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CYPRUS SECURITIES AND EXCHANGE COMMISSION

**CySEC Survey  
on Retail Investor Behaviours  
and Habits**

# Cyprus Securities and Exchange Commission



**The Cyprus Securities and Exchange Commission (CySEC)** is the independent public national supervisory Authority responsible for the supervision of the investment services market, transactions in transferable securities carried out in the Republic of Cyprus, and the collective investment and asset management sector. It also supervises the firms offering administrative services which do not fall under the supervision of ICPAC and the Cyprus Bar Association, as well as Crypto-Asset Services Providers.

Learn more about CySEC at [www.cysec.gov.cy/en-GB/cysec/](http://www.cysec.gov.cy/en-GB/cysec/)

## Why This Report?

Technology has changed the way we use financial services, how we manage investments and how we engage with banks and financial institutions. More people than ever have easy access to their money, procedures are simpler and more efficient, and new technologies present great opportunities.

Expanding financial inclusion does, however, carry some risk. The trends we have witnessed in recent years towards increased digitalization, online and mobile trading platforms, as well as sophisticated technologies, like artificial intelligence (AI), algorithmic trading, and blockchain technologies, come with challenges related to cyber risk, cases of money laundering and investor protection. As a result of the impact of this technology, regulators now face new challenges, as legislation and regulation need to constantly evolve to adequately supervise emerging products and services.

Rising retail activity and accessibility means that regulators need to respond to the use of digital and social media platforms by firms to promote and market high-risk assets, particularly where there is evidence of aggressive marketing practices. We see people investing much more than what they can afford to lose, and they are putting their money into riskier investments. These have a crucial impact on their safety and financial stability.

This is why the Cyprus Exchange and Securities Commission believes that alongside creating regulatory frameworks that are effective, balanced, and scalable to protect consumers, promoting financial education must also be a priority. Across Europe, the level of financial literacy remains far too low, especially among young people. As part of a wider programme of activities being carried out by CySEC with the goal of investor protection, we commissioned this report to highlight the value of financial literacy, providing a snapshot of what drives people to invest through online services, what checks they carry out before parting with their money and to capture their reflections on their experience of investing.

Our findings underline the importance of creating a safer environment for retail investors and of driving public awareness of financial education to ensure people are alert to the risks and they make informed decisions when it comes to their money. Never has the proverb “Look before you leap” been more accurate.

- Dr George Theocharides, Chairman, Cyprus Securities and Exchange Commission

# Overview

## CySEC Survey on Retail Investor Behaviours and Habits

At CySEC, our vision is to enhance the Cyprus securities market to make it one of the safest and most reliable investment destinations in Europe and internationally. We seek to achieve this vision and the healthy growth of our capital market by fostering trust amongst the firms with regulations and the investors they serve, through supervision, innovation, and financial education.

The promotion of financial education is especially important today as the market in which we operate is undergoing some of the greatest upheavals in recent times. In the EU, financial stability conditions have already deteriorated, with the European Central Bank warning that high inflation, recession risks, and tighter financial conditions pose increasing challenges for indebted households and businesses. Whilst the opportunities of these new technologies are indeed enormous, as their complexity increases, they need to be monitored carefully so we are aware and alert to future issues. Financial knowledge, especially when it comes to investing online, is undoubtedly the cornerstone of retail investor protection.

Although this report provides a basic snapshot of investor behaviour, its findings raise concerns that retail investors are being exposed to high-risk assets without sufficient information to make investment decisions. Respondents were asked what had prompted them to make an investment in a particular product and how long they spend researching the product and the firm behind it. Crucially, the survey asked whether their research included checking the websites of regulators, many of which have databases containing information about which firms are licenced to operate and whether they have been the subject of an investigation or received administrative sanctions for non-compliance with the regulations in place.

