

Financial Exploitation of Seniors and Other Vulnerable Adults

FINRA Requests Comment on Rules Relating to Financial Exploitation of Seniors and Other Vulnerable Adults

Comment Period Expires: November 30, 2015

Executive Summary

FINRA seeks comment on proposed rules addressing the financial exploitation of seniors and other vulnerable adults. FINRA is proposing: (1) amendments to FINRA Rule 4512 (Customer Account Information) to require firms to make reasonable efforts to obtain the name of and contact information for a trusted contact person for a customer's account; and (2) the adoption of new FINRA Rule 2165 (Financial Exploitation of Specified Adults) to permit qualified persons of firms to place temporary holds on disbursements of funds or securities from the accounts of specified customers where there is a reasonable belief of financial exploitation of these customers.

The proposed rule text is available in Attachment A.

Questions regarding this *Notice* should be directed to:

- ▶ James S. Wrona, Vice President and Associate General Counsel, Office of General Counsel (OGC), at (202) 728-8270;
- ▶ Ann-Marie Mason, Director and Counsel, Shared Services, at (202) 728-8231; or
- ▶ Jeanette Wingler, Assistant General Counsel, OGC, at (202) 728-8013.

October 2015

Notice Type

- ▶ Request for Comment

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Registered Representatives
- ▶ Senior Management

Key Topics

- ▶ Customer Accounts
- ▶ Financial Exploitation
- ▶ Senior and Vulnerable Adult Investors
- ▶ Temporary Holds on Disbursements
- ▶ Trusted Contact Persons

Referenced Rules

- ▶ FINRA Rule 4512
- ▶ Proposed FINRA Rule 2165
- ▶ SEA Rule 17a-3

Action Requested

FINRA encourages all interested parties to comment on the proposal. Comments must be received by November 30, 2015.

Comments must be submitted through one of the following methods:

- ▶ Emailing comments to pubcom@finra.org; or
- ▶ Mailing comments in hard copy to:
Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

To help FINRA process comments more efficiently, persons should use only one method to comment on the proposal.

Important Notes: All comments received in response to this *Notice* will be made available to the public on the FINRA website. In general, FINRA will post comments as they are received.¹

Before becoming effective, a proposed rule change must be authorized for filing with the Securities and Exchange Commission (SEC) by the FINRA Board of Governors, and then must be filed with the SEC pursuant to Section 19(b) of the Securities Exchange Act of 1934 (SEA).²

Background & Discussion

FINRA's experience with its Securities Helpline for Seniors™ has highlighted issues relating to financial exploitation of this group of investors.³ Among these issues is a firm's ability to quickly and effectively address suspected financial exploitation of seniors and other vulnerable adults consistent with FINRA rules. Currently, FINRA rules do not explicitly permit firms to contact a non-account holder or to place a temporary hold on disbursements of funds or securities where there is a reasonable belief of financial exploitation of a senior or other vulnerable adult.

To address these issues, FINRA is proposing rules to provide firms with a way to respond to situations in which they have a reasonable basis to believe that financial exploitation of vulnerable adults has occurred, is occurring, has been attempted or will be attempted.⁴ FINRA believes that a firm can better protect its customers from financial exploitation if the firm can: (1) place a temporary hold on a disbursement of funds or securities from a customer's account; and (2) notify a customer's trusted contact (or, if unavailable, immediate family member) of the firm's decision to place the temporary hold on a disbursement from the customer's account.

Proposed Rules

Trusted Contact Person—Proposed Amendments to Rule 4512

FINRA is proposing to amend Rule 4512 to require firms to make reasonable efforts to obtain the name of and contact information for a trusted contact person upon the opening of a non-institutional customer's account.⁵ The proposal does not prohibit firms from opening and maintaining an account if a customer fails to identify a trusted contact as long as the firm made reasonable efforts to obtain it. FINRA believes that asking a customer to provide the name and contact information for a trusted contact person ordinarily would constitute reasonable efforts to obtain the information and would satisfy the proposed rule's requirements.

