

Financial Education: International Developments and Country Experiences

Foo Lee Mei
General Counsel
Securities Commission
Malaysia

**International Conference on
Financial Education & Financial Awareness:
Challenges, Opportunities & Strategies**

Istanbul, Turkey
9-11 March 2011

The Global Financial Crisis saw the breakdown of all key pillars of investor protection

Self Discipline

- Poor corporate governance
- Unethical conduct/conflict
- Poor risk management
- Lack of transparency
- Poor disclosure & sales practices

Regulatory Discipline

- Inadequate oversight
- Regulatory gaps – arbitrage, reach, structural impediments
- Regulatory capacity & resource
- Inadequate Education & Awareness

Market Discipline

- Information asymmetry
- Education & Awareness gap
- Failure of gatekeepers – Advisers, Auditors
- Conflict issues undermined role of watchdogs- analysts, investor associations, media etc.

Key challenges : Scams

Scams know no boundaries

- victims cut across gender, race, educational/social levels
- Technological advances increase ease of reach of scams across geographical boundaries

Challenge in ensuring reach of investor education to cuts across uneven and diverse (multi cultural/multilingual) population distribution

Key challenges : Delivering Investor Education in Rural Areas

- Low literacy/educational levels
- Susceptibility to investment scams
- Influence of family and community members in investment decisions
- Winning trust through local partners
- Geographical constraints



Investor Education in a Multiracial and Multilingual Society

- Demographic profile of Malaysian population (Total :27.9 million)
 - Malays & Indigenous (62%)
 - Chinese (23%)
 - Indians (7%)
- Multilingual society
 - Official language: Bahasa Malaysia
 - Language of commerce: English
 - Language spoken by different ethnicities:
 - Malay: Kelantanese, Sarawakians, Kedahans, Sabahans and other dialects
 - Chinese : Cantonese, Hokkien, Hakka, Mandarin, Hainan & Foochow
 - Indians : Tamil, Telegu, Malayalam, Urdu & Gujerati
 - Indigenous people: Kadazan, Iban, Kelabit, Bidayuh & Kayan
- Different ethnic groups have different economic status, financial literacy levels, investment profiles and risk appetites
- Limited language capabilities of trainers delivering investor education programmes to cater to the needs of multiracial and multilingual society



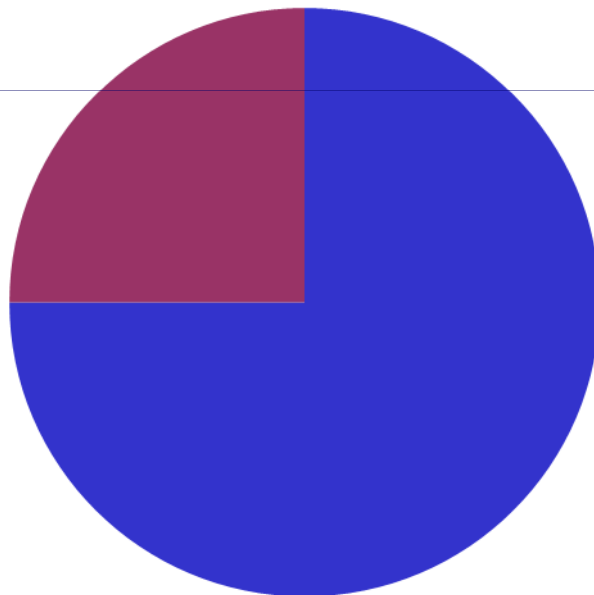
Investor education approach needs paradigm shift

