



October 2014, Rio de Janeiro, Brasil
Mr Bert Chanetsa
Deputy Executive Officer:
Investment Institutions

*Investor Protection and
Education Going Forward
—What does it take to
change behaviour?*



CVM Comissão de Valores Mobiliários
Protegendo quem investe no futuro do Brasil



Legislative Mandate for Consumer Protection

- TCF
- Regulation implementation

Legislative Mandate for Financial Education

Research and Statistics

- Savings and investments

National Strategy

- Risk based approach
- Key learning outcomes / Competency framework
- Specific Investor framework

Financial Education Projects & Activities

Challenges and way forward

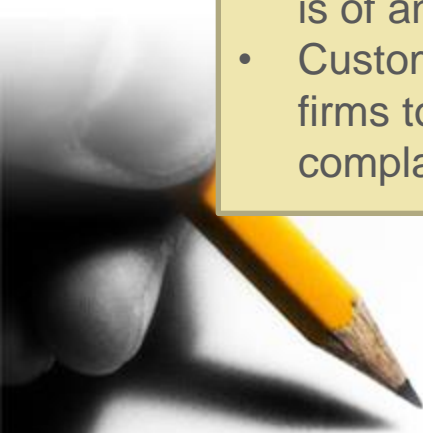
- Financial Markets Act
- Treat Customers Fairly
- Twin Peaks





6 Fairness Outcomes

- Customers can be confident they are dealing with firms where TCF is central to the corporate culture
- Products & services marketed and sold in the retail market are designed to meet the needs of identified customer groups and are targeted accordingly.
- Customers are provided with clear information and kept appropriately informed before, during and after point of sale
- Where advice is given, it is suitable and takes account of customer circumstances.
- Products perform as firms have led customers to expect, and service is of an acceptable standard and as they have been led to expect
- Customers do not face unreasonable post-sale barriers imposed by firms to change product, switch providers, submit a claim or make a complaint



Regulation implementation

- Amended code of conduct
- Complaint mechanism
- On-site visits – Inspections investigations
- Enforcement



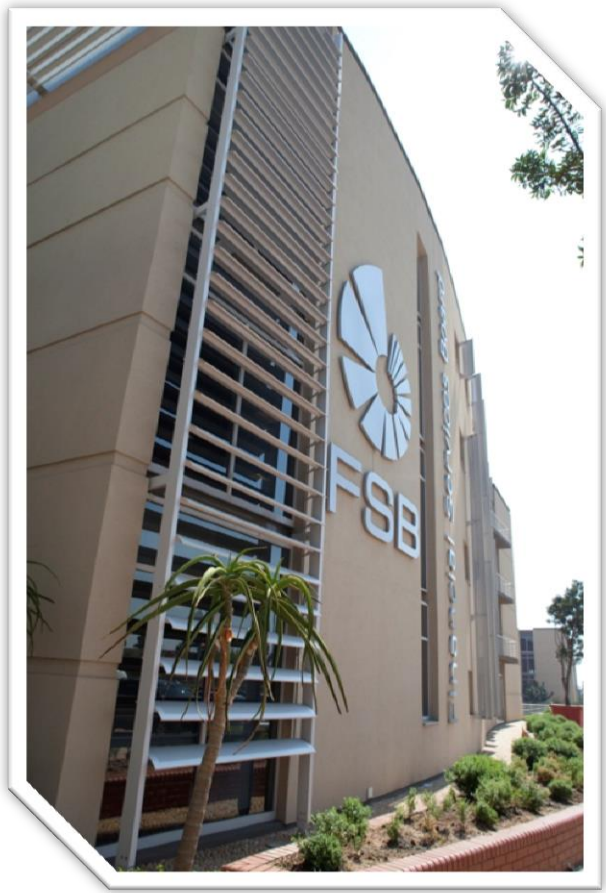
FSB – Legislative Mandate for Consumer Education

