facilitate compliance approval for the use of such educational material. (I'm getting stats on our twitter campaigns)

- 3. Which education methods have worked best among investors who receive advice from registered financial professionals? Please describe the modes and channels used to reach people and the demographic characteristics of the target audience for such efforts. What should be FINRA's role with regard to educating investors who receive recommendations from registered financial professionals?*

The CFA Institute has over 350,000 Twitter followers. Followers appear to be a mix of professional and retail investors. The CFA Institute uses their channel to share links to articles and other investment-related information in a fun and easy-to-digest manner. FINRA's should provide guidelines and preapproved advisory language and/or content so that financial professionals can create similar conversations with their own clients and encourage them to invest and not to speculate. These efforts should be cognizant of demographic characteristics, especially age and net worth.

- 4. What types of effective educational interventions have the highest potential to influence the behavior of investors, particularly newer investors? What are the costs of implementing such interventions?*

Interactive training is generally more effective than passive modes of education, especially long, written disclosures. A social media campaign could be used to prime investors to learn more about investing (vs. day trading/speculation). Many investing simulations teach investors about speculating. It would be helpful to create an investment simulator that taught investors about investing basics to help them develop an appropriate asset allocation based on their risk tolerance.

5. *What metrics do you use to track the results of educational interventions? To what extent do these results change over time?*

We haven't done this yet, but different interventions could have their results tracked. For example, with respect to compounding, A/B testing on a group that received training vs. control group that doesn't receive it and see differences in portfolio turnover. This could be encouraged by FINRA by e.g., setting the parameters for such tracking on educational interventions and clarifying broker-dealers' duties with respect to educational interventions.

6. *What experience and evidence of effectiveness can you share regarding the integration of investor education into other types of service delivery (such as workforce development, general financial planning or client cultivation)?*

No comment.

7. *What lessons have been learned from qualitative or quantitative study of target audiences, input from behavioral science professionals, data analytics or other inputs regarding effective ways to educate investors generally and newer investors specifically?*

No comment.

8. *Does simulated trading help educate investors or potential investors about different aspects of investing, such as risk, diversification, costs and performance?*

We have noticed that simulated trading teaches trading, not investing. Different interventions, e.g., investment simulations or videos or graphical charts (or a combination of these and other engagement tools) with an extended simulated time duration, could help other aspects of investing, e.g., risk, diversification, costs and performance.

9. *For broker-dealers and other financial services firms that offer investor education resources through mobile apps or websites, what has been your experience regarding customer usage of the tools and information you offer? Which platforms and modalities have the highest utilization? Which have been most effective? Have you measured changes in investor knowledge? If so, how and with what results?*

No comment.

10. How might FINRA and the FINRA Foundation best serve the field of investor education?

As discussed above, we suggest FINRA's approval of marketing language and training, e.g., with respect to investments arising out of social media, to facilitate compliance approval and we also think broker-dealers and/or FINRA could more systematically review outcomes of educational interventions and training, e.g., through controlled A/B studies.

Another way FINRA could enhance investor education is through making data available for broker-dealers or FINRA itself to deliver to investors to help investors better understand the risks of speculative investments through aggregated performance data. For example, FINRA could aggregate data on stocks with common characteristics, including speculative ones highlighted in social media ("meme stocks") and returns on speculative trading strategies, including options trading, including implied probability of expiration out of the money. FINRA could also conduct a study on the impact of gamma trading² to help industry develop processes that would allow for portfolio hedging that is less impactful on market valuations.

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Please do not hesitate to contact me at salman.banaei@ihsmarkit.com or 202.339.2339 if you have any questions. We would welcome the opportunity to assist FINRA and its staff as it considers policy in this area.

Sincerely,

/s

B. Salman Banaei

Executive Director
Financial Services

² See e.g., <https://tradeoproacademy.com/options-gamma-trading/>.