



**ASIC**

Australian Securities &  
Investments Commission



# Review of school banking programs

Consultation Paper 323  
October 2019

## Disclaimer

The proposals, explanations and examples in this paper do not constitute legal advice. They are also at a preliminary stage only. Our conclusions and views may change as a result of the comments we receive or as other circumstances change.

**Note:** This is Consultation Paper 323. It is available on the ASIC website at <https://consultation.asic.gov.au/financial-capability/review-school-banking-programs>

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## A. Introduction

As the lead Australian Government agency for financial capability, the Australian Securities and Investments Commission (ASIC) is reviewing school banking programs. The purpose of this review is to better understand how these programs are operating in primary schools and provide a national perspective of school banking program engagement and participation.

Your input into this consultation will help inform our review of school banking programs, and we encourage you to make a submission.

### Purpose of consultation

We are reviewing school banking programs in primary schools to:

- a. understand how these programs are implemented and how they are marketed to school communities
- b. understand how students are engaging with these programs and the accounts established through these programs while they are at school and after they leave school
- c. assess the benefits and risks of school banking programs
- d. develop principles for appropriate conduct and good practice in the implementation of school banking programs.

We want to understand the motivations for participating in and behaviours encouraged by school banking programs, to ensure they serve the interests of young Australians. We will also consider the transparency of the implementation of these programs. We have undertaken research to explore school communities' expectations and understanding of the potential impact of these programs.

We welcome the views, knowledge and experience of a diverse range of stakeholders, including:

- a. parents and guardians
- b. teachers and school leaders
- c. state and territory education departments
- d. not-for-profit and community organisations
- e. other educational professionals
- f. any other interested organisations and individuals.

We have prepared nine consultation questions (see Section F) for your response.

## About ASIC

ASIC is Australia's integrated corporate, markets, financial services and consumer credit regulator.

We are an independent Commonwealth Government body. We are set up under and administer the Australian Securities and Investments Commission Act 2001 (ASIC Act), and we carry out most of our work under the Corporations Act 2001 (Corporations Act).

The ASIC Act requires us to:

- a. maintain, facilitate and improve the performance of the financial system and entities in it
- b. promote confident and informed participation by investors and consumers in the financial system
- c. administer the law effectively and with minimal procedural requirements
- d. enforce and give effect to the law
- e. receive, process and store, efficiently and quickly, information that is given to us
- f. make information about companies and other bodies available to the public as soon as practicable
- g. take whatever action we can, and which is necessary, to enforce and give effect to the law.

- a. leading the National Financial Capability Strategy
- b. providing consumer information via ASIC's MoneySmart
- c. delivering ASIC's MoneySmart Teaching Program
- d. implementing ASIC's Indigenous Outreach Program.

The [National Financial Capability Strategy](#), led and coordinated by ASIC, seeks to broaden reach and impact of financial capability initiatives that assist Australians to be in control of their financial lives.

## ASIC's role in building the financial capability of Australians

ASIC is the lead Australian Government agency for financial capability, consistent with our vision for a fair, strong and efficient financial system for all Australians. Our financial capability program includes:

## Making a submission

You may choose to remain anonymous or use an alias when making a submission. However, if you do remain anonymous we will not be able to contact you to discuss your submission should we need to.

Please note we will not treat your submission as confidential unless you specifically request that we treat the whole or part of it (such as any personal or financial information) as confidential.

Please see our privacy policy at [www.asic.gov.au/privacy](http://www.asic.gov.au/privacy) for more information about how we handle personal information, your rights to seek access to and correct personal information, and your right to complain about breaches of privacy by ASIC.

The consultation period will close on 31 October 2019. We prefer that you submit your answers and other feedback online at <https://consultation.asic.gov.au/financial-capability/review-school-banking-programs>.

Submissions can also be sent to:

Senior Specialist  
Financial Capability  
Australian Securities and Investments Commission  
Email: [Financial.Capability@asic.gov.au](mailto:Financial.Capability@asic.gov.au)



## B. Financial literacy education in schools

Under the Australian Constitution, states and territories are responsible for school education. However, the Australian Government plays an important role in providing significant levels of funding and national leadership across important policy areas, including setting the [Australian Curriculum](#), teaching quality, boosting literacy and numeracy outcomes, and parental engagement. The Government works closely with states, territories and the non-government sector to implement programs that will have the biggest impact on what and how students learn. ASIC is one of a number of Government agencies that provide information and education resources on specific topics in the classroom.

