Aging and Exploitation
How Should the Financial Service Industry Respond?

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Financial victimization of older adults is a serious problem

- Seniors are prime targets for financial predators
  - Peak of asset accumulation
  - Diminished financial capacity
  - Social isolation
  - Targeted by both fraudsters and opportunistic family members

- Financial service institutions are on the front lines
- Increasing pressure to ramp up financial protection efforts
The oversight puzzle

Financial Stability Oversight Council (FSOC)

- Financial Industry Regulatory Authority (FINRA)
- Securities and Exchange Commission (SEC)
- Board of Governors of the Federal Reserve Board System (FRB)
- Consumer Financial Protection Bureau (CFPB)
- Office of the Comptroller of the Currency (OCC)
- Federal Deposit Insurance Corporation (FDIC)
- Exchanges, Payment & Clearing Systems

Broker-dealers
- Investment Advisors
- Consumer Lenders
- Retail Banks

State Securities Regulators
- State Attorneys General
- Financial Crimes Enforcement Network (FinCEN)
- State Banking Regulators

Regulatory jurisdiction
Authority to request information
Research questions

1. What are firms doing to address elder financial exploitation?
2. What regulations govern their detection and prevention policies?
3. How do they train employees to recognize the red flags of financial exploitation?
4. What are their policies for reporting suspicions of elder financial exploitation?
5. Do they want to do more, and if so, what? What barriers do they face?
Interviews

**Broker-dealers & retail banks**
- Small: under 400 employees; <$1 billion assets
- Medium: 10,000 employees; $70 billion assets
- Large: over 200,000 employees; $2 trillion in assets

**Regulatory & self-regulatory agencies**
- FINRA
- SEC
- North American Securities Administrators Association (NASAA)
- CFPB

**Trade organizations**
- American Bankers Association (ABA)
- Securities Industry and Financial Markets Association (SIFMA)
- AARP
Financial industry’s chief concerns

- Client privacy
- Brand reputation
- Client financial autonomy
- Cost
Primary Interventions

- Training frontline staff and financial advisors
- Early financial planning
- Tools/products for detection & prevention
- Community outreach & education
- Data-driven detection strategies

Secondary Interventions

- Investigating suspicious activity
- Reporting to APS/law enforcement
- Contacting family members
- Withholding disbursements
Differences across financial institutions

- Size of firm
- Rules and regulations

Transaction-based

Customer relationship model

Relationship-based
Primary interventions: Detection & Prevention
Innovations in employee training
Tools and products to enhance protection
Secondary interventions: Reporting & Response
Increase in ‘elder financial exploitation’ filings

Elder financial exploitation advisory issued
Increase in ‘elder financial exploitation’ SAR filings

Number of SARs Filed

0  2000  4000  6000  8000  10000  12000  14000  16000  18000  20000

Depository Institutions  Money Services Businesses  Securities and Futures Industries

2012  2013  2014  2015
Local Reporting

- Adult Protective Services
- Law Enforcement
“Stop the bleeding”

Contact trusted family members

Pause the transaction
Balancing act

Autonomy & Privacy

Protection
Solution: Safe Harbor Protections

- FINRA and NASAA rule proposals
  - Emergency contact forms
  - Disbursement holds
Looking forward

▪ Need for more standardization and guidance
▪ Test interventions to identify best practices
▪ Partnerships with community-level stakeholders
▪ Engagement from trade organizations
▪ Identify future risks associated with mobile banking and online investing
Questions?