

GUIDELINES ON HOW TO MAKE BANKING PRODUCTS FOR MINORS SAFER

Introduction

The guidelines determine 10 good practices for Financial Service Providers (FSP) to make their payment products for minors safer. Although not exhaustive, these guidelines introduce FSP to some important aspects unique to payment products designed for minors. These guidelines should not be used as a checklist of points to address but rather as a guiding tool providing the foundation to build secure, thoughtful child and youth friendly products.

These 10 practices build on “Banking a New Generation”, an important work done by MasterCard and Child & Youth Finance International on how the financial sector can improve banking products offered to minors. The current guidelines are formulated by MasterCard, Child & Youth Finance, UNICEF, ParentPay/nimbl, Osper and Andrew McClelland/Mirador Digital.

The overall aim is to provide Financial Service Providers a helpful tool that:

- 1) Makes their banking products for minors safer;
- 2) Enhances responsible spending behavior;
- 3) Encourages active money management from an early age;
- 4) Promotes financial communication between parents and youth.

The FSP banking products are tailored to minors from 8 to 18. It is essential for parents to teach children about money management during this time period using the strategies and payment products made by the Financial Service Providers. As they grow older, children learn more about accountability and responsible decision-making, particularly related to personal finances. Therefore, children’s control over how they manage their money should increase on a sliding scale towards complete ownership of their bank card and bank accounts. The more responsibility minors prove that they can exercise through safe banking products, the more management and control they should have over their money, especially when it comes to money they are earning themselves. While elementary school students and children in their early teenage years (ages 8 to 14) are often already receiving pocket money and using their own mobile phones, new technology and changing social and economic conditions have meant that younger generations are becoming more financially sophisticated. Today, many of these children are already using payment cards and maybe even getting their first jobs. Functionalities set by Financial Service Providers can serve to ensure that minors are spending and saving their money responsibly and safely under decreasing parental supervision. The older and more financially sophisticated children are or the more money they save over time, the fewer restrictions should be placed on their bank cards and accounts by parents.

'Financial coaching' and educational dialogue between parents and children about banking will also prove critical for children to be able to manage their funds wisely and confidently. For this reason, it is important that Financial Service Providers ensure their products have communication guidelines that encourage parents and children to review and evaluate products together in order to teach smart saving and cautious spending. It is also recommended that parents regularly review monthly bills, transaction notifications, and card restrictions with their children, in order to encourage constructive discussion on money management skills and increase financial literacy. Coaching, education and regular dialogue enable children's greater financial autonomy, and ensure that children are able to effectively manage money they have earned themselves.

Finally, these guidelines will build on the "OECD/INFE Guidelines for Private and Not-for-Profit Stakeholders in Financial Education" and UNICEF, the UN Global Compact and Save the Children's guidelines titled "Children's Rights and Business Principles". The CRBPs call on business everywhere to respect and support children's rights throughout their activities and business relationships, including in the workplace, the marketplace, the community and the environment. They also provide a framework for actions business should take to understand and improve the impact and diversity that they have on children and youth's rights and well-being. Furthermore, these principles address how products and services can better meet children's needs and how to strengthen and safeguard children's interests.

GUIDELINES ON HOW TO MAKE BANKING PRODUCTS FOR MINORS SAFER

- 1. Allow Parents to Choose Payment Types**
- 2. Restrict Products and Services Inappropriate for Minors**
- 3. Allow Parents to Set Card Limits**
- 4. Provide Parental Access to Spending Behavior**
- 5. Provide Saving and Payment Facilities**
- 6. Ensure Responsible Spending**
- 7. Design Marketing Initiatives for Both Parent and Child**
- 8. Protect Client Privacy**
- 9. Educate Minors on Safe Spending**
- 10. Accompany Products with Financial Education Tools**

Guidelines

Payment products for minors should:

1. Allow Parents to Choose Payment Types

Payment products for minors should provide parents with the possibility to opt in or opt out of certain payment types. In addition, parents should have the ability to choose where their child can use their bank card.

