

Таким чином, в наш час існує дуже велика кількість методів, які дозволяють вирішувати різні дослідницькі завдання та визначати закономірності функціонування фінансової системи та окремих її елементів.

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## **EFFECTS OF BEHAVIORAL BIASES ON INVESTMENT DECISIONS IN THE CONTEXT OF CRYPTOCURRENCY MARKET**

There is a wide variety of reasons for investor's decisions whether it based on scrupulous analysis of financial data or on the personal professional experience. However, even the most successful trader may become a victim of own behavioral biases. Behavioral finance studies to what extent your decisions are affected by psychological, social, cognitive, and emotional factors. In economic science, behavioral biases are classified into two types: cognitive and emotional. The influence of the both can negatively affect the rationality of your decisions. The purpose of this paper will be to analyze the impact on investment decision of such factors as confirmation bias and anchoring bias in the context of cryptocurrency market.

Oxford dictionary gives such definition of confirmation bias as the tendency to interpret new evidence as confirmation of one's existing beliefs or theories [1]. It also refers to one's ability to interpret unclear evidence in a way that supports preexisting beliefs and wishes. Optimistic bitcoin investors would rather try to find information, which proves their growth forecasts and not that one which contradicts them. This type of behavior was found to be more pronounced in those with higher levels of self-perceived expertise and stronger prior held beliefs towards particular stocks, resulting in an overconfidence bias in decision-making process.

The Barnaby Craggs and Awais Rashid study showed that spreading news about Bitcoin influences the investment decisions of individuals despite their quality, fairness or scientific value. In their research, they have developed an online survey of Bitcoin users, due for publication in late January 2016 with results being expected for analysis by early March 2016. The survey questions Bitcoin users as to: (i) their use of the cryptocurrency, general sentiment towards Bitcoin and its long-term prospects; (ii) self-perceived levels of knowledge and expertise; and (iii) a general set of questions around technology and news consumption [2]. Confirmation bias is measured through participants selecting those stories with sentiments aligning with their own, irrespective of the quality of the story itself. Further cross validation of any propensity to confirmation bias is afforded recording the length of time participants spend reading each story based on works by Knobloch-Westerwick & Meng [3] which indicated that participants are likely to spend 36% longer reading information that aligns with an existing belief. The danger of confirmation bias is that your decisions and actions lose its objectivity. It could also lead to overconfidence and endowment biases.

There is a strong connection between confirmation and overconfidence biases. Both of these fallacies seem to be typical for the majority of cryptocurrency traders. Moreover, their judgments also depend on an “original point”. The first experience that we receive to make a decision has an overly strong effect on our decision-making. The phenomena of our evaluation adjustment is known as anchoring bias. Important to note is that anchoring bias seems to have its strongest effect when we have no real idea of what the right decision is (for example for novice investors, the concept of crypto-currency can be something abstract with unpredictable behavior).

At the same time, anchoring effect could explain us difference in investor behavior depending on the time of entering the Bitcoin market. For instance at the beginning of 2013 Bitcoin price was around 50\$ per coin and at the end of 2017 (before the significant crash) the price was up to 19.000\$. [4] It is quite logical that the forecast of the prices and overall forecast of investors that started trading Bitcoin at 2013 and at 2017 will defer. This bias occurs due to the difference of the initial value with which further changes are compared. Furthermore, it is hard to imagine for an investor who bought bitcoin for 25\$ that there is a probability that this asset will ten times increase in price.

To conclude, cognitive biases such as confirmation bias and anchoring bias create limits for objective analysis and rational decision-making process. Cryptocurrency market is booming and attractive investment opportunity which at the same time characterized by unpredictable behavior and many speculations on that trendy issue. Due to the huge number of pseudoscientific articles and forecasts, individuals are faced with biased decision-making environment.

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## **IMPACT OF SOLVENCY II REGULATIONS ON CAPITAL FORMATION IN THE INSURANCE INDUSTRY**

Insurance plays essential, extensive role in economic development and has considerable influence on the society. With a 32% share of the global market, the European insurance industry is the largest in the world, followed by North America (31%) and Asia (30%).

Directive 2009/138/EC of The European Parliament And of the Council of 25 November 2009 On the Taking-up and Pursuit of the Business of Insurance and Reinsurance (Solvency II) is a Directive in European Union law that codifies and harmonizes the EU insurance regulation. First of all this concerns the amount of capital that EU insurance companies must hold to reduce the risk of insolvency.

Initial Solvency I Directive 73/239/EEC was adopted in 1973. The third generation of life (92/96/EEC) and non-life (92/49/EEC) Insurance Directives were adopted in the mid-1990s in order to unify regulations, enhance consumer protection and establish the single market for insurance. They provided an "EU passport" for insurers to operate in all member states if they fulfilled EU conditions. The system of legislation, created in Europe, implies mutual recognition of the supervision exercised by different national authorities according to rules harmonized at the EU level. The requirement for adequate solvency margin establishing for insurance companies has become one of the most important common prudential rules.

Solvency II came into effect on 1 January 2016, following an EU Parliament vote on the Omnibus II Directive on 11 March 2014.