In 2012, we launched the MoneySmart Teaching program to support financial literacy education in the classroom. MoneySmart Teaching provides professional development modules for teachers, to build their capability and confidence in teaching their students about money. It also provides classroom resources aligned to the Australian Curriculum.

Financial literacy education is embedded in the Australian Curriculum (Foundation to Year 10). Consumer and financial literacy outcomes are supported through the eight learning areas, seven general capabilities and three cross-curriculum priorities of the curriculum. It features explicitly in the learning areas of Mathematics and Humanities and Social Sciences (HASS) and the general capability of Numeracy. Content descriptions on financial literacy start from Year 1 in Mathematics and from Year 5 in HASS (through the sub-strand Economics and Business), and financial literacy is reflected in the Numeracy learning continuum from Foundation.

The Australian Curriculum provides well-defined achievement standards and content descriptors. However, how this content is delivered, including how much time is allocated to a given topic, often varies from state to state and from school to school. The implementation of the Australian Curriculum is at the discretion of the state and territory governments, government and non-government school education authorities, and individual schools and principals.<sup>1</sup> Financial literacy education is not only delivered formally in the classroom, but students are also learning about money and key financial concepts through informal learning opportunities – for example, through school canteens, excursions, fundraising and after-school activities.

The Australian Curriculum, Assessment and Reporting Authority (ACARA) has developed a range of resources to support teachers to implement the Australian Curriculum. The Curriculum Connections resources are designed around themes, and include [a consumer and financial literacy module](#) that identifies content in the curriculum that supports the development of consumer and financial capability in young people. This resource provides links to units of work and interactive activities that help teachers plan and deliver high-quality teaching and learning programs.

<sup>1</sup>For information on the implementation of the Australian Curriculum in each state and territory by curriculum and school authorities, see the [Foundation – Year 10](#) webpage of the Australian Curriculum, Assessment and Reporting Authority (ACARA) website.

## C. School banking programs

Government-run programs that facilitated the establishment of bank accounts for primary and secondary schools started in New South Wales in the 1880s. In the early 1900s, school banking in various forms was introduced in each state in conjunction with a state bank. The Commonwealth Bank of Australia [launched a school banking program in 1931](#), when it merged with the government-owned Savings Bank of New South Wales. Before World War II, it was common for banks to visit schools and speak to students about the role of banks and the importance of saving money.

Today, there are a number of authorised deposit-taking institutions (ADIs) – banks, credit unions, building societies and other mutual organisations – offering school banking programs. Approximately 60% of Australian primary schools currently participate in school banking programs.<sup>2</sup> These programs are marketed to schools as a way of encouraging and supporting students to understand the importance of saving, through regular deposits facilitated by the school. ADIs may contact schools to invite them to participate in a school banking program or, alternatively, school principals and Parents and Citizens (P&C) Associations may approach an ADI directly to offer a program at their school. School banking programs operate differently depending on the provider, but may require volunteers (e.g. parents and guardians or school staff) to implement the program in the school.

School banking programs enable students to deposit money into their accounts through their school, usually on a weekly basis. There are typically two ways students can make a deposit into their account. Students can:

- a. place money and deposit slips into a deposit box located at the school. The deposits are generally collected and processed by ADI staff, or
- b. hand their deposit directly to volunteering parents or school staff. The volunteers collect and process deposits from students and stamp the students' slips or deposit books, simulating a banking experience. The volunteers then bank the money with the ADI.

The provision of financial payments to schools or P&C Associations and reward items (such as toys or stationery) to students are features of a number of school banking programs.

<sup>2</sup> We are aware that a number of banks and other financial institutions offer financial literacy education programs to schools, which are designed to build understanding of key financial concepts. As these programs are not promoting a financial product, they have not been captured in this review.



## D. ASIC review of school banking programs

On 18 October 2018, we announced we would review school banking programs to better understand how they operate. We want to understand:

- a. how these programs are implemented
- b. how they are marketed to school communities
- c. how students engage with the programs and the accounts established through these programs, both while they are at school and after they leave school.

We established a reference group that included representatives from the Commonwealth Department of Education and Training, the Australian Competition and Consumer Commission (ACCC) and CHOICE to provide guidance on the review.

A key priority under the [National Financial Capability Strategy](#) is to educate young Australians. One way we address this priority is through the delivery of the MoneySmart Teaching program in schools. We work collaboratively with state and territory governments and peak bodies, including ACARA, to promote effective financial literacy education in classrooms. We also actively partner with school principals and subject associations to understand how we can better encourage stronger financial capabilities in young people. We aim to support teachers and provide resources aligned to the Australian Curriculum.

