



OPENING OF THE CONFERENCE ON FINANCIAL EDUCATION

“Challenges ahead: Turning Policy Guidance into Efficient Practices”

Secretary of State for the Economy and Business Support - 10 May; 8.50 a.m.

Introduction

Good morning to you all and welcome to this Ninth Conference on Financial Education, which is organised jointly by the OECD and the Spanish Ministry of the Economy and Competitiveness.

It is my pleasure to make these welcoming remarks, in conjunction with André Laboul, Chief of the OECD's Directorate for Financial and Enterprise Affairs and Chair of the International Network on Financial Education, and thus open this conference on financial education — a necessary and currently highly relevant topic.

Each of us will have personal experience of the importance of financial education. In general, citizens take financial decisions that accompany them throughout much of their life, and it is not always clear that they have correctly internalized the commitments they assume.

Unfortunately, the financial crisis has crudely reminded us of the need to guarantee a basic level of financial education among citizens. In situations of low interest rates, any operation whether borrowing or investment, can seem attractive; nonetheless, poorly judged actions can have undesired consequences in the medium term.

The present crisis was preceded by widespread access to markets in a context of proliferating financial products, which is highly positive since it allows citizens at large to optimize their financial management and smooth their consumption path. Yet, this access also involves greater exposure and higher risk. Thus, to prevent the costs outweighing the benefits, there are several lines of action.

Firstly, it is essential to have regulatory and supervisory protection that ensures that the products in circulation fulfil adequate standards, and that citizens receive detailed explanations of the operations they can undertake. Nonetheless, it is also essential for each person to act as their own first line of defence, ensuring a minimum level of financial understanding that will help them to make rational decisions.

This is the mission of financial education; and this conference will be devoted to finding ways to improve and enhance it, probably addressing issues such as: what roles do the public and private sectors play in financial education? What level should be aspired to? What are the most useful tools?

As a personal contribution, allow me to make two comments, firstly on the concept of financial education itself, and the strategy for developing it; and, then, on a number of measures adopted by Spain on this topic.

[Structure: Concept of financial education and strategy → Spanish measures]



Financial education

In terms of what we understand by financial education, I think it is best to use the now classic definition given by the OECD. This definition contains all the basic elements that should guide a financial education policy; and it faithfully reflects the objectives that such a policy should pursue.

The OECD defines financial education as: “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks; and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.”

This definition firstly displays a basic feature of financial education, namely its dynamic nature; this is not a set of specific knowledge at a given moment in time, but a flow of training and information, and of the capacity of individuals to manage that information. Financial education is also a long-term process that must take account of different needs in different stages of life, the growing complexity of financial products and services, and ever easier access to their supply.

In addition, financial education goes beyond the mere supply of information and financial advice. On the contrary, the idea is that financial consumers improve their understanding of financial products and services, and the risks these involve.

Financial education, thus defined, must help families, individuals, and also firms, basically small and medium-sized enterprises, to adapt their decisions on investment and the consumption of financial products to their risk profile, to their needs at the time of taking the decision, and to their future expectations. Financial education thus becomes a key tool for the financial system to correctly fulfil its function of channelling saving, maintaining confidence in it, and contributing to its stability.

Ultimately, financial education helps to:

Promote financial inclusion and enable families to take optimal decisions from the financial standpoint. Financial education also transmits the importance of saving and its role in smoothing the consumption path. This aspect will be addressed particularly in the morning session devoted to “Improving long-term savings”.

Financial education also helps firms access credit and sources of non-bank financing, facilitating better financial planning which will lead to increased growth.

Improve investment and financing decisions and thus contribute to stability of the system.

Stimulate competition by increasing citizens’ capacity to measure risks and to value and compare products.

Based on this consensus on the importance of financial education, this conference will discuss how to design “National strategies on financial education”, starting from the principle developed for this purpose



by the OECD which, in turn, incorporates the flexibility needed to adapt to each country's circumstances and specific context. These strategies include a number of aspects that I consider crucial:

Financial education is a long-term process, which affects all stages of the life cycle; but it should begin as early as possible, ideally at school.

It should involve collaboration from all agents involved, in which public and private initiatives complement each other — with adequate public supervision of potential conflicts of interest. Financial entities are thus called upon to play a fundamental role as financial educators; and in fact they will benefit from having better informed clients.

On this point, the OECD itself states that financial education should be seen as a complementary aspect of efforts to regulate and supervise the financial system, and refers to the importance of this as “a tool for promoting economic growth, confidence and stability, along with financial regulation institutions and consumer protection.”

Financial education in Spain

Spain shares with other OECD countries the objective of improving financial education among the population, as indicated by its joint organization of this event with the OECD.

Spain has adopted a “Financial education plan” for the period 2008-2012, promoted by the National Securities and Exchange Commission (CNMV) and the Bank of Spain, and developed in line with the principles and recommendations issued by the OECD and the European Commission. This plan consolidates the need for the Spanish supervisory authorities to play an active role in promoting financial education, as the president of the CNMV will have the chance to discuss during his presentation at this conference.

A growing number of organizations have been affiliating to this plan, including, obviously, the Ministry of the Economy, through the Directorate-General of Insurance and Pension Plans, and the Ministry of Education, Culture and Sport. This has made it possible to pool efforts to undertake coordinated actions and promote a strategy making it possible to improve the financial knowledge of Spanish citizens at different stages of their life cycle.

As part of this plan, an Internet portal on financial education has been launched (www.finanzasparatodos.es) which has become the site of reference on financial education for Spanish and Latin American citizens. The portal provides a general dissemination channel for people of all cultural levels, irrespective of their previous knowledge of financial issues.

In addition, in terms of including financial education in the school curriculum, a pilot program has been launched for the 2010-2011 school year. This was applied in over 30 schools in 14 autonomous communities which assigned teaching hours for financial education, the potential for general inclusion in the school program. This topic will also be addressed in greater depth in the session on “How to integrate financial education in schools”.



The government is also working on measures to promote access by small and medium-size enterprises to forms of financing, other than credit. Among other things, this means dissemination of financial culture developed to be able to understand and evaluate non-traditional forms of financing.

Lastly, I would like to refer to a measure adopted recently by the Spanish government to protect citizens against potential undesirable situations that could occur in their relations with the financial sector. A Royal Decree Law has been adopted to prevent foreclosure on mortgage debtors in socially difficult situations. Although not part of financial education in the strict sense, this measure is one more step in protecting citizens from the extreme situations they can be faced with.

Conclusion

This conference provides us with an opportunity to share experience, knowledge and ideas, for the purpose, as indicated in its title, of “turning policy into efficient practices”. Today we are privileged to bring together an audience of over 200 experts from 67 countries, whom I thank for coming. They are here to analyse and share their experiences and knowledge in the field of financial education over one half days of conference. Experts from very different fields, who will without doubt enrich the debate — including representatives from various public administrations, financial entities, NGOs, foundations and the academic world.

All of you have experiences to share and lessons to impart, each from your own national standpoint and the perspective of the interest you represent. This is therefore an exceptional opportunity which I hope all of you will take advantage of, to strengthen knowledge and strategies leading to improvements in our financial education plans, as well as new initiatives and innovative ideas in our respective environments.

This broader and deeper knowledge should, without doubt, enable us to meet the challenges ahead more effectively, which, as the title of this conference indicates, involves turning policy guidance into efficient practice in the various strategies on financial education.

I wish you a productive conference and look forward to the results.

Thank you very much.