Elder Justice Coordinating Council Meeting
Wednesday, April 27, 2016
9:00 a.m. – 12:00 p.m.
106 Dirksen Senate Office Building

Kenneth E. Bentsen, Jr.
President and CEO of SIFMA
Opening Remarks
As prepared for delivery

Good afternoon. I am Ken Bentsen, the president and CEO of SIFMA. I'd like to start by thanking the Elder Justice Coordinating Council and Administrator Kathy Greenlee for inviting me to participate in today's meeting. I'd also like to give a special thanks to Senators Susan Collins and Claire McCaskill, and all the members of the Senate Special Committee on Aging, for their dedication to protecting seniors from financial exploitation.

The work of the Elder Justice Coordinating Council and the Committee on Aging is more important now than ever before, as our nation's senior population continues to expand. In fact, 10,000 Americans will turn 65 years old every day for the next 14 years and by 2030, seniors aged 65 and above will account for 18% of the nation's population. As more investors age into retirement and live longer, and more wealth becomes concentrated in the population of older adults, their risk of both exploitation and cognitive decline increases.

We're not just talking about fraudulent phishing emails offering to wire millions in exchange for account information. The problem runs far deeper than simple targeted internet scams. In fact, most would be surprised to learn that financial exploitation usually occurs much closer to home. An estimated 55 percent of financial abuse in the U.S. is committed by family members, caregivers, and friends.

Most staggering is the enormity of the problem. According to a MetLife study, seniors lose at least $2.9 billion annually – in reported cases of financial exploitation – and the National Adult Protective Services Association believes that only 1 in 44 cases of exploitation is ever reported. It has been estimated that about 1 in 5 Americans aged 65 or older have been victimized by financial fraud. Beyond exploitation, with our aging population and increased life expectancy, we face greater risks of cognitive decline. In fact, recent research has shown that even otherwise high-functioning adults can be vulnerable to exploitation or poor decision making as part of the normal aging process. As a result of these growing threats to the financial well-being of our senior clients, the financial services industry has been working for many years – even before the first of the baby boomers began to age into retirement – to develop tools and training materials to combat senior financial exploitation and address the concerns of cognitive decline. Specifically, SIFMA's members have undertaken several work streams to better understand the risks, potential policies and procedures, and possible regulation and legislation to address these issues.

Addressing these issues is a top priority for banks and broker dealers that provide financial advice and manage wealth for millions of Americans. Unfortunately, many of the laws and rules governing the relationship between the advisor and the client were designed for a different time. Take, for instance, the first time a client exhibits unusual behavior, such as seeking to transfer funds in response to an obvious phishing scam or to a new acquaintance. Or the client seeks to make an unusual and out of character trade that would clearly not be in their best interest. The firm must execute the transaction or be sanctioned by state and federal regulators. While understanding cognitive decline or acting as a detective to catch the perpetrator is beyond the function and profession of the financial advisor, there needs to be rules and protocols in place that allow advisors to take preventative action when warning signs appear.

Despite the industry's commitment, we cannot solve these problems alone. We are working collaboratively with academic experts, neuropsychologists, gerontologists and other key stakeholders to better understand the risks to senior investors, and to further strengthen the role that firms and advisors can and should play.

We are working with state and federal policymakers, regulators and advocates, to enact effective "Report & Hold" laws that allow advisors to report suspicious transactions to the appropriate state agencies and temporarily hold those transactions to allow the agencies to investigate the situation and stop exploitative transactions before they occur.

We are also seeking to advance proposals that would allow firms to provide relevant records to agencies investigating financial exploitation without fear of violating privacy laws, as well as the ability to reach out to trusted third parties if concerns arise.

As an industry, we are collaborating to share scenarios and practices, identify problems and develop or perfect workable solutions. In fact, in 2014, SIFMA formalized its longstanding Senior Investors Working Group, which is now made up of more than 150 senior policy professionals from more than 50 diverse Member Firms. Together, this group is taking aggressive steps to establish innovative and creative ways to protect our senior investors, and seeking ways to improve their already robust, sector-leading training programs.

We also believe Congress has a role to play and we welcome the leadership of Senators Susan Collins and Claire McCaskill and Representatives Kyrsten Sinema and Bruce Poliquin for introducing the Senior$afe Act. This important bipartisan, bicameral legislation will allow firms to disclose cases of potential senior financial exploitation without the fear of legal ramifications. We urge the Congress to swiftly move this bill forward, so that it may become law.

States are also taking action. Washington, Delaware, Missouri and Indiana have enacted “Report & Hold” laws to provide financial firms with the tools, procedures and assistance they need to prevent exploitation. Other states have pending legislation. We applaud their efforts and urge others to take similar measures.

The financial services industry remains committed to finding ways to better serve our senior investors, whether it is by finding ways to combat financial exploitation or developing practices to identify signs of cognitive decline and implementing protocols to better serve those clients.

However, tackling this issue must be done in collaboration, which is why the industry continues to work with key agencies like Adult Protective Services, lawmakers, regulators and partners such as FINRA and NASAA, and why SIFMA and FINRA will be joining together to host a Joint Conference to address aging investor-related issues later this year. Together, we continue to develop policies and practices that move us toward our shared goal of protecting the investments of aging Americans.