

INVESTOR EDUCATION



Report from the Emerging Markets Committee
of the
International Organization of Securities Commissions

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PREFACE

The Technical Committee of the International Organization of Securities Commissions (IOSCO) released, in March 2001, a *Discussion Paper on the Role of Investor Education in the Effective Regulation of Collective Investment Schemes (CIS) and CIS Operators* (Appendix C). The experience of several regulators from the Technical Committee, acquired through their own investor education efforts, provided the basis for the identification of the following a set of six general principles for the establishment and implementation of investor education programs, particularly in relation to CIS:

1. Investor education assists regulators in achieving the goal of protecting investors.
2. Investor education cannot replace direct supervision of CIS and CIS operators.
3. Investor education can take many forms, depending on the specific goal of the regulator, the types of CIS and the experience and sophistication of the investors, and the resources available to the regulator.
4. A 'one size fits all' approach to investor education programs may be less effective because CIS investors, even among a class of retail investors, have different levels of experience and financial sophistication.
5. Regulators should not provide investment advice to the public. When regulators engage in investor education activities, care must be given to distinguish investment advice from investor education.
6. Regulators must remain independent of the market participants that they supervise. When regulators engage in investor education activities with market participants, care must be given to avoid even the appearance of endorsing the products or services of any market participants.

The same report also outlined the objectives and some successful techniques employed in those programs. There is general agreement by Technical Committee members that investor education is a way of providing investor protection. Investor education programs help investors and the general the public to understand the role played by regulators, for instance, by raising awareness of the fact that a CIS must be registered before a public offer is initiated by its operator. This increased awareness of the regulatory process may lead to greater feedback from investors, in particular with respect to the nature of the information regarded as most useful to take an investment decision. Several regulators have provided investors with risk assessment tools as part of their education effort. Some have even gone so far as including financial literacy in the curriculum used in workplaces, community groups and schools. This is a relatively difficult task because regulators never recommend the acquisition of specific securities and want to avoid the giving the impression of indirectly doing so. An important concept is underlying investor education efforts, i.e. improving the

chances that investors will take by themselves investment decisions that suit their specific needs, thereby increasing confidence in securities markets while improving the general performance of those markets.

Educated investors better understand their rights and are more likely to contact market intermediaries and regulators to obtain additional information or file complaints. Educated investors play an important “watchdog role”, which increases the likelihood that regulators will identify potential fraud and abuse situations before effective damage occurs. This proactive approach is viewed by Technical Committee members as a methodology for leveraging the limited resources of regulators. Contact between the investing public and the regulator must therefore be made as easy as possible. In that regard, the use of the Internet to reduce communication costs and to facilitate the public release of relevant information can be very useful. One example is by posting on-line complaint forms on the Internet Home Page of regulators.

These general principles and several key related points mentioned in the above-mentioned Technical Committee paper were used to develop a questionnaire designed to survey the status of investor education programs in emerging markets. The Emerging Markets Committee Working Group Investment Management (EMCWG-5) carried out this survey. Whenever possible and appropriate, the data gathered through this survey was compared to the conclusions reached in the Technical Committee paper.

INTRODUCTION

In November 2000 the Emerging Markets Committee of IOSCO (EMC) initiated new work on investor education. This work was carried out by its specialized Working Group on Investment Management (WG-5). The general objective of this effort was to survey the current investor education programs and to seek, in particular, to identify the reasons why regulators undertake investor education initiatives; their funding sources, the perceived needs of investors in terms of investment strategies and the corresponding risks involved, the methodology used to process investor complaints, and the problems resulting from cross-border offerings through the Internet.

A related specialized questionnaire was subsequently developed and approved by the EMC in June 2001. The questionnaire was circulated to all the EMC members shortly after. An analysis of the results was initiated in early 2002 by EMCWG-5. The EMC approved the present report and its public release during its 31 October 2002 meeting.

METHODOLOGY

Responses (33) to the above-mentioned questionnaire were provided by close to half the EMC membership. It is necessary to keep this number in mind to avoid misrepresenting the status of investor education programs in emerging markets by automatically applying its conclusions to the all the markets represented within the EMC. Even though it would be fair to assume that a majority of members who failed to respond to the questionnaire are not currently carrying out work in this area, percentage values calculated in this report do not refer to the total EMC membership but, depending on the particular question, to either the total set of 33 gathered responses or to the group of 27 jurisdictions that initiated investor education programs. A comprehensive list identifying the members that participated in the survey and their respective jurisdictions can be found at Appendix A. The complete set of responses provided by these agencies is presented in Appendix B. The detailed comments made by several survey participants are presented, without any editing, in the “Observations” column of the tableaux.

ANALYSIS OF THE RESPONSES TO THE INVESTOR EDUCATION QUESTIONNAIRE

- 1. Have you ever engaged in some kind of investor education program? () Yes () No.
If yes, please answer questions 2 to 15. If no, please answer questions 14 to 16.**

The majority of the respondents responded affirmatively. There are investor education programs in 27 of the 33 jurisdictions that participated in the survey (82%). This figure appears to confirm the belief that the members, which did not participate to the survey, do not have any investor education program and therefore may have felt that they had little to contribute at this time. In any case, the survey's results confirm that at least 40 % of EMC member regulators have an investor education program.

- 2. When did the program start (and finish, if relevant)?
start: () less than one year () between 1 and 3 years () over 3 years
finish: () less than one year () between 1 and 3 years () over 3 years**

44% (12 of 27) of the members which have investor education programs have programs that are over three years old. 37% (10 of 27) of the members have programs that are between one and three years old. Programs were in the process of being initiated in the jurisdictions of five members during the period where the survey was being conducted. The number of educational programs more than doubled during the past three years. This is a clear indication that there is a growing awareness among EMC members of the need and benefits of investor education programs.

- 3. Is investor education an explicitly stated mission of the regulator, i.e. there exists an express statutory mandate to address investor education or, alternatively, is it undertaken under the overall goal of investor protection?**

In the 27 jurisdictions where investor education programs have been found to exist, 9 regulators (33%) have indicated that they have an express statutory mandate to address investor education. In one jurisdiction (Pakistan), an investor education program is in the process of being initiated under the terms of an express statutory mandate of the securities regulator. It is important to note that most investor education programs (67%) are operated under the general investor protection mandates of securities regulators (18 jurisdictions). Most respondents indicated that an express mandate in their constitutive law is not an essential prerequisite for them to carry out work in this area. It can therefore be expected that members, which have not launched investor education initiatives, will initiate efforts in that area even if there is no specific mandate to do so in their constitutive laws.

4. Which of the following reasons did you consider when setting up the educational program? Please enumerate the reasons considered more relevant (1 for the most important):

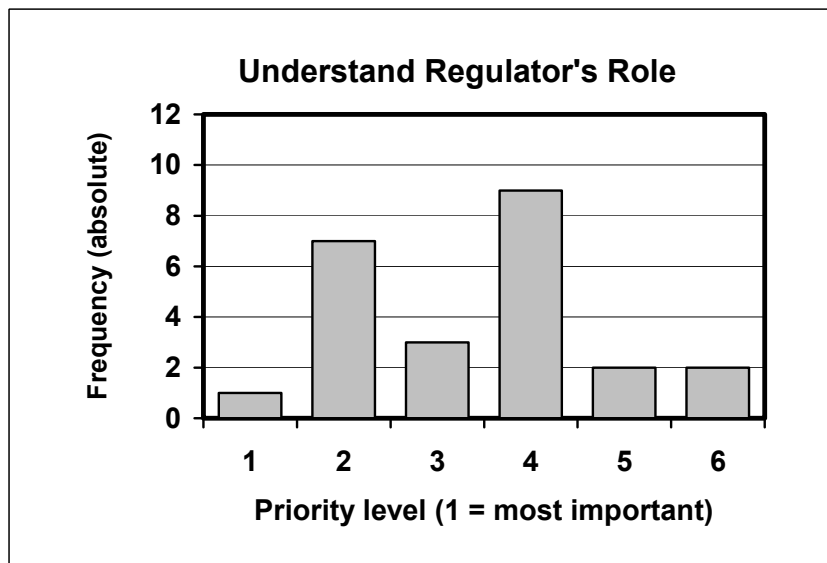
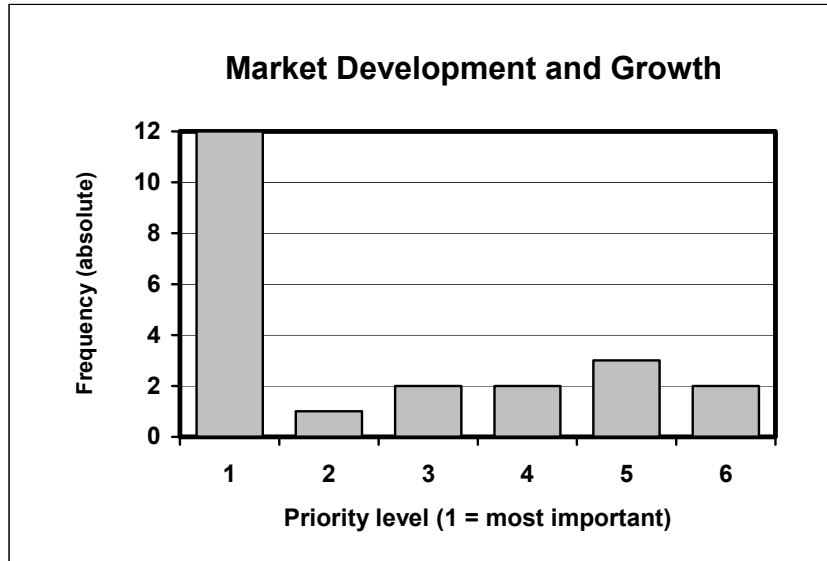
- () Public interest in market development and growth;**
- () Improve investor understanding of the regulator's role;**
- () Improve financial and investment literacy among retail and first-time investors;**
- () Help investors choose legitimate businesses;**
- () Increase the general understanding of the public of their rights and duties;**
- () Use of investor complaints to maximize the leverage of the regulator's resources;**
- () Other, please specify.**

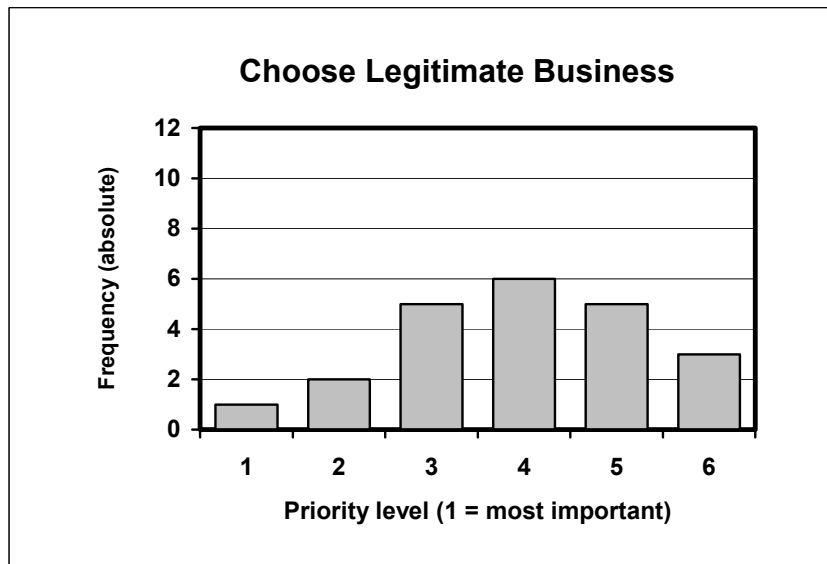
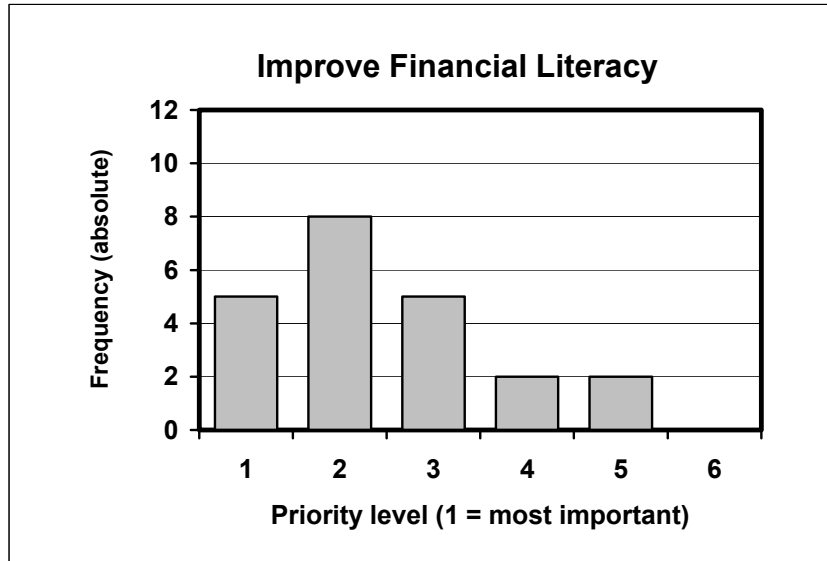
There are two aspects involved in this question. First, its purpose was to identify the reasons which motivated the creation of investor education programs. Second, to assess the level of importance and to prioritize the reasons given.

