INVESTORINFO

Protecting Seniors From Financial Exploitation

It happens more than you might think: A senior investor suddenly asks his broker to withdraw all the funds from his brokerage account. The request strikes his broker as strange, because the client normally takes a more measured approach to managing his money.

It's a red flag that raises a worrying question in the broker's mind: Is her client being preyed upon by a scammer? Is the client being pressured by a family member or caregiver? If so, should she still disburse the funds as asked? Or should she take time to determine whether her suspicions are justified?

> *"With the aging of the U.S. population, financial exploitation is a serious and growing problem, and protecting senior investors remains a top priority for FINRA,"*
>
> Robert L.D. Colby, FINRA's Chief Legal Officer.

The protection of senior investors has always been a top priority for the Financial Industry Regulatory Authority (FINRA). As part of this ongoing effort to thwart financial exploitation, FINRA adopted rules earlier this year that allow brokers to take steps to protect seniors and other specified adults, putting in place the first uniform, national standards to protect senior investors. Some states have adopted similar rules as well.

Here's how the FINRA rules work.

ADD A TRUSTED CONTACT PERSON TO YOUR ACCOUNT

When you open a brokerage account or update information related to an existing account, an amended FINRA rule requires your broker to make reasonable efforts to obtain the name and contact information for a designated trusted contact person for your brokerage account. Among other things, adding a trusted contact person to your account puts your broker in a better position to keep your account safe.

WHO IS FINRA?

FINRA oversees the professionals and firms that sell stocks, bonds, mutual funds and other securities products. As regulators, we can't recommend any particular firm, individual or type of investment professional. Our goal is to equip—and empower—you to weigh your options.

While you are not required to provide this information to open an account, it may be a good idea to do so. By choosing to provide this information, you are authorizing the firm to contact someone you trust and disclose information about your account only in certain circumstances, including to address possible financial exploitation, and to confirm the specifics of your current contact information, health status, or the identity of any legal guardian, executor, trustee or holder of a power of attorney. You will receive a written disclosure from the firm that lays out these details.

FUND DISBURSEMENT HOLDS WHEN EXPLOITATION IS SUSPECTED

Additionally, brokerage firms now are permitted to put a temporary hold on disbursements of funds or securities from an account when there is reason to believe financial exploitation might be occurring. The rule applies to accounts belonging to investors age 65 and older or to those with mental or physical impairments that the firm reasonably believes makes it difficult for them to protect their own financial interests.

> *"Before this new rule, firms were really struggling with this day to day, now it gives the firms time to investigate when a request for a disbursement raises red flags."*
>
> Jeanette Wingler, FINRA's Office of the General Counsel

Here's how the "hold" rule works: If a firm suspects financial exploitation, it may put a hold on disbursements from a client's account for up to 15 business days. The firm must conduct an investigation and attempt to notify the client and the client's trusted contact.

If the firm gathers information that supports its suspicion of financial exploitation, it may continue the hold on disbursements for another 10 business days.

Depending on what its investigation finds, the firm may refer the matter to an adult protective services or law enforcement agency.

The new trusted contact and pausing of disbursement rules might not be able to stop people from trying to take advantage of seniors. But, providing brokerage firms with ways to respond to situations in which they have a reasonable basis to believe that financial exploitation is occurring, can make it more difficult for fraudsters to succeed. It is important for brokers to have this ability when potential exploitation is suspected because once the money has been disbursed, it might be difficult to get it back. Importantly, brokers cannot use the rule to pause a disbursement when they do not suspect financial exploitation.

A Serious and Growing Problem

FINRA's action comes at a time when each day for the next 12 years, an average of 10,000 Americans will turn 65. Con artists tend to target older people, in part, because they are more likely to have built up nest eggs, according to the FBI. And, the U.S. Department of Justice estimates that $3 billion is stolen or defrauded from millions of elderly Americans every year.

USE THESE RESOURCES

FINRA Investor Information

You'll find investor-focused tools and resources on FINRA's website, including where to turn if you have questions about your brokerage account statements or investments.

WEBSITE: *www.finra.org/investor*

PHONE: (202) 728-6964

The Alert Investor Newsletter

For more information about saving and investing, subscribe to FINRA's The Alert Investor newsletter.

WEBSITE: *www.finra.org/investor/subscribe*

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