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Standing Committee
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CAPITAL MARKET
REGULATORS FORUM
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ENHANCING FINANCIAL LITERACY IN CAPITAL MARKET

Report of the Financial Literacy Task Force of the
COMCEC Capital Market Regulators Forum

September 2013

Chair of the
Financial Literacy
Task Force



سازمان بورس و اوراق بهادار
SECURITIES & EXCHANGE ORGANIZATION

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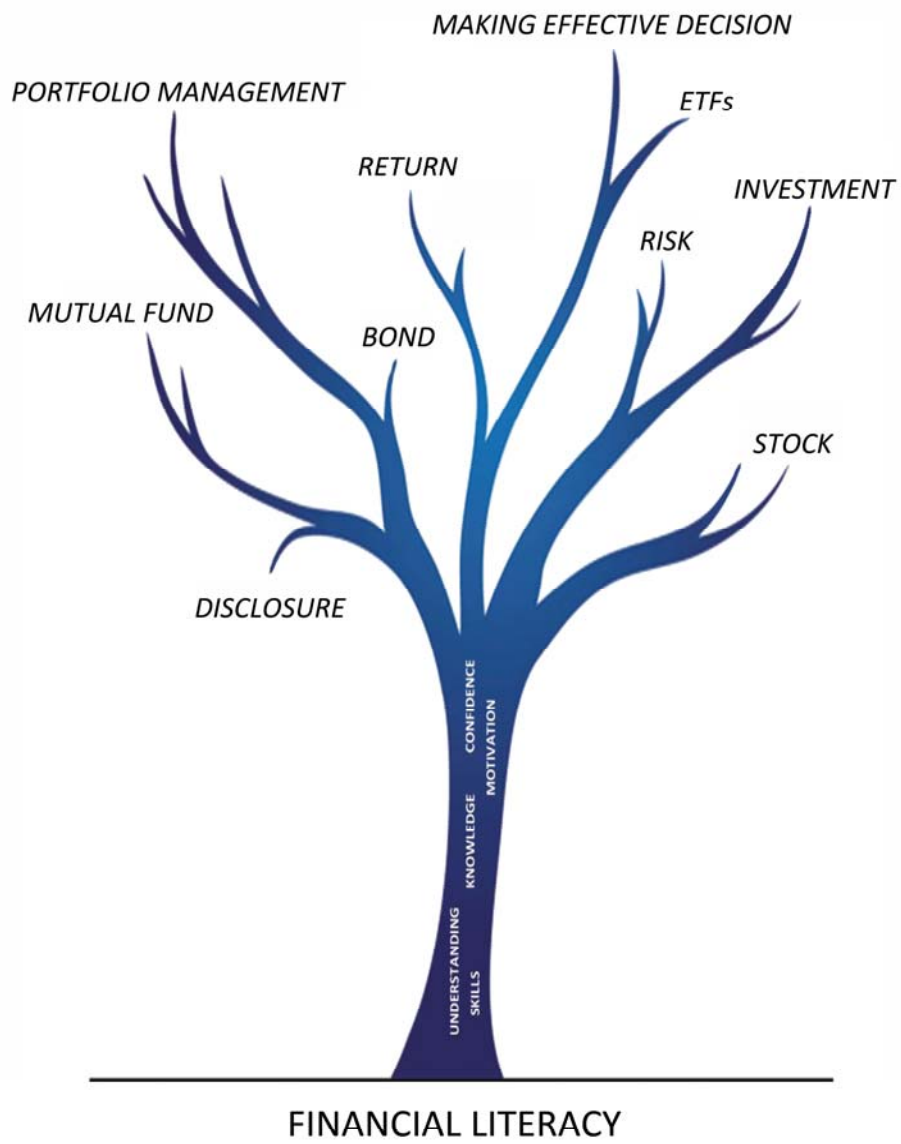


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FOREWORD

The 2008 crisis demonstrated authorities around the world a bunch of poor financial decisions which adversely affected the financial health of individuals and economy as a whole. Although the importance of financial literacy was realized in the early years of 2000s, it was late to avoid falling into the well of negligence. The recent financial crisis has shown that many households and investors are unaware or only partially aware of the implications of many financial decisions they take.

From regulatory and supervisory perspective, financial literacy may act as a means of investors' self-protection, would improve safety and soundness of capital market by investors' effective decisions, and can promote efficiency and fairness of capital market by investors request on more accurate information with more quality. In this regard, financial literacy taskforce mandated to assess current financial literacy initiatives of COMCEC member states and prepare recommendations for further improvements. COMCEC Capital Market Regulators Forum (CMR Forum) has provided an appropriate gateway for more cooperation among member countries in promoting financial literacy.

This report is the key product of the work of the taskforce over 2012-2013. It is based on two phases which have been conducted through survey questionnaire and in-depth studies by Research, Development & Islamic Studies Management of Securities & exchange Organization (SEO) of Iran. The report has been provided by generous support and cooperation of Seçil SAYIN (Capital Markets Board of Turkey, as Secretariat of the COMCEC CMR Forum) and Khaled Al-Ghais (Kuwait Capital Markets Authority, as Co-chair of the Task Force, , for which they are thanked.

LIST of ABBREVIATIONS

- AFIE:** Asian Forum for Investor Education
- ANZ:** Australia and New Zealand Banking Group Limited
- BMW:** Be Money Wise
- CFA:** Chartered Financial Analyst
- CISI:** Chartered Institution for Securities and Investment
- CMA:** Capital Markets Authority (of Kuwait)
- CMDA:** Capital Market Development Authority
- CYFI:** Child & Youth Finance International
- EIOPA:** European Insurance and Occupational Pensions Authority
- ETF:** Exchange-Traded Funds
- IAC:** the Investor Affairs and Complaints Department
- IFIE:** International Forum for Investor Education
- IFC:** International Finance Corporation
- IMD:** International Institute for Management Development
- INFE:** International Network on Financial Education
- ISFS:** Institute for Socio-Financial Studies
- MMA:** Maldives Monetary Authority
- MOCI:** Ministry of Commerce and Industry
- MoU:** Memorandum of Understanding
- MPAO:** Maldives Pension Administration Office
- NFLI:** National Financial Literacy Initiative
- NFLS:** National Financial Literacy Strategy
- OECD:** The Organization for Economic Co-operation and Development
- PCMA:** Palestine Capital Market Authority
- RDIS:** Research, Development & Islamic Studies
- SBP:** State Bank of Pakistan
- SC:** Securities Commission
- SEC:** U.S Securities & Exchange Commission

SECP: The Securities and Exchange Commission of Pakistan

SEO: Securities and Exchange Organization (of IRAN)

SIDC: Securities Industry Development Corporation

SIDSCO: SEO Information Dissemination and Services Company

WCY: World Competitiveness Yearbook

PHASE 1:

***DETERMINING CURRENT STATE OF STATUS FOR
FINANCIAL LITERACY OF MEMBER COUNTRIES***

EXECUTIVE SUMMARY

Financial Literacy Taskforce is required under its mandate to "Determine Current State of Status for Financial Literacy of COMCEC Member States". In order to fulfill this mandate, we conducted a survey with the objective of obtaining financial literacy initiatives and programs by the competent authorities.

Section 1 of this report provides a brief overview of the literature on financial literacy and education, and reviews international similar and relevant surveys in the field of financial literacy. In this report, we refer to the definition, similarities and differences of 3 concepts: 1- financial literacy, 2- financial education & 3- financial capability. In addition, the report provides a brief overview of similar surveys conducted by national and international organizations.

Section 2 of the report provides detailed information about structure and methodology of the survey. The survey considers 5 aspects:

- 1- General concepts on financial literacy;
- 2- Economic indicators relevant to financial literacy;
- 3- Programs & initiatives of member countries relative to financial literacy;
- 4- Evaluation process of financial literacy Programs & initiatives;
- 5- Relevant rules & regulations on financial literacy.

Section 3 analyzes the survey data and provides recommendations for future initiatives and makes comparison amongst member countries. The report relates these 5 aspects to each other and tries to reach conclusion and some recommendations for member countries.

Section 4 provides aggregated conclusion and recommendation according to the information obtained through the questionnaire.

The report aims to:

- Review existing capital market regulators' programs and initiatives;
- Identify challenges faced by program organizers;
- Refine a set of good practices for assessing financial literacy programs;
- Discover strength and weaknesses of member countries;
- Provide recommendations on ways to improve financial literacy programs.

This report does not consider the programs and initiatives of other financial sectors like banks and insurance.

SECTION 1

AN OVERVIEW ON FINANCIAL LITERACY & EDUCATION

As a result of fundamental changes in the economic environment of the world, individuals and families are increasingly responsible for their own long-term financial well-being. After 2007-2008 crisis governments realized the importance of financial literacy for economic development and stability. The crisis has highlighted vulnerabilities created by financial innovation and the increasing complexity of financial markets. Loan products became too complex for consumers to easily understand, and disclosure was inadequate to clarify the risks. Derivative financial products in turn became so complex that institutions trading them were also unaware of the extent of risks they were assuming.

Lack of financial knowledge can contribute to poor decisions and poor decisions can lead to challenges for financial markets. Several empirical studies have found that lack of financial literacy is associated with poor risk diversification, inefficient portfolio allocations and low levels of savings.

Many surveys have shown that investors/ consumers have poor financial literacy. These surveys are targeted at different population groups around the world, and elicit financial literacy in very different ways. Their Findings have demonstrated that majority of investors/ consumers are not familiar with even basic economic concepts. For instance, in a series of surveys it is uncovered that more than half of older adults in the U.S did not understand concept of inflation, diversification, long-term saving and even using credit cards (Lusardi and Tufano, 2009). There is also substantial evidence that financial literacy differs widely across households and tends to be rather limited in the less educated, poorer demographic groups. What makes this evidence more worrying is that many people are not even aware of their ignorance.

IMPORTANCE of FINANCIAL LITERACY

Financial literacy is important because financial products have become extremely complex. Even for simple products, such as savings accounts and government bonds, there are usually several options and several different contracts, which make choice more difficult. The complexity and choice of products can make it difficult for consumers to assess them.

The increasing numbers of consumers, the pace of change in types of services, the introduction of new technologies to deliver them, and the level of complexity have led to more aggressive marketing and fraud. Consumers/ Investors may be convinced to invest in products that are not in their best interests. Lack of financial literacy may create more favorable conditions for deceitful financial practices and unfair competition in financial markets. Agents may not always make clear the potential risks of some investments. Consumers/ investors are at risk from their own financial ignorance. Financial literacy contributes to the good workings of markets and policies. In addition, the growth in the number of alternative financial institutions is another concern which makes financial literacy important. Higher literacy and presence of informed investors lead to attracting more investment and growth in the country, induce greater stock market participation and financial market depth, build confidence in the market economy, discipline financial intermediaries, and create a better policy environment for growth.

Ultimately, as G8 asserted in 2006 meeting, "Well-informed and educated financial consumers lead to better financial markets where rogue products are forced from the marketplace and confidence is raised".

DEFINITION of FINANCIAL LITERACY

Although there are different expressions have been used for financial literacy interchangeably (Financial literacy, financial education and financial capability) but in order to reach a point of agreement, we distinguished among them:

Financial Education: "is the process by which financial consumers/ 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. Where: information involve providing consumers with facts, data, and specific knowledge to make them aware of financial opportunities, choices and consequences; instruction involves ensuring individuals acquire the skills and ability to understand financial terms and concepts, through the provision of training and guidance; and advice involve 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." OECD assumes that financial education leads to financial literacy.

Financial Capability: Financial capability is understood as being a set of financial knowledge, skills, and behaviors among individuals, with each part defined as follows:

Financial knowledge and understanding: The ability to make sense of and manipulate money in its different forms, uses, and functions, including the ability to deal with everyday financial matters and make the right choices for one's own needs.

Financial skills and competence: The ability to apply knowledge and understanding across a range of contexts including both predictable and unexpected situations and also including the ability to manage and resolve any financial problems or opportunities.

Financial responsibility: The ability to appreciate the wider impact of financial decisions on personal circumstances, the family, and the broader community, and to understand rights, responsibilities, and sources of advice or guidance.

Financial Literacy: Financial literacy means different things to different people, and this is reflected most clearly in the many definitions used in the literature. For some it is quite a broad concept, encompassing an understanding of economics and how household decisions are affected by economic conditions and circumstances. For others,

it focuses quite narrowly on basic money management: budgeting, saving, investing and insuring.

There are varieties of financial literacy definitions globally.

PRI defines financial literacy as *"The ability to read, analyze, manage and communicate about the personal financial conditions that affect material well-being. It includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future, and respond competently to life events that affect everyday financial decisions, including events in the general economy."*

ANZ defines financial literacy as *"The ability to make informed judgments and to take effective decisions regarding the use and management of money"*.