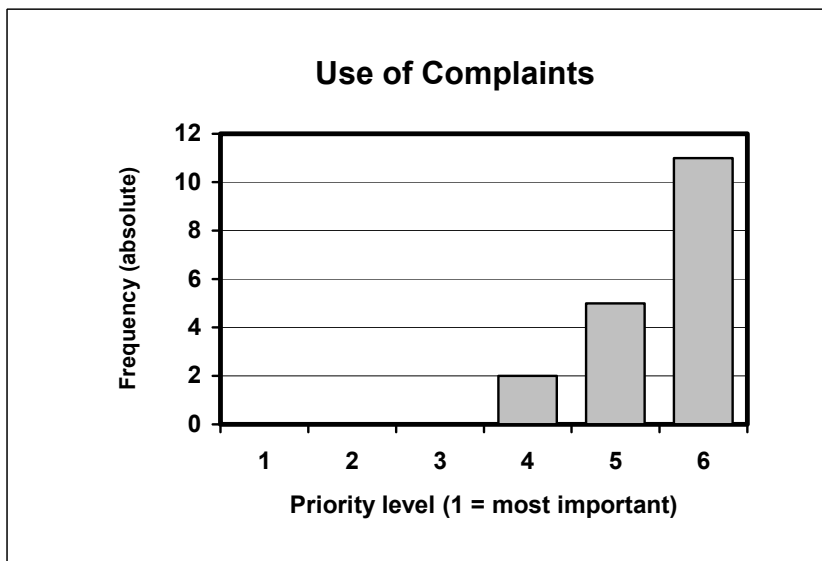
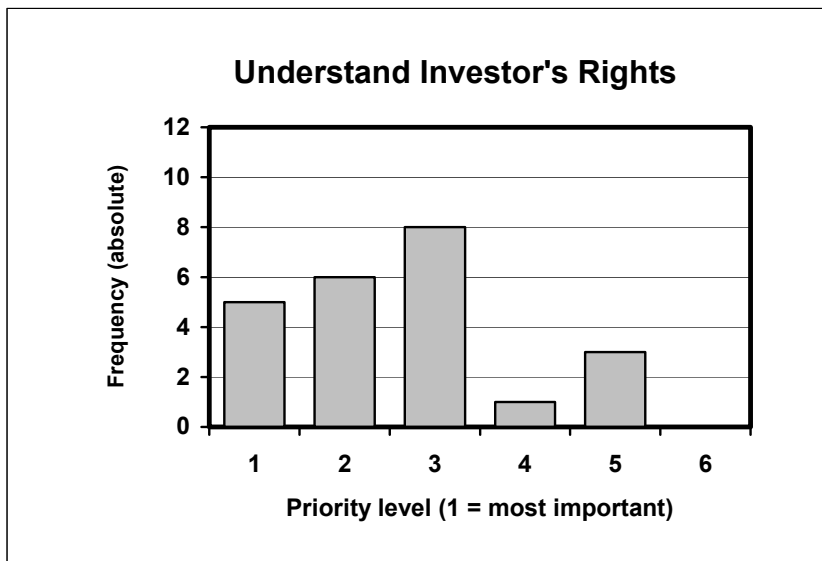
Improving investor understanding of the regulator's role was the one most frequently mentioned reason (97%) for initiating investor education programs (26 of the 27 members reporting to have operational programs). This survey result is consistent with the conclusions reached in the Technical Committee report (Appendix C). **Increasing the general understanding of the public of their rights and duties** was a reason mentioned by 25 members (93%). **Public interest in market development and growth; improving financial and investment literacy among retail and first-time investors; and helping investors choose legitimate businesses** were reasons reported by 24 members (89%). **The use of complaints in order to maximize the regulator's resources** was a reason put forward by 20 members (74%).

The member from India indicated that an express statutory mandate was the primary reason which motivated it to set up an investor education program. The member from South Africa mentioned three reasons in the **other** category, which are related the better understanding of how collective investment schemes work. Educational programs essentially focused on CIS are further evaluated under question 8.

In order to assess the level of importance of the reasons mentioned, the ranking order data given by the respondents was used to generate the following statistical tableaus, which show for each possible reason mentioned the number of times it was identified as the most important one, the second most important one, etc (Appendix B presents the complete set of responses provided by members). Please, note the statistical tableaus are presented in the same order as in the question and not by order of priority. Two respondents equally prioritized several reasons. In order to keep present analysis consistent, the responses from these two members were not included in the statistical tableaus.







The statistical analysis shows that *improving financial and investment literacy* among local investors, *increasing awareness of investors' rights and duties* and *public interest in market development and growth* are the primary reasons given by regulator to set up educational programs. This is consistent with the goal of achieving deeper and broader markets than currently exist in many emerging economies. A *better understanding of the regulator's role* and *helping investors choose legitimate businesses* clearly rank as secondary reasons. Even if a better understanding of the regulator's role by the general public is the reason that was cited most often (26 of 27 jurisdictions), it does not appear that it was a given

the same level of relevance as improving financial literacy, for instance. *The use of investor complaints to maximize the leverage of the regulator's resources* was considered as much less relevant by most respondents. This may be an indication that many EMC member regulators are underestimating the potential use of investor complaints. Several EMC members do not have access to the technological infrastructure needed to facilitate investor complaints. For instance, in several jurisdictions, easy Internet access is not available for investors and the public in general. Standardized on-line complaint forms on the Internet home page of the regulator is therefore not an option presently available in the jurisdictions of many EMC members.

5. What resources are allocated for the investor education program? If possible, please state the number of employees and budget in relative terms, i.e. as a percentage of the overall employee number and regulator's budget.

9 of the 27 members reporting to have operating educational programs could not respond to that question and simply put the mention "not specific" in the tableau referring to question 5 in Appendix B. These members indicated that they did not have access to a database enabling them to specifically respond to that question. Several members simply do not have staff members which are working full time on educational programs. In the data provided by the 18 other respondents, the number of staff involved in educational programs ranged from 1 to 55. It is relevant in that regard to note that, in the case of Malaysia; the 55 employees mentioned are not actually working in the Malaysian Securities Commission but rather for a separate training arm, the SIDC. Most other commissions reported less than 10 employees dedicated to investor education. In the case of Bulgaria, the relatively high number of staff dedicated to investor education is financed by a USAID project. Most regulators indicated that less than 10-15% of the staff was dedicated to investor education.

In monetary terms, expenditures ranged from US\$ 23,000 to US\$ 800,000, representing less than 10% of total budgets. Peru's regulator reported an extra US\$ 168,000 related expenditure because it had just started operating its Securities Market Documentation Center during the survey period. Some members reported that private financing was obtained for educational programs. For example, in the Slovak Republic, the cost of the program is paid by an asset management company, and in South Africa, programs are carried by industry associations with the South African regulator only acting as a facilitator and coordinator. The involvement of private organizations can complement the regulator's resources but also presents potential conflict of interest problems, in particular if the private organization is attempting to associate its image with that of the regulator. As indicated by the last two general principles identified in the Technical Committee report (Appendix C), it is important that investor educational campaigns never endorse or appear to endorse particular investment products.

**6. Do you work in partnership with self-regulatory organizations or industry associations?
() Yes () No. Is there an investors association in your jurisdiction? () Yes () No.**

78% (21 of 27) of the responding regulators that have set up investor education programs in partnership with some self-regulatory organizations (SROs) or industry associations in their respective jurisdictions. This shows the importance given to cooperation with SROs and industry associations by EMC members. Investors have themselves created associations in approximately 40% of the surveyed jurisdictions (11 of 27). Some EMC members have pointed out explicitly that associations of investors are very helpful for the public understanding of investor rights and duties. Some EMC members grant funds and registration to associations of investors. Whether regulators should play a proactive role in the creation of associations of investors is an issue could be further considered by IOSCO.

7. Is the percentage of the overall CIS net worth in your jurisdiction that comes from retail investors known? () Yes () No. If yes, please state that percentage versus the percentage from that comes from other investors?

The Technical Committee report on the role of investor education in the effective regulation of CIS indicates that retail investors constitute the majority of CIS investors in developed markets and therefore concludes that investor education efforts focused on CIS bring many benefits. In this survey, only five EMC member regulators were able to indicate what percentage of CIS net worth belonged to retail investors. This percentage ranged from roughly 23,5% in Morocco to 70% in Chinese Taipei. 74% of the survey participants could not indicate with precision how much CIS investment was coming from retail investors.

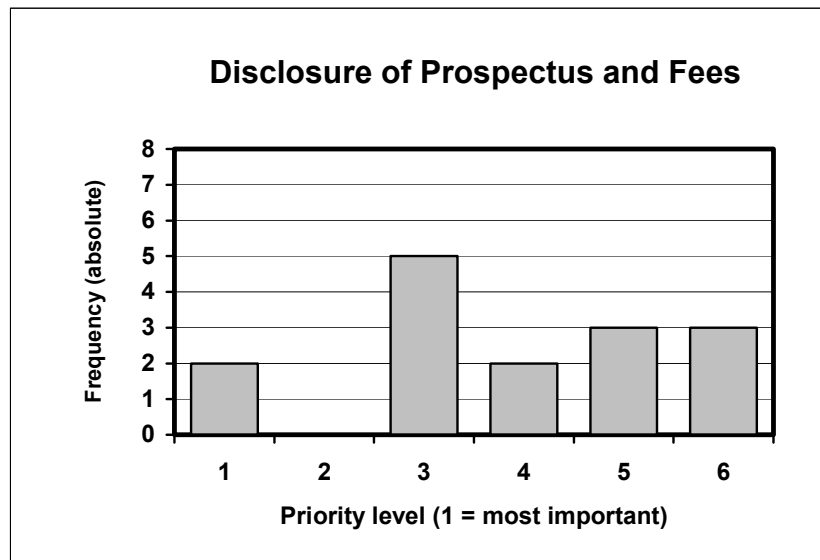
A relatively easy method for small investors to enter the market is through CIS. Retail investors should therefore stand to benefit most from CIS related educational programs set up by regulators. Most EMC members do not however have clear statistics on the number of retail investors invested in CIS in their respective jurisdictions. This represents a significant difference with respect to the situation found in the jurisdictions of Technical Committee members. This deficiency may be a handicap for the setting-up of appropriate investor education programs in the jurisdictions of EMC members.

