



OECD/INFE
SYMPOSIUM ON

FINANCIAL LITERACY IN THE EVOLVING DIGITAL FINANCIAL LANDSCAPE

COLLOQUE
OCDE/INFE

**LA CULTURE FINANCIÈRE DANS UN
PAYSAGE FINANCIER NUMÉRIQUE
EN PLEINE ÉVOLUTION**



Session 2

Financial literacy, behavioural biases and financial decision-making

Why don't financial skills result in a more resilient future?

Prof. dr. Kristof De Witte

Leuven Economics of Education Research - KU Leuven
Baloise Insurance Research Chair to Financial Well-being

Why is the effect on financial decision-making limited?

The **best candidate** yet to improve Financial Literacy is **Financial Education**.

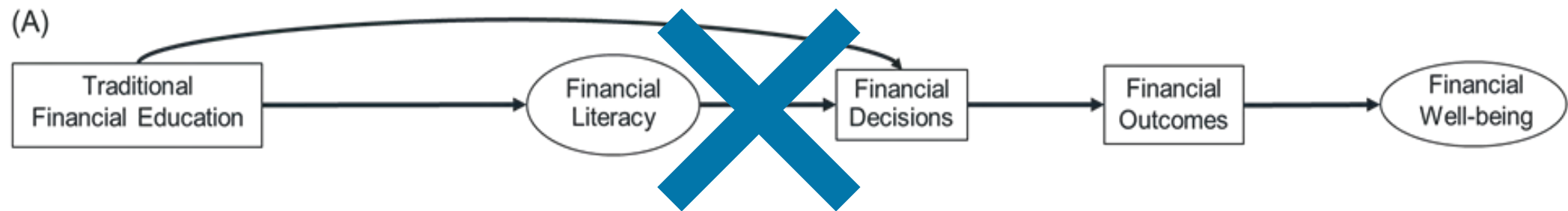


Financial education improves financial knowledge, but the **gains** to financial behaviour are **limited** with **few evidences of long-lasting effects** in the society.

De Beckker, 2020; Kaiser et al., 2022; Willis, 2011

Why is the effect on financial decision-making limited?

The **best candidate** yet to improve Financial Literacy is **Financial Education**.



Financial education improves financial knowledge, but the **gains** to financial behaviour are **limited** with **few evidences of long-lasting effects** in the society.

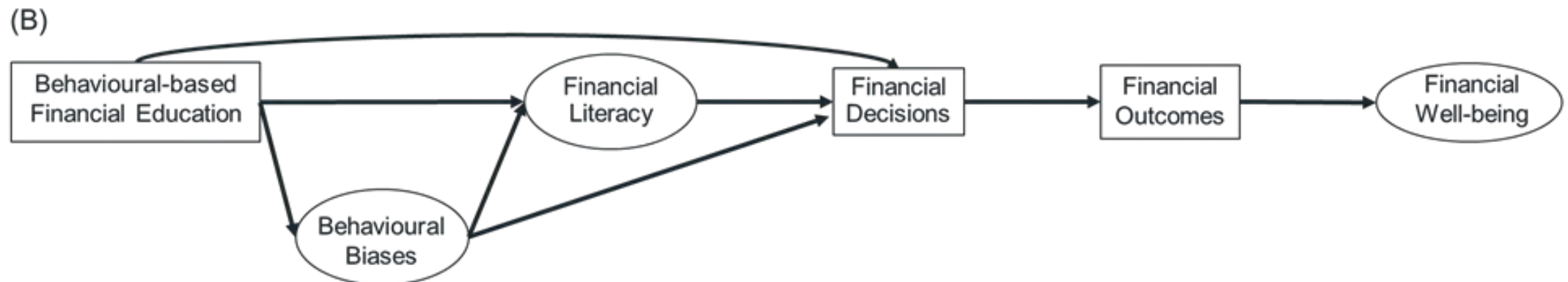
De Beckker, 2020; Kaiser et al., 2022; Willis, 2011

Why is the effect on financial decision-making limited?

HYPOTHESIS:

Behavioural-based financial education can **improve** the **causal mechanisms** that lead to better financial literacy, decisions and financial outcome.

→ This would be achieved to **better awareness** to **behavioural biases**.



Behavioural and cognitive biases

→ Behavioural and cognitive biases: **irrational beliefs or behaviours**, that lead to **systematic errors** and often to **suboptimal outcomes**.

- **Behavioural biases** are **prominent** even among **well-educated people** and **financial professionals**.

Altman, 2012; Estelami, 2016; Baker et al., 2017; Rzeszutek & Szyszka, 2020

- **Biases** can **limit** the **relevance** of new information or **impact financial education**.

García, 2013; Pitthan & De Witte, 2021

Example – Myopia & Overconfidence

- **Overconfident** people: have a good estimation of the average probability of a risk, but believe they have a lower probability than the average of being affected.
 - **Myopic people:** underestimate average probability and short-term benefits preference
-
- **Implication for financial literacy:**
 - Underweighting of probabilities in insurance decisions, resulting in underinsurance
 - Myopia: lower pension-planning, lower insurance intake, lower investment outcomes, higher indebtedness
-
- **Policy implications:**
 - Myopia: Make people better aware of the real average threats of some risk
 - Myopia: Emphasize the long run
 - Overconfidence: Need more tailor-made advisory about their own risks

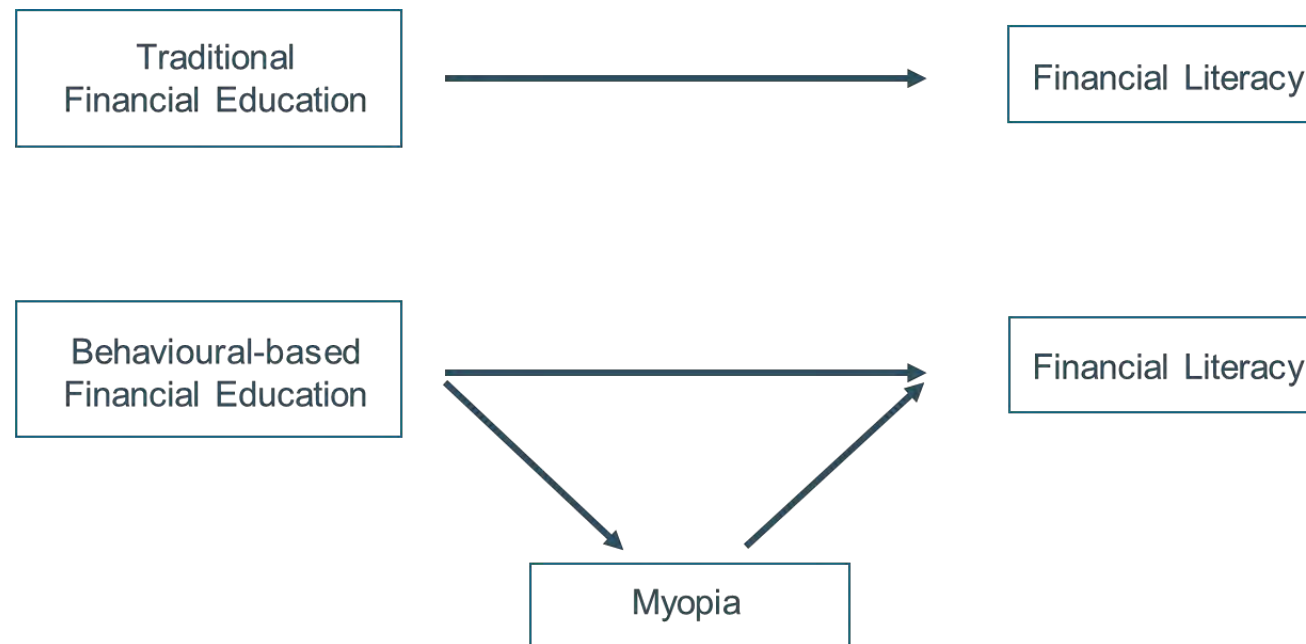
Example – Narrow Framing & Mental Accounting

- **Narrow framing:** People make decisions in isolation, not considering interactions with other decisions or different frames, being influenced by personal characteristics and by how choices and data are presented
- **Mental accounting:** special case of narrow framing, decisions being framed into “different accounts” (Thaler, 1985)
- **Implication for financial literacy:**
 - Mental-accounting: high insurance demand against small losses.
 - Narrow framing: Decreases long term care insurance demand (failure to “evaluate the potential benefits of avoiding the losses alongside the costs of insurance”)
 - Increase purchase of extra premiums to existing plans (e.g. “add-ons”)
- **Policy implications:**
 - Show individuals the bigger picture (e.g. in insurances, in family budget)
 - Warn people for extra premiums

Test by Randomized Controlled Trial

OBJECTIVE:

Test the following causal-diagram using the behavioural bias of **myopia**, the short-sightedness of economic and financial decisions (e.g. **short-time preference, focus on surroundings, underestimation of risks**)



Experimental design

Experiment



814 Students



Age 14-18



42 Belgian Schools

Intervention



Traditional & Behavioural
Financial Education



Game format



Financial Concepts
(Pension, Insurance, Investments)

Causal Methodology



Randomized
Controlled Trial



Causal Mediation
Analysis



Matching

2financiele-geletterdheid.org/

Life Path



Burgerlijke aansprakelijkheid auto/moto

Een BA verzekering is een **verplichte verzekering** die je dient af te sluiten voor elk voertuig dat je inschrijft bij de Dienst voor Inschrijving van de Voertuigen (DIV).

Deze verzekering dekt de schade die je met jouw voertuig aan personen en/of goederen toebrengt, de gevolgen van een ongeval voor derden, zoals medische zorgen, arbeidsongeschiktheid en inkomensverlies en **schade aan inzittenden**.

Example – Regular course



If you don't know the answer, you can click in the picture and re-read the article

Oefening 1 van 6

Fire insurance covers damage only in case of fire

- True
- False

Indienen

Volgende

Herstart

Feedback

Indeed. This insurance covers damage from fire, but also other types of damages, such as losses due to storms, flood, leak in the water pipes or sanitary installations.

The answer is right.

Example – Myopia course

Financial myopia

Do you always see everything clearly? Many people have trouble seeing something further away. We say they have myopia. Besides regular myopia, there is also financial myopia.

We speak of financial myopia when people are hindered in their financial decisions because they do not see risks or costs clearly. There can be several reasons for this. Read the explanations under the three tabs carefully.

Ignorance or disinformation

Short term preference

Underestimation of the risk

People don't want to save money now that they might benefit from later.

For example: paying an insurance premium now that can lead to compensation later if a risk occurs.

Or: invest money now as a nest egg for your pension.



Overview of results

Effective course materials: the course managed to improve both financial literacy and myopia.

- **Effect was larger for the behavioural-based program.**
- **We observe significant indirect effect of the behavioural-based education programs to financial literacy mediated by myopia, which was not observed in traditional course.**

Conclusion

- **Fill the gap of the financial education literature, by not only teaching about traditional financial concepts and products, but by also increasing the awareness to the behavioural bias of myopia.**
- **Age heterogeneity suggests older students can get the most of financial education interventions.**
- **More investigation is needed to test this hypothesis with other biases and settings, and to consider long-lasting effects of behavioural-based financial education programs in real-life conditions.**

Why don't financial skills result in a more resilient future?

Prof. dr. Kristof De Witte

Leuven Economics of Education Research - KU Leuven
Baloise Insurance Research Chair to Financial Well-being

Gamification in the field of personal finance: What do we know about the new kid on the block?

OECD/INFE symposium:
Financial literacy in the evolving digital financial landscape

05 May 2023, Paris

Prof. Dr. Carmela Aprea (University of Mannheim & MIFE)

Agenda



What is gamification and what does it promise in the field of personal finance?



What evidence do we have about gamification in the field of personal finance?

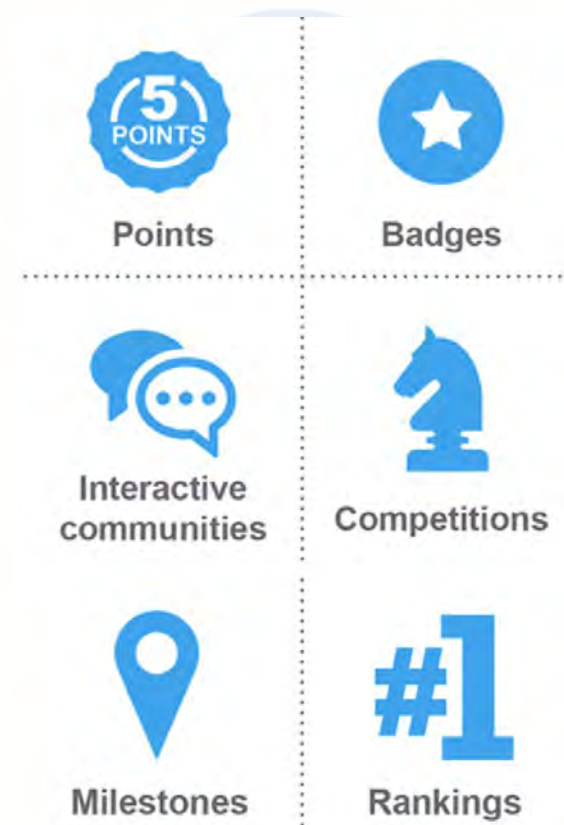


What conclusions can we draw for future research as well as for consumer protection and financial education?



Definition of gamification

- Application of game-design elements and game principles in non-game contexts. (Detering et al. 2011)
- Intends to promote fun and engagement with activities that would otherwise be conceived as boring, exhausting or hard to remember. (Hamari et al., 2014)
- Gamification does not equal with serious games, where selected affordances and constraints of real-world decision-making processes are simulated and carried out in a game-world. (Paas et al., 2020)



Health behaviours



Sales & marketing



Pro-environmental behaviours



- Gamification is also gaining attention in the area of personal finance with high expectations.
- Here, it is supposed to promote healthy financial behaviours via two channels: (1) indirectly by fostering persistence in financial education activities, and (2) directly by incentivizing intended financial behaviours.
- It is also seen as particularly suitable for young consumers and is intended to contribute to more inclusion and democratisation in the financial sector.

Evidence about gamification in the field of personal finance

- Literature review with 24 scientific journal articles and research reports
- Two research questions:
 - (1) Which aspects of gamification (i.e., target financial behaviours, market perspectives and outcome dimensions) have been investigated in the field of personal finance?
 - (2) How does gamification impact financial behaviours, especially with regard to potential biases?

Evidence about gamification in the field of personal finance

(1) Aspects of gamification in the field of personal finance

- Most papers deal either with financial education or with rather simple target financial behaviours such as online banking, while only a few papers consider financial behaviours that require more complex financial decisions (e.g., insurance, investment).
- Most papers take a marketing perspective, i.e., they examine how gamification can help promote the use of a particular financial service or product. Papers adopting a consumer perspective are rather scarce.
- Most papers focus on how gamification affects enjoyment and acceptance of financial services as well as behavioural intentions. Only few studies investigate the impact of gamification on actual financial behaviours.