Like all regulators in Europe, CySEC publishes details about the firms it regulates, and manages a dedicated online financial education gateway that provides up-to-date information that includes a guide for investors on how to spot and avoid scams. Yet less than one in three investors check the websites of the national financial regulator to find out if they're buying from a legitimate company. Most people rely on information provided by the company they're buying products or services from or on news articles to determine if the firm in question is legal and licenced to operate, and more than one in ten investors don't conduct any research at all.

The study compared the investment habits of retail investors in four European jurisdictions: UK, France, Germany and Cyprus. All respondents in the survey had invested, with the majority (25%) saying they bought and sold financial products on a monthly basis. Another 19% invested every 4-6 months, 17% on a weekly basis, and 4% on a daily basis.

Whilst most people already know that not all information we see on the internet and on social media can be trusted, digital advertising has a significant influence on people's investment decisions. Too many investors and particularly young people are taking real risks with their money because they are taking advice and recommendations from unreliable sources, ranging from family members or friends to a celebrity endorsement they've seen on a social media platform, without properly checking out the entity they're engaging with. Those apparently most susceptible to promotional content such as online adverts or celebrity endorsements on social media were in the 25-34 age group.

We believe that as well as regulating the investment market and ensuring the responsible provision of financial services, this is an area where regulators can and should play a much greater role in supporting investors. The continuous improvement and simplification of our operations and procedures is already a priority. For example, given the international and largely web-based nature of the activities of Cyprus

investment funds, a key acquisition made by CySEC is a specialized system that analyses and monitors the online marketing materials and social media activities of these firms. This tool has the ability to detect all related mentions from any source globally, including social media, news sites, forums, blogs, video sites and ad networks, and covers 187 languages. In addition, it has the ability to carry out real-time monitoring with an instant alert trigger on any related keyword combination.

The patterns identified by our study were identified across a range of countries, demonstrating an opportunity for national authorities to work together to raise awareness of the tools available to investors and to signpost information that will help them make informed decisions.

# Key Findings

The following slides set out the key insights from the CySEC Retail Investor Behaviours and Habits survey. The study compared the investment habits of investors in four jurisdictions in Europe, namely in the UK, France, Germany and Cyprus.

## 1. DRIVERS OF INVESTOR DECISIONS

**Almost a quarter (22%) of investors make investment decisions based on digital promotions or celebrity endorsement on social media.** Asked what had primarily prompted investors to make an investment in a particular product, most investors (42%) investigated and conducted research before deciding where to invest. However, a similar number (37%) mostly relied on a recommendation by a friend or family member. Only one in three investors (31%) investors took advice from an authorised financial advisor, and 6% said they bought a product because they felt pressured by a peer group.

### Q1. What, if anything prompted you primarily to make an investment in a particular product?

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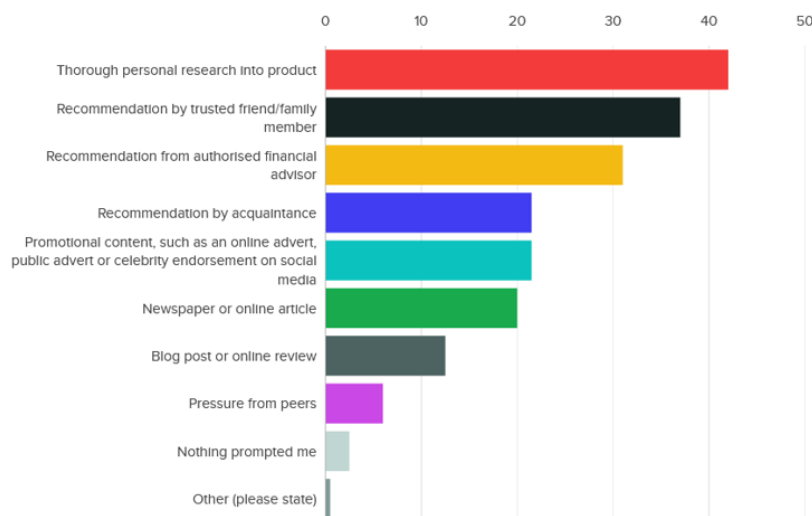


Figure 1. What, if anything prompted you primarily to make an investment in a particular product? All responses.

