

RE: S.B. No. 2873
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii
Sir:

Your Committee on Commerce, Consumer Protection, and Health, to which was referred S.B. No. 2873 entitled:
"A BILL FOR AN ACT RELATING TO SECURITIES,"

begs leave to report as follows:

The purpose and intent of this measure is to protect vulnerable adults from financial exploitation in relation to securities.

Your Committee received testimony in support of this measure from the Department of Commerce and Consumer Affairs, Department of Human Services, Securities Industry and Financial Markets Association, NAIFA Hawaii, and Securities Industry Association of Hawaii. Your Committee received comments on this measure from the Executive Office on Aging.

Your Committee finds that financial exploitation has been described as the fastest growing form of elder abuse. Additionally, financial exploitation is often unreported because the perpetrator is someone the victim trusts; or the victim is ashamed or embarrassed, reliant on the perpetrator for care or support, fearful of retaliation, or unaware of the abuse. This measure is based on the North American Securities Administrators Association's Model Act to Protect Vulnerable Adults from Financial Exploitation, which has been enacted or adopted in over twenty-four other states. This measure more closely aligns the interests and responsibilities of securities professionals, regulators, and law enforcement with regard to the reporting and prevention of financial exploitation of the elderly and vulnerable adults.

Your Committee has amended this measure by:

- (1) Extending the provisions of the measure to elders in addition to vulnerable adults and inserting a definition for "elder" to mean a person sixty years of age or older;
- (2) Clarifying the definition of "vulnerable adult" by removing the reference to "a person sixty-two years of age or older";
- (3) Clarifying that a broker-dealer or investment adviser may delay a disbursement or other transaction under certain circumstances;
- (4) Clarifying the time frame for certain requirements to begin on the date on which the broker-dealer or investment adviser first delayed the disbursement of funds or other transaction;
- (5) Requiring the broker-dealer or investment adviser to continue its internal review of the suspected or attempted financial exploitation of the elder or vulnerable adult, as necessary, and provide status updates to the Commissioner of Securities upon request;
- (6) Inserting language to allow the Commissioner of Securities to extend delay of a disbursement or other transaction;
- (7) Clarifying that a qualified person shall be immune from any administrative or civil liability that may arise from a delay in disbursement or other transaction under certain circumstances; and
- (8) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce, Consumer Protection, and Health that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2873, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2873, S.D. 1, and be referred to your Committee on Judiciary.

Respectfully submitted on behalf of the members of the Committee on
Commerce, Consumer Protection, and Health,

ROSALYN H. BAKER, Chair