Evidence about gamification in the field of personal finance

(2) Impact of gamification on financial behaviour - the case of retail investors' trading behaviour

- Gamification with rewarding points triggers retail investors trading frequencies, whereas leaderboards influence their buying and selling decisions. (OSC, 2022)
- Gamification with badges and encouragement messages prompts retail investors to take on more risk, particularly when trading high-volatility assets. The effect is stronger for inexperienced traders with lower financial literacy. (Chapkovski et al., 2021)
- Social game-design elements as well as visualising personal development has a strong motivating effect on retail investors' desire to increase their capital. They also tend to believe that gamification affects their investment behaviour less than others. (Ljungkvist & Moore, 2022)

Conclusions

- Research on gamification in the field of personal finance is still in its infancy. Further research should
 - more explicitly include the consumer perspective.
 - consider the impact of gamification on actual financial behaviour.
 - provide conceptual approaches that can account for opportunities and risks of gamification for different kinds of financial decisions and different types of users.
- Consumer protectors and financial educators should be aware that gamification can be used to promote both, healthy and unhealthy financial behaviours, making it a powerful tool for the one's controlling it.
- Serious games could be a suitable way to practice dealing with such distortions through experiential learning and reflection in a protected setting.
(Schultheis & Aperia, 2021)

Thanks for your attention!

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wikifin

FSMA

FINANCIAL
SERVICES
AND
MARKETS
AUTHORITY



“Better understanding of money matters for better decision-making ...”

Jim Lannoo, Head of Communication and
Financial Education, FSMA Belgium

OECD/INFE symposium
Paris, 5 May 2023



Wikifin: a short introduction



- The FSMA's financial education programme
- Legal mandate since 2011
- Launched in 2013, celebrating its 10th anniversary this year



Contributing to raising the level of **financial education**

- ✓ **core life skill for participating in our society today**
- ✓ **combination of knowledge, attitudes and behaviour**

3 pillars



GENERAL PUBLIC



EDUCATIONAL SYSTEM



LAB

STAKEHOLDERS

RESEARCH

Strategic objectives - 1st pillar



GENERAL PUBLIC

Website > new version launched March 2021 & campaigns

Wikifin ensures via a multi-channel approach that everyone has easy access to free and reliable financial information, in order to make well-informed financial choices according to one's personal circumstances.

Strategic objectives – 2nd pillar



EDUCATIONAL
SYSTEM

Platform for teachers

To ensure all students, when they leave school, have the skills, knowledge and attitude necessary to understand the society in which they live & are able to make informed financial choices at various stages of their lives.

Strategic objectives – 3rd pillar



LAB

Develop curiosity about money matters

By providing young people with a positive experience of financial education.



What is the Wikifin Lab ?





**NOT A
MUSEUM**



**NOT AN
AMUSEMENT
PARK**

JUST SAY NO
TO BITCOINS

NOT A
PREVENTION
CENTRE



A LABORATORY



An experience centre

- Officially launched in September 2020 in the presence of the Queen and ministers
- Fully booked
- Key target group: secondary students 12+
- More than 1000 m² of interactive experiences



An investment in knowledge
pays the best interest

Benjamin Franklin



General concept

- The trajectory is designed as a life-sized game into which visitors are immersed, guided by an educator
- The trajectory is subdivided into 3 cycles. Each cycle follows one central theme:
 - Influences: the challenges faced by consumers
 - Choices: the challenges faced by savers
 - Consequences: the challenges faced by consumers as engaged citizens
- The guiding theme through the visit is budget management



30 PODS



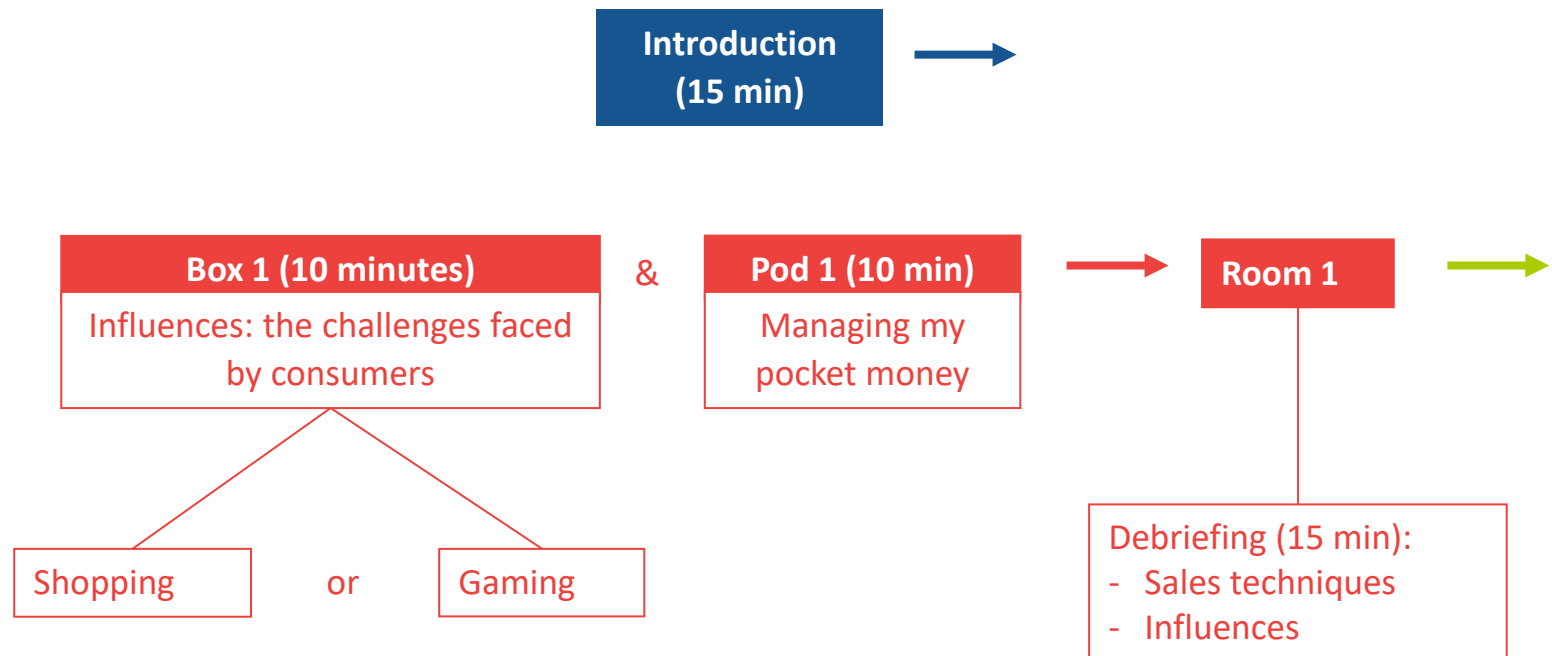
6 BOXES



2 ROOMS

Experience the Lab via 3 different themes

Influences (1)



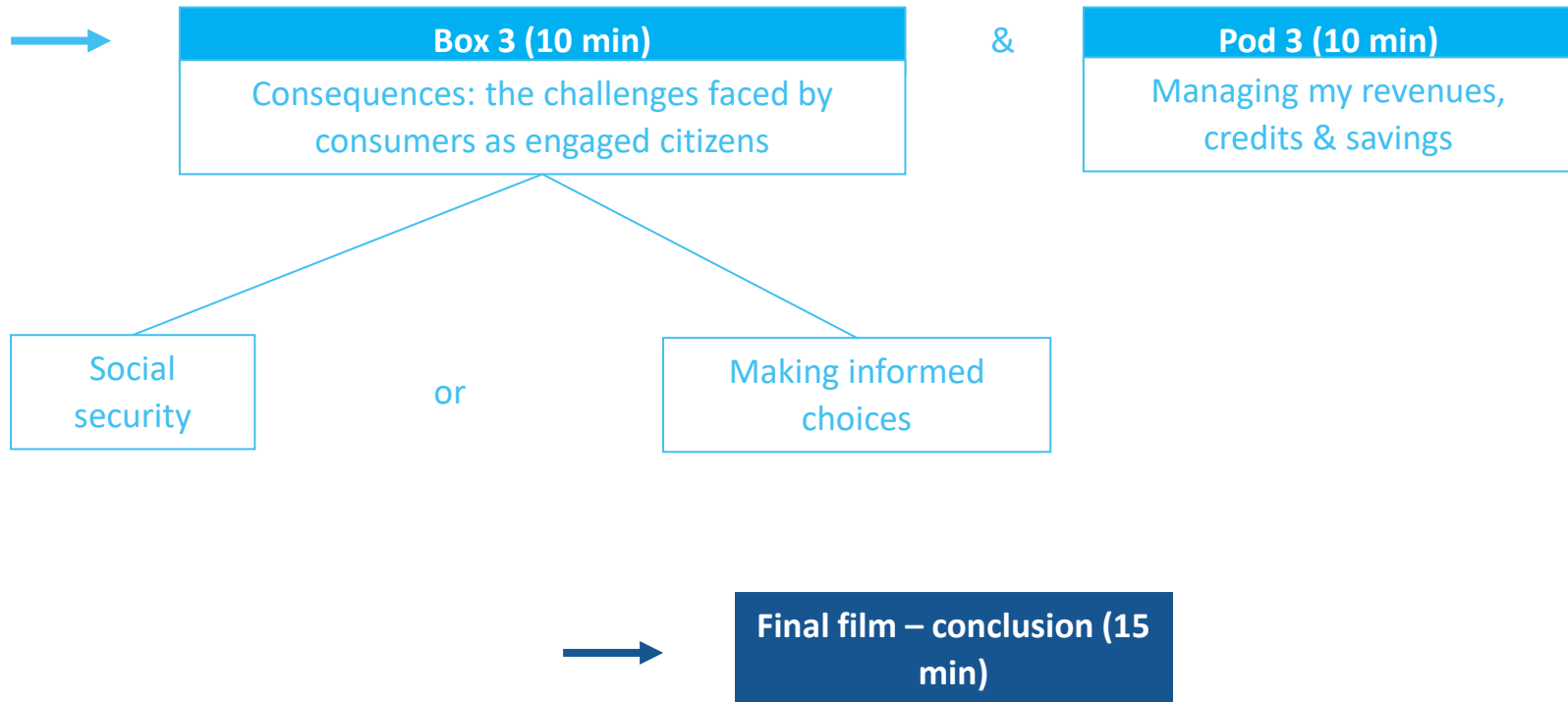
Experience the Lab via 3 different themes

Choices (2)

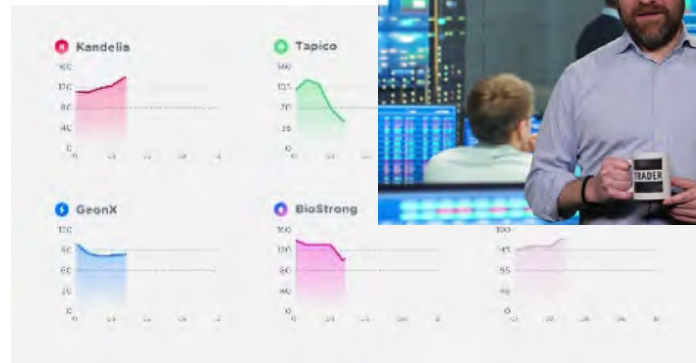


Experience the Lab via 3 different themes

Consequences (3)

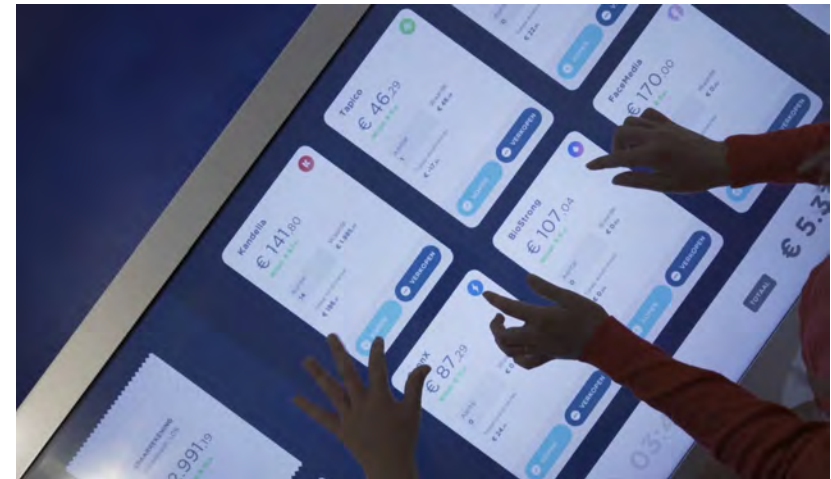


Example : Box on the stock exchange



Debriefing in room

- Explanation of the financial products
- Key concept : diversification



Example : Pod on managing a budget



Debriefing in room

- Your first pay check! How to spend it?
- Good practice : put some money aside. But don't forget to have fun from time to time 😊

Learning objectives

- Through an absorbing activity, visitors become more aware of the various factors that can influence their consumption and have a financial impact
- They become more critical, knowing/understanding how the mechanics of influence work

Auditorium

Conclusion of the visit

- Debriefing the entire experience
- A positive conclusion in images that gives meaning to the entire experience
- Main point: **everyone is different** and has **different financial needs**. Take time to find your way!



We seek above all to empower!



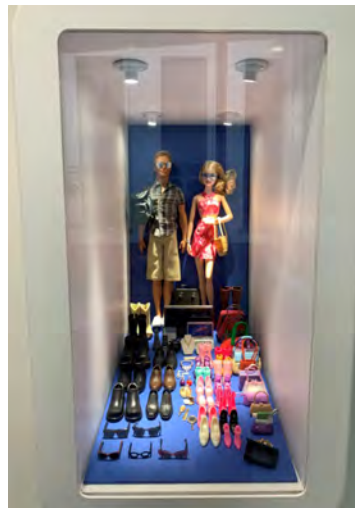
In addition to the
trajectory:
The wall of knowledge



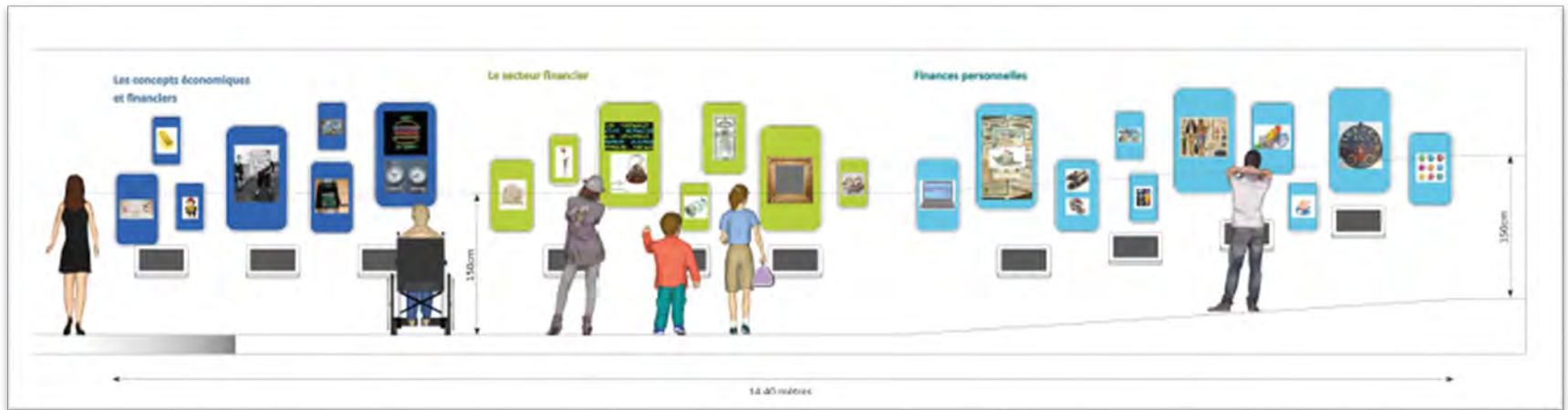
A gallery of objects to learn from...

