



Financial Education and Financial Stability

Y.Müge DOĞAN
Head of Regulation Department
BRSA

Scope

- Financial stability
- Impacts of financial instability
- Financial education-Financial Literacy
- BRSA practices
- The Banks Association of Turkey practices
- Conclusion

Financial Stability

- ❑ Recent financial crisis
- ❑ Positive correlation between Financial stability & Financial awareness
- ❑ Importance of financial awareness and professional financial behavior

Impacts of Financial Instability

Individuals

- High level of debt (debt, credit card etc.)
- Divorces
- Suicides
- Bankruptcies
- Foreclosures

Society

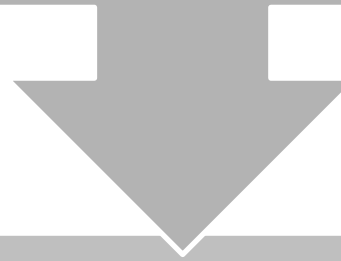
- Financial crisis (Subprime mortgage crisis etc.)
- Instabilities
- Low level of investment
- Low level of economic growth
- Poverty

Financial Education → Financial Literacy



Financial Education

- An enlightening process to maintain financial awareness and provide financial literacy.



Financial Literacy

- Understanding of financial products to make informed decisions
- Understanding interest rate, exchange rate, taken risks
- Learning how to evaluate potential investments
- Being able to read financial statements

Why is Financial Education so Important



- ✓ Protection and awareness
- ✓ Taking responsibility and risk for financial decisions
- ✓ Financial market efficiency
- ✓ Sound financial management

Improving financial education

- ❖ Financial institutions
 - Part of good governance
 - Prepare informative, clear, understandable explanations, agreements

- ❖ Government
 - Schools, supervisory authorities

- ❖ Financial education programmes



BRSA Side



- ✓ Regulations
- ✓ Law on Right to Information Nr. 4982
 - Inform consumers
- ✓ Financial Markets Report
- ✓ Strategic Plan (2010-2012)

A new good practice- BRSA announcement

✓ BRSA Regulations (1)

- ❑ Banking Law No: 5411
 - Objective

- ❑ Communiqué on the Financial Statements and Disclosures to be Announced to Public by Banks

- ❑ Basel II Pillar III disclosure requirements

✓ BRSA Regulations (2)

☐ Banking Law No: 5411

- Article 30: Internal Control Systems
 - Regulation on Internal Systems of Bank
- Article 76: Customer rights

☐ Bank Cards and Credit Cards Law No:5464

- Regulation on Bank Cards and Credit Cards

□ Banking Law No: 5411

Customer rights

Article 76- Banks shall set up under their own bodies a system that will respond to the problems and complaints of their customers stemming from the services provided thereto and shall inform their customers of this service.

The minimum requirements pertaining to the format and contents of the contracts to be signed between banks and their customers and transactions for which uniform contracts will be applicable shall be established by the associations of institutions upon obtaining the approval of the BRSA Board.

□ Bank Cards and Credit Cards Law No:5464

Conditions of Agreement

Article 24: Relations between card issuing organizations and card holders will be governed by a written agreement to be printed with minimum twelve type size and in dark black letters in accordance with this Law and other applicable laws and regulations. A copy of this agreement will be delivered to the card holder and if any, to his guarantor. Card issuing organizations are obliged to give detailed information to the card holder about the use of card and the provisions of the agreement.

All amendments proposed in the agreement will be notified to the card holder.

✓ Right to information



Applications within the Scope of Right to Information

Result of the Application	2008		2009	
	Nr.	Sh. %	Nr.	Sh. %
Provided Full Access to the Information and Documents	485	10.2	1,219	16
Provided Partial Access to the Information and Documents	156	3.3	294	3.9
Denied	4,101	86.1	6,120	80.1
Provided Access by Deducting Confidential/Secret Information	-	0	1	0
Redirected to Other Institutions and Corporations	21	0.4	2	0
Denied and Made Subject to Jurisdiction	-	0	1	0
Total	4,763	100	7,637	100

✓ Financial Markets Report (3-month report)



- Macroeconomic financial framework section
- Financial sector section
- Evaluation section

✓ Strategic Plan (2010-2012)



 Main values

 Strategy for Enhancing the Administrative Capacity

 Strategy for Developing Financial Sector

 Strategies for Monitoring Consumer / Customer Rights

A new good practice



△ BRSA announcement on 7.1.2011

- Banks will publicise some information which is important for consumers decisions on financial transactions
 - Commissions, fees, interest rates will be publicised on web pages of banks and BRSA
 - So, consumers can compare cost of financial transactions and they can maximize utilization
-
- ### △ Test period for the new application will start on April 1st, and it will come into force on 1st of July.

Regulations of The Banks Association of Turkey(1)

- ❑ Principles on Announcement and Advertisement on Consumer Credits Interest Rate
 - Annual total cost of interest

- ❑ Principles and Conditions Governing Advertisements and Promotions
 - Eliminating unfair competition between banks
 - Credibility of banking sector
 - Advertisements or promotions that mislead their customers are forbidden
 - Data used in advertisements should be authorised by competent authorities

Regulations of The Banks Association of Turkey(2)

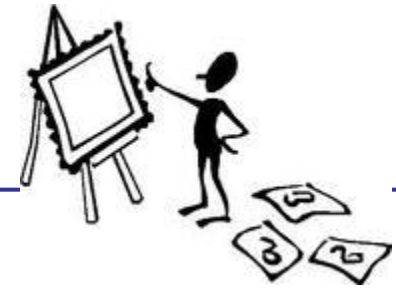
- ❑ Communiqué on Requirements Pertaining to the Format and Contents of the Contracts to be Signed Between Banks and Their Customers

- ❑ Communiqué on Appointment and Working Principles and Procedures of Customer Complaints Arbitration Committee

- ❑ Code of Banking Ethics

Conclusion

Benefits of higher rate of financial education



- ✓ Higher quality in financial services
- ✓ Maximising utilization from financial services
- ✓ Help to financial stability



Conclusion (cont'd)

Benefits of higher rate of financial education



MANY THANKS

mdoyran@bddk.org.tr

www.bddk.org.tr