

Answer to question in writing:

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE ASIC ANNUAL REPORT (SECOND REPORT) 2019

#### ASIC21QW

An article in *The Australian* 'ASIC acts on funds misrepresentation', 23 September 2020, reported that ASIC has required responsible entities to change the names and labelling of funds. Is there evidence to suggest that the name of an investment product significantly impacts a consumer's decision to purchase the product?

Answer:

Labels are a key feature of most products across the economy. There are many factors at play that influence a consumer's ultimate decision to purchase a given financial product. ASIC research and engagement with consumers to date have indicated product labelling is a contributing factor in consumers' financial decision-making process. Labels often contain important information that is relevant to a consumer's financial decision-making process, such as asset types, investment characteristics and how the product compares to other products in the market.

ASIC research that has shown that consumers are heavily influenced by product labels and brand names. includes the following:

- the use of the terms 'capital protected' and 'capital guaranteed' to promote products led consumers to believe that they were protected from loss and the money was guaranteed: see [ASIC Report 340](#), 'Capital protected' and 'capital guaranteed' retail structured products, May 2013 and [ASIC Report 341](#), Retail investor research into structured capital protected and capital guaranteed investments, May 2013
- terms such as 'secured', 'certainty', 'fixed interest', 'sound' and even 'debentures' – led investors of failed unlisted debentures to believe the product was much safer than it actually was (see [ASIC Report 126](#), Understanding investors in the unlisted unrated debenture (UUD) market, April 2008.
- ASIC found that consumers were much more likely to invest in hybrid securities because of the brand name or reputation of the issuer compared to a recommendation from a financial adviser: see [ASIC Report 365](#), Hybrid securities, August 2013.