However, the most comprehensive and broad definition is provided by OECD in 2005 and we considered this definition as base and accepted definition among member countries:

"Knowledge and understanding of financial concepts, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life."

SIMILAR SURVEYS AND INTERNATIONAL EXPERIENCES

Although financial literacy is a new concept in many countries, but a great deal has been accomplished. Different agencies and departments have been created with responsibility for financial literacy, and those agencies have created websites, undertaken baseline surveys, developed strategies for financial literacy, and piloted and evaluated new programs. Although we can count variety of initiatives have been accomplished by different countries, but below we only considered and reviewed the

most important and similar tasks, studies and experiences conducted by international and main national organizations briefly.

OECD

The OECD's Financial Education Project set out in 2003 to assess how much financial literacy individuals need and to develop principles for improving financial education and literacy standards. The project was to proceed in two phases. Phase One surveyed member countries to collect the information needed to describe the types of financial education programs that exist, analyze their effectiveness, and develop a methodology to compare strategies and programs for improving financial literacy. Phase one resulted in the first major study of financial education at the international level: *Improving Financial Literacy: Analysis of Issues and Policies*. The survey conducted by circulating questionnaire asking respondents to provide information on how they view the level of financial education in their respective countries, what they see as the most important issues in financial education, what they consider the main obstacles to financial education, what major initiatives they have underway in the area of financial education, and whether they have attempted to measure the effectiveness of their financial education programs.

Phase 2 of the project focused on assessing the level of financial literacy among some pilot countries. In this phase, researchers provided guidelines for national strategies by conducting a research among 100 economies included G20. "The High-level Principles on National Strategies for Financial Education" was endorsed by G20 leader in 2012 meeting.

As a continuous work, OECD has conducted different surveys in the field of financial literacy/ education. In late 2012, "Program for International Student Assessment" (PISA) has launched a project to test 15 year-olds on their knowledge of personal finances and ability to apply it to their financial problems.

ISFS

The institute conducted a project called "Financial Literacy 2000". The project was commissioned and supported by the Fannie Mae Foundation. In this project, a national effort was made to assess public patterns of financial knowledge and consumer confidence. The research was designed to ascertain major trends in financial literacy education, to learn what challenges are being faced by program managers and educators, and to identify the strategies and practices in use that are particularly effective. A sample of 1000 adults was surveyed for the purpose of providing financial literacy profiles of the U.S. population for a subsequent responsive educational campaign to improve financial literacy. In addition of assessing current state of financial literacy among Americans, this research considered financial literacy programs in different fields. 90 programs include: 1- eighteen workplace financial education programs; 2- twenty-four Cooperative Extension Service (CES) programs; 3- four U.S. military programs—the U.S. Army, U.S. Air Force, the U.S. Marine Corps and the U.S. Navy; 4- eight faith-based programs; 5- seven community college programs; 6- twenty nine community programs were assessed in the survey.

Moreover, program leaders and managers were asked to identify challenges they faced during the design, implementation and operations stages of their programs. Challenges reported fell into one or more of three categories: 1- having inadequate resources to design, evaluate, revise, or expand programs; 2- inexperience in socio-cultural aspects of program design, marketing and evaluation; and 3- the need to attract or expand programs to reach many more participants than they presently do.

Finally, the survey assessed the delivery methods of programs. Most programs reviewed for the research were delivered in a workshop or seminar setting (69 percent) and were "expert led" (75 percent). 57 percent of the programs were supplemented with one-on-one counseling, and 21 percent offered independent study. In addition, 34 percent of the programs made use of computer technology to enhance and deliver financial education. Only 10 percent of the program sponsors used pre-packaged course

materials solely; 39 percent used custom-designed materials, and 51 percent used a combination of pre-packaged and custom-designed materials.

The research, however, focused primarily on financial literacy around retirement issues. Designers of the research concluded relatively low levels of financial literacy with respect to issues such as mutual funds, especially among baby boomers. For both the boomers and the rest of the public, financial literacy was lowest in the area of health care and long-term care.

SEC

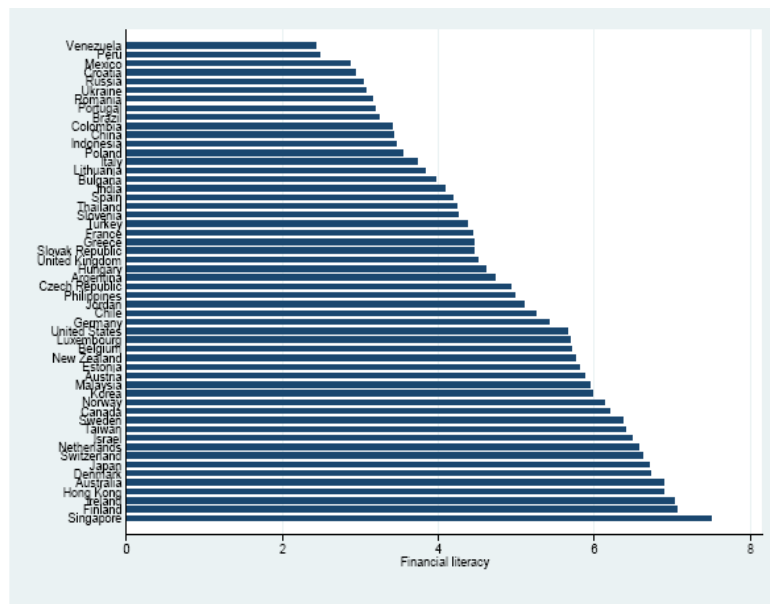
SEC was charged to identify “the existing level of financial literacy of retail investors, including subgroups of investors identified by the Commission” by requirement of Section 917 of the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010. The SEC’s Office of Investor Education and Advocacy (OIEA) was the sponsor of this research and conducted it in cooperation with the Federal Research Division of Library of Congress and Siegel & Gale LLC. The goal was not only to assess general financial knowledge, but also to determine specific knowledge of investment fraud, fees, and risk. Besides assessing the financial literacy of retail investors in general, the research evaluated the knowledge of subgroups defined by age, gender, and race. Researchers derived the data for this analysis from a series of quantitative studies conducted since 2006 to determine the financial literacy of U.S. retail investors. The study result was published in 2012.

Studies reviewed indicated that U.S. retail investors lack basic financial literacy. The studies demonstrated that investors have a weak grasp of elementary financial concepts and lack critical knowledge of ways to avoid investment fraud. Surveys also demonstrated that certain subgroups, including women, African-Americans, Hispanics, the oldest segment of the elderly population, and those who are poorly educated, have an even greater lack of investment knowledge than the average general population.

IMD

Since 1995, the IMD WCY has published an indicator of financial literacy. The indicator is computed from a survey of senior business leaders who represent a cross-section of the business community in the countries examined, and merged with data drawn from international organizations. The sample distribution reflects a breakdown of industry by sectors (manufacturing, services, and primary), and the sample size is proportional to each country's GDP. The survey questions are targeted to top and middle managers, nationals or expatriates, located in local and foreign enterprises in the country in question, who generally have an international experience and outlook. The surveys are administered in January for completion and return by March of the same year (the surveys have been conducted from 1995 to 2008). The overall size of the survey is about 4,000 business leaders, and 55 countries. The financial literacy question asks respondents to evaluate, on a 0-10 scale, the sentence: "Economic literacy among the population is generally high". Graph.1 shows 2008 result of financial literacy around the world according to the survey conducted by IMD.

Figure.1- Financial Literacy around the World (2008)



EU Commission

At the EU level, different tasks have been carried out by European Commission: Holding conference on “Increasing Financial Capability” in 2007; Survey of financial literacy schemes in the EU (2007); the launch of the European Database for Financial Education (EDFE) in 2009, an “electronic library” of existing financial education schemes; the creation of the Commission Expert Group on Financial Education in 2008; the Dolceta project, which is an online consumer education project and etc. But the closest task to our survey, among the other studies we have referred, was conducted by EIOPA.

EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Parliament and the Council of the European Union. EIOPA’s core responsibilities are to support the stability of the financial system, transparency of markets and financial products as well as the protection of insurance policyholders, pension scheme members and beneficiaries. EIOPA published its report on financial literacy and education initiatives by competent authorities on 16 December 2011. The main purpose with the publication of this report was to focus on the involvement of members and observers with the issues of financial literacy and education. The report provides information about:

- 1- National strategies/ legal competences of EIOPA Members regarding financial education and literacy;
- 2- Domestic and international co-operation in the field of financial literacy/ education;
- 3- Target groups, tools and programs of the financial literacy/ education initiatives; and
- 4- Evaluation and measurement of success of the initiatives.

It is necessary to mention that all above surveys have considered financial literacy in all financial markets (banking, insurance and capital market) but we considered merely financial literacy in capital market.

SECTION 2

METHODOLOGY AND STRUCTURE OF THE TASKFORCE RESEARCH

Two approaches were used to identify information on financial literacy and education. The first approach included an in-depth literature review of relevant studies, surveys and experiences in related fields. The second approach consisted of circulating a questionnaire to the national authorities of member countries. The questionnaire involved of 5 main issues: 1- the position and status of national authorities; 2- the major financial literacy programs and initiatives; 3- evaluation and assessment of effectiveness of programs and initiatives; 4- legal competence of national authority; and 5- economic indicators relevant to financial literacy.

In the early days of the taskforce establishment, we created a working group of experts in Research, Development & Islamic Studies Department (RDIS) to study the literature of financial literacy and design an appropriate questionnaire to be circulated among member countries. Validity of the questionnaire determined by circulating it among a group of experts working in cooperation with RDIS and Information Dissemination & Services Company (affiliated to SEO).

In the questionnaire, we aimed to acquire the answer of below questions:

- 1- What is the position and status of national authorities in financial literacy?
- 2- What are the main challenges and restrictions authorities would have faced?
- 3- What are different target groups authorities consider in financial literacy programs?
- 4- What are the programs and initiatives of member countries in the field of financial literacy?
- 5- What delivery methods do member countries utilize?

- 6- What evaluation process do member countries acquire to assess effectiveness of financial literacy programs?
- 7- What are the criteria of a successful program?
- 8- What are the rules and regulations concerning financial literacy in member countries?
- 9- How would main economical indicators affect financial literacy level in member countries?

SECTION 3

DATA ANALYSIS

Many experts believe that financial literacy is a function of the financial information to which one has access. Financial information, however, is now widely available through financial services providers, educational resources, and an increased focus on money and investing in books, articles, Internet sites, television and etc. Unfortunately, there is no easy answer regarding how best to deliver financial education information; a one-size-fits-all approach may suit certain segments of the population but is likely to be inadequate for many others with widely disparate needs and preferences.

The delivery method encompasses both the conceptual and operational details of a financial education program- the Who, What, Where, When, Why, and How. Authorities must decide what they wish to achieve through their programs (programs ultimate goal), who they wish to educate (appropriate target audience), what information to present (choice of topic areas and specific information items), in what environment to present it (programs format, educational materials and etc), and what media to use.

The financial literacy taskforce survey aimed to detect all relevant financial literacy issues around national authorities. Although we received low number of completed questionnaires, but considered them as a sample to all COMCEC Capital Market Regulators Forum members. Below is the result of data gathered in 5 broad areas: 1- the position and status of national authority; 2- the major financial literacy programs and initiatives; 3- evaluation and assessment of effectiveness of programs and initiatives; 4- legal competence of national authority; and 5- economic indicators relevant to financial literacy.

POSITION AND STATUS of NATIONAL AUTHORITY

This part consists of 8 questions that we summarized 7 of them in 3 segments and brought one of them in part 3 of our data analysis. Each question aims to detect an important issue related to financial literacy and we think its presence can be facilitating. In this part, as data provided are not confidential, we made a comparison amongst respondents.