Investors in France (48%) were the most likely to seek a recommendation from a licenced financial advisor before making an investment, compared to 34% in the UK and in Germany. However, a much higher proportion (24%) of investors in the UK primarily base their investment decisions primarily on online promotional content, compared to 14% in both France and Germany. Further, 34% of investors in Cyprus based their investment decision on promotional content, such as an online advert, public advert, or celebrity endorsement on social media.

**Q1. What, if anything prompted you primarily to make an investment in a particular product?**

Q1. What, if anything, prompted you primarily to make an investment in a particular product? (Tick up to three)

- Thorough personal research into product
- Recommendation by trusted friend/family member
- Recommendation from authorised financial advisor
- Recommendation by acquaintance
- Promotional content, such as an online advert, public advert or celebrity endorsement on social media
- Newspaper or online article
- Blog post or online review
- Pressure from peers
- Nothing prompted me
- Other (please state) [Show more](#)

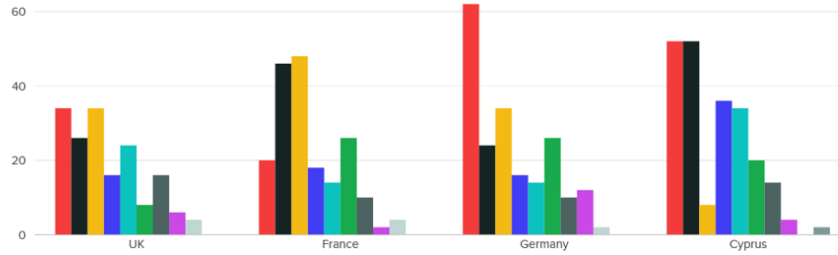


Figure 2. What, if anything prompted you primarily to make an investment in a particular product? Detailed responses by individual country.

**2. IMPACT OF SOCIAL MEDIA**

**Fin-influencers who reach prospective clients through social media advertising play a major part in persuading investors to buy products.** With platforms such as TikTok, YouTube, Instagram and Twitter providing financial content aimed primarily at young people, nearly one in three (31%) of respondents said they had made a financial investment based on the advice of a financial influencer. Investors in France were most likely to be swayed by a financial influencer (40%) followed by 34% in the UK. Respondents in Cyprus and Germany, 26% and 24% respectively, said they'd made a decision based on recommendations from influencers on social media.

**Q4. I have made a financial investment based on the advice of an "influencer." (Financial Influencer)**

Q4. To what extent do you agree or disagree with the following statements?

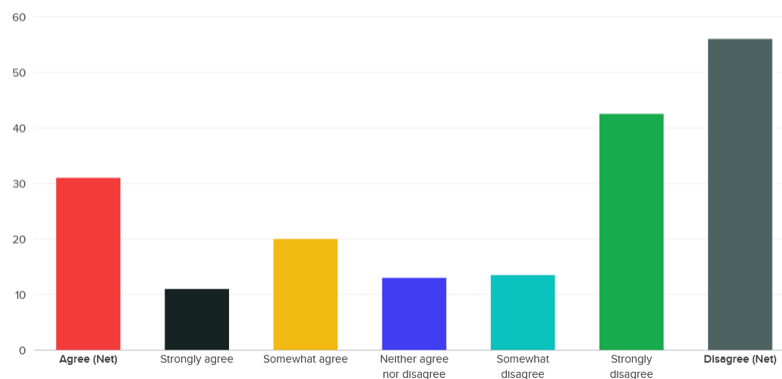


Figure 3. Q4. I have made a financial investment based on the advice of an "influencer." (Financial Influencer). All responses.

