



4 October 2011

Chairman to Bills Committee on Securities and Futures
(Amendment) Bill 2011,
Legislative Council Building,
8 Jackson Road,
Central, Hong Kong.

Dear Hon Chan Kam-lam, SBS, JP,

Securities and Futures (Amendment) Bill 2011 - Establishment of an Investor Education Council

Thank you for allowing us the opportunity to review and comment on proposals set out in the Securities and Futures (Amendment) Bill 2011 ("the Bill"). IFPHK, as the leading professional body serving the financial planning community, is obliged to respond to any policy changes that affect the business of its member and their clients. As such, IFPHK would like to comment on the establishment of a cross-sectoral Investor Education Council ("the IEC"). In this letter we will outline our views for your consideration.

IFPHK's vision and mission is to promote the importance of financial planning and enhance the professional standard of the industry. Over the past ten years IFPHK has strived to work towards these objectives and has a track record of advocating on the provision of financial education to consumers. In response to the 2009-2010 budget consultation, IFPHK submitted a proposal urging the Government to consider providing funding for creating an all encompassing financial literacy program. In May 2010, IFPHK submitted a response to the Government's public consultation on the proposed establishment of an IEC. It is IFPHK's view that improved financial literacy levels will not only allow consumers to make more informed investment decisions, but also result in a greater consumer appreciation of planning for a long-term financial future – a concept IFPHK continuously promulgates. Investor education or in the broader term financial education is defined by the Organization for Economic Cooperation and Development ("OECD") as,

*"The process by which financial consumers or investors improve their understanding of financial products and concepts and, through **information, instruction and/or objective advice**, develop the skills and confidence to become more **aware** of financial risks and opportunities, to make informed choices, to **know** where to go for help, and to take other **effective actions** to improve their financial well-being. As such, financial education should be efficient and aimed not only at enhancing financial awareness but also supporting **the development of more responsible financial habits and behaviors**.¹"*

The definition makes clear that financial literacy is about more than just knowledge; it includes attitudes, behaviors and skills. It stresses the importance of the decision making process and how an individual applies his or her financial knowledge to real life. Nevertheless, the financial crisis proved that there is a mismatch between consumers' financial literacy, the growing complexity of risk and the expanding choice of products. Whilst it is undeniable that more sophisticated consumers help markets grow and reduce complaints and disputes, to improve financial literacy through financial education requires large scale behavioral change, which will take many years. As highlighted in our previous submissions, financial education programs provided by different regulators and financial service providers with different educational objectives and limited funding have been unable to significantly improve consumer

¹ "Delivering financial literacy: challenges, strategies and instruments" background note to the speech of Richard Boucher (OECD Deputy Secretary General) at the occasion of the RBI-OECD Workshop, in 22-23 March 2010



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financial literacy. In this regard, IFPHK supports the board principle of establishing a cross-sector IEC as an umbrella organization to oversee the needs of investor education and the delivery of related initiatives. IFPHK also agrees that the aim of an IEC is to influence the financial attitude and behavior of the general public by improving their financial literacy and capability.

However, IFPHK disagrees with the comments that financial education that focus on one's rights and responsibilities, decision making skills and generic knowledge of financial products is not covered by industry associations, professional bodies and market experts². As mentioned earlier, it is IFPHK's mission to promote the importance of financial planning. Financial planning in our view is the process of meeting an individual's life goals through the proper management of his or her finances. We focus on the 6-steps of the financial planning process, which is product and sector neutral. In the past IFPHK has funded financial literacy programs by pooling its resources for a series of activities including the Financial Planning Conference, Retirement Conference, consumer seminars, SCMP/ IFPHK Financial Planners Awards and career talks to university students. Also, IFPHK and our CFP certificants have actively participated in educational events organized by regulators and charitable organizations, where one-to-one and objective financial planning consultations have been provided to the general public on voluntary basis. These events were welcomed by consumers who would like to learn more about basic financial planning.

