

ChildFinance Working Group Meeting Outcomes and Key Conclusions

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Amsterdam, The Netherlands



ChildFinance



YouthFinance

ChildFinance Regulation/Policy Working Group Meeting

What is ChildFinance

“The creation and strengthening of systems, structures and policies which provide children with choices, informs them of their rights, instills in them values, empowers them to make sound financial decisions, build their assets and invest in their own futures”

ChildFinance is a concept born from the experiences of organizations promoting financial education and financial access to children and youth across the world. ChildFinance stresses the importance of early financial education of a high standard supported by a financial system which promotes access to safe and fair financial products and services for children and youth.

Working Groups

In June 2010, experts from across the globe, representing the financial sector, government, multilaterals and bilaterals, children’s rights organizations, academia and the corporate sector came together to lay down the foundations for a movement for ChildFinance. Together, they set the initial strategic framework based on shared experiences and expertise. The meeting resulted in the creation of thematic working groups, tasked with further refining the strategic elements for the wider ChildFinance movement.

These working groups include:

- The Regulation/Policy working group which explores the regulatory aspects that can support ChildFinance.
- The Access working group which focuses on the products and services which can be offered to children.
- The Education working group, focused on creating and integrated and unified approach to social and financial education
- The Research working group made up of academics whose work is focused around the different elements of ChildFinance
- The Media working group which seeks to build awareness around the topic of ChildFinance
- The Strategy working group which is dedicated to creating the governance structure for the ChildFinance movement

Objectives of the Regulation/Policy Working Group

The regulation/policy working group plays a vital role in determining the key strategic elements for the ChildFinance movement, paving out the key steps towards regulated public policy around the topic.

It was largely agreed by working group members that the role of central banks and regulators in the ChildFinance movement are as follows:

- To identify and, if feasible, remove obstacles facing the creation of financial products for children, therefore creating a facilitative environment for access.
- To determine a Child-Friendly Banking Certification process and the minimum standards for certificate
- Determining if the creation of a separate certification body is essential and how such a body would function and be set up

The key decisions taken by the Regulation/Policy working group will be used to guide the work of the other ChildFinance workings groups. The work of the Regulation/Policy working group is particularly relevant to the work of the Access working group, which is charged with recommending possible types of financial products for children and youth.

First Regulation/Policy Working Group meeting

The first regulation/policy working group meeting took place on September 3, 2010 at the Dutch National Bank in Amsterdam. The meeting was chaired by Arnoud Vossen, Secretary General of the Committee of European Banking Supervisors. In their capacity as regulators and custodians of the financial system, the meeting was composed mainly of representatives from central banks and regulatory authorities. Meeting participants included representatives from the central banks and regulatory bodies of China, France, Italy, Luxembourg, Netherlands, Russia, Spain, as well as the Federal Reserve Bank of San Francisco and the European Central Bank. Supporting corporate pro-bono sponsors were also present at the meeting. While private banks and banking authorities were not present at the first meeting, it was deemed important by the working group that they be continually consulted at all stages of strategy formulation.

Key Conclusions

Child-Friendly Banking Certification

Working group members were in agreement with the creation of a Child-Friendly Banking certification to ensure children's accessibility to safe financial products. These financial products were defined as current accounts and savings accounts and exclude lending products. It was determined that the Child-Friendly Banking certification can only be awarded to certified, deposit-taking institutions which are supported by a deposit guarantee system. A recommendation was brought forth that a global mapping of such institutions be undertaken.

Certification Process

A consensus was reached by the working group members that Child-Friendly Banking Certification be awarded to the product offered rather than to the institution, whereas the only criteria places on the institution is that it is one which is adequately supervised according to global standards.

It was agreed that the certification process be voluntary, with mandatory maintenance of certification following initial adoption. Certification would be awarded in different levels based on minimum quality standards as determined by the working group. These will be further elaborated in upcoming meetings.

Child-Friendly Banking Certification Body

After reviewing initial research by the ChildFinance Secretariat on the regulatory framework currently surrounding children's finance, the working group was in agreement that the certification process be overseen by an independent private body. It was proposed that some countries act as initial sponsors to the Child-Friendly Banking Certification, with other countries becoming institutional members over time. The governance structure of the Child-Friendly banking certification body will be determined following input from the private banking sector.

Minimum Quality Standards

Core Standards

- Provision of services to all children regardless of income or social standing
- The employment of child-friendly communications to outline basic product attributes to children. These were further defined as:
 - Ensuring a constant, accessible and active interface between deposit-taking institution and children
 - Transparency and accuracy in communication

with children to ensure they are fully educated about the product, its attributes and functionality

- Withdrawal restrictions and service fees that are in line with the cost structure of the product
- Ensuring custodial safeguards that protect a child's ownership over his/her account
- Service providers not to establish minimum age requirements for account holders that are higher than those set out by national law

Standards for current (checking) accounts

- Provision of current accounts with no overdraft features

Standards for Savings accounts

- Children can open savings accounts that require no minimum deposit

Next Steps

The working group was in agreement that further meetings are necessary for additional discussion and review. Deputies of Basel committee members who were present at the working group meeting would share with the committee at the appropriate time about the ongoing development in the work of the working group. Interested members who were not able to participate in the meeting are to be updated of the proceedings.

In preparation for the next working group meeting, it was decided that the following are necessary:

- An initial overview be created outlining which institutions are supported by the deposits guarantee schemes
- Further analysis of the legal landscape surrounding children's access to finance, by country
- A mapping of currently available financial products for children (current accounts and savings accounts). To this end, the working group has volunteered to create a survey and conduct it among banking associations to gather this information
- Based on the output of the Access working group, and through further discussion by working group members with banking associations, the current minimum standards will be further elaborated.

The above will be presented at the second Regulation/ Policy Working Group meeting, to which a select number of representatives from commercial banks will be invited. The upcoming working group meeting will also see further discussion on the governance structure of the Child-Friendly Certification body, and place a greater focus on the certification process. The next working group meeting is targeted to be held in December 2010.