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**Statement of the Securities Industry and Financial Markets Association
Before the Missouri House Banking Committee
In Support of HB 636 and HB 645, the Senior Savings Protection Act
February 23, 2015**

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 our members, including the ones here today, have a strong presence in Missouri. In fact, the securities industry directly employs 18,000 people in the state, and Missouri has the second largest number of financial advisers based on broker-dealer headquarters in the country.

I appreciate the opportunity to be here today. I am here to express SIFMA's strong support for HB 636 and HB 645, the Senior Savings Protection Act. Financial exploitation of our senior population is a huge problem. One in 5 Americans aged 65 or older have been victimized by financial fraud. Financial loss due to such exploitation is estimated at \$2.6 billion annually. These numbers are likely low as it is also estimated that only 1 out of every 44 instances of financial abuse is actually reported.

This problem is only likely to grow as the American population ages. While seniors currently represent more than 13% of our population, that number is projected to increase to 18% by 2030. In Missouri, 1.4 million residents – or 21% of the state's population, will be 65 or older by 2030 and roughly 176,000 of these people will be 85 or older.

What types of exploitation are we, as an industry, already 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. 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 their house because "the man is here at my door to collect it." The police were called, and the runner was arrested. Indeed, the FTC got 30,000 complaints in 2012 about this scam, and it is conservatively estimated that losses total more than \$300 million annually.
- (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 send tax money and/or his or her bank information for ease of transfer. One SIFMA member firm went to great length to try and 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 last year 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) Power of Attorney Abuse. Sadly, more than half of all senior financial abuse is committed by family members or trusted friends. Questions may arise about large, out of character disbursement requests or aggressive POA tactics. There may also be questions about whether the client who granted the power of attorney had the capacity to do so. 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, in short order, 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, upon investigation, 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. A criminal investigation is pending.

Brokers' ongoing relationship with their clients and their ability to monitor client accounts put them in a unique position to be able to spot possible exploitation. This legislation is simple, straightforward and effective. It would allow brokers who suspect such abuse to voluntarily report their suspicions first to the Department of Health and Senior Services and the Commissioner of Securities and then to an immediate family member. Brokers could also hold up a suspicious request for fund disbursement for up to ten business days while the state is investigating. The basic act of holding up the transaction may alone be enough to make some fraudsters run for the hills. Importantly, brokers who act "in good faith and with reasonable care" would be immune from civil liability.

We believe that both seniors and brokers deserve the protection these bills provide. Moreover, passage of the legislation would make Missouri a national leader on this issue, joining Washington and Delaware as one of the first states to provide this safeguard. We encourage you to support HB 636 and HB 645.

Thank you for your consideration.