While IFPHK agrees that the cost of an IEC would be lower by leveraging and sharing resources with the existing regulatory community, we would like to remind the Government not to underestimate the challenges and structural barriers by setting it as a wholly owned subsidiary of the SFC. Firstly, IFPHK considers that all financial regulators should have the statutory objective of promoting financial literacy. The most efficient and effective to do this may not be by simply extending the scope of the SFC to cover other financial products and services. Secondly, the countries cited in the Consultation Conclusion that have integrated their IEC into the national regulator all have a different regulatory frameworks to that in Hong Kong (either by having a single regulator or twin-peak regulatory approach). Their experiences could be useful, but may not be directly applicable in Hong Kong's legal and regulatory frameworks. With the tradition of having a decentralized supervision approach, simply extending the SFC's statutory remit without revamping the strategies and approach could hinder the IEC's ability to deliver broad and balanced financial education to the benefit of the general public. IFPHK believes the cost effectiveness of the IEC is measured not just by keeping operational costs low, but by the IEC's ability to meet its objectives and targets of enhancing financial literacy of the general public, and in providing financial education in a fair and unbiased manner.

In light of the above, IFPHK would like to highlight some of areas that are critical to the formation and development of an IEC. We hope the Government will find them useful and that IFPHK will have the opportunity to be involved in the development process. IFPHK regards it is crucial for an IEC to:

- 1. Develop a comprehensive and consistent financial education strategy:** The aim of an IEC is to promote available resources on financial education to the public. This is important in order to better leverage existing financial education resources and avoid overlap or duplication.
- 2. Conduct broad and deep research on financial literacy and capability:** While many excellent financial education efforts are ongoing throughout Hong Kong, large scale and comprehensive research on financial literacy is rare. A broad and deep base of research on financial education assists policymakers and education providers in improving the effectiveness of their work and programs. This research will form a shared body of knowledge on how to best inform and educate different segments on different financial topics through multiple delivery channels.
- 3. Design and develop tailored programs with targeted materials and dissemination strategies:** Given that large variety of financial education exists, an IEC has the responsibility to tailor financial education and campaigns to different types of audiences. These materials and messages should be

² Consultation conclusion on the proposed establishment of an Investor Education Council and a Financial Dispute Resolution Centre

distributed through the most trusted organizations and dissemination channels within the target audiences' communities.

- 4. Perform continuous evaluation on the effectiveness of the financial education programs:** Systematic evaluation on the effectiveness of the financial education program is not common in Hong Kong. It is essential and is a good practice to set up a measurement system to continuously improve and update the financial education program and assess outcomes after implementation the program.
- 5. Tap into public-private partnership:** Improving the financial literacy is not a task that can be undertaken solely by the IEC. Private organization and community involvement can greatly enhance the effectiveness of collaborative resource development and dissemination efforts.

Develop a comprehensive and consistent financial education strategy

Having an independent body setting common goals for financial education is perceived by IFPHK as the top priority towards enhancing consumer protection in Hong Kong. There is a growing momentum in the international community to raise the awareness of financial education by enhancing financial literacy and capability. Some countries consider financial education so important that they are developing national strategies to coordinate and direct their financial education programs³. The US Congress established the Financial Literacy and Education Commission through the passage of the Financial Literacy and Education Improvement Act in order to develop a national strategy to promote financial literacy and education.⁴ The Financial Literacy Foundation of Australia is responsible for determining the national financial strategy for Australians.⁵ The Retirement Commission of New Zealand defines financial literacy as "the ability to make informed judgments and take effective decisions regarding the use and management of money".⁶ One of statutory objectives in the Financial Services and Market Act in the UK is to promote public understanding of the financial system. The FSA as the main statutory regulator develops the National Strategy for Financial Capability and it is the core belief of the FSA's work that improving people's financial capability will contribute to a more effective and efficient retail market.

