



February 10, 2020

Diana Farrington, Chair
House Committee on Financial Services
124 North Capitol Avenue
Lansing, MI 48933

RE: HB 5131 – The Safeguarding Against Financial Exploitation Act

SUPPORT, AS AMENDED BY H-1

Dear Chair Farrington:

The Securities Industry and Financial Markets Association¹ is a national trade association which represents over 340 broker-dealers, banks and asset managers, including many in Michigan. SIFMA is proud to be a vocal advocate in the fight against senior financial exploitation. Over the past decade, SIFMA has founded a large working group of member firms to share ideas and best practices, developed a Senior Investor Protection Toolkit (working in conjunction with AARP and others), educated policymakers and the general public on the need for increased senior protections within financial services, and worked with state legislatures and federal and state regulators on various “report and hold” proposals that would allow financial firms to report and place temporary holds on suspicious transactions and disbursements.

These “report and hold” laws allow trained financial services personnel to take action to protect senior clients in an effective and transparent way – reporting suspicious transaction holds to those on the account as well as preparing detailed records for review by state regulators.

SIFMA strongly supports efforts to protect senior and vulnerable investors and commends the sponsor as well as Financial Services committee leadership and members for developing and considering HB 5131. Over the past ten years, 27 states have enacted “report & hold” laws similar to HB 5131. The pace of state enactments has picked up recently, and we appreciate that this proposal includes some of the best practices adopted in newer senior protection state laws as well as aligning with federal obligations.²

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. For more information, visit <http://www.sifma.org>.

² FINRA rule 2165, available at: <https://www.finra.org/rules-guidance/rulebooks/finra-rules/2165>

Senior investors can be at elevated risk of financial exploitation for many reasons. A key one: Americans over the age of 50 account for 77% of financial assets in the U.S.³ Since under-reporting is an unfortunate reality of senior financial exploitation,⁴ laws such as that proposed in HB 5131 are extremely helpful to provide additional reporting, help resolve potential exploitation, and preserve assets and independence of senior clients.

We especially appreciate the amendment expanding the protections of HB 5131 to suspicious transactions as well as suspicious disbursements, which will provide significantly broader protection for seniors.⁵

Thank you again for your efforts to enact robust protections for senior investors. Please do not hesitate to contact me at 212-313-1317 or at mgibson@sifma.org with any questions.

Sincerely,

Marin E. Gibson
Managing Director & Associate General
Counsel
State Government Affairs
SIFMA

³ MarketWatch, *This depressing chart shows the jaw-dropping wealth gap between millennials and boomers*, Dec. 28, 2019, <https://www.marketwatch.com/story/this-depressing-chart-shows-the-jaw-dropping-wealth-gap-between-millennials-and-boomers-2019-12-04>

⁴ National Guidelines for Financial Institutions: Working Together to Protect Older Persons from Financial Abuse (Revised September 2019) citing *Lifespan of Greater Rochester*, Weill Cornell Medical Center of Cornell University, New York City Department for the Aging (2011). Under the Radar: New York State Elder Abuse Prevalence Study.

⁵ Common scenarios where failing to place a hold on a suspicious transaction could cause substantial damage to the senior account holder include instances where a wrongdoer exploits a senior into liquidating a long-held stock holding or terminating an annuity. Honoring those requests could result in significant cost, penalties, and/or tax consequences for the senior - even before a disbursement request is received. Other examples of potentially exploitative, non-disbursement transactions include changes in account ownership, changes in beneficiaries, and the purchasing of an investment product for the benefit of the suspected wrongdoer. States that specifically authorize holds on suspicious transactions include Arizona, California, Kentucky, Minnesota, Mississippi, New Jersey, New Mexico, North Dakota, Texas, Utah, Virginia and Washington State.