More than 60% of Australian primary schools have accessed the MoneySmart Teaching program. The 2017 independent evaluation of the MoneySmart Teaching program<sup>3</sup> showed that 83% of teachers using the program reported that it increased their ability to teach their students about money, and 90% reported that engaging with the program gave them more confidence when talking about money in the classroom.

Schools draw on a wide range of resources to support the teaching of financial literacy, including financial education outreach programs offered by ADIs. Best practice suggests that financial literacy education is more effective if it is embedded in school communities, and if the aims of supplementary activities are reinforced in the classroom and at home. For this reason, it is important to consider the context in which programs are operating, as this may differ from school to school.

Engagement with school banking programs also differs in individual households – some students may have active discussions with parents and guardians about the program at their school, but this is not the case in all households.

To understand the elements that may inform the success of school banking programs, we have drawn on input from ADIs offering school banking programs (e.g. policies and procedures and data on usage). We have also conducted qualitative and quantitative consumer research with school authorities, parents and guardians and students.

<sup>3</sup> [Report 554](#) Independent evaluation of ASIC's MoneySmart Teaching Program (REP 554).

## School banking program providers

From November 2018 to May 2019, we met with ADIs who have provided or currently provide school banking programs. We also collected and reviewed information from these to better understand:

- a. how effective school banking programs are in improving students' short-term and long-term savings behaviour, including the effect of:
  - I. students' age, personality, parents' financial capability, socio-economic status
  - II. ADI incentives, such as bonus interest or reward items (e.g. toys and stationery)
- b. how common school banking programs are, including:
  - I. the number and geographical reach of ADIs offering these programs
  - II. the number of participating schools and students
  - III. the effect that schools' explicit, implicit or tacit endorsement has on the decision of parents and students to participate in the program
  - IV. the level of competition between programs, and the choice available to schools and students wishing to participate in a school banking program
- c. the usage of standard children's accounts (which must be opened to participate in a school banking program), including:
  - I. the average age of students targeted to join a school banking program
  - II. any trends in usage, based on student age or period of participation in a school banking program
- d. the interest rates payable on the standard children's accounts required to be opened to participate in a school banking program, including:
  - I. their competitiveness
  - II. the conditions that need to be satisfied in order to receive standard and bonus interest
- e. the commissions or grants that some ADIs pay to participating schools, including:
  - I. the basis for making these payments
  - II. any perceived influence these payments may have on a school's decision to offer and encourage student participation in a school banking program
- f. the use of ADI branding on documents and reward items (such as toys and stationery) given to school banking students, including:
  - I. the short-term and long-term effect that branding has on students and their degree of brand loyalty or 'stickiness'
  - II. the effect of schools' explicit, implicit or tacit endorsement on the level of trust parents and students have in the programs and the ADIs offering them
  - III. whether school banking programs are an example of ADI corporate social responsibility, or constitute marketing for the purpose of customer acquisition
- g. when and how the standard children's accounts held by school banking students are switched to a different account type, and the features of the new account type
- h. how ADIs market to former school banking students when they turn 18, including:
  - I. how and when ADIs seek consent from students and/or their parents and guardians to engage in direct marketing
  - II. how and for what period ADIs rely on this consent
  - III. whether the consent is requested via an opt-in or opt-out choice
- i. when and how often former school banking students seek financial products or services from ADIs and lenders other than the ADI that provided their school banking program.

## Consumer research

We commissioned research to better understand the attitudes of students, parents, past students and school leaders in relation to school banking. From December 2018 to July 2019, two phases of consumer research were conducted sequentially:

- qualitative research that included group discussions, school consultations, in-home interviews and mid-sized online forums
- quantitative research which included an on-line survey.

The research found that overall satisfaction with these programs is high. However, there was some concern about the lack of digital interaction and substandard interest rates. Students' key motivator to participate are the rewards programs, and parents are motivated to enrol their children to teach them the importance of savings and learning about 'real' money. Parents are also influenced by their personal experiences of banking programs from their childhood.

Parents' responses to consumer research questions on their attitudes towards school banking programs are outlined in Figure 1.

