

SUMMARY RECORD OF THE OECD CONFERENCE ON FINANCIAL EDUCATION, INDIA, 21-22 SEPTEMBER 2006

Overview:

The OECD Conference on Financial Education was held in New Delhi, India on 21-22 September 2006. The conference was hosted by the Pension Fund Regulatory and Development Authority of India and was organised under the aegis of the OECD Insurance and Private Pensions Committee and the Committee on Financial Markets with sponsorship by the Government of Japan.

The conference was attended by about 120 participants, including the senior governmental officials and industry experts from 11 OECD countries (Australia, Belgium, Czech Republic, Germany, Ireland, the Netherlands, New Zealand, Poland, Slovak Republic, United Kingdom and United States), 4 non-OECD Member economies (Hong Kong, China; Nepal, Russian Federation and Singapore). Representatives of the academic community in Asia-Pacific and a representative of the International Monetary Fund also participated in the event. Approximately half of the audience were high-level representatives from the Indian authorities (the Ministry of Finance, the Pension Fund Regulatory and Development Authority, the Insurance Regulatory and Development Authority, the Reserve Bank; the Securities and Exchange Board, the Ministry of Communications & Information Technology; members of the Parliament, representatives of the States' Governments, etc.); senior financial industry experts from India's largest insurance companies, banks and financial groups as well as the representatives of the civil society.

The conference was composed of seven major sessions. The sessions were as follows: (i) developing national initiatives to advance financial literacy; (ii) importance of targeting financial education campaigns to vulnerable groups; (iii) the role of financial institutions in financial education; (iv) how to present financial information – role of disclosure in complementing financial literacy campaigns; (v) financial education and pensions; (vi) financial education and insurance; (vii) financial education programmes. The Agenda of the conference is attached.

Welcome and introductions were provided by Mr. D. Swarup, Chairman of the Pension Fund Regulatory and Development Authority; Mr. Tomas Prouza, Deputy Minister of Finance of the Czech Republic; Mr. Erich Harbrecht, Deputy Chair of the OECD Committee on Financial Markets, Mr. André Laboul, Head of the OECD Financial Affairs Division; Dr. V.Y. Reddy, Governor, Reserve Bank of India and Ms. Meena Chaturvedi, Executive Director of the PFRDA. In his inaugural address speech Dr. Y.V. Reddy, Governor of the Reserve Bank of India underlined the global concern of both developed and developing countries to improve levels of financial literacy of individuals. Dr. Y.V. Reddy pointed out the crucial role financial education plays in generating greater consumer awareness and understanding of financial products and enabling a better appreciation of inherent risks; but also playing a salutary role in strengthening the integrity and quality of financial markets. Revealing the major challenges for policymakers to devise enabling mechanisms to enhance financial education in India, Dr. Y. V. Reddy outlined the great benefit from learning at the occasion of the international conference about the successful international experience and countries' initiatives and good practices achieved in the area of financial education.

1. Session 1: Developing national initiative to advance financial literacy

Ms. Barbara Smith presented the OECD work in the field of financial education and described its main achievements that include the publication of the major international study on “Improving Financial Literacy: Analysis of Issues and Policies” that encompasses policy guidelines to improve financial literacy. The expert provided an overview of selected public awareness campaigns launched in the OECD member countries and put forward key criteria to be considered in order to devise and implement effective and targeted financial education and awareness programmes, drawing from the best practices in this area in the OECD countries.

Ms. Brenda Gibson outlined the UK experience where the ‘National strategy for Improving Financial Capability’ was recently launched. As part of this campaign, a national benchmark survey was undertaken at the initiative of the FSA in co-operation with a large community of stakeholders to establish the current financial capability levels of UK population and to measure the progress of the strategy. The expert presented the major findings of the Survey and discussed its implications for the regulatory work outlining the key areas which regulatory interventions should primarily target in order to improve consumers’ financial capability, knowledge and confidence.

