

Senior Investor Protection – Regulatory and Legislative Developments

Senior investor protection is a critical issue for our industry and is a top priority for regulators. Recently, there has been significant activity relating to this topic at both the regulatory and legislative levels. In January, both FINRA and the SEC included this topic in their examination priorities announcements.

In the fourth quarter of 2016, FINRA submitted to the SEC a rule proposal relating to exploitation of senior investors and vulnerable adults. In brief, the proposal would require firms to make reasonable efforts to obtain contact information for an investor's "trusted contact person" when opening new accounts and updating existing accounts. It would also provide a safe harbor for firms and associated persons when they temporarily hold disbursements of funds due to concerns about financial exploitation of senior and other vulnerable adult investors

FINRA received 21 [comment letters](#) about the proposal, including one from LPL. LPL's comment letter stated our support of the proposal and our appreciation of FINRA's collaboration with NASAA. Last week, FINRA issued a response to the comments it received and an amended proposal. The amended proposal provides the changes requested in our comment letter: that the requirement to notify all authorized parties on an account of a temporary disbursement hold not apply to anyone the firm reasonably believes is committing the financial exploitation, and that FINRA allow at least 12 months for implementation of the proposal. The SEC has until February 3, 2017 to approve or disapprove this proposal.

Senior investor exploitation has also been an issue of concern in Congress. Senator Susan Collins (R- ME) and Senator Claire McCaskill (D-MO) introduced the Senior \$afe Act of 2015, which would require firms to train employees to detect and report exploitation of senior investors. It would also provide immunity to those disclosing the possible exploitation of a senior investor to a covered agency if they have received training. Congressman Bruce Poliquin (R-ME) joined Congresswoman Kyrsten Sinema (D- AZ) in introducing a companion bill in the U.S. House of Representatives. While the House passed the act by voice vote on July 5, 2016, the legislation failed to pass the Senate. On January 24, 2017, Senator Collins and Senator McCaskill introduced the Senior \$afe Act of 2017. You can view the [firm's letter of support](#) sent to Congress by Dan Arnold, president and CEO.

In early 2016, NASAA passed the Model Legislation or Regulation to Protect Vulnerable Adults from Financial Exploitation for states to use to protect senior investors from financial exploitation. Some states have adopted laws or rules that are similar to the model. We continue our advocacy regarding new state laws and rules on this topic. We have also been active participants in the Senior \$afe training sessions that have been offered in almost 20 states so far. More sessions are expected this year.

We will continue our advocacy on this issue in 2017. We encourage you to visit our [Government Relations website](#) for updated news and information impacting our industry, advisors, and investors. Please contact us with comments or questions at lplgovernmentrelations@lpl.com.