Special units and position of national authority in financial literacy

Majority of respondents asserted that their organization has a special unit to handle financial literacy tasks. 28 percent of respondents indicated that their organization require license to initiate an educational program. There is a steering committee for 1 member country which grant license to hold "joint educational courses". The other respondents expressed that institutes are required to acquire endorsement from relevant authorities, must observe principals of their organization strategy in the field of financial literacy, and no license needed to undertake an educational program. Below is the summary of respondent's answers:

Special organization or unit in jurisdiction	<p>Cameron: Ministry of Finance has responsibility on financial literacy. Two departments handle financial literacy matters: National Council of Credit & a unit in charge of Monetary and Treasury Cooperation. There is no need to acquire a license to conduct a financial literacy program.</p> <p>Kuwait: CMA is responsible to handle financial literacy tasks. Awareness Department with 4 staff is the main department in literacy and education tasks.</p> <p>Iran: SEO is the responsible organization in capital market and central bank is responsible in money market. SIDSCO is a special company affiliated to SEO with 20 staffs handling financial literacy and education tasks.</p> <p>Malaysia: Financial Literacy tasks are undertaken by different agencies such as the Securities Commission Malaysia, Bank Negara Malaysia, and Agensi</p>
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	<p>Kaunseling Dan Pengurusan Kredit. In SC, IAC is responsible for overall strategy, execution and monitoring of SC's Investor Education initiatives/programs. Development and delivery of Investor Education programs is outsourced to SIDC. Number of staffs: IAC 16 and SIDC 52.</p> <p>Maldives: the task is shared among CMDA, MMA, MPAO, Maldives Stock Exchange, Banks and other financial institutions. Investor Education and Training Section of the CMDA run investor education and awareness activities. CMDA acts as secretariat of NFLI.</p> <p>Pakistan: SECP and SBP are responsible to handle financial literacy tasks. Investor Education department is a special unit at SECP that handle financial literacy activities.</p> <p>Palestine: Palestine Capital Market Authority is responsible organization; the financial awareness section in the Research & Development Directorate is a special unit acting in the field of financial literacy with 3 employees.</p> <p>Turkey: Capital Markets Board of Turkey is responsible for financial literacy. Institutional Communication Department has a Financial Education Group, which counts of 7 officers who handle financial literacy and education activities.</p>
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Possible Restriction and Challenges

Member countries asserted different issues as restriction and challenges they have faced:

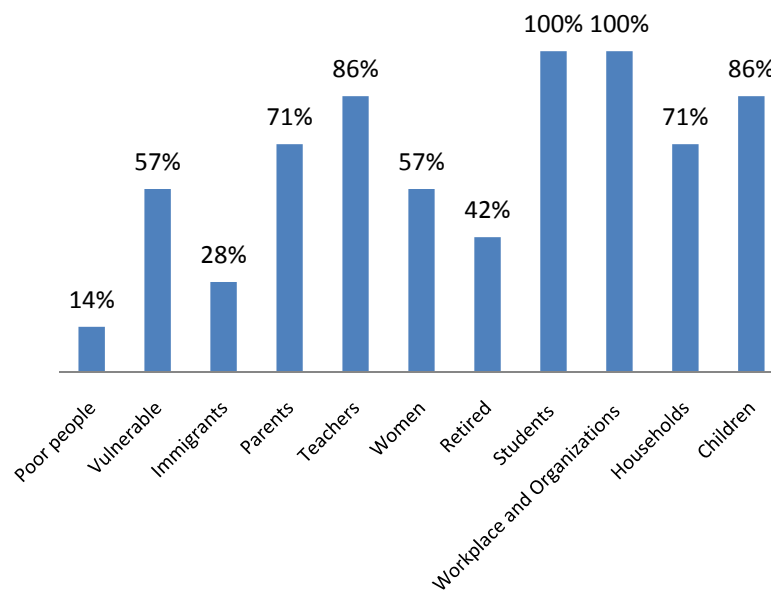
- 1- Financial literacy programs and initiatives are new born and emerging phenomena.
- 2- Coordination among all related institutions is difficult and time consuming.
- 3- Lack of interest towards potential audience regarding financial literacy.
- 4- Lack of financial resources.
- 5- Media campaigns are limited to reach potential participants.
- 6- Seminars/ Workshops/ Courses/ Exhibitions are concentrated on theory rather than both theory and practice.

- 7- Government deficits and funding constraint.
- 8- Shortage of staff number dedicated to financial literacy.
- 9- Lack of cooperation, coordination and direction of upstream officials and postponement due to requirement of higher authorities' permission.
- 10- Low level of literacy among people.

Target Groups

According to the answers received, majority of member countries consider different target groups for their programs. The different target groups which considered by member countries and provided special programs for them are depicted in figure 1.

Figure 2- target groups percentage



The figure shows that the most important target groups for member countries are students and staffs in workplace. In addition, children and teachers have the second

level of importance among respondents. However, although there is a global movement toward training poor people, vulnerable and women in financial issues to be able to improve their own personal finance, but member countries have the least attention toward them.

It could be due to some reasons:

- 1- Majority of illiterate population are among poor and vulnerable people;
- 2- As poor people usually don't have enough extra money to arrive into capital market, they won't pay attention to capital market issues;
- 3- Financial literacy has a broad concept in banking and insurance segments (relevant topics to personal finance) but most topics in capital market are relevant to capacity building;

The answers we received are summarized below:

Programs and initiatives for target groups	<p>Cameron: No target group.</p> <p>Kuwait: all programs are in progress.</p> <p>Iran: Different programs for variety of target groups. For instance irvex cartoon campaigns and etc.</p> <p>Malaysia: Different programs such as <i>Investor Clinic, BMW, Train the Teacher, Money @ work, Cash @ Campus, Kids & Cash, Teens & Cash</i> for various target groups.</p> <p>Maldives: serves target groups with presentations, brochure and workshops.</p> <p>Pakistan: Has launched a program called "Investor Education and Awareness" which covers all target groups. However, officials have prioritized target groups based on the available resources.</p> <p>Palestine: there are different programs for children, staffs and students. Child Financial Week, holding sectorial seminars and workshops for financial</p>
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	<p>sectors, experts lecture in universities, Corporate governance Day in universities, PCMA Day and Financial Awareness Campaign.</p> <p>Turkey: serves target groups by composition competition, conferences, seminars, certificate programs, university training programs, Cooperation with Minister of Family and Social Politics, Conference for Women, assisting teachers in planning stage.</p>
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Cooperation and Membership

57 percent of respondents asserted that they have cooperation with Ministry of Finance in the form of meetings and as a role player in making financial literacy strategy (MA, PK, PL, and TU).

57 percent of respondents asserted that they have cooperation with Ministry of Education in the form of meetings, permission on holding a program, adding or changing financial matters in schools curriculum and preparing courses in different levels of schools (IR, MA, PL, TU).

71 percent of respondents indicated that they have cooperation with central banks as money market authority in the form of MOU, holding joint awareness programs and workshops, investors and customers' protection (KU, MA, PK, PL, and TU).

Almost all countries have international cooperation with international organizations like INFE, OECD, AFIE, CFA and etc.

Below is a summary of answers:

Bilateral or Multilateral Cooperation and Membership	<p>Cameron: Bilateral and multilateral cooperation with banking association, financial market authority, trade association and financial industry partners.</p> <p>Kuwait: MOU with Central Bank and MOCI.</p>
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	<p>Iran: SIDSCO has cooperation with Ministry of Education in Preparing course in "diploma" level, with of Brokers Association and Prepare educational documents for municipal facilities.</p> <p>Malaysia: Needs permission/ endorsement from ministry of finance and education for programs especially those targeted. Partnership with central bank to educate the public; AIFE, IFIE and INFE.</p> <p>Maldives: Ministry of Education, Financial institutes, Local Government Authority and Financial partners & Supporters have members in NFLS; AFIE</p> <p>Pakistan: Cooperation with Central Bank, Financial Authorities or Institutions, Trade Associations, and Ministry of Finance in All Financial Matters; MOU with Iran and CFA Hong Kong.</p> <p>Palestine: Ministry of Finance is the main stakeholder of the national strategy in financial literacy. Ministry of education cooperates in holding programs such as child and youth week and Adding financial nonbanking chapters to the related curriculum. Joint awareness programs and full collaboration on financial education with Palestine Monetary Authority and Palestine Stock Exchange (such programs as trading simulation for university students). In addition, PCMA has cooperation with NGOs, Banking associations and Financial Industry Partners and Supporters; PCMA is a full member INFE and is a member in CYFI</p> <p>Turkey: Has cooperation with majority of entities in the form of meeting and holding seminars; INFE and CYFI</p>
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MAJOR PROGRAMS AND INITIATIVES

In this part, we detected all programs and delivery methods of programs which national authorities have conducted. Another important aspect of this part is investigation in the strategy, mission, vision, objective goals of national authorities. This part reveals which country has national strategy, vision, mission and objective goals in the field of financial literacy and member countries can have a comparison among themselves.

National Strategy, Vision & Mission

The questionnaire revealed that only 12 percent of member countries (1 country) have national strategy. 37 percent of member countries (3 countries) have planned to create national strategy for financial literacy. And ultimately, 51 percent of member countries asserted that there is no national strategy. Although some countries indicated no national strategy, but asserted that they have inter-organizational strategy to promote education and literacy of investors. Below is a summary of received answers:

National Strategy	<p>Cameron: No national strategy.</p> <p>Kuwait: No NFLS but there is a strategy/plan which is approved by CMA internally.</p> <p>Iran: No national strategy.</p> <p>Malaysia: SC formulated a strategy referred to as the Investor Education Blueprint in order to protect investor as a result of financial education.</p> <p>Maldives: NFLS formulated in October 2012. A working group is established to carry out the strategy.</p> <p>Pakistan: There is no NFLS</p> <p>Palestine: PCMA is in the process of building National Strategy for Financial literacy and has set itself a new strategic goal in 2013-2014 strategic Plan, which is building a National Strategy for financial education with reference to the international standards in this field. These standards are based on INFE high level principles.</p> <p>Turkey: Is working on a national strategy titled "National Strategy on Financial Education". Financial Stability Committee, which consists of Minister of Economy and head of financial regulator bodies, will approve the strategy after taking views of relevant parties.</p>
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Majority of member countries realized the importance of having vision, mission and goals in the field of financial literacy. In this regard, we brought the vision and mission of member countries as comparison. We believe existence of strategy, mission, vision and objectives will light the road to financial literacy.

Vision or Mission	<p>Cameron: No mission or vision.</p> <p>Kuwait: To promote public awareness on securities activities, risks, benefits, and commitments associated to investment in securities and encourage its developments.</p> <p>Iran: the <i>mission</i> is to employ and mobilize the most talented professionals to meet the capital market stakeholders' needs in the areas of training and information, aiming to the constant development of the capital market</p> <p><i>The vision</i> is To be a genuine reference for anyone seeking information and training in the capital markets</p> <p><i>The motto</i> is "Know exchange through us", "Invest in exchange knowingly".</p> <p>Malaysia: To achieve an informed and vigilant investor base that has the necessary knowledge and skills and access to those knowledge and skills, to safely participate in the market.</p> <p>Maldives: Financial empowerment and confidence through education</p> <p>Pakistan: To create awareness & outreach of non-banking financial sector; mediation and corporatization.</p> <p>Palestine: Implement financial awareness programs targeting specific groups and for public, and participate in developing the national strategy for financial education.</p> <p>Turkey: The mission is to increase awareness among citizens about financial concepts and institutions and educate them to give better financial decisions in their daily lives. At the same time, to determine strategies on politic, education, practice, research and coordination areas for persons and families</p>
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	to take conscious decisions. The vision is to provide a sustainability financial welfare for family and persons who constituent Turkish society
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In order to have a complete list of goals and objectives in the field of financial literacy, we aggregated member countries goals and objectives:

- 1- To increase awareness on importance of financial education and financial subjects;
- 2- Provide realizing financial notions and products and better management financial assets and liabilities;
- 3- Obtain necessary information and tools for persons to take conscious decisions on financial subjects;
- 4- Improve saving, investment, borrowing, hedging and insurance culture of society;
- 5- Protecting investors by educating them on their rights and responsibilities;
- 6- Reduce investors' vulnerability to fraudulent schemes;
- 7- To educate potential and existing investors through various modalities and across levels of sophistication;
- 8- To conduct informative seminars, exhibitions, courses, extensive meetings, awareness ads and awareness bulletins;
- 9- Boost individual confidence in the financial market.

Educational Incentives

In this segment, we detected different incentives that national authorities have considered for investors. This segment makes a comparison amongst different educational incentives of member countries. Fortunately, almost all respondents notified to free programs as incentives for retail investors. Below is a summary of member countries incentives:

Educational Incentives	<p>Cameron: No program exists in our jurisdiction.</p> <p>Kuwait: free of charge programs.</p> <p>Iran: Holding several educational courses "for free". Giving rewards to winners in "virtual exchange" competition. Prizes are "stocks".</p> <p>Malaysia: free of charge programs and incentive package for certain programs (for instance, incentive package for school teachers who are trained in Trained the Teacher program and conduct Kids & Cash on behalf of SIDC.</p> <p>Maldives: providing Personal Financial Planning Book, Financial Literacy Pack used in workshops.</p> <p>Pakistan: Free of charge programs, virtual stock market investing, quizzes and competition</p> <p>Palestine: low cost global certificate program in collaboration with CISI and trading stimulation program for university students in collaboration with Palestine Stock Exchange.</p> <p>Turkey: Certificate of training seminars for students, some awards for competitions.</p>
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Sources of Funding

One of the most important aspects national authorities must consider on initiating financial literacy programs is sources of funding or budget allocated to financial literacy. This segment would affect the delivery methods and incentives for financial literacy. It means those countries with fewer sources of funding cannot invest on their delivery methods, promote financial literacy and education programs, and there will be no bonus for investors to attend financial literacy programs.