Mr. Peter McCray presented the Australian Government’s financial literacy information and awareness raising campaign which is being run by the Financial Literacy Foundation. The expert identified major areas of activity of the Foundation, which works in close partnership with the government, industry and community organization to enhance the financial skills relating to money management in Australia. These areas include 1) education and training initiatives that focus on integration of financial literacy education in schools and systems of vocational and workplace training, (with the objective of making financial literacy elements compulsory in the school curriculum starting from 2008), and the provision of educational support to educators and trainers; 2) promotion of workplace programmes; 3) development of research projects and 4) launch of a media campaign using a wide-range of delivery channels: television, radio, print and outdoor media supported by creation of clearing house web-site and handbook, etc.

Session 2: Importance of targeting financial education campaigns to vulnerable groups.

Professor Sarah Mavrinac addressed the issue of provision of financial education to the vulnerable groups. The expert offered the perspective on the role of financial education as a valuable tool in the alleviation of poverty and in the creation of financially strong households, as well as favoring economic growth and stability in general. In this respect, Professor Mavrinac underlined that in the light of the disintegration of traditional family support structures, constraints and limitations of social security and welfare programmes, growing international mobility of individuals and the development of increasing complex financial markets, the provision of basic financial education and development of financial skills to the most vulnerable groups of the population (the poor, migrant workers; young adults; the elderly and women) should become a public policy priority. These skills include the capability to prepare and use basic budgets; to assess long-term financial need; the effectively manage sources of credit or debt; to devise long-term savings programmes.

The presentation of Dr. K.P. Krishnan that followed focused on the importance of devising financial education programmes for vulnerable groups in the Indian context. It was highlighted that improving financial knowledge and awareness for large parts of the population, including its vulnerable sections, has become a major part of policy agenda of the Indian Government. Major recent government initiatives were presented in this respect, including undertaking of national survey on savings and investment behavior of consumers; hosting of numerous conferences on financial literacy to discuss public policy, industry actions and regulatory interventions; organising series of workshops and seminars targeting stakeholders; developing programmes and testing projects on financial literacy for mass scale implementation, etc.

The discussion that followed was led by Ms. Jayshree Vyas, from Self-Employed Women's Association who offered her views on development of recent successful initiatives in microfinance supported by financial education programmes designed to empower impoverished women in India with financial skills and managerial capability.

Session 3: Role of Financial Institutions in Financial Education

Mr. Ashok Vaswani provided an outline of Citigroup and the Citigroup Foundation's initiatives in the area of financial literacy developed in Asia-Pacific region which focus primarily on the key three areas: personal financial education and small business financial education (developing knowledge to use of credit facilities, saving and investment tools, as well as the provision of professional advice and information on financial products); and institutional financial education capacity building (promoting and coordinating with a range of other partners the development of financial education programmes targeting primarily low-income and disadvantaged individuals spanning all ages from primary school children to adults, e.g. micro-entrepreneurs). The expert also discussed in details two recent key initiatives designed to increase the quality and accessibility of financial information and education in Asia Pacific through 1) the organization of financial education summits and 2) the implementation of the innovative online hub "FinEdx" (Financial Education Exchange).

Mr. Shri T.S. Vijayan pursued the discussion on the role of financial institutions in the provision of financial education in the Indian context, where the need to institutionalise the mechanisms for improving financial literacy is strongly felt. The expert underlined that financial institutions should take a lead in increasing the spread of financial education programmes. The development of ethical business practices in order to build long-term relations with consumers and the participation in a variety of ways in the development of financial education programmes for various segments of the population and in particular among those of lowest levels of financial intelligence was deemed as the crucial task for the industry. The expert also strongly advocated the development of the cross-industry co-ordination between different industry bodies and regulators with a view to improving the financial skills of consumers and promoting public awareness regarding financial products and services.

Session 4: How to present financial information – role of disclosure in complementing financial literacy campaigns

The session was opened by the presentation of Mr. G. Anantharaman on the issue of the importance of the provision of accurate, readily understood information in a timely manner to the consumers on financial products. This was considered essential to fortify the decision making process of investors and to contribute to the objective of investor protection. Much consideration has been given to the efforts of the Securities and Exchange Board of India in reforming current disclosure norms and the country's specific accounting standards, bringing them in line with international standards. The role of financial education was inter alia highlighted as a means to empower consumers with the knowledge to understand such disclosure, and to make informed decisions.