Traditional approach	What needs to change	Strategy moving forward
<p>Investor education pursued independently of other regulatory goals;</p> <p>Paternalistic;</p> <p>Regulators take primary responsibility – moral hazard Intermediaries have little or no role;</p> <p>Focus on retail investors Insufficient focus on behavioral risk.</p>	<p>Education must be viewed widely, not as isolated function;</p> <p>Pursue investor education as a key component of regulatory function;</p> <p>Leverage on opportunities for investor education when carrying out other regulatory function;</p> <p>Establish meaningful KPIs to measure success and effectiveness.</p>	<p>Targeted approach to investor education;</p> <p>Complement ‘buy-side’ initiatives with sell-side efforts;</p> <p>Collaborative & coordinated efforts with industry;</p> <p>Embedding investor education across the investment chain.</p>

Strategy 1 : Targeted approach (Swisscash investors)

Gender

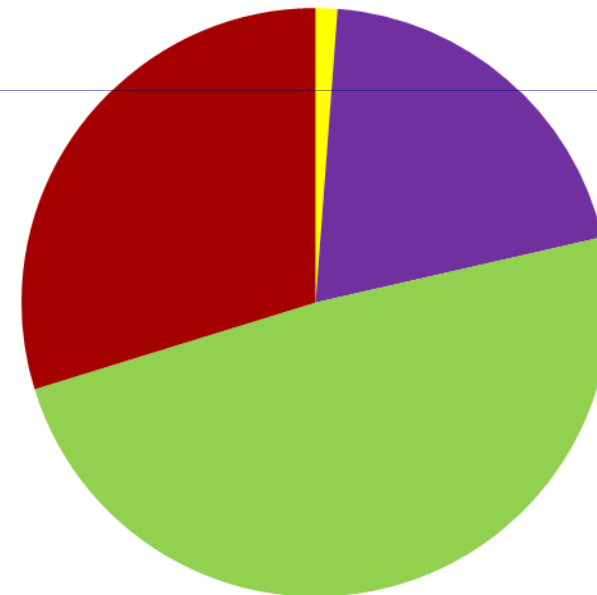
Gender	Male	Female
Percentage (%)	75	25



■ Male ■ Female

Age

Age Bracket	20-34	35-49	50+
Percentage (%)	20.2	47.6	32.2



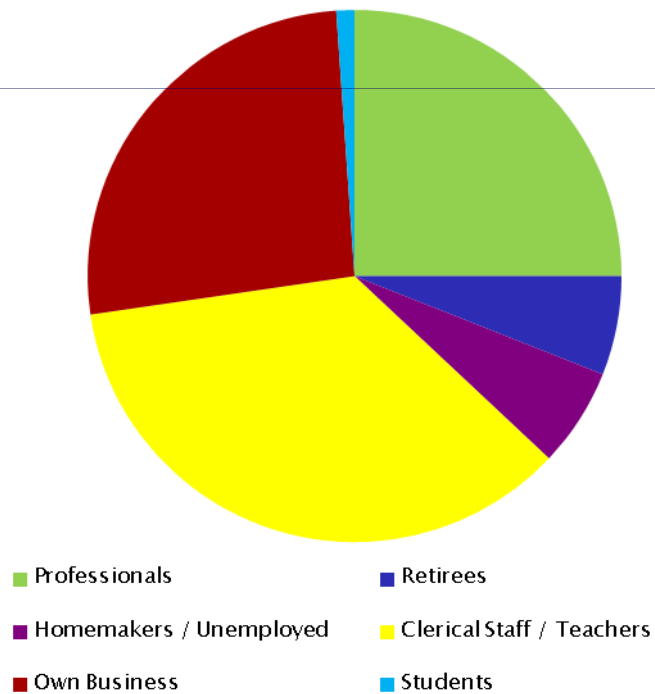
■ <19 ■ 20-34 ■ 35-49 ■ 50+

.....targeted approach

Occupation

Occupation	Professionals	Retirees	Homemakers / Unemployed	Clerical Staff / Teachers	Own Business
Percentage (%)*	25	6	6	35.7	26.2