A gallery of unusual objects used to explain important theoretical concepts as part of financial education:

- Brief stories and objects that help gain a better understanding of inflation, the risk/return ratio, means of payment, insurance and even the role of banks...
- A mass of knowledge essential for a good understanding of the economy, personal finance and the financial landscape



A gallery of objects to learn from...



How is money created?

A roll of banknotes. Because “cash is king”...or is it? This roll of banknotes is encircled by a digital strip. Do you know why? 91% of money in circulation in Europe is scriptural. Scriptural money—or book money—is not banknotes and coins, it is money that exists only as a book entry.

Only central banks are allowed to mint or print money, i.e. create physical money, such as new coins and new banknotes. Every country has a central bank. In Belgium, it is the National Bank of Belgium that is in charge of putting new euro coins and banknotes into circulation and sending them to the various banks all over the country. The banks in turn put this money into circulation through, for example, cashpoints.

Used, damaged or torn banknotes are recovered by the central bank, to be shredded and rendered unusable. New banknotes are printed to replace them.

Banknotes and coins are increasingly giving way to scriptural money, which only exists in dematerialized form, in the form of a written book entry. When a payment is made with a bank card or smartphone, the money goes from the buyer’s account to the vendor’s account with no physical money changing hands. **Today, 91% of money is electronic or dematerialized.**





Thank you for
your attention





Financial Consumer
Agency of Canada

Agence de la consommation
en matière financière du Canada



Unclassified / Non classifié

OECD/INFE symposium on financial literacy in the evolving digital financial landscape

Financial literacy, behavioural biases, and financial decision-making

May 5, 2023

Dr. Supriya Syal, Deputy Commissioner
Financial Consumer Agency of Canada

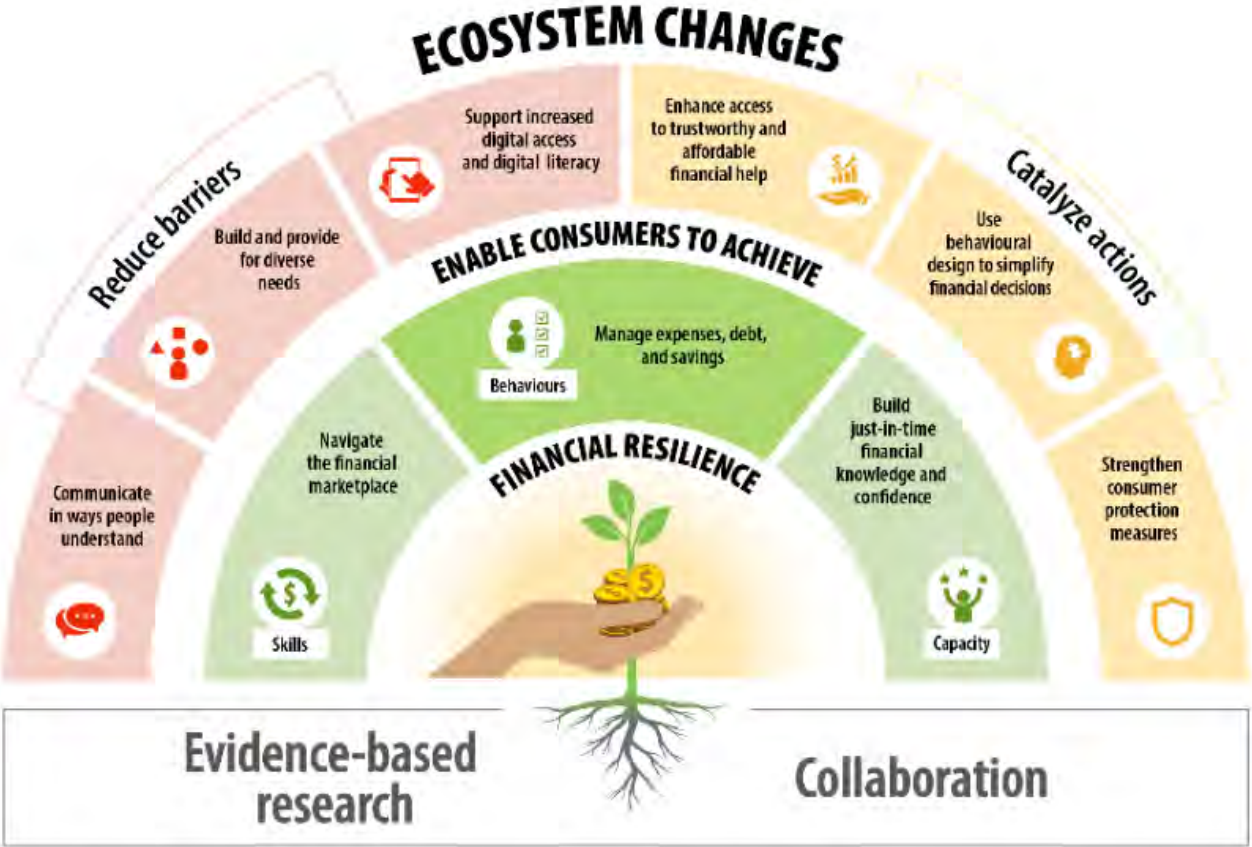
Canada

Make Change that Counts:

National Financial Literacy Strategy

Vision

A Canada where everyone can build financial resilience in an increasingly digital world.



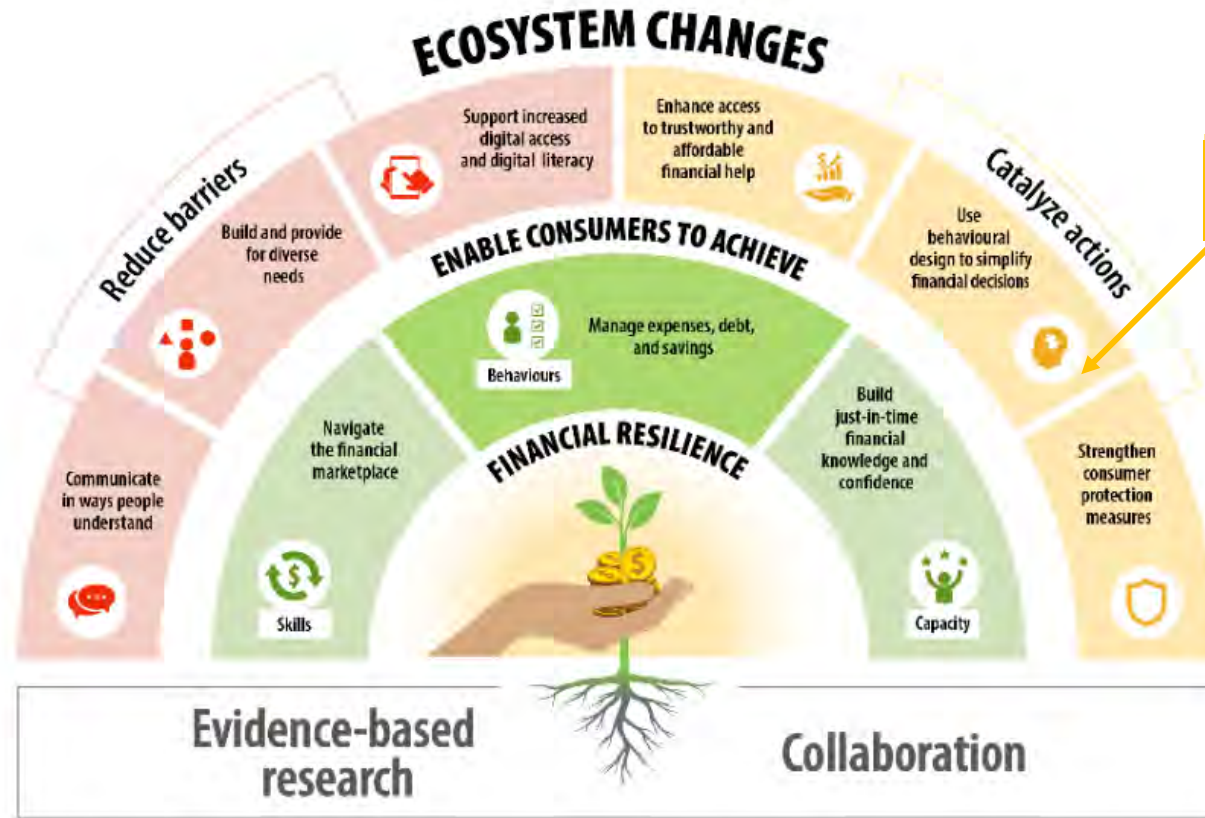
A 5-year plan to create a more **accessible, inclusive,** and **effective** financial literacy ecosystem for all Canadians.

Make Change that Counts:

National Financial Literacy Strategy

Vision

A Canada where everyone can build financial resilience in an increasingly digital world.



Priority 5

Use behavioural design to simplify financial decisions.

A 5-year plan to create a more **accessible, inclusive,** and **effective** financial literacy ecosystem for all Canadians.

REFUND TO SAVINGS

At point of
tax refund
review

Financial health

Why are you asking about my financial health?

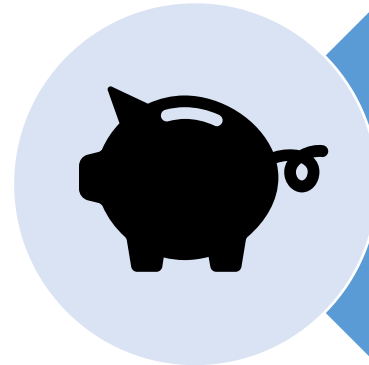
Your tax refund is a great way to save for the future. We can help you deposit it directly into a savings account and get the most out of tax-advantaged savings accounts.

Do you plan on saving some or all of your refund?

- Yes, I'm planning to save all or some of my tax refund this year
- No, I'm not planning to save my refund this year

Continue

[Back to Personal Tax Profile](#)



17%
increase in
savings

INCREASING GIRLS' FINANCIAL CONFIDENCE

Money Management and Budgeting by the Financial Consumer Agency of Canada

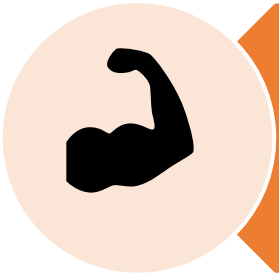
Welcome to the Money Management and Budgeting Module! You will learn tips on how to manage your money, make a budget, and access tools and resources that can help you along the way. We will also ask you some survey questions at the beginning and at the end of the module.

[Start Course](#)

How do points work?

Getting points is simple. Receive 50 points by clicking the research button and an additional 50 points for getting the answer correct.

Tip: Use the Research Button to find the answer.



Increase in confidence

1 of 30

Question 1


Welcome to the module! Before we begin the money management and budgeting questions, there are six survey questions for you to answer. Please note that there is no right or wrong answer to these six questions. You will earn 50 points for whatever option you choose. You must click on the Research Button to unlock the Submit button to provide your answer. Let's begin. Survey question: To what extent do you AGREE or DISAGREE with this? I feel like I know a lot about how to manage money.

Hint: Use the Research button to find the answer.

- Strongly disagree
- Disagree
- Agree
- Strongly agree

Research

Submit



Financial Consumer Agency of Canada

Budgeting and Money Management

Financial Consumer Agency of Canada

Canada



Increase in budgeting intentions

MOBILE BUDGETING INTERVENTIONS

✕

Do you currently have a budget to help you keep track of your money?

Yes, I have had a budget for MORE than 6 months

Yes, I have had a budget for LESS than 6 months

No, but I intend to make a budget in the next 30 days

No, but I intend to make a budget in the next 6 months


No, but tell me why I should

✕

Thanks for sharing!

💡 Did you know?
Making a budget is a great first step in managing your money and keeping your finances in order!

Continue

-  Increase in budgeting behaviour
-  Improved budgeting confidence
-  Increase in savings behaviour
-  Improved savings knowledge



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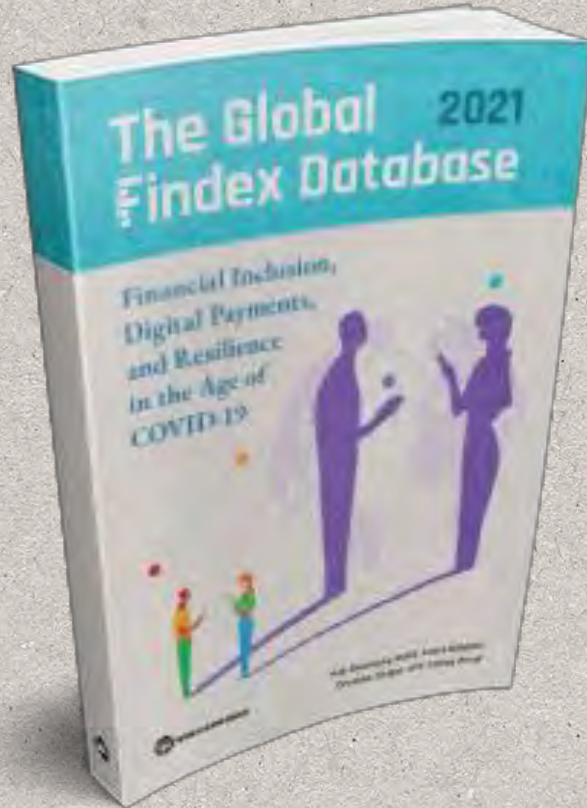
instagram.com/@FCACan

Session 3

Supporting digital financial inclusion

The Global **Findex** Database 2021

Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19



REPORT HIGHLIGHTS

The Importance of Financial Education for the Effective Use of Formal Financial Services

Why does financial inclusion matter?

