

GUIDANCE NOTE GN800(a)**on****CODE SERIES FS800, STATEMENT 801, 802 and 804****THE MEASUREMENT OF THE ACCESS TO FINANCIAL SERVICES ELEMENT OF BROAD-BASED BLACK ECONOMIC EMPOWERMENT
CONSUMER EDUCATION****1. Introduction**

Consumer Education is the process of transferring knowledge and skills to consumers, future consumers and potential consumers for individual well-being and the public good. The intended outcome of the process is the development of consumer's knowledge and understanding of the financial sector and its products and services. Consumer Education will include programmes that are aimed at empowering consumers with knowledge to enable them to make more informed decisions about their finances and lifestyles. The purpose of this document is to detail the standards required for consumer education programmes as part of the Access to Financial services Element.

There is a huge need for quality consumer financial education, and a vast number of people who need such education are in the low income market. It is therefore imperative to reach as many people as possible with the available funding, while ensuring that quality education takes place which will make a real impact.

Consumer financial education standards in the Financial Sector Code should align (if possible and appropriate) with the proposed National Strategy for Consumer Financial Education initiative currently being driven by National Treasury, and should be re-aligned if necessary once the National Strategy is in place.

2. Objectives

The objectives of this Guidance Note are to:

- 2.1** Specify the target market for Consumer Education initiatives.
- 2.2** Define the different types of programmes / initiatives.
- 2.3** Specify the measurement principles for qualifying initiatives
- 2.4** Specify the minimum Consumer Education standards

3. Exemption from Consumer Education

No measured entity will be exempt from Consumer Education except where such entity is exempt in terms of FS800, Statement 800, paragraph 1.1. An entity exempted in terms of this paragraph may opt to be measured on Consumer Education. However, once an entity has so opted in, such entity will be bound by that decision until the expiry/review of the Financial Sector Code.

4. Definition: Consumer Education (CE)

Consumer Education is “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks 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. (Definition used by the OECD (Directorate for Financial and Enterprise Affairs in the USA) as well as the National Treasury and Financial Services Board in South Africa.)

Pension Fund Trustee training is not excluded from this definition.

5. Target market

Each one of the sectors, i.e. Banking, Long-term Insurance and Short-term Insurance sectors will have a defined target market. This, in essence, means that every sector will target the portion of the financial services market that was not previously reached effectively by that sector’s products. The target market will range from LSM 1 - 8. It is agreed that an income proxy of less than R180,000.00 p/a per individual can be used as a proxy for LSM1-8.

6. Consumer Education programme definitions

6.1 Interactive Initiatives/Projects

An interactive initiative is defined as any initiative where there is active interaction between the facilitator, i.e. a person or another appropriate medium, and the target audience. These will include but are not be limited to:

- 6.1.1 Face-to-face, classroom type initiatives
- 6.1.2 Workshops and seminars
- 6.1.3 Industrial theatre and other edutainment programmes which are facilitated with an audience
- 6.1.4 Radio programmes where listeners are allowed to engage, including through electronic means e.g. phone-in, SMS, social media and others.
- 6.1.5 TV programmes where viewers are allowed to engage, including through electronic means e.g. phone-in, SMS, social media and others.

6.2 Awareness Initiatives/Projects

- 6.2.1** Consumer awareness projects are defined as consumer financial literacy projects through which consumers are provided with **basic information** of financial literacy concepts, their rights and responsibilities as consumers in the financial services field, where they can find information about financial services product types and services, as well as where they can go for assistance and/or recourse.
- 6.2.2** Awareness projects include providing **basic information** using tools and mechanisms not including advertisements but including information in the media as well as other mediums, such as radio, television and print, billboards, guides, booklets, brochures, pamphlets/leaflets, cell phone, the social media, the Internet and other similar mediums.
- 6.2.3** Awareness projects do not include in-depth education and/or recognised education methods.

