

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



TERMS OF REFERENCE

Project: Improving consumer financial education

Project Owner: Petre Tulin (on behalf of RBA)

Project Manager: ... (a bank's manager)

Deputy Project Manager 1: Mihail Meiu (Director, NACP)

Deputy Project Manager 2: TBD (NBR)

Technical Anchor: TBD

I- Background

Financial education is a very important decision tool for consumers living in an increasingly sophisticated and globalized financial market, enabling them to budget and manage their income, save, borrow and invest efficiently, understand and protect themselves against specific risks and as well as avoid becoming victims of fraud. This is particularly relevant for young financial markets, like Romania, which are growing at a fast pace and where both consumers and providers of financial services started interacting from a low base of financial knowledge just about a decade and a half ago. In this respect, consumer education is a policy instrument for authorities to contribute to a sustainable growth in financial intermediation activities and a marketing tool for financial institutions to build robust client relationships.

Financial education promotes competition among financial intermediaries and ensures the smooth functioning of financial markets and the economy.

In a recent publication (“Improving Financial Literacy”, July 2006), OECD stressed the importance of consumers’ financial education in both developed and developing countries and outlined a set of best practices in this area, addressed to the main stakeholders in financial education: public authorities, financial institutions, employers, trade unions, and consumer groups. Among these, the most important are:

- all concerned stakeholders should promote unbiased, fair and coordinated financial education;
- financial education should start at school, for people to be educated as early as possible;
- financial education should be part of the good governance of financial institutions;
- financial education should be clearly distinguished from commercial advice; codes of conduct for the staff of financial institutions should be developed;

- financial institutions should be encouraged to check that clients read and understand information;
- financial education programs should focus particularly on important life-planning aspects, such as basic savings, debt, insurance or pensions;
- national campaigns, specific Web sites, free information services and warning systems on high-risk issues for financial consumers (such as fraud) should be promoted.

Given the utmost importance of consumer financial education, the SPI Committee decided at its second meeting held in December, 2006, that this issue deserves a particular attention and it should be separated from the SPI project on establishing the bank Ombudsman. The latter could be regarded as a component of the institutional support to improve customer education in Romania

II - Project Objective

To prepare a strategy for a nation-wide financial literacy campaign, including specific guidelines for relevant stakeholders (authorities and financial institutions) to promote customers' financial education.

III – Intended Strategy

The project management group (Project Owner, Project Manager, Deputy Project Managers, supported by the SPI Secretariat) acts based on the mandate received from the SPI Committee to prepare a “white paper” presenting the strategy for a nation-wide financial literacy campaign, including a set of specific guidelines for relevant stakeholders to promote customers' financial education.

To inform the deliberations of the project working group on the possible options for improving financial literacy, SPI Secretariat and the TA will prepare a compilation of the international practices used to improve consumer education.

Also, in order to achieve a comprehensive perspective on the benefits of financial education, a document will be prepared including the views of consumers, financial market authorities, and financial market players. This document will be based on the individual contributions prepared by the relevant members of the working group (NACP, NBR and banks).

Based on these elements, the project working group will decide on a set of feasible guidelines for promoting financial education, applicable to the Romanian context, and will outline the elements of a strategy for a nation-wide financial literacy campaign.

In order to achieve a broad acknowledgement of the benefits of the financial literacy, the SPI Secretariat may organize, with the support of RBA and NBR, an exhibition on how bankers' associations and central banks actively promote financial education of the public.

Finally, the SPI Committee should make a public endorsement for a nation-wide financial literacy campaign.

IV- Methodology: from kick off to the accomplishment of the project

Preparatory Work (January 30 – February 14)

NACP, NBR, banks: prepare individual contributions on the benefits of financial education from their own perspective. SPI Secretariat centralizes the individual contributions and prepares a consolidated document on the benefits of financial literacy.

SPI Secretariat and TA prepare a compilation of the international practices used to improve consumer education to be provided to the PWG at the first meeting.

1st meeting (April 2 - 6)

1. PWG discusses the document on the benefits of financial education;
2. PWG discusses the background study prepared by the SPI Secretariat/TA, outlining a set of possible options for improving financial literacy based on the international experience and the local context ;
3. PWG prepares the outline of a white paper on the benefits of financial education;
4. PWG endorses the TORs prepared by the SPI Secretariat.

Homework:

PWG members: finalize the specific set of guidelines for relevant stakeholders (authorities and financial institutions) to promote customers' financial education and draft specific sections of the white paper.

PMG: outlines the elements of a strategy for a nation-wide financial literacy campaign.

SPI Secretariat: collects individual contributions and sends the centralized document before the 2nd PWG meeting. SPI Secretariat prepares project status report for SPI Committee meeting.

Late April (Third Meeting of SPI Committee): SPI Committee receives the project status report and provides guidance to the project working group.

2nd meeting (May 14 – 18)

1. PWG discusses and approves the white paper, including the proposed strategy for a nation wide financial literacy campaign;
2. PWG discusses about the proposed structure and the logistics of the exhibition on how bankers' associations and central banks actively promote financial education of the public.

Homework:

SPI Secretariat: prepares the actionable SPI Committee document;

NBR/RBA start preparations for the exhibition.

June (Fourth Meeting of SPI Committee): SPI Committee endorses the white paper and the proposed strategy and makes a public endorsement for a nation-wide financial literacy campaign.

(June 2007)

RBA and NBR, with the support of SPI Secretariat, organize an exhibition on how bankers' associations and central banks actively promote financial education of the public.

V- Output

PMG 1st meeting

- PMG analyzes the findings of the background documentation;
- PMG prepares an outline of the proposed white paper.

PMG 2nd meeting

- PMG approves the white paper and the strategy for a nation-wide financial literacy campaign;
- SPI Secretariat sends SPI Committee Actionable Paper to Convergence.

VI - Project Team

The team will be chaired by the Project Manager and co-chaired by the Deputy Project Managers. PM/DPM have to report to PO at least after each meeting of the PMG.

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SPI Project on Consumer Education

Background Note Prepared by SPI Secretariat

February 19, 2007

I. Purpose of the Note and Executive Summary

The present note, which gathers relevant information on the international experience with consumer education aims at providing the project working group with background information on issues that should be considered when elaborating the national strategy for consumer financial education.

The document is structured as follows:

- **Context:** describing the Romanian environment and the potential benefits for all stakeholders from promoting consumer financial education;
- **Recent OECD findings and recommendations on financial education:** outlining the main findings of the recent OECD initiative for promoting financial education and the set of best practices in this area, addressed to the main stakeholders;
- **International experience with consumer financial education:** summarizing relevant international experience of public and private stakeholders in promoting financial education through the dissemination of information on financial products and services and through financial training;
- **Questions for project working group discussion:** issues that could be discussed by the working group as it progresses in defining the national strategy for promoting consumer financial education.

II. Context

At present, the penetration of financial services in Romania shows modest levels compared to other European countries (Chart 1), but the retail financial services continue to grow at a fast pace (Chart 2), in a favorable context provided by sustained growth and declining inflation and interest rates, keener competition among credit institutions and an increase in disposable incomes and optimistic expectations of population. This effervescence of the Romanian financial market offers increased opportunities for both consumers and providers of financial services.

Chart 1. Financial development ratios (2005)

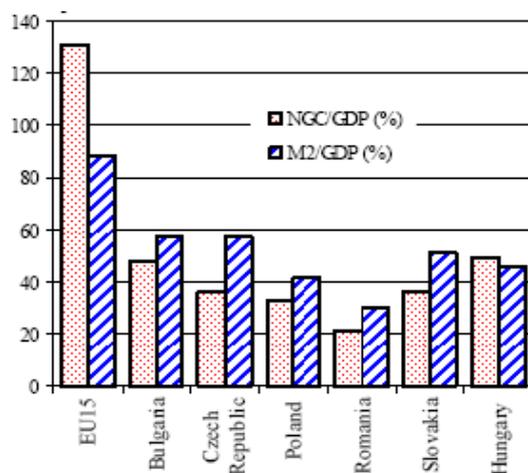
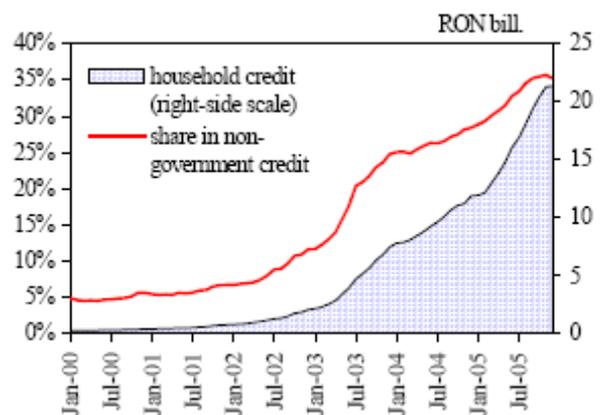


Chart 2. Developments in household credit



Source: National Bank of Romania, Financial Stability Report, 2006.

In this context, the education of financial services becomes very important for:

- **consumers of financial services** as it helps them to budget and manage their income, save and invest efficiently, and avoid becoming victims of fraud;
- **providers of financial services** as it can constitute a marketing tool for financial institutions to build robust client relationships and promotes competition among financial intermediaries;
- **authorities** as is a policy instrument for authorities to contribute to a sustainable growth in financial intermediation and ensures the smooth functioning of financial markets and the economy.

III. Recent OECD findings and recommendations on financial education

In a recent publication (“Improving Financial Literacy”, July 2006), OECD stressed the importance of consumers’ financial education in both developed and developing countries. A survey performed on a representative sample of countries outlines that the following benefits of financial education:

- it helps individuals in better understanding the risks they are exposed to and the related need for protection;

- it provides individuals with information on new financial products and services and how to evaluate and compare these new products and services;
- it helps individuals with dealing with issues of credit, investment, savings, and insurance;
- it provides workers with information about their pensions and how to invest their savings for retirement.

Likewise, OECD outlined a set of best practices in this area, addressed to the main stakeholders in financial education: public authorities, financial institutions, employers, trade unions, and consumer groups. Among these, the most important are:

- all concerned stakeholders should promote unbiased, fair and coordinated financial education;
- financial education should start at school, for people to be educated as early as possible;
- financial education should be part of the good governance of financial institutions;
- financial education should be clearly distinguished from commercial advice; codes of conduct for the staff of financial institutions should be developed;
- financial institutions should be encouraged to check that clients read and understand information;
- financial education programs should focus particularly on important life-planning aspects, such as basic savings, debt, insurance or pensions;
- national campaigns, specific Web sites, free information services and warning systems on high-risk issues for financial consumers (such as fraud) should be promoted.

IV. International experience with consumer financial education

There are a variety of initiatives undertaken by both public and private organizations to provide financial education to consumers. In practice, financial education can be promoted through:

A. Dissemination of accessible, relevant and plain information on financial products and services

The disseminators of such information can be:

- authorities (financial supervisors, central banks, associations of relevant public authorities, inter-governmental bodies);
- banking associations;
- financial institutions;
- non-profit organizations;
- international organizations (including EU bodies).

The concrete ways of disseminating the information are:

- web sites (most common);
- distributing pamphlets, booklets, and / or reports;
- events (exhibitions, etc.);
- TV and radio campaigns;
- consumer telephones where individuals can call to learn about financial issues;
- computer consultation centers.

B. Financial training

Financial training can be promoted:

- in school (through school curriculum);
- out of school (through dedicated financial education programs, courses and / or seminars, discussion meetings, mentoring, etc.).

A. Dissemination of financial information for consumers

1. Authorities

In some cases, consumer education is among the statutory objectives of the financial authorities and therefore the dissemination of information for consumers is at the center of their mandate. However, most central banks and supervisory authorities publish information for clients of financial institutions, even though consumer education is not specifically included in their objectives (see below).

Case studies:

United Kingdom - Financial Services Authority

The UK Financial Services Authority has the consumer protection among its statutory objectives (besides market confidence, public awareness, and reduction of financial crime). Therefore, the dissemination of information for consumers of financial services and products is at the center of the financial supervisory authority's mandate. Financial services information activities are roughly classified by FSA into: (i) nation-wide activities; and (ii) local activities.

(A) Nation-wide Activities

- **(a) Newspapers, videotapes**

The FSA Central Council actively supplies to the press and magazines a variety of information related to financial services. It also produces videotapes designed to relate social education and better living.

- **(b) Publications**

The FSA Central Council compiles various publications and reference materials that give an easy access to financial and economic information.

- **(c) Website**

The FSA Central Council provides following financial services information through its dedicated Consumer information – web page

(<http://www.moneymadeclear.fsa.gov.uk/home.html>) featuring the following useful tools:

- **“Compare products”** - impartial tables for consumers to compare similar financial products from different companies, such as pension annuities, mortgages, savings accounts, investment bonds, savings endowments;
- **“Free booklets”** - the consumer booklets and factsheets cover a wide range of topics – such as pensions, mortgages, financial advice and how to make a complaint; they are written in plain English and are a good starting point for general information;

- **“Products explained”** - basic information about bank accounts, credit cards, insurance, investment, loans, mortgages, pensions, retirement options, etc.;
- **“Guides”** - tailored to respond to financial needs “the basics”, “life events”, “getting older”.

- **(d) Life Planning Computer Consultation Service**

To assist the public in drafting individual life plans or to judge how appropriate a plan is, a free computer consultation service is available.

- **(f) Survey**

In order to ascertain the actual situation, "Public Opinion Survey on the Financial Assets of the Households" is regularly conducted.

(B) Local Activities

- **(a)** To foster and strengthen local life planning and financial services information activities

The FSA Local Committees designate "Study Group on Financial and Economic Matters" as grassroots organizations comprising 50-100 persons and provide guidance through discussion meetings and the distribution of financial services information materials.

- **(b)** To foster "Study Adviser on Financial and Economic Matters" and to cooperate with related groups Local Committees appoint "Study Adviser on Financial and Economic Matters" to be at the forefront of financial services information activities, requesting them to: (i) foster Study Groups and give guidance, and (ii) guide the public in their life planning and pecuniary education. Additionally, in close cooperation with government offices and leaders of various organizations responsible for social education, Local Committees seek to expand the financial services information activities.
- **(c)** Activities for youth and children
Local Committees hold discussion meetings for the young to promote life planning and a healthy view of money and goods. For children, model schools for pecuniary education (given in model schools for kindergartens, elementary and junior high schools) are designated to promote a healthy view of money and goods.

Spain - Bank of Spain

Although it does not have specifically a customer protection function, Bank of Spain disseminates useful information for consumers of financial products and services through its **Bank Customer's Portal** (<http://www.bde.es/clientebanca/home.htm>).

“The Bank Customer's Portal” is intended to inform bank customers about their rights and offer them broad guidance in their dealings with banks and on typical banking products. The portal is organized as follows: institutions, customer rights, fees and commissions, useful links, Central Credit Register, complaints and claims.

Poland - National Bank of Poland

The central bank of Poland also has an **“Economic Education Portal”** (<http://www.nbp.pl/>). The portal aims at providing and deepening knowledge about the economy and the banking system and at supporting other educational activities of the NBP. The portal features, among other items, the following sections:

- **“Distance learning”** - comprehensive multimedia e-learning courses, including basic banking courses, accompanied by illustrations, animation clips, and films;
- **“Teacher's Centre”** - a service designed for teachers of economics or economics-related subjects at lower and upper secondary schools in Poland. It contains teaching aids in the form of ready-to-use lesson plans, and practical tips on efficient and unconventional methods of conducting lessons;
- **“Fun”** - numerous decision-making quizzes, skill-enhancing and strategic games, crossword puzzles, and jigsaws. This part of the portal has been created for those who want to acquire basic information on finance and economics while having fun;
- **“Knowledge Mines”** - made of two parts: the Virtual Library, and the glossary of economic terms;
- **“News”** - both business headlines and larger articles and papers, presenting current economic and business issues in an intelligible way.