- **Financial inclusion** means that adults have access to appropriate financial services and can effectively use them to safely manage their money, save, and invest in their financial wellbeing. “Appropriate” services are provided *responsibly and sustainably* in a *well-regulated* environment
- Financial inclusion serves development goals in the following ways:
 - **Increases income**
 - **Increases resilience**
 - **Increases transparency**
- **What do we know about the unbanked and underbanked?**

Global Findex: Motivation & methodology

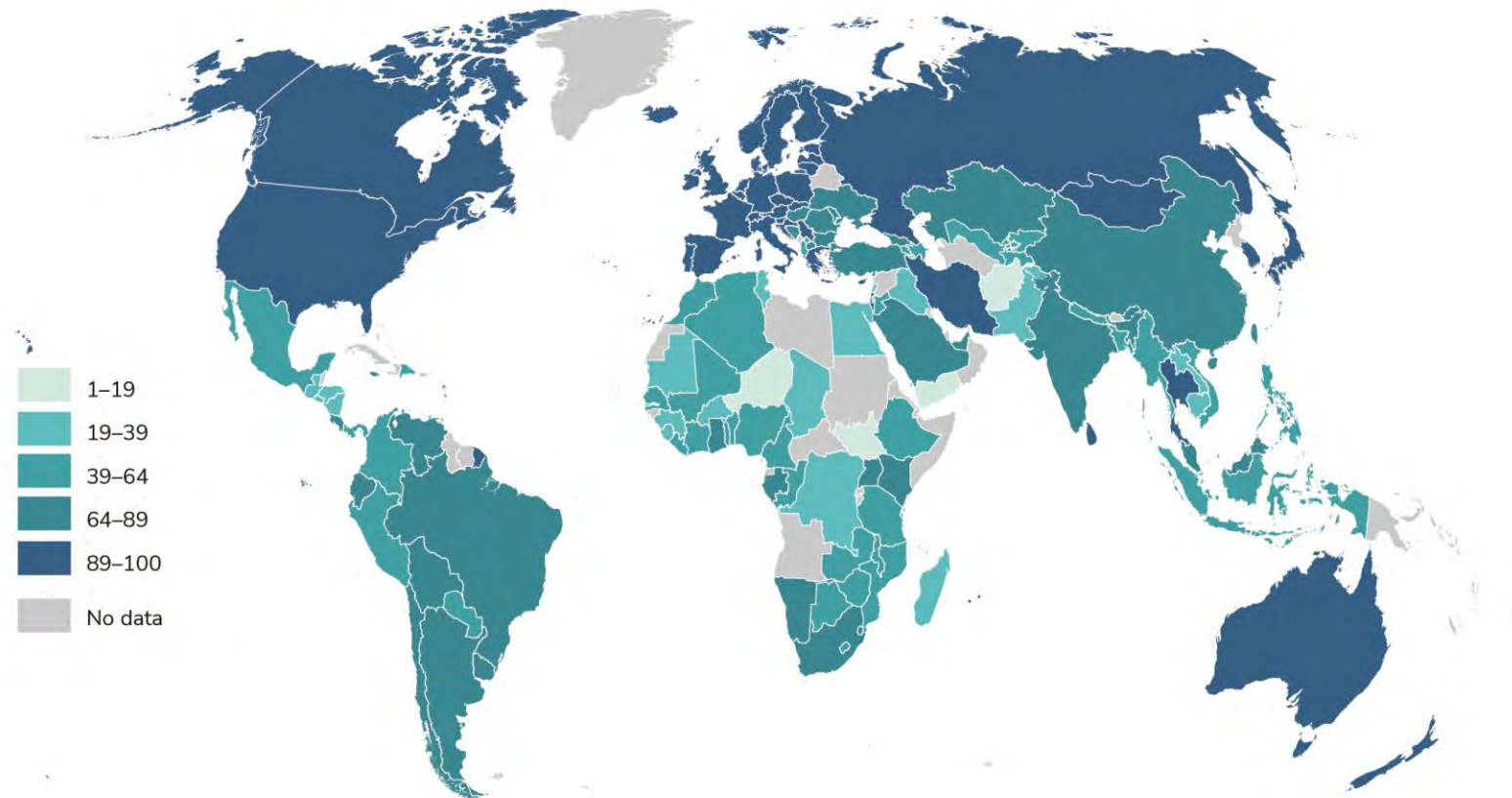
- Since 2011, the first and only comprehensive source of global demand-side data on financial inclusion in 140+ countries
- Answers questions about how adults worldwide manage their money, make and receive payments, save, borrow, and manage financial risks
- Provides metrics on women, rural residents, and low-income households
- Tracks global policy and progress on improving financial inclusion
- Encourages further research



Financial account ownership continues rise globally

Account ownership rates vary across the world

Adults with an account (%), 2021-22

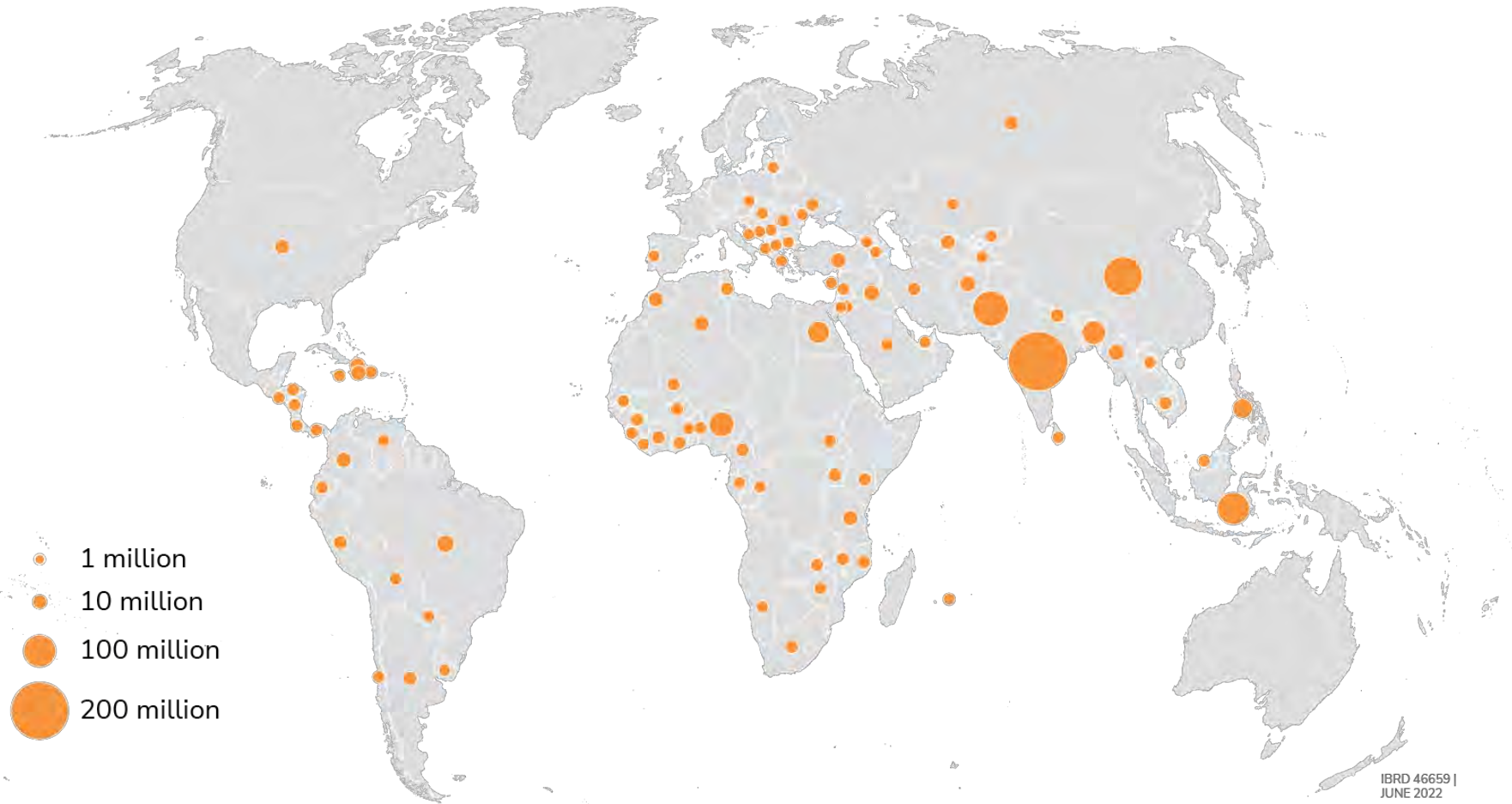


Source: Global Findex Database 2021
MARCH 2023

Who are the unbanked?

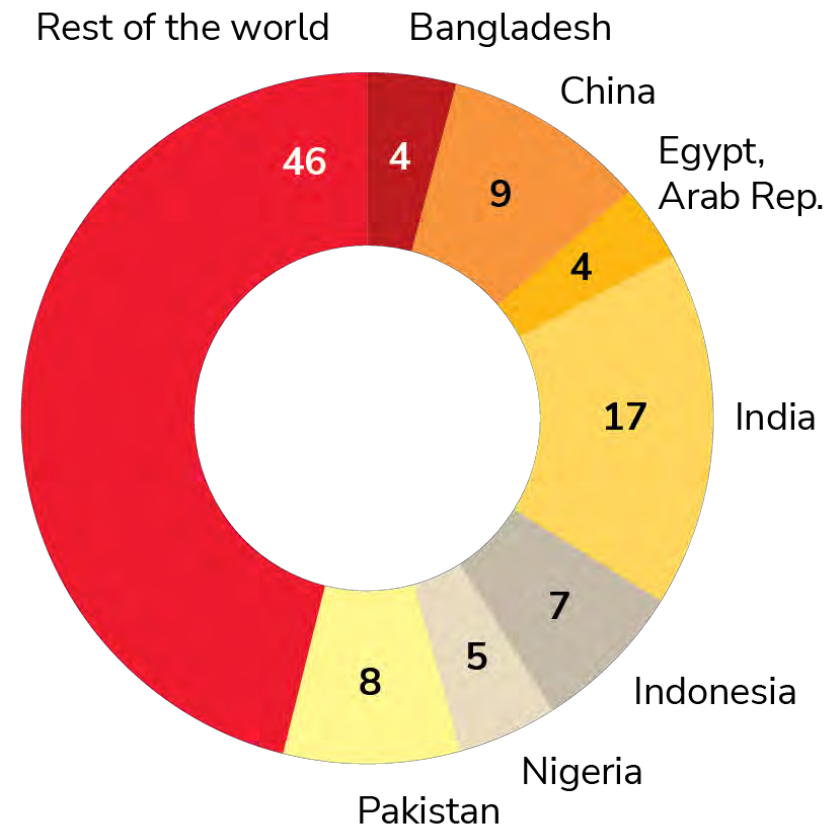
1.4 billion adults—or 24 percent of adults—worldwide remain unbanked

Adults with no account, 2021



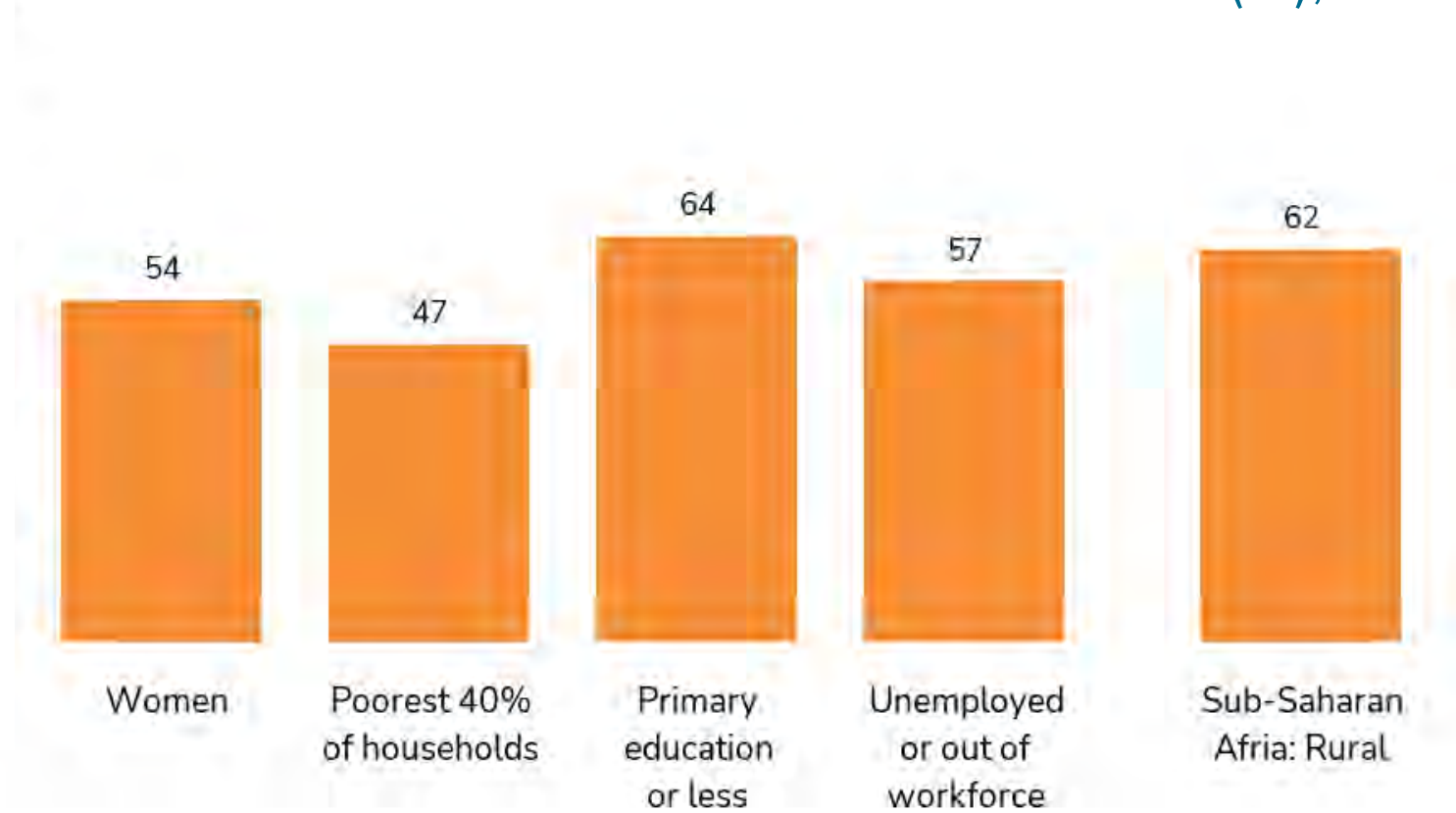
More than half of the world's unbanked live in 7 countries

Global distribution of adults with no account (%), 2021



The unbanked belong more likely to underserved groups such as women, poor adults, and less educated adults

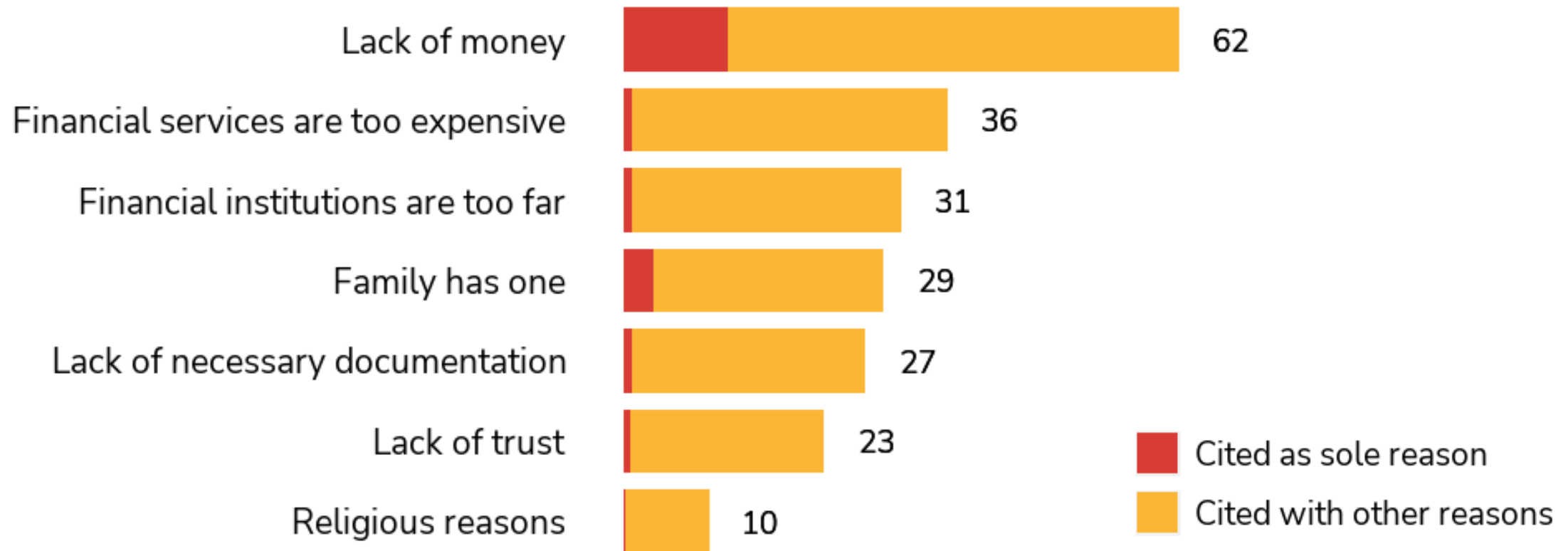
Individual characteristics of adults with no account (%), 2021



Why do the unbanked not have an account?

