“Consumer Protection and Financial Education: two sides of the same coin”

Mexico Experience

Germán Saldívar Osorio
Deputy General Director of Savings and Financial Regulation
Ministry of Finance, Mexico

October 2010
Since the last 5 years, Mexico has been involved in a financial inclusion process.

According to a survey conducted in 2009 for the Ministry of Finance, 59.9% of the population use at least one financial service.

<table>
<thead>
<tr>
<th>Service</th>
<th>Users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings accounts</td>
<td>25%</td>
</tr>
<tr>
<td>Checking accounts</td>
<td>6%</td>
</tr>
<tr>
<td>Debit card or payroll</td>
<td>36%</td>
</tr>
<tr>
<td>Personal or payroll credit</td>
<td>11%</td>
</tr>
<tr>
<td>Credit Card</td>
<td>17%</td>
</tr>
<tr>
<td>Mortgage loan</td>
<td>9%</td>
</tr>
<tr>
<td>Car credit</td>
<td>4%</td>
</tr>
<tr>
<td>Time deposits or mutual funds</td>
<td>3%</td>
</tr>
<tr>
<td>Contracted by the user</td>
<td>9%</td>
</tr>
<tr>
<td>Contracted by an agent</td>
<td>4%</td>
</tr>
<tr>
<td>E-banking services</td>
<td>3%</td>
</tr>
<tr>
<td>Pension funds</td>
<td>26%</td>
</tr>
</tbody>
</table>

Users of traditional deposits services: 48%

Users of traditional loans services: 27%

Insurance users 12%

Non-users 40.1%

Users 59.9%

* Users that have a service and/or financial product at a financial institution.

Before to implement measures on financial inclusion, it is important to understand the market conditions.

Financial Inclusion Level

Users
59.9%

Basic Users
26.1%

Intermediate Users
17.1%

Advance Users
16.7%

Non-users
40.1%

How can non-user population access to financial services?

The positive evolution of financial inclusion levels are explained mainly because people are saving more.

In order to keep the sound of the financial access goal, actions must be centered around the following pillars:

**Transparency**
- Provide the tools to disclose costs and terms of financial services for an accessible and clear understanding of the users.

**Consumer Protection**
- Recognize and preserve the rights and responsibilities of financial services users.

**Financial Literacy**
- Develop in all population the ability to judge with relevant and reliable information in decision making for their financial well-being.
In July 2008 took place the Conference on Financial Education, Consumer Protection and Competition organized by Mexico’s Ministry of Finance, the Mexican Senate and the Organisation for Economic Co-operation and Development.

The objective of the conference was to establish a high level dialogue centered on the best practices implemented at the international level in financial education, consumer protection and competition.

In this conference participated international experts speakers and a wide audience of high-level Mexican regulatory and supervisory authorities, senators, first level representatives of the financial industry, and other renowned individuals, all capable of decision taking.

This conference allowed us to establish a regulatory agenda on consumer protection and transparency as well as the design of the national financial education strategy.
Demand Actions: Transparency

**Challenges**

*Less is more*

**Actions implemented**

- Low-cost standardized deposit products
- Disclosure Rules for Monthly Statements
- Total Annual Cost for credit cards and mortgages (CAT)
Demand Actions.- Consumer Protection

- Stronger Financial Consumer Protection Agency

Challenges

- Financial contracting rules
- Sanctions
- Minimum financial consumer rights

Actions implemented
Financial authorities are designing a Financial Education Strategy centered around 5 guidelines:

- Financial education is a public good.
- The strategy will have a budget and risk as the basic financial concepts.
- The strategy will attempt to change the population behavior.

**Definition of a framework to increase coverage reaching all population segments**

**Coordination among financial supervisors, regulators, private sector and other institutions**

**Communication strategy**
(complete media campaign for the main financial products)

**Strategic alliance with Interactive Economics Museum (MIDE)**

**Introduce financial education material in the textbooks of the Mexican elementary schools**

- Children
  - First savings account

- Teenager
  - Savings account
  - First credit card
  - First job
  - First car

- Youth
  - Savings account
  - First credit card
  - First job
  - First car

- Adults
  - First house
  - Pension savings
  - Investments
  - Vacations

- Senior
  - Mortgage loan
  - Hobbies
  - Vacations
  - Pension savings
“Consumer Protection and Financial Education: two sides of the same coin”

Mexico Experience

Germán Saldívar Osorio
Deputy General Director of Savings and Financial Regulation
Ministry of Finance, Mexico

October 2010