7. Target

Year 2012: 0.25% NPAT measured on an annual basis;

Year 2013: 0.30% NPAT measured on an annual basis;

Year 2014: 0.40% NPAT measured on an annual basis;

Up to 100% of funding may be used for interactive initiatives or projects. No more than 40% of funds may be used for awareness initiatives or projects that are not interactive as defined in 7.2 above.

Code FS800, Statement 801, paragraph 3.5 Measurement, bullet point one states “that delivery is split between awareness and face-to-face initiatives at a ratio of 1:1” (50% each). For clarification purposes face-to-face initiatives are interactive initiatives and “*awareness*” initiatives that are interactive, such as those below, will be classified as interactive initiatives:

- Industrial theatre
- Radio programmes
- TV programmes

Interactive awareness initiatives will be counted over and above the 50% allowed for face-to-face initiatives. Awareness projects that only meet the definition in 6.2 above (i.e. do not include interactive elements) must be capped at 40% of the total programme spend.

Examples:

Company ABC's NPAT is R 10 million

Consumer Education target for 2013 = R 30 000.00

Company ABC may only spend R12,000 on awareness projects (40% of total).

Scoring Example 1:

Company ABC's Consumer Education projects are as follows:

- Workshops = R20,000.00 (classified as face-to-face; 67% of spend - fully claimable)
- Flyers available at all branches = R10,00.00 (classified as awareness ; 33% of spend- fully claimable)

Claimable Spend = R30,000.00

Score = $R30,000 / R30,000 \times 2 = 2$ points

Scoring Example 2:

Company ABC's Consumer Education projects are as follows:

- Workshops = R15,000.00 (classified as face-to-face; 50% of spend - fully claimable)
- Flyers available at all branches = R15,00.00 (classified as awareness; 50% of spend). The company has spent more than the allowable 40% on awareness projects. Therefore the claimable spend on the awareness projects will be capped at R12,000.00

Claimable Spend = R27,000.00

Score = $R27,000 / R30,000 \times 2 = 1.8$ points

The unclaimed R3,000.00 may be claimed under Code FS700 Socio-economic Development, should it meet the requirements of that Code.

Scoring Example 3:

Company ABC's Consumer Education projects are as follows:

- Workshops = R15,000.00 (classified as face-to-face; 50% of spend – fully claimable)
- Radio programme with phone-in = R8,000.00 (classified as interactive; 27% of spend - fully claimable)
- Flyers available at all branches = R7,000.00 (classified as awareness; 23% of spend - fully claimable)

Claimable Spend = R30,000.00

Score = $R30,000 / R30,000 \times 2 = 2$ points

8. Scorecard and scoring methodology

In order to take advantage of the economies of scale created by pooled initiatives, industry initiatives are encouraged and where Measured Entities commit to industry initiatives, the funds committed and paid to the industry initiative will count for points when they are paid, provided the funds are committed to projects within 12 months of receipt of the funds.

Calculating consumer education points:

Consumer Education	% of net profit after tax of retail operations	Target of NPAT (for Banks of Retail operations) 2012 = 0.25% 2013 = 0.30% 2014 = 0.40%	2
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Benefit factor for qualifying costs

Direct costs incurred for supporting consumer education initiatives = 100% qualify
Part time operational costs = 80% qualify

The total qualifying costs are weighted according to a maximum of 40% for awareness, interactive initiatives have no cap. The total cost/spend excluding VAT is measured as:

<u>Step 1:</u>	
Annual spend on consumer financial education	= %
Net profit after tax of retail operations	
<u>Step 2:</u>	
(%Spend / target) x points = points achieved	

Formula: $A = (B/C) \times D$ where

A = total points achieved

B = the total qualifying spend for the measurement period

C = is the target

D = maximum points available

Example: Nafacus Bank: 2013 reporting

R 5,000,000 spend on Consumer Education (weighted according to the ratio of interactive and awareness, (maximum 40%).