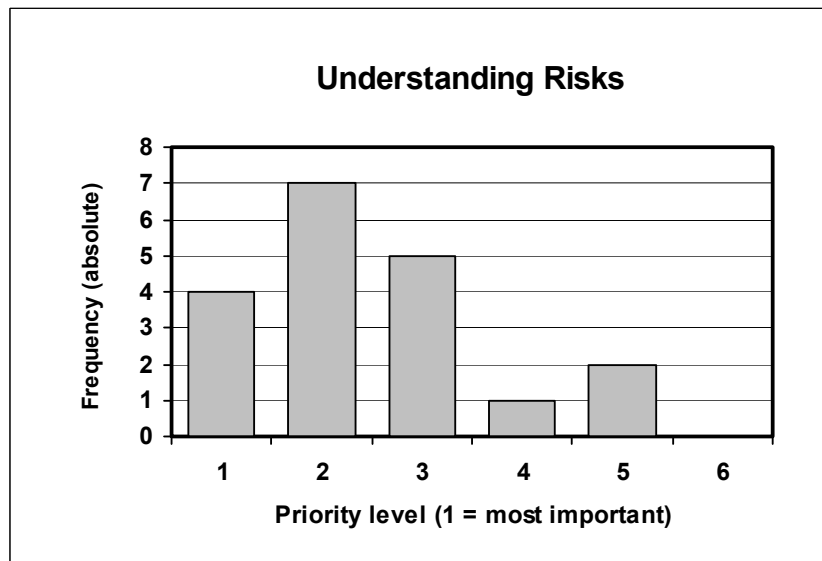
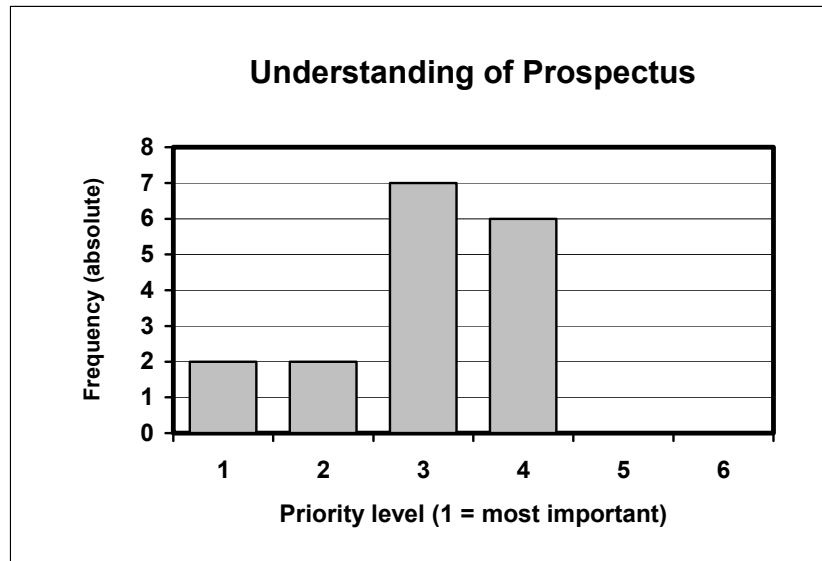
One of the key conclusions of the above-mentioned Technical Committee report is that a 'one size fits all' investor education approach is inappropriate. Among CIS investors there may be participants with widely different financial and investment backgrounds. In the five EMC jurisdictions where the percentage of retail investors in CIS is known, the situation is quite different. In Morocco only 23,5% of CIS net worth is held by retail investors. In Chinese Taipei this percentage goes up to 70%. All EMC regulators should therefore seek to acquire some related knowledge in order to be in a better position to design and launch appropriate investor education programs.

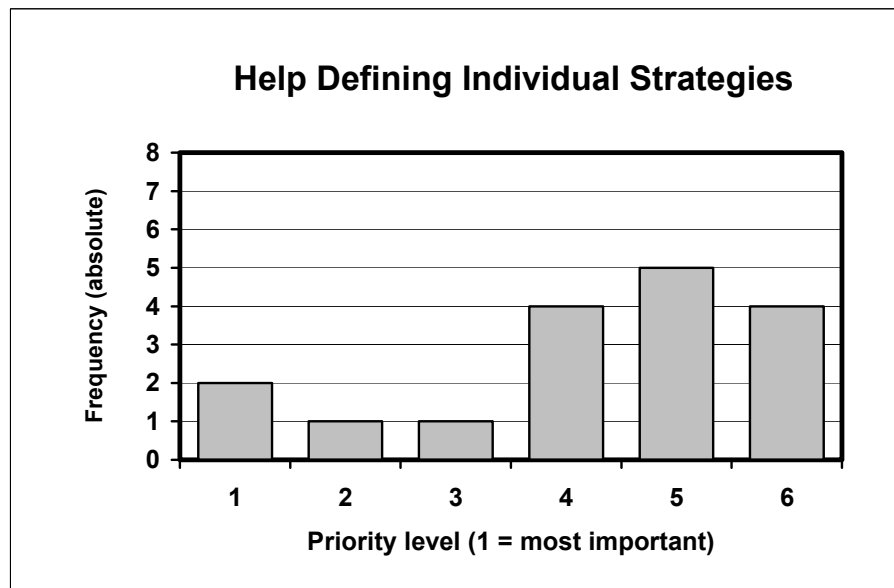
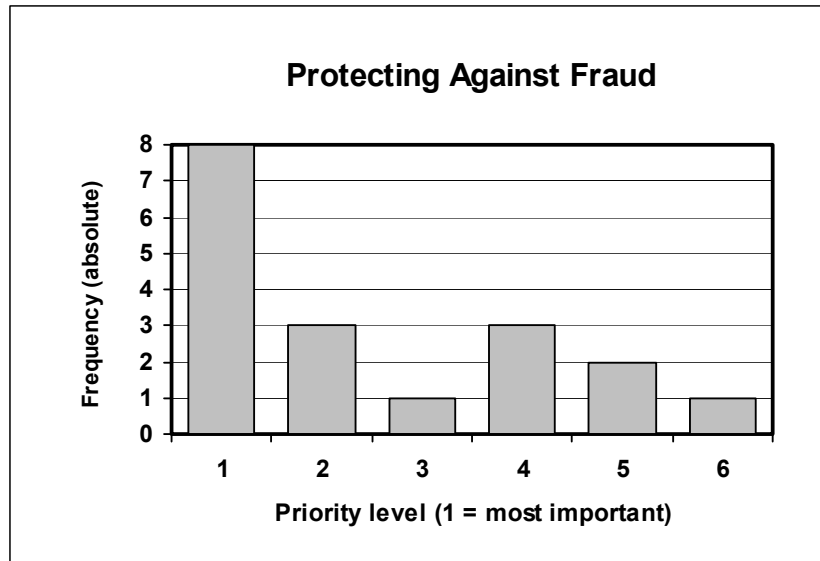
8. *What are the most important aspects of the educational program regarding CIS? Please, enumerate the aspects considered more relevant (1 for the most important):*

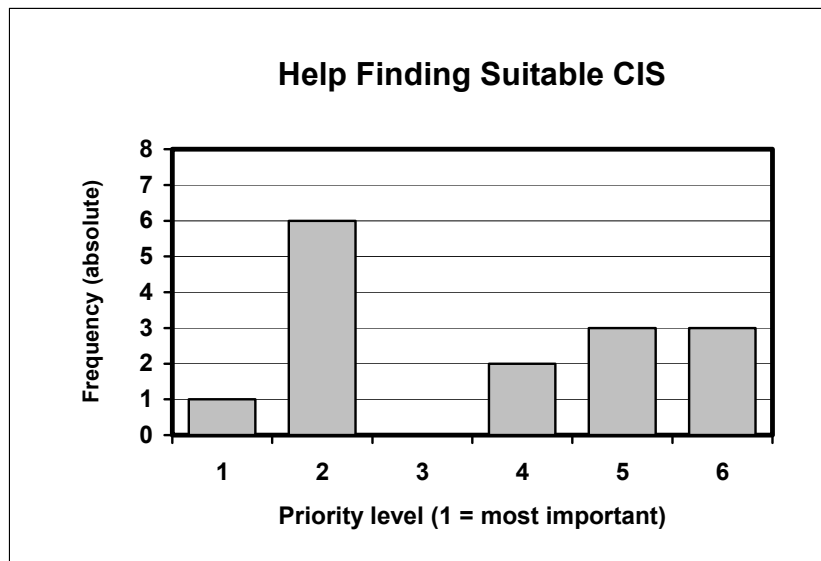
- () disclosure of prospectus and fees;*
- () improving understanding of prospectus content;*
- () improving understanding of the risks involved;*
- () protect against fraud, illegal offerings;*
- () help individuals define their investment strategies;*
- () help individuals define if a particular CIS is suitable for their investment strategies;*
- () other, please specify.*

A statistical analysis similar to the one done for question 4 was performed and is reflected in the following tableaus. The objective of this question was to collect information on the aspects of investor education programs which dealt specifically with CIS investments.









Statistical analysis shows that *helping investors understand the risks* and *protection against fraudulent offers* are the most important objectives of CIS related investor education programs that were reported by EMC members. *A better understanding of the prospectus* is also considered important (ranking third in priority order). *Helping investors find suitable schemes, helping individuals define their investment strategies* and *the disclosure of prospectus and fees* were reported to be of lesser importance.

The present survey did not gather any information on whether the regulatory framework of EMC members sought the disclosure of risks in CIS prospectuses. Nevertheless, much more priority appears to have been given by respondents to ensuring that investors understand the prospectus than ensuring appropriate disclosure of CIS information in the prospectus. The present survey also did not seek to evaluate whether EMC regulators encourage the use of plain language in CIS disclosure documents. In the related Technical Committee report (Appendix C), the use of plain language is clearly stated as facilitating the comprehension of the risks involved and helping investors to make suitable investment choices. Understanding CIS related fees and benefits is another factor that was reported as important by the Technical Committee. Some Technical Committee members even provide investors with ‘cost calculators’ on their web-sites to facilitate CIS comparisons. The data provided through the present survey shows that this aspect receives less attention from EMC members.

9. Which of the following techniques have been employed in the program?

- () *distribution of written education materials (brochures, fact sheets);*
 - () *development of web-sites;*
 - () *set up of toll-free hot lines;*
 - () *availability of consultation centers;*
 - () *preparation of instructional videos;*
 - () *use of standardized complaint forms;*
 - () *public announcements and alerts;*
 - () *set up of journalist training programs;*
 - () *seminars, town meetings, visits to universities;*
 - () *make some enforcement case studies available to the public in accessible language;*
 - () *use of radio and television*
 - () *other, please specify.*
- (Optional) Please rank the techniques in terms of the ones considered more effective in your experience (1 for the most effective).*

There are two techniques that are most often employed throughout the EMC membership: *distribution of written materials such as brochures and fact-sheets* and *setting up seminars, town meetings and visits to universities*. These techniques are used in the jurisdictions of 25 of the 27 EMC members which reported having investor education programs. The survey shows that the *development of web-sites* has now become very common in some EMC jurisdictions: 21 members (78%) reported using Internet web-pages for their investor education programs.

Public announcements/investor alerts, and the use of *radio and television* are less often used: 17 (63%) and 12 (44%) jurisdictions, respectively. The set up of *telephone hot-lines* and *consultation centers*; the preparation of *instructional videos*; the development of *journalist training programs*; and the *disclosure of enforcement cases* are techniques used in jurisdictions of less than one third of the members. Only 6 members (22%) reported using *standardized complaint forms*. This situation somewhat stands in contrast with one of the conclusions of the Technical Committee report highlighting the importance of the ‘watchdog role’ played by the general public and the help that it can provide for overall investor protection.

Only 8 respondents provided priority ranking data making it difficult to evaluate if there is general agreement about the most effective techniques to use. It however appears that the *distribution of written materials* is regarded as the most effective method, closely followed by the *development of web-sites*, *public announcements* and the *employment of seminars*. In questions 11 and 12 feedback regarding investor education initiatives was obtained only from a few members. It is therefore difficult to make statements about the effectiveness of any of the techniques used. In the Technical Committee report this issue was also not addressed in any detail.

10. Are some of your results so significant that they could be considered a relevant example of success of the program, for instance, in a one-year period:

- _____ *number of written materials regarding CIS distributed;*
 - _____ *number of letters received;*
 - _____ *number of hot line calls regarding CIS offerings;*
 - _____ *number of web-site consultations regarding CIS;*
 - _____ *number of e-mails received;*
 - _____ *number of visits to consultation centers searching for CIS information;*
 - _____ *number of illegal CIS offerings detected through public complaints;*
 - _____ *number of complaints regarding CIS operations;*
- other, please specify.*

Only five respondent provided figures regarding their programs. This may be due to the fact that the formulation of the question (for CIS only) made it difficult for EMC members to respond, particularly if their investor education programs and associated statistics are general and not CIS-specific (this was specifically mentioned by one respondent). In the case of Brazil, for instance, even though several thousand hot-line calls are received each year the system does not record if a complaint is made either about a CIS or any other issue. Differences in population size, GDP, market size and level of development may need to be taken into account, if a useful comparison is to be made between the existing programs of EMC members. Guidelines and measurement standards may therefore be needed to assess the level of success of investor education programs.