It seems that almost all respondents allocate a specific budget for financial literacy and education. It means that these organizations are self funded. However, some other countries are funded by Capital Market Development Fund, Investor Education Fund,

contribution of private sectors, and contribution of international organizations such as The World Bank.

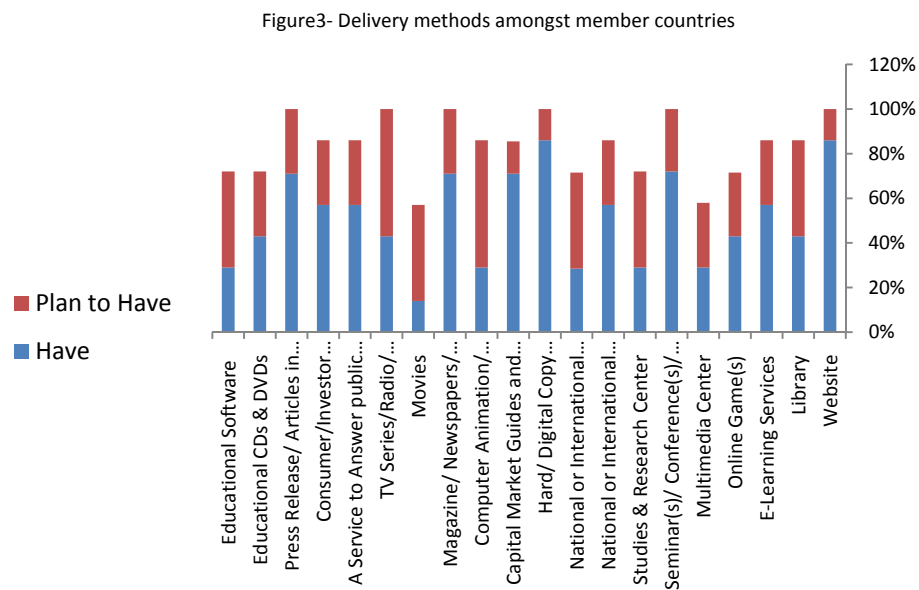
We considered the gathered information regarding sources of funding and its amount as confidential. Therefore, there is no summary of the information. However, we should indicate that in regard to the number of investors in each country, 1- we should consider the money allocated to financial literacy as an investment which we will enjoy its return in future and 2- we should negotiate and convince our officials to allocate sufficient budget in financial literacy and education (what we observed in received questionnaires was insufficient amount of money for some countries).

Financial Concepts & Delivery Methods

Respondents asserted different concepts in their programs. Although respondents are capital market regulators, they cited some concepts and programs in banking and insurance segment. The concepts cited by respondents are:

- 1- Risk
- 2- Secure Investment
- 3- Understanding different products and instruments
- 4- money management
- 5- saving
- 6- Using credit card
- 7- General and basic information about financial market
- 8- Rights and Responsibilities of investors
- 9- Role of regulators and supervisors
- 10- Insurance

The delivery methods in which above concepts are delivered are indicated in figure 3:



By looking at figure 3 we can realize that website and hard/digital copy of publications are most useful delivery methods among member countries. Seminars/ courses/ workshops/ lectures, capital market guides & handbooks, magazine/ newspapers/ brochures/ leaflets/ flyers/ newsletters / news alerts, and press release are in the second level.

Although in this survey we are not assessing the effectiveness of delivery methods, but officials should consider the number of internet users (for internet based programs) and number of literate people in their own countries. Websites can be effective when we have a large number of internet users. In addition, text based initiatives are effective when the number of literate people is significant. In contrast, when both indicators (internet users and literates) are not significant then officials should apply face to face contact, workshops, lectures and etc. we believe that, although existence of all above delivery methods are not necessary but all of them can be applied due to economic-cultural environment of member countries.

Moreover, majority of countries do not have mandatory programs except Maldives which has social studies curriculum for Grades 1-10 incorporates financial literacy and Palestine which is going to Develop corporate governance in cooperation with IFC to be added to universities curriculum. PCMA is in the process of developing mandatory curriculum related to financial literacy in both schools and universities.

EVALUATION & ASSESSMENT of PROGRAMS EFFECTIVENESS

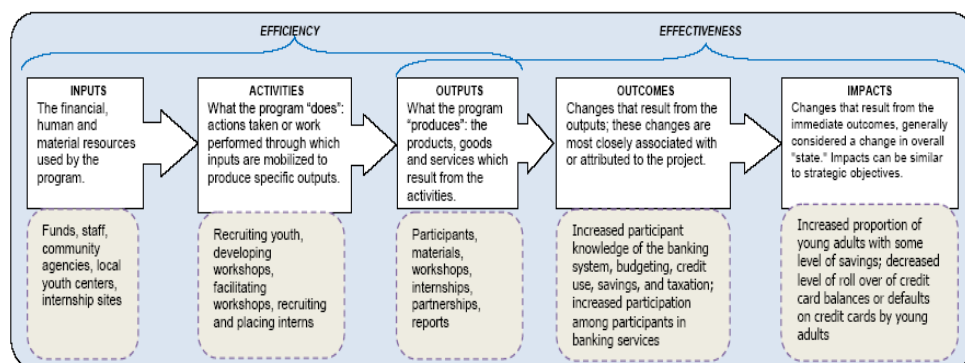
A key component in an effective financial literacy program is evaluation of such a program. We must evaluate our programs because it's the best way to know if what you're doing is working!

To evaluate our financial literacy programs, we should ask ourselves: What are the goals of the programs? Who are we trying to reach? What level of financial literacy does our target groups currently possess? What additional skills would we like participants to gain from our programs? To answer these questions, we should have a framework to evaluate our financial literacy and education programs. In the context of financial literacy, we have found two common and well-known frameworks. The three-tiered framework produced by OECD-INFE and presented and published in "Detailed Guide to Evaluating Financial Education Programs". And the five-tiered framework produced by Jacobs (1988). The five tiers in this framework are: (1) pre-implementation, (2) accountability, (3) program clarification, (4) progress towards objectives and (5) program impact. The pre-implementation stage involves needs assessment on the financial literacy training required by participants; this might be in terms of the needs identified from more general financial literacy testing and/or specific needs assessment around program participants. The accountability stage involves the collection of data on the education and services provided as part of the program, the costs involved and demographic information on participants. The program clarification stage involves ongoing assessment of the program's strengths and weaknesses, and plans to review the program in the light of such assessments. The progress towards the objectives stage involves the collection of data on the impacts of the program on participants. Finally,

the program impact stage builds on the previous stage in terms of long and short-term impacts, typically involving comparison of participants and non-participants.

The three tires of OECD-INFE framework are (1) planning, (2) implementing and (3) reporting-using an evaluation. Planning stage involves determining the purpose and scope of the evaluation through consultation with key people, choosing what kind of evaluation best suits your purposes, focusing on the important questions the evaluation will answer and determining what methods you will use to collect data and report your findings. Implementation involves collecting and analyzing data and information according to the evaluation plan that was developed in the program design stage. In the reporting stage, results are effectively communicated in order to fulfill a successful evaluation. In the heart of this framework, OECD-INFE introduced a phenomenon called Logic Model to map out what we expect to happen as a result of our programs. A logic model is a visual way of expressing the expected impact of a program, its theory of change: doing this will cause (or contribute to) that. It is the rationale for why your program is structured as it is.

Below is the logic model depicted by OECD-INFE. In our survey, we considered OECD-INFE framework as an all accepted and pre-assumption framework.



In our survey, we ask respondents to clarify existence of a logic model for financial literacy and education programs in their organization. All respondents asserted no logic

model in their national organization. We believe that existence of a framework and consequently a logic model is necessary for mapping present and future initiatives, and will help officials to evaluate their financial literacy programs and initiatives within a designated framework.

In this section, we asked respondents to declare the methods they use to assess financial literacy programs and determine the elements of a successful program in their point of view. Below is a summary of answers:

Evaluation of Programs	<p>Cameron: No evaluation program</p> <p>Kuwait: Programs are evaluated by circulating questionnaire among participants and comparing the inquiries before and after each program.</p> <p>Iran: Receive feedback through "field questionnaire".</p> <p>Malaysia: programs are internally or through informal surveys and by outsourcing to a third party. Internal surveys are undertaken among participants three months after the program has ended or at exhibitions/road shows. Third-party is engaged to undertake quantitative and qualitative surveys. The highest priority of SC is to determine the effectiveness of the programs.</p> <p>Maldives: programs are assessed by a financial literacy survey. In addition, it is planned to assess workshops at the beginning and at the end of educational courses.</p> <p>Pakistan: relevant resource companies assess the effectiveness of programs by surveys and feedback evaluation forms.</p> <p>Palestine: need assessment survey before conducting a program and post-program survey to evaluate the result of the program.</p> <p>Turkey: Seminars are assessed by survey. A common survey from World Bank has been circulated among citizen to evaluate the level of financial literacy education.</p>
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Moreover, we asked respondents to clarify whether there has been conducted a survey to assess financial literacy level among citizen. Answers revealed that only Palestine and Turkey have assessed financial literacy level among citizens. Turkey Conducted a joint project with the World Bank on the financial literacy level of people. A survey has done among nearly 3.000 people and its result has announced public via internet and media. Palestine assessed financial literacy level among citizens through a survey in financial awareness campaign. In addition, Iran has launched a project to assess financial literacy level among people.

In order to gather all views about the elements of a successful program, we asked respondents to certify the elements and criteria of a successful educational program or initiative. Below are aggregated answers of respondents:

- 1- It should fulfill needs of people about financial decision at minimum level.
- 2- Cater the various levels of investment groups.
- 3- Materials should be clear, comprehensive, understandable and serve the purpose of awareness.
- 4- Programs should lead to:
 - Individuals who are able to budget income and expenses, know the basics of savings and investing, know their rights, know how to approach for assistance in financial matters;
 - Increase in the percentage of financial literacy programs recipients;
 - Lesser percentage of violations committed due to lack of awareness in laws, regulations and investment principles; And finally
 - A significant behavioral change as a sign of a program's success.

RULES & REGULATIONS

In this section, we aimed to detect all rules, bylaw, directives and obligations regarding financial literacy programs and initiatives. Although we knew that it is not important to conduct an initiative base on rules and regulations but we intended to distinguish those

countries which have a legal competence and obligation in conducting financial literacy programs. Data received revealed that although there is no legal obligation in conducting financial literacy programs but the securities Act of member states includes financial literacy as an aim of Capital Market Regulators. Below is a summary of received answers:

Legal Obligation for Financial Literacy and Education	<p>Cameron: There is no rules and regulation related to financial literacy.</p> <p>Kuwait: Law 7/2010, Article 3, item 2 asserts: "CMA aims to promote public awareness on securities activities, risks, benefits, and commitments associated to investment in securities and encourage its developments"</p> <p>Iran: in addition of the securities Act, there is a directive of Training Steering Committee on financial literacy programs.</p> <p>Malaysia: No legal obligation</p> <p>Maldives: One of the principal objectives of Maldives Securities Act is to protect and to promote the interests of the investors and potential investors in securities.</p> <p>Pakistan: Section 20(4) (h) SECP act 1997 states that "the Commission is responsible for the promoting investors, education and training of intermediaries of securities markets."</p> <p>Palestine: there exist legal obligation, rules and regulations related to financial literacy but the content is not mentioned by the respondent.</p> <p>Turkey: No legal obligation</p>
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ECONOMIC INDICATORS

Educating investors who participate in financial literacy programs on main and basic economic indicators such as *Inflation Rate, Risk, Interest Rate, Saving* and *etc.* is the first important issue which officials should consider. By knowing such issues, investors will be able to decide appropriately on their own. What we intended in this part is to answer

2 questions: 1- what are the effects of financial literacy on economic indicators? And in contrast 2- what are the effects of changes in economic indicators on financial literacy, delivery methods and target groups? In this regard we aimed to make a comparison among member countries which participated in the survey. However, due to unreliable answers and incomplete filling of the questionnaires, we decided to consider this part merely as a guide for self-assessment of member countries.

To answer the first question, it is asserted that financial literacy should lead to **behavior change**. We believe that behavior change should lead to **rational decision making** in the capital market. Consequently, rational decision making should increase the volume and value of trades in stock exchange and as a result, **Market Capitalization** must increase. So, it means that a good and an appropriate financial literacy programs should increase Market Capitalization. In assessing the result of our programs and initiative during a short and long time, *we should have a look at MC as a criterion for the effectiveness of our programs.*

Another indicator we should consider is MC to GDP. By this ratio we can measure the gap between real and financial sectors of an economy. When there is not a significant gap between financial sector (as a required capital provider for real sector) and real sector, the economy is powerful. Governments always try to narrow the gap between MC and GDP. In this regard, the growth of MC will cause growth of entire economy.