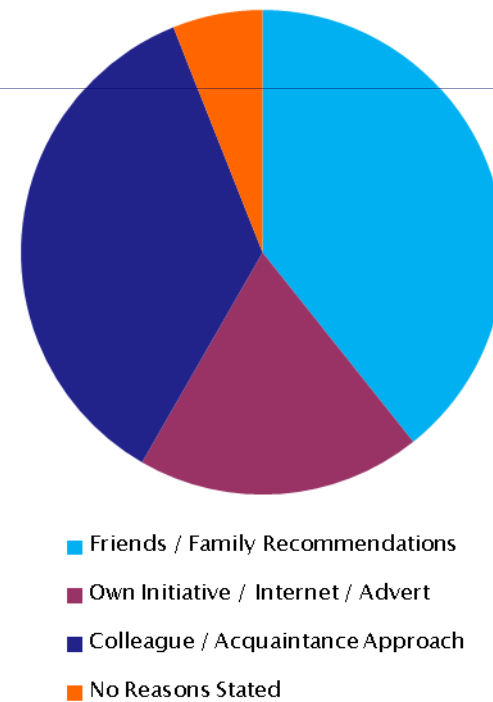
* 1 student = 1%



Reason

Reasons	Friends / Family Recommendations	Own Initiative / Internet / Advert	Colleague / Acquaintance Approach
Percentage (%)*	39.3	19.0	35.7

*the remaining percentage did not state their reasons



Strategy 2 :Complement 'buy-side' initiatives with sell-side efforts

Buy

Investor education initiatives targeted at investor

- focused on increasing literacy and capability
- Providing/improving access to information on rights/accountabilities and products