11. Have you collected feedback from the public through the use of questionnaires/suggestion sheets? () Yes () No.

Only eight (30 %) respondent provided input related to the feedback from the public on educational programs. 70 % (19 members) reported not having collected any related information. This may show that although many EMC members have placed a priority on investor education programs, they have so far lacked the time and/or resources to specifically gather related input from investors. A pooling of related information from the EMC membership would help to focus and improve investor education initiatives.

12. Have you conducted any research on any of the following topics:
 () *adequacy of prospectus disclosure standards (which kind of disclosure effectively helps the investor make his decision); () levels of experience and financial sophistication among retail investors in your jurisdiction; () investor expectations, apprehensions or any reasons which might prevent investment in CIS, for instance, unattractive taxation schemes, constant change of government economic policies, strong preference for government bonds, etc.() any other topic which may lead to the improvement of the investor education program. Please, specify.*

This question complements the previous one, also aiming at probing the efforts that EMC regulators have made to understand topics most relevant to investors. Three such topics

were presented and the respondents were given the option of adding others. Seven respondents reported research on the *adequacy of prospectus disclosure standards*. The *levels of experience and financial sophistication among retail investors* were reported to have been studied in the jurisdictions of seven members. Four respondents indicated that they had researched *investor expectations, apprehensions and other hindrance factors*. These members are developing some pioneering research that could be very useful for the EMC membership. Thailand for instance, reported an extensive survey conducted among focus groups to evaluate investment attitude and experience, factors involved in investment decisions, sources of investment information and other relevant topics. Jordan indicating that it was looking into the factors likely to attract and maintain investments made through the Amman Stock Exchange.

Identifying and understanding reasons underlying investment decisions is critical for market development. Market development is a key preoccupation for many EMC regulators (ref. question 4) as well as improving overall financial and investment investor literacy. The Technical Committee report concluded that a “one size fits all” approach to investor education may not be particularly effective because the level of experience and financial sophistication of investors may vary considerably, even among CIS investors. But is there a minimum level of knowledge necessary for a person to participate in today’s securities markets, even if a CIS is used? Research on the level of experience and financial sophistication of investors in the various individual jurisdictions of EMC members may be warranted to design effective investor education programs.

13. Do you plan to () maintain, () reduce or () increase the investor education program in the next 2 years?

85% (23 of 27) of the respondents reported that they planed to increase their investor education effort. Four indicated that they would maintain their current program. Phasing out educational programs is not being considered by any of the respondents. This data confirms the rapidly growing importance of investor education for EMC members.

14. Does your jurisdiction have, or is it likely to have, problems resulting from cross-border offers and Internet trading? () Yes () No. Are any investor education initiatives taken, or being considered, to deal with these problems? () Yes () No.

Nineteen members (58%) reported having, or expecting to have, problems resulting from cross-border offerings and trading through the Internet. 10 members (30%) indicated that they do not expect related problems arising. Three members did not respond to this question. In 17 of the 19 jurisdictions where Internet cross-border offering problems are expected, investor education initiatives designed to tackle that problem are either being planned or implemented. The gathered data confirms the fact that cross-border offers and trading through the Internet represents a growing concern for EMC members.

Two particular problems are arising as a result of advances in communication technology: financial intermediaries offering products not registered locally, and foreign-based web-sites advertising in the local language products similar to local products. To be tackled successfully, these problems require considerable co-operation between regulators and unambiguous public offer rules. As one member pointed out, there may be a need to bring legal frameworks up to date.

15. What measures could be taken by IOSCO in terms of helping EMC members to set up or improve their investor education programs?

23 of the 33 members who participated in the survey suggested actions that could be taken by IOSCO to help EMC members set up or improve investor education programs. IOSCO's role in the sharing of information and experience was considered helpful by 17 respondents. 11 respondents suggested that IOSCO set-up direct training and assistance programs for its member regulators. One member suggested that the creation of a specialized working group on investor education could be considered.

The data gathered from the survey confirms the importance of this issue for EMC members and the need for IOSCO to further look into this matter.

16. Do you plan to start a program in the next 2 years? () Yes () No

Six survey participants reported not having formal investor education programs. Four of those indicated that programs will be initiated within a two-year timeframe. The remaining two, although they do not have formal programs in place, are pursuing some activities that can be related an investor education effort (such as the distribution of documentation or the posting of useful information on a web-site). From the information gathered it can be stated that, by the time this report is publicly released, all the survey respondents (regardless of whether or not they have an explicit investor education mission stated in their constituting law) are likely to have operating working investor education programs.

CONCLUSIONS

The present survey shows that investor education receives considerable attention from EMC member regulators. Close to 50 % of EMC members completed the questionnaire. EMC members recognize the important role of IOSCO as an international forum to exchange of information and experiences. All the survey participants emphasized that investor education is a subject that deserves further work by the Organization.

Survey participants indicated that they are willing to devote up to 10-15% of their resources in educational initiatives. A majority of respondents have operational investor education programs and are planning to increase their efforts in this area. Members that do not have operating programs are preparing to start one. The survey showed that few EMC members had evaluated the effectiveness of their investor education programs. Considering that these activities may be new to many EMC members, it is likely and understandable that efforts are first focused on getting the programs planned and started. Feedback and effectiveness analysis will follow in a later phase. Several EMC members may not presently have the resources to conduct research related to investor education. The sharing of experience and of related documentation within the IOSCO membership is therefore particularly important for EMC members. Members regulating developed markets have in that regard accumulated a considerable of knowledge and experience that could be very useful to the others.

Many EMC member regulators are concerned about increasing financial and investment literacy among local investors and about fostering market development and growth. The potential benefits of investor education for emerging market economies are considerable. Growth rates higher than for already developed markets can be expected. In developed markets, a large percentage of the public is already familiar with investment products, their nature and their risks, either through family values, higher education, or access to highly specialized economic-market news. In developed markets competition between CIS operators is intense and leads to the production of a considerable amount of promotional material that frequently have an educational content. CIS have been for a long time traditional investment products in developed markets. In contrast, several EMC members reported that CIS were new investments products in their jurisdiction. EMC regulators feel that the general public lacks basic knowledge regarding many aspects of these investment vehicles, including the benefits and the risks involved. Although cooperation with self-regulatory organizations or associations of investors can bring considerable benefits, such as cost-sharing, joint activities with other regulators through IOSCO does not carry the risk of conflict of interests that could possibly arise when regulators work together with market participants. This is clearly emphasized in the general principles for the establishment and implementation of investor education programs developed by the Technical Committee.

Recent advances in communication, in particular the Internet, have provided EMC member regulators with tools to improve their investor education efforts. Many respondents to the present survey reported they had set up web-sites as a cost-effective way of reaching investors and the public in general. The survey data however shows that EMC members are not fully using the Internet to facilitate investor complaints and as part of their market surveillance efforts. Even if the percentage of the population having access to the Internet is not as large in the emerging economies as in mature markets, EMC members - with the help

of other IOSCO members – should be encouraged to develop their Internet communications along with several other effective means to channel investor complaints. It is important to note that individuals sophisticated enough to use the Internet are likely targets for cross-border offerings and trading. Specialized Internet related investor education programs should therefore accompany the growth of Internet use in all jurisdictions. Several EMC members expressed concern in that regard. Co-operation between regulators, as promoted by IOSCO, will be essential to develop effective action in this area.

EMC members have demonstrated strong interest in the subject of investor education. Considering the potential benefits a desire has been expressed by EMC members for follow-up work on investor education. The EMC has therefore asked the EMC Advisory Board, the EMC Working Group on Investment Management and the IOSCO General Secretariat to prepare during 2003 a comprehensive seminar training program during which:

- 1. EMC members will be presented with useful experiences and documentation to assist them in initiating or further developing investor education programs;**
- 2. effective means of financing investor education programs will be explored;**
- 3. the role of CIS in attracting retail investors to the securities market will be discussed;**
- 4. other potential IOSCO initiatives related to investor education programs will be explored.**

Although the Technical Committee report indicated that a ‘one size fits all’ approach to investor education is not always adequate, emerging markets have certain important common characteristics that will be further explored in this seminar. The jurisdictions of EMC members appear to possess a sector of society that is starting to accumulate savings, which are frequently held outside the financial market. For largely cultural reasons, this sector of society does not have the habit of participating in securities markets and would seem to be an obvious target for investor education initiatives. If their savings could be relatively safely and effectively channeled through securities market they could significantly contribute to long-term and stable economic development the jurisdictions of EMC members.

APPENDIX A – LIST OF RESPONDENTS (Jurisdiction and Member Agency)

JURISDICTION		MEMBER AGENCY
1	ALBANIA	Securities Commission
2	BANGLADESH	Securities and Exchange Commission
3	BERMUDA	Monetary Authority
4	BOSNIA AND HERZEGOVINA	Securities Commission of the Federation of Bosnia and Herzegovina
5	BRAZIL	Comissão de Valores Mobiliários
6	BULGARIA	National Securities Commission
7	CHILE	Superintendencia de Valores y Seguros
8	CHINA	China Securities Regulatory Commission
9	COSTA RICA	Superintendencia General de Valores
10	CZECH REPUBLIC	Securities Commission
11	EL SALVADOR	Superintendencia de Valores
12	INDIA	Securities and Exchange Board
13	JORDAN	Securities Commission
14	KENYA	Capital Markets Authority
15	KOREA	Financial Supervisory Service
16	MALAYSIA	Securities Commission
17	MAURITIUS	Stock Exchange Commission
18	MOROCCO	Conseil Déontologique des Valeurs Mobilières
19	PAKISTAN	Securities and Exchange Commission
20	PERU	Comisión Nacional Supervisora de Empresas y Valores
21	PHILIPPINES	Securities and Exchange Commission
22	POLAND	Securities and Exchange Commission
23	SLOVAK REPUBLIC	Financial Market Authority
24	SLOVENIA	Securities Market Agency
25	SOUTH AFRICA	Financial Services Board (statutory regulator and IOSCO member) in cooperation with the Association of Unit Trusts ¹
26	SRI LANKA	Securities and Exchange Commission
27	SULTANATE OF OMAN	Capital Market Authority
28	CHINESE TAIPEI	Securities and Futures Commission
29	TANZANIA	Capital Markets and Securities Authority
30	THAILAND	Office of the Securities and Exchange Commission
31	TURKEY	Capital Markets Board
32	URUGUAY	Banco Central
33	ZAMBIA	Securities and Exchange Commission

¹ (Note : the Association of Unit Trusts is a voluntary industry association representing all collective investment scheme providers in South Africa)

APPENDIX B – COMPLETE SET OF RESPONSES

Q.1 - 1. Have you ever engaged in some kind of investor education program? ()Yes () No. If yes, please answer questions 2 to 15. If no, please answer questions 14 to 16.

JURISDICTION	Yes	No
ALBANIA		X
BANGLADESH	X	
BERMUDA	X	
BOSNIA AND HERZEGOVINA		X
BRAZIL	X	
BULGARIA	X	
CHILE	X	
CHINA	X	
COSTA RICA	X	
CZECH REPUBLIC	X	
EL SALVADOR	X	
INDIA	X	
JORDAN	X	
KENYA	X	
KOREA		X
MALAYSIA	X	
MAURITIUS	X	
MOROCCO		X
PAKISTAN		X
PERU	X	
PHILIPPINES	X	
POLAND	X	
SLOVAK REPUBLIC	X	
SLOVENIA	X	
SOUTH AFRICA	X	
SRI LANKA	X	
SULTANATE OF OMAN	X	
CHINESE TAIPEI	X	
TANZANIA	X	
THAILAND	X	
TURKEY		X
URUGUAY	X	
ZAMBIA	X	
TOTAL	27	6

Q.2 When did the program start (and finish, if relevant)?

start: () less than one year () between 1 and 3 years () over 3 years

finish: () less than one year () between 1 and 3 years () over 3 years

JURISDICTION	< 1 year	Between 1 and 3 years	> 3 years	Observations
ALBANIA				Not applicable
BANGLADESH		X		
BERMUDA		X		
BOSNIA AND HERZEGOVINA				Not applicable
BRAZIL			X	
BULGARIA		X		
CHILE		X		
CHINA		X		
COSTA RICA		X		
CZECH REPUBLIC	X			
EL SALVADOR			X	
INDIA			X	
JORDAN	X			
KENYA		X		
KOREA				Not applicable
MALAYSIA			X	
MAURITIUS			X	
MOROCCO				Not applicable
PAKISTAN				Not applicable
PERU			X	
PHILIPPINES			X	
POLAND			X	
SLOVAK REPUBLIC	X			
SLOVENIA			X	
SOUTH AFRICA		X		
SRI LANKA		X		
SULTANATE OF OMAN	X			
CHINESE TAIPEI	X			
TANZANIA			X	
THAILAND			X	
TURKEY				Not applicable
URUGUAY		X		Investor education programs have been carried out within the framework of IOSCO and COSRA Programs.
ZAMBIA			X	
TOTAL	5	10	12	

Q.3 Is investor education an explicitly stated mission of the regulator, i.e. there exists an express statutory mandate to address investor education or, alternatively, is it undertaken under the overall goal of investor protection?

