

# Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



## SPI Project on Consumer Education

### Project Strategy Meeting

April 5, 2007

Romanian Banking Institute

11:00-13:00

### Participants

#### *Project Working Group*

Petre Tulin, President, HVB Banca Pentru Locuinte, Project Owner on behalf of RBA

Adrian Chira, Retail Director, HVB Tirioc Bank, Project Manager

Mihail Meiu, Director, National Authority for Consumer Protection, Deputy Project Manager

Paula Moranciu, Expert, National Bank of Romania, project working group member

#### *SPI Secretariat*

Oana Nedeleescu, SPI Director for Analytics and Policy and Ramona Bratu, SPI Director for Bank Products and Services

## MINUTES

### I. The international experience with consumer financial education

The SPI Secretariat has made a presentation of the document prepared on the international experience with consumer financial education. The document outlines that, in practice, there are a variety of initiatives undertaken by both public and private organizations to provide financial education to consumers. In this regard, financial education can be promoted through the dissemination of accessible, relevant and plain information on financial products and services and through financial training.

The disseminators of such information can be the authorities (financial supervisors, central banks, associations of relevant public authorities, inter-governmental bodies), the banking associations, the financial institutions, the non-profit organizations and the international organizations (including EU bodies). Likewise, the concrete ways of disseminating the information are web sites (most common), distributing pamphlets, booklets, and / or reports, events (exhibitions, etc.), TV and radio campaigns, consumer telephones where individuals can call to learn about financial issues, computer consultation centers, etc.

At the same time, financial training can be promoted in school (through school curriculum) or out of school (through dedicated financial education programs, courses and / or seminars, discussion

meetings, mentoring, etc.). In the area of financial training through school curriculum the international experience is rather limited and shows numerous shortcomings: the relatively low profile of the topic, the narrow range of personal finance education topics covered and the lack of assessment policies and practices in place for personal finance education.

## II. Discussions on a feasible strategy for promoting financial education in Romania

Participants have agreed that the education on financial issues is very important for all stakeholders:

- **consumers of financial services** as it helps them to budget and manage their income, save and invest efficiently, and avoid becoming victims of fraud;
- **providers of financial services** as it can constitute a marketing tool for financial institutions to build robust client relationships and promotes competition among financial intermediaries;
- **authorities** as is a policy instrument for authorities to contribute to a sustainable growth in financial intermediation and ensures the smooth functioning of financial markets and the economy.

The NACP representative outlined that the Romanian consumer of financial products and services is particularly vulnerable as it has a very limited understanding of financial sector issues and does not dispose of an adequate amount of information to make decisions in his best interests.

Therefore, the *financial education should start with the dissemination of basic information, explained in a plain and accessible manner, for consumers of financial products and services.*

The participants outlined that there is a fine delimitation between the consumer education and the marketing of products and services by financial institutions. In this regard, the information made available by financial institutions for educating consumers should have an advanced character of generality and should offer information that is applicable for broad categories of products and services so as to enable the consumers to make informed decisions.

The participants also agreed that a simple advertising campaign for promoting financial education would not be sufficient in Romania. The efforts for promoting financial education should have a broad coverage and should be made jointly by the financial market players and authorities. The *strategy for promoting financial education* should spell out:

- the objectives to be achieved;
- a clear implementation calendar (i.e. three years);
- the legal and the institutional changes that could be promoted within the stated time span (i.e. an idea would be to have a special NGO managing the program grants and other funds from donors);
- the ways and the means (including financial resources) to achieve the objectives.

In this regard, it would be useful to find out the experience of other countries in implementing financial education programs. In this regard, participants have agreed to contact the OECD Financial Education Program in order to get more information on other countries' experience on the matter.

Regarding the financial education through school curriculum, NACP outlined that the Consumer Code has been recently amended to introduce in school curriculum elements of education pertaining to consumer protection issues. In this regard, the participants have agreed that *a concrete proposal for including elements regarding to financial education of consumers,*

*together with a concrete implementation plan (including a special section referring to teachers' training) should be submitted to the Ministry of Education in due time.*

Likewise, in order to gain a broader recognition and support at the national level, the proposed strategy should be brought to the attention of the Government.

Participants have agreed that the **NBR and NACP should be at the forefront of the efforts to promote financial education in Romania**. The NBR could ask some other supervisory authorities to get involved in this initiative.

The following concrete suggestions for promoting financial education have been made:

- the NBR and NACP should start by disseminating on their websites basic financial information for consumers;
- a financial lexicon / guide should be prepared by banks and the NBR and subsequently posted on the sites of banks and the NBR;
- start a TV / media campaign on the public television with advertising slots on specific basic financial sector issues (savings, credit, pensions, insurance, etc.);
- explore the possibility of having non governmental institutions engaged in the process of promoting financial education and players from other financial market segments (insurance, pensions, etc.).

### **III. Next steps**

#### **SPI Secretariat:**

- will prepare a list of questions for the OECD Financial Education Program (by April 25, 2007);
- will prepare a project status report for the SPI Committee (by April 27, 2007)
- will identify with Convergence's help an expert for one half-day workshop on policies and practices in EU countries and options for Romania (mid May, 2007);
- will sketch a outline for a strategy for promoting financial education incorporating the feedback received from OECD and SPI Committee (mid May, 2007);

#### **PWG members:**

- will send their views on the strategy outlined by the SPI Secretariat and will finalize the strategy (mid May, 2007).