

**OECD-Banque du Liban International Conference on Financial Education:
Building Financially Empowered Individuals**

20-21 October 2010, Beirut, Lebanon

Opening speech by Dr. M. Baasiri, Vice Governor, Banque du Liban

Ladies and Gentlemen,

I am delighted to welcome you to Lebanon for the 6th meeting of the International Network on Financial education.

It is a great pleasure and a privilege for the Central Bank of Lebanon to co-host this event in partnership with the OECD, a leading pioneer in the fields of financial literacy and inclusion. Needless to mention all the research and publications, the development of programs, the raising of international awareness, all this extensive effort that makes the OECD a very valuable reference and partner in financial education. Learning from our partner in the next couple of days will be a valuable opportunity for us in Lebanon and in this region to embark on this self-assessment of where we are today in financial education. We will definitely make use of the international experience that will be presented to us and maybe use it as a stepping stone to draw a national strategy on financial education, in collaboration with our local partners.

The importance of financial education has become more critical in the wake of the global financial meltdown. While this crisis is causing policymakers, professionals, and academics to question the very frameworks that they have consistently relied on, taught, and embraced, and raise concerns about their validity, another aspect of the crisis is to evaluate the impact of consumers' financial illiteracy on the magnitude of the crisis.

As financial markets have become increasingly ambiguous and financial products more complex, fewer consumers are able to understand them, and the consequences of this inability to recognize the risks associated with financial decisions are becoming increasingly damaging on the individual level as well as aggregately on countrywide levels. Had consumers been more financially empowered, competent market participants, the crisis would not have taken such amplified dimensions, and the harm would not have been so severe and widespread.

Therefore, in parallel with the urgent measures of direct liquidity bailouts and the tightening of policies, policymakers should encourage financial literacy as a necessary component of a healthy financial marketplace, and countries should invest actively in the development of financial education. It can prepare us to better understand the different choices we have, and the different risks inherent in them, and to make sound financial decisions that serve our interests and the interests of our society best.

This in turn will encourage financial providers to design and offer products better tailored to the real needs of the consumers, enhancing free competition and improving the quality and the integrity of the financial services and markets.

So investing in financial education today will benefit not just the consumer or the household, it will positively impact the dynamics of our economies, and since we all have witnessed regretfully how economies are interlinked, the commitment to raise financial literacy should be a coordinated effort on an international scale.

This is exactly what we are trying to achieve here today and in the next couple of days. We believe in the importance of financial education, and that it is a key element of economic stability, confidence and development in our financial markets, it is therefore a natural interest for us at the Central Bank of Lebanon to promote it. We consider that when people know how the financial environment works, not only does it help them in their daily lives, it also supports our monetary and supervisory policies.

At the same time, we are making sure that the information being presented to financial consumers about financial products is clear, complete, and true. We believe that consumer protection and financial education complement one another. Consumer protection is achieved with rules and circulars on transparency, disclosure, efficient risk management, basically sound bank governance and ethical banking practices. Banque du Liban has issued countless circulars addressing these topics, and recently circular no.124 that deals with the rules on transparency for credit. This recent circular addresses in details all the disclosure requirements for banks when providing credit to consumers, from the advertisement to the termination of the contract. It also standardizes the information conveyed to the customer, and the way it is calculated (e.g. APR), making it easier for the customer to compare different financial products and assess the quality and the price of the financial services provided.

The most basic reason why people should strive to become more financially literate is to help them in achieving their financial goals, whether for securing their retirement, or funding their children's education, or accumulating wealth and assets. Whatever is their objective, being better prepared for these decisions will surely provide them with a sense of confidence about their future.

All of our societies stand to benefit from financially literate consumers coupled with strong consumer protection regulation, as these constitute the basis of a sound accessible financial system and a stable growing economy. The Central bank of Lebanon is committed to promoting financial literacy, and in our official role as responsible for the economic well-being of our consumers, we want them to lead financially successful lives.

A lot of questions are still waiting to be answered. We are hoping that your discussions today and the conference tomorrow will not only contribute to answering some of these questions, but also to raise new issues, and new questions that would stimulate our minds and that we can all take with us for reflection and consideration.

Have a great meeting and enjoy your stay.

Thank you.