Where and when parents should have control:

- a) Whether or not youth are allowed to use an **ATM**;
- b) **Point of sales** - the time and place where a retail transaction is completed;
- c) **Online** - parents should be able to block all online purchases; and if they allow online purchases, to limit purchases to specific merchant categories; and
- d) **In-app** phone and game purchases; and
- e) Parental access to PIN number should be considered for children ages 8 to 12 in case the PIN is forgotten.
 - a. After age 12, children should have the option to change their PIN number;
 - b. This access might depend on banking policy.

2. Restrict Products and Services Inappropriate for Minors

Wherever possible, the use of payment products for minors should be prohibited where age-inappropriate products and services are available through online and offline stores.

Restrictions include:

- a) Merchant Categories such as gambling, firearms/weapons, pornography; and
- b) Alcohol, e-cigarettes and other forms of tobacco.

3. Allow Parents to Set Card Limits

Depending on the minor's age, parents should have the possibility of setting certain restrictions on payment products.

Examples of restrictions include:

- a) For certain ages, parents should have the ability to easily and quickly **lock the card** under certain circumstances. This might include, but is not limited to, overuse of a monthly spending limit, misuse of the card, or in case of emergency when the card is temporarily misplaced.
- b) Depending on age, parents should be allowed to **limit amounts of spending** on the card, using a regulated amount for each week or month. This also includes **limiting card usage to specific time periods**. For example, turning card functions

off after a certain time or other necessary reasons where the child is not permitted to use the card.

- c) When children are earning their own money: **payment blocking and limiting functionalities may be switched on and off related to the age and level of financial sophistication**, so that over time, the parent will give more control over spending to the child. The more mature a child is, or the more money they save over time, the more responsibility they have over their account and using their bank card. A program could also incorporate a sliding scale of increased responsibility over the child's (own) money while at the same time keeping the possibility to restrict the use of the child's own money.
- d) Financial Service Providers should encourage parents to regularly review these limits and restrictions with the child.

4. Provide Parental Access to Spending Behavior

Products should be designed in a way that parents could get notifications on their children's spending behavior. In addition, parents and children receive regular notifications/receipts via SMS, Email, or phone app when the child's bank card is used.

When parents should be able to track behavior:

- a) **Transaction amounts:** parents should have the ability to access what merchant category the child is using their bank card in and where they are using it. This includes the **name and location of the merchant**, what time they are using the card at, and how much they are spending on it. In order to track behavior, both the parent and child are given:
 - i. A password or pin to an online account website and mobile phone app to access account information with easy-to-understand instructions on how to use the service.
 - ii. 24 hour online or phone access to service providers about a lost or stolen card, security problems, and other technical questions.
- b) There should be an ability to customize these functionalities depending on the age and financial sophistication of the child. The more mature a child is and/or the more money they save over time, the less access a parent has to the account and bank card; this includes tracking spending behavior.
- c) FSP should encourage parents to regularly review notifications that they receive with their child

5. Provide Saving and Payment Facilities

A product for minors should enable them to save, as well as make payments.

Examples of products to enable saving and spending include:

- a) In order to enable minors to save money, as well as spend it, there should be a link to a savings account with a savings goal or by setting aside part of their overall balance for savings purposes.
- b) An account option to have two separate accounts: savings and spending. This type of savings plan has a goal stating the amount of money the minor wants to save, which is easy to track, making it possible for them to spend and save their money.

6. **Ensure Responsible Spending**

A product for minors should provide a real-time budget or spend tracking tool to encourage responsible spending behavior and money management skills.

