



**Consumer education:  
a national necessity or an unnecessary irritation?**

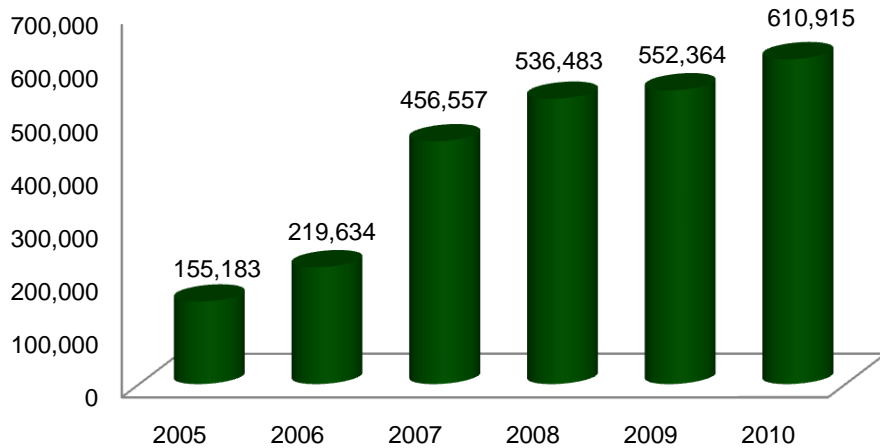
**Maria Helena Santana**

**Cape Town, 2011 IOSCO Annual Conference**

# Why consumer education?

## Increasing number of individual investors

Individual investors' accounts at CBLC

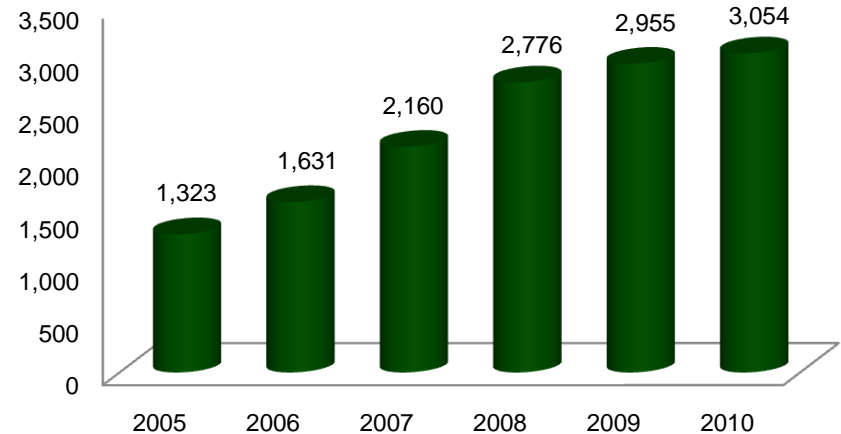


Source: BM&FBovespa

- The number of individual investors who directly invest in stocks has increased
- The vast majority of them are retail investors

- Investment clubs are collective investment vehicles designed for retail investors