United States

In the US, each regulator publishes comprehensive information for consumers of financial services and products as follows:

- see “Consumer Information” portal of the Federal Reserve Board at <http://www.federalreserve.gov/consumers.htm>;
- the “Consumer” portal of the Federal Deposit Insurance Corporation at <http://www.fdic.gov/quicklinks/consumers.html>;
- the “Consumer and Community” portal of the Office of Thrift Supervision at <http://www.ots.treas.gov/main.cfm?catNumber=5&catParent=0>, and
- the “Consumers Complains and Assistance” web page of the Office of the Comptroller of the Currency at <http://www.occ.treas.gov/customer.htm>).

Likewise, at the initiative of the financial supervisors and regulator, the Financial Literacy and Education Commission (composed of Federal Reserve, US Treasury, FDIC, OCC, SEC, OTS, and other governmental departments such as the Department of Education, Department of Agriculture, etc.) has been set up with the purpose of improving the financial literacy and education of persons.

To reach the widest number of people possible, the Commission established a website (<http://www.mymoney.gov/>) and a toll-free telephone number to coordinate the presentation of educational materials from across the spectrum of federal agencies that deal with financial issues and markets.

Likewise, the US authorities support financial education through Financial Education Grants, such as:

[U.S. Department of Education: Excellence in Economic Education](#)– This program promotes economic and financial literacy among all students in kindergarten through grade 12 through the award of one grant to a national nonprofit education organization that has as its primary purpose the improvement of the quality of student understanding of personal finance and economics;

[U.S. Department of Health and Human Services: Assets for Independence](#)– Assets for Independence is a Federal grant program that enables community-based nonprofits and State, local and Tribal government agencies to implement and demonstrate an asset-based approach for giving low-income families help out of poverty;

[Department of Housing and Urban Development: Housing Counseling](#)– This program provides grants to approved counseling agencies that in turn provide counseling to citizens about financial literacy, home buying, how to avoid foreclosure and avoid fraud, among other financial education topics;

[National Credit Union Administration: Community Development Revolving Loan Fund Program](#) – The National Credit Union Administration's Community Development Revolving Loan Fund was established by Congress to support credit unions that serve low-income communities by making loans and Technical Assistance Grants available to qualifying institutions. The Office of Small Credit Union Initiatives is responsible for the administration of several programs designed to establish, strengthen, and improve the operations of small and low-income designated credit unions.

2. Banking Associations

In many countries, the banking associations are active promoters of financial education since this can constitute a marketing tool for financial institutions to build robust client relationships.

Case Studies:

British Bankers' Association

The British Bankers' Association (BBA) has a dedicated “*Consumers' Portal*” containing useful information for banks' clients. In particular, BBA publishes some leaflets that offer basic information on issues of great interest for consumers, such as:

- “*Financial Inclusion: Access to advice, banking & credit*” - The leaflet outlines that banks recognize that they have a wider responsibility to the communities in which they work and that they have therefore embarked on an ambitious program to improve financial inclusion and financial capability, working closely with the Government and voluntary organizations. This document provides a varied snapshot of initiatives to demonstrate just how much banks are putting into the communities which they serve.
- “*Dealing with debt: a partnership approach - The Common Financial Statement*” – The leaflet outlines that helping customers to run their finances smoothly in a complicated world is core business for banks. Therefore, it is important that banks work with customers and their money advisers to help customers through their difficulties when people experience an unexpected change in their circumstances that can upset their financial plans and make it difficult to pay back money they have borrowed.
- “*Proving Your Identity - How money laundering prevention affects opening an account*” - The leaflet is meant to raise banking customers' awareness of the threat of identity fraud and includes ID&V requirements reflecting the risk-based approach to anti-money laundering.
- “*A Statement of Principles - Banks and businesses working together to manage borrowing*” - The Principles stress the importance of the bank-business partnership when managing borrowing and finance. They reinforce for customers the importance of keeping banks up to date with the way things are going so that, if problems arise, both parties can work together to sort them out quickly and in the best interests of the business.

French Banking Association

The French Banking Association also has a dedicated *Portal for Banks' Customers* [http://www.lesclesdelabanque.com/Web/internet/cibsite.nsf/\(Home\)/Launch](http://www.lesclesdelabanque.com/Web/internet/cibsite.nsf/(Home)/Launch).

The portal includes practical information for banks' customers on bank accounts, credit cards, checks, consumer credit, mortgages, savings, fiscal issues, etc. and a banking lexicon with a useful set of banking terms.

Association of German Banks

The Association of German Banks publishes on its web site useful information for banks' customers. The association has a "fokus:verbraucher – *Information for consumers from the German private banks*" series, which presents all the information specifically targeting consumers in a recognizable format, as follows:

- *"Banks and consumers – The comprehensive consumer policy scheme of the German private commercial banks"*;
- *"Ombudsmann der privaten Banken – Tätigkeitsbericht 2005"* - Ombudsman's Report 2005;
- *"Online banking security – Information for online banking users"*;
- *"Credit Scoring – Part of modern lending"*.

In addition, on 30 January 2007, the Association of German Banks has published an English-language version of the private commercial banks' comprehensive consumer policy scheme, presenting a blueprint for a forward-looking consumer policy at both national and European level. The Association points out that in the consumer credit sector, for example, customers today are being denied the opportunity to reap the benefits of a truly integrated internal market and that a single, appropriate EU-wide legal framework is essential for both consumers and banks. "Appropriate" also means in this context not telling consumers what to do but allowing them to make decisions for themselves and this should be taken into account in the amendment of the Consumer Credit Directive.

Italian Banking Association

In September 2003, the Italian Banking Association created a project called "PattiChiari" with the purpose to strengthen dialogue between banks and customers (both households and firms) on the basis of larger trust, understanding and transparency. Therefore, PattiChiari produces standards and programs designed to help consumers compare more easily different financial products and services so as to make educated choices.

PattiChiari was established as a consortium, independent of ABI, composed of 167 banks and applied to more than 26,200 banking units (accounting for 83% of all Italy's banking units). The project consists of the following 10 initiatives falling into one of the three categories: services, investment and credit.

I. Services

- **FARO**: it enables 3 million customers a day to find the nearest ATM in real time via the Internet or by calling the PattiChiari call center;

- **Bank accounts compared:** it helps customers understand and compare the characteristics and costs of around 500 different current accounts;
- **Basic banking service:** it is an inexpensive, simple and easily accessible product for those who do not have a current account;
- **Check availability:** it provides precise details on how many days it takes for funds deposited by check to appear on the beneficiary's account;
- **Switching bank accounts:** it gives clear and simple instructions on how to close one account and transfer the services to a new one.

II - Investment

- **Low risk/Low yield bonds:** it offers an easy-to-evaluate list of more than 1,500 bonds selected each day for their low risk profile;
- **Structured bank bonds:** it provides detailed information to help investors understand more sophisticated financial products;
- **Financial investments compared, for informed financial choices;** it aims at helping investors understand their risk profile and the characteristics of different financial products.

III- Credit

- **Criteria for assessing SME creditworthiness:** it helps firms understand better parameters and criteria for creditworthiness assessment;
- **Average response time to SME loan applications:** it gives firms a clear idea of how long it takes for a bank to answer their requests.

Another ABI initiative refers to the "Handbook on Savings". Within a permanent working table between Italian Banking Association and 12 Consumers Associations, in January 2007 a "*Handbook on savings*" was presented. This represents the first of several handbooks addressed to households aimed at providing practical advices and suggestions about the social importance of savings, financial education and bank-customer relationship. With regard to the *Handbook on savings*, it deals with how to manage household's budget as well as "dos" and "don'ts" when investing savings.

It should be also mentioned that Italy has a Consumer Code, aimed at regulating all relationships falling into commercial activity towards consumers in order to acknowledge and protect consumers' rights within general trade activity. Part II is called "Education, Information, Advertisement" and is aimed at fostering the awareness of the customers on their rights and interests. Also, Title II called "Information to customers" states the minimal set of information that has to be indicated to the consumer.

American Bankers Association

The American Bankers Association (ABA) has a dedicated Consumers' Portal (<http://www.aba.com/Consumer+Connection/default.htm>) which provides useful information on bank products and services and on other topics of interest for consumers (identity theft, predatory lending, check fraud, skimming and scamming, etc.). In addition, the website provides helpful tips on finding banks, interest rate calculations, privacy and opting out.

In addition, ABA has established the **American Bankers Association Education Foundation**, which provides leadership and banker resources to help consumers take control of their personal finances. During the more than eight decades of existence, ABA's Education Foundation has supported the banking industry to teach personal finance skills in schools and communities across the country. The programs are specifically and uniquely developed for young children, teenagers and adults to provide them with the skills they need to budget, save and manage credit.

3. Financial Institutions

Some big financial institutions are involved in consumer education actions, such as publishing basic information for consumers on their web sites, initiating financial education programs and/or financing events that promote consumer education. One of the most complex programs developed by financial institutions is the **Citigroup Financial Education Program** (<http://financialeducation.citigroup.com/citigroup/financialeducation/index.htm>), which includes:

Citigroup's Curriculum & Facilitator's Guide Designed for almost any audience, the Citigroup Financial Education Program's Curriculum offers basic lessons in personal finances. The Curriculum and accompanying Facilitator's Guide are available in Spanish and English, and can be used with audiences from students to senior citizens.

Citibank Small Business Guide Citibank Small Business Guide, entitled "Becoming an Entrepreneur," is a series of informational guides designed to provide a wealth of information on starting and running a business to those seeking an opportunity to become entrepreneurs. This series of ten guides includes activities, worksheets, self-assessments, glossaries and valuable additional resources to consult along the way. Citibank worked with a team of small business owners to develop, write and produce this series.

Primerica's How Money Works This program shows people how to make well-informed decisions, how credit works and how to get the best out of the money they spend.

Smith Barney's Young Investors Network Designed to promote financial literacy among middle-school and high school youth, the Young Investors Network features learning tools to teach the fundamentals of saving, investing and enhancing fiscal responsibility. The site also includes activities to increase comprehension such as a virtual portfolio function, goal and budget tracking pages and a college expense calculator. Highlights of the site include Smith Barney's national in-school financial curriculum and stock portfolio contest.

Citi Cards' Use Credit Wisely Use Credit Wisely provides consumers with the latest resources to help them achieve peak financial health. The site includes information on topics such as "Gaining Financial Control" and "Fraud Prevention." It also includes calculators to help plan a budget and links to other helpful information.

Citi Cards' Use Credit Wisely for Business The Use Credit Wisely for Business site offers business owners an essential resource to address the unique aspects of owning a business.

Citi Cards' Credit-ED The Credit-ED Web site offers college students the essential resources they need for life-long sound financial health. The Web site provides students with the latest information and tools to manage their credit responsibly.

A basic research on the websites of the top ten banks operating in Romania reveals the fact that while banks publish detailed information on their own products and services, there is little information that can qualify as consumer education. Among the consumer education publications / actions are the SME Raiffeisen School addressed to young graduates in order to improve their knowledge of SME financing or the HVB-Tiriac “Practical Guide to Legal and Regulatory Issues for Commercial Real Estate in Romania”.

4. Non-profit Organizations

One of the most relevant examples is given by the US, where around thirty non-profit organizations have been set up for improving individuals’ financial education. The non-profit organizations help people of all ages improve their spending, increase their savings and use credit more wisely and support employers make personal finance programs (home study or instruction) available to employees and their families as part of an employee assistance program (see Institute of Consumer Financial Education <http://www.financial-education-icfe.org/>).

5. International Organizations

Some major international organizations have financial education programs that support the countries’ efforts in promoting financial literacy and education. Some of the most important programs initiated by international organizations are mentioned below.

Case Studies:

OECD Financial Education Program

The importance of financial education has been recognized by the governments of a number of OECD member countries. In response to this increased emphasis on the importance of financial education, the OECD has established a Financial Education Project to study financial education programs in OECD member countries and selected non-member countries. The first phase of this study will describe the types of financial education programs that exist, analyze the effectiveness of these programs, and develop a methodology that policymakers can use to compare strategies and programs for improving financial literacy (this analysis was based on a survey).

The second phase of the Financial Education Project will focus on the production of guidebooks designed for regulators and policymakers to assist with the effective implementation of financial education programs and to assist individuals with retirement planning decisions. As part of this second phase, there would be an in-depth survey of the financial literacy of individuals in a few selected pilot countries.

The expectation is that interested countries will volunteer to conduct a survey of their consumers and share the results with the Financial Education Project. These surveys will be extremely useful to both the countries conducting them and to others in terms of providing information on how to effectively implement and target financial education programs. The lessons learned from these surveys will be collected in a handbook for policymakers.

B. Financial training

a) In school financial training

The evidence of financial training in different countries through school curriculums is poor and very few countries have performed an assessment of the efficiency of the financial education carried out in schools. Among these, the UK has recently published a benchmark study on the “Personal finance education in schools” (<http://www.fsa.gov.uk/pubs/consumer-research/crpr50.pdf>).

The results of a survey conducted in the UK provide five main themes:

- The majority of schools attach a high level of importance to personal finance education. However, the topic has a relatively low profile in the school curriculum and therefore steps need to be taken to enhance its status.
- Schools believe that a main barrier to the delivery of effective personal finance education work is an already stretched school curriculum. The policy implications driven were the need to teach schools to appreciate that personal finance education supports and enhances pupils' learning experiences and is complementary to other curriculum components.
- The relatively narrow range of personal finance education topics covered, and the infrequency and inconsistency with which they are delivered, are areas for concern. While some teachers have confidence in delivering personal finance education, this is by no means universal. Therefore, it is important to ensure that all teachers who are going to deliver this subject feel ready and able to take on this most important task.
- The majority of schools do not have assessment policy and practice in place for personal finance education. It is important to know whether measures taken are effective and long term, hence the need for good assessment methodology.

b) Out of school financial training

The means of promoting out of school financial training are numerous as all the promoters of financial education mentioned above (authorities, banking associations, non-governmental organizations, international organizations, and financial institutions) are involved to different extents in organizing courses, seminars, workshops, discussion meetings, and/or mentoring aimed at promoting consumer financial literacy and education. The advantages of this method of financial training are its flexibility and the possibility to tailor it to various needs and circumstances.

V. Questions for project working group discussion

The following issues could be discussed by the project working group, in order to determine the issues, priorities, and a possible road map for promoting financial education in Romania:

- How important is financial education in Romania? Is financial education a growing issue for public authorities and financial market players?
- What are the most important issues in financial education in Romania? How these could be ranked in terms of importance?

- What are the main obstacles to financial education in Romania?
- What are the major initiatives underway and the organization(s) in charge of these programs?
- Who should be the main promoters of financial education and what would be the role that each of them should play?
- What would be the concrete means for promoting financial education?
- Would it be opportune and feasible to introduce financial education in the school curriculums?

Convergence Romania Financial Sector Modernization Special Projects Public-Private Initiative Steering Committee



Improving consumer financial education

<http://www.spi-romania.eu/program-2007/consumer-education/>

SPI Committee Meeting

July 25, 2007

Project Objective:

To prepare a strategy for a nation-wide financial literacy campaign, including specific guidelines for relevant stakeholders (authorities and financial institutions) to promote customers' financial education.

Project Working Group Activities

PWG members: 4

PWG meetings: 1

Public stakeholders

- National Authority for Consumer Protection;
- National Bank of Romania.

Private stakeholders

- Banking sector (1 bank).

