
Engaging with older and vulnerable clients

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Statistics – the 65 and older demographic

- Canada – 65 and older as a percentage of the population
 - 2011: 14.4 per cent
 - 2018: 17.2 per cent
 - 2024: 20.0 per cent
- Alberta – population 65 and older
 - 2018: 13.0 per cent
 - 2046: 19.0 per cent
- 2014-2017: Canadians aged 60-79 lost \$94 million to scams
- 2.6 per cent of Canadians reported being victims of financial abuse in the 12 months prior to when they were interviewed

Sources: Statistics Canada, Alberta Treasury Board and Finance, Competition Bureau, National Initiative for the Care of the Elderly

Older clients and vulnerability

- Diminished capacity
 - often associated with aging; however, can occur at any age
 - may affect individuals to significantly different degrees
- Vulnerable clients
 - often associated with aging; however, can occur at any age
 - can be temporary or permanent
 - causal factors include:
 - cognitive impairment
 - life events
 - disability
 - financial illiteracy
 - limited communication skills

Warning signs – examples

- Cognitive decline:
 - having difficulty reviewing relationship disclosure information and completing a know-your-client form
 - refusing to discuss reasons for wanting to purchase or redeem a product when the trade appears to be unsuitable
- Financial exploitation:
 - a client who has no large planned expenses suddenly requests a large cash withdrawal to wire funds to a distant relative
 - changing account beneficiaries to exclude certain family members
 - refusing to meet and will not return follow-up calls
- Multiple resources are available – e.g. [CheckFirst.ca](https://www.checkfirst.ca)

Financial exploitation example – account withdrawals

OBSI case

- fraudster impersonated a grandson living in Korea
- fraudster asked senior to wire funds to help him move and to get out of jail
- financial institution warned the senior, but she proceeded to wire a total of \$122,000 to the fraudster
- fraud was uncovered when grandson visited Canada
- OBSI determined the financial institution acted appropriately

Financial exploitation example – ownership change

Senior and caregiver case

- client had difficulties managing her account due to health issues
- caregiver initially assisted her with providing instructions
- client requested that her caregiver be added as a joint owner of her accounts to facilitate transactions
- after explanation of consequences, client cancelled her request and asked her daughter for help
- caregiver was fired from position

Suggested practices – KYC

- Know your client (section 13.2 of NI 31-103)
- More frequent KYC updates – keep on top of potential changes
 - retirement status/target
 - changing plans (e.g. travel, living bequests), health, expenses and financial needs
- Be aware of warning signs:
 - diminished mental capacity
 - financial exploitation

Suggested practices – suitability

- Suitability (section 13.3 of NI 31-103)
 - product features – e.g. liquidity, complexity, and risk
 - time horizon and investment objectives
 - take notes/document discussions
 - establish policies for investigating suspicious transactions
- Examples of elderly clients invested in high risk products – suitability not demonstrated based on client files reviewed

Suggested practices – supervision

- Supervision (sections 5.1, 5.2 and 11.1 of NI 31-103)
- Heightened supervision of:
 - new account forms and KYC updates
 - specific attention to age and retirement status in suitability reviews
- Require detailed client notes
- Conduct investor calls

Powers of attorney and limited trading authorization

- Establish policies and procedures for:
 - power of attorney accounts
 - limited trading authorization accounts
 - accounts under public guardianship or trustee services
- Ensure power of attorney or other authorization:
 - is current
 - satisfies applicable provincial legislation
- Suitability must be based on client's needs and circumstances
- Train employees about warning signs of power of attorney abuse



Trusted contact person (TCP)

- Person to contact if concerned about client's behaviour or transactions in account
- No financial interest in the client's account or assets
- Establish policies and procedures to:
 - collect and document TCP information
 - obtain written consent from the client
 - document discussions with the TCP
- Remind the client to notify the TCP of their appointment

Suggested practices

- Establish policies and procedures for escalating concerns of vulnerability and financial exploitation:
 - clear lines of communication and standardized forms
 - detailed examples of warning signs
 - UK Case – records of elderly client’s repeated calls on the same subject was a sign of cognitive issues
- Develop training programs for employees
- Let clients take their time and inquire about client concerns
- Use plain language and make information accessible
- Document conversations and provide written summaries to clients

Complaint handling

- Handling complaints (section 13.15 of NI 31-103)
- Older and other vulnerable clients may have challenges
- Provide assistance for communicating complaint matters
- OBSI report:
 - 38% of OBSI complaints from 60 and older
 - seniors more likely to bring a complaint

Additional resources – page 1 of 2

- ASC website: www.albertasecurities.com or www.checkfirst.ca
- CSA website: www.securities-administrators.ca
- AMF (Quebec), *Protecting Vulnerable Clients – A practical guide for the financial services industry*
- CSA Staff Notice 31-354, *Suggested Practices for Engaging with Older or Vulnerable Clients*
- FAIR Canada and the Canadian Centre of Elder Law, *Report on Vulnerable Investors: Elder Abuse, Financial Exploitation, Undue Influence and Diminished Capacity*
- Financial Conduct Authority (UK), *Guidance for firms on the fair treatment of vulnerable customers*

Additional resources – page 2 of 2

- FCSC (New Brunswick), *Improving Detection, Prevention and Response to Senior Financial Abuse in New Brunswick*
- IIAC, *Protecting Senior Investors – Compliance, Supervisory and Other Practices When Serving Senior Investors*
- NASAA, *A Guide For Developing Practices and Procedures For Protecting Senior Investors and Vulnerable Adults From Financial Exploitation*
- National Initiative for the Care of the Elderly: *Into the Light: National Survey on the Mistreatment of Older Canadians*
- OBSI, *2019 Seniors Report*
- OSC Staff Notice 11-779 *Seniors Strategy*