In Hong Kong a number of regulators, education providers and professional organizations deliver financial education programs that fit their own purpose. Where program planning is concerned, with providers and instructors from different organizations problems can arise when the roles of these providers and instructors, or aims of the programs, are uncertain. Thus there is a need to clarify with regard to the aims of any financial education program. Without common goals and well-defined strategies regulators and educators find it difficult to keep pace with financial innovation and change. A recent survey conducted by MasterCard about financial literacy level in Asia Pacific showed that women in Hong Kong ranked in the top five for Investment and Basic Money Management across Asia Pacific. However, they were particularly weak in terms of financial planning skills. Hong Kong women scored

³ OECD, Improving Financial Literacy, Analysis of Issues and Policies, 2005

⁴ "Taking Ownership of the Future: The National Strategy for Financial Literacy" presentation of Dan Iannicola, Jr., Treasury Deputy Assistant Secretary for Financial Education and Executive Director of the President's Advisory Council on Financial Literacy in Session1 – National Strategies: Creation and Implementation" in OECD-US Treasury International Conference on Financial Education, May 7-8, 2008.

⁵ "Australia's National Financial Literacy Strategy" presentation of Paul Clitheroe, Chairman of Financial Literacy Foundation Advisory Board in Session1 – National Strategies: Creation and Implementation" in OECD-US Treasury International Conference on Financial Education, May 7-8, 2008. The national financial literacy strategy as set out by the Financial Literacy Foundation are

- Establish a centralized clearinghouse for consumer and financial literacy education and information resources
- Incorporate education benchmarks and standards in schools:
- Foster industry, government and community collaboration
- Undertake a national consumer and financial literacy information program

⁶ David Feslier, Executive Director Retirement Commission New Zealand, "Financial Education and Financial Literacy in New Zealand", September 2006.

67.8 in financial planning skills, significantly below Asia Pacific average score of 74.6.⁷ The result reflects that Hong Kong is an international financial centre where people have access to a variety of financial products, but the attitude and awareness of the public towards proper planning for retirement and emergencies are not fully developed. To become financially capable, basic budgeting and money management skills are crucial, but consumers also need skills in planning ahead. A broad understanding of financial products and their applications can help achieve future personal goals.

IFPHK recognizes the hard work done by the SFC in the past to provide investor education in relation to securities and futures subjects. The investor portal (InvestEd) developed by the SFC, is an excellent platform that allows investors to learn more about investing and discover key facts about their investments. Nevertheless, the SFC has long used disclosure as a tool for getting key financial information into consumers' hands. Its investor education campaign focuses on encouraging investors to do their homework before making an investment decision. In essence, ask the right questions to assess product suitability, stay vigilant and watch out for the danger signals.⁸ While providing information is an important aspect of financial education (the others being instruction and objective advice), studies have found that there is little empirical evidence of their efficacy in changing behavior. Neither is there reliable information on the best way to disseminate financial education messages⁹. In addition to effective disclosure, consumers also need classes, access to counseling, coaching and advice. In view of the challenges that will be faced by an IEC, IFPHK urges the Government to show its commitment and seriousness on enhancing financial literacy and capability by determining a territory-wide financial education strategy that clearly defines the roles and responsibilities of an IEC. In this respect, IFPHK considers an IEC should perform at least the following functions:

- Formulate policy and standards based on the Financial Education Strategy of Hong Kong
- Liaise with international bodies that promote international cooperation on financial education, including bodies such as the OECD, IOSCO, and World Bank.
- Provide funding and technical assistance to local communities and education providers that aligns with the strategic objectives of the IEC
- Foster industry, government and community collaboration including managing strategic relationships with consumers, and industry and professional bodies, etc.
- Perform outreach and implementation of financial literacy programs where the design of the program is based on broad and deep research on consumers' needs.