We believe that the ultimate goal of financial literacy is social welfare. Economy growth is a criterion for social welfare which is the result of capital market growth which is the result of financial literacy and capacity building. Therefore, in conducting a financial literacy program in capital market, we should observe MC to GDP ratio in a period of time. So, we have a chain of consequences:



Another effect of financial literacy on economic indicators would be the value of Mutual Funds. It shows the intensity of public participation in the process of investing in capital market. Introducing mutual funds to those who have low level of financial literacy (or don't have) should increase participation of them in capital market and therefore, purchasing and demanding mutual funds' units should increase the value of mutual funds.

In the other side of the coin, we should consider the effects of economic indicators on financial literacy. An important indicator we must consider it in our analysis is Inflation Rate. Undoubtedly, inflation will increase Market Cap. In this regard (and to not make mistake), in analyzing the effects of financial literacy during a period of time, we must consider the effects of inflation rate on MC. On the other hand, inflation causes decrease in purchasing power of public. In this situation, People try to invest their money in opportunities that maintain the value of their money. In this regard, financial literacy programs providers should have flexible programs to fulfill the interest of participants, and introduce instruments which can cover the effect of inflation on the welfare of public. So, in inflationary conditions, programs provided should be different.

Monetary policies are another factor affecting financial literacy policies and strategies. **Banking Interest Rate** and **Risk Free Rate of Return** are important factors should be considered in conducting a financial literacy program. These two rates are rival to the rate of return in capital market. The high banking interest rate and risk free rate of return will absorb the capital of those investors who are risk averse and search for risk free opportunities. In such condition, providers should conduct programs to make

investors familiar with concepts of Risk & Return as well as introduction programs to treasury bills and banking interest rate, and let them walk into the market to acquire more return consciously.

Gross Savings shows the current status of public view on financial markets. Measuring saving consumption items in the society is very important. If savings don't stream to financial markets, it indicates public reluctance to participate in financial markets. In these conditions, program providers by adopting appropriate measures can direct savings into financial markets gradually (e.g. educating people about different low risk instruments and institutions offering them and encouraging public to invest on them).

Export and Import show the degree of openness or dependence of an economy. The high openness leads to more participation in financial markets. Consequently, this participation leads to developing more financial instruments and opens new fields for financing through foreign trades. In this regard, planning for awareness and acquiring knowledge to these fields are essential. Moreover, dependence or openness of an economy orients policy making of capital market officials.

Those countries with positive **Net Immigration** (immigrate minus emigrate) face variety of cultures. Therefore, methods of delivery and programs should be different for distinguished investors in such countries.

Program providers must notify the number of **internet users**. If the number of internet users in a country is low, the most of programs mustn't be internet and computer based. Instead, providers should focus on face to face programs, workshops, lectures and etc. which require presence of trainees.

The number of **Real and Legal investors** should be important for program providers. Policies of capital market officials on promoting investment among real and legal investors would change the methods, content and target groups of programs. By knowing the current number of real and legal investors, officials can obtain the number

of majorities who should receive education and set policies according to their priorities to educate real or legal investors.

Finally, we should assert that countries should specify pillars of their economy. By this specification, they can obtain those sectors which need more attention. For instance, if the economy is only base on oil and officials willing to strengthen other sectors of the economy, program providers must pay attention to the different target groups with different literacy level, variety of instruments applicable for the new sector, the delivery methods and etc.

SECTION 4

CONCLUSION AND RECOMMENDATIONS

Financial literacy issue is an important concept because its insufficiency would affect people life, families, friends and others due to inappropriate financial decisions and consequently it affects society and even causes decrease in national wealth and ultimately financial well-being of a society. Financial well-being is the degree of economic efficiency or security of people and households. In this survey we asked each member country to specify lessons learnt in conducting a financial literacy program. Respondents asserted:

- 1- *Financial Literacy is not an easy concept and needs careful time planning.*
- 2- *Necessity of defining different goals for different groups of society.*
- 3- *Necessity of early stage of lifetime education in financial literacy.*
- 4- *Necessity of coordination among financial institutions.*
- 5- *Lack of knowledge and capability in investment*
- 6- *Realizing that public awareness is a material factor in increasing the knowledge of market participants.*
- 7- *Financial literacy contributes to decision making process and increases the confidence of investors.*
- 8- *Institutions are willing to collaborate as it involves cost saving.*
- 9- *Financial awareness help individuals and businesses to manage their resources efficiently and as a result this contributes to sustainable economic development directly.*
- 10- *Awareness in financial services not only helps individuals and commercial establishments, but also assists the macro economy to grow in a country.*

This survey revealed that most of member countries are offering a variety of financial education programs on a wide range of issues. It was revealed that programs are

provided for different target groups and some countries have programs which all groups can use them without any specification. Another finding is that countries provide financial education in a variety of forms, ranging from the distribution of brochures and producing games on selected financial issues to the offering of courses or conducting media campaigns. The most frequently used way of providing financial education is through Web sites and hard/ digital publications.

We found that most countries do not have any legal obligation or competence to conduct financial literacy programs. However, due to the core task of respondents' organization they initiated different programs in order to change financial behavior of investors.

Through this survey (as a sample for member countries), we realized that most of countries haven't assessed financial literacy level among people and even more specifically among investors. We believe that the first step to conduct an effective program is to assess the financial literacy level among people and investors to be able to separate programs for different target groups. In addition, member countries haven't undertaken any surveys to determine which financial issues are of most concern and need for consumers.

We found that almost all member countries have pre and post evaluations for their programs and initiatives. We believe that member countries should have a logic model or at least criteria on assessing effectiveness of programs. Totally, to conduct an effective and successful financial education & literacy program we should consider some dimensions:

- 1- *Mission and Purpose of Program Must Be Determined:*** A mission shapes an organization's identity, gives it direction and serves as a unifying force. For successful financial literacy education programs, a clear mission defines the program's scope of operations, reflects its values, priorities, and goals.

- 2- Target Groups Must Be Determined:** the age, gender, literacy level, characteristics of audiences must be determined in order for education program to be effective & successful. We cannot educate all range of people via similar program.
- 3- Adequate Resources (Budget and Staff):** Organizations have the best chance for achieving program success when they can commit the necessary resources to their programs. Without enough budget and professional staffs we cannot conduct a successful program.
- 4- Evaluation and Follow-up:** Having evaluation tools is important and necessary. Member countries should consider two evaluation components. First, to evaluate satisfaction of participants with the education, and second, to ascertain participants' application of what has been taught. In addition, we should consider some capital market relevant indicators and aim our programs to make growth on these indicators. For instance, trade value to market capitalization ratio should increase due to conducting financial literacy.
- 5- Program Accessibility:** Decisions regarding the scale of a program relate directly to time frame; scope of curriculum; geographic; workplace or community delivery locations; and program duration. Effective programs take all of this into consideration when scheduling courses or counseling sessions.
- 6- Participation of other organization:** we need other organizations and private institutions to have an effective and successful program. As capital market regulatory bodies, without any doubt, we need at least the cooperation of exchanges, brokerages, and private institutions. We need the practice of two-way service and sharing.
- 7- Relevant Curriculum:** Effective programs use carefully crafted, or adapted, Participant Texts, Workbooks and other written materials.
- 8- Task Separation between Regularity Bodies:** as financial literacy is an intermediary task in money market and capital market, member countries should separate different issues and task of both markets. Capital market issues are more sophisticated than money market. Participation in capital

market requires familiarity with money market concepts. Without knowing time value of money, interest rate, saving, and etc. people shouldn't arrive into capital market. Therefore, regulatory bodies should have a good cooperation with money market regulators to conduct an integrated and coherent program.

- 9- *Change in Financial Literacy factors in its Definition:*** as it was mentioned in the definition of financial literacy, there are 5 factors should increase as a result of financial literacy: Motivation, Skills, Confidence, Understanding and Knowledge. Each member country should create criteria to assess improvement of these factors.

Finally, we asked respondents to clarify good ways of Further Cooperation. They accepted that creating an expert group on financial literacy & education that is composed of financial literacy practitioners with an aim to promote the exchange of ideas, experiences and best practices is a good idea. Approximately all members accepted that creating a web site for members' financial literacy products is a good idea. Some members recognized holding seminars, courses and workshops as a good way for further cooperation. in addition, member countries believe on sharing experiences and achievements through presentations, study tours, and organizations cooperation.

We should mention ultimately that Capital market needs those people who make stability for the market. Therefore, capital market needs those people who decide rationally not by chance.

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PHASE 2:
STRATEGIES AND POLICY RECOMMENDATIONS
FOR ENHANCING FINANCIAL LITERACY OF
COMCEC MEMBER STATES

EXECUTIVE SUMMARY

At the first phase of Financial Literacy Task Force we conducted a survey to determine and assess current state of status for financial literacy among COMCEC member states. Through this survey we assessed financial literacy initiatives and programs by the competent authorities. We adopted OECD financial literacy definition which is "*Knowledge and understanding of financial concepts, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life*" and reviewed some similar studies in different countries or organizations.

We found that approximately half of authorities have statutory mandates to conduct financial literacy programs in their jurisdiction, some authorities have or plan to have national strategy on financial literacy, majority of authorities are self funded, consider different target groups and variety of delivery methods, and finally, almost all authorities have some methods to evaluate their programs.

Although we aimed to make a broad comparison among member countries through economic indicators, due to unreliable and uncompleted responses, merely noted some tips for self-assessment. Thus, we decided to make a narrow comparison among member countries by noting on basic economic indicators relevant to capital market.

According to the second mandate of financial literacy taskforce which is "Strategies and Policy Recommendations for Enhancing Financial Literacy of COMCEC Member States", we have provided a range of recommendations on different topics which can be applied in national strategies or policy making or at least can be considered as essential topics in conducting financial programs in capital market. In this regard, in addition of experts meetings in Research, Development and Islamic Studies Management, we had an in-depth study on different articles, web sites and available national strategies to acquire best and most comprehensive (not complicated) recommendations.

INTRODUCTION

Financial literacy is a crucial foundation for participation. People need to be able to "read, write and speak" basic financial concepts in order to make informed investment decisions. Financial literacy supports not only individual wellbeing, but also the economic health of our nations. Investors who can make informed decisions about financial products and services not only serve their own best interests, but also they, collectively, help promote broader economic stability.

Different international studies aim financial literacy as its broad implication which consists of different concepts such as saving & spending, tax, real estate, using credit cards, loans, insurance, retirement, personal finance, investment, etc. When they focus on the broad definition of financial literacy, they consider each country as one fitted organization which conducts different financial literacy programs for customers and investors. They know that in some countries, the responsibility of financial literacy has been given to an organization as a whole and in some others it has been given to different organizations. In fact, financial literacy matters are chained and some of them are foreground for the others. Therefore, the best status is when financial literacy is concentrated and led by a dedicated organization in a state. However, in financial literacy task force we considered narrow definition of financial literacy which is limited to the capital market (although we know that some members are leading organization in all financial matters). As a regulatory body we have different responsibilities to carry out in the capital market. Let's flash back to the financial literacy definition and its key words. Financial literacy is:

- Knowledge & Understanding;
- Skills, Motivation & Confidence;
- Making Effective Decisions.

To accomplish these key concepts of financial literacy, we need to convince people to "stop, read and think." To the extent that we can improve the clarity of what investors

read, we will succeed in improving financial literacy in our countries. In addition, we believe that each member country should consider financial literacy not only by education but also by preparing accurate and understandable information and legal measures. Investors are willing to commit their capital to our markets only if they have confidence that those markets are fairly and honestly run, fully transparent, and affirmatively minimize the risk of loss from selective disclosure, fraud and manipulation. Beyond educating investors, we should also look to improve the quality of information they receive. Confidence in our market begins with the quality of the financial information investors use to decide where to invest their hard-earned money. In this regard, we always have to ask ourselves “are we meeting investors' needs?”

However, we believe that due to the above reasons, the leader of financial literacy in capital market should be the capital market regulatory body. We recommend all member states beyond their supervisory and regulating structures (unified, twin peaks, institutional, hybrid) to dedicate a special department or unit to handle financial literacy matters and to persuade mission, goals and national strategies of financial literacy programs as a whole. Clear leadership and coordination are needed at the national level. Sustained, steady progress over the long term is unlikely to be achieved without dedicated stewardship. To succeed, the department or unit requires a clear mandate and single-minded focus on financial literacy. The size of this department can be flexible due to the size, depth of your market and the goals you have set to achieve. This leadership in capital market won't be accomplished without considering different stakeholders. The next section discusses different stakeholders of financial literacy in capital market.