Mandated by the **FSB Act No. 97 of 1990**, as amended in 2000

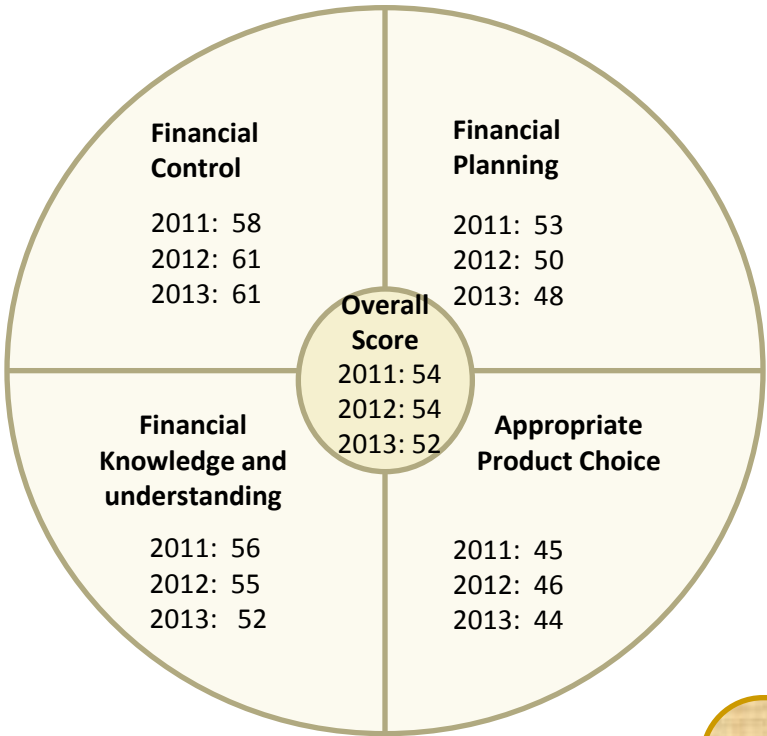
*“Promote programmes and initiatives by financial institutions and bodies representing the financial services industry to **inform and educate users** and potential users of financial products and services”.*

Financial Services Laws General Amendments Act, 2013

“provide, promote or otherwise support financial education, awareness and confidence regarding financial products, institutions and services.”



