

Focus on Funds: Elder Abuse and Exploitation a Growing Industry Concern

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ICI is teaming up with regulators and members to fight financial exploitation involving older investors with mutual fund accounts. In the January 5, 2018, edition of *Focus on Funds*, ICI Associate General Counsel Tamara Salmon discusses this emerging issue.

Transcript

Stephanie Ortvals-Tibbs, ICI director, media relations: The fund industry is concerned about many issues for its shareholders. An emerging one is elder abuse. ICI has been leading the way in working with its members and regulators to address this concern and find new tools to deal with the problem.

Tamara Salmon, ICI associate general counsel: Population is aging, and one of the trends that goes along with the aging population is the fact that they're more susceptible to financial exploitation and abuse. And a lot of these senior citizens have accumulated a lot of assets in their mutual fund accounts. One of the things we're trying to do is make sure that our members are in a position to protect senior citizens from financial exploitation and abuse.

We want to make sure that our members have the tools necessary, if they suspect that financial exploitation or abuse is behind a transaction, that they're able to keep those funds from leaving the account. Once those funds leave the account, it's too late; there's nothing you can do to try to protect that senior citizen. We're hoping that our members will get tools that will enable them to prevent those funds from leaving the account.

Ortvals-Tibbs: And you have been advocating about this. How are you engaging with the SEC on this issue?

Salmon: One of the things that we're pleased to see is, over the past year, the SEC has approved rules that enabled broker-dealers to protect their senior citizen accounts, and they do so by enabling the broker-dealer to delay disbursement of account proceeds whenever financial exploitation or abuse is suspected. Unfortunately, however, those tools only apply to broker-dealers. So if you buy mutual funds through a broker-dealer, you have that protection. If you buy funds directly from a mutual fund company, you don't have those protections, because there are provisions on federal law that prohibit mutual funds from delaying disbursements. We're working with the SEC to provide mutual funds that tool so they, too, can protect their senior citizens from having money lost to fraud and

financial exploitation.

Ortbals-Tibbs: So if you look at this over the next year or so, that's really the space to watch—our engagement with the SEC and looking to get them to provide some relief for our industry as well.

Salmon: Yes, once we get the relief from the SEC that we're looking for—and we're very optimistic— we'll let our members know that they have this new tool that they can use to protect their account holders from financial abuse and exploitation. And once we do that, then what we want to do is work with our members to enable them to identify red flags that may be associated with financial exploitation and abuse, so they will be in a position to protect their senior account holders and also make sure that money doesn't leave the account.

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