Project Main Steps

Dec. 20, 2006: SPI Committee decides to separate the consumer education component from the Bank Ombudsman project, given that the former deserves a separate attention

Mar. 1, 2007: SPI Secretariat submits to the project management team a background study on the international experience with consumer education

Apr. 5, 2007: Project strategy meeting outlining a feasible strategy for promoting financial education in Romania

May 2007: National Association for Consumer Protection and Promoting the Programs and Strategies from Romania accepts to participate in the PGW;

May 2007: SPI Secretariat informs OECD about the Romanian public-private initiative for improving consumer financial education and requests information on international best practices in the area of consumer financial education;

June 2007: SPI Secretariat starts documenting the national strategy for consumer financial education.

Summary of Impact Assessment:

Under preparation

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SPI Project on Improving Consumer Financial Education

Project Team

Project Working Group

Project Owner (PO): Petre Tulin, HVB Locuinte

Project Manager (PM): Adrian Chira, HVB Tiric

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Paula Moranciu, NBR

Convergence Romania Financial Sector Modernization Special Projects Public-Private Initiative Steering Committee



SPI Project on Improving Consumer Financial Education

Project Status Report

Prepared by the SPI Secretariat
Oana Nedelescu, SPI Director of Analytics and Policy

I. Actions undertaken in April – June 2007

Following the project strategy meeting, which outlined the main requirements of the strategy for promoting financial education, the SPI Secretariat undertook the following actions:

- invited the National Association for Consumer Protection and Promoting the Programs and Strategies from Romania to participate in the PGW. Subsequent discussions were held with NACPPPS in order to integrate its own initiatives with the SPI project;
- contacted the OECD Financial Education Program in order to get guidance on national strategy options. Feedback was received from OECD only in July, when background documentation on Improving Financial Literacy was sent to the SPI Secretariat and OECD expressed its availability to further support Romania's initiative;
- discussed with the NBR representative on the initiative to post on the central bank's website relevant consumer information;
- gathered relevant information on country practices to promote consumer financial education;
- identified, with the support of Convergence, an international expert for a half-day roundtable on policies and practices in EU countries and options for Romania.

II. Proposed next steps

SPI Secretariat:

- will prepare an outline for a strategy for promoting financial education incorporating the feedback received from OECD and SPI Committee (end August, 2007);
- will organize a half-day roundtable on financial education policies and practices with relevant financial sector stakeholders (early September, 2007)

PWG members:

- will send their views on the proposed strategy outlined by the SPI Secretariat and will finalize the strategy (mid September, 2007);
- will submit the white paper to the SPI Committee for its endorsement. The SPI Committee will make a public endorsement for a nation-wide financial literacy campaign (end September, 2007, at the Fifth Meeting of SPI Committee).

III. Proposed SPI Committee decision

The SPI Committee encourages the PWG to speed up its work on this project of outmost importance for the modernization of the Romanian financial sector in order to have the national strategy for promoting consumer financial education endorsed by all relevant authorities (including the Ministry of Education), market players and consumer protection bodies by the end of 2007 and executed starting with next year.

Improving Consumer Financial Education

<http://www.spi-romania.eu/program-2007/consumer-education/>

**SPI Committee Meeting
 November 13, 2007**

Project Objective:
 To prepare a strategy for a nation-wide financial literacy campaign, including specific guidelines for relevant stakeholders (authorities and financial institutions) to promote customers' financial education.

Project Working Group Activities

PWG members: 4	PWG meetings: 1
<p align="center">Public stakeholders</p> <ul style="list-style-type: none"> • National Authority for Consumer Protection; • National Bank of Romania; • Private Pension Systems Supervision Commission. 	<p align="center">Private stakeholders</p> <ul style="list-style-type: none"> • Banking sector (1 bank); • National Association for Consumer Protection.

Project Main Steps

Dec. 20, 2006: SPI Committee decides to separate the consumer education component from the Bank Ombudsman project, given that the former deserves a separate attention;

Mar. 1, 2007: SPI Secretariat submits to the project management team a background study on the international experience with consumer education;

Apr. 5, 2007: Project strategy meeting outlining a feasible strategy for promoting financial education in Romania;

May 2007: National Association for Consumer Protection and Promoting the Programs and Strategies from Romania accepts to participate in the PGW;

May 2007: SPI Secretariat informs OECD about the Romanian public-private initiative for improving consumer financial education and requests information on international best practices in the area of consumer financial education;

June-October 2007: SPI Secretariat drafts the national strategy for consumer financial education;

October 18, 2007: PWG approves and NAPC endorses the national strategy for promoting consumer financial education and proposes a concrete action plan.

<p align="center">Summary of Impact Assessment:</p> <p align="center">Under preparation</p>	<p align="center">For more information, please contact:</p> <p>1. SPI Secretariat: Ms. Oana Nedelescu and Ms. Ramona Bratu, tel: +40 21 323 66 10; Project Management Group: Mr. Petre Tulin, HVB Locuinte, tel: +40 30 00 11 11.</p>
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SPI Project on Improving Consumer Financial Education

Project Team

Petre Tulin, President, HVB-Tiriac Banca Pentru Locuinte, Project Owner
Mihail Meiu, Director, National Authority for Consumer Protection, Project Manager
Paula Moranciu, Expert, National Bank of Romania, project working group member
Sorin Mierlea, President, ANPCPPS, project working group member
Florentina Stefanescu, Director, National Commission for Supervision of the Private Pension System, project working group member

Summary of the SPI Secretariat Contribution

Prepared the meetings of the project working group.
Prepared a document on the international experience with promoting consumer financial education.
Prepared the draft of the national strategy for promoting consumer financial education.
Prepared the draft of a simplified set of measures for promoting consumer financial education to be undertaken in 2008 by SPI key stakeholders.



Document prepared by SPI Secretariat
Oana Nedelescu, Director of Analytics and Policy
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SPI Project on Improving Consumer Financial Education

Project Status Report

I. Actions undertaken in July – October 2007

In July-October 2006, the SPI Secretariat drafted the national strategy for promoting consumer financial education to provide the basis for an efficient coordination of financial education programs and measures, mainly by establishing a set of principles and good practices for promoting financial education.

The proposed strategy outlined:

- the need for a national strategy;
- the objectives, the principles and the timeframe of the national strategy;
- the roles of the stakeholders;
- the coordination, governance and monitoring of the strategy;
- the implementation aspects related to channels, regulations and funding;
- the implementation plan and the pre-launch activities.

The project working group finalized and ANPC endorsed the proposed strategy for promoting consumer financial education with the following main characteristics:

- The underlying objective of the national strategy is to increase levels of financial education and awareness among the general public and certain sensitive categories, with the lowest levels of financial literacy;
- The consumer financial education programs and measures should be designed along the following dimensions: instruction, information and advice and will be adequately calibrated to ensure that financial education is provided in a fair and unbiased manner;
- The financial education programs will be focused on high priority issues and will be designed to meet the needs and the financial literacy level of their target audience;
- The implementation of the national strategy will be based on a broad participation of public and private stakeholders through a public-private partnership;
- The timeframe of the national strategy is 2008-2012;
- The funding of the national strategy will be ensured through public, private and possibly EU funds.

II. Feedback received from SPI Committee members during November 1, 2007 discussion with project manager

Given time and resources constraints, SPI Committee members suggested that the consumer financial education measures are to be promoted initially by the SPI institutions and will comprise a limited set of concrete and feasible measures to be implemented during 2008. Also, it was proposed that an outreach event could be organized in January 2008, in order to ensure a broad participation of stakeholders.

The SPI Secretariat has prepared, based on the national strategic plan initially proposed by the project working group, a simplified set of measures (attached), which are submitted to the SPI Committee for its consideration and endorsement.

III. Proposed next steps

The project working group proposes the following pre-launch plan for the national strategy for promoting consumer financial education:

	Action	Timeframe
1	Endorsement of proposed measures by SPI Committee (SPI Committee meeting)	Early November 2007
2	Gathering of more experience from European countries (e.g., Germany, Greece, Italy, UK and Serbia)	November - December 2007
3	SPI Secretariat attends World Summit on Financial Education	December 2007
4	Prepare a round table to be organized in January 2008 with the participation of relevant stakeholders (SPI Secretariat)	November - December 2007
5	Round table to raise awareness on the importance of promoting consumer financial education (event organized by SPI Secretariat)	January 2008
6	Start implementation of measures proposed (SPI institutions with support of SPI Secretariat and other relevant stakeholders)	January 2008

IV. Proposed SPI Committee decision

It is proposed that the SPI Committee endorses the proposed measures for promoting consumer financial education aimed at enhancing the Romanian consumer's financial planning, by better understanding the opportunities and risks implied by financial services and products. The SPI Committee will support the implementation of the proposed measures and will invite other relevant authorities to get involved.



PROMOTING CONSUMER FINANCIAL EDUCATION

Measures and Action Plan Proposed by the SPI Secretariat based on the National Strategic Plan for Promoting Consumer Education endorsed by the

SPI Project Working Group

Petre Tulin, President, HVB-Tiriac Banca Pentru Locuinte, Project Owner
Mihail Meiu, Director, National Authority for Consumer Protection, Project Manager
Paula Moranciu, Expert, National Bank of Romania, project working group member
Sorin Mierlea, President, ANPCPPS, project working group member
Florentina Stefanescu, Director, National Commission for Supervision of the Private Pension System, project working group member

**Prepared by the SPI Secretariat
November 2007**

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I. Background

In October 2007 the project working group has prepared a comprehensive national strategic plan for promoting consumer education.

To provide focus, consumer financial education measures are to be promoted initially by the SPI institutions and will comprise a limited set of concrete and feasible measures to be implemented during 2008.

The following measures, which draw from the national strategic plan, are submitted to the SPI Committee for its consideration and endorsement before starting consultations with SPI institutions.

II. The Need for Promoting Consumer Financial Education

At present, the penetration of financial services in Romania shows modest levels compared to other European countries, but the retail financial services continue to grow at a fast pace. This effervescence of the Romanian financial market offers increased opportunities for both consumers and providers of financial services.

At the same time, **fast growth of lending can lead to over-indebtedness and/or irresponsible use of credit,** as the years of hardship during the transition to a market economy have left clients with a spending appetite which leaves little room for sound financial planning. Individuals are increasingly dependent on the financial services industry for purchasing and furnishing their homes, financing their day-to-day needs, starting a business, or financing their retirement.

Low financial literacy levels of the population lead to a weak and inefficient utilization of financial services. Because of lack of financial sector knowledge, consumers are unable to make adequate financial planning decisions, which result in a poor administration of their wealth.

The benefits of increasing consumer financial education are spread among financial sector stakeholders:

- **for authorities:** it is a policy instrument for authorities to contribute to a sustainable growth in financial intermediation and ensures the smooth functioning of financial markets and the economy;
- **for consumers of financial services:** it helps them budget and manage their income, save and invest efficiently, and avoid becoming victims of fraud;
- **for providers of financial services:** can constitute a marketing tool for financial institutions to build robust client relationships and promotes competition among financial intermediaries.

Therefore, **there is a need for a coherent set of measures** promoted by key financial sector stakeholders for improving consumer financial education in Romania with the objective of enhancing the consumer financial knowledge to enable it to improve its financial decisions for life-planning. Ultimately, **an increased level of financial literacy of consumers will help increase the stability and the confidence in the financial sector** and promote economic growth.

Box 1. International experience with promoting consumer financial education

The international experience shows a wide variety of initiatives to promote consumer financial education, that are promoted by both public and private stakeholders.

In some cases, there are public authorities that have, among their statutory objectives, the financial consumer education, as it is the case of the [UK Financial Services Authority](#) and the Irish Financial Services Authority that develop both nation-wide and local activities for improving financial literacy. These authorities are at the forefront of promoting consumer financial education in the respective countries.

In other countries, consumer education information is disseminated by the central banks. For instance both [Bank of Spain](#) and [National Bank of Poland](#) developed dedicated portals with useful information for consumers of financial services and products.

In the case of US, the authorities have set up a dedicated [Financial Literacy and Education Commission](#), with the purpose of improving financial literacy levels, that reaches a wide target through its website, toll-free telephone and numerous activities and grants.

Bank associations also develop dedicated portals to provide consumers with informative guidelines and other useful information about their rights and responsibilities as it is the case of the [British Bankers' Association](#), [French Banking Association](#), [Association of German Banks](#) and so on.

Other financial education programs and actions have been conducted by non-profit organizations (for instance, in USA there are around thirty consumer financial education NPOs), international organizations (ex: the OECD Financial Education Program), or financial institutions themselves (ex: [Citigroup Financial Education Program](#)).

The National Authority for Consumer Protection confirmed that the proposed measures for promoting consumer financial education are in line with the national strategy for consumer protection is already in place (enacted through Government Decision no. 364/2005).

At the same time, Romania's efforts in the area of promoting consumer financial education would be also in line with the most recent EU developments (see EU Commission Green Paper on Retail Financial Services). The European Commission is going to issue in November 2007 a communication on the best practices in financial education in the European member states.

III. The Objectives of the Proposed Measures

The proposed measures will provide the basis for the start of coordinated financial education actions by key financial sector stakeholders. The underlying objective of the proposed measures is to *increase levels of financial education and awareness among certain sensitive categories, with the lowest levels of financial literacy*.

A practical focus

While the activities of information and instruction should in principle target all categories of consumers, in practice, specific immediate actions could be envisaged for categories such as: debtors in financial difficulty, first-time homebuyers, young people, credit card users. Other

target categories could be women, the unbanked¹, the underserved², low-income consumers, retirees, etc. Among these categories, the most vulnerable are the young people and the elderly. Also the implementation of actions should consider the target clients groups which are the most dynamic in terms of demanding financial services.

IV. The Specific Objectives for 2008

The proposals for 2008 refer to a set of actions that would imply only a limited effort from the key financial sector stakeholders, with the purpose of ensuring that:

1. a public-private consensus on the importance of promoting consumer financial education is reached;
2. other stakeholders (public, private and not-for-profit entities) become interested to join the efforts of the core group in promoting financial education, as this will imply a long term commitment and effort.

The following table describes the set of specific actions for 2008 and the resources that would need to be mobilized (more details are to be found in Annex 2, Table 3):

Table 1. Specific objectives for 2008

Domain	Actions	Stakeholder(s)	Necessary resources
Information	Enhance information available to consumers on the participating institutions' websites	RBA, individual financial institutions, NBR, Credit Bureau, NACP	SPI project to improve content of information available to consumers (EU Retail Financial Policy Priority)
	Elaborate guides on financial matters (lending, savings for retirement)	RBA, individual financial institutions	SPI project to draft the guides (EU Retail Financial Policy Priority)
	Self-regulatory actions	RBA, individual financial institutions	SPI project based on Italian <i>Patti Chiari</i> experience (EU Retail Financial Policy Priority)
Instruction	Organize events to raise awareness and gain support from other stakeholders	RBA, financial institutions, NACP, NBR	SPI could support organization of two events during 2008 (one in January and the other in June)

¹ Consumers affected by financial exclusion and marginalization are called the unbanked: without a bank account at a deposit institution.

² The underserved are people who rarely use their account or do not know how to use it.

Advice	Develop product comparison applications	Individual financial institutions, RBA	SPI project based on Italian <i>Patti Chiari</i> experience (EU Retail Financial Policy Priority)
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* More activities could be envisaged if deemed feasible by the relevant stakeholders.

V. Roles of Key Stakeholders

The main roles of the stakeholders are:

Financial institutions

- **Information:** Individual financial institutions bear mainly the responsibility to provide clear and accurate information to clients in regard to the terms and conditions of banking products and services. A miss calibration the information disclosed (too little versus too much) is often a cause of why people see financial information as difficult to understand;
- **Education:** Financial institutions could also disclose education material on their website or at their territorial premises;
- **Advice:** Financial institutions could be also encouraged to provide on-line simulators and/or any other integrated IT modules that could help the potential clients to better understand the characteristics of the financial services offered to them.