Consistent with the current requirements of Rule 4512, a firm would not need to attempt to obtain the name of and contact information for a trusted contact person for currently existing accounts until such time as the firm updates the information for the account either in the course of the firm's routine and customary business or as otherwise required by applicable laws or rules. With regard to updating the contact information once provided, FINRA believes that firms should consider asking the customer to review and update the name of and contact information for a trusted contact person periodically, such as when updating account information pursuant to SEA Rule 17a-3, or when there is a reason to believe that there has been a change in the customer's situation.⁶

FINRA intends the trusted contact person to be a resource for the firm in administering the customer's account and in responding to possible financial exploitation. The proposed rule would require that the trusted contact person be age 18 or older and not be authorized to transact business on behalf of the account. A firm may elect to notify an individual that he or she was named as a trusted contact person; however, the proposed rule would not require notification.

The proposed rule would also require that, at the time of account opening, a firm shall disclose in writing (which may be electronic) to the customer that the firm or an associated person is authorized to contact the trusted contact person and disclose information about the customer's account to confirm the specifics of the customer's current contact information, health status, and the identity of any legal guardian, executor, trustee or holder of a power of attorney, and as otherwise permitted by proposed Rule 2165. In addition, a firm would be required to provide this disclosure when it attempts to obtain the name of and contact information for a trusted contact person when updating information for currently existing accounts either in the course of the firm's routine and customary business or as otherwise required by applicable laws or rules. Firms would be required to provide this disclosure at account opening or when updating information for currently existing accounts, even if a customer fails to identify a trusted contact. As noted below, pursuant to proposed Rule 2165, when information about a trusted contact person is

available, a firm must attempt to notify the trusted contact person that the firm has placed a temporary hold on a disbursement of funds or securities from a customer's account, unless the firm reasonably believes that the trusted contact person is engaged in the financial exploitation.⁷

Temporary Hold on Disbursement of Funds or Securities—Proposed New Rule 2165

FINRA is also proposing to permit “qualified persons” who reasonably believe that financial exploitation is occurring to place temporary holds on disbursements of funds or securities from the accounts of “specified adult” customers. Proposed Rule 2165 creates no obligation to withhold disbursement of funds or securities where financial exploitation may be occurring. Accordingly, Supplementary Material to proposed Rule 2165 would expressly state that the rule provides firms with a safe harbor when they exercise discretion in placing temporary holds on disbursements of funds or securities from the account of a specified adult under the circumstances denoted in the rule. It would further state that the rule does not require firms to place temporary holds on disbursements of funds or securities from the account of a specified adult.⁸

FINRA believes that “specified adults” may be particularly susceptible to financial exploitation.⁹ Proposed Rule 2165 would define “specified adult” as: (A) a natural person age 65 and older;¹⁰ or (B) a natural person age 18 and older who the firm reasonably believes has a mental or physical impairment that renders the individual unable to protect his or her own interests. Supplementary Material to proposed Rule 2165 would provide that a firm's reasonable belief that a natural person age 18 and older has a mental or physical impairment that renders the individual unable to protect his or her own interests may be based on the facts and circumstances observed in the firm's business relationship with the person.¹¹

The proposed rule would denote the persons who can place a temporary hold on a disbursement as “qualified persons,” which would mean associated persons of a firm who serve in supervisory, compliance or legal capacities that are reasonably related to the account of the specified adult. The proposed rule would define the term “account” to include any account of a firm for which a specified adult has the authority to transact business.

FINRA has proposed a broad definition of “financial exploitation.” Specifically, financial exploitation would include: (A) the wrongful or unauthorized taking, withholding, appropriation, or use of a specified adult's funds or securities; or (B) any act or omission taken by a person, including through the use of a power of attorney, guardianship, or any other authority, regarding a specified adult, to: (i) obtain control, through deception, intimidation or undue influence, over the specified adult's money, assets or property; or (ii) convert the specified adult's money, assets or property.

Proposed Rule 2165 would permit a qualified person to place a temporary hold on a disbursement of funds or securities from the account of a specified adult if the qualified person reasonably believes that financial exploitation of the specified adult has occurred, is occurring, has been attempted or will be attempted.¹² If a firm places such a hold, the proposed rule would require the firm to immediately initiate an internal review of the facts and circumstances that caused the qualified person to reasonably believe that financial exploitation of the specified adult has occurred, is occurring, has been attempted or will be attempted. In addition, the proposed rule would require the firm to provide notification of the hold and the reason for the hold to all parties authorized to transact business on the account and, if available, the trusted contact person, no later than two business days after placing the hold. While oral or written (including electronic) notification would be permitted under the proposed rule, a firm would be required to retain records evidencing the notification.