Conduct broad and deep research on financial literacy and capability

Improving financial literacy and capability requires large scale behavior change. The behavior and attitude of consumers have important implications to the design and implementation of an effective financial education program. Many advanced economies have attempted to understand the learning needs of the public by conducting large scale financial literacy surveys or research. Financial literacy surveys are used to identify the financial skills and knowledge most lacking among consumers and to establish a baseline measurement of financial literacy with which to assess the effectiveness of financial literacy programs. Selective overseas experiences are listed in Appendix A. Some findings from these studies can be generalized;

- While a certain percentage of consumers are dedicated savers who think that individuals should take responsibility for their retirement, a much larger percentage have a "live for today" attitude and prefer to spend money than to save it.
- Respondents often feel they know more about financial matters than is actually the case.¹⁰

⁷ MasterCard Intelligence, Hong Kong woman rank high in investment and basic money management, 7 March 2011.

⁸ Ivy Lai, "How to Present Financial Information – Role of Disclosure in Complementing Financial Literacy Campaigns"

⁹ Alliance for Financial Inclusion, Policy Note on Consumer Protection Leveling the playing field in financial inclusion, 2010

¹⁰ In United States, 65% of students said that they have the ability to manage their own finances. However, the scores of these students were not much higher than those of their less confident peers. In Australia, most respondents stated that they are

Lack of awareness on financial incompetency may pose a challenge to policymakers as those in most need of financial education may not be aware of the fact and therefore would not know where to go to find it.

In the past regulators in Hong Kong have tried to understand the needs and characteristics of the investing public. For instance, the SFC conducted its last retail investor survey in 2008. The aim of the survey was to assess the profile, investment knowledge and behavior of retail investors. The survey was mainly based on the respondent's subjective response on their investment knowledge despite objective observation being used to verify the result. The survey was organized into investors in different investment products. Key findings of the survey included:

- Two-thirds of the investors indicated they knew very little or nothing about at least one of the products they had invested in.
- Warrant investors considered themselves most familiar with the product, followed by stock investors. Investors who had invested in ELI, funds and bonds were least familiar with the products.
- Complaints received by SFC provide anecdotal evidence that many warrant investors have a poor understanding of the product and suggest that familiarity may not directly correlate with knowledge.¹¹

Other surveys by private organizations like MasterCard indicated that women in Hong Kong are outshone by their counterparts in Asia Pacific in terms of Financial Planning skills, despite being competent in money management and investment. Generally speaking, baseline information about financial literacy and capability in Hong Kong is limited. Surveys are usually based on self-assessment of respondents' financial literacy and focus on the asset side or investment behavior. The debt side of financial literacy has received less research and attention than the asset side. The unbanked and vulnerable groups are often missed altogether in these surveys.

An IEC should undertake comprehensive and territory-wide financial literacy studies that are based on more detailed and reliable questions on finance. IFPHK suggests benchmarking Singapore's experience on designing a financial literacy study. The objective of the financial literacy survey in Singapore was to measure levels of financial literacy among different groups of Singaporeans and gauge their attitude towards financial matters. The findings were used to identify gaps in financial knowledge and actions, and identify areas where more consumer education was needed and the most effective channels for delivery.¹² The financial literacy scores were calculated using a formula and divided into two dimensions:

- By tiers (basic money management, financial planning, investment know-how), and
- By behavior (knowledge¹³ and action¹⁴)

The score is further analyzed using different demographic parameters such as education level, household income and age group. The survey showed that Singaporeans are generally knowledgeable and have good money management habits. They also recognize the importance of planning for their finances and have taken some basic steps in financial planning. However, the survey identified three areas for improvements which IFPHK considers a useful reference to the future management of an IEC.

financially literate. However, when asked to apply their financial knowledge, they demonstrated a lack of financial understanding.

¹¹ Securities and Futures Commission, Key Findings of Retail Investor Survey, December 2008.

¹² Christina Tan, Deputy Director & Head, Consumer Issues Division, Monetary Authority of Singapore, "Evaluating Financial Education Programs", a presentation in the International Conference hosted by the Russian G8 Presidency in Cooperation with the OECD, 30 November 2006, Moscow

¹³ Test Singaporean's financial knowledge on the three tiers

¹⁴ Actions include what steps Singaporeans have taken to manage their money, what active plans Singaporeans have made to plan for their future or retirement, and for Singapore who invest, what steps they have taken to understand what they invest and monitor investment performance.