Romanian Banking Association

- **Industry Self Regulatory Measures:** Given its role of forum of financial institutions, the RBA could enhance the protection of customers by initiating the development of industry codes or standards which push for more transparency from banks;
- **Industry Programs:** The RBA could also promote industry-led financial literacy programs which could help customers to better understand the bank products and services (i.e. by asking banks to disseminate more information on their websites or at their territorial outlets or setting up a dedicated industry website including financial education information, etc.);
- **Dispute Resolution Schemes:** The RBA could also enhance customer protection by encouraging the quick setting up of the bank ombudsman as an alternative dispute resolution scheme.

Public authorities

- **Promotion:** Given their broad territorial coverage capabilities, public authorities (in particular NACP) should be the main promoters of financial education programs and also the main channel for disseminating information within the financial education programs and campaigns, but also on an ongoing basis (the websites of these institutions may host educational material such as brochures, guides, leaflets, etc.);
- **Expertise:** Public authorities could support the calibration and the implementation of the programs for promoting consumer education through their comprehensive knowledge and expertise;
- **Logistic Support:** The often vast territorial network of public authorities (in particular NACP) can be put to use in programs at a community level, offering logistic support to study groups.

VI. Coordination and Monitoring of Proposed Measures

The coordination and monitoring of the proposed measures could be performed by the SPI Committee. The SPI Secretariat will report periodically to the SPI Committee (e.g., on a quarterly basis) on the progress with the implementation of the proposed measures.

VII. Conclusion

Improving financial education is a long-term process, but its start cannot be deferred. While the pilot SPI financial education projects are being designed and start being implemented, NACP's contribution in the SPI Committee and in the various project working groups will be essential to ensure coordination of the various actions and consistency with the national strategy for consumer protection is already in place (Government Decision no. 364/2005).

VIII. Recommendation

It is recommended that the SPI Committee contributes to the national strategy for consumer protection through the undertaking of several focused SPI projects as indicated in this note.

Financial Consumer Education

Guiding Principles

The measures for promoting consumer financial education are based on the following three pillars:

Pillar 1: The proposed national financial education programs and measures should have three main components:

- **Instruction**: ensuring that individuals acquire the skills and ability to understand financial terms and concepts, through the provision of training and guidance;
- **Information**: providing consumers with facts, data, and specific knowledge to make them aware of financial opportunities, choices, and consequences;
- **Advice**: providing consumers with counsel about generic financial issues and products so that they can make the best use of the financial information and instruction they have received.

Pillar 2: The proposed measures should be adequately calibrated to ensure that financial education is provided in a fair and unbiased manner and that they are coordinated and developed with efficiency. Also, financial education measures should focus on high priority issues and meet the needs and the financial literacy level of their target audience.

Pillar 3: Financial education measures should be developed and implemented with the broad support of the key financial sector stakeholders (supervisory and regulatory authorities, financial market players and consumer protection bodies).

Implementation

As mentioned above, the measures for promoting consumer financial education will encompass a mix of actions targeting customer information, instruction, and advice (see Table 1). This mix of measures is the best implementation solution for promoting financial education, as it opens the possibility to use a variety of channels to reach as many consumers as possible as well as to ensure that this information is easy to understand by consumers.

In other countries' experience, the solution of a national campaign is often used, as it is most effective in raising awareness about the importance of understanding financial issues.

OECD has identified the following delivery channels for financial education programs (in order of frequency of use):

- training courses;
- printed or online publications (brochures, magazines, booklets, guidance papers, newsletters, annual reports, direct mail documents, letters and disclosure documents);
- advisory services (including telephone help lines and 1-to-1 counseling);
- internet web sites/online services;
- public awareness-raising campaigns;
- events (including lectures, national workshop/forum, symposia, presentations);
- other methods (including resource packs, videos, computer programs).

In Romania, it would be feasible to start the promotion of consumer education by using the following channels:

- drafting a set of specific guides on very important financial sector issues (responsible borrowing, retirement savings) to be disseminated on-line and in a printed form by relevant stakeholders;
- improving the availability of information for consumers of financial services and products;
- organizing awareness raising events;
- promoting industry self-regulatory measures;
- introducing financial education in the school curricula as a component of consumer protection classes, etc.

The following implementation plan and timeline have been designed in accordance with the above mentioned considerations, so as to ensure that the national program will achieve its objectives.

Table 2: Implementation Plan

	Proposed actions	Stakeholders	Responsible	Comments
I. Information	I.1. Enhance information availability offered by the financial market stakeholders.	<p>National Authority for Consumer Protection (NACP)</p> <p>Romanian Banking Association (RBA)</p> <p>Financial institutions</p> <p>National Bank of Romania (NBR)</p> <p>Others: Credit Bureau (CB)</p>	Each institution	<p>Improve the availability of information useful for consumers of financial services and products, on the individual websites of the financial market stakeholders:</p> <ul style="list-style-type: none"> - Open or improve dedicated sections on consumer financial education /protection; - Upload information materials related to consumer financial education /protection. <ul style="list-style-type: none"> • <u>NACP</u>: open a section dedicated to the financial consumer education that would contain: information about financial consumers rights and obligations; information about and links to the Bank Ombudsman (when established) and other dispute resolution bodies; basic information about the bank products and services and their risks; financial education documentation elaborated through the present project or other future initiatives. • <u>RBA</u>: open a section dedicated to consumers of financial services and products that would contain: the rights and the obligations of borrowers, information about and links to the Bank Ombudsman (when established), the Credit Bureau and to individual financial institutions, financial education documentation elaborated through the present and other initiatives of the stakeholders. • <u>Financial institutions</u>: improve information available for consumers, to stress risks pertaining to various financial products and services. The SPI Project “Bank Code of Conduct” and “Enhancing Financial Consumer Protection”, scheduled for 2008, will encourage banks to improve the availability of information so as to ensure transparency regarding the costs and risks of financial products and services.

	Proposed actions	Stakeholders	Responsible	Comments
				<ul style="list-style-type: none"> • <u>NBR</u>: improve the NBR website by posting information about and links to the Bank Ombudsman (when established), the Deposit Guarantee Fund, NACP and RBA, information regarding financial consumer rights and protection, financial education documentation elaborated through the present and other initiatives of the stakeholders. • <u>Credit Bureau</u>: open a section dedicated to the consumers of financial services that would contain: explanations about the importance of maintaining a good credit history, the rights and the obligations of borrowers, links to the websites of financial institutions, information about and links to the Bank Ombudsman (when established), financial education documentation elaborated through the present or other future initiatives.
	I.2. Elaborate a set of guides on specific financial sector issues	RBA, Financial Institutions with support from NACP, NBR, and Credit Bureau	RBA	Publications to be made available online, as well as distributed in hard copies, on demand, to the financial institutions so as to be distributed to their clients.
	I.2.1. Guide to borrowing and its risks	RBA, Financial Institutions, Credit Bureau	RBA	Publication to be elaborated within the SPI Project “Responsible borrowing” (scheduled for 2008) and to be made available through websites of specialized institutions, consumer protection organizations, RBA and CB; the guide could be distributed also in hard copies.
	I.2.2. Guide to retirement savings	National Commission for Supervision of Private Pension System (NCSPPS),	NCSPPS	Publication to be made available through websites of specialized consumer protection organizations, RBA and individual financial institutions; the guide could be distributed also in hard copies.

	Proposed actions	Stakeholders	Responsible	Comments
		Pension Funds, Financial institutions		
	I.3. Take up industry self-regulatory actions (codes of conduct) that require financial institutions to provide consumers with a specific minimal set of information, which should be clearly distinguished from commercial advice	RBA, Financial Institutions	RBA	This action will be implemented through the SPI Projects “Bank Code of Conduct” and “Standardizing the minimal information for basic bank products and services” scheduled for 2008, which will aim at increasing the transparency of the information made available by the financial institutions to the benefit of consumers.
II. Instruction	II.1. Organize round tables with bank representatives and other stakeholders	RBA, Financial Institutions, NACP, NBR	RBA	The round tables should stress on the needs and benefits of conducting consumer financial education programs, will highlight main priority issues, will help create synergies among the various initiatives and raise awareness and involvement of financial market stakeholders. It is envisaged to organize at least 2 round tables, the first in January 2008 and the second in June 2008. The first roundtable will have a broad participation of all relevant stakeholders and will aim at raising awareness on the present initiative. The second round table will bring an insight of the project’s progress and will formulate recommendations for the stakeholders in order to speed the progress and ensure that the objectives are reached.

	Proposed actions	Stakeholders	Responsible	Comments
III. Advice	Encourage the development and use of product comparison software/table application	Financial Institutions, RBA	Individual institutions	To be included on the financial education sections of the financial institution’s websites and/or in the specialized financial education websites.

Table 3: 2008 Implementation Timeline

Activity \ Time frame		Jan	Feb	Mar	Apr	Mai	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Information	I.1. Enhance information availability												
	• Contact and get agreements of stakeholders												
	• Propose new content to be added												
	• Draft information to be posted												
	• Post new content on the website												
	I.2. Elaborate information guidelines												
	• Set up working group in charge of drafting the materials												
	• Decide on contents and main messages												
	• Draft materials												
	• Post on the websites												
	• Print (on demand)												
	I.3. Take up self-regulatory actions (see SPI Project “Bank Codes of Conduct”)												
	• Set up working groups												
• Draft and endorse the codes of conduct													
• Post codes of conduct													
Instruction	II.1. Organize round tables												
	• Contact and receive confirmation from stakeholders												
	• Organize event												
	• Publish conclusions												
	II.2. Introduce financial education in schools												
	• Set up working group in charge of drafting the teachers’ package												
• Draft the course design and the support materials													
• Propose it to teachers (send package to school inspectorates, publish article in teachers’ magazine, post it on website of interest for teachers)													
Advice	III. Encourage the development and use of product comparison applications												
	• Discussions with financial institutions and specialized websites owners												
	• Start developing comparison applications												
	• Make applications available												



NATIONAL STRATEGIC PLAN FOR PROMOTING CONSUMER FINANCIAL EDUCATION

Document endorsed by the Project Working Group

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Prepared by the SPI Secretariat
October 2007

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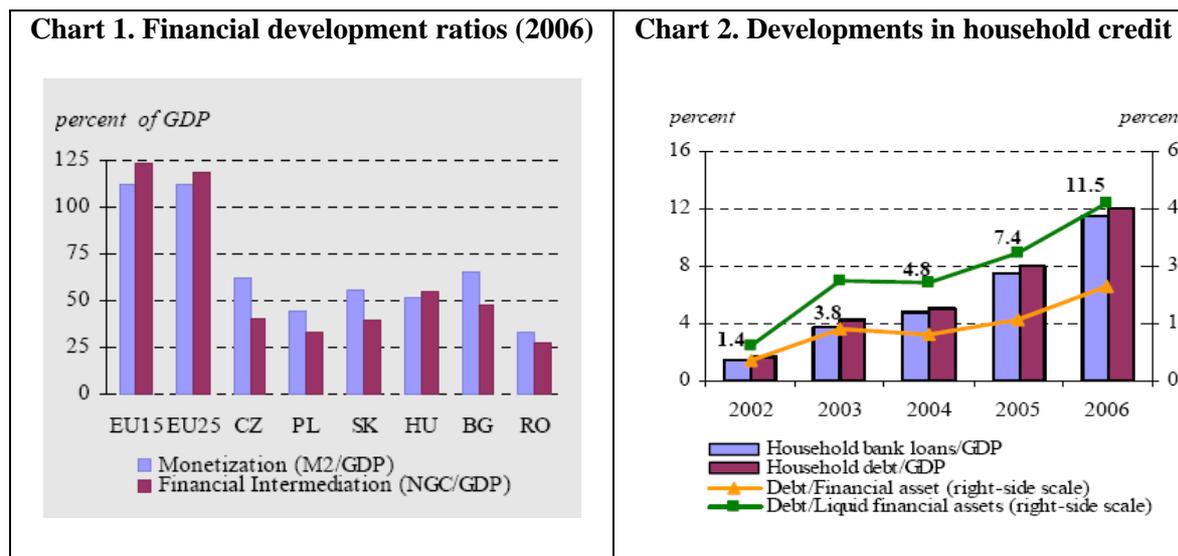
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I. Background

At present, the penetration of financial services in Romania shows modest levels compared to other European countries (Chart 1), but the retail financial services continue to grow at a fast pace (Chart 2), in a favorable context provided by sustained growth and declining inflation and interest rates, keener competition among credit institutions and an increase in disposable incomes and optimistic expectations of population. This effervescence of the Romanian financial market offers increased opportunities for both consumers and providers of financial services.



Source: National Bank of Romania, Financial Stability Report, 2007.

At the same time, such fast growth of lending can lead to over-indebtedness and/or irresponsible use of credit, as the years of hardship during the transition to a market economy have left clients with a spending appetite which leaves little room for sound financial planning. Individuals are increasingly dependent on the financial services industry for purchasing and furnishing their homes, financing their day-to-day needs, starting a business, or financing their retirement.

Also, as international financial institutions increased their presence in Romania, they offer a variety of financial products and services, with a growing level of sophistication, of which Romanian clients know little about. The risks afferent to these products should be explained to the consumer (for example those of foreign currency or of variable interest rate loans). Consumers should also be instructed to keep up with the technological innovations of the industry (internet banking, self-banking, etc.).

In addition, individuals are becoming more involved as investors in the financial market. These individuals have limited experience with capital markets and therefore a weak understanding of implied risks due to insufficient knowledge on the matter. Moreover, given the transformation of the pension system, citizens need to be aware of the importance of maintaining adequate levels of investment and saving for retirement.

The low financial literacy levels of the population lead to a weak and inefficient utilization of financial services. Because of lack of financial sector knowledge, consumers are unable to make adequate financial planning decisions, which result in a poor administration of their wealth.

II. The Need for a National Strategic Plan

In order to choose wisely from the variety of products and providers available on the financial services market and to make efficient use of them, individuals must possess proper financial knowledge. With the necessary skills to make informed financial decisions about purchasing a home, financing their retirement, taking a loan, or financing a business individuals (or financial services consumers) will almost certainly be economically better off than those lacking this knowledge.

The level of credit in the economy and its quality are aspects of national concern, especially in matters of over-indebtedness. Also, changing the pension systems with defined contribution systems can be difficult to understand for the public. Individuals usually do not understand their rights and responsibilities in the new pension regime so there is a need for adequate information and instruction.

The benefits of increasing consumer financial education are spread among financial sector stakeholders:

- **for consumers of financial services:** it helps them budget and manage their income, save and invest efficiently, and avoid becoming victims of fraud;
- **for providers of financial services:** can constitute a marketing tool for financial institutions to build robust client relationships and promotes competition among financial intermediaries;
- **for authorities:** it is a policy instrument for authorities to contribute to a sustainable growth in financial intermediation and ensures the smooth functioning of financial markets and the economy.

Therefore, a national strategic plan for promoting consumer financial education is needed in Romania to coordinate and direct national financial education measures and programs with the objective of enhancing the consumer financial knowledge to enable it to improve its financial decisions for life-planning. Ultimately, an increased level of financial literacy of consumers will help increase the stability and the confidence in the financial sector and promote economic growth.

Taking into consideration the fact that a national strategy for consumer protection is already in place (enacted through Government Decision no. 364/2005), the national strategic plan for promoting consumer financial education should become integrant part of the former. The National Authority for Consumer Protection confirmed that the national strategic plan for promoting consumer financial education is in line with the objectives of the national strategy for consumer protection.