47%
credit active
consumers
have impaired
credit records



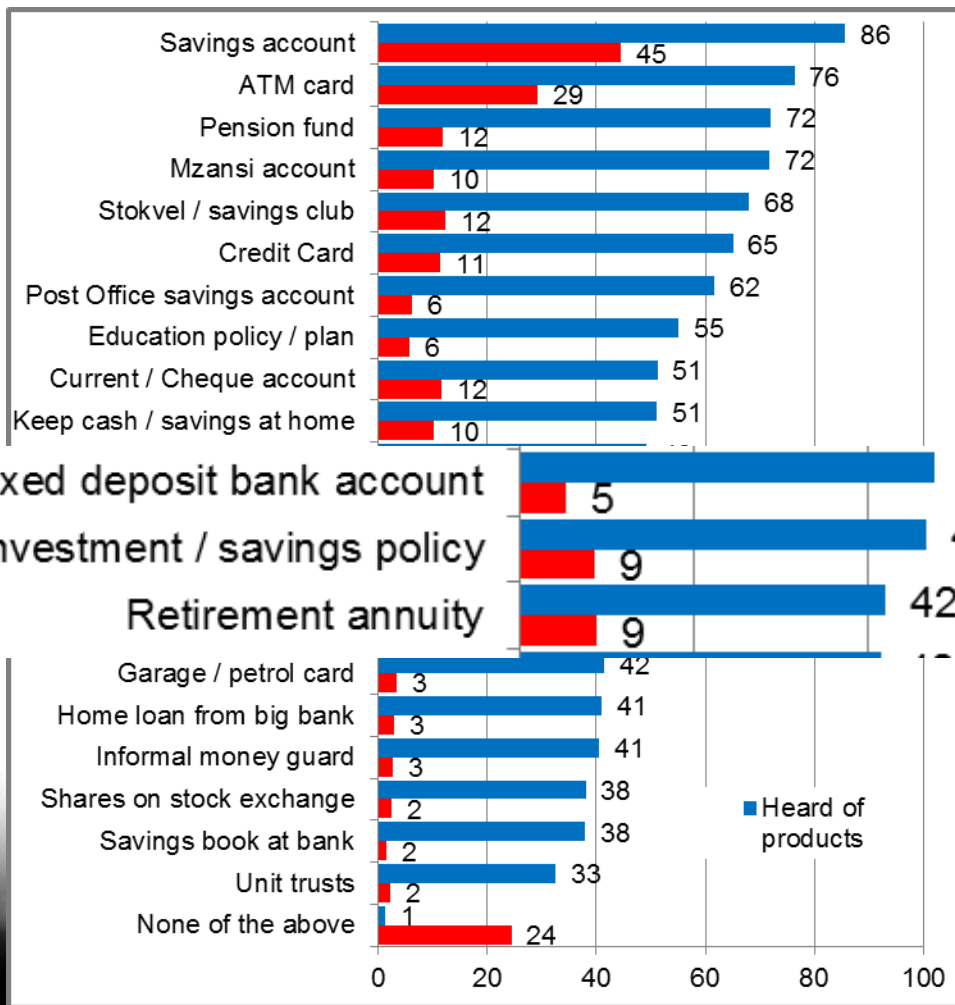
24%
do not use
financial
products

28%
get money
from friends
and family

72%
say they are
not saving



Choosing the Savings and Investments Products







Awareness

- Relatively good awareness of very basic bank products; low awareness of other formal products such as shares and unit trusts.

Product holding

- Huge disparity between knowledge and holding of products
24% own none of the list of investment and savings products
Significant shares have banking products, but relatively low holding of other products
- Large disparities by race, education, work and income status

Young people	Grown ups	The aged	Communities
<p>Financially literate Responsible and self-aware Want to improve their lives and communities</p> 	<p>Financially adept Avoid poverty traps (e.g. debt spirals) Plan, invest and create wealth</p> 	<p>Financially secure Not victims of scams and fraud Plan and control finances</p> 	<p>Economically and financially Inclusive Entrepreneurial Developing and prospering</p> 

Identifying Vulnerable Groups

Financial	Control	Planning	Product Choice	Knowledge & Understanding	Average
Women	57	52	44	55	52
Youth (16-19)	42	40	40	54	44
Youth (20-29)	52	51	44	58	52
Low living standards	50	45	34	45	45
Low education levels (some secondary)	53	47	42	54	49
National Average scores	56	58	45	56	54

Competency Framework e.g. Financial Products

Characteristics/Traits	Knowledge	Behaviour	Programme topics
<p>Consumers who understand <u>financial products</u>:</p> <ul style="list-style-type: none"> • are aware of different types of banking, credit/loan, savings/investment, and insurance products • hold at least one of each of the banking, credit/loan, savings, investment and insurance products • have a clear understanding of their product needs • undertake detailed research before choosing a product 	<ul style="list-style-type: none"> • Aware of various short- and long-term insurance products • Understands positive and negative aspects of banking products - fixed deposits, savings & current accounts and money market products • Knows and understands the difference between direct investments, managed funds, unit trusts, bonds, shares, equities, property and alternative investments • Understands the risks of investing in financial investment products • Understands the differences between Retirement Annuities, pension funds, preservation funds and provident funds 	<ul style="list-style-type: none"> • Can select appropriate investment products for retirement planning • Can identify important factors to consider when choosing a bank • Researches ways to create and protect assets and wealth • Asks appropriate questions and evaluates information before making investment decisions • Investigates different investment products and evaluates them according to risk, return/interest paid and access to funds • Uses appropriate financial products to insure future income and prosperity • Applies due diligence when selecting investment instruments to invest wisely • Uses credit cards and banking facilities with care in order to minimise being financially over-extended 	<ul style="list-style-type: none"> • Various financial products offered by banking and non-banking institutions • Collective investments schemes – a way to grow wealth? • Capital markets – what you should know about investing in capital markets • Developing a personal financial profile • Retirement funds – Living annuities vs. guaranteed annuities