Areas for improvement were in:

- Inadequate savings for emergencies,
- Inadequate retirement planning and
- Inadequate understanding of common financial products¹⁵.

Design and develop a tailored program with targeted materials and dissemination strategies

After understanding the consumer needs on financial education by conducting a baseline survey and diagnostic review of legal and regulatory framework, the IEC should develop an implementation plan and invited qualified personnel to launch the program. Similar to the principle of financial planning, financial education is a continuous life-time process and therefore the financial education program of an IEC should be regularly updated to take into account changes to investors' circumstances, the increased complexity of markets, needs at different life stages and increasingly complex information. It should also include a wide spectrum of topics that cover both savings, spending and investment issues. Different learning styles also need to taken into account, e.g. audio, visual, and kinesthetic.

In order to design a program that can meet the needs and financial literacy level of the target audience as well as reflect how the target audience prefers to receive financial information, IFPHK recommends an IEC ensures several international good practices are implemented in the financial education program. These include, but not limited to:

- The development of methodologies to assess existing financial education programs
- Official recognition of a financial education program for each population sub-group
- The establishment of guidelines on study content and accomplishment level for each financial education program and for each population sub-group should be promoted.
- The use of all available media for dissemination of education messages in order to achieve wider coverage and exposure,

In view of the above, IFPHK suggests an IEC involves different groups of stakeholders to design and develop the following integral parts of a financial education program:

Coverage

Financial literacy is correlated with education and income levels. Many countries use financial literacy as a means to financial inclusion and to reach vulnerable segments of the population. If launched, financial education could play an important role in enabling the most vulnerable segments to use legitimate and well-governed financial services. OECD values the importance of such policies and concentrates resources on analyzing and promoting efficient programs that are tailored to improving the financial skills and knowledge of the most vulnerable groups. There is a special expert group established by the G20 to tackle this issue. IFPHK promulgates that financial education is not only for investors. It should be relevant to people from all walks of life. We believe that everyone has financial needs regardless of whether they are aware of it or not. They should all have equal access to financial services and take on financial advice that is appropriate to their needs. Thus, the financial education program of an IEC should not neglect the vulnerable groups such as the uneducated or those without a bank account.

Apart from ensuring universal coverage, most countries recognize that people should be educated about financial matters as early as possible. Countries like the US, UK, Germany and Australia all have strategies and programs targeting young people of school age. Financial and money management skills are taught in school. One of the five tactics of the US' national strategy is to integrate financial education into the core curriculum and into individuals' lives at teachable moments.¹⁶ The purpose of the program is to build the financial literacy and awareness of school children so that they can be responsible adults and eventually become a catalyst towards large scale behavioral change.

¹⁵ Christina Tan, "Evaluating Financial Education Programmes", presentation in International Conference hosted by the Russian G8 Presidency in Cooperation with the OECD, 30 November 2006, Moscow

¹⁶ Dan Iannicola, Jr. Deputy Assistant Secretary, Office of Financial Education, a presentation in the International Conference hosted by the Russian G8 Presidency in Cooperation with the OECD, 30 November 2006, Moscow

Content design and development

In order to take into account the diverse backgrounds of consumers, financial education should aim to improve people's financial capacity, bearing in mind the characteristics and specific needs of each group. Therefore, the content of financial education should be related to individual circumstances such as culture, education, age and experience. It should be delivered through channels that the target audience prefers and feature different programs tailored for specific sub-groups of investor or consumer e.g. young people, the less educated, or disadvantaged groups. Since the survey found that women in Hong Kong are particularly weak in financial planning skills and attitude, IFPHK suggests more resources should be put on aspects that are essential for financial planning such as basic concepts related to savings, debt, insurance and MPF. After the programs, the government and education providers should follow up with participants to reinforce the message and ensure that participants are able to apply the skills learned.