Investment clubs

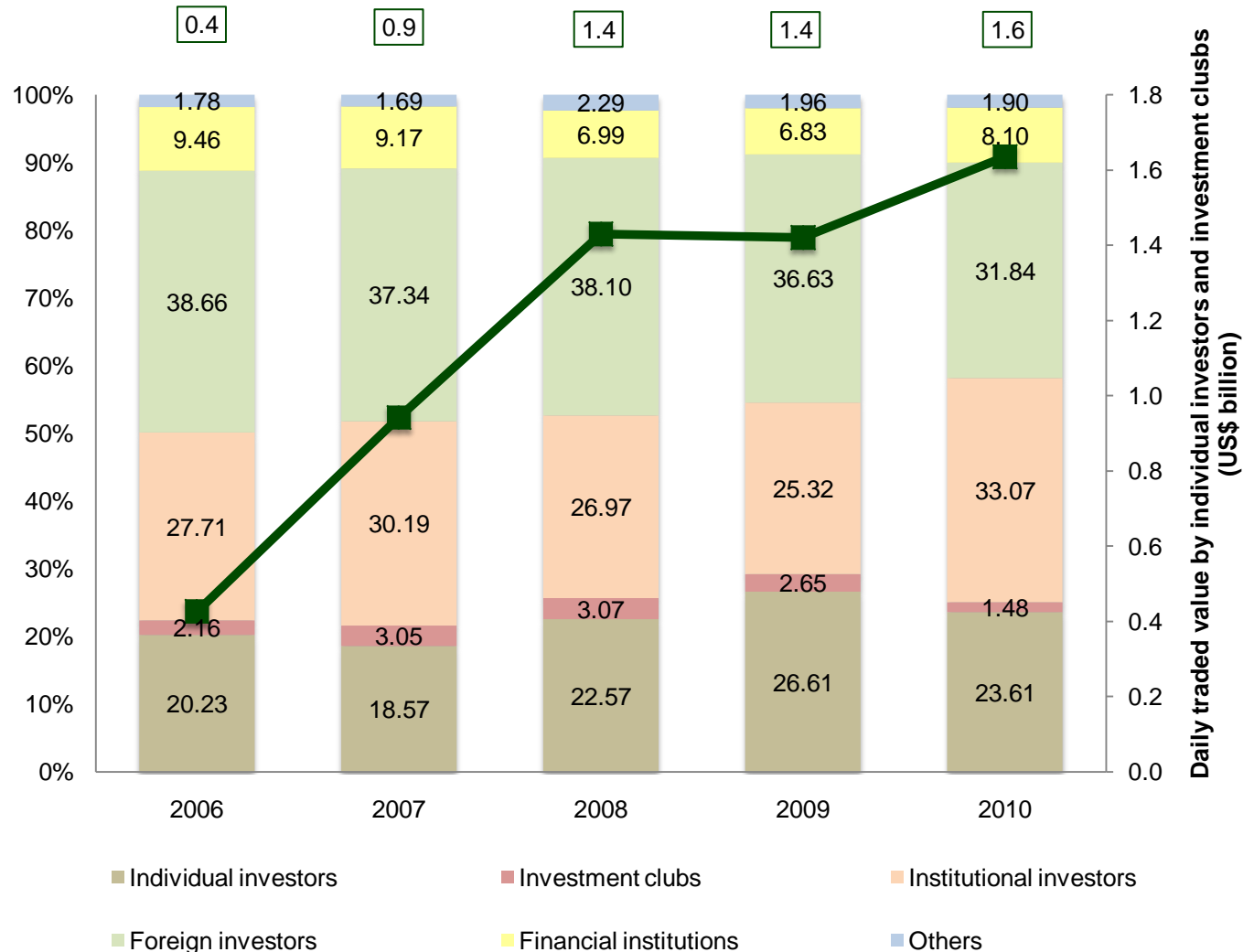


Source: BM&FBovespa

# Why consumer education?

## Materiality of value traded by individual investors

- Trading by individual investors and investment clubs has been very significant: in the last 3 years, they have accounted for 25% - 30% of total trading value in the stock market
- In 2010, the amount traded by these investors reached the average of US\$ 1.6 billion per day (buy and sell)



Income group ranking	Income range (R\$)	Population 2009 (mi)	Population 2009-2003 $\Delta$ (mi)
Class A	Above 6,329	9.60	3.25
Class B	4,854 – 6,329	10.37	2.39
Class C	1,126 – 4,854	94.93	29.06
Class D	705 - 1,126	44.45	- 2.43
Class E	Below 705	28.84	- 20.48

Source: Fundação Getúlio Vargas (FGV). The New Middle Class: The Bright Side of the Poor (<http://cps.fgv.br/en/nmc>)