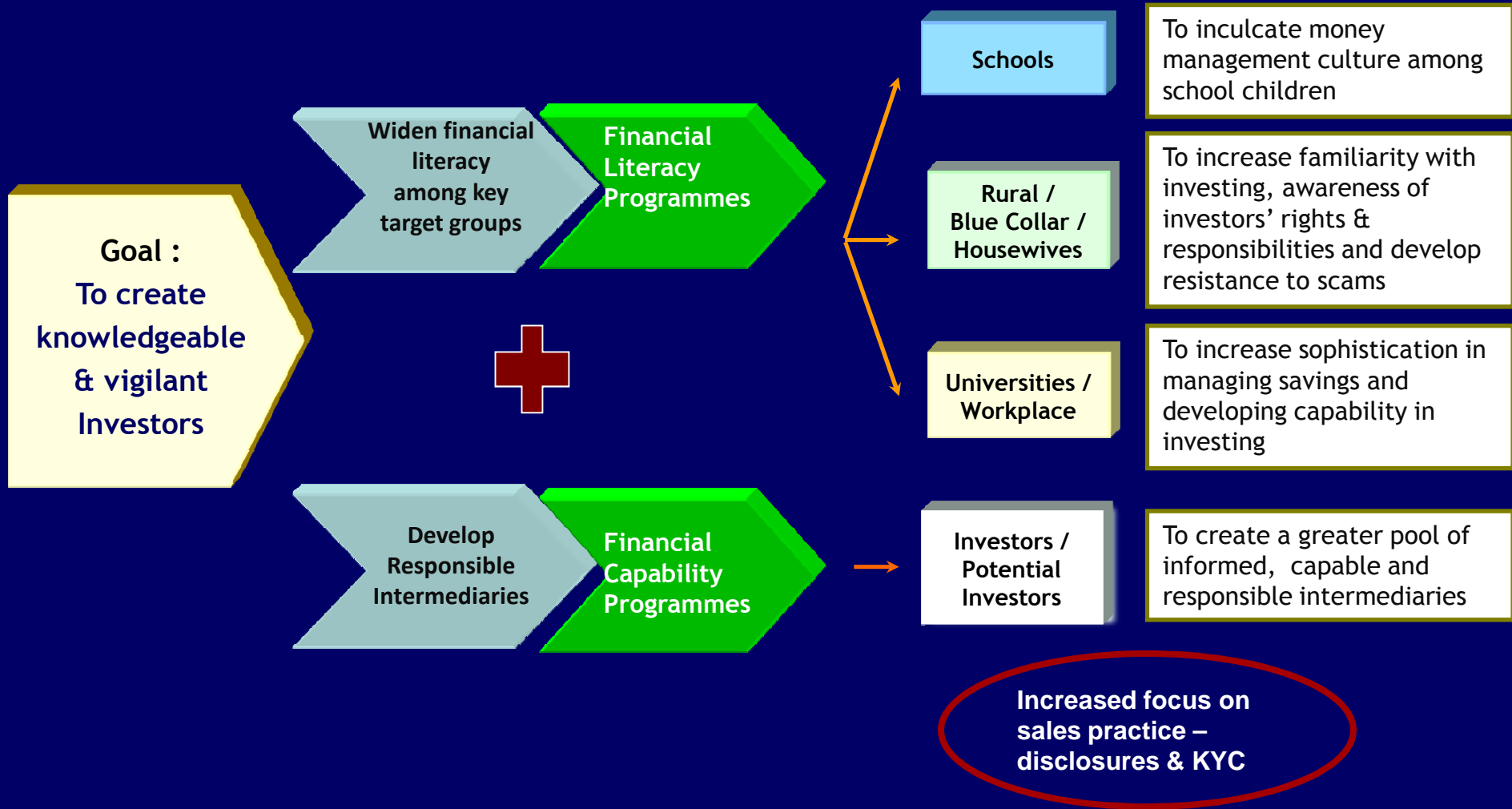
Sell

- Incorporates investor education in marketing
- Provides effective product disclosure



Investment products must be bought, not sold !