Media and medium of dissemination

If an IEC wishes to improve financial literacy it must be aware of the best channels through which to reach consumers and the ways in which they will engage. An IEC should ensure that information is accessible to all groups and is crafted in plain language. A financial literacy survey can be used to ask questions of the respondent regarding the availability, clarity and delivery method of financial information. Financial education messages can be delivered to consumers through information, instruction and objective advice.¹⁷ The most frequent way of providing financial education in Hong Kong is through publications in a variety of forms such as brochure, leaflet, and newsletter or on websites. Some other media tools such as TV shows and interactive investor programs such as story competition are also used. The effectiveness of these programs in enhancing financial literacy is hard to measure and there is little evidence to suggest they are able to trigger a change in behavior. Financial education campaigns of providing objective advice are not widely available in Hong Kong. Each year, IFPHK sends volunteers to participate in "exhibitions" organized by the MPFA in which our volunteers offer one-to-one product and sector neutral financial counseling to consumers. The feedback from these events is very positive, reflecting that demand for this kind of personalized counseling is strong. IFPHK therefore offers some suggestions of methods and channels through which financial education could be delivered. These include:

- **Spend more on financial counseling and coaching:** IFPHK would like to highlight that providing objective advice should be clearly differentiated from financial advice and actions of a commercial nature. Objective advice as opposed to advisory of commercial nature is in the OECD's definition provision of counsel to consumers regarding generic financial issues and products so consumers can make the best use of the financial information and instruction they have received. Consumers can benefit from personalized financial coaching and experience in other countries shows that credit counseling leads to a decrease in indebtedness. Other advisory methods such as telephone help lines and online chat can also be considered.
- **E-platform to compare and understand different financial services and products:** Consumers have the right to be heard, to access information and to choose. An IEC might consider providing a platform for consumers to compare different financial service, products and financial qualification. Adequate guidance about different financial qualifications can be provided to the consumers in order to allow them to assess the competency of an individual providing financial services and information.

¹⁷ As defined by OECD, **Information** involves providing consumers with facts, data and specific knowledge to make them aware of financial opportunities, choices and consequences. **Instruction** involves ensuring that individuals acquire the skills and ability to understand financial terms and concepts, through the provision of training and guidance. **Advice** involves 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.

Perform continuous evaluation on the effectiveness of the financial education programs

To better understand the needs of consumers and the roles of institutions will require objective analysis of which approach and programs are effective. Evaluation is therefore critical to being able to confidently identify good practices. If funding for financial education is increased, the value for money of financial education is likely to be questioned and the need to evaluate the effectiveness of financial education will increase. Despite its importance, there have been relatively few evaluations of financial education programs in order to review the effectiveness of these programs in achieving their objectives. This is in part due to the fact that program evaluation is expensive and it is difficult to devise feasible measures to assess whether the main goals of a financial education program have been fulfilled. Particularly for information and instruction provided through website or brochures distributed in public places, it is difficult to develop effective measures to assess and monitor behavior changes after the program.

Where evaluated, financial education has been found to be effective. Research from the US shows that workers increase their participation in and contributions to 401(k) plans when employers offer financial education. Consumers who attend one on one credit counseling sessions have lower debt and fewer delinquencies than consumers who do not.¹⁸

The evaluation of financial education program can be classified as either subjective or objective. The subjective evaluation asks participants in the financial education program for their views about the information provided and about whether in response to this information they intend to change their behavior. The objective evaluations identify some goal, such as an increase in participation rates or in contribution rates to a defined contribution plan, and then uses the data and statistical techniques to determine whether there is a significant relationship between attendances at a financial education program and change the goal variables. IFPHK suggests the IEC to establish an evaluation framework and approach that applies a mix of objective and subjective evaluation methods in order to fully understand the impact of the financial education program on the population.

