

## Summary of CFA Institute Recommendations on How Regulators and the Industry Could Approach Gamification

- **Review and reflection:** App designers should move away from one-click transactions to an order, review, and confirm process. Firms should require validation through third-party authenticator apps for penny stocks.
- **Reward and feedback:** The focus should be on long-term investor outcomes, not transactions or short-term outcomes. Measure and report on long-term performance along with risk and calibrate reward systems accordingly.
- **Reputable sources:** Users should be nudged toward research about stocks and other asset classes from reputable sources, such as other recognized firms and third-party knowledge providers.
- **Point of transaction disclosures:** Market intermediaries should provide point-of-transaction disclosures in plain English.
- **Mobile optimized:** Disclosures must consider the medium through which they are consumed. Having a design that is also optimized for mobile devices is essential because presenting very lengthy information on a screen in a vertical or portrait format causes readers to skim through the information.
- **Full transparency:** Regulators should require full transparency on the remuneration that financial institutions provide to influencers for their advertisement via social media.
- **Communications:** Investor education materials and other public communications must not mislead or downplay the risks and complexity inherent in investing.
- **Labels:** Warning labels should be included for brokerage communications and advertisements. Advertisements should include a message that excessive trading may be injurious to financial health. Brokerages that derive revenues from payment for order flow driven by retail investor transactions must prominently mention that fact.
- **Licensing requirements:** Licensing requirements should be agnostic to platforms, but regulators could make a distinction between general and personal advice, with a limited licensing requirement for the former.