Search
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Press Room

News Releases
2007 News Releases
2006 News Releases
2005 News Releases
2004 News Releases
2003 News Releases
2002 News Releases
2001 News Releases
2000 News Releases
1999 News Releases
1998 News Releases
1997 News Releases
1996 News Releases
1995 News Releases
Speeches & Testimony
Statistics

Home > Press Room > News Releases > 2007 News Releases

Printer-Friendly

FINRA Financial Industry Regulatory Authority NEWS RELEASE

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FINRA Announces Major Regulatory Sweeps at Seniors Summit

Professional Designations, Early Retirement Seminars Targeted

Washington, D.C. — The Financial Industry Regulatory Authority (FINRA) today announced the initiation of two new major regulatory sweeps intended to ensure that securities firms are using appropriate sales practices in their dealings with seniors and individuals nearing retirement. FINRA CEO Mary Schapiro announced the sweeps at the Securities and Exchange Commission's (SEC) Seniors Summit in Washington, D.C. "Our research shows that almost one in five seniors who lost money on an investment attribute that loss to being misled or defrauded," said FINRA CEO Mary Schapiro. "This concern is real - and confronting it will require a focused regulatory effort that includes vigorous regulatory examination and enforcement programs and investor education."

Since January 2005, FINRA has completed approximately 100 formal disciplinary actions involving or related to seniors. Currently, FINRA has about 70 open investigations that involve seniors or senior-related issues.

The first new sweep announced today is examining whether brokers are using so-called "professional" designations to mislead and defraud investors. FINRA is concerned about the proliferation of professional designations, particularly those that require no meaningful training or specialized knowledge but suggest an expertise in retirement planning or financial services for seniors. The sweep also will help inform possible rulemaking on the use of designations. A recent survey conducted for the FINRA Investor Education Foundation found that a quarter of senior investors surveyed were told that their investment professional was specially accredited to advise them on senior financial issues. Of those investors, half said they were more likely to listen to the professional's advice because they held a special designation.

In the second of the new sweeps, FINRA is looking at early retirement seminars conducted by securities firms designed to entice older workers to liquidate their retirement funds and invest them with a specific firm or representative. In the past year, FINRA has fined two firms a total of $5.5 million and ordered the firms to pay $26 million in restitution related to early retirement investment schemes aimed at Exxon and Bell South employees.

To address the risks to near-retirees, FINRA also is launching a new campaign aimed at informing human resource professionals and unions about the risks of flawed or even fraudulent early retirement seminars. FINRA will offer a Seminar Scan program that will review the information related to a financial seminar sent to a human resource department, since HR departments often influence employee attendance and receptivity to these seminars and strategies.

FINRA currently has two other regulatory sweeps ongoing in the area of protecting seniors - one examining the sale of collateralized mortgage obligations targeted at seniors; and a second focused on the sale of life settlements. FINRA recently completed another regulatory sweep, conducted jointly with the SEC and state regulators, into the sales tactics used at "free lunch" seminars.

FINRA has also issued a comprehensive Regulatory Notice to the industry that informs firms and brokers about their obligation under securities rules when selling products to seniors. The Notice outlines best practices in areas ranging from suitability to acceptable use of professional designations that firms can use when dealing with senior customers. The Notice also highlights key issues relevant to most senior investors, including managing retirement assets, evolving investment objectives and, in some cases, increased vulnerability to abusive or fraudulent sales practices.

A survey of investors conducted for FINRA last month revealed that seniors are targeted more frequently by fraudsters than younger investors. Investors over 55 years old are far more likely to be invited to free investment seminars and receive an offer for an investment opportunity in the mail than younger investors, the survey found.

FINRA, the Financial Industry Regulatory Authority, is the largest non-governmental regulator for all securities firms doing business in the United States. Created in 2007 through the consolidation of NASD and NYSE Member Regulation, FINRA is dedicated to investor protection and market integrity through effective and efficient regulation and complementary compliance and technology-based services. FINRA touches virtually every aspect of the securities business-from registering and educating all industry participants to examining securities firms; writing and enforcing rules and the federal securities laws; informing and educating the investing public; providing trade reporting and other industry utilities; and administering the largest dispute resolution forum for investors and registered firms.

For more information, please visit our Web site at www.finra.org.

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Insights on Investment Attitudes and Behaviors Comparing Older and Younger Investors
Senior Fraud Risk Survey