Mr. Prouza informed the audience of the initiatives undertaken by the Government of the Czech Republic to modernize the current disclosure regime, targeting the development of legal requirements for a standardized set of information that financial institutions need to offer clients on financial services and products. He also pointed out that due to low levels of financial literacy in his country, resulting from general public mistrust towards financial institutions caused by the mid 90's financial scandals, the Government is actively considering implementing financial literacy into the National School Curricula, as part of the National Financial Literacy Strategy.

Ms. Ivy Lai provided an assessment of the disclosure regime implemented by the Securities and Future Commission (SFC) in Hong Kong, China. The expert provided an exhaustive list of disclosure obligations that financial companies and financial intermediaries have to provide to clients and highlighted the most recent efforts of the SFC in setting requirements for information to be provided in an easy –to – understand manner (Project on the Use of Plain Language: phases I and II). Ms Lai also discussed the instruments and methods to educate investors used in Hong Kong.

Session 5: Financial Education and Pensions

Ms. Fiona Stewart addressed the issue of building financial knowledge and improving awareness about private pensions, which remain some of the least understood financial products. Discussing various public financial education programmes, where the focus includes the education and training of fiduciaries, the expert offered international evidence on the positive impact of the education and awareness campaigns in improving pension coverage and saving rates. However, the expert argued that financial education by itself may not be a sufficient policy endeavour to change individuals' behaviour regarding pensions and could be complemented by other public policy actions including the introduction of an automatic enrolment process; the design of appropriate default options; improvement in disclosure requirements etc. Ms. Stewart concluded by presenting the OECD's draft good practices in financial education relating to retirement income.

Ms. Mary Hutch described the main results of the National Pensions Awareness Campaign conducted by the Pension Board with a support of a wide range of partners. Since 2003 the campaign has aimed at heightening pension awareness with the view to increase pensions coverage in Ireland, encouraging individuals to review the adequacy of existing retirement provision, and promoting financial education about retirement planning for the future. As a part of the campaign, the Pension Board is actively engaged in producing and promoting pensions information to key targeted population groups (individuals aged 25-39; women, graduates and first job seekers; rural community), effectively using various communication channels, including web, printed press, etc. Assessing the major results of the campaign, the expert pointed out that although the campaign has successfully contributed to raising awareness about pensions, pension coverage and uptake rates have not reflected these heightened levels of awareness and, therefore, the 2006 objectives of the strategy would focus on pursuing actions to enlarge coverage for individuals with no pension and to further promote personal and employers' responsibility about retirement planning.

Session 6: Financial Education and insurance

Ms. Flore-Anne Messy discussed the importance of strengthening risk awareness and education on insurance issues. The expert argued that - in face of growing households' risk exposures and responsibility for covering these risks, as well as increasing diversity and complexity of insurance products, heterogeneity of insurance providers and distribution channels – the provision of education on insurance and risks issues is an important tool to complement the insurance regulatory and supervisory framework. This can typically help heightening individuals' awareness and responsibility towards potential risks, enhancing understanding of insurance mechanisms that can cover these risks and enabling the development of consumers' knowledge and capacity in order to make informed decisions as regards insurance matters. Ms Messy highlighted that although financial literacy initiatives remain rare and scattered, international evidence suggests that this issue is becoming an important component of public policy agendas. She concluded by presenting the OECD work on financial education in the insurance area and in particular the draft good practices for enhanced risk awareness and education on insurance issues.

Mr. S.V. Monti focused on the efforts of the Indian insurance industry to overcome the challenge of low levels of insurance awareness and insurance literacy in India. In this respect, the expert presented several initiatives undertaken by the IRDA aimed to improve consumers' awareness and knowledge in

insurance matters and to empower the individuals with greater facility to transact with the insurance companies and their representatives. The expert reiterated the importance of developing partnership oriented initiatives, involving the joint efforts of the Government, regulations, industry associations and social service organizations in designing, monitoring and evaluating of financial literacy programmes covering a wide variety of people with various education levels.


Mr. Walter Bell, NAIC President, sketched out the experience of the United States regarding financial literacy in the insurance sector and discussed strategies developed at the federal level and States' insurance departments, designed to educate and raise public awareness in general about insurance matters and in particular in relation to natural catastrophic risks. In this respect, Commissioner Bell also offered valuable experience and insights into the recent initiative undertaken by NAIC to combat illegitimate insurance providers, aiming - by means of the creation of an on-line education web-site - to provide consumers with a variety of financial information and data on the insurance companies that they are planning or already dealing with.