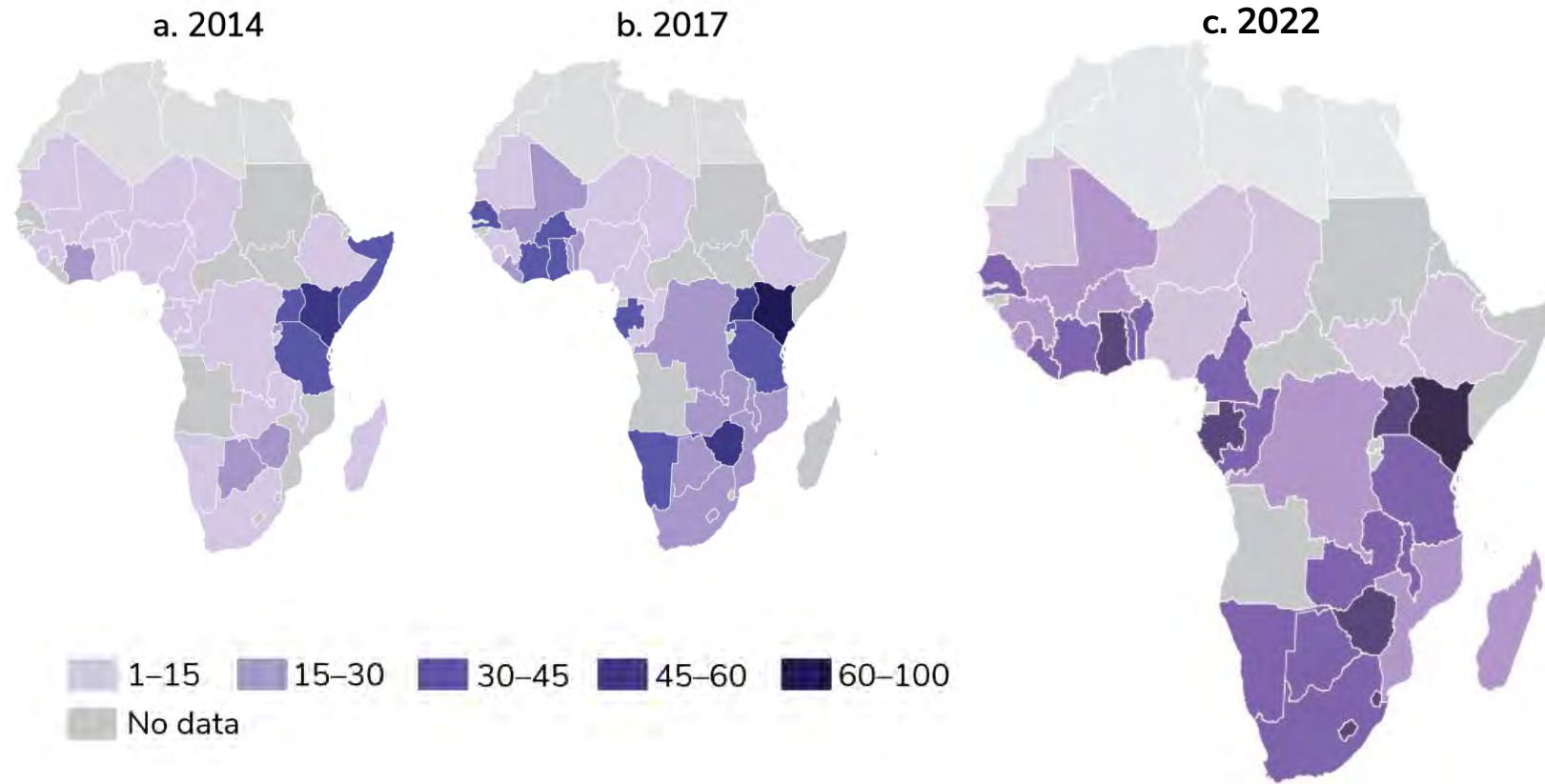
Lack of money is a common reason for not having a financial institution account

Adults with no account (%) citing a given barrier as a reason for having no account at a bank or similar financial institution, 2021



Mobile money has become an important enabler of financial inclusion in Sub-Saharan Africa and some other economies

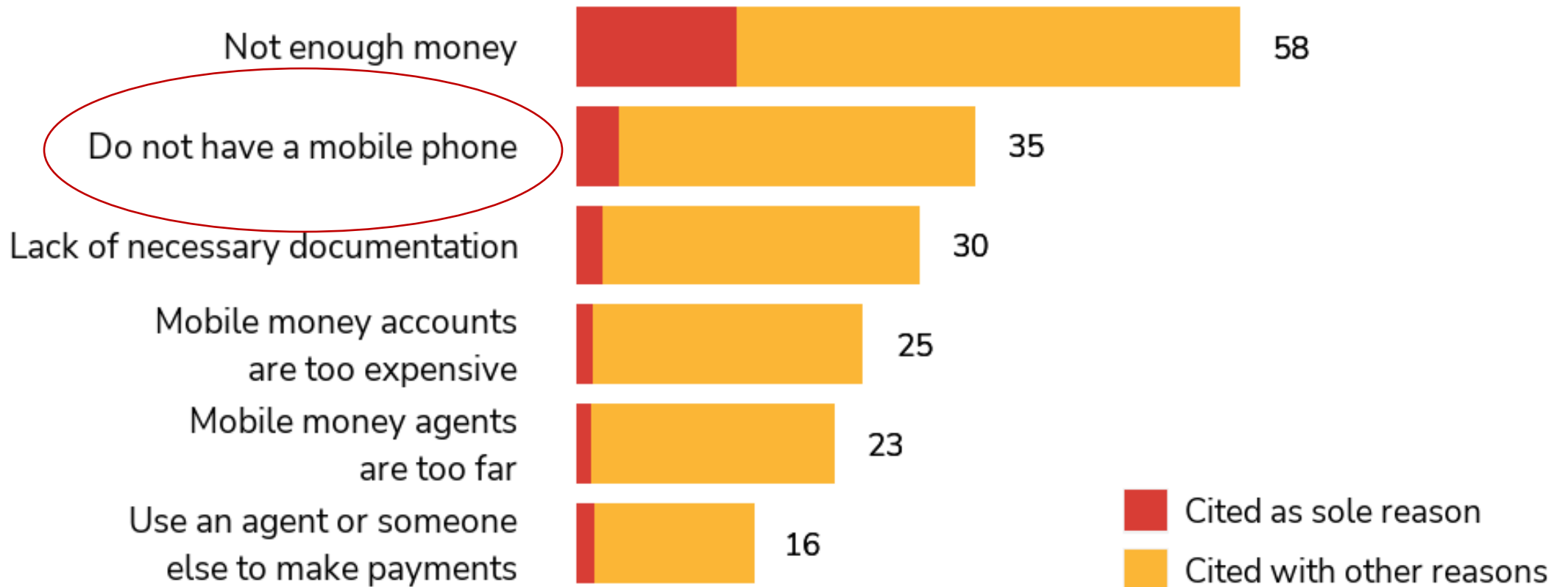
Adults with a mobile money accounts (%), 2014, 2017, 2022



Source: Global Findex Database 2021.

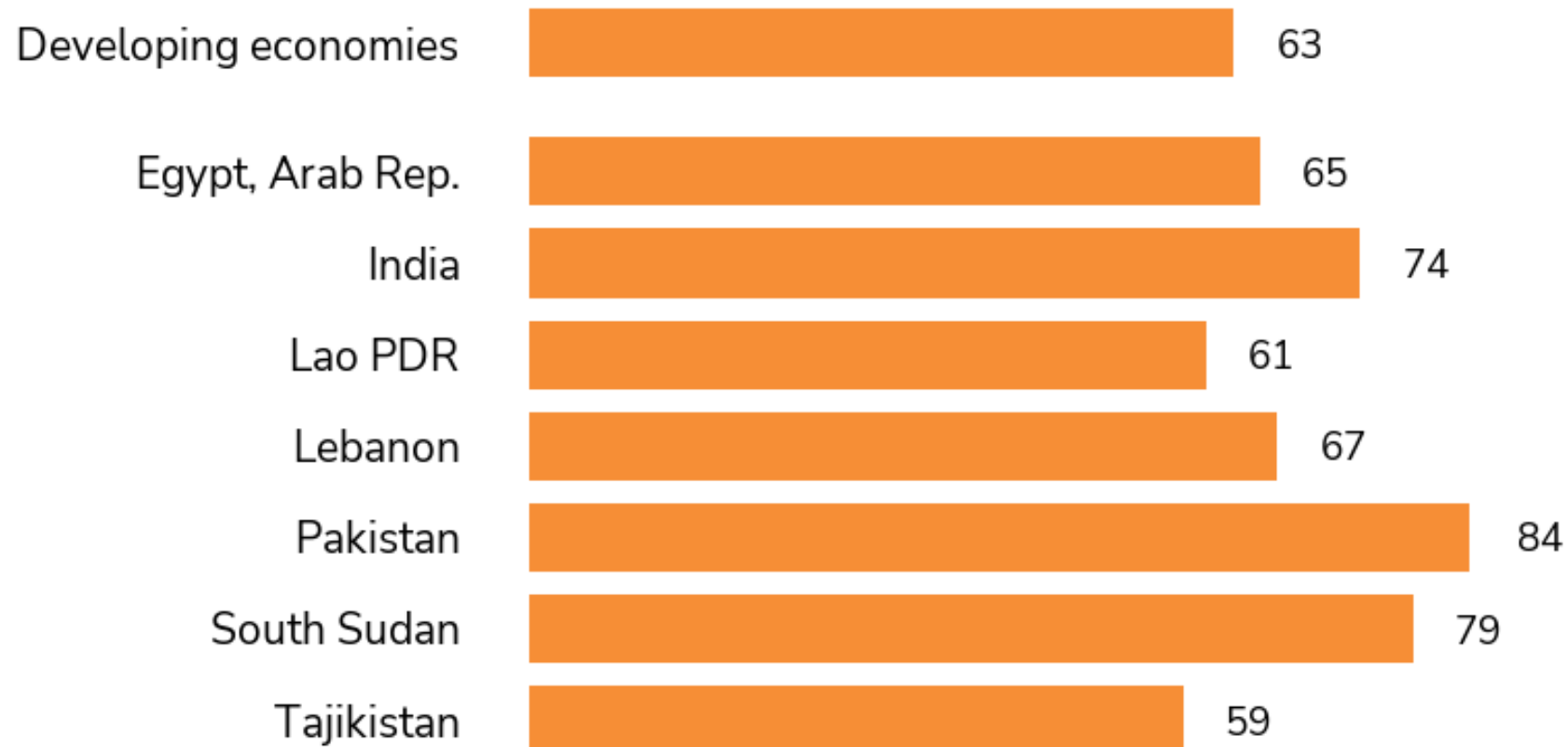
A top barrier to using a mobile money account in Sub-Saharan Africa is access to technology

Adults with no account (%) citing a given barrier as a reason for not using a mobile money account, 2021



Many unbanked adults lack the confidence to manage an account by themselves

Adults with no account who said they could not use an account at a bank or similar institution without help (%), 2021

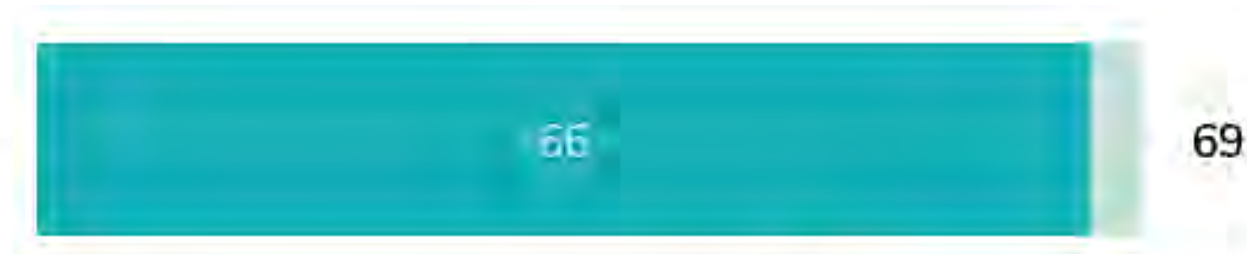


Why do account owners not use their accounts?