**Figure 1: Attitudes towards school banking programs (Agreement with Statements)**

QUESTION	Disagree	Neutral	Agree
Without school banking, my child(ren) would not have as much knowledge about how banking works	33%	8%	59%
Without school banking, my child(ren) would not have learnt how important it is to regularly save money	25%	7%	68%
I can teach my child(ren) the same thing without school banking	41%	5%	53%
Early primary school age kids are too young to meaningfully be able to develop regular savings habits	16%	15%	68%
Early primary school age kids are too young to meaningfully be able to learn about the value of saving for something	27%	9%	64%

Note: Respondents included all parents surveyed – both parents who chose to have their child(ren) participate in a school banking program and parents whose child(ren) did not participate in a school banking program. Figures may not add up to 100% due to rounding.

## Consumer behaviour - students

Feedback from parents and students who use school banking programs suggests that interest and participation in school banking programs among students is strongest in the early years. It is commonly driven by rewards and the visibility of the program at school induction events and assemblies.

Ongoing engagement in school banking programs varies over a number of years. As some students progress through primary school, their interest in the program wanes and the rewards become less motivating. The research suggests that students who retain interest in the program are more likely to be internally motivated – they do not rely on their parents to fill out the deposit slip or remind them to take money to school.

There is limited evidence among past students that school banking programs have a lasting impact on their saving behaviour. Their recall of the program is often limited to the ritual involved.

The research findings indicate that school banking increases the chances of a participating student remaining with the ADI that provided the program after they finish school and progress to adulthood. Findings also suggest that non-participating students were also likely to remain with the same ADI they banked with as a child.

## Consumer behaviour – parents and schools

Parents are often drivers for student participation in school banking programs, and parental consent is essential for students to participate. Some parents value the convenience that school banking programs offer, such as facilitating the opening of a bank account and enabling deposits to be made without visiting a branch. Parents' decisions for their children to participate are often underpinned by a desire for their child to learn to save and the emotional desire to replicate their own childhood experiences. Parents who have chosen to enrol their children in these programs also see limited drawbacks in school banking programs. They are not concerned by issues of competition or long-term 'stickiness'.

Parents who chose not to enrol their children in school banking programs said they didn't participate because of:

- a. their family's relationship with another bank
- b. negative publicity
- c. low interest rates
- d. limited educational outcomes
- e. poor rewards
- f. lack of trust in banks
- g. lack of funds and capacity.

Within school communities, school banking programs are well regarded and perceived as reputable. Respondents consider that these programs present an educational opportunity, provide a service to the school community and, depending on the program, may provide additional funding to the school.

## **E. Regulation**

ASIC does not directly regulate school banking programs, but we do regulate the deposit accounts which must be opened in order for a student to participate in these programs. The ADIs that issue these deposit accounts must comply with their Australian financial services (AFS) licence obligations under s912A of the Corporations Act 2001, including the requirement to provide financial services efficiently, honestly and fairly.

The school banking volunteers (including school staff and parents) who assist with these programs are not required to hold an AFS licence or be authorised by an AFS licensee (see reg 7.1.33F of the Corporations Regulations 2001).

## F. Consultation questions

We are seeking responses to the following nine consultation questions.

1. Do you consider there are or may be benefits to students opening and maintaining bank accounts through a school banking program? If yes, please outline any perceived benefits and provide supporting information, if available.
2. Do you consider there are or may be drawbacks to students opening and maintaining bank accounts through a school banking program? If yes, please outline any perceived drawbacks and provide supporting information, if available.
3. Financial literacy education is embedded in the Australian Curriculum. Do you believe that school banking programs provide beneficial educational opportunities not available through the curriculum? Please provide supporting information, if available.
4. Do you have concerns about financial institutions marketing to young primary school students? Please provide supporting information, if available.
5. Do you consider there are or may be negative consequences if financial institutions no longer offer bank accounts to students through school banking programs? Please provide supporting information, if available.
6. Do you support financial institutions offering bank accounts to students through school programs? Please provide supporting information, if available.
7. Are there changes that could be made to how school banking programs operate, to improve students' understanding of money and the importance of saving (such as incorporating more digital elements)? If yes, please provide supporting information, if available.
8. Is there any other information you would like to provide that may enable us to better understand how school banking programs operate and to provide high-level principles on the delivery of school banking programs?
9. If you are a school or an education authority, what policies or processes guide you when deciding whether to engage with school banking (or similar) programs? Please provide supporting information.

## Further Information

If you have made a submission as a representative of an organisation, please provide the organisation's name, and your name and title.

If you are responding in a personal capacity, please provide your name and any other relevant information (e.g. if you are a teacher, a principal or have previously participated in a school banking program as a student).

We may want to ask further questions. If you are happy for us to get in touch, please provide us with your contact details below.

Please advise if you would like this submission to be published anonymously or not published at all.