**Classes A/B workforce**

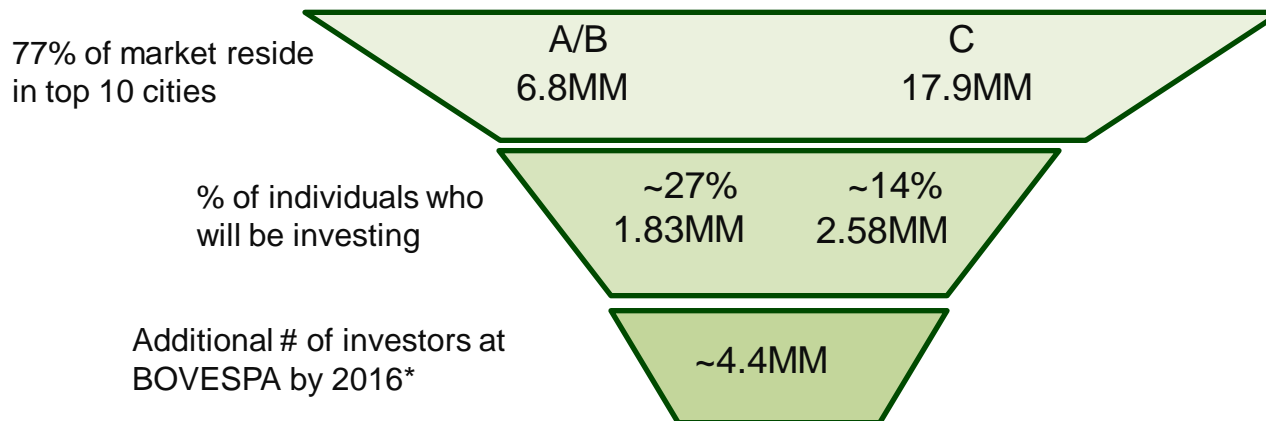
Market opportunity: individuals between the age of 25 and 54 with income exceeding R\$4,8 thousand per month  
 Market size estimates: 8.8 million

**Class C workforce**

Market opportunity: individuals between the age of 25 and 39 with income between R\$1,1 thousand to R\$ 4,8 thousand per month  
 Market size estimates: 23.3 million

Assuming these individuals live somewhere in the top 25 metropolitan cities in Brazil

Based on the proportion of population in these cities, 77% of all metropolitan cities population reside in top 10 metropolitan cities\*.



\* Estimated by Georgetown University/ McDonough School of Business and CVM (Sep10-Mar11)

- Changes in income distribution are likely to persist and will impact the demand in all sectors of the financial market
  - Newcomers are looking for high returns but they are, as a rule, financially illiterate
  - Investment decisions may be impulsively made or made based on poor advice
    - Besides the individuals' losses, the cost of enforcement may increase (Ponzi schemes, scams and frauds, larger number of complaints)

- A national strategy program, based on partnerships involving also the private sector, allows the dissemination of financial literacy in large scale and very early, targeting children and young people at school
  - Financial literacy is the necessary basis for well-informed investment decisions
  - Investors' financial behavior is better addressed under the umbrella of a national effort, since the skills to make good investment decisions are not a matter of a specific sector of the financial market