Most adults use their account

Adults with an account (%), 2021

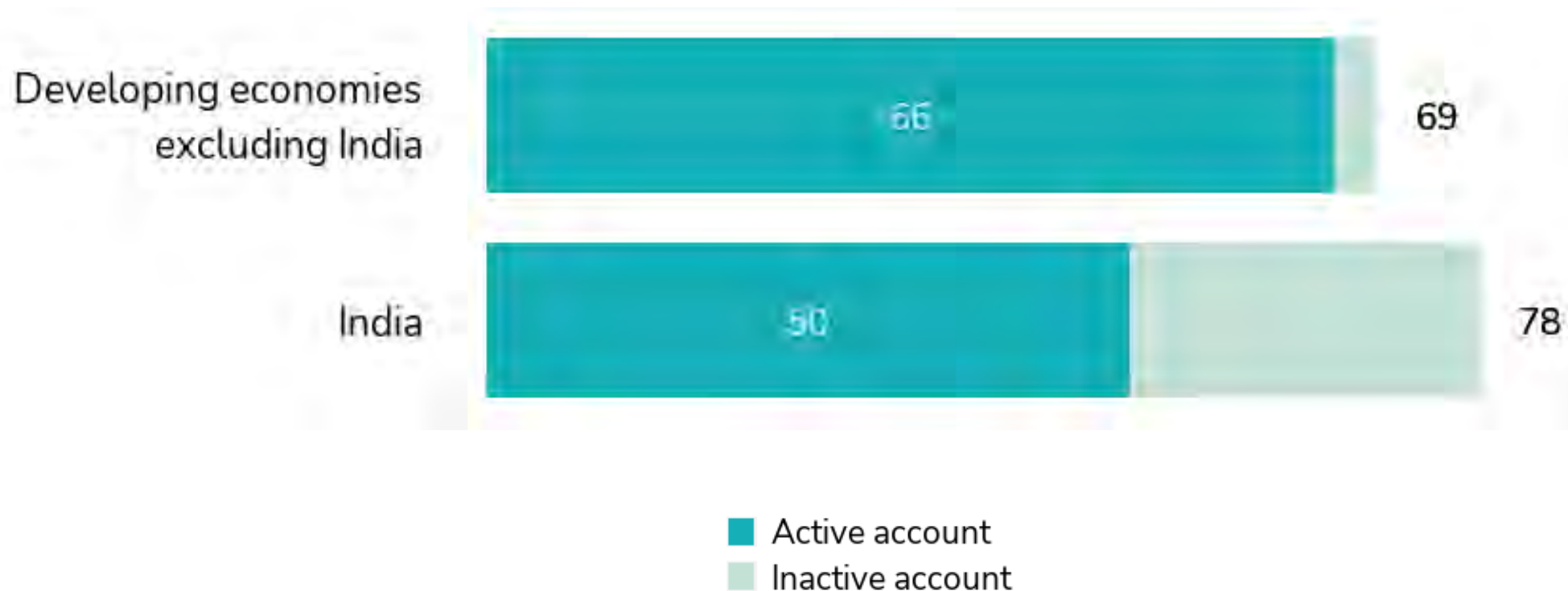
Developing economies
excluding India



- Active account
- Inactive account

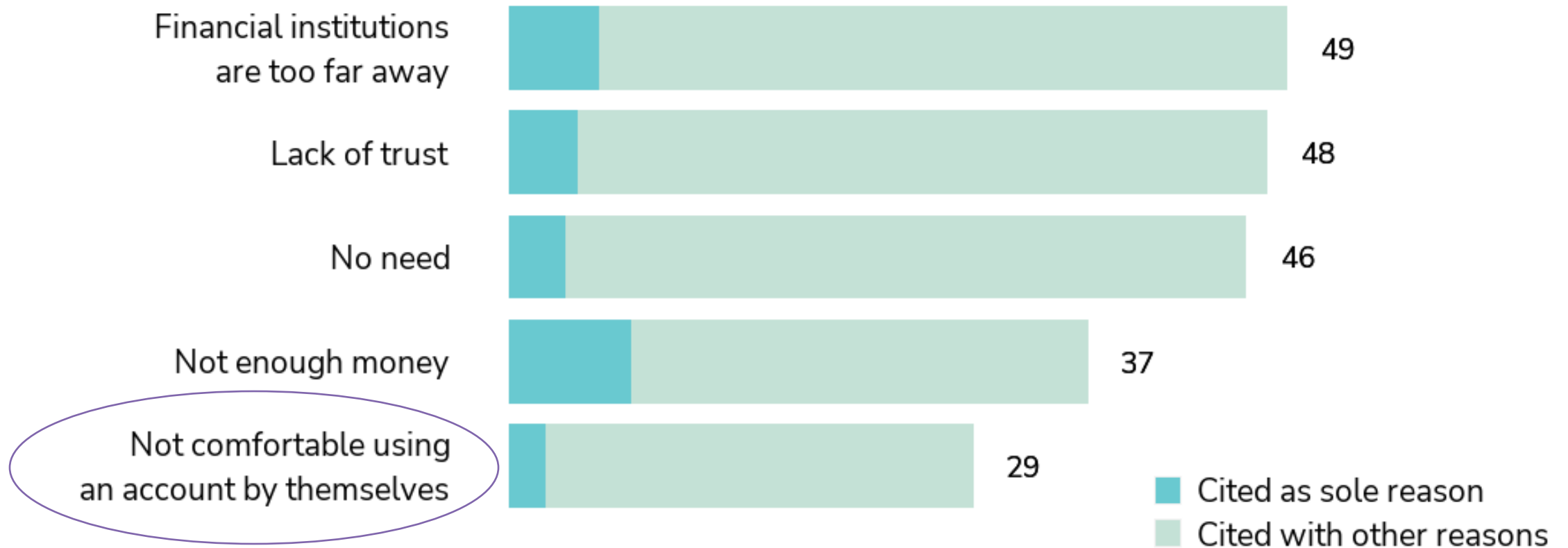
Most adults use their account—but in India, about 1/3 of account owners had an inactive account in the past year

Adults with an account (%), 2021



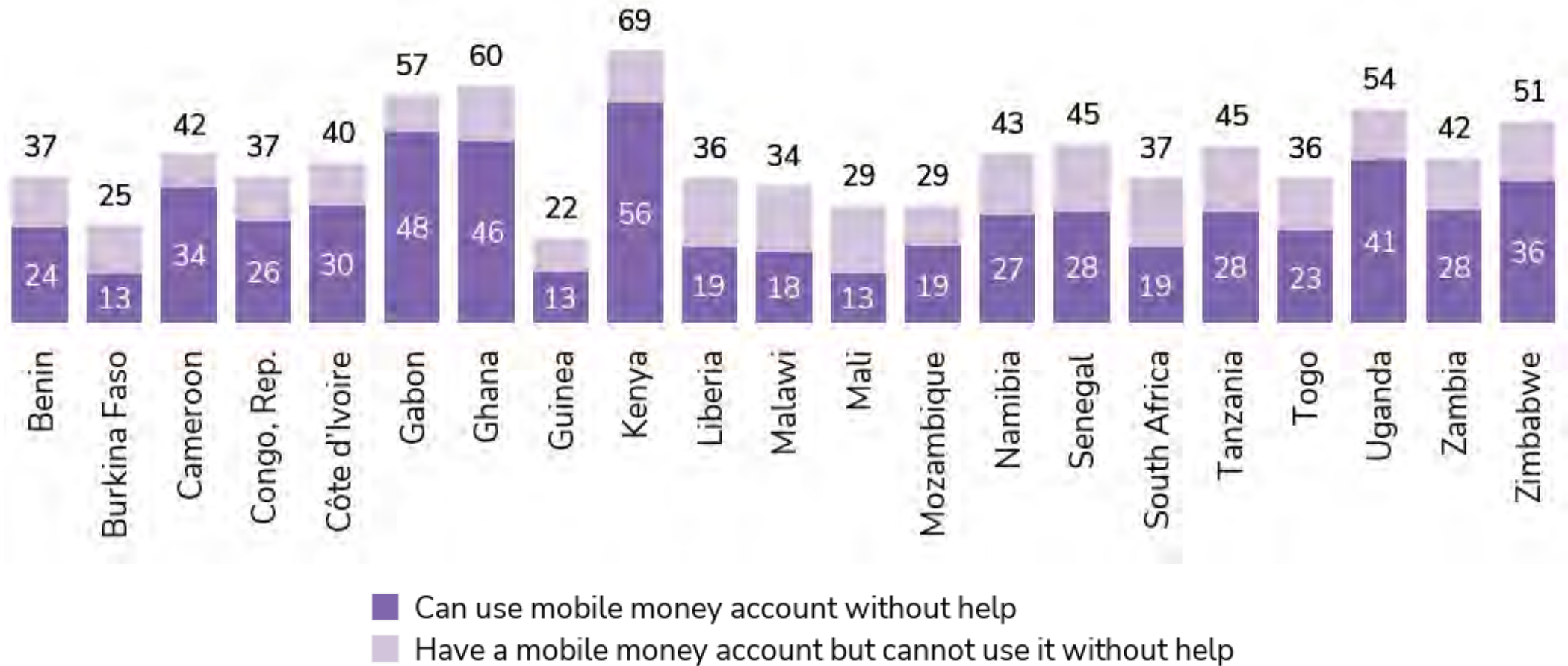
In India, distance, lack of trust, and lack of need were the most commonly cited reasons for account inactivity

Adults in India with an inactive account citing a given barrier as a reason for not using their account (%), 2021



In Sub-Saharan Africa, 31% of mobile money account owners need help using their account

Adults in Sub-Saharan Africa with a mobile money account (%), 2021



Conclusion

- 1.4 billion adults remain unbanked globally
- People don't necessarily feel comfortable or able use basic financial services such as accounts
 - Many unbanked say they could not use an account without help
 - Even some adults who have an account say they need help to use it
- Promoting financial inclusion should include promoting basic financial education to ensure that people understand how to use financial products such as bank accounts and understand basic financial concepts. In addition, product design that considers customer abilities and strong consumer safeguards are also important to ensure that financially inexperienced user benefit from formal financial services.

The Global **Index** Database 2021

Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19

Thank you

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SUPERINTENDENCIA
DE BANCA, SEGUROS Y AFP

República del Perú

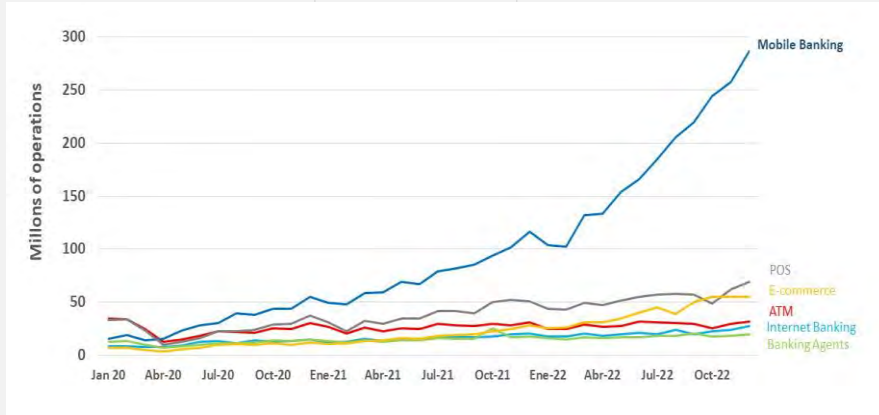
Supporting digital financial inclusion in Peru

Mariela Zaldívar

Deputy Superintendent of Market Conduct and Financial Inclusion
Superintendency of Banking, Insurance and Private Pensions Funds, Peru
May, 2023

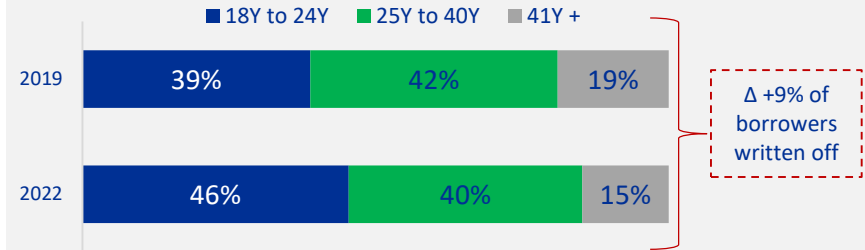
Digital financial services in Peru

Number of monetary operations by channel Banks and Finance companies

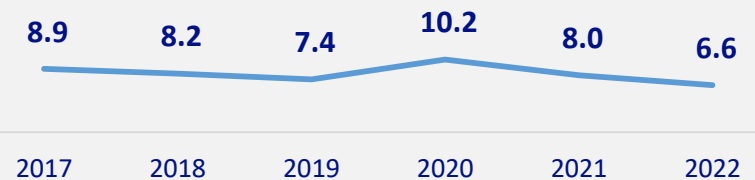


Source: ASBANC

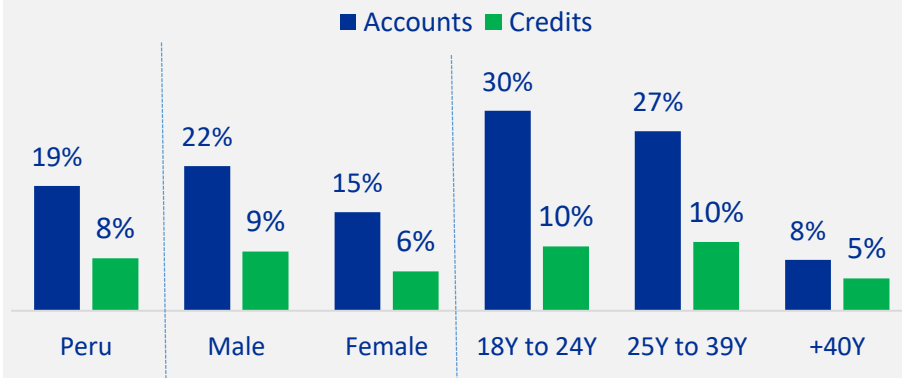
Distribution of new borrowers



complaints for every 10,000 operations in the FS

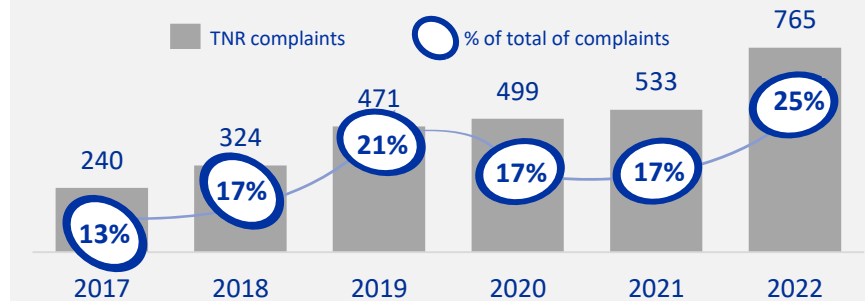


Financial services contracts 100% online



Source: SBS & CAF – National Survey of Financial Capabilities 2022

Evolution of TNR* complaints (thousands)

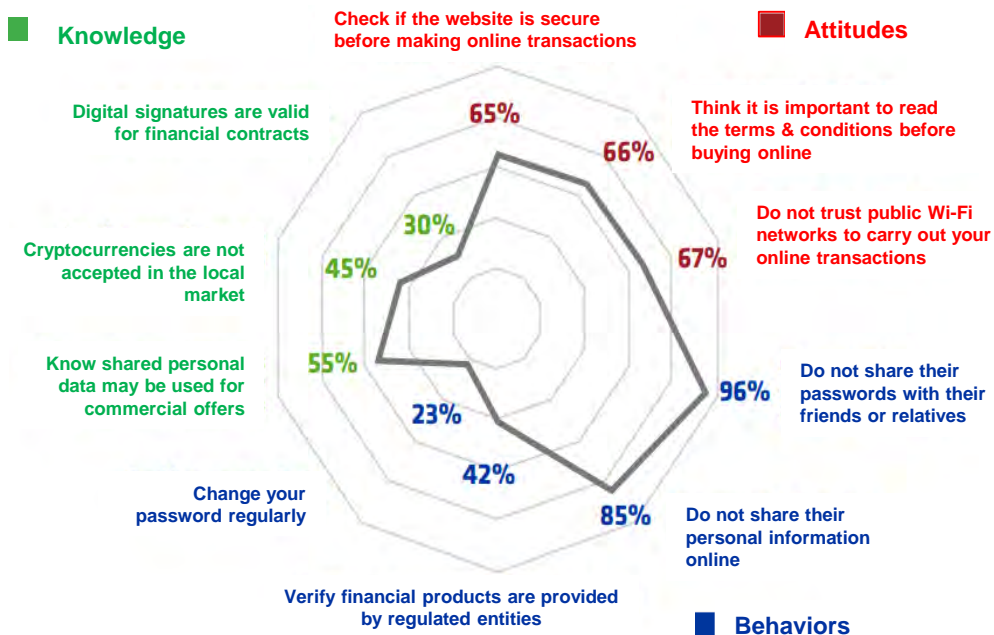


* TNR = Transactions Not Recognized by consumers

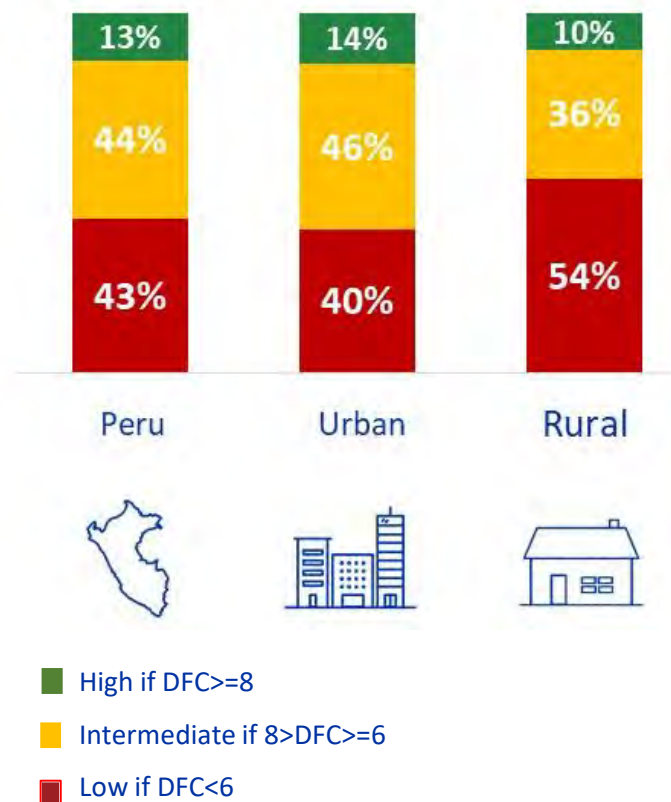
Source: SBS

Peru's Digital Financial Education

Digital Financial Education (2022)