Strategy 2 : Implementation



Strategy 2 : Outcomes

Well informed and responsible investors

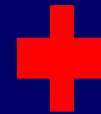
BUY

Schools

Rural /
Blue Collar/
Housewives

Universities/Wo
rkplace

Investing
Public



Widen financial literacy/capability

A responsible industry

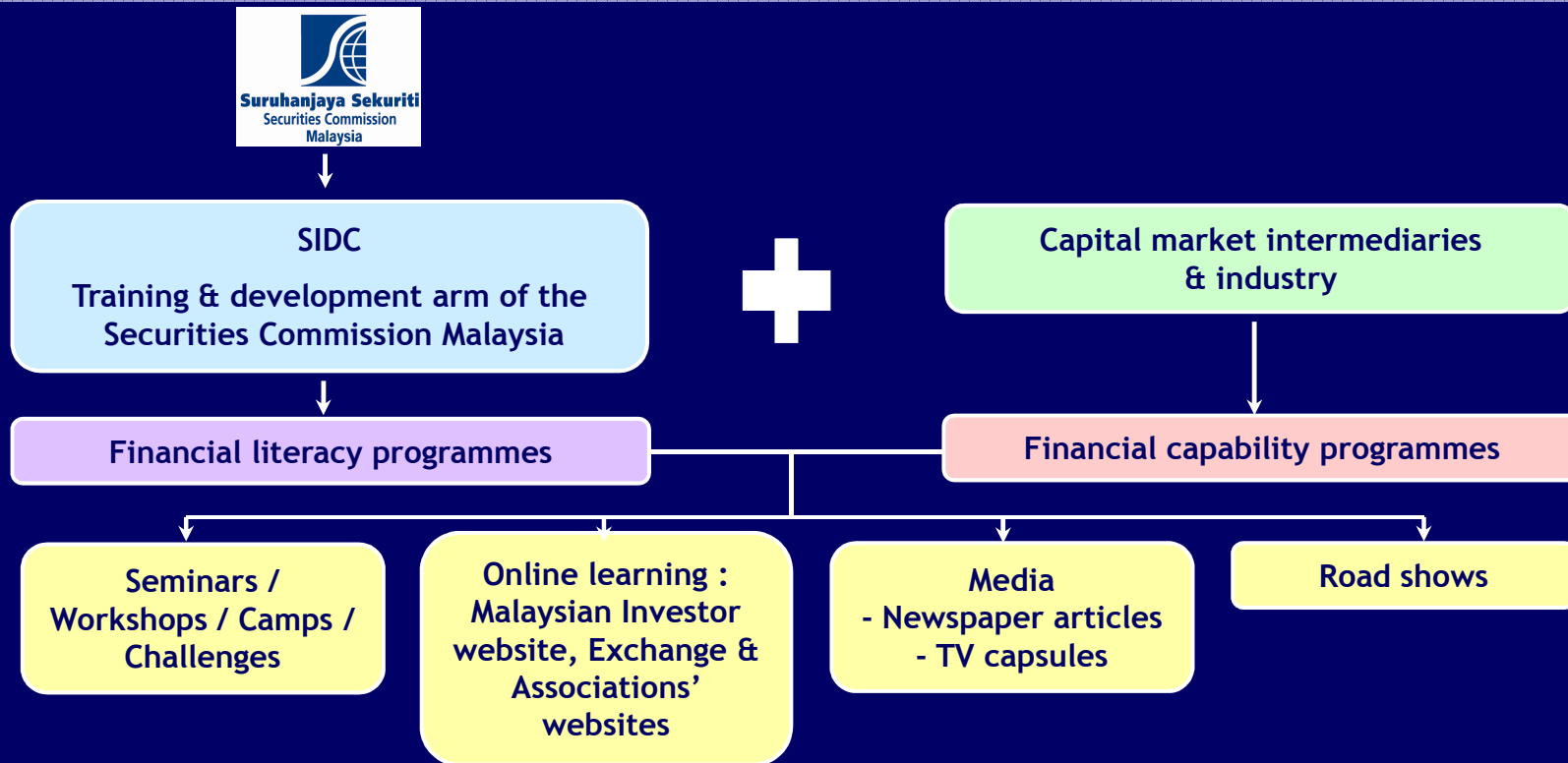
- Incorporates investor education in marketing
- Provides effective product disclosure

SELL

Strategy 3 : Collaborate with industry

- **Enhance role of intermediaries in development and marketing of products - to include investor interests & education considerations**
- **Shore up importance and application of the ‘know your client’ rule**
- **Enhance accountability of SROs/gatekeepers/watchdogs**