Recommendation 1- *The Task Force recommends that each regulatory body should establish a department to serve as a dedicated leader in financial literacy context. This department will work collaboratively with different stakeholders and consider different matters in financial literacy.*

FINANCIAL LITERACY STAKEHOLDERS

Financial literacy in capital market has multiple stakeholders and should be a shared responsibility. Not only regulatory body but also financial institutions, brokerage firms, mutual funds and financial entities as a whole will benefit facing knowledgeable and informed investors. We believe that efforts of only one dedicated department is not enough to succeed and to cover all sections of capital market especially for those members which have a greater capital market. There is no magic "bullet" that will accomplish our financial literacy goals. Not one single program will reach all groups. No one organization can do it all. Financial literacy for all can be accomplished only with enthusiastic cooperation by all.

Thus, the dedicated department or unit in the regulatory organization should cooperate with the other stakeholders as financial literacy leader and drive them into its goals and objectives. We should outsource different duties and let financial entities conduct financial programs and in many cases we merely supervise the programs and assess them. We should outline pathways for educational programs and let financial entities work through them. Financial literacy education through established education and training pathways is a key element for effective cooperation and supervision.

In one hand, as we noted, financial entities enjoy benefits of facing financially literate investors and addressing their products and services to those they instruct. However, as capital market regulatory body, we should provide some incentives to encourage financial entities to enter financial literacy atmosphere and contribute in this regard. For instance, there might be tax exemptions for the entities conduct relevant programs. In another hand, if financial literacy is mandatory, we can require financial entities to provide a new statement in financial literacy and disclose their initiatives.

Recommendation 2- *Identify variety of stakeholders (mandatory or voluntary) of financial literacy, outline pathways of cooperation, outsource some duties, drive them toward your ultimate goals and supervise and assess conduct of educational programs.*

Recommendation 3- *Determine some incentives such as tax exemptions in order to stimulate and encourage financial entities to role play voluntarily in financial literacy environment and programs.*

DETERMINE MISSION AND OBJECTIVES

The importance of setting mission is apparent for everyone. A good financial mission statement will accurately explain what you want to achieve financially in the future and how you are going to get there. It will enable you to stay focused on financial future. Each organization may acquire a specific mission statement for itself due to its current situation and the goals it is going to obtain.

At the first phase of our research, we noticed missions of those organizations answered our questionnaire. Below are some model missions of three countries:

- Strengthening the financial literacy of people (Canada);
- Set strategic direction for policy, education, practice, research, and coordination so that U.S. individuals and families make informed financial decisions (US);
- People are financially well-educated and can make informed financial decisions throughout their lives (New Zealand).

Objectives are another issue that organizations should consider in preparing financial literacy strategies. Objectives are roadmaps of achieving a mission. They show through which way and how an organization is going to achieve its mission. We have identified different goals and objectives acquired by member countries in the first phase of our research. For completion, below are some model objectives of different countries:

- Increase awareness of and access to effective financial education;
- Determine and integrate core financial competencies;
- Improve financial education infrastructure;
- Identify, enhance, and share effective practices;
- Leverage existing resources to increase the financial knowledge, skills and confidence;
- Measure the progress of various segments of people across relevant indicators of financial literacy competencies.

Recommendation 4- *Clarify your mission and objectives in preparing financial literacy strategies as roadmap of your future initiatives.*

WHO SHOULD WE INSTRUCT?

Some experts have defined financial literacy as the ability to conduct basic financial calculations like compounding interest rates, calculating real returns and some others defined it as knowledge of financial products and terms.

Another important aspect of financial literacy is the ability to apply financial information from various sources and take appropriate decisions. Some researchers have differentiated between financial literacy and financial awareness where financial awareness has been defined as basic numeracy while financial literacy is the ability to make decisions using information available.

In order to achieve those who need instruction, we have divided people into three categories: 1- potential investors, 2- newcomers, 3- current investors. Through these categories, we will identify most important target groups whom should be instructed and focused by capital market regulators. We will consider these target groups according to the financial literacy definition and responsibilities of capital market regulators in this regard (which consist of educating investors, providing sound and accurate information and conduct legal initiative to make confidence in capital market).

Focus on Current Investors

Whether your organization has been long working or at the outset of financial literacy, the most important and prominent target group should be current investors. Their knowledge and understanding, skills, motivation, confidence and ultimately their effective decision making directly affect the atmosphere of capital market. These all, beside their financial intelligence, contribute to their well-being and would lead to behavior change. Thus, in order to have an efficient, sound and effective market and to protect investors in capital market, we should focus on current investors by educating them in different issues and preparing accurate information.

Studies have found that many investors do not understand key financial concepts, such as diversification or the differences between stocks and bonds, and are not fully aware of investment costs and their impact on investment returns. Investors lack critical knowledge about investment fraud. Therefore, we believe that the first phase on preparing national strategy for financial literacy is to determine current investors' financial literacy level. There are some questions we should ask ourselves: "what is the level of financial literacy among retail investors? Are investors familiar with basic concepts of capital market? Do investors know educational resources?" These questions will demonstrate the range of financially illiterate investors and issues we should focus.

Moreover, beside assessing financial literacy level of retail investors, we can assess the age range and gender of predominant investors. According to the age and gender we can set our policies in capital market. For instance, studies have shown that young people and males prefer riskier investments than older ones and females. Thus, if young people or males are dominant investors in the capital market, we may focus on risk and diversification concepts in our educational programs.

Recommendation 5- Assess financial literacy level among existing retail investors in order to make sure investors are informed and knowledgeable. In addition, you should assess age range and gender of investors beside financial literacy level. Through

collected information, you can set your policies and national strategy and even planning for essential programs.

Potential or Future Investors

Frankly speaking, capital market is not known for all range of people. Even in some Islamic countries people look at it as a place for gambling. In addition, due to the characteristics of people (risk averse or lover) and what they sometimes heard about risk, they don't prefer to enter capital market.

How can we change these attitudes? We believe on long time planning. The best places to achieve this goal are schools, universities, work place and community centers. Financial instruction should start in the early ages to instill good habits and responsible attitudes. Nowadays, parents would like schools to play a larger role in teaching their children about finances and overwhelmingly support requiring students to take a personal finance course in order to graduate from high school. Historically, personal finance was taught in schools, often embedded in mathematics classes. Beyond support for teaching personal finance in schools, research also documents the need for teaching financial skills and its benefits. Two recent research studies have shown, however, that students who do receive financial education in schools not only have more knowledge of money management concepts, but also have improved financial behaviors. Although we know that most countries have considered money matters in schools, we can generalize it to the required skills and basic information of capital market in order to have informed investors on future. Many regulatory bodies do not perform investor education activities in schools or similar institutions themselves. However, in some cases, they contribute to the development of financial education initiatives for schools by supporting the effective integration of programs into schools' curriculum through the development of professional learning materials, training opportunities for teachers and quality classroom resources.

Colleges and universities also play an important role in providing students with the knowledge and skills they need to succeed. Universities, by their expertise and research atmosphere can hold mandatory or voluntary financial literacy courses or seminars for all or specific students in order to promote their knowledge on capital market matters. As capital market regulators, we can sign MOU with universities in order to hold courses and seminars.

Financial skills beside computer and language skills, is an important skill which make people literate. So it can be beneficial in which ministry of education and higher education consider this skill into their programs.

In addition of schools and universities, work place is another source of potential investors. The workplace offers an effective channel for reaching a large number of people. It is the primary source of income for most people and a place where they may be motivated to learn more about financial matters; for instance, many of them receive their own company stocks and do like to have more information and knowledge about capital market. Regulatory organizations should consider business owners and their employers as another source of potential investors and plan for their future.

Adult and community education is widely acknowledged as an important means of reaching adult learners, as it provides informal learning opportunities and creates social inclusion benefits by connecting people to local community centers. We should inform public about advantages of capital market and its effects on economic factors and real sector of economy. Besides, what we will perform through delivery methods, community centers as places in which adults and households get together, are best places for voluntary education. Capital market regulators or financial entities can utilize the capacity of these local organizations in order to make adults and household familiar with basic financial concepts.

Recommendation 6- *schools, universities, workplace and community centers are sources of potential target groups. Offer basic programs for schools and carry out campaign or challenges among secondary school students. Perform seminars, workshop and courses for university students, employers and families in university, work place or community center in order to encourage them enter capital market knowledgeably.*

Newcomers: Step by Step Education and Information Dissemination

Majority of capital market authorities view investor education activities to be an essential component of their overall investor protection statutory objective. Ensuring consumer confidence, market stability and investor protection is a common goal for securities regulators. In order to safeguard consumers' investments and ensure that investors have all information they need to make an informed decision on their investments, securities regulators maintain investors must have a sufficient financial education. In this regard, we believe that investor protection for newcomers can be achieved through a layered and step by step education. Newcomers are those in transition period to become professional investors. They should pass different steps to obtain required knowledge and get familiar with capital market environment.

Undoubtedly, in education and training process the first step is to make newcomers familiar with basic financial concepts and implications of capital market. In this regard, building public awareness of available resources and programs is really important. This dimension of financial literacy is so-called basic educational initiative.

Another important dimension of financial literacy, not only for newcomers but also majority of investors, is resources of essential information and how investors are protected. In this regard, let newcomers and investors know how and where your organization disseminates information and how investors can obtain them. In addition, let investors know about their rights and existing legal procedures in which they are protected. Informed investors can help regulators to identify any fraud or any misconduct of a company.

We believe that newcomers must face real world to make decision. In our programs or courses we must apply techniques involve role playing of those participate in the programs or courses. We strongly recommend authorities and associate instructors to put PowerPoint instruction aside and let trainees experience themselves by role playing in classes.

Finally, we should assert that more knowledge and information would obtain newcomers trust to capital market, push financial services demand and will lead to the effort of financial services providers to do something for their own betterment. That is what we call it "triangle interactions of financial literacy" which consist of interaction between regulatory body, financial services providers and investors.

Recommendation 7- *Try to acquire newcomers trust to capital market step by step through educating them in basic financial concepts and implications, introducing them resources of essential information, how they are protected by regulatory body and finally application of knowledge they have acquired practically.*

SPECIFIC CONSIDERATIONS

Beside basic information, there are some important aspects that programs providers should consider on their initiatives. These aspects are relevant to newcomers and current investors, and would be derived from regulators outlook to the current/ future structure of capital market and the size and value of companies. In developed countries, existence of companies with huge market capitalization has led to creation of conglomerate trusts and investment firms. In these countries institutional not retail investors form the structure of capital market. In developing and undeveloped countries which companies' market capitalization is not huge, capital market structure is mainly formed by retail investors. Due to the aim and environment of each country's capital market, regulators tend to drive investors toward the structure they prefer.

First of all, if your organization as capital market regulator tends to foster institutional rather than retail investors, then you should not only invest but also drive financial

educations toward implications such as mutual funds, ETFs, pension funds and so on. However, if your organization tends to face retail investors (or the majority of your capital market is formed by retail investors), then you should invest on educational programs relevant to risk, diversification, portfolio management and so on.

In addition of regulators preference (as we mentioned briefly in previous sections), you should assess the age and gender range in capital market. According to the surveys conducted around the world, young people and males are more likely to take risk than females and old people. In this regard, if your capital market is shaped by more young rather than old and male dominated, you should invest more on implications such as risk and return, diversification, portfolio management, etc. In contrast, if your capital market is shaped by more old people rather than young and female dominated, you should invest more on implications which satisfy their risk adverse characteristic. Whether investors (or newcomers) are risk averse or lovers can be assessed by facing them questions relevant to risk.

Another aspect which we think regulators must consider in their educational programs in order to make confidence and allow investors to decide accurately (although might be relevant to capacity building task force in a broader outlook) is providing information for fraud prevention. A question would arise: "Is financial fraud linked to a lack of financial literacy?" We believe that although it may not protect an individual completely, more financially literate individuals may at least investigate an offer before exposing themselves at risk. A basic understanding of the financial system would provide investors the confidence to rigorously evaluate information they receive. In another word, we believe financial fraud is a danger for newcomers and investors. When they are familiar with capital market environment and systemic flow of transactions, they are more likely to avoid pitfalls.

Recommendation 8- *Prioritize your educational programs base on predominant age range, gender and tendency of your organization toward the structure of capital market.*

THE BEST AND THE MOST APPLICABLE DELIVERY METHOD(S)

One of the challenges of raising financial literacy level is to ensure that people know about targeted education initiatives available for their benefit and are able to clearly understand and utilize them. Authorities usually apply different delivery methods to cover all tastes. Some would apply internet while the others may apply text based and face to face delivery methods. But what is (are) the best delivery method(s)? There is no one tailored answer.

Many authorities around the world choose their delivery methods base on available statistics or some factors. For instance, the number of internet users, the amount of hours people spend reading, literacy level, the number of hours people spend watching TV and etc. These statistics can be used due to their availability.

Beside all this information which can show prioritization of delivery methods, we may ask investors and public how they acquire information and which method they like to be trained. Many people would answer they acquire information by reading newspapers, watching TV, via internet and so on. By conducting a survey among investors (and public as a whole) we can prioritize our delivery methods according to the public answers. Even we can categorize answers into different investor groups (potential, newcomers and current investors). Then we can have variety of delivery methods for different target groups.

