

## Retail Finance: A path forward for education, advice and disclosure

The Australia-New Zealand Shadow Financial Regulatory Committee releases Statement No. 7 exploring what improvements in financial education, literacy, and disclosure arrangements should be considered to enhance principles-based financial regulation.

Even though the Australian and New Zealand banking sectors largely escaped the calamities of the Global Financial Crisis, there have still been substantial losses (albeit not necessarily GFC related) for retail investors outside the prudentially regulated sector. In Australia, losses to investors from failures of financial advisors and financial product manufacturers led to the parliamentary Ripoll inquiry whose recommendations included ensuring greater disclosure and improved investor education as well as specific suggestions on financial advice and commissions. In New Zealand, there have been around fifty finance company collapses, involving accumulated losses of over NZD 6 billion affecting over 100,000 investors, the most recent being the August 2010 collapse of South Canterbury Finance. Aside from losses to individuals and taxpayers, these episodes have important implications for confidence in our financial system.

Regulatory changes are taking place. In both countries, there has been some recent movement towards a more rules-based approach in the retail finance area (which has costs in the form of inhibiting financial innovation), but the overall emphasis remains largely principles-based. The *caveat emptor* approach to financial regulation based on education, advice, and disclosure requires high levels of financial literacy and appropriate disclosure. In this Statement the Australia-New Zealand Shadow Financial Regulatory Committee (ANZSFRC) explores what improvements in financial education, literacy, and disclosure arrangements warrant further attention.

### Summary:

- Emphasizes the importance of financial literacy for principles-based financial regulation that is based on disclosure and caveat emptor.
- Recommends that key financial concepts need to be fully integrated into, and emphasized by, the national mathematics curriculum.
- Recommends that the governments of Australia and New Zealand reconsider policies that allow school pupils to escape formal mathematics education at too early an age.
- Recommends that information about finance principles, products, markets, institutions and history be incorporated into national high school curricula within courses that are taken by all students, and, to the greatest extent possible, these topics be integrated with the tools and concepts taught in the mathematics curriculum, particularly through the use of case studies and experiential learning.

PAGE 2

- Supports further development of **public good services in the area of financial literacy**, and encourages financial institutions to become more active in the promotion, development, and funding of financial literacy services and activities.
- Recommends the establishment of (i) a **simple, minimalist and concise list of information designed specifically for retail investors** be included in all disclosure documents for financial securities and products and (ii) an **online forum designed to elicit information** about a financial security or product offering during a pre-registration period.

For the full statement and more information on ANZSFRC, please visit our website at:  
<http://www.australiancentre.com.au/retail-finance-a-path-forward-for-education-advice-and-disclosure/>

The Australian Centre for Financial Studies facilitates industry-relevant and rigorous research and consulting, thought leadership and independent commentary. Drawing on expertise from academia, industry and government, the Centre promotes excellence in financial services. The Centre specialises in leading edge finance and investment research, aiming to boost the global credentials of Australia's finance industry; bridging the gap between research and industry and supporting Australia and Melbourne as an international centre for finance practice, research and education.

The Centre provides access to and links between academics, finance practitioners and government and draws on expertise and experience from across these groups, to facilitate and disseminate knowledge creation and transfer throughout the greater finance community via its various activities.

The Australian Centre for Financial Studies (previously known as the Melbourne Centre for Financial Studies) is a not-for-profit consortium of Monash University, the University of Melbourne, RMIT University and Finsia having commenced in 2005 with seed funding from the Victorian Government.

END

**Media contact details:**  
**Professor Kevin Davis**  
Research Director, Australian Centre for Financial Studies &  
Professor of Finance, University of Melbourne  
T: +61 3 9666 1050 M: +61 409 970 559  
[kevin.davis@australiancentre.com.au](mailto:kevin.davis@australiancentre.com.au)

[www.australiancentre.com.au](http://www.australiancentre.com.au)