

Written Statement of Lisa Hopkins

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On behalf of

The North American Securities Administrators Association



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Committee on Financial Services

“The Need for Financial Aid to America’s States and Territories During the
Pandemic: Supporting First Responders, Assisting Schools in Their Efforts to
Safely Educate, and Preventing Mass Layoffs”

I. Introduction

Good Afternoon, Chairwoman Waters, Ranking Member McHenry, and members of the House Financial Services Committee. My name is Lisa Hopkins, and I am West Virginia's Senior Deputy Securities Commissioner and President of the North American Securities Administrators Association (NASAA).¹ I appreciate the opportunity to submit a written statement in connection with today's hearing entitled "The Need for Financial Aid to America's States and Territories During the Pandemic: Supporting First Responders, Assisting Schools in Their Efforts to Safely Educate, and Preventing Mass Layoffs."

II. NASAA Shares Congress's Interest in Assisting State Government Efforts to Confront the Ongoing Impact of the Covid-19 Pandemic

NASAA applauds the Committee for holding a hearing to directly examine the impact of the COVID-19 pandemic on state governments. Governors from states of all sizes and geographies will testify today about what they and their administrations are facing after six months of pandemic-related upheavals and disruption. NASAA generally shares Congress's and the Governors' interest in minimizing pandemic-driven hardship on our residents, especially with respect to the functions of government responsible for protecting the most vulnerable in our population. We believe that the Federal government has an important role to play.

III. NASAA Strongly Supports the Reauthorization of the State Senior Investor Protection Grant Program to Protect Elderly and Vulnerable Adults during the Pandemic

Though the scope of today's hearing is very broad, and many of the issues are quite complex, the focus of this short statement is precise and concrete.

As part of landmark legislation enacted in July 2010, now more than a decade ago, Congress included a measure to establish a grant program to support state securities regulators' efforts to combat fraud targeting our nation's elderly and most vulnerable.² Yet, despite passing this to assist the states in combating fraud perpetrated on seniors, the federal government never implemented it, and no federal assistance has ever been rendered.

The grants envisioned by the program would provide funding for technology, equipment, and training for prosecutors to increase the successful prosecution of salespersons and advisers who financially exploit seniors. The grants would also provide educational materials and training to seniors to increase awareness and understanding of misleading or fraudulent marketing.

¹ The oldest international organization devoted to investor protection, NASAA was organized in 1919. Its membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, Mexico, Puerto Rico and the U.S. Virgin Islands. NASAA is the voice of securities agencies responsible for grassroots investor protection and efficient capital formation.

² Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111-203, 124 Stat. 1376, § 989A (2010).

The reauthorization of this comparatively modest grant program may seem minor in the context of a hearing at which hundreds of billions of dollars in pandemic assistance is at stake. However, the Senior Investor Protect Grant Program is exactly the type of assistance needed to support the states in combatting the effects of COVID-19. It exemplifies how Congress can help the country by getting resources to those on the front lines. The grant program enjoys broad and bipartisan support and should be included as part of any additional pandemic response legislation.

Protecting Main Street Investors During a Time of Pandemic

State securities regulators are consistently on the front lines of the fight against financial exploitation of the elderly and the most vulnerable. We are in every state and every community. We routinely take aggressive actions against a wide variety of actors who seek to do harm to our residents and are proud that we are leaders in the fight against senior financial exploitation.³

As the Committee meets, state securities regulators are undertaking decisive action aimed at identifying and shutting down frauds related to the COVID-19 pandemic throughout the country.⁴ In fact, this spring, NASAA formed a COVID-19 Enforcement Task Force (“Task Force”), consisting of state and provincial securities regulators, to identify and stop potential threats to investors that stemmed from the COVID-19 crisis.⁵ The objective of the Task Force is to disrupt, discourage, and deter fraudulent or illegal activities that pose threats to investors before significant losses occur.

As of August 19, 2020, the Task Force had identified nearly 250 investment and non-investment schemes and taken at least 220 actions against the schemers to protect investors.⁶ Moreover, NASAA’s leadership recently announced that the association’s goal will be to maintain the Task Force until the end of the pandemic.

Protecting Main Street Investors Requires Resources

Unfortunately, although state regulators remain dedicated to their increasingly important work during these challenging times, many NASAA jurisdictions are already experiencing the financial strains that the pandemic has placed on state resources.

In fact, some of the 35 U.S. NASAA jurisdictions participating in the Task Force are facing cost-cutting measures, such as furloughs and hiring freezes. These pressures on their

³ For example: In 2008, NASAA members adopted a model rule intended to protect senior investors from financial professionals passing themselves off as experts in senior financial matters without holding legitimate credentials. Again in 2016, NASAA members adopted a model act to protect vulnerable adults from financial exploitation, which, among other provisions, requires financial professions to report suspected senior financial exploitation to state securities regulators. By 2018, the 24 states with this law on their books received more than 400 reports of suspicious activity and broke up a precious metals scheme suspected of convincing more than 750 people, mostly elderly, to collectively invest at least an estimated \$100 million from their individual retirement accounts.

⁴ Id.

⁵ NASAA’s COVID-19 Enforcement Task Force is being led by NASAA’s Enforcement Section Committee and includes more than 100 investigators from the vast majority of member jurisdictions.

⁶ See <https://www.nasaa.org/55568/task-force-takes-more-than-200-actions-to-protect-investors-from-fraudsters-seeking-to-profit-from-the-pandemic/?qoid=current-headlines>.

resources stand to limit their ability to continue participating in the Task Force, or to directly participate in other activities critical to the protection of elderly, vulnerable, and potentially isolated investors during this unprecedented period.

Congress has previously recognized that state regulators are an essential part of the effort to combat senior financial exploitation. Now, in the midst of the COVID-19 pandemic, it is critical that Congress take action to provide state financial regulators the tools necessary to combat financial exploitation against those most vulnerable in this crisis.

IV. Conclusion

In conclusion, NASAA urges the House Financial Services Committee to develop and pass legislation that will reauthorize and fund the Senior Investor Protection Grant Program established by Section 989(A) of the Dodd-Frank Act. The House recently considered a draft of such legislation as part of a hearing on COVID-19 fraud that the National Security Subcommittee held in June.⁷ This draft legislation, entitled “the Empowering States to Protect Seniors from Bad Actors Act,” proffered by Rep. Josh Gottheimer of New Jersey, enjoys support from a broad coalition of stakeholders united by their interest in effective retail investor protection.⁸

Moreover, this legislation falls squarely and exclusively within the jurisdiction of the Financial Services Committee and, therefore, this Committee can pass it without going through any other committee. Indeed, that is exactly what we hope the Committee will do.

Thank you for the opportunity to submit a statement in connection with today’s hearing.

⁷ See the draft legislation entitled, “Senior Investor Pandemic and Fraud Protection Act,” posted in connection with the HFSC Subcommittee on National Security hearing entitled, “Cybercriminals and Fraudsters: How Bad Actors Are Exploiting the Financial System During the COVID-19 Pandemic” (Jun. 16, 2020), <https://financialservices.house.gov/uploadedfiles/bills-116pih-sipfpa.pdf>.

⁸ The draft legislation is supported by the Association for Advanced Life Underwriting, American Council of Life Insurers, Americans for Financial Reform, Consumer Federation of America, Financial Services Institute, Insured Retirement Institute, National Association of Insurance and Financial Advisors, and National Council of Insurance Legislators. The bill is also supported by the National Association of Insurance Commissioners (NAIC).