Examples of products to encourage responsible spending include:

- a) **A balance update** via SMS, online, or using push notification via a mobile app that the minor receives after every purchase
- b) The ability **to check your account balance and spending history** online or via SMS. This could include a balance update at regular intervals (weekly or monthly) in order to increase his or her financial awareness and learn how to track spending and saving. This inquiry could also give comparisons of spending behavior over time and indicate how their spending habits have affected the minor's savings goals.
- c) **Monthly online statements** (or paper statements) should be available and sent to minors and adults on the same day every month via email or SMS that allows everyone to check the activity summary – including deposits and withdrawals – and transaction history.

7. **Design Marketing Initiatives for Both Parent and Child**

Marketing and cardholder-acquisition initiatives should be targeted at parents, based on best practices and local regulatory guidelines. Special care should be taken to craft marketing collaterals that encourage parents and children to review and evaluate products together, promote financial literacy and money management skills.

Examples of parent-targeted initiatives and accessible, child-friendly communication include:

- a) Illustrating annual fees and monthly bills: these should be sent to the parent or guardian but reviewed monthly with the child.
- b) All communication around the initiatives and products should be focused on minors, and account for their needs, interests and levels of comprehension. Marketing and T&Cs materials should be tested – preferably by a recognized youth organization – to ensure both child and parent understand caveats and product features. This might include, for example, easy to understand terms, conditions, and contracts.

- c) This will be complemented by the ability of all staff within a financial institution to interact in a child and youth friendly manner. Whenever possible, branch and customer service staff should be trained to respond to questions and requests from minors that reflect the overall money management education ethos that the product endorses.
- d) The most important form of communication and recommendation to children is through their friends, family, and social networks. Children will often reach out to trusted contacts, and may, do their own research online and offline. It is important for Financial Service Providers to consider how minors prefer to receive and gather information about their products.
- e) All communications and recommendations must include cautionary language to parents about the importance of supervision, for both online and in-store, and the concrete challenge for online merchants to verify age for inappropriate products and services.
- f) According to the sixth Children's Rights and Business principle, business, specifically FSP, should use marketing initiatives and advertising that respect and support children's rights.

8. Protect Client Privacy

Children's right to privacy is protected under applicable law - and due to their vulnerability, often more strictly than adults'. Furthermore...

- A. It is paramount that Financial Service Providers adhere to these laws with respect to data protection, privacy, the use and collection of data, and right to consent.
- B. In addition to adhering to applicable laws, FSP should also ensure that children and parents are regularly informed of privacy and data protection rights so that children may easily exercise their rights and develop their capacity to make responsible decisions for themselves as they mature.
- C. As seen in the first and fourth Children's Rights and Business Principles, all business [Financial Service Providers] should meet their responsibility to respect children's rights and commit to supporting the human rights of children and business should ensure the protection and safety of children in all business activities and facilities.

9. Educate Minors on Safe Spending

Products for minors should be accompanied by age-specific education on the safe and responsible use of the payment product across all channels. Special care should be taken to educate youth on product use, especially client protection, avoidance of identity theft and online payment risks. This education should also provide them with tools to keep their data safe and secure.

Furthermore, the fifth and eighth Children’s Rights and Business Principles state that business should ensure that products and services are safe, and seek to support children’s rights through them. Also, business should respect and support children’s rights in security arraignments. Below are tips/golden rules that FSP should provide minors on how to safely use their payment products.

Tips/Golden Rules for Minors:

