

# Lecture 8: Human Foibles, Fraud, and Regulation

Economics 252, Spring 2008

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# Some Principles of Behavioral Finance

- Wishful thinking bias
- Attention anomalies
- Anchoring
- Representativeness heuristic
- Gambling behavior
- Magical thinking
- Quasi magical thinking
- Attention anomalies

# U.S. Agencies that Help to Control these Temptations

- Securities and Exchange Commission
- National Association of Securities Dealers, now FINRA
- Municipal Securities Rulemaking Board
- Financial Accounting Standards Board
- Securities Industry Association
- Investment Company Institute
- Mortgage Bankers Association

# Key Terms

- Public vs private securities
- Hedge funds
- Market surveillance
- Insiders vs outsiders
- Tunneling
- FASB and earnings definitions
- Off-balance sheet accounting
- FDIC and SIPC