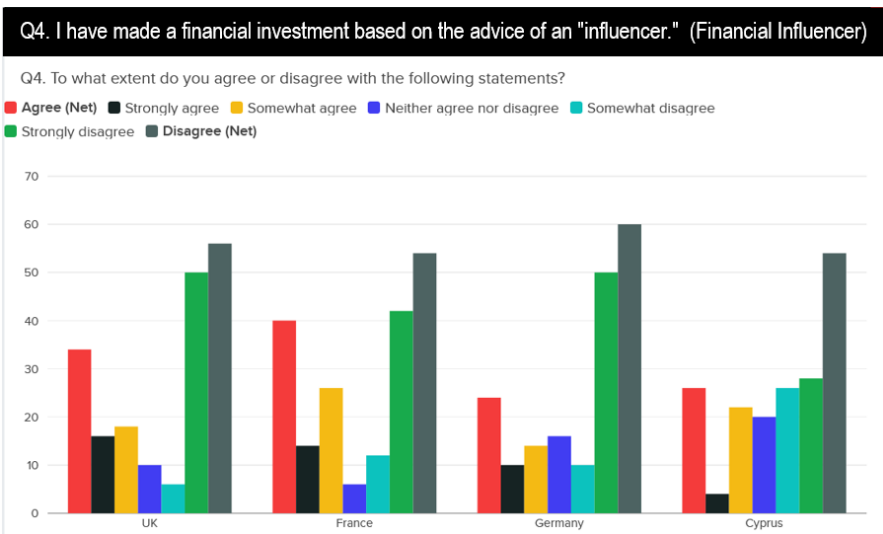


Figure 4. I have made a financial investment based on the advice of an "influencer." (Financial Influencer). Detailed Responses by Country.

### 3. AMOUNT OF RESEARCH

**Too few investors spend any significant time researching the products they plan to invest in or the firm selling it.** While a quarter of all respondents (25%) said they spent 6-7 days researching a particular product before investing, 7% said they did less than 30 minutes of research or none at all before committing their money to a product.

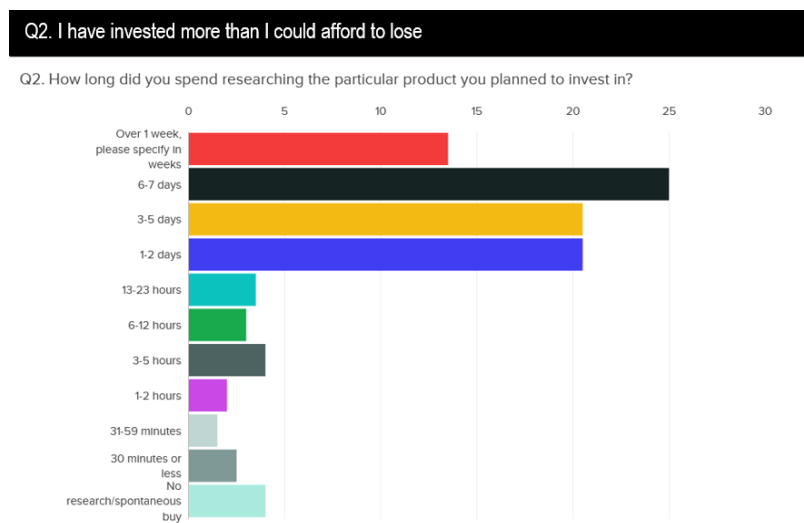


Figure 5. Q2. How long did you spend researching the particular product you planned to invest in? All Responses.

When it came to checking out the firm advertising the financial product to see whether it was licenced to provide financial services, 15% of all respondents said they didn't do any checks at all. Most people (51%) said they looked at company reviews or the firm's own website (44%), but only one in three investors (30%) looked up the firm on the website of the national regulator to check if was licenced.



