Investor Protection and Education Going Forward

—What does it take to change behaviour?
Overview

Legislative Mandate for Consumer Protection
- TCF
- Regulation implementation

Legislative Mandate for Financial Education

Research and Statistics
- Savings and investments

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

Financial Education Projects & Activities

Challenges and way forward
FSB – Legislative Mandate for Consumer Protection

• Financial Markets Act
• Treat Customers Fairly
• Twin Peaks
6 Fairness Outcomes

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

• Amended code of conduct
• Complaint mechanism
• On-site visits – Inspections investigations
• Enforcement
FSB – Legislative Mandate for Consumer Education

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

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

Financial Services Laws General Amendments Act, 2013

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

<table>
<thead>
<tr>
<th>Category</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Control</td>
<td>58</td>
<td>61</td>
<td>61</td>
</tr>
<tr>
<td>Financial Planning</td>
<td>53</td>
<td>50</td>
<td>48</td>
</tr>
<tr>
<td>Financial Knowledge and understanding</td>
<td>56</td>
<td>55</td>
<td>52</td>
</tr>
<tr>
<td>Appropriate Product Choice</td>
<td>45</td>
<td>46</td>
<td>44</td>
</tr>
</tbody>
</table>

Overall Score

2011: 54
2012: 54
2013: 52

47% credit active consumers have impaired credit records

24% do not use financial products

28% get money from friends and family

72% say they are not saving

12 years of consumer financial education in South Africa
Choosing the Savings and Investments Products

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

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

- **Young people**: Financially literate, responsible and self-aware. Want to improve their lives and communities.
- **Grown ups**: Financially adept, avoid poverty traps (e.g., debt spirals). Plan, invest and create wealth.
- **The aged**: Financially secure, not victims of scams and fraud. Plan and control finances.
- **Communities**: Economically and financially inclusive, entrepreneurial, developing and prospering.
## Identifying Vulnerable Groups

<table>
<thead>
<tr>
<th>Financial</th>
<th>Control</th>
<th>Planning</th>
<th>Product Choice</th>
<th>Knowledge &amp; Understanding</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>57</td>
<td>52</td>
<td>44</td>
<td>55</td>
<td>52</td>
</tr>
<tr>
<td>Youth (16-19)</td>
<td>42</td>
<td>40</td>
<td>40</td>
<td>54</td>
<td>44</td>
</tr>
<tr>
<td>Youth (20-29)</td>
<td>52</td>
<td>51</td>
<td>44</td>
<td>58</td>
<td>52</td>
</tr>
<tr>
<td>Low living standards</td>
<td>50</td>
<td>45</td>
<td>34</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>Low education levels (some secondary)</td>
<td>53</td>
<td>47</td>
<td>42</td>
<td>54</td>
<td>49</td>
</tr>
<tr>
<td>National Average scores</td>
<td>56</td>
<td>58</td>
<td>45</td>
<td>56</td>
<td>54</td>
</tr>
</tbody>
</table>
### Competency Framework e.g. Financial Products

<table>
<thead>
<tr>
<th>Characteristics/Traits</th>
<th>Knowledge</th>
<th>Behaviour</th>
<th>Programme topics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers who understand financial products:</td>
<td>• Aware of various short- and long-term insurance products</td>
<td>• Can select appropriate investment products for retirement planning</td>
<td>• Various financial products offered by banking and non-banking institutions</td>
</tr>
<tr>
<td>• are aware of different types of banking, credit/loan, savings/investment, and insurance products</td>
<td>• Understands positive and negative aspects of banking products - fixed deposits, savings &amp; current accounts and money market products</td>
<td>• Can identify important factors to consider when choosing a bank</td>
<td>• Collective investments schemes – a way to grow wealth?</td>
</tr>
<tr>
<td>• hold at least one of each of the banking, credit/loan, savings, investment and insurance products</td>
<td>• Knows and understands the difference between direct investments, managed funds, unit trusts, bonds, shares, equities, property and alternative investments</td>
<td>• Researches ways to create and protect assets and wealth</td>
<td>• Capital markets – what you should know about investing in capital markets</td>
</tr>
<tr>
<td>• have a clear understanding of their product needs</td>
<td>• Understands the risks of investing in financial investment products</td>
<td>• Asks appropriate questions and evaluates information before making investment decisions</td>
<td>• Developing a personal financial profile</td>
</tr>
<tr>
<td>• undertake detailed research before choosing a product</td>
<td>• Understands the differences between Retirement Annuities, pension funds, preservation funds and provident funds</td>
<td>• Investigates different investment products and evaluates them according to risk, return/interest paid and access to funds</td>
<td>• Retirement funds – Living annuities vs. guaranteed annuities</td>
</tr>
</tbody>
</table>

- Various financial products offered by banking and non-banking institutions
- Collective investments schemes – a way to grow wealth?
- Capital markets – what you should know about investing in capital markets
- Developing a personal financial profile
- Retirement funds – Living annuities vs. guaranteed annuities
## Specific Content for Investor Education

### Draft FRAMEWORK FOR DEVELOPING THE CONTENT OF AN INVESTOR GUIDE

This framework presents the generic knowledge required by potential investors at beginner, intermediate and advanced levels.

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>BEGINNER – Controls and manages income to create a surplus of funds</th>
<th>INTERMEDIATE – Planning and preparing to invest surplus</th>
<th>ADVANCED – Growing personal wealth</th>
</tr>
</thead>
</table>
| **Description** | A consumer who:  
• has an income  
• transacts within either the informal and/or the formal & regulated financial sector  
• plans to manage income by living within their means  
• aims not to spend more than they earn  
• Seeks capital protection and growth | A consumer who:  
• manages to live within their means  
• intends to save first then spend  
• is keen to acquire a sound understanding of how financial instruments, markets and advisors can be optimally used to make sound investment choices  
• makes investments  
• Seeks capital growth and income generation i.e. manages to create a surplus funds. | A consumer who:  
• Has a clear understanding of investment instruments  
• Can discern between high, medium and low risk investment instruments  
• Makes informed decisions and employs strategies when selecting investment instruments  
• Selects investment advisors objectively  
• Seeks capital growth and income generation |
| **Generic knowledge** | Preparing to invest  
• Practicing Good financial Habits  
  o Planning your Financial Strateg  | Choosing the right investments  
• Life-Stage Investments  
  E.g. Retirement planning, earning first income, etc.  
  Developing realistic expectations | Managing investments  
• Evaluating performance  
  o Benchmarking  
  o Yield  
  o Return |
Projects

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

5-minute radio “soap-opera”
- played once a week
- expert in studio
- aired in 5 official South African languages on five different radio stations.
Projects – Targeted Workshops

- In School Youth
  - Vocational
  - Academic

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

**Teachers**
- Curriculum based resources
  - Managing your money – Grades 10 -12
  - Money in Action – Grades 7 -9
Projects - On-line interactive website

www.mylifemymoney.co.za

- Based on life events
- Not to provide financial advice
- Assist in providing information and knowledge to manage their finances more effectively and to better understand the financial services industry.
Challenges

Monitoring and Evaluating behaviour change

Striking the balance between marketing and consumer education

Consumer Indebtedness

Coordinated approach

Making financial education a priority

12 years of consumer financial education in South Africa
“Education is the most powerful weapon which you can use to change the world.”

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

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

Nelson Rolihlahla Mandela
Thank you for your attention

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