JURISDICTION	Yes	No	Observations
ALBANIA			Not applicable
BANGLADESH	X		
BERMUDA		X	It is undertaken through the Bermuda Stock Exchange for the purposes of investor protection and awareness
BOSNIA AND HERZEGOVINA			Not applicable
BRAZIL		X	
BULGARIA		X	
CHILE		X	
CHINA	X		
COSTA RICA		X	It is undertaken under the overall goal of investor protection
CZECH REPUBLIC	X		
EL SALVADOR		X	Pursuant to article 5 of its Organic Law, the Superintendencia de Valores must facilitate the development of the securities market, through dissemination of information of the market (transparency), by means of publications. According to the same article the Superintendencia shall issue resolutions stating how all market participants must give information to the general public, and has to ensure that some training is given in order to improve the knowledge of all intermediaries. Investor education in El Salvador is an initiative of the Superintendencia and no other campaign of this type is done.
INDIA	X		
JORDAN		X	
KENYA		X	
KOREA			Not applicable
MALAYSIA		X	No, but in 1994 the SC established its training arm, the SIDC, to promote training, education and research in the development of the capital market and investor education is a primary concern.
MAURITIUS		X	It is among the broad objectives of the Commission. The Stock Exchange Commission (SEC) is committed to an active investor education program. The SEC feels that there is a pressing need to increase understanding of retail investors of how the Stock Exchange works and who the market participants are, their roles and responsibilities. Recently, a Compensation Fund

JURISDICTION	Yes	No	Observations
			has been established to safeguard investors' interests against malpractices on the Stock Exchange. Campaigns for sensitizing investors have been undertaken by the Stock Exchange Commission to raise investors' awareness of the market. In such context, high school students are invited on a regular basis to visit the Stock Exchange and take advantage of presentations by officers of the Stock Exchange Commission. Leaflets and pamphlets are published by both the regulator and the market operator to inform investors and public at large of latest developments on the Stock Exchange. For instance, with the establishment of the Automated Trading System, a wide campaign had been undertaken by the relevant authorities to inform investors and public at large of the benefits of such a system.
MOROCCO			Not applicable
PAKISTAN	X		The Securities and Exchange Commission of Pakistan Act 1997 clearly narrates the investor education undertaken as the overall goal of investor protection, "the Commission is responsible for promoting investor education and training of intermediaries of Securities Market". The Commission in co-ordination with stock exchanges intends to initiate investor education programme which is expected to be in place by December 2001.
PERU		X	
PHILIPPINES		X	While investor education is not explicitly stated in our mission and vision and also in the SRC, it is however impliedly mandated for the Commission to such activity. Thus by way of policy we conduct seminars for the public and link up with market participants and educational institutions in the training of teachers of business schools.
POLAND	X		
SLOVAK REPUBLIC		X	Investor education is neither an explicitly stated mission of the regulator, nor there exists an express statutory mandate to address investor education (according to the Act No. 96/2002 Coll. on supervision of financial market), however the program "University of an investor" is undertaken under the overall goal of investor protection.
SLOVENIA		X	The very first Article of the Securities Market Act (hereinafter: SMA) states the Agency's duty to create the conditions for the efficient operation of the securities markets and inspire investors'

JURISDICTION	Yes	No	Observations
			confidence in those markets, by implementing its duties and responsibilities stated in laws and regulations. Nevertheless, the Agency's work in this field exceeds its obligations as stated in law, as it is its goal to create safe environment for the investors. The setting up of additional, new programs is of priority to the Agency.
SOUTH AFRICA	X		Consumer Education was initially initiated independently by the AUT, which will now also complement the Consumer Education Program of the FSB. The AUT collaborated on the FSB Consumer Education Strategy Development. During 2000, the Financial Services Board Act, 1990 (the Act which sets out the activities of the FSB) was amended to provide as follows: ...“The functions of the Board are ... (c) To promote programs 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”
SRI LANKA	X		
SULTANATE OF OMAN		X	It is undertaken under the overall goal of investor protection
CHINESE TAIPEI		X	
TANZANIA	X		
THAILAND		X	The SEC Thailand's mission is to develop and supervise the Thai capital market to ensure efficiency, fairness, transparency, and integrity. The so-called “Investor Education Program” has been identified as one of our key measures to be carried out as an on-going plan. Having a capital market with a system and mechanism to help protect investors is one of the SEC, Thailand's vision. To raise investor awareness to preserve their rights and be responsible for their investment decision is viewed as one of the principles of good regulations. As a consequence, investor education plan has played a vital role to help achieve this vision. In principle, an investor education plan aims to help investor have an understanding or basic literacy of the basic investment, in particular the matter of risk profile or risk associated with an investment. This would help raise investor awareness prior to any investment decision. Additionally, it aims to fortify their understanding about shareholders' right.
TURKEY			The issue of investor education is being considered under our ultimate goal of the protection of investors. Although the CMB has

JURISDICTION	Yes	No	Observations
			not engaged in such an investor training program described in the questionnaire, we have been carrying out several activities which can be considered to have contributed to education of investors. In this regard, the CMB publishes detailed information through periodical bulletins to keep the public informed about securities markets, institutions and also the CIS's activities. Also, various books, brochures and reports have been published in order to enlighten the investors, and relevant information has been posted to our website as well. On the other hand, we have started to organize public meetings in cooperation with the stock exchange (namely the ISE) to improve general public' understanding of the markets and institutions as well as of their rights and the issues which should be taken into consideration while making transaction in securities markets.
URUGUAY	X		It is contained in the Securities Market Act No. 16.749 as an overall goal.
ZAMBIA		X	
TOTAL	10	18	

Q.4 . Which of the following reasons did you consider when setting up the educational program? Please, numerate the reasons considered more relevant (1 for the most important):

- () Public interest in market development and growth;
- () Improve general public's understanding of the role of the regulator;
- () Improve financial and investment literacy among retail and first-time investors;
- () Help investors choose legitimate businesses;
- () Increase general public's understanding of their rights and duties;
- () Use of public complaints to maximize use of regulator's resources;
- () Other, please specify.

JURISDICTION	Market development	Role of Regulator	Understand financial literacy	Improve financial business	Choose legitimate rights	Understand investors' rights	Use of complaints	Other	Observations
ALBANIA									Not applicable
BANGLADESH	2	5	1	4	3	6			
BERMUDA	1	4	2	6	3	5			
BOSNIA AND HERZEGOVINA									Not applicable
BRAZIL	6	1	5	3	2	4			
BULGARIA	1	2	3	4	5	6			
CHILE		3	1		2				
CHINA	1	6	3	4	2	5			
COSTA RICA	5	4	3	2	1	6			
CZECH REPUBLIC	5	4	1	3	2	6			
EL SALVADOR	1	2	4	6	3	5			
INDIA	3	4		5	2		1		Regulatory mandate
JORDAN	4	2	3	5	1	6			
KENYA	1	2	4	5	3	6	X		Increase the level of participation in securities
KOREA									Not applicable
MALAYSIA	4	5	1	3	2	6			
MAURITIUS	1	2	1	2	1	2			
MOROCCO									Not applicable
PAKISTAN									Not applicable
PERU	5	3	2	6	1	4			
PHILIPPINES		4	2	3	1				
POLAND	1	6	2	4	3	5			
SLOVAK REPUBLIC	1	2	1	1	2	2			
SLOVENIA	1								
SOUTH AFRICA		2	1				3,4,5		(3) Improve general public's understanding of unit trusts; (4) Help investors in selecting appropriate investments

JURISDICTION	Market development	Understand Regulator role	Improve financial literacy	Choose legitimate business	Understand investors' rights	Use of complaints	Other	Observations
								in terms of unit trust risk profiles; (5) Understand the roles and benefits of a financial advisor.
SRI LANKA	1	4	2	5	3	6		
SULTANATE OF OMAN	1	2	3	4	5	6		Increase general public understanding of the role of the securities markets in the national economy.
CHINESE TAIPEI	1	2	5	3	4			
TANZANIA	6	3	2	4	1	5		
THAILAND	1	4	2	5	3	6		
TURKEY								Not applicable
URUGUAY	1	4		2	3			
ZAMBIA	3	4	2	1	5	6		

Q.5 What resources are allocated for the investor education program? If possible, please state the number of employees and budget in relative terms, i.e. as a percentage of the overall employee number and regulator's budget.

JURISDICTION	Employees	Budget	Observations
ALBANIA			Not applicable
BANGLADESH	Not specific	Not specific	There is no specific resource allocated for the investor education program. The expenses are met from yearly budget of SEC.
BERMUDA			The program is sponsored by the Bermuda Stock Exchange
BOSNIA AND HERZEGOVINA			Not applicable
BRAZIL	5 (1,4%)	US\$ 800,000 (3,4%)	5 employees in education program; 350 employees (overall employee number): 1,43%; US\$800.000,00 in education program; US\$23.400.000,00 (overall regulator's budget): 3,42%
BULGARIA	30%		The USAID "Capital Markets Regulations Project" organized trainings for employees inclusive of lectures for investor education, and other forms of investor education.
CHILE	Not specific	Not specific	There is no a particular item in the budget for that purpose yet. However, there are discretionary monies for that use and it will depend on each campaign.
CHINA	1	No budget	
COSTA RICA	No answer	No answer	
CZECH REPUBLIC		1,5%	
EL SALVADOR	Not specific	US\$ 23,000	The budget to cover the campaign is of approximately US\$23,000.00, and all employees and executives get involved in it, by developing different related activities.
INDIA	2	over US\$ 210,000	2 officers + 10 Investors' Associations
JORDAN	Not specific	Not specific	Most of staff members are either directly or indirectly involved in the process of investor education
KENYA	Not specific	Not specific	There is no separate budget and employees. Investor education is

JURISDICTION	Employees	Budget	Observations
			carried out as part of the functions of the department of Research and Corporate Affairs and under the overall budget of Training, Public Education and Conferences.
KOREA			Not applicable
MALAYSIA	55	Not specific	As at August 2001, SIDC has six units and a total staff force of 55 people.
MAURITIUS	2		Two officers are usually responsible for the program and no specific amount is voted in the budget for that purpose.
MOROCCO			Not applicable
PAKISTAN			Not applicable
PERU	13 (8,5%)	US\$ 12,000/ US\$168,000 (see observation)	Annually, CONASEV designate approximately US\$ 12 000 for the investor education program. It held annually and it has the cooperation of the Lima Stock Exchange and the Mutual Funds Association. This educational program is not focus just in CIS, it is dedicate to educate investors in general, having seminars in universities, presentations on TV shows and the distribution of printed material. In this annual program participate approximately five (7) employees, whose represents 4.5% of the total employees. There were other specifics projects as the organization of the Securities Market Documentary Center (CENDOC) of CONASEV which was opened last year and it demanded US\$168 000 to operate. This amount was invested in infrastructure and furniture. In addition the CENDOC has 21 computers, 2 printers and photocopy machine. This center is dedicated to educate and orient the investors and public in general, giving information about the Peruvian securities market by the consultant web site, hot line

JURISDICTION	Employees	Budget	Observations
			calls, e-mails or in person. This center organized this year 27 visits to universities (500 students), 1 securities market seminar (25 students), distribute printed material to 690 persons (students, investors, investigators), receive approximately 15 800 visitors (approximately 2 000 investors) and 158 800 visitors through the web page. The CENDOC has 6 employees working on it, whose represent the 4% of the total employees.
PHILIPPINES	Not specific	Not specific	Our staff have been conducting seminars and/or participating as speakers/lecturers.
POLAND	4 (2,7%)	Not specific	
SLOVAK REPUBLIC	privately financed	privately financed	The project is fully financed by a private asset management company, which is a professional guarantor for it. However, many partners including Financial Market Authority are engaged.
SLOVENIA	Not specific	2%	In the annual budget for the year 2001 the Agency has allocated 2% of its funds for the investor education programs. The same or higher amount will be allocated for this purpose in the next year. In the future, the plan is to widen its activities in this field and engage itself in new forms of investor education programs. The number of the employees engaged in these programs is not yet determined, but it will probably involve persons employed in all departments, since a high level of co-operation and interaction will be required among the departments of the Agency – investment found department as the one being in charge of the sector and other departments supporting its work – e.g. law department, supervision department and others.