Draft FRAMEWORK FOR DEVELOPING THE CONTENT OF AN INVESTOR GUIDE
This framework presents the generic knowledge required
by potential investors at beginner, intermediate and advanced levels

TOPIC	BEGINNER – Controls and manages income to create a surplus of funds	INTERMEDIATE – Planning and preparing to invest surplus	ADVANCED – Growing personal wealth
Description	<p>A consumer who:</p> <ul style="list-style-type: none"> • has an income • transacts within either the informal and/or the formal & regulated financial sector • plans to manage income by living within their means • aims not to spend more than they earn • Seeks capital protection and growth 	<p>A consumer who:</p> <ul style="list-style-type: none"> • manages to live within their means • intends to save first then spend • is keen to acquire a sound understanding of how financial instruments, markets and advisors can be optimally used to make sound investment choices • makes investments • Seeks capital growth and income generation i.e. manages to create a surplus funds. 	<p>A consumer who:</p> <ul style="list-style-type: none"> • Has a clear understanding of investment instruments • Can discern between high, medium and low risk investment instruments • Makes informed decisions and employs strategies when selecting investment instruments • Selects investment advisors objectively • Seeks capital growth and income generation
Generic knowledge	<p>Preparing to invest</p> <ul style="list-style-type: none"> • Practicing Good financial Habits <ul style="list-style-type: none"> ○ Planning your Financial Strateg 	<p>Choosing the right investments</p> <ul style="list-style-type: none"> • Life-Stage Investments • E.g. Retirement planning, earning first income, etc. • Developing realistic expectations 	<p>Managing investments</p> <ul style="list-style-type: none"> • Evaluating performance <ul style="list-style-type: none"> ○ Benchmarking ○ Yield ○ Return

Resource
development

RADIO

- Mass awareness/literacy
- Commissioned time slots for interviews on community radio stations with interactive call-ins
- M & E is a challenge



5-minute radio “soap-opera”

- played once a week
- expert in studio
- aired in 5 official South African languages on five different radio stations.

Projects – Targeted Workshops

- In School **Youth**
 - ✓ Vocational
 - ✓ Academic



- **Congregants**
 - ✓ Dealing with authorised Financial Services Providers -
 - ✓ Funeral Assistance Business
 - ✓ Personal financial management

Teachers

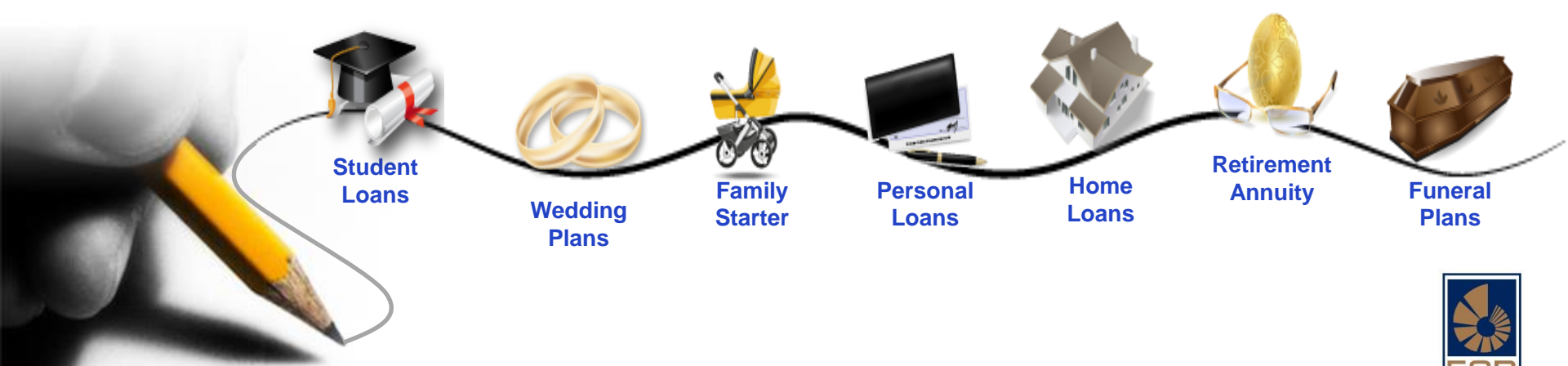
- Curriculum based resources
 - Managing your money – Grades 10 -12
 - Money in Action – Grades 7 -9