At the same time, Romania's efforts in the area of promoting consumer financial education would be also in line with the most recent EU developments (see EU Commission Green Paper on Retail Financial Services). The European Commission is going to issue in November 2007 a communication on the best practices in financial education in the European member states. The national strategic plan is going to be closely aligned with the EU guidance once issued.

III. The Objectives of the National Strategic Plan

First, the national strategic plan will provide the basis for an efficient coordination of financial education programs and measures, mainly by establishing a set of principles and good practices for financial education. The underlying objective of the national strategic plan is to *increase levels of financial education and awareness among the general public and certain sensitive categories, with the lowest levels of financial literacy.*

The long-term objectives of a national strategic plan for promoting consumer financial education include reducing levels of over-indebtedness and improving the quality of credit, better handling of credit and debt by consumers, promoting investment and saving for retirement, bringing the unbanked into the financial system, mitigating the risks of identity theft or other risks related to financial services and products and improving the consumers' capacity to take financial decisions for a better management of its wealth.

While the activities of information and instruction should initially target all the categories of consumers, including existing and prospective borrowers, specific programs could be envisaged for categories such as: debtors in financial difficulty, first-time homebuyers, young people, credit card users, women, the unbanked¹, the underserved², low-income consumers, ethnic minorities, retirees, etc. Among these categories, the most vulnerable are the young people and the elderly. Also the implementation of actions should consider the target clients groups which are the most dynamic in terms of demanding financial services.

IV. The Pillars of the National Strategic Plan

The national strategic plan for promoting consumer financial education should be based on the following pillars³:

Pillar 1: The main components of the national financial education programs and measures proposed should be:

- **Instruction:** ensuring that individuals acquire the skills and ability to understand financial terms and concepts, through the provision of training and guidance;
- **Information:** providing consumers with facts, data, and specific knowledge to make them aware of financial opportunities, choices, and consequences;
- **Advice:** providing consumers with counsel about generic financial issues and products so that they can make the best use of the financial information and instruction they have received.

Pillar 2: The national strategic plan should be adequately calibrated to ensure that:

¹ Consumers affected by financial exclusion and marginalization are called the unbanked: without a bank account at a deposit institution.

² The underserved are people who rarely use their account or do not know how to use it.

³ The principles draw from the OECD guidance on financial education.

2.1. – Financial education is provided in a fair and unbiased manner and that programs are coordinated and developed with efficiency;

2.2. – Financial education programs focus on high priority issues, which, may include important aspects of financial life planning such as basic savings, private debt management or insurance as well as pre-requisites for financial awareness as elementary financial mathematics and economics⁴.

2.3. - Financial education programs meet the needs and the financial literacy level of their target audience, as well as reflect how their target audience prefers to receive financial information. Financial education should be regarded as a life-time, on-going and continuous process, in particular in order to take account of the increased complexity of markets, varying needs at different life stages, and increasingly complex information.

Pillar 3: Broad participation of stakeholders and their role in implementing the national strategic plan

3.1 – Financial education should be as much as possible taken into account in the regulatory and administrative framework and considered as a tool to promote economic growth, confidence and stability, together with regulation of financial institutions and consumer protection.

3.2. – The role of financial institutions in financial education should be promoted and become part of their good governance with respect to their financial clients. Financial institutions' accountability and responsibility should be encouraged not only in providing information and advice on financial issues, but also in promoting financial awareness, especially for long-term commitments and commitments which represent a substantial proportion of current and future income of clients.

3.3. – Non-profit organizations can have improving financial education as their main objective or develop programs that indirectly contribute to raising awareness about financial risks or provide information about sound financial planning. Also, non-profit organizations for consumer protection could be involved in undertaking surveys for assessing the present level of financial knowledge among Romanian consumers, and which should be the target categories of consumers of the financial education actions. Surveys could also be undertaken during the implementation of national strategic plan for a fine tuning of the process and a better monitoring of results.

V. Timeframe of the National Strategic Plan

The proposed national strategic plan timeframe for implementation is of four years (2008-2012), which is a period that is at the same time sufficient for results to materialize and allows for an appropriate monitoring.

⁴ Financial education needs to be distinguished from consumer protection. The provision of information on financial issues is common to both. However, financial education supplements this information with the provision of instruction and advice while consumer protection emphasizes legislation and regulation designed to enforce minimum standards and require financial institutions to provide clients with appropriate information.

VI. Roles of the Stakeholders

The main roles of the stakeholders are:

Public authorities

- Promotion: Given their broad territorial coverage capabilities, public authorities (in particular NACP) should be the main promoters of financial education programs and also the main channel for disseminating information within the financial education programs and campaigns, but also on an ongoing basis (the websites of these institutions may host educational material such as brochures, guides, leaflets, etc.);
- Legislation: Given their legislative capacity, authorities (i.e. Ministry of Education, NACP) may pass legislation that promotes financial literacy in schools and protects the rights of the financial consumers;
- Financing: Given the public good component of financial education programs, the authorities should make contributions in the financing of financial education programs. Also, if deemed feasible, public authorities could access EU funds for promoting financial education, either alone or in cooperation with private sector stakeholders;
- Expertise: Public authorities could support the calibration and the implementation of the programs for promoting consumer education through their comprehensive knowledge and expertise;
- Calibration and Monitoring: Given their national coverage, the authorities could support the undertaking of country-wide surveys to determine the level of financial literacy and the specific needs of citizens in order to better calibrate the financial education programs. The surveys could be conducted by non-profit organizations for consumer protection. Also, public authorities should ensure subsequent monitoring of the financial education programs;
- Logistic Support: The often vast territorial network of public authorities can be put to use in programs at a community level, offering logistic support to study groups. In addition to website assistance, the public institutions may set up toll-free telephone numbers for consumers.

Romanian Banking Association

- Industry Self Regulatory Measures: Given its role of forum of financial institutions, the RBA could enhance the protection of customers by initiating the development of industry codes or standards which push for more transparency from banks;
- Industry Programs: The RBA could also promote industry-led financial literacy programs which could help customers to better understand the bank products and services (i.e. by asking banks to disseminate more information on their websites or at their territorial outlets or setting up a dedicated industry website including financial education information, etc.);
- Dispute Resolution Schemes: The RBA could also enhance customer protection by encouraging the quick setting up of the bank ombudsman as an alternative dispute resolution scheme.

Financial institutions

- Information: Individual financial institutions bear mainly the responsibility to provide clear and accurate information to clients in regard to the terms and conditions of banking

products and services. A miss calibration the information disclosed (too little versus too much) is often a cause of why people see financial information as difficult to understand;

- Education: Financial institutions could also disclose education material on their website or at their territorial premises;
- Advice: Financial institutions could be also encouraged to provide on-line simulators and/or any other integrated IT modules that could help the potential clients to better understand the characteristics of the financial services offered to them;
- Training of Staff: Financial institutions should be encouraged to their staff on financial education and develop codes of conduct for the provision of general advice about investment and borrowing, not linked to the supply of a specific product.

Non-profit organizations

- Focus and Coordination: Non-profit organizations should have the role to provide focus and coordination to the financial education programs as they can dedicate undivided special attention to this issue; also the non-profit organizations should complement effectively the public and private stakeholders' actions;
- Promotion: The non-profit organizations can also be involved in disseminating information and providing instruction and advice by publishing educational materials, organizing courses, seminars, workshops, discussion meetings or mentoring activities (at a community/ socio-professional group level);
- Financing: The non-profit organizations could be used as recipients and managers of financial resources necessary for undertaking targeted financial education campaigns and programs;
- Calibration and Monitoring: Non-profit organizations could undertake country-wide surveys to determine the level of financial literacy and the specific needs of citizens in order to better calibrate and monitor implementation of the financial education programs. The surveys could be conducted with the support of public authorities (by using their territorial networks);
- Awareness raising: Trade unions and large professional associations could be also involved in the awareness raising among consumers as well as increasing the synergies in the process of implementation of the strategic plan.

International organizations

- Awareness Raising: The role of international organization would be to raise awareness of the authorities to bring financial literacy on the public agenda, thus raising the level of political support for financial education programs and the interest and knowledge on the matter;
- Guidance: Offer guidance on principles and good practices to national and local authorities and any other parties involved in the process of financial education
- Research: Conduct surveys and write studies on financial education;
- Financing: International organizations (EU bodies, World Bank, etc.) could be also involved in financing the implementation of the national strategic plan;
- Networking: May be involved in organizing seminars and conferences on financial education.

VII. Coordination, Governance, and Monitoring

Coordination

The international experience shows that there is no obvious government authority which should manage the government's financial education programs. The most active stakeholders of financial education programs are:

1. non-profit / community / educational organizations;
2. partnerships between two or more provider types (often consumer / community organizations and financial institutions);
3. national government agencies / departments or government-sponsored enterprises;
4. credit unions or credit union associations;
5. financial regulatory and supervisory authorities;
6. banks or financial institutions;
7. private sector companies.

Also, some countries encourage the development of appropriate specialized structures (possibly embedded within existing authorities) in charge of promoting and coordinating financial education at the national level. There are examples of countries which promote regional and local public and private initiatives as close to the population as possible.

In Romania, it is proposed that the financial education program is coordinated by a public-private partnership since it is envisaged that this option will secure a more active involvement of the stakeholders in the running of the financial education campaigns and programs. Also, it is considered that a public-private partnership would ensure a better management of the strategic plan and would ensure its sustainability on the long term. A feasible option would be the use of the already created SPI public-private platform.

Governance and monitoring

The enclosed national strategic plan will be discussed and endorsed by the SPI public-private project working group composed of representatives of the National Authority for Consumer Protection, National Bank of Romania, National Commission for Supervision of Private Pension Systems, banks, and consumer protection associations.

The national strategic plan prepared by the SPI project working group will be submitted to the SPI Committee for endorsement in November 2007.

The consumer education activities will start in 2008 with a first set of measures to be implemented by the SPI key stakeholders (NACP, RBA, NBR, MEF).

Also, in January 2008, a public round table will be organized with the objective to raise awareness and build consensus among a broader group of financial sector stakeholders.

VIII. Implementation: Channels, Regulations, Funding

Channels

As mentioned above, the national strategic plan for promoting consumer financial education will encompass a mix of measures consisting of customer information, instruction, and advice (see Table 1). This mix of measures is the best implementation solution for financial education programs, as it opens the possibility to use a variety of channels to reach as many consumers as possible as well as to ensure that this information is easy to understand by consumers.

In other countries' experience, the solution of a national campaign is often used, as it is most effective in raising awareness about the importance of understanding financial issues.

OECD has identified the following delivery channels for financial education programs (in order of frequency of use):

- training courses;
- printed or online publications (brochures, magazines, booklets, guidance papers, newsletters, annual reports, direct mail documents, letters and disclosure documents);
- advisory services (including telephone help lines and 1-to-1 counseling);
- internet web sites/online services;
- public awareness-raising campaigns;
- events (including lectures, national workshop/forum, symposia, presentations);
- school programs and curriculum;
- other methods (including resource packs, videos, computer programs).

While financial literacy levels are low in general for consumers, they are especially low for certain groups of consumers, such as the less-educated, those at the lower end of the income distribution, and minorities. Therefore, it would be advisable to consider targeting financial education programs to those groups of consumers who are most in need of it. The Romanian stakeholders will need to decide the best way to convey this information to the target audience.

Consumers receive financial information through a variety of sources and these sources tend to differ according to demographic characteristics. Many consumers, notably those with lower incomes, receive financial information through television programs. A large number of consumers prefer to receive financial information through personal contact, such as consumer help lines or personal advisors. The Romanian stakeholders will need to think about the most effective delivery channel for the consumers they are targeting, based on the local conditions.

Regulations

While many countries offer financial education programs, some countries have opted for a regulatory-based approach (issuing consumer codes and other consumer protection legislation). These countries see the role of government as ensuring that financial advisors have a certain minimum level of competence and that consumers are provided with accurate and unbiased financial information. However, there is a case for industry-self regulation, which could be a faster and more efficient solution to addressing the problem of enhancing the transparency of the financial industry providers.

In Romania, the stakeholders could embrace a gradual approach. Therefore, it is suggested that first, private sector self-regulation should be encouraged as this is a more efficient and faster option. However, in cases where this option would fail to bear fruits, co-regulation or even prescriptive regulations could be enacted. The intervention through regulation could be justified only for those aspects where there is a need for a uniform set of rules, whose application would allow avoidance of negative consequence for the consumers of financial services.

A distinct regulatory issue that should be dealt with would be the integration of the financial education into the school curricula. This action should be promoted by the Ministry of Education in close cooperation with NACP.

Funding

The public-private working group considers that funding of the national actions and programs for promoting consumer financial education could encompass three levels:

Private funding

The private funding could be ensured through financial industry associations which could mobilize financial institutions to financially support the strategic plan. A more practical and feasible approach would be to have financial institutions fund the initiative by redirecting part of their taxable profit, as permitted by the Fiscal Code. Awareness should be raised through industry associations in respect to this option. Moreover, financing from individual financial institutions could be accessed for achieving specific actions of the strategic plan.

Private financial support can also come from foundations.

EU funding

EU funds could be also a potential source of funds for this strategic plan. This option is particularly relevant as a public-private partnership will implement the national strategic plan and its actions.

Public funding

Authorities should have a significant contribution to the financing of financial education programs. Authorities can provide support to non-governmental organizations conducting financial education programs through grants, thus creating a marketplace for such programs and increasing the quality of the selected programs.

However, given current budgetary constraints, it is more likely that public funds could be sought for particular implementing actions.

IX. Implementation Plan

The following implementation plan has been designed in accordance with the above mentioned considerations, so as to ensure that the national strategic plan will achieve its objectives.

For illustrative purposes, a project timeline with a first set of measures to be implemented in 2008 by the SPI key stakeholders is enclosed below.

Table 1: Implementation Plan

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
I. Information	I.1. Public awareness-raising campaign	<p><u>Main:</u> National Authority for Consumer Protection (NACP), Consumer Associations</p> <p><u>Secondary:</u> NBR, Ministry of Economy and Finance (MEF), Romanian Banking Association (RBA), Financial Industry, National Fiscal Administration Agency (NFAA), Credit Bureau, Romanian Banking Institute (RBI), SPI Romania</p>	RBA	1 year	<p>National campaign, conducted in Romanian and in the languages of minorities, using a variety of media resources to reach all citizens, stressing the importance of being adequately informed about financial issues important for life-planning. Particular emphasis should be placed on:</p> <ol style="list-style-type: none"> 1. The importance of having a bank account; 2. The role and the risks of borrowing; 3. Other risks for consumers (identity theft, predatory lending, check fraud, skimming and scamming); 4. The importance of saving for retirement and of the pensions system; 5. The role of insurance services (life and non-life products); 6. The role and use of debit/credit cards; 7. The rights of consumers (the Bank Ombudsman); 8. Use of online banking. <p>Campaign directed at an emotional response, not building technical knowledge but motivating people to gather more information and making it easy for them to find out more. (international relevant experience: Slovakia, Australia, Ireland, United States).</p> <p>To be delivered nationally using a wide range of media including newspapers, radio, television, internet, train and bus advertisements, conferences, etc.</p>

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
I. Information	I.2. Website information A. Individual websites	NBR, RBA, NFAA, MoJ, NACP, MEF, Financial Institutions, Credit Bureau, Ministry of Education (MoE)	Individual institutions	6 months	<p>Publishing general, non-commercial information on financial industry products and services, the risks, benefits and uses of the respective products. Also, publishing basic financial mathematics explanations, e.g. the calculation of interest, commission, installments, etc.</p> <p>The following represent indicative information that could be disseminated by each institutions:</p> <ul style="list-style-type: none"> • <u>NBR</u>: Information about customer rights, glossary of economic terms; links to websites of financial institutions; information about and links to the Bank Ombudsman; news section presenting current economic and business issues in an accesible way; provide information on specific risks associated with banking products like overindebtedness, market risk, FX risk, etc; • <u>RBA</u>: Links to websites of member financial institutions; information about the fees and commissions of bank products; basic financial mathematics explanations; information about and links to the Bank Ombudsman; news section presenting current economic and business issues in an intelligible way; virtual library; distance learning such as comprehensive multimedia e-learning courses, including basic banking courses, accompanied by illustrations, animation clips and films; games, educational software; • <u>Credit Bureau</u>: Links to websites of financial institutions; explanations about the importance

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
					<p>of maintaining a good credit history; information about the risks of over indebtedness and other risks of borrowing; information about and links to the Bank Ombudsman;</p> <ul style="list-style-type: none"> • <u>NACP</u>: Information about the rights of consumers; information about and links to the Bank Ombudsman and other dispute resolution bodies; basic information about the bank products and services and their risks; • <u>Financial institutions</u>: Explanations about banking products, services and the associated risks; interest calculators; games; educational software; • <u>MEF</u>: Information about taxes and financial reporting; educational software; information on financial advice services; • <u>MoE</u>: “Teacher's Centre” - a service designed for teachers of economics or economics - related subjects containing teaching aids in the form of ready-to-use lesson plans; • <u>NFAA</u>: Sep-by-step animated guide to filling fiscal forms and income statements (audio version should also be available); Explanations about taxation, consequences of tax evasion; Games, Educational software; • <u>MoJ</u>: Explanations and guide to writing and legalizing a will; Explanations about bankruptcy procedures, contracts, legal responsibilities of debtors, creditors and guarantors; provide information on regimes of mortgages and pledges.

