



IFIE Statement on IFIE-IOSCO Conference Findings for G-20 Summit, Seoul, Korea

As the G-20 Finance Ministers come together in Seoul to continue development and implementation of the global financial and economic agenda, we reiterate our conviction that adequately funded, strategically targeted and effectively delivered education initiatives that build knowledge, skills and understanding by investors and potential investors are essential to building effective, lasting foundations across the globe for economic and market recovery and growth.

To this end, the International Forum for Investor Education (IFIE) and the International Organization for Securities Commissions (IOSCO) have jointly initiated a number of global conferences and dialogues to identify best practices and critical issues in rebuilding investor trust and confidence in economic and market based institutions through comprehensive educational strategies and programmes.

Participants at the just-concluded IFIE-IOSCO Global Conference “Restoring Trust in the Capital Markets” in Cairo, Egypt reviewed the latest thinking and activities of private and public sector programme providers and regulators in some 60 jurisdictions globally regarding elements critical to meeting the needs of individual and potential investors. This review can be summarized under three headings: best practice approaches for rebuilding trust; progress to-date; and the need for a two-pronged approach for continued success.

1. Best Practice Approaches for Rebuilding Trust

Successful investor education depends on developing a continuum of programmes, delivered continuously over time to targeted audiences, using a variety of complementary approaches:

- a) *Continuum of programmes and initiatives* - Investor Education needs must be met through a continuum of continuing learning initiatives that address the financial education and literacy of individuals, depending on their levels of self-awareness, knowledge, skills and understanding of financial markets and investing;
- b) *Continuity of delivery and programme provider collaboration essential* - one time efforts will be insufficient because the need for investor education/participation is continuous, changing over the life stages of individuals as well as with market and economic forces, requiring high quality best practice programmes backed by evaluation and research. In delivering programmes, it is important that investors are taught to be aware of the factors that influence their decision-making processes and knowledgeable about what they know and don't know as well as understanding what their tolerance for risk is and how it changes depending on their life stage. Such investor self-awareness, product knowledge and financial skills can only be built over time through repeatedly delivered programmes that reinforce and complement each other, which requires a collaborative approach between programme providers;
- c) *Targetted programmes focused on different needs and cultural differences* - It is essential that education programmes be focussed on specific needs, tailored to the different requirements of individuals, groups, communities or regions while accommodating cultural differences;
- d) *Diverse array of high quality approaches required to meet dynamic complexity of challenge* - Given the significance, diversity and breadth of needs, it is extremely complex to reach audiences in continuous learning, just-in-time, customized, relevant contexts. Therefore, these initiatives are best delivered by a variety of groups representing government, regulators, market participants, non-profit organizations and educators. Such groups must be able to build capacity with target audiences' influencers such as parents, teachers, community leaders, and other trusted advisors.

2. Progress to-date

Although recent global approaches have supplemented and strengthened national efforts, the limited resources available require creative networking and leveraging. Fortunately G-20 members can rely on and build upon the growing cross-border networks already established:

- a) *Recent global organising approaches provide additional regional infrastructure to support, build and leverage national efforts* - Infrastructure for high quality investor education programmes that can accommodate the need for continuous learning and tailored and targeted approaches must be built. To date, that infrastructure has been developed primarily at national or national-regional levels. In the last 15 months, however, IFIE members have successfully organized global-regional cross-jurisdictional approaches: IFIE-MENA which is working to serve individual investor education needs in 16 countries of Middle East and North Africa; and AFIE, which is working to serve investor education needs throughout Asia. Characteristics of this work are cooperation, coordination and collaboration across sectors, jurisdictions, markets and programme providers in the context of a primary focus on meeting the diverse and dynamic needs of individual investors;
- b) *Limited resources will have to be creatively networked and leveraged* - Resources to take on this massive task over time are scarce. As a result, collaboration across programmes and within and across jurisdictions as well as best practice sharing and leveraging of assets, knowledge and resources are critical to success;
- c) *Fortunately G-20 members and others can rely and build on the growing cross-border investor education and protection infrastructure and networks already established.* A significant base of global expertise, commitment, networking and interest in providing effective, efficient, and well-resourced education programmes focused on individual investor and potential investor needs is currently being developed. The G-20 and others can tap into it to strengthen efforts to rebuild foundations of trust and confidence in a sustained economic recovery and global market development.

3. Two-pronged Approach For Continued Success

Continued success in rebuilding trust requires both participation/education and protection strategies. Both investor education and investor protection designed to create sound investment culture strategies will still be needed. Investor education must focus on creating sustainable demand for trusted financial services while investor protection must focus on how such services are provided through proper “Know Your Customer” sales processes and consumer protection:

- a. *Creating sustainable demand for financial services* – If investors are to trust financial products over the long-term, they must be capable of analyzing what they need over

time and the level of risk they are prepared to tolerate. Only with such skills, self-awareness and product knowledge can they match products and services to their personal needs and ensure that they make good long-term decisions;

- b. *Ensuring proper “Know Your Customer” sales processes* – The sales process must be based on integrity and quality of services with appropriate disclosures provided to investors, making it clear what the risks are and how products match the risk tolerance of self-aware buyers. Investor protection programmes, raising customer awareness regarding what to ask of salespersons, and teaching investors how to get redress when things go wrong are essential ingredients in ensuring that proper “Know Your Customer” processes have been adhered to.

Conferees acknowledge that notwithstanding the very important role that investor education has been demonstrated to play in the efficient functioning of financial markets, and the need for more resources and attention to be paid to this role, the G20 process has been very much focused at this stage on issues of regulatory gaps or improvements needed to rectify the structure of global financial regulation. However, conferees reiterated the importance of continuing to develop on the ground infrastructure of best practice programmes and activities delivered by multiple stakeholders in the financial markets that can serve the educational and protection needs of individual investors within and across jurisdictions. We look forward to continuing to be a growing resource for the G-20 process.

About IFIE

Chartered in 2005, the International Forum for Investor Education (<http://www.ifie.org>) is a unique alliance that brings together private sector and public sector providers of investor education to improve the global standards for investor education. The Forum is accomplishing this objective by serving as a clearinghouse for the exchange of information between providers of investor education from different jurisdictions, including organizations that are just beginning to develop investor education programs. IFIE enables providers of investor education to learn about investment products and the investment process in the international financial market and about investor education programs globally. In addition, IFIE encourages providers of investor education to remain current with trends in investor education by disseminating relevant research and other materials in membership meetings and via a dedicated Web site and other channels.