



The Call for a Public Financial Literacy Programme

Under the Financial Services Commission Act the Financial Services Commission ("FSC") is required to "for the purpose of protecting customers of financial services" to:

- (a) supervise and regulate prescribed financial institutions;
- (b) promote the adoption of procedures designed to control and manage risk, for use by the management, boards of directors and trustees of such institutions;
- (c) promote stability and public confidence in the operations of such institutions;

(d) promote public understanding of the operation of prescribed financial institutions;

(e) promote the modernization of financial services with a view to the adoption and maintenance of international standards of competence, efficiency and competitiveness.

The importance of public understanding on financial matters cannot be overemphasized and has for too long not received the level of attention it deserves. The call for a national education programme on financial matters is even louder when one recognizes that most often, though not always, it is those who lack basic financial education that fall prey to financial fraudsters or schemes. These types of schemes often employ unusual and complex financial instruments, and sharp and engaging agents in an attempt to encourage a sense of security concerning the 'investment' and its return and have, regrettably, been evident in recent times, and with alarming frequency, not just in Jamaica, but worldwide.

A nation's financial literacy lays the foundation for an improved standard of life and confidence about present decisions and future planning. This confidence is creates increased opportunity for the creation and growth of a more stable economy and increased personal financial strength. While the losses sustained or in some cases those that are to be expected, cannot be blamed solely on a lack of financial education and savvy, this has undeniably contributed to the extent of those losses, a dramatic loss in investor confidence, even in those schemes that are being regulated by the relevant regulatory agencies.

It may be argued by some that the role and purpose of the FSC in relation to public education is limited to matters concerning prescribed financial institutions. I would respond that that this to restricted an approach. The government itself, all regulatory agencies and even regulated institutions themselves have an economic interest and moral corporate responsibility to educate the public on financial matters, exposing and explaining instruments that appear on the market and, where appropriate, advising in relation to certain attendant risks. Members of the public are not without a part to pay. Each investing member of the public is obliged to make responsible financial decisions, based on the conduct of proper due diligence and research into the product and its players.

Early intervention in regulated entities and exposure of those operating in breach of the law is an important tool in the public education process. Many critics of foreign and local regulators have protested that the perceived failure of regulators to act or to act with due haste has contributed to the extent of losses and some may even say, this was the very reason for the loss. Whether the allegations against some more recently making the headlines are proved or not, the question cannot be ignored: would the lives of so many have been affected if regulators had embarked on a public financial education programme warning of the risks, earlier in time and wider in its scope?

That Jamaica must urgently implement a sensible public financial education programme is accepted by the FSC. As recently as February 18, 2009 the FSC's Deputy Executive Director, Mr. George Roper admitted this, while delivering his remarks at the American Chamber of Commerce's Roundtable Breakfast meeting. Mr. Roper highlighted Jamaica's need for a national literacy programme that will equip our population with the knowledge and skills necessary for our people to be able to make informed financial decisions. Two of the benefits, he explained, that the implementation of such a programme would be expected to yield are first, the development of an awareness of the basic understanding of banking and finance and the features of the various products and services that are offered from time to time. Secondly, there should be an improvement in the ability and desire to plan ahead, keep track of finances, to respond to market signals in a prudent manner, and even to

suspect or detect fraudulent financial arrangements themselves.

Public financial education is an approach undertaken by many developed and developing countries. Not far from us, in Trinidad & Tobago, this takes the form of its national financial literacy programme which exists for the sole purpose of developing a nation of citizens who are conscious about and capable of managing their finances. The programmes utilizes lunch and learn sessions, financial education classes in schools and an extensive media campaign all aimed at improving the population's financial literacy. In order to achieve its mission the programme concentrates on:

- " providing facts that will enable individuals to make the right financial choice;
- " providing a basic understanding of banking and finance and the features of the various products they are likely to encounter in day to day activities;
- " providing citizens with skills and confidence to function in a rapidly advancing financial environment;
- " increasing an awareness of changes in the financial environment and people's abilities to take advantage of opportunities;
- " teaching individuals and families how to conduct personal financial budgeting appropriate to their personal circumstances; and
- " encouraging planning ahead geared to increasing citizens' financial preparedness for incidents in work life and after. (for more information see www.national-financial-literacy.org.tt)

Financial illiteracy encourages poor spending, saving and investment decisions. Urgently and immediately work must now be done to settle on and implement a national financial literacy programme. In these increasing challenging times knowledge that will bring responsible financial actions will assist in the struggle for economic stability and one day the hope of prosperity. The call is repeated, strong leadership must act now, the cost of failure to do is already too great for this and future generations to bear.

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