JURISDICTION	Employees	Budget	Observations
SOUTH AFRICA	Not specific	Not specific	The role of the FSB is to facilitate and co-ordinate the roll-out of consumer education in South Africa by the relevant industries.
SRI LANKA	5% to 10%	10%	
SULTANATE OF OMAN	7 (7,3%)	Not specific	
CHINESE TAIPEI	Not specific	Not specific	The Research and Development Division of the SFC is in charge of the investor education program under fiscal budget. The Securities and Futures Institution, a for-public foundation, and other securities and futures related organizations (such as the Securities Exchange and the OTC) will set up a task force to conduct education programs, such as holding seminars, conferences, training courses, producing educating films, publishing various brochures, magazine and etc. The SFC will hold meetings to review the programs on a quarterly basis, and it is coordinating with the related institutions to establish the investor education and protection network, through which, the information can be readily provided to the public in time.
TANZANIA	3 (15%)		
THAILAND	7	US\$ 220,000	At the SEC, Thailand, the general plan of an investor education is responsible by the Office of Capital Market Education which consists of 7 persons. Budget allocated for this plan is about USD 220,000 (Baht 10,000,000.00) per year.
TURKEY			Not applicable
URUGUAY	Not specific	Not specific	
ZAMBIA	Not specific	Not specific	

Q.6 Do you work in partnership with self-regulatory organizations or industry associations? () Yes () No. Is there an investors association in your jurisdiction? () Yes () No.

JURISDICTION	Partnership with SRO or industry		An investor's association exists		Observations
	yes	no	yes	no	
ALBANIA					Not applicable
BANGLADESH	X		X		
BERMUDA	X			X	
BOSNIA AND HERZEGOVINA					Not applicable
BRAZIL	X		X		
BULGARIA	X			X	Bulgarian Association of the Licensed Investment Intermediaries, Industrial Capital Association. These organizations do not have the functions of SRO under the standards of some of the countries with developed capital markets since their public functions are not stipulated by law.
CHILE	X			X	
CHINA		X		X	
COSTA RICA		X		X	
CZECH REPUBLIC		X	X		
EL SALVADOR		X		X	
INDIA	X		X		The investor associations are granted funds and registration
JORDAN	X			X	with the Amman Stock Exchange (ASE) and the Securities Depository Center (SDC)
KENYA	X			X	
KOREA					Not applicable
MALAYSIA	X		X		
MAURITIUS	X		X		
MOROCCO					No SRO exists in Morocco.
PAKISTAN					
PERU	X			X	We work with the Lima Stock Exchange and Mutual Fund Association just for the Annually Investor Education Program.
PHILIPPINES	X			X	
POLAND	X		X		
SLOVAK	X		X		See comment on question 5

JURISDICTION	Partnership with SRO or industry		An investor's association exists		Observations
	yes	no	yes	no	
REPUBLIC					
SLOVENIA	X		X		
SOUTH AFRICA	X			X	Have aligned the AUT Consumer Education with that of the FSB. Heavily involved in FSB Consumer Education Strategy.
SRI LANKA		X		X	
SULTANATE OF OMAN		X		X	
CHINESE TAIPEI	X		X		
TANZANIA	X			X	
THAILAND	X		X		We have fully recognized that the close cooperation and mutual assistance from all related industry associations, i.e., Association of Asset Management Companies, Association of Securities Companies, Association of Listed Companies, Association of the Thai Investors, and the Stock Exchange of Thailand, etc. are the vital factor contributing to the success of investor education plan. The role of the Association of the Thai Investors is not yet active. However, currently there is a discussion initiated by the SEC, Thailand among related parties concerned to consider the set-up of the so-called the Association of Thai Shareholders as a catalyst to make shareholders be aware of their rights and duties.
TURKEY					Not applicable
URUGUAY	X			X	
ZAMBIA	X			X	
TOTAL	21	6	11	16	

Q.7 Is the percentage of the overall CIS net worth in your jurisdiction that comes from retail investors known? () Yes () No. If yes, please state that percentage versus the percentage from that comes qualified investors?

JURISDICTION	% Retail Investors is known		% Retail	Observations
	YES	NO		
ALBANIA				Not applicable
BANGLADESH		X		
BERMUDA		X		
BOSNIA AND HERZEGOVINA				Not applicable
BRAZIL	X		59%	
BULGARIA		X		
CHILE		X		
CHINA		X		
COSTA RICA		X		
CZECH REPUBLIC		X		
EL SALVADOR				No operating CIS
INDIA		X		
JORDAN		X		
KENYA				No operating CIS
KOREA				Not applicable
MALAYSIA		X		
MAURITIUS		X		
MOROCCO	X		23,50%	
PAKISTAN				Not applicable
PERU		X		
PHILIPPINES		X		
POLAND		X		
SLOVAK REPUBLIC		X		
SLOVENIA		X		
SOUTH AFRICA		X		
SRI LANKA		X		
SULTANATE OF OMAN				Not applicable
CHINESE TAIPEI	X		70%	
TANZANIA		X		
THAILAND	X		65%	
TURKEY				Not applicable
URUGUAY	X		Majority	We do not have an accurate percentage, but we believe that most investment fund investors are retail investors.
ZAMBIA		X		
TOTAL	5	20		

JURISDICTION	and fees prospectus	Disclosures of prospectus	Understanding risks	Understanding fraud	Strategies against fraud	Define individual	Finding suitable CIS	Observations
PAKISTAN								Not applicable
PERU	3	2	1	4	6	5		
PHILIPPINES		3	4	5	1	2		
POLAND	3	4	5	1	6	2		
SLOVAK REP.	3	3	2	1	1	1		
SLOVENIA	1		1	1				
SOUTH AFRICA		4	3		1	2		
SRI LANKA			1	1				
SULTANATE OF OMAN								Not applicable
CHINESE TAIPEI	4	3	2	1	5	6		
TANZANIA	6	3	2	5	4	1		
THAILAND	4	3	1	6	5	2		
TURKEY								Not applicable
URUGUAY	1		3	2	4			
ZAMBIA	3	4	5	1	6	2		

Q.9 Which of the following techniques have been employed in the program?

- () distribution of written education materials (brochures, fact sheets);*
- () development of web-sites;*
- () set up of toll-free hot lines;*
- () availability of consultation centers;*
- () preparation of instructional videos;*
- () use of standardized complaint forms;*
- () public announcements and alerts;*
- () set up of journalist training programs;*
- () seminars, town meetings, visits to universities;*
- () make some enforcement case studies available to the public in accessible language;*
- () use of radio and television*
- () other, please specify.*

(Optional) Please rank the techniques in terms of the ones considered more effective in your experience (1 for the most effective).

JURISDICTION	brochures	websites	hot line	consultation centers	videos	standardized complaint forms	public announcements	journalist training	seminars	enforcement case disclosure	radio TV	OTHER
ALBANIA												Not applicable
BANGLADESH	Y	N	N	N	N	N	N	N	Y	N	N	
BERMUDA	Y	N	N	N	N	N	Y	N	Y	N	N	
BOSNIA AND HERZEGOVINA												Not applicable
BRAZIL	2	4	3	6	N	N	5	N	1	N	N	
BULGARIA	Y	Y	N	N	N	N	Y	Y	Y	Y	N	Holding regular press conferences
CHILE	Y	Y	Y	Y	N	Y	N	N	Y	N	N	
CHINA	Y	Y	N	N	N	N	N	N	N	Y	N	
COSTA RICA	Y	Y	N	Y	N	N	Y	N	Y	N	N	
CZECH REPUBLIC	1	2	6	N	N	N	5	9	4	7	3	
EL SALVADOR	1	5	6	2	7	N	N	4	3	N	8	
INDIA	Y	Y	N	N	Y	Y	Y	N	Y	N	Y	
JORDAN	Y	Y	N	N	N	N	Y	Y	Y	Y	Y	
KENYA	1	2	N	N	N	N	4	N	3	N	5	
KOREA												Not applicable
MALAYSIA	3	4	N	N	N	5	1	N	2	N	N	
MAURITIUS	Y	Y	N	N	Y	N	Y	N	Y	N	Y	
MOROCCO												Not applicable
PAKISTAN												Not applicable
PERU	4	1	2	3	N	6	9	7	5	N	N	
PHILIPPINES	N	Y	N	N	N	N	N	N	Y	N	N	
POLAND	Y	Y	Y	Y	Y	N	N	N	Y	N	Y	

JURISDICTION	brochures	websites	hot line	consultation centers	videos	standardized complaint forms	public announcements	journalist training	seminars	enforcement case disclosure	radio TV	OTHER
SLOVAK REPUBLIC	Y	Y	Y	Y	N	N	2	N	Y	N	1	
SLOVENIA	N	Y	N	N	N	N	Y	N	N	Y	N	
SOUTH AFRICA	Y	Y	N	N	Y	N	N	N	Y	N	Y	
SRI LANKA	Y	N	N	N	Y	N	N	Y	Y	N	Y	
SULTANATE OF OMAN	Y	N	N	N	N	N	N	Y	Y	N	N	(see below)
CHINESE TAIPEI	2	5	3	4	10	6	1	N	9	7	8	
TANZANIA	Y	N	N	N	N	N	Y	Y	Y	N	N	
THAILAND	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	(see below)
TURKEY												Not applicable
URUGUAY	Y	Y	N	N	N	N	N	N	Y	N	N	
ZAMBIA	Y	N	N	N	N	N	Y	Y	Y	Y	Y	

Thailand's comments (question 9): We have set up the so-called Investor Relations Unit (IRU) to be the forefront unit receiving inquiries and/or complaints from investors. Moreover, at all departments, we are always willing to response to all inquiries. The training programs is aimed to keep journalists update with current issues. Topics of, for example, Non-voting Depositary Receipt (NVDR), Fix Income Instruments, Property Fund, Retirement Mutual Fund (RMF), and Accounting Standards were already discussed. In the area of asset management businesses, we have brought up some major non-compliance cases as case studies for industry training courses, e.g., fund managers, compliance officers, etc. Exhibitions, e.g., Investor Fair and IT and occasional surveys. More importantly, we have successfully incorporated a subject of basic financial literacy and investment in both secondary school and under graduate curriculum to help them have a better understand about investment and prepare them to make intelligent investment decision when times come.

Sultanate of Oman's comments (question 9): Currently, there is a kind of cooperation between the CMA and one of the local newspapers to assign a weekly column for the CMA, named the Capital Market. This column discusses different aspects in the capital market and aims to increase general public's understanding of their rights and duties.

Q.10 Are some of your results so significant that they could be considered a relevant example of success of the program, for instance, in a one-year period:

- _____ *number of written materials regarding CIS distributed;*
 _____ *number of letters received;*
 _____ *number of hot line calls regarding CIS offerings;*
 _____ *number of web-site consultations regarding CIS;*
 _____ *number of e-mails received;*
 _____ *number of visits to consultation centers searching for CIS information;*
 _____ *number of illegal CIS offerings detected through public complaints;*
 _____ *number of complaints regarding CIS operations;*
 _____ *other, please specify.*

JURISDICTION	brochures distributed	letters received	hot line calls received	e-mails received	visits to consultation centers	complaints
BRAZIL	6934	2997		4221	2292	
BULGARIA		14	53			1
CZECH REPUBLIC	5		20	4		16
INDIA	Over 10 million					
SLOVAK REPUBLIC	16000					

Peru's comment: We do not have specific statistics regarding CIS educational programs due to the investors programs are dedicated to the general public.

Q.11 *Have you collected feedback from the public through the use of questionnaires/suggestion sheets?*

() Yes () No.