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
I. Information	I.2. Website Information B. New dedicated financial education website	NBR, RBA , NACP, Financial Institutions, Credit Bureau, MEF NFAA, MoJ	Public – Private Partnership	1 year	<p>Comprehensive website, designed with the support of the indicated shareholders, with sections for different categories of users, comprising general information as well as product comparison software applications or tables and the following:</p> <ul style="list-style-type: none"> • Information about banks products and services and their risks, such as bank accounts, credit cards, insurance, investment, loans, mortgages, pensions, retirement options; • Information about customer rights; • Complaints and claims: Bank Ombudsman and other dispute resolution bodies; • Information about the fees and commissions of bank products; • Links to websites of financial institutions; • Distance learning - comprehensive multimedia e-learning courses, including basic banking courses, accompanied by illustrations, animation clips, and films; • Games, educational software, decision-making quizzes, skill-enhancing and strategic games, crossword puzzles, etc. • Virtual library; • Glossary of economic terms; • News section presenting current economic and business issues in an intelligible way; • “Teacher's Centre” - a service designed for teachers of economics or economics-related subjects containing teaching aids in the form of

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
					<p>ready-to-use lesson plans.</p> <p>The website should be easily accessible and contain information that is easy to understand for consumers. Materials should be available in audio and video format, with subtitles.</p> <p>International examples:</p> <p>www.itsyourmoney.ie, http://www.federalreserveeducation.org/fred/, http://www.yourmoney.cba.ca/, http://www.lafinancepourtous.com/</p>
I. Information	I.3 Guides on specific financial sector issues	NBR, RBA, Financial Institutions, RBI, Credit Bureau	RBA	1 year	Publication to be made available through websites of specialized institutions as well as distributed in hard copies.
	I.3.1 Guide to borrowing and its risks	RBA, Financial Institutions, Credit Bureau	1. RBA 2. NACP	1 year	Publication to be made available through websites of specialized institutions as well as distributed in hard copies.
	I.3.2 Guide to mortgage loans	RBA, Financial Institutions, Credit Bureau	RBA	1 year	Publication to be made available through websites of specialized institutions as well as distributed in hard copies.

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
	I.3.3. Guide to retirement saving	National Pensions and Social Security Commission (CNPAS), Ministry of Labor, Pension Funds, Financial Institutions	CNPAS	1 year	Publication to be made available through websites of specialized institutions as well as distributed in hard copies.
I. Information	I.4. Regulatory or industry self-regulatory actions (codes of conduct) that require financial institutions to provide consumers with a specific minimal set of information, which should be clearly distinguished from commercial advice	NACP, RBA, Financial Institutions, Professional associations of credit institutions	RBA	1 year	<p>The consumer codes should aim at increasing the transparency of the financial institutions to the benefit of consumers. As an alternative to regulatory actions, industry-self regulatory measures can be envisaged. The latter can represent a faster and more efficient solution.</p> <p>Examples: Ireland Consumer Protection Code issued by the Financial Regulator (Rialtoir Airgeadais), article 12: “A regulated entity must ensure that all information it provides to a consumer is clear and comprehensible, and that key items are brought to the attention of the consumer. The method of presentation must not disguise, diminish or obscure important information. “, article 21 “A regulated entity must provide each consumer with the terms and conditions attaching to a product or service, before the consumer enters into a contract for that product or service, or before the cooling-off period (if any) expires”.</p> <p>Title II of the Italian Consumer Code called "Information to customers" states the minimal set of information that has to be indicated to the consumer.</p>
	I.5. Public workshops and	NGOs, RBA, NBR, RBI, NACP,	PP Partnership	Ongoing	A public-private partnership could be established to ensure the overall coordination of the financial

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
I. Information	other events aimed at helping customers better understand financial services and pushing for more transparency from financial institutions	Consumer protection associations, SPI Romania			education strategic plan or to conduct specific actions part of the
	I.6. Ensuring the quality of disclosed financial information	National Audio-Visual Council, NACP, Financial Institutions	NACP	6 months	<p>Financial institutions must ensure that all their advertisements are fair and not misleading.</p> <p>An advertisement must not influence a consumer's attitude to the advertised product or service or the regulated entity either by inaccuracy, ambiguity, exaggeration or omission.</p> <p>The design and presentation of an advertisement must allow it to be clearly understood. Where small print or footnotes are used, they should be of sufficient size and prominence to be clearly legible. Where appropriate they should be linked to the relevant part of the main copy.</p>
II. Instruction	II.1. Organizing courses, seminars, workshops, discussion meetings or	<p>A. Financial Education Foundation/ NGO</p> <p>B. Financial</p>	Dedicated Financial Education Foundation	Ongoing	U.K: The Financial Services Authority (FSA) Local Committees designate "Study Group on Financial and Economic Matters" as grassroots organizations comprising 50-100 persons and provide guidance through discussion meetings and the distribution of

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
	mentoring activities, often at a community/ socio-professional group level	Institutions, NBR, NACP, RBA			financial services information materials. U.S: Most Reserve Banks offer Teacher Workshops on a wide variety of economic and Fed-related topics. The workshops are designed to help teachers gain a deeper understanding of the role of the Fed and monetary policy in the U.S. economy, to explore economic issues and to examine principles of personal financial education.
II. Instruction	II.2 School classes	MERY, RBI, MEF, NACP	MERY	2 years	Developing a systematic approach to teaching financial literacy. Embedding financial literacy in school curricula. Students should have financial literacy elements included in Economics, Mathematics and other courses. For those programs which favor use of classrooms, proper education and competence of the educators should be promoted. In this respect, the development of programs to “train the trainers” and the provision of specific information material and tools for these trainers should be encouraged. Providing practical support to educators and trainers and improving the availability of quality of educational resources.

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
	II.3 Adult education	MERY; Trade Unions	MERY	2 years	<p>Targeting specific categories (pensioners, first time home buyers, racial and ethnic minorities), most often held at the workplace or at community centers.</p> <p>Examples: US: Program intended for parents of adolescents likely to be susceptible to misuse of credit. Federal Deposit Insurance Corporation (FDIC) Money Smart, a training program to help adults outside the financial mainstream enhances their money skills and creates positive banking relationships. The Money Smart program is available in two versions: an instructor-led version and a computer-based instruction (CBI) version</p>
	II.4 Seminars, student projects and conferences which promote financial education	Academy of Economic Studies, RBI, other higher education institutions	Individual institutions	2 years	Financial institutions can be the main sponsors and trainers for such events. Universities can provide the venues.
III Advice	III.1 Product comparison software/table application	Financial Institutions, RBA	Individual institutions	2 years	To be included on the financial education sections of the financial institution's websites and/or in the specialized financial education website.
	III.2 Toll-free telephone numbers	Authorities (NACP, NBR etc.)	Individual institutions	3 years	
	III.3 Encourage banks to train	Financial institutions, RBA, RBI	Individual institutions	Ongoing	

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
	staff on financial education				
	III.4 Suitability for the consumer (written statement)	Financial Institutions	Individual institutions	Ongoing	<p>Before providing a product or service to a consumer, a financial institution must prepare a written statement setting out the reasons why a product or service offered to a consumer is considered to be suitable to that consumer. The financial institution must give a copy of this written statement to the consumer and retain a copy.</p> <p>This requirement should not apply where the consumer has specified both the product and the provider and has not received any advice.</p> <p>An example of institutionalizing this sort of requirements is provided by MiFID, which requires the advice to individual investors to be calibrated on their knowledge and sophistication.</p>
	III.5 Developing warning systems for consumers	Financial Institutions	Individual institutions	Ongoing	<p>Customers should be instructed which are the financial high-risk areas and how to recognize fraud.</p> <p>In addition, financial institutions may include visible and distinct warnings regarding their obligations, published on contracts next to the signature mark.</p> <p>The Irish Consumer Protection Code specifies such warnings: “As a guarantor of this loan, you will have to pay off the loan, the interest and all associated charges if the borrower does not. Before you sign this guarantee you should get independent legal advice.” Or “Purchasing this product may negatively impact on your ability to fund future needs”.</p>

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
	III.6 Developing 1-to-1 counseling	NACP, NGO, Consumer protection associations	Individual institutions	Ongoing	Targeting debtors in financial difficulty, first-time homebuyers, the unbanked, low-income consumers, ethnic minorities, immigrants, refugees.

Table 2: 2008 Implementation Timeline

Activity \ Time frame		Jan	Feb	Mar	Apr	Mai	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Information	I.1. Enhance information availability												
	• Contact and get agreements of stakeholders	■											
	• Propose new content to be added		■	■									
	• Draft information to be posted				■	■	■	■					
	• Post new content on the website								■	■	■		
	I.2. Elaborate information guidelines												
	• Set up working group in charge of drafting the materials	■	■										
	• Decide on contents and main messages			■	■								
	• Draft materials					■	■	■	■	■			
	• Post on the websites										■	■	
	• Print (on demand)												■
	I.3. Take up self-regulatory actions (see SPI Project “Bank Codes of Conduct”)												
	• Set up working groups	■											
• Draft and endorse the codes of conduct		■	■	■	■	■	■	■					
• Post codes of conduct									■				
Instruction	II.1. Organize round tables												
	• Contact and receive confirmation from stakeholders	■											
	• Organize event	■					■						
	• Publish conclusions		■					■					
	II.2. Introduce financial education in schools												
	• Set up working group in charge of drafting the teachers’ package		■	■									
• Draft the course design and the support materials				■	■	■	■	■					
• Propose it to teachers (send package to school inspectorates, publish article in teachers’ magazine, post it on website of interest for teachers)										■	■	■	
Advice	III. Encourage the development and use of product comparison applications												
	• Discussions with financial institutions and specialized websites owners	■	■										
	• Start developing comparison applications			■	■	■	■	■	■				
	• Make applications available									■			



Proposed National Strategy for Promoting Consumer Financial Education

DOCUMENT FOR WORKING GROUP DISCUSSION

**Prepared by the SPI Secretariat
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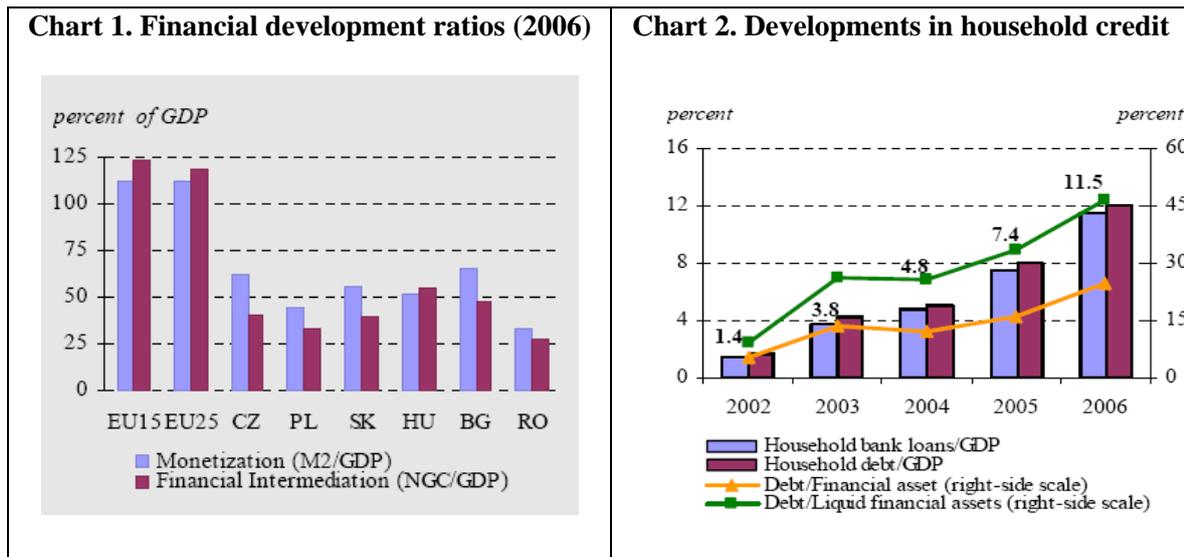
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I. Background

At present, the penetration of financial services in Romania shows modest levels compared to other European countries (Chart 1), but the retail financial services continue to grow at a fast pace (Chart 2), in a favorable context provided by sustained growth and declining inflation and interest rates, keener competition among credit institutions and an increase in disposable incomes and optimistic expectations of population. This effervescence of the Romanian financial market offers increased opportunities for both consumers and providers of financial services.



Source: National Bank of Romania, Financial Stability Report, 2007.

At the same time, such fast growth of lending can lead to over-indebtedness and/or irresponsible use of credit, as the years of hardship during the transition to a market economy have left clients with a spending appetite which leaves little room for sound financial planning. Individuals are increasingly dependent on the financial services industry for purchasing and furnishing their homes, financing their day-to-day needs, starting a business, or financing their retirement.

Also, as international financial institutions increased their presence in Romania, they offer a variety of financial products and services, with a growing level of sophistication, of which Romanian clients know little about. The risks afferent to these products should be explained to the consumer (for example those of foreign currency or of variable interest rate loans). Consumers should also be instructed to keep up with the technological innovations of the industry (internet banking, self-banking, etc.).

In addition, individuals are becoming more involved as investors in the financial market. These individuals have limited experience with capital markets and therefore a weak understanding of implied risks due to insufficient knowledge on the matter. Moreover, given the transformation of the pension system, citizens need to be aware of the importance of maintaining adequate levels of investment and saving for retirement.

The low financial literacy levels of the population lead to a weak and inefficient utilization of financial services. Because of lack of financial sector knowledge, consumers are unable to make adequate financial planning decisions, which result in a poor administration of their wealth.

II. The need for a national strategy

In order to choose wisely from the variety of products and providers available on the financial services market and to make efficient use of them, individuals must possess proper financial knowledge. With the necessary skills to make informed financial decisions about purchasing a home, financing their retirement, taking a loan, or financing a business individuals (or financial services consumers) will almost certainly be economically better off than those lacking this knowledge.