**Q3. I have invested more than I could afford to lose**

Q3. How, if at all, did you check the firm selling the product was licensed to operate? (Tick all that apply)

- Did online research for company reviews and news articles
- Checked on the firm's own website
- Checked on the website of the relevant country regulator
- N/A - I did not check
- Other (please state)

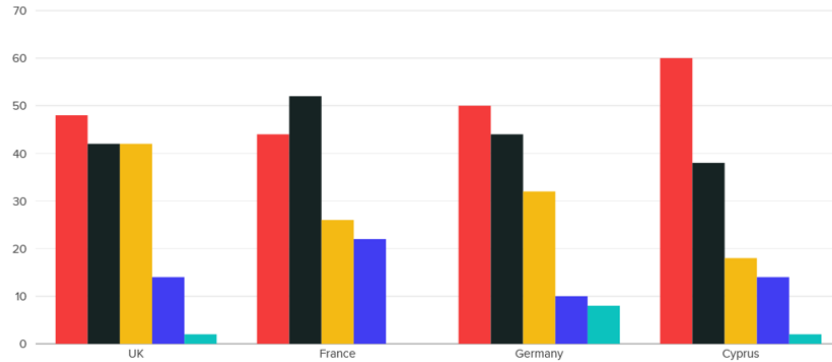


Figure 6. Q3. How, if at all, did you check the firm selling the product was licensed to operate. All Responses.

Investors in the UK (42%) were the most likely to use the national regulator website to check if the firm selling the product was licensed, compared to just 18% of investors in Cyprus, 26% of investors in France, and 32% in Germany who checked with the regulator’s website to find out whether a firm was real and that it had obtained the necessary license.

Investors in France were the least likely to check into the status of an investment firm, with 22% not checking at all, and most (52%) relying only on the firm’s own website. Most investors in the UK said they did online research and checked out both the firm’s and the regulator’s website for information, although 14% did not carry out any checks.

**Q3. I have invested more than I could afford to lose**

Q3. How, if at all, did you check the firm selling the product was licensed to operate? (Tick all that apply)

- Did online research for company reviews and news articles
- Checked on the firm's own website
- Checked on the website of the relevant country regulator
- N/A - I did not check
- Other (please state)

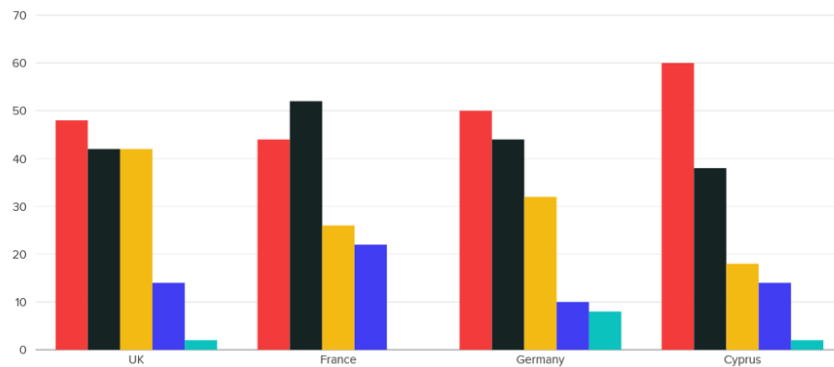


Figure 7. Q3. How, if at all, did you check the firm selling the product was licensed to operate. Detailed Responses by Country.

#### 4. TAKING RISKS AND BUYER'S REMORSE

**Investors are also taking more risks than they can afford, and many regret past financial investments.** When asked whether they had invested more than they could afford to lose, over a quarter (26%) of all respondents admitted they had. This was particularly true of investors in France, with 32% saying they wouldn't have been able to afford a loss on their investment. German investors appeared to be the most cautious, with just 24% saying they had invested more than they could afford to lose. Cypriot investors appeared to take fewer risks, with just 18% agreeing that they have invested more than they could afford to lose. More than one in three (34%) of all respondents confessed they had regretted a financial investment they had made. This was especially true for UK investors, with 38% regretting a decision.