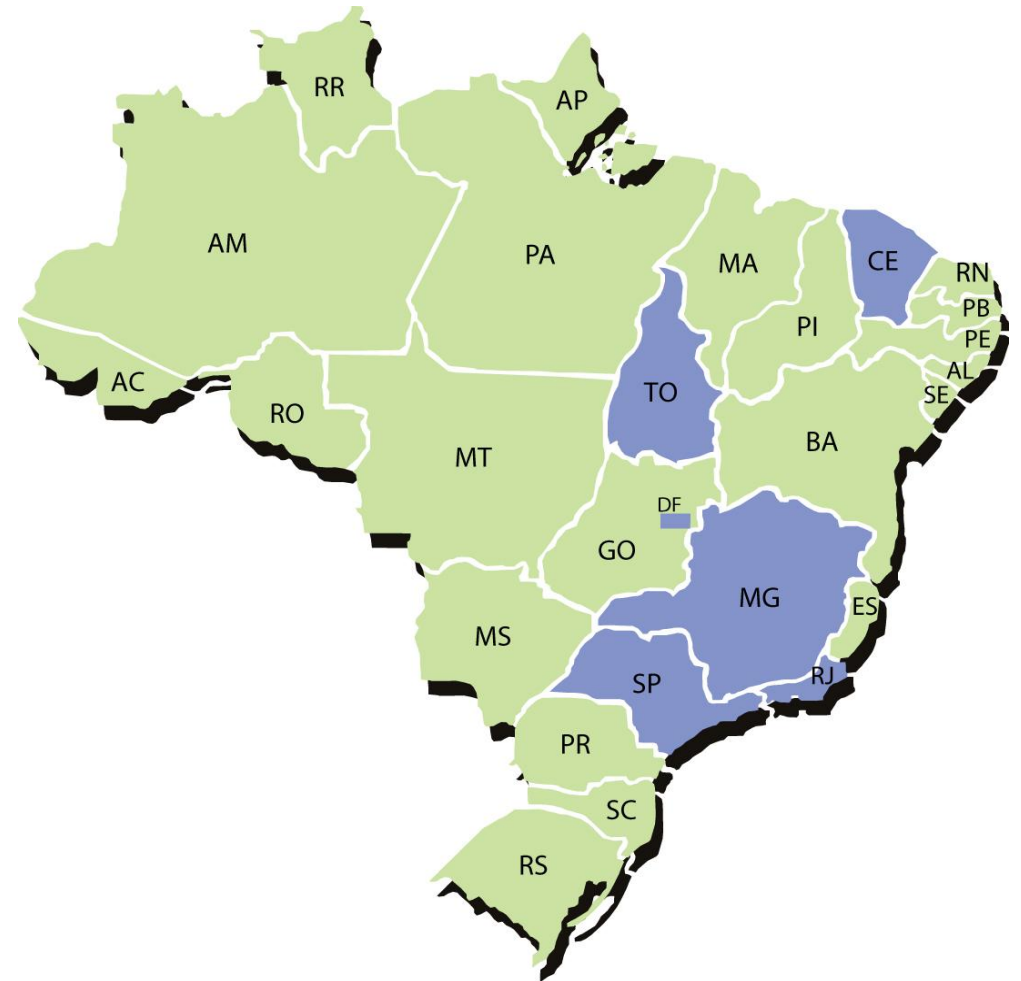
# Timeline: from Investor Education to a National Strategy on Financial Education

- 1998 - creation of CVM's investor education program (folders, meetings, awards, website etc.)
- 2006 - establishment of CVM's Consultative Committee on Education (partnership with market entities)
- 2006 - establishment of COREMEC (Committee of Capital Markets Regulators: CVM, Central Bank, insurance and pensions regulators)
- 2007 - a COREMEC working group (coordinated by the CVM) is assigned to draft the Brazilian National Strategy on Financial Education
- 2009 - a draft of the National Strategy program is presented
- Jan/10 - launching of a pilot project of Financial Education in Schools (high school), to be part of the National Strategy
- Dec/10 - the National Strategy is approved
- Apr/11 - members of the National Council for Financial Education are appointed (CONEF) to coordinate the National Strategy



- National Inventory of FE projects (70)
- National Survey on Financial Literacy
- Website: [www.vidaedinheiro.gov.br](http://www.vidaedinheiro.gov.br)
- Pedagogical support group: financial + education sector
  - Ministry of Education on board
- Pilot project on schools

- The pilot project involves:
  - 5 states of Brazil
  - Around 900 schools
  - About 27 thousand students
- The process comprises 2 stages: education and impact evaluation on the financial behaviour of 2 groups (treatment group and control group)



States	TREATMENT GROUP		
	Municipalities	Schools	Students
CE	24	62	2012
DF (Brasília)	1	32	1105
MG	6	14	360
RJ	42	134	3513
SP	14	180	5741
TO	12	17	505
<b>TOTAL</b>	<b>99</b>	<b>439</b>	<b>13.236</b>

CONTROL GROUP		
Municipalities	Schools	Students
23	60	1959
1	32	1112
10	15	371
47	136	3752
34	192	6037
13	17	514
<b>128</b>	<b>452</b>	<b>13.745</b>

- The goal of the impact evaluation is to measure the financial knowledge and behavior of students in 2 distinct phases:
  - Short and medium term – in August of 2010, the students and their parents have responded a questionnaire, which will be repeated in the end of 2011
  - Long term – 5 years later, a new questionnaire will be applied to the same students to monitor possible behavioral changes (each identified by Individual Taxpayer Number – CPF)
- Next Steps
  - May, 9-10 - International Workshop (Rio de Janeiro) to disclose preliminary results of the pilot project
  - 1st semester 2011 – workshop for the parents of treatment group's students

***Thank you***

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