Retail net profit after tax (from most recent audited financials) = R 2,000,000,000 (R2 billion)

Calculation

Step 1

Actual spend / NPAT retail
5,000,000 / 2000,000,000 = 0.25%

Step 2

Actual percentage / target for 2013 x maximum points
0.25% / 0.30% x 2 = 1.66 points

Nafacus Bank earns 1.66 out of 2.00 points for 2013 Consumer Financial Education reporting.

9. Consumer Education Standards	
a) Physical Accessibility	A minimum of 25% of the funds available must be allocated to rural areas i.e. outside the metropolitan areas, i.e. Buffalo City Metropolitan, City of Cape Town Metropolitan, City of Johannesburg Metropolitan, City of Tshwane Metropolitan Ekurhuleni Metropolitan, Ethekewini Metropolitan, Mangaung Metropolitan, Nelson Mandela Bay Metropolitan,
b) Appropriateness	1) General
	1.1 Consumer education initiatives and programmes must meet the identified needs of and be directed at consumers in the Charter target groups with the aim of achieving the Charter's access goals. The outcomes of Charter consumer education programmes must be measurable and able to contribute to the achievement of score points.
	1.2 Consumer education must enable consumers to make more informed decisions about their finances and lifestyles.
	2) External service providers
	2.1 The service provider should be a registered company with appropriate governance and management structures in place. Should the project be delivered by an individual, the individual should have the relevant qualifications and experience to do so.
2.2 The service provider should have appropriate BEE credentials.	
2.3 An appropriate agreement, such as a service level agreement, must be put in place in order to ensure quality implementation of projects.	
2.4 The service provider and/or individuals who will be implementing the project must be suitably qualified in its/his/her field, i.e.: <ul style="list-style-type: none"> a. School project service providers must have experience and qualifications in the formal education environment; b. Face to face classroom type service providers must have appropriate experience and qualifications in the field of face to face training; c. Media project service providers must have appropriate qualifications and experience in the media world, and preferably in the world of educational media/edutainment; d. Any other relevant service providers must be able to prove qualifications and experience in their fields. 	
3) Internal Resources	3.1 Internal resources must be appropriately and suitably skilled and equipped to deliver the consumer education messages to recipients of the programmes;
	3.2 A peer review of internal resources should be used periodically to make sure that the resource/s perform his/her/their services efficiently and successfully;
	3.3 The material/content used by the internal resource should be reviewed by an independent person or through the verification process.

		3.4 The impact of the projects using internal resources should be considered when a project is repeated or continued. Should the impact assessment indicate a lack of learning/impact, the internal resource should be replaced with a more suitable candidate.
		3.5 The impact assessment of projects using internal resources should be done by an independent service provider.
	4) Measurability / Impact	4.1 All initiatives should be measurable to demonstrate impact. Monitoring and evaluation should therefore form part of every project to ensure both quality service providers and good use of money.
		4.2 All projects should be measured by independent service providers, including projects using internal resources. This means that a separation between the person and / or entity that implements the project and the person and/or entity that measures the impact should exist at all times.
	5) Branding	5.1 Consumer education should not cross the thin line into marketing. However, branding should be allowed, as this could assist companies in creating a trusted brand in the market, and may also ensure the use of quality service providers as the companies' brands will be at stake.
		5.2 Any image branding by FSC participants or individual financial institutions should be appropriate, and not overwhelm the educational content
		5.3 The content should be generic and product type related and not related to a brand specific product
		5.4 Specific product or service marketing will not count as consumer education
		5.5 There will be no branding in the education content itself. Branding will be allowed in the following manner: (a) Booklets: The logo and the pay-off line on the cover for branding and limited to a maximum of 10% of the education material. (b) Posters and other aids not in booklet format: The logo and pay-off line in the footer limited to 5% of the area of the material. (c) Radio/Television: Less than 5% of airtime.
		The quality of the branding should generally be consistent with that of the education content (e.g. all full colour, or all black and white).
	D) Affordability and fair value	Consumer education must be offered free of charge to the consumer.
	E) Simplicity and understandability	Content must be simple and understandable by the target market.