In addition of delivery method, in choosing programs' content areas, we can ask investors what they need instead of providing programs according to what we think they need.

Educational programs should be accessible to their target groups, by being easy to use, easy to find, and easy to understand. In addition, they must be designed in a way so as

to reach a high volume of investors. Therefore we must choose our delivery methods accurately.

Recommendation 9- *Conduct a survey and ask public (specifically investors) how they acquire information, how they like to receive training and what they need to understand. Provide pre-designed responses and let people tick them. Base on the number of internet users in your country, the survey can be conducted internet or paper based or both.*

DELIVERY METHODS AROUND THE WORLD

At the first phase of the research we mentioned delivery methods member countries (respondents) have acquired. In this section, we pay attention to how financial literacy is being addressed and the prominent methods have been used by different countries. Before addressing delivery methods, we should mention that adults are majority of people we engage. There are different models for adults learning, however a common model used to understand adult learning styles is the VAK Model, which identifies three distinct groups of learners:

- Visual (seeing)
- Auditory (hearing)
- Kinesthetic/tactile (touching/experiencing)

Since not all adults will learn in the same manner, it is important to incorporate different delivery methods that will foster learning through each of these learning styles. Below, we have introduced most applicable delivery methods around the world:

- 1- **Educational Website:** Internet gives an appropriate opportunity to deliver vast amount of reliable and trustworthy information to investors and public as a whole. This can be an efficient and cost-effective means to make information about financial matters available to adults of all backgrounds, especially visual learners. Due to the number of internet users, each country chooses the level

and amount of information and programs being circulated through web based materials.

Recommendation 10: *As we searched, majority of COMCEC member states have dedicated web site. We strongly recommend each country to (at least) make a link for financial literacy materials and information. In addition, COMCEC Capital Market Regulators Forum's web site can act as a resource of financial literacy materials and reliable sites.*

- 2- Publications:** Due to the number of literate/illiterate people and even the amount of hours people devote reading in each country, authorities would prefer to choose invest on publications rather than the other delivery methods. Publishing books, magazines, leaflets, brochures and etc are other prominent delivery methods around the world. Written educational materials are a quick way to disseminate important lessons. Case studies may be included in these materials so the learner can understand how to apply the new knowledge in their own lives.
- 3- Seminars & Courses:** In this way, interaction between trainer and trainee is possible. For those who learn by hearing style, seminars and courses are effective. In addition, through possible interaction in courses and seminars, touching participants would gain experience by being in training environment, reflect on what they learn, generate ideas and determine how they are going to use and apply the new ideas or understandings in real world.
- 4- Public/investors Awareness Campaign:** Public/ Investors need to know how they can access financial education programs. In this regard, creative and effective awareness-building is essential for public/investors education strategy. The campaign may use an extensive range of communication and technology facilities such as internet, social media, TV, radio and so on.

Recommendation 11- *To foster public/ investors awareness about COMCEC Capital Market Regulators Forum, we recommend each country to establish a link for COMCEC CMR Forum web site in its own dedicated site(s)*¹.

5- Competitions, Games and animations: As an incentive, many countries provide financial competitions with awards to encourage public and investors to participate in financial programs. Authorities around the world would separate these competitions into different categories in order to attract extensive range of people.

In addition of competitions, many countries have produced games which teach financial matters practically in an attractive setting. Some games simulate real world and allow investors to experience losses and gains, ups and downs, and challenges of capital market actually. These are all accompanying by animations to support their attractiveness. Moreover, some countries have produced especial and separate animations to introduce financial matters by them.

We strongly recommend COMCEC member states to share their products in financial education matters (those are produced in monolingual format).

The mentioned delivery methods depict the most prominent ways to address financial literacy matters. However, as we noticed, in order to cover different tastes of investors by different learning styles, capital market regulators (as the leader of financial literacy initiatives in capital market) must have a collection of delivery methods. To emphasis again, we should assert that there is no one tailored method for all countries but the best delivery methods are those which investors/ public prefer.

EVALUATION: A TOOL FOR OBSERVING CHANGES

It is frustrating if you put a lot of time and energy into a project, only to realize that you have failed to meet your goals. Evaluation would allow us to assess what we have done

¹ www.comceccmr.org

and what we have fulfilled according to our predetermined goals or objectives. In this regard, we can categorize our initiatives into two levels: 1- Evaluation of financial literacy level, 2- Evaluation of educational programs.

Evaluation of Financial Literacy Level

In our recommendations, we asserted the importance of conducting a survey to assess financial literacy level among investors and even public. It will show your standing point and will be a touchstone for further improvements. In addition of regulators, this survey will show public/ investors their current level of financial literacy. Studies and surveys have shown that some individuals have a tendency to overestimate their knowledge and skills when it comes to financial literacy. Consequently, such individuals discount the need for financial literacy education or informed advice and may engage in risky activities. To tackle this problem and to allow investors realize necessity of financial literacy, we should apply self-assessment tools. Simply, we can provide quizzes in different levels for investors and newcomers and allow them assess their own financial literacy level. If they determine their own level, they will be motivated to participate in educational programs and promote their knowledge and skills.

Recommendation 12- *Provide quizzes in your web site with different levels and allow investors to score their own financial literacy level. Subsequently, after receiving the obtained score, the web site can offer essential educational programs for promotion of investors' knowledge.*

Another important aspect of evaluation is monitoring national progress. It is essential that regulators measure financial literacy levels on an ongoing basis. We recommend each member state to repeat the survey at appropriate intervals (e.g., every three or five years). We must allow our initiatives blossom in a sufficient time and then assess their effects on financial literacy level.

Recommendation 13- *We recommend establishment of COMCEC advisory council on financial literacy to collaborate and provide ongoing advice for member states. In this*

regard, the council can provide a uniform survey for member countries, observe their initiatives, help them to create or improve national strategy and ask them to give report on their achievements.

Evaluation of Educational Programs

Financial literacy programs must be properly evaluated so that their outcomes are captured, shared and integrated into future activities. Evaluation results will help practitioners build on successful initiatives. Regulators conduct different educational programs in their jurisdictions. The quality of these programs (most of them are class based) can be evaluated through pre-post tests or feedback questionnaire. Even participants can be interviewed in order to obtain their ideas. These ideas might be used to improve the quality of programs. In addition, there are some other simple but not reliable methods to assess success of your financial literacy initiatives. Some would rely on the number of people refer to their web based educational programs and some would rely on the number of people/ investors participate in their educational programs. However, as we mentioned, these are not reliable methods for programs success.

Recommendation 14- *As financial literacy leader in capital market, provide uniform criteria and resources for educational programs evaluation to support and enhance the evaluation capabilities of financial literacy education providers.*

CONCLUSION

There are different surveys conducted to assess correlation of financial literacy and capital market. They all indicate that financial literacy is correlated with investment behavior. Volpe et al. (2002) find, in a survey of online investors, that older male investors with graduate degrees have higher investment literacy. Calvet et al. (2009), analyzing Swedish households, find that financial sophistication increases with financial wealth and household size, and is positively correlated with holding risky assets. Bucher-Koenen and Ziegelmeier (2011) find that while German investors with lower levels of

financial literacy were less likely to have invested in the stock market, and thus less likely to have lost money in the financial crisis, they were also more likely to realize losses on the assets they did sell. Several studies have moreover found causal effects of financial literacy on investment behavior. Van Rooij and Lusardi (2007), in an analysis of Dutch survey data, find a causal effect of financial literacy on stock market participation. Abreu and Mendes (2010), in a survey of Portuguese investors, find that higher levels of education and financial literacy have a positive impact on portfolio diversification, while Guiso and Jappelli (2009) find similar results for Italian investors. However, we should notice an important point. For sure, your initiatives will equip investors and public by knowledge, skills, information and ultimately confidence to make decision but in capital market, there is no guarantee of appropriateness and accuracy of decisions. Regulatory body can help create the right financial environment through appropriate policies and regulations, but the responsibility of making financial decisions ultimately rests with individuals. There are varieties of factors beside knowledge and information which affect decisions of investors. For instance financial ingenuity (or intelligence) which is relevant to intelligence quotient (IQ), socio-economic factors such as employment type, employment status and income, peers and family pressure on decisions, risk characteristics of individuals. Therefore, the last part of financial literacy definition which indicates on making effective decisions by investors may or may not occur due to uncontrollable factors.

Success in implementing a National Strategy on financial literacy will require a highly focused and coordinated approach involving many stakeholders and strong leadership to drive the successful implementation of initiatives. What we mentioned as recommendations are few guidelines for preparing national strategy or policy on financial literacy in each member state and promotion of collaboration in COMCEC Capital Market Regulators' Forum. We believe COMCEC CMR Forum can be an appropriate gateway for further cooperation on financial literacy to promote current status of member states.

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Annex I

ECONOMIC INDICATORS

Member Countries	GDP (billion US Dollar)	MC (billion)	MC/GDP (2012)	population (million)	Stock traded, turnover ratio %	GDP/P%	MC/P%
Islamic Republic of Afghanistan	18.03	N/A	N/A	29.82	N/A	605	N/A
The Republic of Albania	13.12	N/A	N/A	3.16	N/A	41.49	N/A
Azerbaijan Republic	67.20	N/A	N/A	9.30	N/A	72.27	N/A
Kingdom of Bahrain	22.95	16.00	0.73	1.32	1.90	174.13	121.4
Peoples Republic of Bangladesh	115.60	17.00	0.15	154.70	61.20	7.47	1.1
Peoples Republic of Benin	7.56	N/A	N/A	10.05	N/A	7.52	N/A
United Arab Emirates	360.20	68.00	0.19	9.21	25.3	391.10	73.8
The Government of Brunei Darussalam	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Burkina Faso	10.44	N/A	N/A	16.46	N/A	6.34	N/A
People's Democratic Republic of Algeria	208.00	N/A	N/A	38.48	N/A	54.05	N/A
The Republic of Djibouti	1.24	N/A	N/A	0.86	N/A	14.41	N/A
The Republic of Indonesia	878.00	397.00	0.45	246.90	23.3	35.56	16.1
The Kingdom of Morocco	96.73	53.00	0.55	32.52	6.2	29.74	16.3
The Republic of Ivory Coast	25.00	8.00	0.32	27.90	1.84 (2011)	8.96	2.9
Palestinian Government	6.79	3.00	0.43	4.29	14.7 (2011)	15.83	7
The Republic of Gabon	18.66	N/A	N/A	1.63	N/A	114.27	N/A
The Republic of Gambia	0.92	N/A	N/A	1.79	N/A	5.12	N/A
The Republic of Guinea	6.77	N/A	N/A	11.45	N/A	5.91	N/A
The Republic of Guinea-Bissau	0.90	N/A	N/A	1.66	N/A	5.39	N/A
The Republic of Guyana	2.85	0.61	0.21	0.80	N/A	35.64	7.6
The Republic of Iraq	210.30	N/A	N/A	32.58	N/A	64.55	N/A
The Islamic Republic of Iran	548.9	141.00	0.26	76.42	17.80	71.82	18.5
The Republic of Cameroon	24.98	N/A	N/A	21.70	N/A	11.51	N/A
Qatar Government	173.00	126.00	0.72	2.05	12.20	843.49	614.3
The Republic of Kazakhstan	201.70	23.00	0.11	16.80	3.30	120.06	13.7
The Republic of Kyrgyzstan	6.47	0.17	0.03	5.58	3.40	11.60	0.3
The Federal Islamic Republic of the Comoros	0.60	N/A	N/A	0.72	N/A	8.33	N/A
The Government of Kuwait	176.60	97.00	0.55	3.25	23.20	543.38	298.5