If the trusted contact person is not available or the firm reasonably believes that the trusted contact person has engaged, is engaged or will engage in the financial exploitation of the specified adult, the proposal states that the firm shall attempt to contact an immediate family member,¹³ unless the firm reasonably believes that the immediate family member has engaged, is engaged or will engage in the financial exploitation of the specified adult. For purposes of proposed Rule 2165, FINRA would consider the lack of an identified trusted contact person, the inability to contact the trusted contact person or a person's refusal to act as a trusted contact person to mean that the trusted contact person was not available. The same is true of an immediate family member. A firm may use the temporary-hold provision under proposed Rule 2165 when a trusted contact or an immediate family member is not available.

While the proposed rule does not require notifying the customer's registered representative of suspected financial exploitation, a customer's registered representative may be the first person to detect potential financial exploitation. If the detection occurs in another way, a firm may choose to notify and discuss the suspected financial exploitation with the customer's registered representative, unless the firm suspects that the registered representative is involved in the financial exploitation.

The temporary hold authorized by proposed Rule 2165 would expire not later than 15 business days after the date that the qualified person first placed the temporary hold on the disbursement of funds or securities, unless sooner terminated or extended by an order of a court of competent jurisdiction. In addition, provided that the firm's internal review of the facts and circumstances supports its reasonable belief that the financial exploitation of the specified adult has occurred, is occurring, has been attempted or will be attempted, the proposed rule permits the temporary hold to be extended by a qualified person for an additional 15 business days, unless sooner terminated by an order of a court of competent jurisdiction.

Proposed Rule 2165 would require firms to retain records related to compliance with the rule, which shall be readily available to FINRA, upon request. The retained records shall include records of: (1) requests for disbursement that may constitute financial exploitation of a specified adult and the resulting temporary hold; (2) the finding of a reasonable belief that financial exploitation has occurred, is occurring, has been attempted or will be attempted underlying the decision to place a temporary hold on a disbursement; (3) notification(s) to the relevant parties pursuant to the rule; and (4) the internal review of the facts and circumstances supporting the qualified person's reasonable belief that the financial exploitation of the specified adult has occurred, is occurring, has been attempted or will be attempted.

The proposed rule would require a firm that anticipates using a temporary hold in appropriate circumstances to establish and maintain specific written supervisory procedures reasonably designed to achieve compliance with the rule, including, but not limited to, procedures on the identification, escalation and reporting of matters related to financial exploitation of specified adults. The proposed rule would also require firms to develop and document specific training policies or programs reasonably designed to ensure that registered persons comply with the requirements of the rule.

Economic Impact Assessment

FINRA's experience with its Securities Helpline for Seniors has reaffirmed its understanding of the risks to customers of financial exploitation. The proposed rules are intended to further the protection of potentially at-risk customers by relieving firms from those FINRA rules that might otherwise discourage firms from exercising discretion to protect customers through placing a temporary hold on disbursements of funds or securities. Such a hold, combined with contact with a trusted person, also may permit these customers to stop unwanted disbursements and better protect themselves from financial exploitation.

The proposed rules not only better safeguard customers, to the extent that firms today do not provide protections for specified adults, but also better protect those firms that are already doing so.

The proposed amendments to Rule 4512 would require firms to attempt to collect information about a trusted person at the time of account opening or in the course of updating information for the account. Firms also would incur additional responsibilities to provide disclosure about the firm's right to share certain private information with the customer's trusted contact.

In addition, there may be significant impacts with respect to legal risks and attendant costs to firms that choose to rely on the proposed rule in placing temporary holds on disbursements; although the direction of the impact is ambiguous. The proposed rules

may provide some legal protection to firms if they are sued for withholding disbursements where there is a reasonable belief of financial exploitation. At the same time, while proposed Rule 2165 creates no obligation to withhold disbursement where financial exploitation may be occurring or to refrain from opening or maintaining an account where no trusted contact is identified, this proposed rule might serve as a rationale for a private action against firms that do not withhold disbursements when there is a reasonable belief of financial exploitation. To reduce the latter risk, proposed Rule 2165 would explicitly state that it provides firms with a safe harbor when they exercise discretion in placing temporary holds on disbursements of funds or securities, but would not require firms to place such holds.

To the extent that firms today have reasons to suspect financial exploitation of their customers, they may make judgments with regard to making or withholding disbursements of funds or securities. As such, these firms may already face litigation risk with regard to their actions, whether or not they choose to disburse funds or securities.