The level of credit in the economy and its quality are aspects of national concern, especially in matters of over-indebtedness. Also, changing the pension systems with defined contribution systems can be difficult to understand for the public. Individuals usually do not understand their rights and responsibilities in the new pension regime so there is a need for adequate information and instruction.

The benefits of increasing consumer financial education are spread among financial sector stakeholders:

- **for consumers of financial services:** it helps them budget and manage their income, save and invest efficiently, and avoid becoming victims of fraud;
- **for providers of financial services:** can constitute a marketing tool for financial institutions to build robust client relationships and promotes competition among financial intermediaries;
- **for authorities:** it is a policy instrument for authorities to contribute to a sustainable growth in financial intermediation and ensures the smooth functioning of financial markets and the economy.

Therefore, a national financial education strategy is needed in Romania to coordinate and direct national financial education measures and programs with the objective of enhancing the consumer financial knowledge to enable it to improve its financial decisions for life-planning. Ultimately, an increased level of financial literacy of consumers will help increase the stability and the confidence in the financial sector and promote economic growth.

Romania's efforts in the area of promoting consumer financial education would be also in line with the most recent EU developments. The European Commission is going to issue in November 2007 a communication on the best practices in financial education in the European member states. The national strategy is going to be closely aligned with the EU guidance once issued.

III. The objectives of the national strategy

First, the national strategy will provide the basis for an efficient coordination of financial education programs and measures, mainly by establishing a set of principles and good practices for financial education. The underlying objective of the national strategy is to ***increase levels of financial education and awareness among the general public and certain sensitive categories, with the lowest levels of financial literacy.***

The long-term objectives of a national financial education strategy include reducing levels of over-indebtedness and improving the quality of credit, better handling of credit and debt by consumers, promoting investment and saving for retirement, bringing the unbanked into the financial system, mitigating the risks of identity theft or other risks related to financial services and products.

While the vast majority of measures should target all consumers, including existing and prospective borrowers, specific programs could be envisaged for categories such as: debtors in financial difficulty, first-time homebuyers, young people, credit card users, women, the unbanked¹, the underserved², low-income consumers, ethnic minorities, etc.

Questions for project working group discussion:

1. Do you agree with the stated underlying objective of the national strategy?
Please explain your answer.

2. Please rank which, in your opinion, should be the categories of consumers which should be targeted by specific financial education measures?

IV. The principles of the national strategy

The national strategy for promoting consumer financial education should be based on the following principles:

Principle 1: The main components of the national financial education programs and measures proposed should be:

- **Instruction:** ensuring that individuals acquire the skills and ability to understand financial terms and concepts, through the provision of training and guidance;
- **Information:** providing consumers with facts, data, and specific knowledge to make them aware of financial opportunities, choices, and consequences;
- **Advice:** providing consumers with counsel about generic financial issues and products so that they can make the best use of the financial information and instruction they have received.

Principle 2: The national strategy should be adequately calibrated to ensure that:

¹ Consumers affected by financial exclusion and marginalization are called the unbanked: without a bank account at a deposit institution.

² The underserved are people who rarely use their account or do not know how to use it.

2.1. – Financial education is provided in a fair and unbiased manner and that programs are coordinated and developed with efficiency;

2.2. – Financial education programs focus on high priority issues, which, may include important aspects of financial life planning such as basic savings, private debt management or insurance as well as pre-requisites for financial awareness as elementary financial mathematics and economics³.

2.3. - Financial education programs meet the needs and the financial literacy level of their target audience, as well as reflect how their target audience prefers to receive financial information. Financial education should be regarded as a life-time, on-going and continuous process, in particular in order to take account of the increased complexity of markets, varying needs at different life stages, and increasingly complex information.

Principle 3: Broad participation of stakeholders

3.1 – Financial education should be as much as possible taken into account in the regulatory and administrative framework and considered as a tool to promote economic growth, confidence and stability, together with regulation of financial institutions and consumer protection.

3.2. – The role of financial institutions in financial education should be promoted and become part of their good governance with respect to their financial clients. Financial institutions' accountability and responsibility should be encouraged not only in providing information and advice on financial issues, but also in promoting financial awareness, especially for long-term commitments and commitments which represent a substantial proportion of current and future income of clients.

3.3. – Non-profit organizations can have improving financial education as their main objective or develop programs that indirectly contribute to raising awareness about financial risks or provide information about sound financial planning.

Questions for project working group discussion:

1. Do you agree with the stated principles for the national strategy on promoting consumer financial education? Please explain your answer.

2. Do you think it would be useful to conduct a national survey on consumer financial education to help outline the priorities as well as how these could be tackled within specific categories of consumers? Who should be in charge of conducting the national survey?

³ Financial education needs to be distinguished from consumer protection. The provision of information on financial issues is common to both. However, financial education supplements this information with the provision of instruction and advice while consumer protection emphasizes legislation and regulation designed to enforce minimum standards and require financial institutions to provide clients with appropriate information.

V. Timeframe of the national strategy

The proposed national strategy timeframe for implementation is of three years, which is a period that is at the same time sufficient for results to materialize and allows for an appropriate monitoring.

Questions for project working group discussion:

1. Do you agree with the proposed timeframe for the national strategy? Please explain your answer.

VI. Roles of the stakeholders

The main roles of the stakeholders are:

Public authorities

- Promotion: Given their broad territorial coverage capabilities, public authorities should be the main promoters of financial education programs and also the main channel for disseminating information within the financial education programs and campaigns, but also on an ongoing basis (the websites of these institutions may host educational material such as brochures, guides, leaflets, etc.).
- Legislation: Given their legislative capacity, authorities (i.e. Ministry of Education, NACP) may pass legislation that promotes financial literacy in schools and protects the rights of the financial consumers;
- Financing: Given the public good component of financial education programs, the authorities should make a significant contribution in the financing of financial education programs;
- Calibration and Monitoring: Given their national coverage, the authorities could conduct country-wide surveys to determine the level of financial literacy and the specific needs of citizens in order to better calibrate the financial education programs. Also, public authorities should ensure subsequent monitoring of the financial education programs;
- Logistic Support: The often vast territorial network of public authorities can be put to use in programs at a community level, offering logistic support to study groups. In addition to website assistance, the public institutions may set up toll-free telephone numbers for consumers.

Romanian Banking Association

- Industry Self Regulatory Measures: Given its role of forum of financial institutions, the RBA could enhance the protection of customers by initiating the development of industry codes or standards which push for more transparency from banks;
- Industry Programs: The RBA could also promote industry-led financial literacy programs which could help customers to better understand the bank products and services (i.e. by asking banks to disseminate more information on their websites or at their territorial

outlets or setting up a dedicated industry website including financial education information, etc.);

- Dispute Resolution Schemes: The RBA could also enhance customer protection by encouraging the quick setting up of the bank ombudsman as an alternative dispute resolution scheme.

Financial institutions

- Information: Individual financial institutions bear mainly the responsibility to provide clear and accurate information to clients in regard to the terms and conditions of banking products and services. A miss calibration the information disclosed (too little versus too much) is often a cause of why people see financial information as difficult to understand;
- Education: Financial institutions could also disclose education material on their website or at their territorial premises;
- Training of Staff: Financial institutions should be encouraged to their staff on financial education and develop codes of conduct for the provision of general advice about investment and borrowing, not linked to the supply of a specific product.

Non-profit organizations

- Focus and Coordination: Non-profit organizations should have the role to provide focus and coordination to the financial education programs as they can dedicate undivided special attention to this issue; also the non-profit organizations should complement effectively the public and private stakeholders' actions;
- Promotion: The non-profit organizations can also be involved in disseminating information and providing instruction and advice by publishing educational materials, organizing courses, seminars, workshops, discussion meetings or mentoring activities (at a community/ socio-professional group level);
- Financing: The non-profit organizations could be used as recipients and managers of financial resources necessary for undertaking targeted financial education campaigns and programs.

International organizations

- Awareness Raising: The role of international organization would be to raise awareness of the authorities to bring financial literacy on the public agenda, thus raising the level of political support for financial education programs and the interest and knowledge on the matter;
- Guidance: Offer guidance on principles and good practices to national and local authorities and any other parties involved in the process of financial education
- Research: Conduct surveys and write studies on financial education;
- Networking: May be involved in organizing seminars and conferences on financial education.

Questions for project working group discussion:

1. Please add any other proposed roles for the above mentioned stakeholders. Also, do you envisage that any other parties could be involved in promoting consumer financial education?

VII. Coordination, governance, and monitoring

Coordination

The international experience shows that there is no obvious government authority which should manage the government's financial education programs. OECD has identified the most active coordinators of financial education programs:

1. non-profit / community / educational organizations;
2. partnerships between two or more provider types (often consumer / community organizations and financial institutions);
3. national government agencies / departments or government-sponsored enterprises;
4. credit unions or credit union associations;
5. financial regulatory and supervisory authorities;
6. banks or financial institutions;
7. private sector companies.

Also, some countries encourage the development of appropriate specialized structures (possibly embedded within existing authorities) in charge of promoting and coordinating financial education at the national level. There are examples of countries which promote regional and local public and private initiatives as close to the population as possible.

In Romania, it could be envisaged that the financial education program is coordinated either by a public-private partnership or by a dedicated non-profit organization. The first option would be preferable as the stakeholders will be involved more actively in the running of the financial education campaigns and programs. The latter would have the advantage of having a dedicated structure in charge with the coordination of the financial education actions.

Questions for project working group discussion:

1. Please provide your opinion on who should ensure the coordination of the implementation of the national strategy for promoting consumer financial education. Please justify your choice.

Governance and monitoring

1. The enclosed national strategy will be discussed and endorsed by the SPI public-private project working group composed of representatives of the National Authority for Consumer Protection, National Bank of Romania, National Commission for Supervision of Private Pension Systems, banks, and consumer protection associations.

2. The national strategy prepared by the SPI project working group will be submitted to the SPI Committee for endorsement in October 2007. ***It is proposed that a Public-Private Steering Committee for Promoting Consumer Financial Education is set up.*** The proposed Steering Committee will be composed of members of the most relevant public and private institutions and

will have the role to endorse the national strategy, to designate the entity that will ensure its execution, and to monitor its implementation.

3. The SPI Committee members will submit the national strategy, together with the proposed implementation plan to:

- a) the heads of their institutions, asking for support in its implementation;
- b) other competent authorities (i.e. Ministry of Education, Government, etc.), inviting them to:
 - i) review the proposed strategy;
 - ii) designate members in the Public-Private Steering Committee for Promoting Consumer Financial Education; and
 - iii) participate to a public debate for endorsing the strategy.

4. The public debate (round table) on the proposed national strategy will aim at building the consensus among all stakeholders. The stakeholders will also endorse the implementation plan to be executed by a PPP/dedicated ONG under the oversight of the Steering Committee.

Questions for project working group discussion:

1. Please provide your opinion on the proposed governance and monitoring arrangements.

VIII. Implementation: channels, regulations, funding

Channels

As mentioned above, the national strategy for promoting consumer financial education will encompass a mix of measures consisting of customer information, instruction, and advice (see Table 1). This mix of measures is the best implementation solution for financial education programs, as it opens the possibility to use a variety of channels to reach as many consumers as possible as well as to ensure that this information is easy to understand by consumers.

In other countries' experience, the solution of a national campaign is often used, as it is most effective in raising awareness about the importance of understanding financial issues.

OECD has identified the following delivery channels for financial education programs (in order of frequency of use):

- training courses;
- printed or online publications (brochures, magazines, booklets, guidance papers, newsletters, annual reports, direct mail documents, letters and disclosure documents);
- advisory services (including telephone help lines and 1-to-1 counseling);
- internet web sites/online services;
- public awareness-raising campaigns;
- events (including lectures, national workshop/forum, symposia, presentations);
- other methods (including resource packs, videos, computer programs).

While financial literacy levels are low in general for consumers, they are especially low for certain groups of consumers, such as the less-educated, those at the lower end of the income distribution, and minorities. Therefore, it would be advisable to consider targeting financial education programs to those groups of consumers who are most in need of it. Policymakers will also need to decide the best way to convey this information to the target audience.

Consumers receive financial information through a variety of sources and these sources tend to differ according to demographic characteristics. Many consumers, notably those with lower incomes, receive financial information through television programs. A large number of consumers prefer to receive financial information through personal contact, such as consumer help lines or personal advisors. Policymakers will need to think about the most effective delivery channel for the consumers they are targeting.

Regulations

While many countries offer financial education programs, some countries have opted for a regulatory-based approach (issuing consumer codes and other consumer protection legislation). These countries see the role of government as ensuring that financial advisors have a certain minimum level of competence and that consumers are provided with accurate and unbiased financial information. However, there is a case for industry-self regulation, which could be a faster and more efficient solution to addressing the problem of enhancing the transparency of the financial industry providers.

Funding

Authorities have a significant contribution to the financing of financial education programs. Authorities can provide support to non-governmental organizations conducting financial education programs through grants, thus creating a marketplace for such programs and increasing the quality of the selected programs. Financial support can also come from foundations. At local level, funding is most often provided by banks, credit unions and community foundations.

Questions for project working group discussion:

1. Please provide your opinion whether a national survey on consumer literacy would help at better calibrating the means and the channels to improve consumer financial literacy.
2. Please state which regulatory / self regulatory measures would be in your opinion necessary for promoting consumer financial education.
3. Please provide your opinion on how the funding of the financial education campaign should be ensured. Please provide your opinion on how the budget should be conceived (separately for actions and by institutions or at a centralized level).