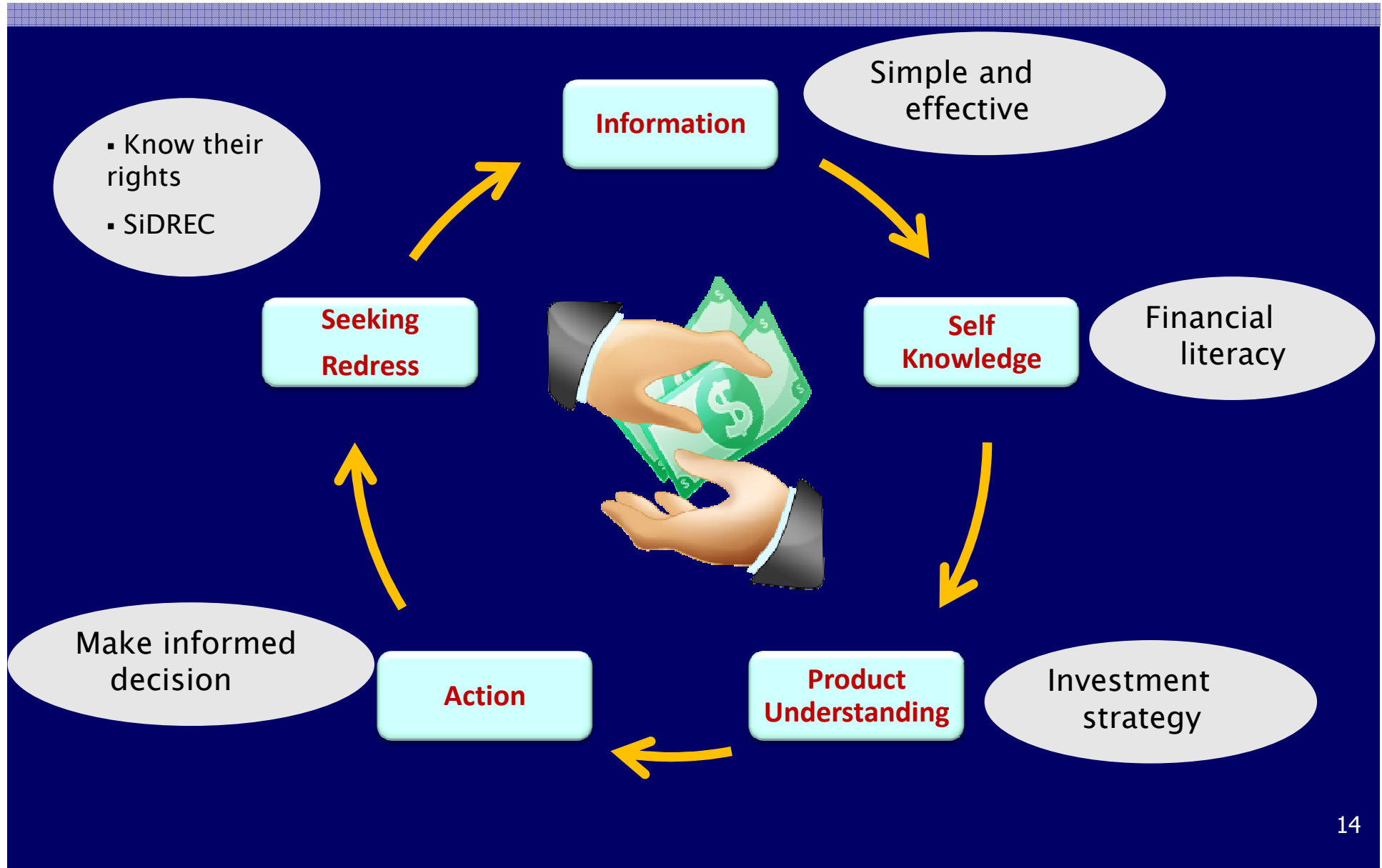
Strategy 3 : Implementation



Programme delivery also via partnership with the following organisations:

- Ministry of Education -Schools
- Ministry of Women, Family & Community Development -Women
- Federal Land Development Authority -Rural Community
- Federation of Malaysian Manufacturers -Blue Collar Workers
- Institutions of Higher Learning -University Students
- Public Service Department - Government Employees

