MIFID WITH EXPERIMENTAL DESIGN

[CLIENT]
VS 06.2019

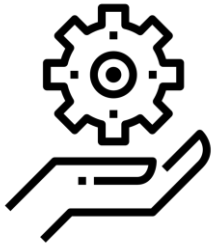

?
Next best
(investment) offer

Financial disintermediation essentially by **“new” players**

New players use **Robots to predict preferences**

Robots suggest a (bad) next best offer

TREND



PROCESS

SOLUTIONS

Tight **regulation** on **“old” players**
. MIFID
. …

Old Players apply MIFID Surveys to evaluate:
. Financial literacy
. Competence
. Transparency
. …

Surveys restrict the range of options

But… Observational Data (Big Data) can only measure correlation, not causality. **So the Robot fails.**

PROBLEMS

But… in the end the **survey is just a "Tick and smile"** process

Some "New Players" try to use behavioural finance in the Robot, but this does not work either: A fundamental tenet of behavioral is the deviation from rationality exhibited by decision-makers.

But, how many questions would one need to:

. psychology profile a human mind?

. profile context?

. find causality?

(others try to solve this with direct questions and declared answers…)

CURRENT WAY OUT / DOUBTS

Some "Old" players just **forget regulation** and **bet (only) on a good Customer Experience**

We do not need rationality for prediction. We just need consistent behaviour (within groups/clusters).

What's the solution to find consistency & causality? **Experiments**. These are the gold standard for causality.*

Data XL reply

Regulation must be a sale opportunity

MIFID WITH EXPERIMENTAL DESIGN

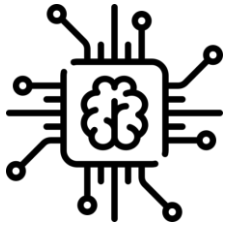
* Ideally these would be carried on continuously so we can check subtle environmental cues with cluster and discriminant analysis.

DEVELOP NEW PRODUCTS

EXPERIMENTS WITH SURVEYS (our live experiments)

1. We create products that do not exist
2. but that seem credible to the consumer eyes.
3. As people chose a combine product they reveal what they really want – they reveal their consistent behaviour

PREFERENCE ENGINE



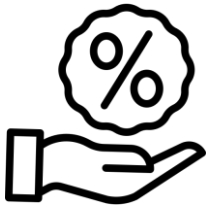
1. The objective of engine analysis is to determine what combination of a limited number of attributes is most influential on respondent choice or decision making.
2. The main difference to this approach is that we use experiments to measure part worth utilities, not a normative function, or a declared satisfaction index. Also we do not need a full rationality, just consistent behaviour

FINDING THE BEST NEXT OFFER

CURRENT PRODUCT OFFER

Data set of all live products classified with the same attributes that the client valued

ADVISE THE NEXT BEST OFFER

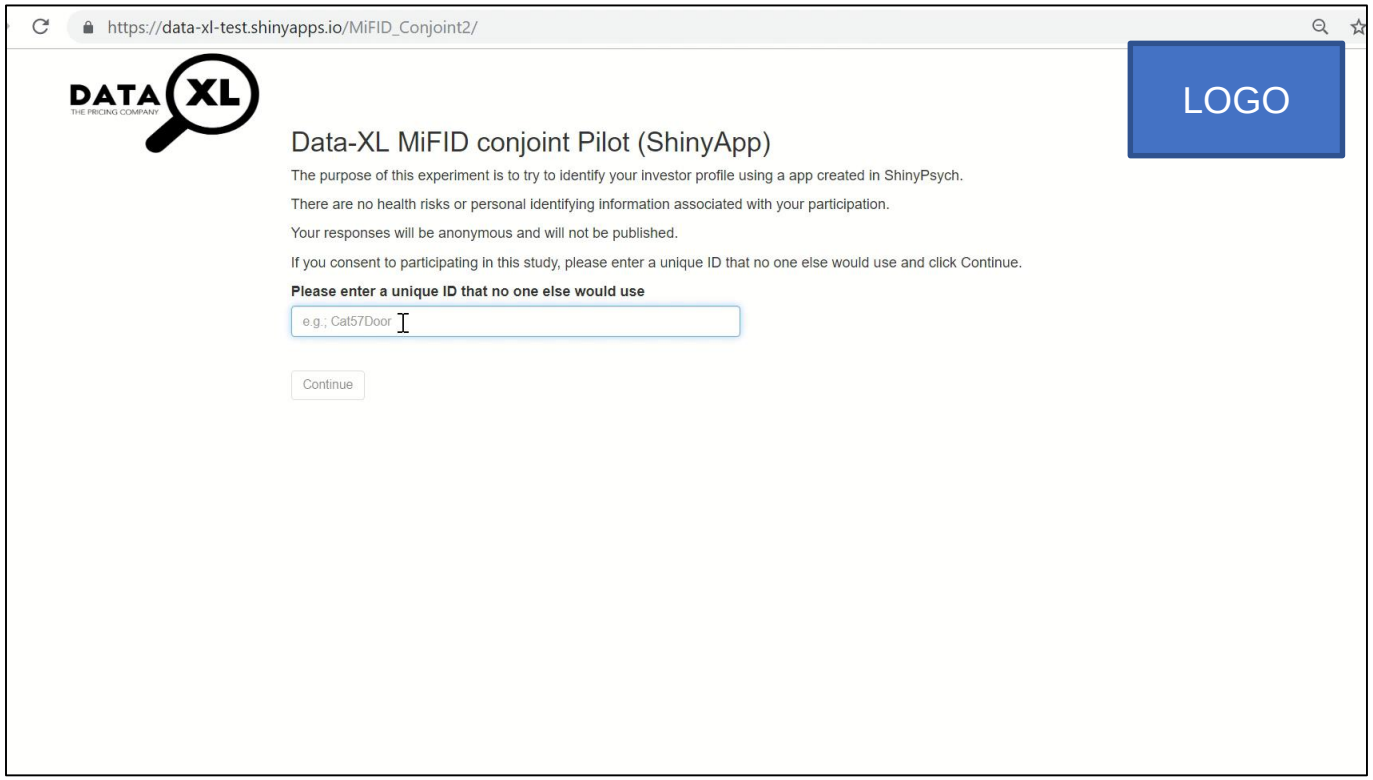


Offer a product that:

1. maximizes the client preference
2. maximizes client's return

WHITE LABEL SOLUTION

EXPERIMENTS WITH SURVEYS → PREFERENCE ENGINE → FINDING THE BEST NEXT OFFER → ADVISE THE NEXT BEST OFFER



https://data-xl-test.shinyapps.io/Conjoint_Pilot_Data-XL/

Shiny from RStudio

DigitalOcean

GDPR

White label solution

CPX need

PRICE OPTIMIZATION WITH AN API

SUPPLIER OVERCHARGE DETECTION

with an API

www.DATA-XL.com