



## **FSCA COMMUNICATION 37 OF 2020 (GENERAL)**

### **Discussion Document – Ensuring Appropriate Financial Consumer Education Initiatives.**

#### **1. PURPOSE**

The purpose of this Communication is to:

- inform stakeholders that the Financial Sector Conduct Authority (“FSCA”) today published a Discussion Document on the FSCA’s website containing proposed policy interventions aimed at ensuring financial consumer education initiatives provided by financial institutions are appropriate;
- provide a high-level overview of the Discussion Document;
- invite interested parties to submit written comments on the proposals contained in the Discussion Document.

#### **2. BACKGROUND**

- 2.1. The Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (“FSR Act”), extended the jurisdiction of the FSCA to include oversight of financial products and financial services not previously overseen by its predecessor, the Financial Services Board (“FSB”), as well as specific focus areas that did not previously form part of the FSB’s legislative mandate.
- 2.2. One of the legislated objectives of the FSCA is to protect financial customers by providing financial customers and potential financial customers with financial education programmes, and otherwise promoting financial literacy and the ability of financial customers and potential financial customers to make sound financial decisions (“consumer education mandate”).
- 2.3. In addition, section 106(1) empowers the FSCA to make conduct standards, aimed at, amongst other things, ensuring that financial education programs, or other activities promoting financial literacy are appropriate.

#### **3. OVERVIEW OF PAPER**

- 3.1. Financial education (“FE”) has enjoyed an increased focus worldwide and international bodies and financial sector regulators have published a variety of literature on the topic.

- 3.2. The benefits of appropriate FE programs or other activities promoting financial literacy is therefore well established and is becoming critically important in a fast evolving and sometimes turbulent financial sector. Because of the extent to which FE initiatives can influence consumer's financial decisions, there is a real risk that inappropriate FE initiatives can adversely impact consumers and, in some instances, even negatively affect financial decisions made by consumers.
- 3.3. In this context and taking into account the consumer education mandate of FSCA, this Discussion Paper is aimed at putting forward a variety of proposals for discussion which relate to ensuring that financial education programs or other activities promoting financial literacy, when provided by financial institutions, are appropriate.
- 3.4. The proposals put forward for discussion by the FSCA in this document therefore relate to its consumer education mandate and propose to set requirements that financial institutions providing consumer education initiatives need to adhere to, including requirements for the monitoring and evaluation of the effectiveness, efficiency and appropriateness of FE initiatives, as well as requirements relating to reporting certain matters relating to FE initiatives to the FSCA.
- 3.5. The proposals require all financial institutions to take reasonable steps to ensure appropriate standards of behaviour, governance and oversight when developing content, implementing, monitoring, evaluating and reporting on consumer financial education activities or interventions.
36. The FSCA believes that the proposals will contribute to increasing the effectiveness of national strategies for financial education, and ultimately assist individuals and households to navigate the challenges and opportunities of today's financial markets and products offered in the financial sector in general, thereby improving their financial wellbeing.
- 3.6. To ensure that the implementation of the proposed policy interventions achieve the objectives set out in this discussion document, the FSCA would like to elicit inputs from stakeholders in order to give an industry perspective on the feasibility and appropriateness of the proposed interventions.

#### **4. CONTACT**

- 4.1. Interested parties are requested to submit written comments on the proposals outlined in the Discussion Document by 31 August 2020 to the following email address: [FSCA.RFDStandards@fsc.co.za](mailto:FSCA.RFDStandards@fsc.co.za) .
- 4.2. The Discussion Document, together with the Feedback Template (Annexure A) are available on the FSCA's website (<https://www.fsc.co.za>) under *Regulatory Frameworks > Documents for Consultation > Consumer Education*.
- 4.3. For more information regarding this Communication contact the Regulatory Framework Department of the Authority at [alicia.makenna@fsc.co.za](mailto:alicia.makenna@fsc.co.za).

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