Strategy 4 : Investor education across the investment chain

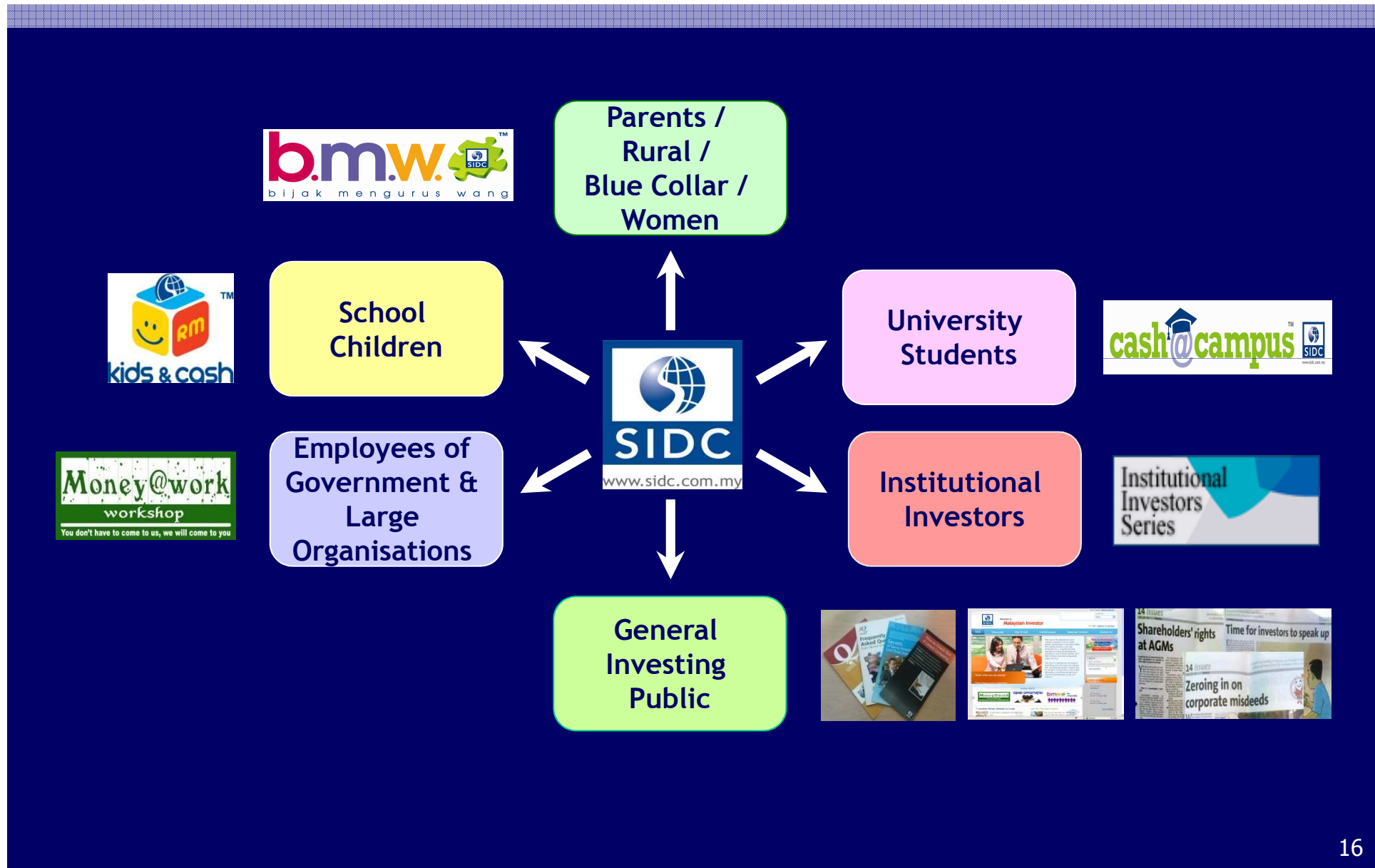


Success factors

- Industry buy-in required for 'sell-side' initiatives
- Strong supervision
- Regulatory coordination - consistency of approach in areas of overlap
- Accountable and responsible investors
- Holistic approach



A Holistic Approach To Investor Education





Some Positive Outcome

To gauge the effectiveness of the B.M.W. programme and evaluate behavioral changes in its participants, SIDC engaged a third party consultant to conduct an impact survey. Conducted among 800 random participants, the results were extremely encouraging/positive.

As a result of the B.M.W. programme, participants:

- are now **more vigilant** when considering an investment.

87.3%

- have started **implementing a personal budget**.

85.8%

- have started setting financial goals **using the S.M.A.R.T. method**.

84.4%

- **87%** of the respondents are now able to differentiate between legal and illegal investment schemes

- List of methods to differentiate according to awareness :

- High returns over a short period of time

84.6%

- Difficulty to verify company information

73.9%

- Money must be paid to claim prize

73.1%

- Unsolicited phone calls

73.0%



Thank You