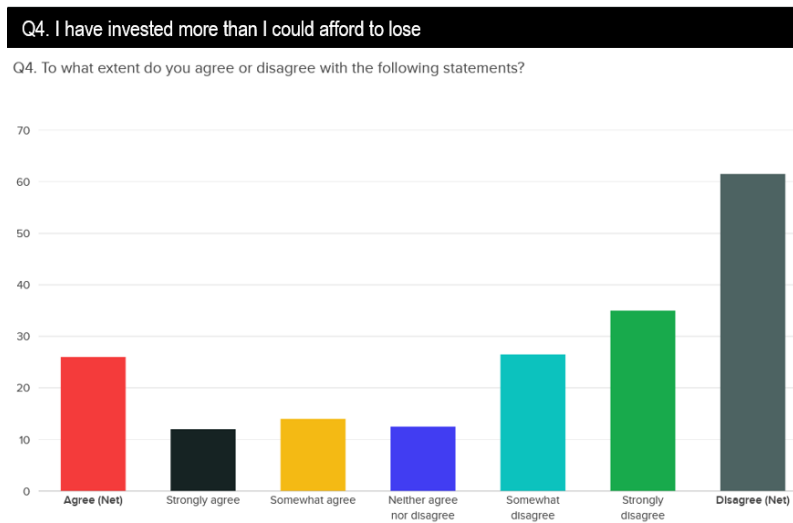


Figure 8. Q4. I have invested more than I could afford to lose. All Responses.

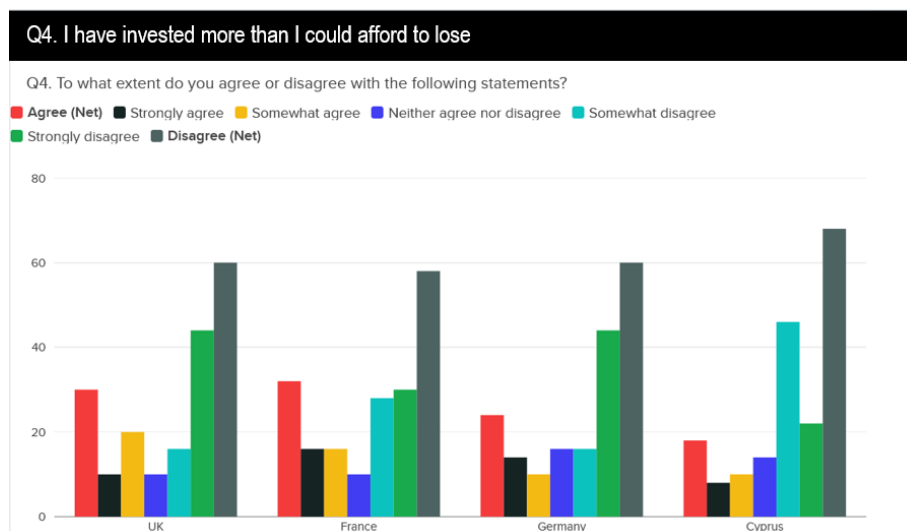


Figure 9. Q4. I have invested more than I could afford to lose. Detailed Responses by Country.

# Methodology and Survey Service Provider

## **CENSUSWIDE**

THE SURVEY CONSULTANTS

Censuswide is a full-service market research consultancy with proven experience working within both B2B and B2C communications & marketing. We conduct research projects for marketing, public relations, and strategy across an extensive mix of agencies and end users. Censuswide abides by and employs members of the Market Research Society which are based on the ESOMAR principles and are members of The British Polling Council.

The online research was conducted by Censuswide, with 200 respondents who have invested in a financial product between 17.11.2022 – 24.11.2022. This included 50 respondents per market: UK, France, Germany and Cyprus. All respondents were aged 18-55+.