

NEWS RELEASE

## OSC study examines role of artificial intelligence in retail investing

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TORONTO, Sept. 11, 2024 /CNW/ - The Ontario Securities Commission (OSC) today released **Artificial Intelligence and Retail Investing: Use Cases and Experimental Research**, a report detailing the results of a behavioural science experiment that focused on the role of artificial intelligence (AI) in supporting retail investor decision-making.

The experiment consisted of an online investment simulation to test how closely Canadians followed a suggestion for how to invest a hypothetical \$20,000. Participants were told the suggestion came from one of three sources: a human financial services provider, an AI tool, or a human financial services provider using an AI tool (a 'blended' approach). The research team then measured how closely participants adhered to the investment suggestion when investing their \$20,000.

Results showed that participants who received the investment suggestion from a human using an AI tool ('blended') adhered to the investment suggestion most closely, although this difference was not significant. Notably, there was no discernible difference in adherence to investment suggestions provided by a human or AI tool, indicating Canadian investors may be receptive to taking advice from an AI system.

"This research highlights the opportunities AI can create for Canadian investors and market participants," said Leslie Byberg, Executive Vice President, Strategic Regulation at the OSC. "It is important that we are agile and able to harness these opportunities while ensuring investor protection remains at the forefront of how we regulate."

OSC researchers also examined the current investor-facing use cases of AI in Canada and abroad. In doing so, they identified three broad use cases:

**Decision support** involves AI systems that provide recommendations or advice to guide investment decisions.

**Automation** consists of AI systems that automate portfolio and/or fund (e.g., ETF) management.

**Scams and fraud** includes AI systems that either facilitate or mitigate scams targeting retail investors, as well as scams capitalizing on the "buzz" of AI.

The report details both benefits and risks stemming from the first two use cases. For instance, AI systems could provide increased access to more affordable advice for investors, but there is also the possibility that systems may provide investors with advice that is biased or not relevant, appropriate, or accurate. As AI-enhanced scams and frauds may pose significant risks to investors, the OSC continues to research its use, as well as ways to provide effective investor protection and potential mitigation strategies.

. This research builds on the OSC's existing research in the area of artificial intelligence and reinforces the benefit of using behavioural science as a policy tool by regulators. As AI continues to advance in capabilities, more research is needed to help capital markets stakeholders better understand the implications for retail investors.

The OSC partnered with the **Behavioural Insights Team** (BIT) to conduct this research.

For more information about investing, investor protection and behavioural science, visit

**GetSmarterAboutMoney.ca** and sign-up for the OSC's popular e-newsletter, **Investor News**. In addition, **OSC in the Community** hosts events online and across Ontario to talk with people about investor education and protection.

The mandate of the OSC is to provide protection to investors from unfair, improper or fraudulent practices, to foster fair, efficient and competitive capital markets and confidence in the capital markets, to foster capital formation, and to contribute to the stability of the financial system and the reduction of systemic risk. Investors are urged to check the registration of any persons or company offering an investment opportunity and to review the OSC investor materials available at <http://www.osc.ca>.

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