Request for Comment

In addition to generally requesting comments, FINRA specifically requests comment on the following questions:

1. Should the scope of the proposed rules be expanded to encompass other requirements?
2. Are there approaches other than the proposed rulemaking that FINRA should consider?
3. Should Rule 4512 require customer consent to contact the trusted contact or is customer notice sufficient? Should the types of information that may be disclosed to the trusted contact under Rule 4512 be modified?
4. What are firms' current practices when they suspect financial exploitation has occurred, is occurring, has been attempted or will be attempted? Would the proposed rules change firms' current practices?
5. What are firms' views on any potential legal risks associated with placing or not placing temporary holds on disbursements of funds or securities at present and under the proposal?
6. Should the ages used in the definition of "specified adult" in proposed Rule 2165 be modified or eliminated?
7. Should the definition of "account" be expanded to include accounts for which a specified adult is a named beneficiary?
8. Should the scope of the persons included in the definition of "qualified person" in proposed Rule 2165 be modified?

9. Is the two business day period for notifying the appropriate parties under proposed Rule 2165 appropriate? If not, what circumstances may warrant a shorter or longer period?
10. Should the permissible time periods for placing and extending a temporary hold pursuant to proposed Rule 2165 be modified?
11. Should FINRA mandate specific procedures for escalating matters related to financial exploitation?

FINRA also specifically requests comments on the economic impact and expected beneficial results of the proposed rules.

12. What direct costs for the firm will result from the proposed rules?
13. What indirect costs will arise for the firm from the proposed rules?
14. Will the proposed rules impose different costs on firms of different sizes or with different business models?
15. What benefits will result for customers from the proposed rules? How extensive are these benefits?
16. What costs for customers will result from the proposed rules?
17. Are the costs imposed by the rules warranted by the potential benefit to customers arising from the proposed rules?
18. How will the proposed rules change business practices and competition among firms? Will these impacts differently affect small or specialized broker-dealers?
19. Are there other means or mechanisms to efficiently and effectively provide customers with suitable protections as contemplated by the SEA?

We request quantified comments where possible.

Endnotes

1. FINRA will not edit personal identifying information, such as names or email addresses, from submissions. Persons should submit only information that they wish to make publicly available. See *Notice to Members 03-73* (November 2003) (Online Availability of Comments) for more information.
2. See SEA Section 19 and rules thereunder. After a proposed rule change is filed with the SEC, the proposed rule change generally is published for public comment in the *Federal Register*. Certain limited types of proposed rule changes take effect upon filing with the SEC. See SEA Section 19(b)(3) and SEA Rule 19b-4.
3. See [FINRA Launches Toll-Free FINRA Securities Helpline for Seniors](#) (Apr. 20, 2015).
4. FINRA notes that Delaware, Missouri and Washington have enacted statutes that permit financial institutions, including broker-dealers, to place temporary holds on “disbursements” or “transactions” if financial exploitation of covered persons is suspected. See Del. Code Ann. tit. 31, § 3910 (2015); Mo. Rev. Stat. §§ 409.600-630 (2015); and Wash. Rev. Code §§ 74.34.215, 220 (2015). Due to the small number of state statutes currently in effect and the lack of a uniform state or federal standard in this area, FINRA believes that the proposed rules would aid in the creation of a uniform national standard for the benefit of firms and their customers.
5. While the proposed amendments do not specify what contact information should be obtained, FINRA believes that a mailing address, phone number and email address for the trusted contact person may be the most useful to firms.
6. FINRA also notes that a customer’s request to change his or her trusted contact person may be a possible red flag of financial exploitation (*e.g.*, a senior customer changing his trusted contact person from an immediate family member to a previously unknown third party).
7. With respect to disclosing information to the trusted contact person, FINRA notes that Regulation S-P excepts from the Regulation’s notice and opt-out requirements disclosures made: (A) to comply with federal, state, or local laws, rules and other applicable legal requirements; or (B) made with client consent, provided such consent has not been revoked. See 17 C.F.R §§ 248.15(a)(1) and (a)(7)(i). FINRA believes that disclosures to a trusted contact person pursuant to proposed Rules 2165 or 4512 or with unrevoked customer consent would be consistent with Regulation S-P.
8. FINRA understands that some firms, pursuant to state law or their own policies, may already place temporary holds on disbursements from customers’ accounts where financial exploitation is suspected.
9. See [National Senior Investor Initiative: A Coordinated Series of Examinations](#), SEC’s Office of Compliance Inspections and Examinations and FINRA (Apr. 15, 2015) (noting the increase in persons aged 65 and older living in the United States and the concentration of wealth in those persons during a time of downward yield pressure on conservative income-producing investments) (hereinafter *Senior Investor Initiative*). See also [The MetLife Study of Elder Financial Abuse: Crimes of Occasion, Desperation, and Predation Against America’s Elders](#) (June 2011) (noting the many forms of