In drafting an evaluation framework the Singapore experience may again be a good reference. In Singapore they calculate cost effectiveness of different programs by measuring how much a participant learns and whether they take steps to better manage their expenses. When evaluating a program, Singaporean authorities measure each program (workshop, TV program, mass media, etc) using three indicators - reach, retention and reaction. Examples of an evaluation are set out in Appendix B. Other jurisdictions like New Zealand also attempt to measure the relationship between financial knowledge, financial behavior and financial outcomes. They plan to conduct a longitudinal study of those who have undertaken financial education (different types) and compare financial behavior and asset accumulation with those who have not had financial education¹⁹.

Tap into public-private partnership

To disseminate financial education messages requires an IEC to reach people through multiple channels and therefore no single organization can improve financial literacy on its own. The cornerstone of an effective financial education strategy is cross-sectoral and organizational wide cooperation and partnership-building. Government, together with all stakeholders, should promote financial education in an impartial and coordinated fashion. Partners are very important as they can

- Prepare and draft program materials
- Provide skilled and qualified trainers
- Deliver the program
- Control the quality of the program

The financial literacy survey discussed in this letter can be a tool to identify partners to the financial education program such as community organizations and professional bodies. The FSA's survey identified particular groups such as single parents and the unemployed that had lower financial capability

¹⁸ OECD, Improving Financial Literacy, Analysis of issues and policies

¹⁹ David Feslier, Executive Director, Retirement Commission New Zealand, "Financial education and financial literacy in New Zealand", September 2006.

and were predictors of lower financial capability, The FSA then used the results to choose appropriate partners to work with these groups²⁰

Without doubt improving financial literacy and capability requires a multi-stakeholder framework. Challenges for the government and an IEC will be to deepen knowledge about the role that different institutions can effectively play in educating for financial literacy. Key stakeholders the IFPHK has identified include;

- Government and all regulators
- Schools and education providers
- Professional bodies and industry associations
- Financial institutions
- Employers
- Consumers
- Non-Government and charity organizations.

IFPHK suggests the government involve all stakeholders in the development process of an IEC because the industry and professional bodies can bring experience of providing financial education and consumers can provide input about their needs and preferences. In the end, building an IEC should be a consumer driven initiative and therefore IFPHK recommends inviting consumer representatives onto the board or advisory group of an IEC.

Good partnership can have a tremendous impact. It is vital for regulators to act in a collaborative way with various organizations that support the same goals and have direct dealings with consumers at grass root level. It is equally important to share and pool expertise with other regulators and experts in the field that will help make the program more effective. IFPHK and our global affiliates are committed to ensuring that the public understands what financial planning is and is able to readily identify trainers who are qualified to deliver such a program.

Conclusion

To Conclude, IFPHK recognizes that there is no “one-size-fits-all” approach towards investor education. Neither is there one perfect tool for delivering such an education program. Improving financial literacy and capability requires large-scale behavioral change. There are number of factors that influence consumer’ behavior and include experience, personality, knowledge, skills and attitude. In summary, IFPHK suggestions to the Government are:

- Be strategic and commit resources to promote financial education. Developing an IEC should not be regarded as a regulatory response to financial crisis or market failure. Financial education is an important investment in the well-being of society as a whole.
- Develop a broad scope on financial education and avoid only extending the current practice to other financial services and products.
- Do more research to get baseline information about current levels of financial literacy, existing financial education programs and potential partners of financial education programs
- Focus more on the areas where people in Hong Kong are lacking such as financial planning skills.
- Apply multiple channels to deliver the right message to the right people at the right moments
- Financial education through objective advice should be promoted
- Develop a multi-stakeholder framework and identify partners with common goals and objectives.