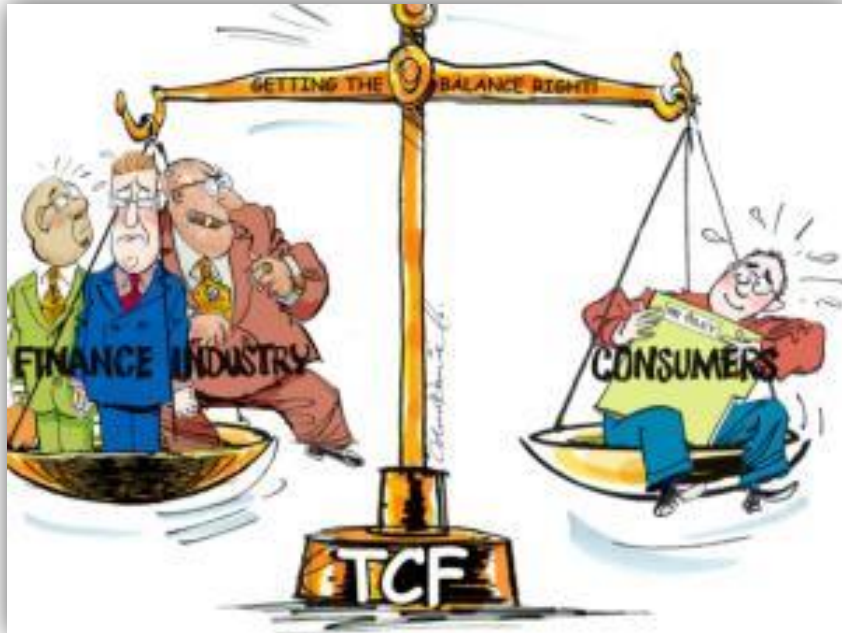


Projects - On-line interactive website



- www.mylifemymoney.co.za
 - ✓ Based on life events
 - ✓ not to provide financial advice
 - ✓ Assist in providing information and knowledge to manage their finances more effectively and to better understand the financial services industry.





Monitoring and
Evaluating behaviour
change

Striking the balance
between marketing
and consumer
education

Consumer Indebtedness

Coordinated approach

Making financial education a priority



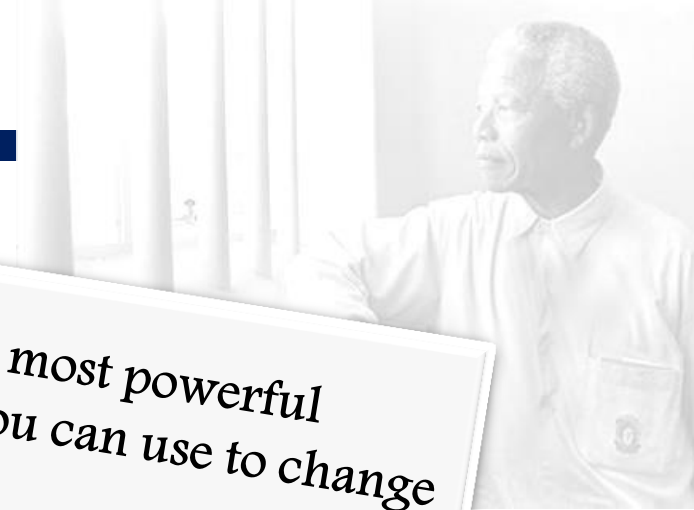
Way-forward

*“Education is the most powerful
weapon which you can use to change
the world.”*

*“After climbing a great hill, one only
finds that there are many more hills to
climb.”*

*“It always seems impossible until it’s
done.”*

Nelson Rolihlahla Mandela



Thank you for your attention

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