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Proposed National Strategy for Promoting Consumer Financial Education

Presentation for Working Group Discussion October 18th, 2007

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Outline

- 1. The need for a national strategy
- The objectives and timeframe of the national strategy
- 3. Principles of the national strategy
- Roles of the stakeholders
- 5. Coordination, governance and monitoring
- 6. Implementation: channels, regulations, funding
- 7. Pre-launch activities
- 8. Implementation plan

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1. The Need for a National Strategy

Present context of the financial services:

- Modest level of penetration;
- Important growth rates of financial services.

Threats for the consumers:

- Over-indebtedness;
- Irresponsible use of credit;
- Lack of knowledge and experience in financial planning.

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2. The Objectives and Timeframe of the National Strategy

GENERAL OBJECTIVE:

To increase levels of financial education and awareness among the general public and certain sensitive categories, with the lowest levels of financial literacy.

Strategy time frame: 3 years

Beneficiaries:

- Consumers of financial services;
- Providers of financial services;

Authorities.

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3. Principles of the National Strategy

- 1. The main components of the national financial education programs and measures should be: **instruction**, **information** and **advice**.
- 2. Financial education should be **adequately calibrated**: fair and unbiased information efficiently communicated, focus on high priority issues, suitablility to the target audience.
- 3. **Broad participation of stakeholders** in designing and implementing the strategy: public authorities, financial institutions, Romanian Banking Association and other NPOs, international organizations.

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4. Roles of the Stakeholders

- Public authorities: promotion, legislation, financing, calibration and monitoring, logistic suport;
- > RBA: industry self regulatory measures, industry programs, dispute resolution schemes;
- > Financial institutions: information, education, training staff;
- Non-profit organizations: focus and coordination, promotion, financing;
- > International oranizations: awareness raising, guidance, research, networking.

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5. Coordination, Governance and Monitoring

Coordination

- Option 1: public –private partnership
 - → stakeholders could be involved more actively.
- Option 2: dedicated non-profit organization
 - → dedicated structure in charge with coordination.

Governance and monitoring

- Endorsement of the national strategy by the SPI public-private project woking group and the SPI Committee;
- Creation of a Public-Private Steering Committee for Promoting Consumer Financial Education composed of relevant public and private representatives;
- Initiation of a public debate (round table) aiming at building consensus among all stakeholders;
- Endorsement of the implementation plan to be executed by a PPP/dedicated NGO.

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6. Implementation: Channels, Regulations, Funding

Channels

- Training courses, publications, advisory services, internet websites/services, public-awarness raising campaigns, events etc;
- ! Targeting actions to groups that are most in need.

Regulations

- Regulatory-based approach: consumer codes and other consumer protection;
- Industry self regulation;

Funding

- National level programs: public authorities, foundations;
- Local level actions: banks, credit unions, community foundations.

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7. Pre-launch Activities

Strategy proposal to be discussed and endorsed by the SPI public-private project working group: NACP, NBR, NCSPPS, banks, consumer protection associations. (mid October 2007)

Strategy proposal prepared by SPI to be submitted for endorsement to the SPI Committee (late October 2007).

Public – Private Steering Committee for Promoting Consumer Financial Education to be set up (late October 2007).

Round table for a broad endorsement of the strategy (early November 2007)

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7. Pre-launch Activities

Designation of experts to prepare a Memorandum of Understanging (MoU) between the Steering Committee institutions (mid November 2007).

Preparation and signature of the MoU, including governance and monitoring implementation procedures (end December 2007 – early January 2008).

Operational meetings with stakeholders to outline concrete implementation steps (January – February 2008)

Launch of the financial education actions and measures (March 2008).



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8. Implementation Plan

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- Conduct a public awareness raising campaign;
- Enhance online information availability
 - Set up new dedicated financial information website;
 - Modify individual websites;
- Create guides on specific financial sector issues;
- Impose regulatory or industry self regualtry actions;
- Organize public workshops and other events.

Information

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8. Implementation Plan

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- Organize courses, seminars, workshops, etc. at community/socio-professional group level;
- Introduce financial literacy in school curricula;
- Design and implemen targeted educational programs for adults;
- Organize seminars, student projects and conferences which promote financial education.

Instruction

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8. Implementation Plan

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- Develop product comparison softwares;
- Set up toll free telephone numbers;
- Encourage banks to train staff on financial education;
- Ensure suitability for the consumers;
- Develop warning systems for consumers;
- Develop 1-to-1 counselling.

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CONVERGENCE FINANCIAL SECTOR MODERNIZATION











Implementation timeline for the first six months of activities

		Mar 08	May 08		Jul 08	Sep 0	
	Public awareness-raising campaign	Public-Private Ste on Consumer Fina (PPSCCFE) decides objectives and act	ince Education s on general	Draft media compa TORs and launch so process.		Decide on media companies and stat preparation of the materials.	
	Posting website information	websites; Public-F	ions' board approvals for a rivate Steering Committe e Education decision on se e.	e on tting up	and prepare th sections.	w website sections' contents e launch the new website cated website content and	
(Guides on specific financial sector issues	PPSCCFE decides of tackled and institutasks.	\			pare materials and start opport of the public-private	
	Workshops and events organized by stakeholders			complem		ed at supporting and awareness-raising campaign	
: _							
[]	School classes		a proposal for embedding the school curricula.	g financial	Ensure endorse	ement of legislative proposal.	
	Adult education				E develops a syster ining educators in f	matic approach for identifying inancial matters.	
C	Develop product comparison applications		RBA working group to prepare a proposal.				
	incourage banks to train staff on inancial education	RBA working grouwide initiative.	o to prepare a proposal fo	r a system –	Ensure endorse implementation	ment of initiative and	
	Develop warning systems	RBA consumer wo decide on high-rist customers need a	k areas where	RBA consumer wor ways of disseminat		de on main messages and ges.	