Session 7: Financial Education Programmes

Ms. Wendy Van Den Hence provided an interesting outline of Personal Financial Education Group's (PFEG) initiatives in the area of financial education, aiming not only at improving the quality and quantity of finance education in schools in United Kingdom but also to influence government policy - seeking for a higher profile for financial education on the public policy agenda. The presentation emphasized initiatives focusing on the provision of training and supporting materials on personal finance education for all school-leaders (teachers, school leaders and schools consultants) and building a more structured approach to financial education in schools through the development of coherent and innovative schemes on financial education for integration in the school curriculum.

Mr. C.B. Bhave, National Securities Depository Limited, Mumbai, India, presented the experience of his country in designing and promoting a comprehensive financial education strategy and programmes for various targeted audiences, e.g. financial intermediaries and investors.

Closing remarks were made by Mr. D. Swarup, Chairman of the PFRDA, Mr. Eimon, Head of the OECD Outreach Unit for Financial Sector Reform and Mr. André Laboul, Head of the OECD Financial Affairs Division. The event was deemed highly fruitful and successful, and was regarded as an important milestone in raising awareness about the importance of financial education at the international level.



AGENDA
CONFERENCE ON FINANCIAL EDUCATION
New Delhi, India
21-22 September, 2006

THURSDAY, 21 SEPTEMBER 2006

8:30 – 9:00 PARTICIPANTS' REGISTRATION

INAUGURAL SESSION: 9:00-9:45

- Welcome address:** Mr. D. Swarup, Chairman, Pension Fund Regulatory and Development Authority, India
- Address by:** Mr. Tomas Prouza, Deputy Minister of Finance, Czech Republic
Mr. Erich Harbrecht, Deputy Chair of the OECD Committee on Financial Markets, Deutsche Bundesbank, Germany
Mr. Andre Laboul, Head, Financial Affairs Division, OECD
- Inaugural address:** Dr. Y.V. Reddy, Governor, Reserve Bank of India
- Vote of Thanks:** Ms. Meena Chaturvedi, Executive Director, PFRDA.

COFFEE BREAK: 9:45-10:00

PART I: PUBLIC ACTION

SESSION 1: 10:00-11:20

DEVELOPING NATIONAL INITIATIVE TO ADVANCE FINANCIAL LITERACY

- Moderator:** Dr. Rajiv Kumar, Director & CE, Indian Council for Research on International Economic Relations, India
- Speakers:** Ms. Barbara Smith, OECD Consultant; *What makes a successful Public Action Campaign?*
Ms. Brenda Gibson, Financial Services Authority, United Kingdom
Benchmarking Financial Literacy Survey – quantifying literacy levels and the role of government in financial literacy campaigns
Mr. Peter McCray, General Manager, Financial Literacy Advisory Board, Australia; *Australian National Strategy in improving financial literacy*
- Discussant:** Ms. Monika Halan, Editor, Outlook Money, India

COFFEE BREAK: 11:20-11:30

SESSION 2: 11:30-13:00

**IMPORTANCE OF TARGETING FINANCIAL EDUCATION
CAMPAIGNS TO VULNERABLE GROUPS**

Moderator: Professor Mukul Asher, National University of Singapore

Speakers: Professor Sarah Mavrinac, Professor INSEAD, Singapore, *Problems with vulnerable groups in Asia*
Dr. K .P Krishnan, Joint Secretary (Capital Markets & Pension Reforms), Ministry of Finance, Government of India.