*P = population

Member Countries	GDP (billion US Dollar)	MC (billion)	MC/GDP (2012)	population (million)	Stock traded, turnover ratio %	GDP/p%	MC/p%
The Great Socialist People's Libyan Arab Jamahiriya	62.36	N/A	N/A	6.16	N/A	101.32	N/A
The Lebanese Republic	42.95	10.00	0.23	4.43	4.00	97.06	22.6
The Republic of Maldives	2.22	0.50	0.22	0.34	N/A	65.35	14.7
Malaysia	303.50	476.00	1.57	29.24	28.60	103.80	162.8
The Republic of Mali	10.31	N/A	N/A	14.85	N/A	6.94	N/A
The Arab Republic of Egypt	257.30	58.00	0.23	80.72	37.80	31.88	7.18
The Islamic Republic of Mauritania	4.20	N/A	N/A	3.80	N/A	11.06	N/A
The Republic of Mozambique	14.59	N/A	N/A	25.20	N/A	5.79	N/A
The Republic of Niger	6.57	N/A	N/A	17.16	N/A	3.83	N/A
The Federal Republic of Nigeria	262.60	56.00	0.21	168.80	8.80	15.56	3.3
The Kingdom of Oman	71.78	20.00	0.28	3.31	13.30	216.60	60.3
The Republic of Uzbekistan	51.11	N/A	N/A	29.78	N/A	17.16	N/A
The Islamic Republic of Pakistan	231.20	44.00	0.19	179.20	31.30	12.90	2.45
The Republic of Senegal	14.16	N/A	N/A	13.73	N/A	10.31	N/A
The Republic of Sierra Leone	3.80	N/A	N/A	5.98	N/A	6.35	N/A
The Democratic Republic of Somalia	0.92	N/A	N/A	10.20	N/A	0.90	N/A
The Republic of Sudan	58.77	N/A	N/A	37.20	N/A	15.80	N/A
The Republic of Suriname	4.74	N/A	N/A	0.54	N/A	87.74	N/A
The Syrian Arab Republic	73.67	N/A	N/A	22.40	N/A	32.89	N/A
The Kingdom of Saudi Arabia	576.80	373.00	0.65	28.29	144.40	203.89	131.8
The Republic of Tajikistan	6.99	N/A	N/A	8.01	N/A	8.72	N/A
The Togolese Republic	N/A	N/A	N/A	N/A	N/A	N/A	N/A
The Tunisian Republic	45.66	9.00	0.20	10.78	13.50	42.36	8.4
The Republic of Turkey	789.30	309.00	0.39	74.00	136.50	106.66	41.7
Turkmenistan	33.68	N/A	N/A	5.17	N/A	65.11	N/A
The Republic of Uganda	19.88	7.00	0.35	36.35	0.20	5.47	1.9
The Hashemite Kingdom of Jordan	31.24	27.00	0.87	6.32	10.30	49.45	42.7
The Republic of Yemen	35.65	N/A	N/A	23.85	N/A	14.95	N/A

Annex II

SURVEY QUESTIONNAIRE



COMCEC

STANDING COMMITTEE FOR ECONOMIC AND COMMERCIAL COOPERATION

CAPITAL MARKET REGULATORS FORUM

FINANCIAL LITERACY TASK FORCE

SURVEY QUESTIONNAIRE

MADE BY SECURITIES and EXCHANGE ORGANIZATION of IRAN

2013

Country:

Name of the Authority:

Name of contact person:

Phone number:

Email address:

BACKGROUND AND INTRODUCTION

In line with the mandate to make better informed decisions in an increasingly complex financial marketplace and in order to strengthen the financial literacy of various segments of the population, COMCEC Capital Market Regulators Forum in its first meeting held on 26-27 September 2012 in Istanbul approved the structure, mandate and formation of working group in Financial Literacy Task Force. In the meeting, Securities and Exchange Organization (SEO) of Iran and Capital Market Authority of Kuwait were selected as Chair and Co-chair respectively.

The main objective of the task force is enhancing public knowledge and awareness about financial matters for the purpose of creating wealth. Financial literacy is an active process, in which communicating information is only the beginning: empowering consumers to take action to improve their financial well-being is the ultimate goal. In order to achieve this objective, and in purpose of share information and best practices, financial literacy working group is going to circulate attached survey questionnaire to gather information about programs have been carried out or is planned to be performed in member countries. Through this process, we can have an industry wide evaluation about effectiveness and efficiency of programs. The working group will take input from this survey as background information for future initiatives. The survey is divided into the following six sections:

- 1- *General information*
- 2- *Economic Situation*
- 3- *Programs & Initiatives*
- 4- *Evaluations*
- 5- *Laws, Regulations & Policies*
- 6- *Conclusion & Recommendations*

The key objectives of the survey are:

- a- Identify existing policies and procedures required for financial literacy*
- b- Determine the current level of programs and initiatives*
- c- Identify evaluation processes in different countries*
- d- Adopt recommendations to improve financial literacy among member countries*

INSTRUCTIONS

Dear responder, please provide responses that most accurately describe the exact status of your institution. To ensure the accuracy of this Survey, it is preferred that an *endorsement from senior personnel of the authority* be obtained before the Survey is returned to the COMCEC Capital Market Forum Secretariat.

The questionnaire is comprised open-ended and descriptive questions. Please give your responses with *different font color*. Then saving the completed questionnaire in *.doc or .docx format* and sending it back to us through email- this approach is most recommended and reduces paper consumption of printed questionnaires. Alternatively, please print out the questionnaire, complete it by hand and return to us the questionnaire (as scanned) through either email or fax. The list of definitions is provided at the beginning of the Survey, which is intended to assist readers in their general understanding of the terms used in this Survey.

Rest assured that all information provided in the responses will be treated *with utmost confidentiality*.

Should you have any queries or require any clarification concerning the Survey, please do not hesitate to contact our Contact Person, Mr.Nasser Emami (email: n.emami@seo.ir; tel:).

SEO appreciates and values your time and effort in responding to this survey questionnaire and for your contribution to the development of financial literacy. Your opinions are very important and we thank you for sharing them with us.

IMPORTANT DEFINITIONS OF TERMS AND EXPRESSIONS

- 1- Financial Literacy: "A combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing¹". It is result of the educational process through which (active and potential) 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 and protection.
- 2- Objectives: What you want to accomplish, in terms that are specific/ measurable/ achievable/ reasonable and time-specific.
- 3- Logic Model: it is helpful to map out what you expect to happen as a result of your program. One tool you can use is called a logic model. A logic model is a visual way of expressing the expected impact of a program, its theory of change: *doing this will cause (or contribute to) that*. It is the rationale for why your program is structured as it is.
 - 3-1- Inputs, Activities and Outputs: How do we think that will happen? What are the program's "deliverables"? What is required to accomplish these?
 - 3-2- Impact: Why are we doing this? What will the impact be on the target population as a result of this community program?
 - 3-3- Outcomes: What do we expect to achieve? What changes in learning or behavior can participants expect as a result of participating in the program?
- 4- GDP (Gross Domestic Production): The monetary value of all the finished goods and services produced within a country's borders in a specific period.
- 5- Legal Competence: Legal qualifications, capabilities, ability
- 6- INFE: International Network for Financial Education
- 7- Investors: All people who are consumer of capital market products.

¹ OECD definition of financial literacy

A- GENERAL INFORMATION

- A1.** In your jurisdiction, which body/ agency/ organization² has the main role and responsibility to handle financial literacy tasks?
- A2.** Is there any special unit(s) or department(s) to handle financial literacy matters in your jurisdiction? If yes, please explain the structure and number of personnel working there.
- A3.** Is it necessary to have a license to initiate a financial literacy program? If an institute requests for implementing a financial literacy program, which body/ agency grants license and supervise proper implementation of the program? Please explain how the program is being supervised?
- A4.** What are possible restrictions of implementing and improving a financial literacy program in your jurisdiction?
- A5.** Do you distinguish your financial literacy activities by target groups? If so, which one of the below target groups do you consider in financial literacy programs and services? Please write down the name of program(s) for each group.

Target Group	✓	Programs
Children		
Households		
Workplace and Organizations (your own staff and other organizations' personnel)		
Students (Schools/ Colleges/ Universities)		
Retired		
Women		
Teachers		

² This survey is only prepared for capital market regulators. Though, this questionnaire doesn't consider other segments (like banking segment).

Parents		
Immigrants		
Vulnerable		
Poor people		

Other target groups and related programs:

A6. Do you have a logic model for financial literacy? If so, please illustrate your model.

A7. Does your agency have bilateral or multilateral cooperation with below entities?

How do you cooperate?

Entity	✓	Cooperation
Ministry of Finance		
Ministry of Education		
Ministry of Social Affairs		
NGO-s		
Banking Association		
Central Bank		
Consumer Protection Organizations		
Financial Market Authorities or Institutions		
Municipal Facilities (cultural Centers)		
Trade Associations		
Financial Industry Partners and Supporters		

Other organizations:

A8- Is your authority a member of any international financial literacy organization (e.g. INFE)? Do you have any cooperation with international entities (MoU, ...)? If so, Please indicate name of the organization and area of cooperation.

B- INITIATIVES AND PROGRAMS

- B1. Is there any national strategy/ Plan/ high-level principle(s) (or a framework for them) regarding financial literacy in your country? If so, please explain your strategy or notice its name. Which body/ organization/ institution would lay down (approve) your strategies?
- B2. Do you have a vision and mission for financial literacy/ education in your organization? If so, please write them down.
- B3. What are your goals and objectives in conducting a financial literacy program/ initiative?
- B4. What are your educational incentives (for instance, free of charge programs or awards for virtual games)?
- B5. What is your plan to extend financial literacy concept among people?
- B6. What are sources of funding financial literacy programs? How much money do you spend annually in financial literacy programs/ initiatives?
- B7. What concepts of financial matter do you consider in your programs?
- B8. Which one of the bellow categories and initiatives do you have (or plan to have) in your agency?

Categories and Initiatives	Already have	Plan to have
Website		
Library		
E-Learning Services		
Online Game(s)		
Multimedia Center		
Seminar(s)/ Conference(s)/ Class/ Workshop/ Course/ Lecture		
Studies & Research Center		
National or International Contest		
National or International Exhibition		
Hard/ Digital Copy Publications		

Capital Market Guides and Handbooks		
Computer Animation/ Animated TV Spots		
Magazine/ Newspapers/ Brochures/ Leaflets/ Flyers/ Newsletters / News Alerts		
Movies		
TV Series/Radio/ Commercials/Online Movie Clips		
A Service to Answer public queries		
Consumer/Investor Information Telephone Line (Hotline/Helpline)		
Press Release/ Articles in Newspaper and Magazines/ Interviews		
Educational CDs & DVDs		
Educational Software		

What are other programs, products, initiatives, services and packages you provide for financial literacy in your jurisdiction?

- B9. Is there any mandatory curriculum related to financial literacy (e.g. in schools or universities)? If so, please indicate its name and its level.
- B10. What are lessons you have learned from implementing financial literacy programs?

C- EVALUATION AND MONITORING

- C1. Is there any method to evaluate your programs? How do you evaluate your programs and initiatives (qualitative, quantitative, and it can be related to your logic plan)? Please explain your method.
- C2. What are the main elements of successful financial literacy program (from your points of view)? How do you call a program successful?
- C3. Have you ever assessed financial literacy statues among people in your jurisdiction? If so, please explain the assessment structure.

- C4. Is there any guidance giving information about how people can improve their financial literacy? If so, please explain the content of the guidance

D- RULES AND REGULATIONS

- D1. Does your authority have a (direct or indirect) legal obligation/ competence for financial literacy/ education?
- D2. Is there any Law, Act, Bylaw and specific policy related to financial literacy in your jurisdiction?

E- ECONOMIC SITUATION

- E1. What is the total population of your country? Please indicate the average age of people.
- E2. What is the rate (level) of literacy in your jurisdiction?
- E3. Please indicate below Items based on your recent self-assessment, or external assessment (e.g. World Bank, IMF & etc) from 2008 to 2012:

GDP (current US\$)	
Market capitalization of listed companies (current US\$)	
Volume of Money and Quasi-Money Growth (annual %)	
Size of Monetary Market	
Value and Volume of Trades in Stock Exchange	
Inflation Rate	
Growth Rate of Economy	
Risk Premium on Lending (lending rate minus treasury bill rate, %)	
Risk Free Rate of Return	
Internet Users (per 100 people)	
Gross Savings (% of GDP)	
Imports (% of GDP)	

Exports (% of GDP)	
Number and Value of IPOs	
Nominal Interest Rate (%)	
Net Immigration (immigration from – immigration to your country)	
Deposits Interest Rate (%)	
Rate of Market Return (%)	
Value of Mutual Funds (Current US\$)	
Number of Real and Legal Investors	

E4. What is the portion of each below economic sector in GDP?

Crude Oil and Natural Gas		Agriculture	
Business (export & import)		Services (health, education & ...)	
Industry- Mineral		Construction	

Others:

F- CONCLUSION AND COMPLIMENTARY QUESTIONS

F1. How do you think the task force members can share their achievements and experiences in financial literacy area?

F2. Which one of below categories can be a good way for further cooperation according to your point of view?

Creating a Steering Committee in Financial Literacy Area	
Creating COMCEC Expert Group on Financial Literacy & Education that Is composed of Financial Literacy Practitioners with an Aim to Promote the Exchange of Ideas, Experiences and Best Practices.	
Through Memorandum of Agreement/ Understanding	
Holding off Conferences, Seminars, Courses or Workshop about Financial Literacy	

& Education	
Creating a Web Site for Members' Financial Literacy Products	

If you have any other idea, please specify them:

- F3. Do you think that COMCEC Capital Market Regulators should have an integrated law and policy about financial literacy?
- F4. Is there anything else you want to add?

THANK YOU VERY MUCH!

We really appreciate for taking time to complete this questionnaire and be a part of cooperation chain