JURISDICTION	Yes	No	Observations
ALBANIA			Not applicable
BANGLADESH	X		
BERMUDA		X	
BOSNIA AND HERZEGOVINA			Not applicable
BRAZIL		X	
BULGARIA	X		
CHILE		X	
CHINA		X	
COSTA RICA		X	
CZECH REPUBLIC		X	
EL SALVADOR		X	
INDIA	X		
JORDAN		X	
KENYA		X	
KOREA			Not applicable
MALAYSIA	X		
MAURITIUS		X	
MOROCCO			Not applicable
PAKISTAN			Not applicable
PERU	X		
PHILIPPINES		X	
POLAND		X	
SLOVAK REPUBLIC	X		
SLOVENIA		X	
SOUTH AFRICA		X	
SRI LANKA	X		
SULTANATE OF OMAN		X	
CHINESE TAIPEI		X	
TANZANIA		X	
THAILAND	X		
TURKEY			Not applicable
URUGUAY		X	
ZAMBIA		X	
TOTAL	8	19	

Q. 12 *Have you conducted any research on any of the following topics: () adequacy of prospectus disclosure standards (which kind of disclosure effectively helps the investor make his decision); () levels of experience and financial sophistication among retail investors in your jurisdiction; () investor expectations, apprehensions or any reasons which might prevent investment in CIS, for instance, unattractive taxation schemes, constant change of government economic policies, strong preference for government bonds, etc.() any other topic which may lead to the improvement of the investor education program. Please, specify.*

JURISDICTION	Adequacy of prospectus disclosure	Levels of experience among retail investors	Investor expectations	Other, observations
ALBANIA				Not applicable
BANGLADESH	N	N	N	
BERMUDA	N	N	N	
BOSNIA AND HERZEGOVINA				Not applicable
BRAZIL	N	N	N	
BULGARIA	Y	Y	N	
CHILE	N	N	N	
CHINA	N	Y	N	
COSTA RICA	N	N	N	
CZECH REPUBLIC	N	Y	N	
EL SALVADOR	Y	N	N	
INDIA	N	N	N	Investors' survey, Feedback from investors and committee meetings of experts in respective fields.
JORDAN	Y	N	Y	Adequacy of prospectus and reasons which might preserve investment in the Amman Stock Exchange were the most topics under scope in the Research Department.
KENYA	N	N	N	Investor's information requirements.
KOREA				Not applicable
MALAYSIA	Y	N	N	The object of our questionnaires is to gain feedback on the adequacy and relevance of our awareness seminars and community briefings and suggestions for future programs
MAURITIUS	N	N	N	
MOROCCO				Not applicable
PAKISTAN				Not applicable
PERU	N	Y	Y	
PHILIPPINES	N	N	N	
POLAND	N	N	N	
SLOVAK REPUBLIC	N	N	N	We have not conducted any research related to CIS, however

JURISDICTION	Adequacy of prospectus disclosure	Levels of experience among retail investors	Investor expectations	Other, observations
				the department of analyses and strategy was established as a part of the organizational structure of the Financial Market Authority in last few months, which will conduct any relevant researches in nearby future
SLOVENIA	N	Y	N	
SOUTH AFRICA	N	N	N	
SRI LANKA	Y	N	N	
SULTANATE OF OMAN	Y	N	N	
CHINESE TAIPEI	Y	N	Y	
TANZANIA	N	Y	Y	
THAILAND	N	Y	N	Understanding and current condition of savings for retirement. Understanding and the need of the activities of (1) investment advisor, and (2) private fund management. As for general investment experience, an extensive survey was conducted among the focused groups who were existing savers, investors, and public to assess their investment attitude and experience, investment profile, types of saving/investment, factors of investment decision, sources of investment information, etc.
TURKEY				Not applicable
URUGUAY	N	N	N	
ZAMBIA	N	N	N	Research is however planned to examine the various areas of CIS, equity and debt securities to determine compliance with IOSCO recommended principles)
TOTAL	7	7	4	

Q.13 Do you plan to () maintain, () reduce or () increase the investor education program in the next 2 years?

JURISDICTION	maintain	reduce	increase	Observations
ALBANIA				Not applicable (see question 16)
BANGLADESH			X	
BERMUDA			X	
BOSNIA AND HERZEGOVINA				Not applicable (see question 16)
BRAZIL			X	
BULGARIA			X	
CHILE			X	
CHINA			X	
COSTA RICA			X	
CZECH REPUBLIC			X	
EL SALVADOR	X			
INDIA			X	
JORDAN			X	
KENYA			X	
KOREA				Not applicable (see question 16)
MALAYSIA			X	
MAURITIUS			X	
MOROCCO				Not applicable (see question 16)
PAKISTAN				Not applicable (see question 16)
PERU	X			
PHILIPPINES			X	
POLAND			X	
SLOVAK REPUBLIC			X	
SLOVENIA			X	
SOUTH AFRICA			X	
SRI LANKA	X			
SULTANATE OF OMAN			X	
CHINESE TAIPEI			X	
TANZANIA	X			
THAILAND			X	
TURKEY				Not applicable (see question 16)
URUGUAY			X	
ZAMBIA			X	
TOTAL	4	0	23	

Q.14 Does your jurisdiction have, or is it likely to have, problems resulting from cross-border offers and internet trading? () Yes () No. Are any investor education initiatives taken, or being considered, to deal with these problems? () Yes () No.

JURISDICTION	Internet problems		Initiatives taken		Observations
	Yes	No	Yes	No	
ALBANIA		X		X	
BANGLADESH	X		X		We shall have problems arising out of cross-border offers as our investors are not that knowledgeable about this kind of products. It would be very easy to get cheated through unscrupulous offering. To help our retail investors for coping with the hazards arising out of cross-border trading an investor education program focused on cross-border offers can be very useful for our market. Similarly, we shall have problems with the Internet trading as our market lags the related infrastructure and laws. We have a plan to start investor education program to deal with the above issues i.e. cross-border offers and internet trading.
BERMUDA	X		X		
BOSNIA AND HERZEGOVINA		X		X	
BRAZIL	X		X		
BULGARIA	X		X		Informing the public of the non-public companies' shares offered through Internet.
CHILE		X		X	
CHINA	X		X		
COSTA RICA	X		X		
CZECH REPUBLIC	X		X		
EL SALVADOR	X			X	For the time by we don't have troubles with them.
INDIA	X		X		
JORDAN					
KENYA		X		X	Cross border, trading is anticipated soon, it has not yet started and the same applies to electronic trading. With their establishment, investor initiatives will be taken to deal with the problems that will arise.
KOREA	X		X		
MALAYSIA	X		X		
MAURITIUS					
MOROCCO		X		X	No, because due to exchange control
PAKISTAN		X		X	No bourse in Pakistan is involved in cross border offers and internet trading. The Commission and the bourses are collectively working on cross border listing as well as for infrastructure for internet trading.
PERU		X		X	
PHILIPPINES	X			X	
POLAND		X	X		
SLOVAK REPUBLIC	X		X		
SLOVENIA	X		X		
SOUTH AFRICA	X		X		

JURISDICTION	Internet problems		Initiatives taken		Observations
	Yes	No	Yes	No	
SRI LANKA	X			X	
SULTANATE OF OMAN		X		X	Actually, there are no cross-border offers or Internet trading in our securities market, but we are looking toward such trading in the near future.
CHINESE TAIPEI	X		X		
TANZANIA	X		X		
THAILAND	X		X		Cross-border offer and in the case of internet trading, we have issued guidelines for offer for sales securities, securities trading, and tender-offer via internet. For your information, we would like to inform that on July 20, 2001, Sec Thailand and Law Enforcement Agencies conducted raids on unlicensed companies. A warning was issued to urge all investors to be aware of unsolicited contact by unknown or unregistered persons and to verify whether such persons are registered in the country where they are alleged to have been based. Full information in this matter is available on SEC website
TURKEY					
URUGUAY					The analysis of these problems should be intensified
ZAMBIA		X			
TOTAL	19	10	17	11	

Q.15 What measures could be taken by IOSCO in terms of helping EMC's set up or improve their investor education programs?

JURISDICTION	Suggestions
ALBANIA	Considering the educational program regarding CIS very important, The Albanian Securities Commission appreciates the technical assistance and financial assistance in the setting up the mentioned program.
BANGLADESH	Providing technical assistance and training to their capital market regulatory bodies.
BERMUDA	No comments
BOSNIA AND HERZEGOVINA	IOSCO could offer some guideline for investor education. It could be on different levels depending on development of market in particular country. IOSCO members who organized investor education and have good experience, could share their programs with countries who did not organize it.
BRAZIL	No comments
BULGARIA	Organizing investor education programs and partial funding of the participation in such programs
CHILE	No comments
CHINA	IOSCO should suggest CSRC to take investor education as its own important job.
COSTA RICA	No comments
CZECH REPUBLIC	A) The transfer of experiences to EMC; B) Assistance by development and preparing programs.
EL SALVADOR	A) Distribution of educational material; B) Helping to share experiences from other countries; C) Facilitating access to bibliography in native language about transparency and investor orientation.
INDIA	Exchanging of information, experience and views from various regulatory bodies in this regard.
JORDAN	A) Establishing a comprehensive international awareness program through the mass media (such as the one carried out by the UNESCO); B) To exchange information and views on investor education programs amongst the EMC members; C) Set up standard tables for investors education.
KENYA	A) Funding e.g. for publications, resource persons, media cost, etc; B) Technical expertise; C) Training of the Regulator's Staff.
KOREA	No comments
MALAYSIA	Discussions, advice and sharing of experiences.
MAURITIUS	No comments
MOROCCO	Sharing experience and training programs.
PAKISTAN	IOSCO can greatly help EMC members who don't have any investor education program in place. Countries which have proper Investor education program in place can assist in developing an effective education program for such countries which are keen to develop Investor education plan. IOSCO can also arrange some training program for investor education.

JURISDICTION	Suggestions
PERU	A) To designed a long term strategy to reach the goal of improving the investor education. This strategy should take account the environment and development of each country, detailing the activities to be taken to reach the goal; B) To give financial and technical support to helps us to do each necessary activities; C) To cooperate giving experts in order to educate the employees in charge to organize the investor educational programs in CONASEV as well as participate as speakers in the educational activities for the investors community.
PHILIPPINES	More Seminars/Training Programs centered on CIS
POLAND	No comments
SLOVAK REPUBLIC	Especially advisory as well as supporting activities aimed to improve penetration and effectiveness of any educational program.
SLOVENIA	Since the Agency is planning to set up new additional forms of investor-education programs, the exchange of information and materials among EMC-members, regarding this matter would be welcome.
SOUTH AFRICA	No comments
SRI LANKA	Provide assistance to improve Investor Education Program.
SULTANATE OF OMAN	(A) Research the effects of investor education program on the performance of the capital market; (B) Provide clear cooperation plan between IOSCO and the EMC members in this aspect; (C) Research the basic guidelines for the investor education process; and (D) Research the basic standards to measure the success of the investor education program.
CHINESE TAIPEI	No comments
TANZANIA	Assistance in practical training or attachment for new skills and further exposure to practice in the jurisdiction of other EMC members.
THAILAND	A) A regular forum that members countries could share and exchange experience in disseminating an investor education; B) Case studies of examples of successful investor education plans to identify “a systemic and effective investor education plan”; C) Identifying the effective benchmark judging the effectiveness of an investor education plan and effective techniques and mediums.
TURKEY	No comments
URUGUAY	IOSCO could participate by providing material and technical assistance.
ZAMBIA	IOSCO could still play a facilitator role in improving investor education programs.

Q.16 *Do you plan to start a program in the next 2 years? ()Yes () No.*

JURISDICTION	Will start a program	Observations
ALBANIA		The Albanian Securities Commission has drawn up the draft-law "On Collective Investments in Securities Funds" and is waiting for the Parliament approval. In the same time, the Commission has considered the investor education as another important area for investor protection. During this year the Commission has published many materials giving important information concerning problems related to capital market, supervision of the market and collective investment schemes.
BOSNIA AND HERZEGOVINA	Yes	
KOREA	Yes	
MOROCCO	Yes	
PAKISTAN	Yes	
TURKEY		The issue of investor education is being considered under our ultimate goal of the protection of investors. Although the CMB has not engaged in such an investor training program described in the questionnaire, we have been carrying out several activities which can be considered to have contributed to education of investors. In this regard, the CMB publishes detailed information through periodical bulletins to keep the public informed about securities markets, institutions and also the CIS's activities. Also, various books, brochures and reports have been published in order to enlighten the investors, and relevant information has been posted to our website as well. On the other hand, we have started to organize public meetings in cooperation with the stock exchange (namely the ISE) to improve general public' understanding of the markets and institutions as well as of their rights and the issues which should be taken into consideration while making transaction in securities markets.