Discussant: Ms. Jayshree Vyas, Managing Director, Self Employed Women's Association (SEWA), India

Lunch 13:00 – 14:30

PART II: ROLE OF FINANCIAL INSTITUTIONS

SESSION 3: 14:30 – 16:00

ROLE OF FINANCIAL INSTITUTIONS IN FINANCIAL EDUCATION

Moderator: Mr. André Laboul, Head, Financial Affairs Division, OECD
OECD Good Practices for Role of Financial Institutions in Financial Education

Speakers: Mr. U.K. Sinha, Chairman and Managing Director, UTI
Asset Management Company, India
Mr. T. S. Vijayan, Chairman, Life Insurance Corporation of India (LIC)
Mr. Ashok Vaswani, CEO, Citigroup Asia Pacific Consumer Banking, Singapore ; *Financial Education at Citibank in Asia Pacific*

Discussant: Ms. Shikha Sharma, CEO, ICICI Life

COFFEE BREAK 16:00 – 16:30

SESSION 4: 16:30 – 18:00

**HOW TO PRESENT FINANCIAL INFORMATION – ROLE OF DISCLOSURE
IN COMPLEMENTING FINANCIAL LITERACY CAMPAIGNS**

- Moderator:** Dr. Ashok Lahiri, Chief Economic Advisor, Ministry of Finance,
Department of Economic Affairs, Government of India
- Speakers:** Mr. G. Anantharaman, Member, Securities & Exchange Board of
India
Mr. Tomáš Prouza, Deputy Minister of Finance, Czech Republic
Republic ; *Country Case Study – Czech Republic*
Ms. Ivy Lai, Head of Investor Education and Communications,
Securities and Futures Commission, Hong Kong, China
Country Case study – Hong Kong, China
- Discussants:** Mr. A. Viswanathan, Central Provident Fund Commissioner,
EPFO, India
Mr. T. N. Manoharan, President, Institute of Chartered Accountants
of India.

**DINNER RECEPTION HOSTED BY CHAIRMAN, PFRDA AT RANI BAGH, HOTEL TAJ
PALACE, SARDAR PATEL MARG, NEW DELHI : 8:00 PM**

FRIDAY, 22 SEPTEMBER 2006

PART III: FINANCIAL EDUCATION FOR RETIRMENT SAVINGS

SESSION 5: 9:00 – 11:00

FINANCIAL EDUCATION AND PENSIONS

- Moderator:** Mr. D. Swarup, Chairman, PFRDA, India
- Speakers:** Ms. Fiona Stewart, OECD
*Interactive Discussion on OECD guidelines relating to
financial education and pensions*
Ms. Mary Hutch, Head of Information and Training, Pension
Board, Ireland
Country Case study – Ireland
- Discussants:** Mr. S. Krishnamurthy, CEO & Managing Director, SBI Life Insurance
Co Ltd, India
Mr. Gautam Bhardwaj, Director, Invest India Economic Foundation

COFFEE BREAK : 11:00-11:30

SESSION 6: 11:30 – 13:30

FINANCIAL EDUCATION AND INSURANCE

- Moderator:** Mr. C. S Rao, Chairman, Insurance Regulatory and Development Authority, India
- Speakers:** Ms. Flore-Anne Messy, OECD
Challenges of financial education in insurance sector
Mr. S.V. Mony, Secretary General, Life Insurance Council, India
- Discussants:** Mr. Walter Bell, National Association of Insurance Commissioners, United States of America
Dr. Wilhelm Ruprecht, German Insurance Association, Germany
Mr. K.C Mishra, Director, National Insurance Academy, Pune, India

LUNCH 13:30-15:00

PART IV: FINANCIAL EDUCATION PROGRAMMES

SESSION 7: 15:00 – 16:30

FINANCIAL EDUCATION PROGRAMMES

- Moderator:** Mr. Vinod Rai, Secretary (Banking and Insurance), Ministry of Finance, Government of India
- Speakers:** Ms. Wendy van den Hende, Chief Executive, PFEG, United Kingdom
Financial Education Programmes relating to schools
Mr. C. B Bhave, Chairman and Managing Director, National Securities Depository Limited (NSDL), Mumbai, India
- Discussants:** Mr. Peter McCray, General Manager, Financial Literacy Advisory Board, Australia,
Mr. Sanjay Sachdev, Founder Member and Chairman, Financial Standards Board of India

CLOSING SESSION: 16:30 – 17:00

Mr. D. Swarup, Chairman, Pension Fund Regulatory and Development Authority,
India

Mr. Eimon Ueda, Head, Outreach Unit for Financial Sector Reform, OECD

Mr. Andre Laboul; Head, Financial Affairs Division, OECD