



Policy Innovation and Co-ordination Office
26/F, West Wing
Central Government Offices
2 Tim Mei Avenue
Tamar, Hong Kong

30 September 2020

Dear Sir/Madam,

Response to the 2020 Policy Address Public Consultation

By way of introduction, the Investor and Financial Education Council (IFEC) is an independent public organisation under the Securities and Futures Commission, dedicated to driving financial literacy and investor protection in Hong Kong.

In response to the 2020 Policy Address public consultation, IFEC would like to propose the following three recommendations:

1. Financial management should be included in the forefront of youth development policy in view of alarming research findings about young adults' financial management behaviour, and to enhance opportunities for social mobility.
2. Financial education must start as early as possible, that is why financial education should be included in the primary school curriculum to begin with.
3. A cross-Bureau taskforce should be set up to focus efforts to combat and educate public on financial scams, which is affecting the Hong Kong public in an unprecedented manner with a growing trend.

Please find the following details of IFEC's recommendations.

1. Financial management should be included in youth development policy

Results of the IFEC Financial Monitor 2019¹ revealed alarming findings that young working adults (aged below 30) in Hong Kong demonstrated difficulties with money and debt management, with only 23% of them satisfied with their financial status. Only 35% young working adults saved regularly, and 35% of young working adults experienced difficulty covering their living expenses in the previous 12 months.

Findings also revealed that significantly less of the young generation closely monitor their personal finances, with only 64% young adults doing so, compared with 73% in 2015.

¹ IFEC (2020), Financial Literacy Monitor 2019 https://www.ifec.org.hk/web/common/pdf/about_iec/financial-literacy-monitor-2019.pdf



Credit card take-up among tertiary students stood high at 63%. 19% of tertiary students resorted to partial credit bill payment and 5% to advanced cash in the past 12 months. For young working adults, these reached 30% and 11% respectively. In addition, findings in the 2019/2020 Retail Investor Study² also indicated that around 70% of young investors aged below 30 aiming for quick profits, with a growing tendency.

Including financial management in the forefront of youth development policy will help empower our young generation with the right skills required to manage their finances. This is especially important as Hong Kong is one of the world's top financial centres with ample investment opportunities and arrays of financial products.

There is a Chinese proverb by Lao Tzu³ saying: "Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime". Helping youths understand the correct ways to manage their finances will provide opportunities for upward social mobility, building social capital for the Hong Kong community in the long run.

2. Include financial education in the primary school curriculum

「一年之計育谷,十年之計育木,百年之計育人。」 - 孔子

"If your plan is for one year, plant rice.

If your plan is for ten years, plant trees.

If your plan is for one hundred years, educate children." - Confucius

Financial education is a process intended to increase the financial literacy level of people. With improved financial literacy, people can better manage their money and improve their financial well-being⁴. In fact, the Organisation for Economic Cooperation and Development (OECD) advises that "*Financial education in schools should start as early as possible (ideally in kindergarten and primary schools) and last at least until the end of the formal curriculum and, to the extent possible, the end of high school.*"⁵. Financial literacy is also now globally accepted as an important factor to enhance social stability and development, and endorsed by G20 global leaders⁶.

The World Economic Forum has included financial literacy as one of the six foundational literacies and one of the 16 skills students require for the 21st century⁷.

² IFEC (2019), Retail Investor Study https://www.ifec.org.hk/common/pdf/about_iec/ifec-retail-investor-study2019.pdf

³ Internet Encyclopaedia of Philosophy <https://iep.utm.edu/laozi/> of <https://www.cantonrep.com/article/20100912/news/309129902>

⁴ OECD (2005), Improving Financial Literacy: Analysis of Issues and Policies, OECD, Paris

⁵ OECD (2012), OECD INFE Guidelines on Financial Education in Schools, OECD Publishing, Paris, www.oecd.org/daf/fin/financial-education/2012%20Schools%20Guidelines.pdf

⁶ G20 (2012), "G20 Leaders Declaration", Los Cabos, www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ec/131069.pdf; OECD/INFE (2012), OECD/INFE High-Level Principles on National Strategies for Financial Education, OECD, Paris, www.oecd.org/daf/fin/financial-education/OECD-INFE-Principles-National-Strategies-Financial-Education.pdf

⁷ World Economic Forum (2016), What are the 21st-century skills every student needs? <https://www.weforum.org/agenda/2016/03/21st-century-skills-future-jobs-students/>

According to IFEC's research, around six in ten parents in Hong Kong surveyed are concerned that their children lack the discipline to save and do not realise that money comes from hard work⁸. It is important to formally include financial education into the primary school curriculum as soon as possible to prepare the young generation to understand the importance of financial management, equipping them with the skills required to manage their finances, for a sustainable future for Hong Kong.

3. Start a cross-Bureau taskforce to combat and prevent financial scams

The Hong Kong Police Force recently released the reported cases of technology-based crimes, with an increase in more than doubled to over 6,400 in the first half of 2020, with total monetary loss of some HKD1.5 billion.

While online shopping frauds, online romance scams under cybercrimes rose significantly, investment scams were also on an unprecedented rise, with 143 reported cases, an increment of 40% year-on-year.

As one of the world's top financial centres, it is imperative for Hong Kong to continue building the trust and confidence among investors globally that Hong Kong is a safe place to invest in.

A cross-Bureau taskforce should be set up to focus efforts to combat financial scams and raise awareness among the public, in particular investors. The Government should also increase investments on promotions and education on financial scams identification and prevention to the general public to alert the public to take necessary steps not to be deceived.

In conclusion, concerted efforts in enhancing financial literacy and combating financial crimes should be taken as a priority in Hong Kong, and the Government should take the lead to help achieve the goals and mitigate the situation as a matter of urgency.

Hong Kong ranked top in the OECD International Network on Financial Education financial literacy global study conducted across 26 countries and economies published in June 2020⁹, achieving top position in the area of financial knowledge, ranked sixth in behaviour and 14th in attitude. While we all should take pride on this achievement, much more collaborative efforts will have to be made to drive financial literacy and investor protection for the Hong Kong population, which is key for Hong Kong to sustain as a top financial centre.

IFEC will be happy to discuss further if we can contribute in any way.

Yours sincerely,

Dora Li
General Manager, Investor and Financial Education Council

⁸ IFEC (2018), Parents and Kids Financial Capability Survey <https://www.ifec.org.hk/web/en/about-ifec/press-release/pr-20180814.page>

⁹ OECE (2020), OECD/INFE 2020 International Survey of Adult Financial Literacy <http://www.oecd.org/financial/education/launchoftheoecdinfeglobalfinancialliteracysurveyreport.htm>