Percentage of adults according to level of digital financial capabilities (2022)



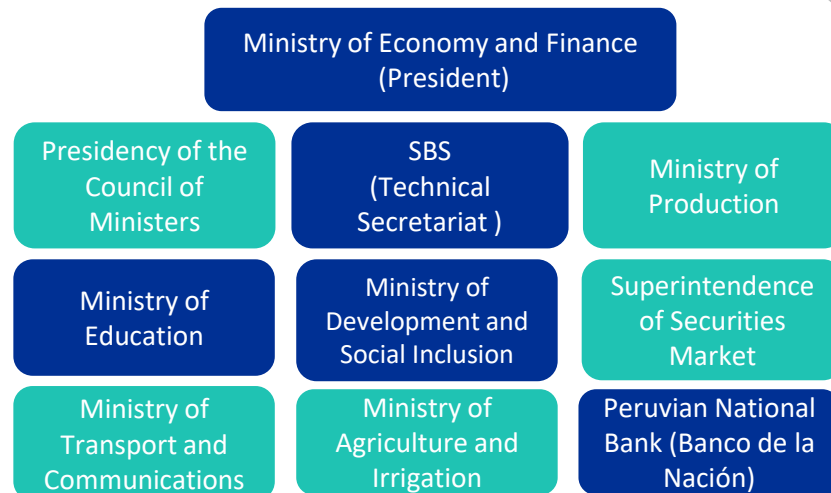
The **digital financial education index** is measured from the sum of the components of knowledge, behaviors and attitudes in relation to digital financial services.

National Financial Inclusion Policy – PNIF



The PNIF is the **2nd NFIS of Peru**, and is implemented through its Multisectoral Strategic Plan (PEM) until the year 2030.

The PNIF, and its PEM, are implemented by the Multisectoral Commission of Financial Inclusion (CMIF).



■ Members since 2019 ■ Membres since 2014/2015

The digital approach is considered in the 5 priority objectives of the PNIF

OP 1: Building financial capabilities and digital skills in the population

OP 3: Good business practices in financial sector

OP 5: Strengthen institutional coordination mechanisms

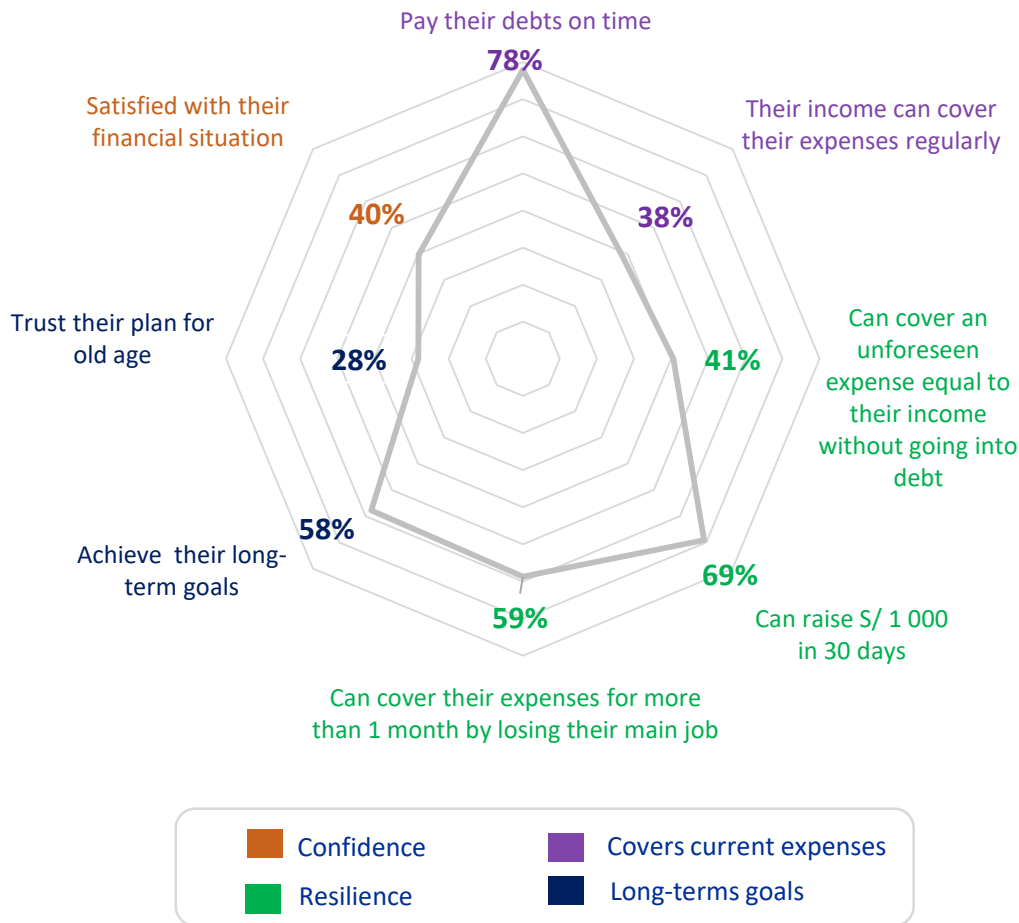


OP 2: Financial products and services according to the needs of population

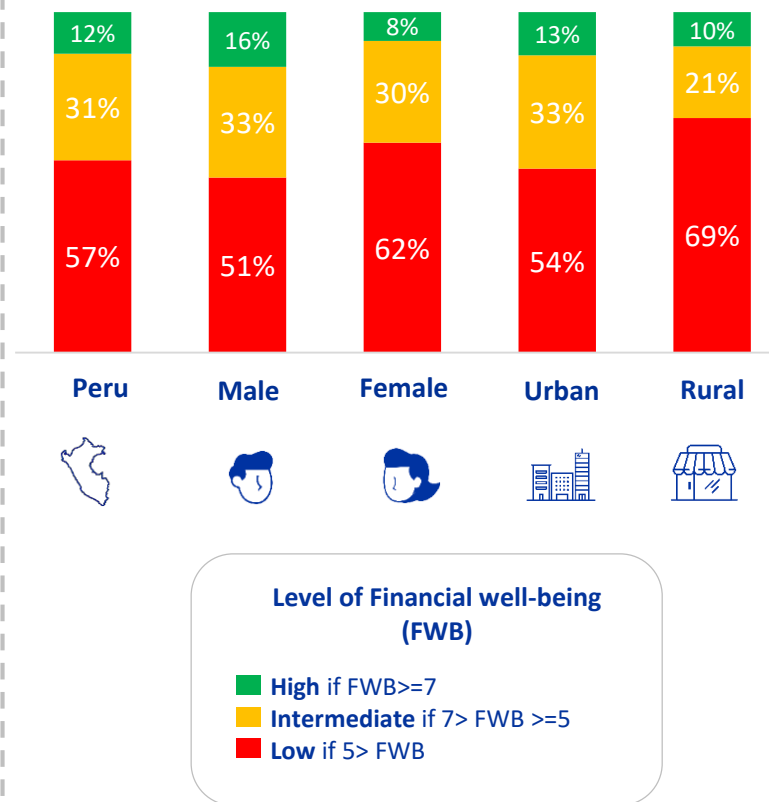
OP 4: Develop telecommunications infrastructure and digital platforms

Peru's Financial Well-being

Financial well-being (2022)



Percentage of adults according to level of financial well-being (2022)



¡CUIDA TUS AHORROS!

Nunca abras mensajes con enlaces que pidan tus datos o información de tus tarjetas

Fraudes cibernéticos

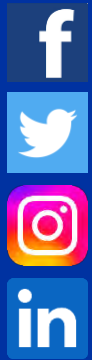
¡Evita ser víctima! Sigue los consejos que te brindamos en este podcast.

[Escuchar](#)

¿Cómo evitar ser víctimas de fraudes financieros?

¡Cuidado con las estafas financieras digitales!

SUPERINTENDENCIA DE BANCA, SEGUROS Y AFP
Resolución 001/2018



Thank you!

Préstamos fraudulentos por Internet

Ofrecimiento de préstamos rápidos y supuestamente baratos, pero antes del desembolso te solicitan un pago previo por cualquier motivo.

NUNCA pagues antes de recibir el crédito.

Maria del Pilar Guerrero
Analista de Inclusion Financiera

"Educación financiera para ti"

CUIDADO CON ESTAFAS LAS FINANCIERAS

"Educación financiera para ti"

HERRAMIENTAS DIGITALES PARA EL MANEJO DE LAS FINANZAS

PHISHING

Consejos de seguridad para tus compras por Internet

SBS Perú
11,248 seguidores

¡Cuidado, no caigas!

Recuerda:
Las entidades financieras nunca te pedirán datos por sms, mail o enlaces.

Supporting digital financial inclusion: The role of digital financial literacy in supporting the safe use of digital financial services.

Mr Lyndwill Clarke
HoD: Consumer Education
Financial Sector Conduct
Authority (FSCA)
South Africa
5 May 2023



Discussion Points



- The FSCA
- Regulatory strategy 2018-2021
- Regulatory strategy 2022-2025
- Improving customer experience
- Challenges/Lessons learned
- Next steps

The FSCA

We are mandated to ensure that financial customers are treated fairly

We are mandated to ensure that financial markets operate with efficiency and integrity

The Financial Sector Conduct Authority (FSCA) was established on 1 April 2018. We are a market conduct regulator for the South African financial sector

Furthermore, we are responsible for providing financial education programmes and promoting financial literacy



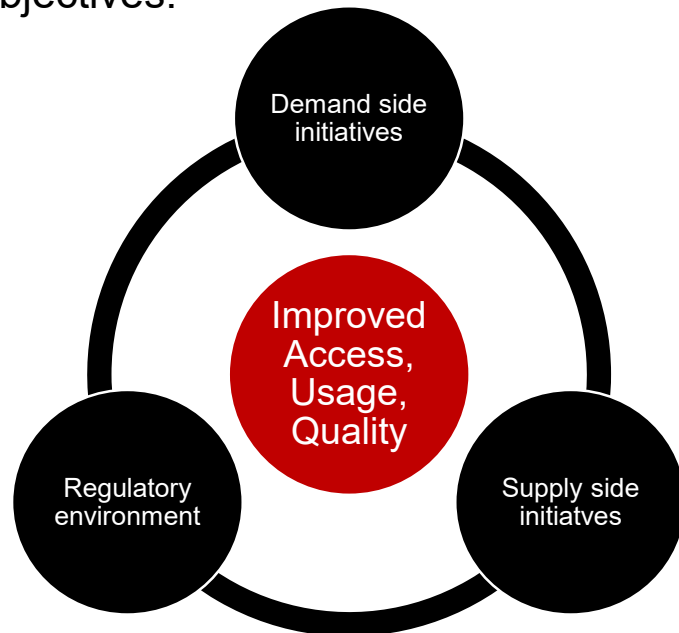
Our mandate is set out in the *Financial Sector Regulation Act of 2017 (FSR Act)*, which also defines our scope of jurisdiction. The FSR Act defines financial products and financial services, and these are subject to regulation by the FSCA. As a result of the FSR Act, the FSCA now regulates some activities in the financial sector that may not have been regulated for market conduct before the FSCA was established.

Regulatory Strategy 2018-2021

Intended outcome	Achievement
<p>1 A modern organisation that draws on international best practice and leverages technology to respond to new risks and opportunities.</p>	<p>Data driven digital strategy adopted; supported by new strategies and policies (information strategy, cybersecurity strategy, cloud strategy.)</p>
<p>2 Inclusion Research unit suitably resourced and engaged to ensure regulatory and supervisory frameworks cater for transformation and inclusion</p>	<ul style="list-style-type: none"> • Financial Inclusion Strategy developed to guide FSCA operations (published in 2022). • Transformation Strategy developed to guide FSCA operations (published in 2022)
<p>3</p> <ul style="list-style-type: none"> • Creation of dedicated FinTech Department • Establish an Intergovernmental FinTech Working Group: <ul style="list-style-type: none"> • Innovation Hub • Regulatory Sandbox 	<ul style="list-style-type: none"> • Fintech department published joint papers and reports with the IFWG (SA Fintech Landscape, Report; Crypto Assets Working Paper; NonTraditional Data Report; Suptech report; Open finance report) • The FSCA with the IFWG launched a Regulatory Guidance Unit, a Regulatory Sandbox, and an Internal Innovation Hub
<p>4 Integration of financial education with regulatory functions</p>	<ul style="list-style-type: none"> • Developing conduct standards for consumer education • Greater internal communication to coordinate and enhance messaging

FSCA's strategic approach to financial inclusion

- The objectives of the FSR Act include establishing a regulatory and supervisory framework that ***promotes financial inclusion and transformation of the financial sector.***
- FSR Act also requires the FSCA to ***promote financial inclusion*** in order to achieve its objectives.



Strategic pillars to promote financial inclusion	Dimensions of financial inclusion
DEMAND SIDE	
1. Promote financial inclusion through financial education	Usage
2. Collect and monitor data on financial inclusion to monitor progress	Usage Access Quality
SUPPLY SIDE	
3. Support technological innovation that enables financial inclusion ¹⁸	Access Usage
4. Support small financial services providers who typically serve lower income customers with simple and affordable products	Access Usage
5. Promote the supply of appropriate financial products and services to SMMEs	Access Usage Quality
REGULATORY ENVIRONMENT	
6. Create a regulatory and supervisory framework that promotes financial inclusion	Access Usage Quality
7. Effectively cooperate with other stakeholders and participate in broader financial inclusion initiatives	Access Usage Quality

Digital transformation strategy pillars

Improving the customer experience

The FSCA has two broad sets of consumers:

- **Regulated Entities** who are licensed by the organisation.
- **Everyday Consumers** who deal with the licensed entities and with the FSCA for complaints/unclaimed asset enquiries and financial education. The most important to the CED are the everyday consumers who need to keep up with all the existing and new financial products and services introduced by regulated entities. Their experience with the FSCA can affect various aspects of their lives.

Increase operational efficiency and agility

This pillar is with regards to the systems that the FSCA uses within the organisation to fulfill its mandate.

It focuses on the organisation's ability to adapt to all the changes that take place within the financial industry, including the aspects most relevant to the FSCA such as licensing, post-licensing processes and the removal of licenses.