While education is definitely effective in changing one’s behavior, the paradigm shift may take a long

²⁰ “FSA UK, Financial Capability Strategy” presentation of Chris Pond, Director of Financial Capability of FSA in Session1 – National Strategies: Creation and Implementation” in OECD-US Treasury International Conference on Financial Education, May 7-8, 2008.

time and financial education is just one the pillars of adequate financial policy action²¹. While better educated investors are essential to society and help resist market shock, financial education only complements and is not a substitute for regulation and supervision.

Once again we would like to thank you for allowing us the opportunity to be involved in the consultation. Please note that the views expressed above have not been developed pursuant to a full consultation with our members. We would be happy to undertake a more broad-based members consultation if you consider it necessary. Please do not hesitate to contact us if you would like to discuss any of the above suggestions in greater detail.

Yours sincerely,



Dennis Lau
Chief Executive Officer
Institute of Financial Planners of Hong Kong

²¹ The other pillars as defined in OECD while paper are 1. Access and inclusion 2. Prudential regulation and enhanced governance 3. Consumer information and protection 4. Competition.

Appendix A

Name of jurisdiction	Result of Financial Literacy Survey
United Kingdom ^{22,23}	- Published a large scale survey "financial Capability in UK: Establishing a Baseline" in March 2006. - FSA planned to conducted similar survey every 4 to 5 years. - Revealed the extent to which the UK's financial capability needed to be improved: too few people plan ahead, too few understand financial products or shop around, and the under 40 age group is far less financially capable than their elders, whilst needing to take far greater responsibility for financial decisions than previous generations. 43% of the population does not want to assume risks in their investments, most hold assets which do not even guarantee the recovery of the principal invested. - Only 30% of those surveyed could make a correct calculation of simple interest - Only 44% showed a basic knowledge of pensions
Canada ²⁴	People who formed part of a study carried out in Canada declared that choosing a suitable savings plan for their retirement was more stressful than going to the dentist.
United States ²⁵	In the United States 47% of workers who do not have savings are nevertheless confident that they will have sufficient money when they retire.
Australia ²⁶	- Published the report financial literacy – Australians understanding money was published. - The findings of the report were people do not always have good money habits, even when they say they have the ability to manage money well. - Young people have completely different needs to the adult population. - It is not sufficient to provide consumers with access to financial literacy information, tools and resources. They must overcome the attitudinal and behavioral barriers to engaging with and learning about managing money better. As such Australia established National Consumer and Financial Literacy Framework that focused on addressing key structural barriers issues.

²² "FSA UK, Financial Capability Strategy" presentation of Chris Pond, Director of Financial Capability of FSA in Session1 – National Strategies: Creation and Implementation" in OECD-US Treasury International Conference on Financial Education, May 7-8, 2008.

²³ Maria Jose Gomez Yubero, Financial education: From information to knowledge and informed financial decision making, Quarter II 2008

²⁴ Maria Jose Gomez Yubero, Financial education: From information to knowledge and informed financial decision making, Quarter II 2008

²⁵ Maria Jose Gomez Yubero, Financial education: From information to knowledge and informed financial decision making, Quarter II 2008

²⁶ "Australia's National Financial Literacy Strategy" presentation of Paul Clitheroe, Chairman of Financial Literacy Foundation Advisory Board in Session1 – National Strategies: Creation and Implementation" in OECD-US Treasury International Conference on Financial Education, May 7-8, 2008.

Appendix B

How Singapore evaluates the cost effectiveness of different programs (source²⁷)

Example: Workshops or Games

Evaluation:

Reach	• Small groups • Higher cost per attendee as compared to seminars
Retention	• High degree of interaction between participants and trainer • Good participation in quiz questions to test understanding • Good recall of key message
Reaction	• Overall positive feedback • Participants more likely to implement what they learn when there is a follow-up action

Follow-up action:

- Volunteers follow up with individuals who attended basic money management workshops
- Students who attend financial education game workshops are encouraged to draw up their own pocket money budgets

²⁷ Christina Tan, "Evaluating Financial Education Programmes", presentation in International Conference hosted by the Russian G8 Presidency in Cooperation with the OECD, 30 November 2006, Moscow