IX. Pre-launch activities

The following pre-launch activities are proposed in order to move from the drafting of the national strategy for consumer education to actual implementation:

Table 1 **Pre-launch Activity Plan**

	Action	Timeframe	Responsibility
1	Endorsement of draft strategy by project working group (PWG meeting)	Mid October 2007	SPI Secretariat, project working group
2	Endorsement of proposed strategy by SPI Committee (SPI Committee meeting)	Late October 2007	SPI Secretariat
3	Invitation launched to relevant stakeholders to designate members in the Public-Private Steering Committee for Promoting Consumer Financial Education (letters to Ministry of Education, Government, other public and private institutions, etc.)	Late October 2007	SPI Secretariat
4	Round table for a broad endorsement of the national strategy (event organized by SPI Secretariat)	Early November 2007	SPI Secretariat
5	Designation of experts to prepare the memorandum of understanding between the Steering Committee institutions (nominees sent to SPI Secretariat)	Mid November 2007	Steering Committee for Promoting Consumer Financial Education members
6	Preparation of the MoU, including governance and monitoring procedures for implementation of national strategy and implementation plan (working group meetings)	End December 2007	Project working group, Steering Committee for Promoting Consumer Financial Education members
7	Signature of MoU (meeting of Steering Committee for Promoting Consumer Financial Education)	Early January 2008	Steering Committee for Promoting Consumer Financial Education members
8	Operational meetings with stakeholders (a series of meetings to outline the concrete implementation steps for each institution involved in the financial education actions (meetings organized by the SPI Secretariat)	January – February 2008	SPI Secretariat, Steering Committee for Promoting Consumer Financial Education institutions
9	Launch of the financial education actions and measures	March 2008	Steering Committee for Promoting Consumer Financial Education member institutions

X. Implementation plan

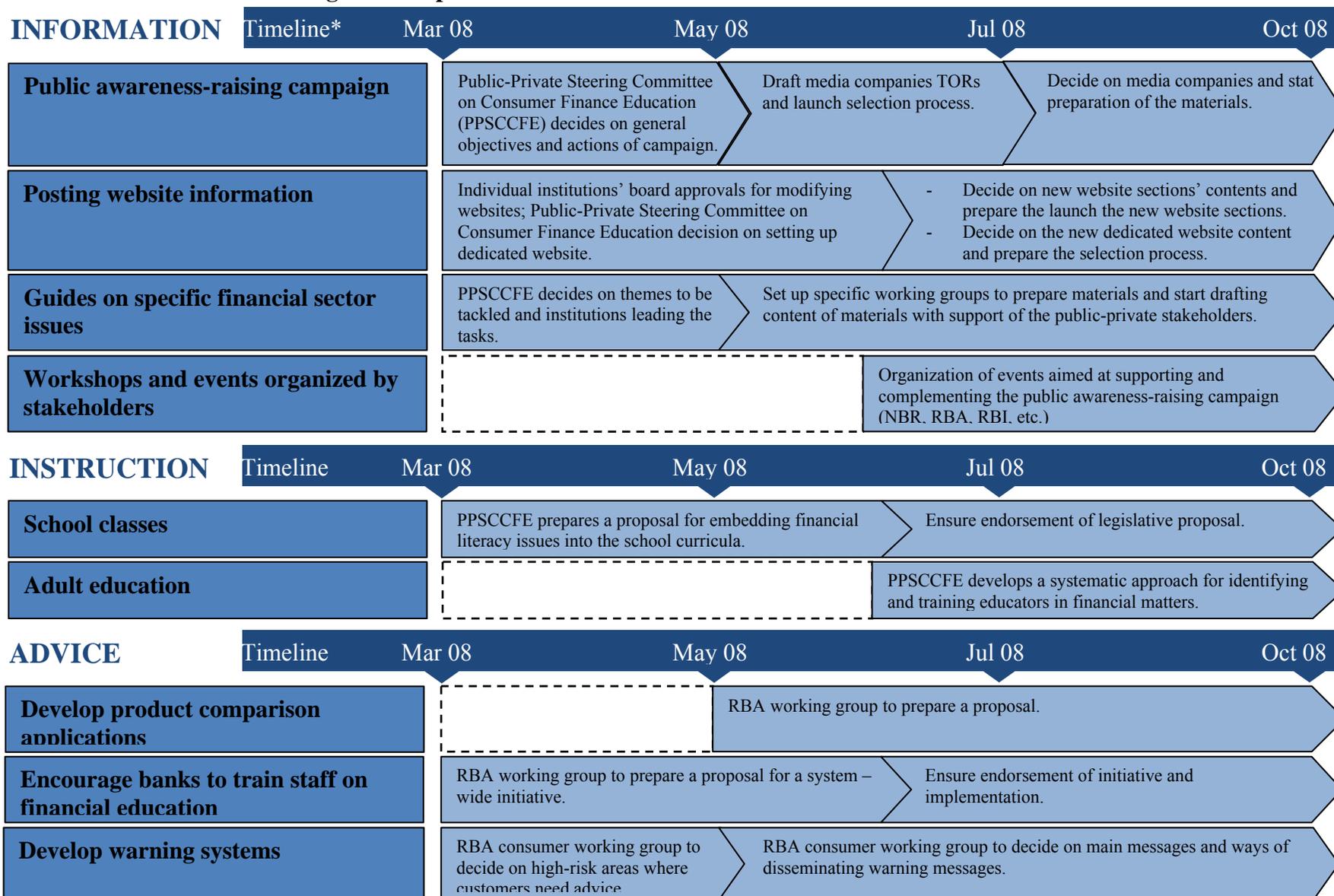
The following implementation plan has been designed in accordance with the above mentioned considerations, so as to ensure that the national strategy will achieve its objectives.

Questions for project working group discussion:

1. Please feel free to make any suggestions to the proposed implementation plan.

For illustrative purposes, a project timeline for the first six months of activities is enclosed below.

Figure 1: Implementation Timeline for the First Six Months of Activities



* According to the Pre-launch Activity Plan (see p.12), the implementation activities start in March 2008.

Table 2: **Implementation Plan**

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
I. Information	I.1. Public awareness-raising campaign	<p><u>Main:</u> National Authority for Consumer Protection (NACP), Consumer Associations</p> <p><u>Secondary:</u> NBR, Ministry of Economy and Finance (MEF), Romanian Banking Association (RBA), Financial Industry, National Fiscal Administration Agency (NFAA), Credit Bureau, Romanian Banking Institute (RBI), SPI Romania</p>	RBA	1 year	<p>National campaign, conducted in Romanian and in the languages of minorities, using a variety of media resources to reach all citizens, stressing the importance of being adequately informed about financial issues important for life-planning. Particular emphasis should be placed on:</p> <ol style="list-style-type: none"> 1. The importance of having a bank account; 2. The role and the risks of borrowing; 3. Other risks for consumers (identity theft, predatory lending, check fraud, skimming and scamming); 4. The importance of saving for retirement and of the pensions system; 5. The role and use of debit/credit cards; 6. The rights of consumers (the Bank Ombudsman); 7. Use of online banking. <p>Campaign directed at an emotional response, not building technical knowledge but motivating people to gather more information and making it easy for them to find out more. (international relevant experience: Slovakia, Australia, Ireland, United States).</p> <p>To be delivered nationally using a wide range of media including newspapers, radio, television, internet, train and bus advertisements, conferences, etc.</p>

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
I. Information	<p>I.2. Website information</p> <p>A. Individual websites</p>	NBR, RBA, NFAA, MoJ, NACP, MEF, Financial Institutions, Credit Bureau, Ministry of Education (MoE)	Individual institutions	6 months	<p>Publishing general, non-commercial information on financial industry products and services, the risks, benefits and uses of the respective products. Also, publishing basic financial mathematics explanations, e.g. the calculation of interest, commission, installments, etc.</p> <p>The following represent indicative information that could be disseminated by each institutions:</p> <ul style="list-style-type: none"> • <u>NBR</u>: Information about customer rights, glossary of economic terms; links to websites of financial institutions; information about and links to the Bank Ombudsman; news section presenting current economic and business issues in an intelligible way • <u>RBA</u>: Links to websites of member financial institutions; information about the fees and commissions of bank products; basic financial mathematics explanations; information about and links to the Bank Ombudsman; news section presenting current economic and business issues in an intelligible way; virtual library; distance learning such as comprehensive multimedia e-learning courses, including basic banking courses, accompanied by illustrations, animation clips and films; games, educational software, • <u>Credit Bureau</u>: Links to websites of financial institutions; explanations about the importance of maintaining a good credit history; information about the risks of over indebtedness and other risks of borrowing; information about and links to the Bank Ombudsman; • <u>NACP</u>: Information about the rights of consumers;

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
					<p>information about and links to the Bank Ombudsman and other dispute resolution bodies; basic information about the bank products and services and their risks;</p> <ul style="list-style-type: none"> • <u>Financial institutions</u>: Explanations about banking products, services and the associated risks; interest calculators; games; educational software; • <u>MEF</u>: Information about taxes and financial reporting; educational software; • <u>MoE</u>: “Teacher's Centre” - a service designed for teachers of economics or economics - related subjects containing teaching aids in the form of ready-to-use lesson plans; • <u>NFAA</u>: Sep-by-step animated guide to filling fiscal forms and income statements (audio version should also be available); Explanations about taxation, consequences of tax evasion; Games, Educational software; • <u>MoJ</u>: Explanations and guide to writing and legalizing a will; Explanations about bankruptcy procedures, contracts, legal responsibilities of debtors, creditors and guarantors.
I. Information	I.2. Website Information B. New dedicated financial education	NBR, RBA , NACP, Financial Institutions, Credit Bureau, MEF NFAA, MoJ	a) MEF b) New institution	1 year	<p>Comprehensive website, designed with the support of the indicated shareholders, with sections for different categories of users, comprising general information as well as product comparison software applications or tables and the following:</p> <ul style="list-style-type: none"> • Information about banks products and services and their risks, such as bank accounts, credit cards, insurance, investment, loans, mortgages, pensions,

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
I .Information	website				<p>retirement options;</p> <ul style="list-style-type: none"> • Information about customer rights; • Complaints and claims: Bank Ombudsman and other dispute resolution bodies; • Information about the fees and commissions of bank products; • Links to websites of financial institutions; • Distance learning - comprehensive multimedia e-learning courses, including basic banking courses, accompanied by illustrations, animation clips, and films; • Games, educational software, decision-making quizzes, skill-enhancing and strategic games, crossword puzzles, etc. • Virtual library; • Glossary of economic terms; • News section presenting current economic and business issues in an intelligible way; • “Teacher's Centre” - a service designed for teachers of economics or economics-related subjects containing teaching aids in the form of ready-to-use lesson plans. <p>The website should be easily accessible and contain information that is easy to understand for consumers. Materials should be available in audio and video format, with subtitles.</p> <p>International examples:</p> <p>www.itsyourmoney.ie, http://www.federalreserveeducation.org/fred/,</p>

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
					http://www.yourmoney.cba.ca/ , http://www.lafinancepourtous.com/
I. Information	I.3 Guides on specific financial sector issues	NBR, RBA, Financial Institutions, RBI, Credit Bureau	RBA	1 year	Publication to be made available through websites of specialized institutions as well as distributed in hard copies.
	I.3.1 Guide to borrowing and its risks	RBA, Financial Institutions, Credit Bureau	RBA	1 year	Publication to be made available through websites of specialized institutions as well as distributed in hard copies.
	I.3.2 Guide to mortgage loans	RBA, Financial Institutions, Credit Bureau	RBA	1 year	Publication to be made available through websites of specialized institutions as well as distributed in hard copies.
	I.3.3. Guide to retirement saving	National Pensions and Social Security Commission (CNPAS), Ministry of Labor, Pension Funds, Financial Institutions	CNPAS	1 year	Publication to be made available through websites of specialized institutions as well as distributed in hard copies.
I. Information	I.4. Regulatory or	NACP, RBA, Financial	RBA	1 year	The consumer codes should aim at increasing the transparency of the financial institutions to the benefit of

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
	industry self-regulatory actions (codes of conduct) that require financial institutions to provide consumers with a specific minimal set of information, which should be clearly distinguished from commercial advice	Institutions			<p>consumers. As an alternative to regulatory actions, industry-self regulatory measures can be envisaged. The latter can represent a faster and more efficient solution.</p> <p>Examples: Ireland Consumer Protection Code issued by the Financial Regulator (Rialtoir Airgeadais), article 12: “A regulated entity must ensure that all information it provides to a consumer is clear and comprehensible, and that key items are brought to the attention of the consumer. The method of presentation must not disguise, diminish or obscure important information. “, article 21 “A regulated entity must provide each consumer with the terms and conditions attaching to a product or service, before the consumer enters into a contract for that product or service, or before the cooling-off period (if any) expires”.</p> <p>Title II of the Italian Consumer Code called "Information to customers" states the minimal set of information that has to be indicated to the consumer.</p>
I. Information	I.5. Public workshops and other events aimed at helping customers better understand financial services and pushing for more transparency from financial	NGOs, RBA, NBR, RBI, NACP, Consumer Associations, SPI Romania	PP Partnership	Ongoing	A public-private partnership could be established to ensure the overall coordination of the financial education strategy or to conduct specific actions part of the

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
	institutions				
	I.6. Ensuring the quality of disclosed financial information	National Audio-Visual Council, NACP, Financial Institutions	NACP	6 months	<p>Financial institutions must ensure that all their advertisements are fair and not misleading.</p> <p>An advertisement must not influence a consumer's attitude to the advertised product or service or the regulated entity either by inaccuracy, ambiguity, exaggeration or omission.</p> <p>The design and presentation of an advertisement must allow it to be clearly understood. Where small print or footnotes are used, they should be of sufficient size and prominence to be clearly legible. Where appropriate they should be linked to the relevant part of the main copy.</p>
II. Instruction	II.1. Organizing courses, seminars, workshops, discussion meetings or mentoring activities, often at a community/ socio-professional group level	<p>A. Financial Education Foundation/ NGO</p> <p>B. Financial Institutions, NBR, NACP, RBA</p>	Dedicated Financial Education Foundation	Ongoing	<p>U.K: The Financial Services Authority (FSA) Local Committees designate "Study Group on Financial and Economic Matters" as grassroots organizations comprising 50-100 persons and provide guidance through discussion meetings and the distribution of financial services information materials.</p> <p>U.S: Most Reserve Banks offer Teacher Workshops on a wide variety of economic and Fed-related topics. The workshops are designed to help teachers gain a deeper understanding of the role of the Fed and monetary policy in the U.S. economy, to explore economic issues and to examine principles of personal financial education.</p>
	II.2 School classes	Ministry of Education, RBI, MEF, NACP	NACP	2 years	Developing a systematic approach to teaching financial literacy.

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
II. Instruction					<p>Embedding financial literacy in school curricula. Students should have financial literacy elements included in Economics, Mathematics and other courses.</p> <p>For those programs which favor use of classrooms, proper education and competence of the educators should be promoted. In this respect, the development of programs to “train the trainers” and the provision of specific information material and tools for these trainers should be encouraged.</p> <p>Providing practical support to educators and trainers and improving the availability of quality of educational resources.</p>
	II.3 Adult education	Ministry of Education; Unions	Ministry of Education	2 years	<p>Targeting specific categories (pensioners, first time home buyers, racial and ethnic minorities), most often held at the workplace or at community centers.</p> <p>Examples: US: Program intended for parents of adolescents likely to be susceptible to misuse of credit. Federal Deposit Insurance Corporation (FDIC) Money Smart, a training program to help adults outside the financial mainstream enhances their money skills and creates positive banking relationships. The Money Smart program is available in two versions: an instructor-led version and a computer-based instruction (CBI) version</p>
	II.4 Seminars, student projects and conferences which promote	Academy of Economic Studies, RBI	Individual institutions	2 years	<p>Financial institutions can be the main sponsors and trainers for such events. Universities can provide the venues.</p>

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
	financial education				
III Advice	III.1 Product comparison software/table application	Financial Institutions, RBA	Individual institutions	2 years	To be included on the financial education sections of the financial institution's websites and/or in the specialized financial education website.
	III.2 Toll-free telephone numbers	Authorities (NACP, etc.)	Individual institutions	3 years	
	III.3 Encourage banks to train staff on financial education	Financial institutions, RBA, RBI	Individual institutions	Ongoing	
	III.4 Suitability for the consumer (written statement)	Financial Institutions	Individual institutions	Ongoing	<p>Before providing a product or service to a consumer, a financial institution must prepare a written statement setting out the reasons why a product or service offered to a consumer is considered to be suitable to that consumer. The financial institution must give a copy of this written statement to the consumer and retain a copy.</p> <p>This requirement should not apply where the consumer has specified both the product and the provider and has not received any advice.</p> <p>An example of institutionalizing this sort of requirements is provided by MiFID, which requires the advice to individual investors to be calibrated on their knowledge and sophistication.</p>
	III.5 Developing warning systems for consumers	Financial Institutions	Individual institutions	Ongoing	<p>Customers should be instructed which are the financial high-risk areas and how to recognize fraud.</p> <p>In addition, financial institutions may include visible and</p>

	Proposed actions	Stakeholders	Responsible	Timeline	Comments
					<p>distinct warnings regarding their obligations, published on contracts next to the signature mark.</p> <p>The Irish Consumer Protection Code specifies such warnings: “As a guarantor of this loan, you will have to pay off the loan, the interest and all associated charges if the borrower does not. Before you sign this guarantee you should get independent legal advice.” Or “Purchasing this product may negatively impact on your ability to fund future needs”.</p>
	III.6 Developing 1-to-1 counseling	NACP, NGO, Consumer Associations	Individual institutions	Ongoing	Targeting debtors in financial difficulty, first-time homebuyers, the unbanked, low-income consumers, ethnic minorities, immigrants, refugees.