Improve effectiveness and decision-making

This pillar is mostly related to the various management levels within the FSCA and the decisions made that affect employees and regulated entities.

Regulatory Strategy 2022-2025

Strategic Objective		Intended Outcomes
1	Improve industry practices to achieve fair outcomes for financial customers	<ul style="list-style-type: none"> • Good conduct and TCF principles embedded consistently across the financial sector • Conduct risks mitigated
2	Act against misconduct to support confidence and integrity in the financial sector	<ul style="list-style-type: none"> • Trust in the financial sector maintained
3	Promote the development of an innovative, inclusive, and sustainable financial system	<ul style="list-style-type: none"> • Transformation in the financial sector support • Financial inclusion of low-income households and small businesses deepened • Greater competition and contestability in the financial system enabled • Sustainable finance and investment in the financial sector fostered
4	Empower households and small businesses to be financially resilient	<ul style="list-style-type: none"> • Financial customers able to make better and more informed financial decisions
5	Accelerate the transformation of the FSCA into a socially responsible, efficient, and responsive organization	<ul style="list-style-type: none"> • Operational excellence embedded across all functions of the FSCA • FSCA is recognised and trusted by financial institutions, financial customers, financial sector ombuds and other financial sector regulators in South Africa and internationally

Distribution channels of communication (including digital)



Internal Communication Channels

External Communication Channels

Social Media Communication Channels

Traditional Media Communication Channels

Internally the FSCA makes use of the following communication channels:

- Intranet
- Internal newsletter
- Direct Emailers
- Town hall sessions
- TVs at the lifts and in the reception area
- Desktop screen savers
- Pull up banners
- Pop up messages on Desktop/laptop
- Notice boards (Acts)
- Inhouse verbal announcements



Externally the FSCA makes use of:

- Journalists (Round table/Media contacts)
- Forums/Committees/Industry meetings
- Call centre
- External newsletter
- Direct Emailers
- Exhibitions/Roadshows/Events
- Stakeholders for further distribution
- FSCA AR/Foundation AR/Reporting

FSCA's social media platforms:

- Regulatory website – www.fsca.co.za
- Consumer Website - www.fscamymoney.co.za
- LinkedIn, Twitter, Facebook & YouTube
- Project specific websites: www.fscaspeechcomp.co.za/ / www.mswsa.co.za/ / www.trusteetoolkit.co.za
- Future considerations; Instagram & TikTok

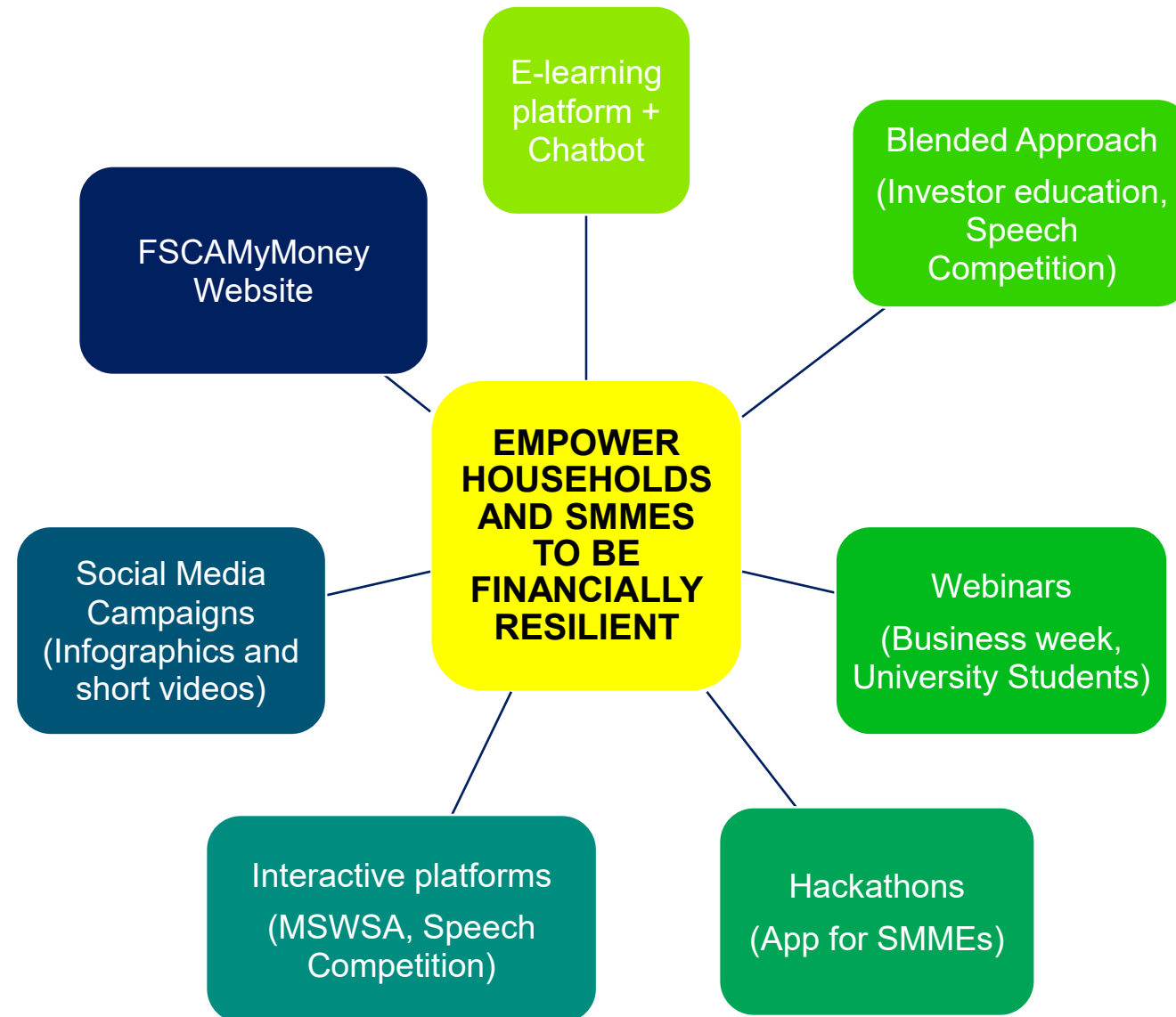
Traditional mass media platforms:

- Radio
- Print
- TV



Improving Customer Experience

Harnessing digital and innovative technologies to boost financial inclusion and wellbeing.

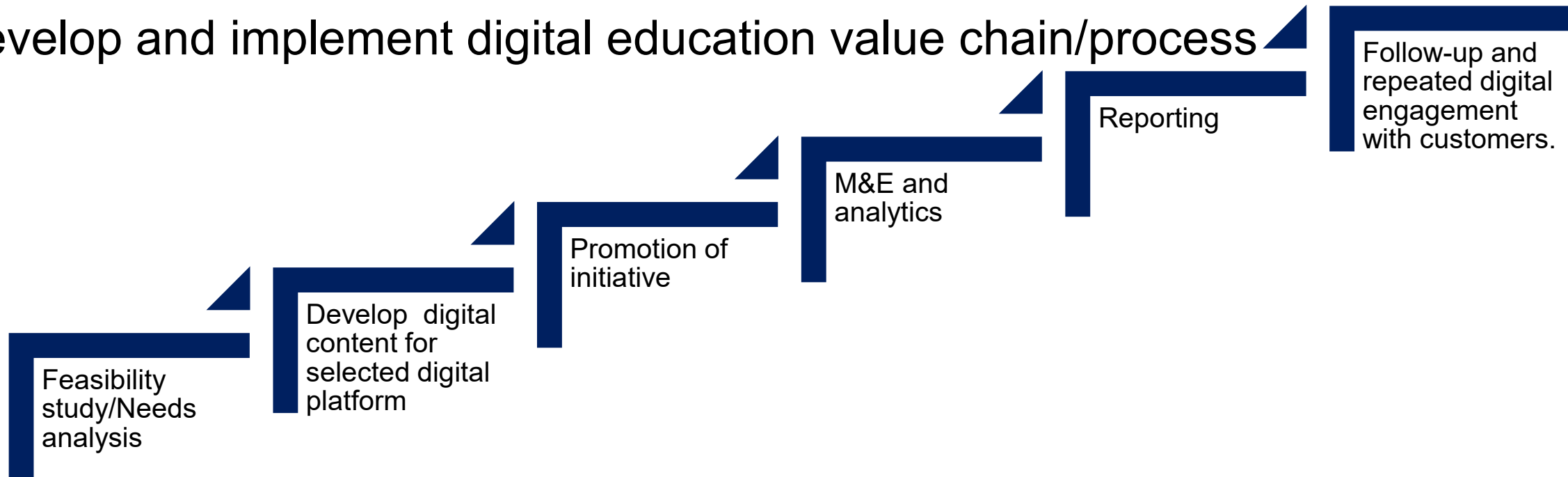


Challenges /Lessons learned

- Not all customers have access to data, devices or infrastructure to be able to access digital offerings. (Rural settings)
- High cost of data
- Lack of digital literacy
- Some people still prefer face-to-face
- Load shedding has an adverse effect on any digital offering
- Digital content need to be presented differently - interactive, engaging, shorter iterations, gamification, mobi site ready as well as website, chatbots

Next Steps

- Focus on **Scams** and **Fraud**, given the digital nature (cross border) of offerings, scams and fraud are on the rise, and therefore increased role of CFE becomes vital
- Develop and implement digital education value chain/process



- Greater coordination amongst relevant role players – Financial industry, Civil society, Data providers, etc.



No country can really develop unless
financially *and included*
its citizens are educated.

Nelson Rolihlahla Mandela





THANK YOU FOR YOUR ATTENTION



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HOD: Consumer Education

Financial Sector Conduct Authority – South Africa

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Tel: (+27) 12 422 2819

www.fsca.co.za

www.fscamymoney.co.za





Supporting Digital Financial Inclusion

María Teresa Borja Chico, Financial Education Manager

OECD/INFE Global Symposium on Financial Literacy, May 5th, 2023

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Understanding Digital financial services (DFS) is the only way to increase their use, therefore DFL should play a main role

Financial services which rely on digital technologies for their delivery and use by consumers. They may comprise a broad range of financial services accessed and delivered through digital channels, including payments, credit, savings, remittances and insurance. It also includes mobile financial services.

Double role, not only should the consumers be financial literate but also digitally literate



Seeks to empower people as economic agents who make decisions on a daily basis during the various stages of their lives. These decisions are related to their context and influence both people's present and future; although they are exercised individually, they also impact the family, community and society in general.

Economic – financial literacy



The ability to navigate our digital world using reading, writing, technical skills, and critical thinking. It's using technology to find, evaluate, and communicate information.

Digital Literacy

Digital Financial inclusion (DFI): Access and Use

Access

- Forms a crucial foundation for digital financial inclusion.
- Requires regulation and consumer protection.
- Design product that understand de needs of consumer. Demand side oriented.

Use

- Hinges critically on the presence of educated and confident consumers.
- Knowledgeable customers who can make informed decisions are as important as having a good financial infrastructure in place.

Financial education last mile of a successful inclusion

- DFI Provides immense opportunities to deepen financial inclusion and expand access to financial system for previously underserved groups, nevertheless improving financial literacy to those groups is the only way to guarantee a successful inclusion

- Inclusion should be accompanied with a proactive education approach, i.e. making the public aware of some of their behavioral biases will avoid abuse by some providers..
- Understanding risk an reward of the products is the only way to inclusion.

Financial education should help mitigate new risks



Agent-related risks

Due to the new providers offering services, which are not subject to the consumer protection provisions that apply to banks and other traditional financial institutions. Need of a Regulatory framework.



Novelty risks
For customers due to their lack of familiarity with the products, services, and providers and their resulting vulnerability to exploitation and abuse.



Digital technology-related risks

Can cause disrupted service and loss of data, including payment instructions (for example, due to dropped messages), as well as the risk of a privacy or security breach resulting from digital transmittal and storage of data.

Financial regulators should make sure that the rules and standards for data sharing level the playing field between providers.



There is a virtuous cycle between economic-financial education and financial inclusion

Financial Inclusion



Economic growth

Contribute to economic and financial development while fostering more inclusive growth and greater income equality. Inclusion can help reduce



Financial system development

A healthy and developed financial system in which the consumer is protected promoted better decision making and risk administration at various moments in an individual's life cycle.



Efficient payment systems

Market infrastructures are powerful tools which contribute to breaking behavioral barriers and allow for immersion in services with greater value-added and additional capacities.

Financial-economic education

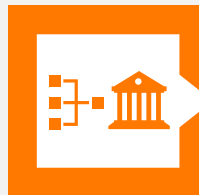
... and between economic-financial education and financial inclusion

Financial Inclusion



Economic growth

A better-educated public, who can make informed decisions are as important as having a good financial infrastructure in place. Well-founded decisions foment solid economic growth.



Financial system development

Educated consumers improve efficiency, transparency, competition of the financial market.



Efficient payment systems

As individuals understand the payment systems and increase their use, greater benefits are attained for users as well as in network externalities.

Financial-economic education

Mexico



Opportunities to digitally include the population: 66 million have a cell phone, of which 52% have a bank account (ENIF, 2021).



Greater use of payment systems: Banxico operates the Interbank Electronic Payments System (SPEI). Transactions made via SPEI grew 40 percent in 2022, compared to the previous year; of these, 88.7 percent in 2022 corresponded to amounts of less than \$8,000 MXN.



The Cobro Digital (CoDi) scheme uses the SPEI infrastructure. Anyone with a smartphone and a bank account can make electronic payments and collections, 24 hours a day and free of charge. Since 2019, 16.9 million accounts have been validated.

Mexico, some challenges

- An outstanding challenge is how to include everybody, swiftly, as such data on new users becomes available. A silver lining of the covid-19 pandemic for financial inclusion may be that it forced certain population segments to embrace new technologies, including e-commerce and overall digital transactions. For example, in Mexico, from December of 2019, before the pandemic hit, to September of 2022, the number of bank accounts linked to a cellphone increased from about 41.2 million to about 70.6 million, a 71.4 percent increase.
- Information from a national survey conducted in 2021 indicates that financial transactions are carried out to a greater extent through smartphone apps; of the adults who have a formal financial product, 51.7% carry out their main transactions through a mobile app.
- Companies that carry out financial transactions via the Internet (60%) and mobile applications (35%) has increased.
- Despite the benefits of digitalization, we should recognize that many individuals are still unfamiliar with digital technologies to interact with financial products; moreover, smaller firms are less likely to conduct their operations digitally. As a case in point, a survey conducted in 2021 revealed that 95.0 percent of microenterprises and small firms in Mexico used internet for their daily operations, in contrast to 99.9 percent of medium and large firms.

Mexico, some challenges

- One of the main challenges to increase the financial inclusion of companies in the country is associated with making the benefits of being included more evident to them, through transparency and education tools, both for individuals and companies, particularly smaller ones, since the main reasons reported for not having a savings, deposit or credit account have to do with the usefulness they see in the products, not with a lack of infrastructure or high costs.
- It is also important to strengthen the provision of digital financial services, for example, through approaches that promote information sharing, as this reduces search costs and mitigates the problems of asymmetric information for providers and users. This is especially important in the case of smaller companies and those operating in the informal sector of the economy, for which information for assessing their financial capacity is gathered less systematically than in the case of larger companies or those that already have financing.



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