- vulnerability that “make elders more susceptible to [financial]abuse,” including, among others, poor physical or mental health, lack of mobility, and isolation); [Protecting Elderly Investors from Financial Exploitation: Questions to Consider](#) (Feb. 11, 2015) (noting that one of the greatest risk factors for diminished capacity is age).
10. See, e.g., [Aging Statistics](#), U.S. Department of Health and Human Services Administration on Aging (referring to the “older population” as persons “65 years or older”); Senior Investor Initiative (noting the examinations underlying the report “focused on investors aged 65 years old or older”).
 11. FINRA notes that a firm may not ignore contrary evidence in making a determination based on the facts and circumstances observed in the firm’s business relationship with the natural person (e.g., a court order finding a customer to be legally incompetent).
 12. Proposed Rule 2165 would apply only to disbursements of funds or securities from the account of a specified adult and would not apply to transactions in securities.
 13. For purposes of proposed Rule 2165, the term “immediate family member” shall include a spouse, child, grandchild, parent, brother or sister, mother-in-law or father-in-law, brother-in-law or sister-in-law, and son-in-law or daughter-in-law, each of whom must be age 18 or older.

ATTACHMENT A

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

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Text of Proposed Changes to FINRA Rule 4512

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4000. FINANCIAL AND OPERATIONAL RULES

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4500. BOOKS, RECORDS AND REPORTS

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4512. Customer Account Information

- (a) Each member shall maintain the following information:
- (1) for each account:
- (A) customer's name and residence;
 - (B) whether customer is of legal age;
 - (C) name(s) of the associated person(s), if any, responsible for the account, and if multiple individuals are assigned responsibility for the account, a record indicating the scope of their responsibilities with respect to the account, provided, however, that this requirement shall not apply to an institutional account;
 - (D) signature of the partner, officer or manager denoting that the account has been accepted in accordance with the member's policies and procedures for acceptance of accounts; [and]
 - (E) if the customer is a corporation, partnership or other legal entity, the names of any persons authorized to transact business on behalf of the entity; and
 - (F) subject to Supplementary Material .06, name of and contact information for a trusted contact person who may be contacted about the customer's account, is age 18 or older and not authorized to transact business on behalf of the account; provided, however, that this requirement shall not apply to an institutional account.

(2) through (3) No Change.

(b) A member need not meet the requirements of this Rule with respect to any account that was opened pursuant to a prior FINRA rule until such time as the member updates the information for the account either in the course of the member's routine and customary business or as otherwise required by applicable laws or rules.

(c) No Change.

••• Supplementary Material: -----

.01 through .05 No Change.

.06 Trusted Contact Person

(a) With respect to paragraph (a)(1)(F) of this Rule, at the time of account opening, a member shall disclose in writing, which may be electronic, to the customer that the member or an associated person of the member is authorized to contact the trusted contact person and disclose information about the customer's account to confirm the specifics of the customer's current contact information, health status, and the identity of any legal guardian, executor, trustee or holder of a power of attorney, and as otherwise permitted by Rule 2165.

(b) The absence of the name of or contact information for a trusted contact person shall not prevent a member from opening or maintaining an account for a customer, provided that the member makes reasonable efforts to obtain the name of and contact information for a trusted contact person.

Text of Proposed New FINRA Rule

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2000. DUTIES AND CONFLICTS

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2100. TRANSACTIONS WITH CUSTOMERS

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2165. Financial Exploitation of Specified Adults

(a) Definitions

(1) For purposes of this Rule, the term “Specified Adult” shall mean: (A) a natural person age 65 and older; or (B) a natural person age 18 and older who the member reasonably believes has a mental or physical impairment that renders the individual unable to protect his or her own interests.

(2) For purposes of this Rule, the term “Account” shall include any account of a member for which a Specified Adult has the authority to transact business.

(3) For purposes of this Rule, the term “Qualified Person” shall mean an associated person of a member who serves in a supervisory, compliance or legal capacity that is reasonably related to the Account of the Specified Adult.

