



**Statement of the Securities Industry and Financial Markets Association  
Before the Colorado House Public Health Care & Human Services Committee on  
HB 1253, the "Protection of Vulnerable Adults from Financial Exploitation Act"  
March 28, 2017**

Good afternoon. My name is Kim Chamberlain, and I am a Managing Director and Associate General Counsel for the Securities Industry and Financial Markets Association (SIFMA). SIFMA is a national trade association which represents hundreds of securities firms, banks and asset managers, many of whom have a strong presence in Colorado. In fact, the securities industry employs more than 21,000 people in the State. More than 111,000 people are employed by entities falling within the broader category of finance and insurance.

Financial exploitation of our senior population is a huge problem, and I sincerely appreciate the opportunity to be here today. As you may know, SIFMA and its member firms have been actively working to protect senior clients from fraud and abuse. Among other things, SIFMA has: worked closely with state and federal legislators and regulators to advance investor protection laws, regulations and rules; collaborated with scientific and academic experts to raise awareness and understanding; hosted national conferences, semi-annual roundtables and regional seminars on the topic; and founded a large working group for member firms to share ideas and best practices.

The scope of this threat is staggering. It has been reported that 1 in 5 Americans aged 65 or older have been victimized by financial fraud, and the financial loss due to such exploitation is an estimated \$2.9 billion annually. Sadly, these numbers are likely low as the National Adult Protective Services Association estimates that only 1 out of every 44 instances of financial abuse is actually reported.

Unfortunately, this problem is only likely to grow as the American population ages. Every day through 2030, roughly 10,000 Americans will turn 65. This essentially means that every two years the number of people becoming seniors in the U.S. is substantially larger than the current population of Colorado.

What types of exploitation are we, as an industry, seeing? Here are just a few examples:

- (1) The Jamaican Lottery Scam. The Jamaican Lottery is arguably the most common and most successful financial scam with losses totaling more than \$300 million annually. Fraudsters call U.S. seniors telling them that they have won a large sum of money, and all they need to do to collect their prize is pay upfront processing fees or taxes. The caller begins in a friendly manner, although over time the calls may become threatening and the collection tactics aggressive. One SIFMA member firm received an urgent call from a client looking to have \$30,000 delivered to

her house because “the man is here at my door to collect it.” The police were called, and the runner was arrested.

- (2) The Nigerian Letter Fraud. Here, the recipient of the letter or e-mail is being given the “opportunity” to share in a percentage of the money that the sender is trying to get out of Nigeria (or some other country). The recipient is “encouraged” to provide his or her bank information for ease of transfer. One SIFMA member firm went to great lengths to try to convince a client not to send the money but was ultimately unsuccessful in its efforts.
- (3) Contest Scams. The Jamaican lottery is not the only contest scam. One firm had a 79-year-old woman who was swindled out of \$37,000 when scam artists told her she had won two new Mercedes and needed to pay taxes on them. A few weeks later, she wanted to take another \$100,000 out of her account because she had allegedly won \$22 million in the Publisher’s Clearing House Sweepstakes and needed to pay the taxes before the money was sent.
- (4) Non-existent Investment Products. Fraudsters are also often trying to sell seniors non-existent investment products over the phone. One firm had a client who wanted to transfer \$2 million out of her account to invest in “Merrill Gold Safety Reserve,” which upon investigation by the financial adviser was found to be a scam. The client was talked out of it only to come back a few weeks later wanting to transfer money to purchase another non-existent “Merrill” product.
- (5) Abuse by Family Members and Friends. Perhaps most worrisome, well more than half of financial abuse in the U.S. is committed by family members, caregivers and friends. Questions may arise about large, out of character disbursement requests or aggressive POA tactics. For example, one member firm had to deal with a “bad nephew” who was a known gambler and drug addict and who was taking large sums of money out of his 87-year-old uncle’s account. Another firm had a 70-year-old client whose married neighbor was granted power of attorney and made the beneficiary of the client’s IRA. When a large withdrawal request was made, the financial adviser contacted the client’s son who discovered that the neighbor had opened joint credit cards, put a second mortgage on the client’s house, and cashed in some of the client’s insurance policies.

We believe that brokers’ ongoing relationships with their clients and broker-dealers’ ability to actively monitor client accounts put the industry in a unique position to be able to spot possible exploitation. We support HB 1253 because it:

- Provides broker-dealers and investment advisers with a reporting pathway that enables them to report suspect disbursements to the Colorado Securities Commissioner without fear of liability.
- Permits qualified individuals to reach out to persons “reasonably associated with the eligible adult” without fear of liability when there is a good faith concern about exploitation, fraud, or cognitive decline.

- Permits broker-dealers to place a temporary hold on suspect disbursements without fear of liability. This temporary hold period would give state agencies time to investigate the suspected abuse and is extendable if the investigation has not been concluded or the risk has not been resolved when the holding period lapses.

We believe HB 1253 is a fair and balanced tool that will help both the State and the industry to protect vulnerable investors. We thank Rep. Danielson and the Department of Regulatory Agencies' Division of Securities for their efforts, and we thank you for your consideration.

I am happy to answer any questions you may have.