APPENDIX C

DISCUSSION PAPER ON THE ROLE OF INVESTOR EDUCATION IN THE EFFECTIVE REGULATION OF CIS AND CIS OPERATORS

*Report from the Technical Committee
of the
International Organization of Securities Commissions*

March 2001

Introduction.

In October 1999, IOSCO's Technical Committee approved a mandate for its Standard Committee on Investment Management (TCSC-5) to study the role of investor education in the effective regulation of Collective Investment Schemes ("CIS") and CIS operators. A *Discussion Paper on the Role of investor Education in the Effective Regulation of CIS and CIS Operators* was presented for consideration to the Technical Committee by TCSC-5 during its 19 and 20 March 2001 meeting. Its content was approved by the Technical Committee and a decision was made to authorize its public release.

Investor education is particularly relevant for CIS because most CIS investors are retail investors, many of whom are not financially sophisticated and could benefit from investor education. At several meetings, TCSC-5 discussed the varied approaches of its member regulators to investor education. Several members prepared written materials generally describing the investor education that they have undertaken in their jurisdictions.

Based on those discussions and written materials, the Technical Committee agrees that investor education assists in the effective regulation of CIS and CIS operators. It further agrees that investor education should complement, rather than substitute for, direct supervision and regulation of the operations of CIS and CIS operators. Technical Committee members' individual approaches to investor education vary widely, however, depending on the degree to which a member's jurisdiction embraces investor education as part of the member's investor protection mandate, and the availability of resources.

This discussion paper seeks to provide a greater understanding of how investor education may assist in the effective regulation of CIS and CIS operators. This paper also details the elements of successful investor education programs that have been employed by some Technical Committee members, and details general principles regarding the establishment and implementation of these programs. This paper, however, does not attempt to set out an investor education program to be implemented by all jurisdictions. The Technical Committee does not believe that regulators must necessarily implement formal investor education programs to achieve their investor protection mandates.

Investor education assists in the effective regulation of CIS and CIS operators, and helps the regulator achieve the goal of investor protection.

As stated in the general principles of securities regulation adopted by IOSCO, one of the key objectives of securities regulation is to protect investors. Technical Committee members seek to protect CIS investors through a number of regulatory techniques, including: (i) by requiring disclosure which is necessary for an investor to evaluate the suitability of a CIS and the value of the investor's interest in the CIS; (ii) by substantively regulating certain of the activities of CIS and their operators; and (iii) by prosecuting CIS and CIS operators who commit fraud or other abuses in the offering and operation of CIS.

The Technical Committee agrees that investor education cannot replace the substantive regulation of the activities of CIS and their operators. Nevertheless, the Technical Committee agrees that investor education assists regulators in protecting investors in a number of ways. As described in more detail below, investor education may enhance investors' understanding of the role of the regulator, provide investors with the tools to protect themselves against fraud (and other abuses) and to assess the risks associated with particular investments, assist the regulator in the enforcement of the securities laws concerning offerings and sales of securities, and maximize the regulator's limited resources. Educated investors also can better choose investments that are the most appropriate for them in light of their individual circumstances, such as age, wealth, income, debt and years to retirement. Investor education has become even more important with the rise in popularity of the internet, which may bring more first-time investors into the securities markets.

The regulator's role. Through investor education, a regulator can explain to the public the regulator's role with respect to CIS and CIS operators. Investor education also can help the public to understand what the regulator can and cannot do for them. For example, some regulators provide information about which CIS or CIS operators have been authorized by the regulator. By making this information available to the public, a regulator allows investors to avoid any problems associated with doing business with an unauthorized CIS or CIS operator. At the same time, a regulator can explain to investors what authorization of a CIS or CIS operator in that jurisdiction says about the CIS and CIS operator, and that authorization does not constitute an endorsement by the regulator of their services.

In addition, a regulator may provide investors with information describing certain of the regulatory requirements applicable to CIS and CIS operators, such as the need for a CIS public offering to be made by way of a prospectus. Regulators also may stress to investors the importance of reading and understanding the prospectus before making an investment in any CIS. Investor education also may enable investors to inform the regulator about the types of disclosure that assist them in making investment decisions, thereby helping the regulator to assess the adequacy of current disclosure standards and raise the standard of prospectus disclosure.

Regulators from around the world may engage in cooperative investor education efforts to focus public attention on the role of the regulator with respect to specific investor protection issues. For example, 21 members of IOSCO recently coordinated their efforts to detect and deter securities violations occurring on the internet, particularly those involving

cross-border activity.² Many of the regulators agreed to announce to the public the results of their participation in what was titled International Internet Surf Day. Thus, investor education may be enhanced when regulators publicize their enforcement activities.

Tools to assess risk. Investor education provides CIS investors with tools to assess the risks associated with their CIS investments (e.g., investments in foreign CIS). For instance, some Technical Committee members provide information about how to invest wisely, including examples of the types of questions to ask about investment opportunities. Other materials are designed to generally increase financial literacy and may describe particular types of investments, such as CIS. One Technical Committee member (from the United Kingdom) has undertaken regulatory initiatives to provide financial literacy curriculums to be used in workplaces, community groups and schools. Another (from the United States) has worked with industry participants to develop similar curriculums.

In crafting tools to help investors assess risk, regulators must take care to avoid providing investors with specific investment advice. Securities regulators should not recommend the purchase or sale of particular securities by individual investors, nor particular strategies to guide their investment decisions.

In most member jurisdictions, investor education is undertaken in the context of promoting better investor understanding of prospectus disclosure, so that investors can make well-informed investment decisions. An educated investor can better relate the disclosed risks of a CIS to his or her individual financial needs. By helping investors make appropriate investments for themselves, the regulator may avoid a loss of public confidence in the markets.

Watchdog role. Investor education also allows investors to protect themselves against fraud and other abuses. Educated investors can better monitor certain activities of the CIS in which they invest (or in which they are considering an investment) and assist the regulator in spotting abuses. For example, investors who understand the requirements of a CIS offering (such as the requirement for a prospectus) will be able to alert the regulator to illegal offerings. Some regulators provide information about how to contact the regulator about complaints with respect to CIS and CIS operators (and other market participants), and how to formulate and file complaints with the regulator. This information helps investors to understand their rights and options in the event of a dispute with a CIS or CIS operator and may assist the regulator in correcting any wrongdoing by the CIS or CIS operator.

Maximize a regulator's limited resources. Investor education may maximize the limited resources of a regulator because investor education usually is proactive rather than reactive (i.e., it seeks to address regulatory problems before they develop).

Many regulators do not have the resources to develop proactive investor education programs. To maximize limited resources, investor education efforts generally should target investors who lack experience or financial sophistication (generally, retail investors). A 'one size fits all' approach, however, may be less effective because CIS investors, even among a class of retail investors, have different levels of experience and financial sophistication. For greater effectiveness, regulators should target different categories of investors, taking into account their needs, experience and accessibility. In addition, regulators may work in

² As another example, in 1998, the Council of Securities Regulators of the Americas initiated the Facts on Saving and Investing Campaign involving twenty-one countries throughout the Western Hemisphere.

partnerships with self-regulatory organizations and industry associations, and encourage other market participants to engage in investor education activities. Such entities have a vested interest in establishing and maintaining investor confidence in the financial markets, and recognize that educating investors can help to achieve that goal. A regulator, however, must give special consideration, when engaging in investor education activities with self-regulatory organizations and industry associations, to avoid even the appearance of endorsing the products or services of any industry participants.

Regulators may consider using the internet to maximize their limited resources when pursuing investor education efforts. The internet provides a cost-effective way of providing investor education information to a large number of investors, as well as to the financial press and other third parties that directly or indirectly are engaged in investor education efforts and activities. For instance, by posting information on its website, a regulator may save the costs of printing and mailing the information.

Specific Investor Education Techniques

Technical Committee members take varied approaches to investor education depending on the degree to which the member embraces investor education as part of its investor protection mandate, and the availability of resources. In some jurisdictions, the regulator has express statutory authority to address investor education. In one jurisdiction (the United Kingdom), the regulator has an express statutory obligation to undertake investor education efforts. In another jurisdiction (Mexico), a separate governmental institution is responsible for providing investor education.

Other jurisdictions do not have express statutory authority to implement investor education programs, although some regulators have engaged in investor education activities as an integral part of their investor protection charters. For instance, in Hong Kong, there is no explicit statutory requirement for the regulator to implement an investor education program, but the regulator has dedicated staff to these efforts since 1996. In some jurisdictions, no specific efforts are undertaken with respect to investor education, although the regulator may enhance investor education through certain of its other regulatory activities. For instance, in Luxembourg, the regulator undertakes investor education efforts indirectly through its efforts to improve prospectus disclosure and through the public dissemination of information about the role of the regulator.

Various Technical Committee members use many of the following techniques when seeking to educate investors.³ In general, the techniques correspond to the types of information that the regulator wishes to convey to investors, the types of investors to be educated, and the resources available to the regulator.

- Consumer publications. A regulator may prepare written educational materials regarding the role of the regulator, provide tools to appreciate risk, and make available many other kinds of information. These materials may be forwarded to the public on request, by regular mail or through the internet. These materials may be updated to focus on issues that are relevant during a particular period of time.

³ Some jurisdictions offer publications that set forth principles for the use of investor education, as well as ideas on how to implement investor education programs (e.g., Australia, the United Kingdom).

- Hot lines and websites. A regulator may provide the public with a telephone number, or e-mail address, through which the public may directly contact the regulator about, among other things, possible violations of the securities laws, or how to obtain consumer publications. A regulator also may publish investor education information on its website.
- Investor alerts. A regulator may make public announcements regarding issues of particular importance to investors, such as alerts about internet fraud and “cold calling.”⁴
- Financial literacy curriculum. A regulator may design curriculums to enhance the financial literacy of a specific group of people (such as school-age children, or adults nearing retirement age). These curriculums may be used in workplaces, community groups and schools.
- Town meetings. A regulator may conduct public meetings in various cities and towns to disseminate investor education information. These meetings usually are preceded by publicity that encourages participation in the meeting by the general public. Regulators may work in conjunction with local governmental bodies and industry associations when conducting town meetings.
- Specific investing tools. A regulator may provide investors with specific tools to assist them in making CIS investment decisions. For instance, some regulators have established cost calculators on their websites. A cost calculator allows investors to estimate the costs of investing specified amounts of money in particular CIS by inputting fee and expense information contained in CIS prospectuses.

Plain language disclosure documents. By encouraging or requiring CIS to use plain language in CIS disclosure documents, the regulator may assist the investor in making suitable investments based on an understanding of the risks associated with particular CIS investments.

General principles.

Technical Committee members identified the following general principles for the establishment and implementation of investor education programs, particularly as they relate to CIS. The Technical Committee based these principles on the varied experience of its members in undertaking investor education.

- Investor education assists regulators in achieving the goal of protecting investors.
- Investor education cannot replace direct supervision of CIS and CIS operators.
- Investor education can take many forms, depending on the specific goal of the regulator, the types of CIS and the experience and sophistication of the investors, and the resources available to the regulator.

⁴ Australia’s 1999 “April Fools’ Day” internet scam website alerted investors to their own susceptibility to internet fraud. The Australian Securities & Investments Commission (“ASIC”) established a scam website offering investors “millennium bug” insurance. More than 200 investors offered to forward money to the operators of the website. ASIC subsequently notified the investors that the website was a scam designed to expose some of the risks of internet fraud.

- A ‘one size fits all’ approach to investor education programs may be less effective because CIS investors, even among a class of retail investors, have different levels of experience and financial sophistication.
- Regulators should not provide investment advice to the public. When regulators engage in investor education activities, care must be given to distinguish investment advice from investor education.
- Regulators must remain independent of the market participants that they supervise. When regulators engage in investor education activities with market participants, care must be given to avoid even the appearance of endorsing the products or services of any market participants.