(4) For purposes of this Rule, the term “Trusted Contact Person” shall mean the person who may be contacted about the Specified Adult’s Account in accordance with Rule 4512.

(5) For purposes of this Rule, the term “immediate family member” shall include a spouse, child, grandchild, parent, brother or sister, mother-in-law or father-in-law, brother-in-law or sister-in-law, and son-in-law or daughter-in-law, each of whom must be age 18 or older.

(6) For purposes of this Rule, the term “financial exploitation” shall include:

(A) the wrongful or unauthorized taking, withholding, appropriation, or use of a Specified Adult’s funds or securities; or

(B) any act or omission taken by a person, including through the use of a power of attorney, guardianship, or any other authority regarding a Specified Adult, to:

(i) obtain control, through deception, intimidation or undue influence, over the Specified Adult's money, assets or property; or

(ii) convert the Specified Adult's money, assets or property.

(b) Temporary Hold on Disbursements

(1) A Qualified Person may place a temporary hold on a disbursement of funds or securities from the Account of a Specified Adult if:

(A) The Qualified Person reasonably believes that financial exploitation of the Specified Adult has occurred, is occurring, has been attempted, or will be attempted; and

(B) The member not later than two business days provides notification of the temporary hold and the reason for the temporary hold to:

(i) all parties authorized to transact business on the Account; and

(ii) the Trusted Contact Person, unless the Trusted Contact Person is unavailable or the member reasonably believes that the Trusted Contact Person has engaged, is engaged, or will engage in the financial exploitation of the Specified Adult, in which case the member shall attempt to contact an immediate family member of the Specified Adult, if available, unless the member reasonably believes that the immediate family member has engaged, is engaged, or will engage in the financial exploitation of the Specified Adult; and

(C) The member immediately initiates an internal review of the facts and circumstances that caused the Qualified Person to reasonably believe that the financial exploitation of the Specified Adult has occurred, is occurring, has been attempted, or will be attempted.

(2) The temporary hold authorized by this Rule will expire not later than 15 business days after the date that the Qualified Person first placed the temporary hold on the disbursement of funds or securities, unless sooner terminated by an order of a court of competent jurisdiction or extended either by an order of a court of competent jurisdiction or pursuant to paragraph (b)(3) of this Rule.

(3) Provided that the member's internal review of the facts and circumstances under paragraph (b)(1)(C) of this Rule supports the Qualified Person's reasonable belief that the financial exploitation of the Specified Adult has occurred, is occurring, has been attempted, or will be attempted, the temporary hold authorized by this Rule may be extended by a Qualified Person for no longer than 15 business days following the date authorized by paragraph (b)(2) of this Rule, unless sooner terminated by an order of a court of competent jurisdiction.

(c) Record Retention

Members shall retain records related to compliance with this Rule, which shall be readily available to FINRA, upon request. The retained records shall include, but shall not be limited to, records of: (1) request(s) for disbursement that may constitute financial exploitation of a Specified Adult and the resulting temporary hold; (2) the finding of a reasonable belief that financial exploitation has occurred, is occurring, has been attempted, or will be attempted underlying the decision to place a temporary hold on a disbursement; (3) notification(s) to the relevant parties pursuant to paragraph (b)(1)(B) of this Rule; and (4) the internal review of the facts and circumstances pursuant to paragraph (b)(1)(C) of this Rule.

••• Supplementary Material: -----

.01 Applicability of Rule. This Rule provides members with a safe harbor when they exercise discretion in placing temporary holds on disbursements of funds or securities from the Account of a Specified Adult under the specified circumstances denoted in the Rule. This Rule does not require members to place temporary holds on disbursements of funds or securities from the Account of a Specified Adult.

.02 Supervision. In addition to the general supervisory and recordkeeping requirements of Rules 3110, 3120, 3130, 3150, and Rule 4510 Series, a member relying on this Rule must establish and maintain specific written supervisory procedures reasonably designed to achieve compliance with this Rule, including, but not limited to, procedures related to the identification, escalation and reporting of matters related to financial exploitation of Specified Adults.

.03 Training. A member relying on this Rule must develop and document specific training policies or programs reasonably designed to ensure that registered persons comply with the requirements of this Rule.

.04 Reasonable Belief of Mental or Physical Impairment. A member's reasonable belief that a natural person age 18 and older has a mental or physical impairment that renders the individual unable to protect his or her own interests may be based on the facts and circumstances observed in the member's business relationship with the natural person.