- I. **Never** share your online account password, PIN number, or personal information with anyone other than your parent or guardian to ensure that your money is safe. You would not disclose your Facebook or Twitter password – do not disclose your PIN. This also includes being aware of ‘phishing emails’ from people claiming to be from your bank, the police, a relative, your workplace, or your school.
- II. Keep your card in a **safe place at all times** – just like you would cash – you would not leave cash lying around unprotected – do not leave your card lying around.
- III. Store the “Lost and Stolen Card” phone number in your mobile phone (this can usually be found on the back of the card), so you can report the card missing as soon as you realize
- IV. In addition to keeping your passwords and PIN numbers private, **create strong passwords** with many numbers, letters, and if possible symbols, so no one can hack into your online accounts.
- V. Before using your computer for online transactions, make sure your **anti-virus software** is up-to-date so it can assist you in monitoring unsafe sites.
- VI. **Spend sensibly**; this is real money you are spending! YOUR money.
- VII. Check that website names are spelled correctly and that the **URL is secure**. Most secure and safe sites have a lock pad next to the https:// link or at the bottom of the page – this ensures that the communication between you and the retailer is confidential.
- VIII. Research online websites/companies via Google and **read customer reviews** before purchasing anything. Ask friends, family members, co-workers, and other honest acquaintances about the validity of an online shopping website. Don’t use a website that no one you know has ever used or heard of.
- IX. Every month and every time after you purchase something from an online website, **check your online statement regularly**. You would count your cash – so count your spending. If you see something wrong, call your card company immediately and consider cancelling your card.
- X. **Trust your instincts** – if you have any doubts about a website, do not purchase anything from it; there are many other online stores to shop from.

10. Accompany Products with Financial Education Tools

Products for minors should be accompanied by age-specific financial educational tools and content to encourage responsible money management. The educational tools and content

should be assessed or endorsed by a third party to ensure that the quality and independence is being safeguarded.

The continuation of these guidelines are taken from the OECD and intended to set a framework for financial education strategies. In addition, they are guidelines for NGOs and private organizations to create their own guidelines.

OECD Guidelines:

A. Framework for the involvement of private and not-for-profit stakeholders in financial education policies and initiatives

- 1. Coordination between public, private, and not-for-profit stakeholder**
- 2. Managing potential conflicts of interest and of other shortcomings**
 - a. Support for public strategies and initiatives
 - b. Indirect involvement of financial institutions
 - c. Development of, and compliance with codes of conduct
 - d. Distinction between commercial and educational activities

B. Key criteria for the involvement of private and not-for-profit stakeholders in the implementation of financial education initiatives

- 1. Objectivity**
- 2. Quality of resources and trainers**
 - a. **Tailored** to national and local contexts
 - b. **Appropriate** to the target audience's level of knowledge
 - c. **Fair** in appropriate all relevant population segments
 - d. **Accurate**
 - e. **Easily accessible** to individuals
- 3. Monitoring and evaluation**

Here is a link to the "OECD/INFE Guidelines for Private and Not-for-Profit Stakeholders in Financial Education" for issuers who wish to review them in detail.

<http://www.oecd.org/daf/fin/financial-education/guidelines-private-not-for-profit-financial-education.pdf>

The following are ideas for Financial Service Providers to provide educational tips for minors on safe and secure money management. These are educational tools that are not addressed by the OECD Guidelines but should be included when financially educating youth.

Money Management Tips For Minors:

- I. Avoid unnecessary spending** and ensure that you have a certain amount of money in your account at all times

- II. **Make a budget:** Set limits on your bank card of how much you can spend per week/month.
 - a. Check your spending month to month, compare this with what you originally planned to spend, and adjust accordingly in order to stay out of financial trouble and determine how much money you can spend in the future
- III. **Have 2 bank accounts** – one for savings, that you add to regularly, and one for spending. Should you have access to your savings account through your bank card?
- IV. **Save** a certain percentage of the money you earn
- V. **Set financial goals:** create short, medium and long-term goals for saving.
 - a. For example: a short term goal (4-6 months) could buy you a phone or bike, a medium goal (1-3 years) could assist you in buying a car, and a long-term goal (5-8+ years) could help you pay for college or your own place to live
- VI. **Prevent** taking on uncontrollable debt by frequently checking your bank account and saving money
- VII. When children are older (16 to 18), **learn the importance of building credit** and having good credit
- VIII. **Learn from trial and error** when you spend too much money; think about the consequences of overspending
- IX. **Become a good consumer:** learn and practice how to get the most of your money
- X. **Pay your bank card bills on time:** if your parent or guardian is the one paying bills then sit down and discuss with them how this is done so you are able to pay them in the future