



Guide To Reporting Covered Financial Exploitation Under The Michigan Uniform Securities Act

Adult Protective Services

Adult Protective Services provides protection to vulnerable adults who are at risk of harm due to the presence or threat of any of the following: abuse, neglect, and/or exploitation. Each of these harm types have subcategories of harm which are also investigated; for example, “neglect” includes “self-neglect.” They have authority to act in certain circumstances even if a crime has not occurred or cannot be proven. Adult Protective Services’ main priority is to protect the overall health, safety, and well-being of a vulnerable adult.

Please note APS will accept reports of harm committed against a vulnerable adult even if the reporter is not a mandatory reporter. In the instance of a broker-dealer or investment adviser making a report, APS will accept reports of any kind of harm committed against a vulnerable adult even if the broker-dealer or investment adviser is only a mandatory reporter for financial exploitation.

Adult Protective Services:

- Conducts protective services investigations.
- Makes referrals to reduce risk of harm which may include counseling, education and training, health related medical examination and evaluations, homemaking, and housing assistance.
- Refers criminal matters to law enforcement.
- Intervenes to provide social protection in the form of conservatorship, guardianship, and civil commitment in the least restrictive or intrusive manner as a last resort when warranted.

When making a report to APS, you should:

- State the nature of the harm or risk of harm to the vulnerable adult.
- Describe why you believe an adult is vulnerable.
- State why you believe the vulnerable adult cannot protect themselves.
- Provide name & contact info for individuals who may have more information.



Example: Jane Doe's son, John Doe, was added to Jane's investment account on Oct. 1 of this year. Jane never used online services before John was added to her account. John appears to be financially exploiting Jane, as he made \$50,000 of online withdrawals from her account within two weeks. Jane is vulnerable because she is 85 years old and appears to lack the understanding that her son is taking money from her account. Jane cannot protect herself because when she was called about the withdrawals, she insisted that there was no way the withdrawals could not have been made as described. Jane's daughter, Jill Doe, phone number 220-1234 can provide more information, and so can Bob Smith from the investment firm, phone number 330-5678.

Additional Tips to Improve Reports To APS:

- Assume APS has no experience with the securities industry unless you are told otherwise; try to avoid using industry terminology or abbreviations.
- Always explain explicitly why an adult cannot protect themselves, e.g. "Margie cannot protect herself from exploitation because [describe reason]." Do not assume it is self-explanatory that a person cannot protect themselves simply because of advanced age or because of a mental or physical disability.
- Remember that age alone, without more information, is usually not sufficient evidence to show a person is vulnerable. If you believe that a person is vulnerable in part because of their age, consider describing the person's actions or behavior to show why you think they are vulnerable, e.g. "Fred is 80 years old. When I spoke with him, he didn't know what day of the week or what year it was, and he couldn't tell me his address."



Law Enforcement

Law Enforcement investigates instances of abuse, neglect, or exploitation where a person has committed potential violations of the criminal laws of Michigan. Law Enforcement's main priorities are to protect Michigan residents by identifying and stopping criminal activity, and to hold offenders accountable by working with the prosecuting authority to seek criminal charges.

Law Enforcement:

- Responds to emergencies and other circumstances where there is an immediate danger to an individual or the public.
- Investigates crimes (including financial crimes), including execution of search warrants and service of subpoenas where applicable.
- Arrests suspect.

When making a mandatory report to Law Enforcement under MCL 451.2533, you should:

- State the type of crime you think has been committed against a vulnerable adult.
- Describe why you believe the victim of the crime is vulnerable.
- Describe the information that would provide evidence of the crime.
- Provide name and contact details of persons who would have more information.

Please note, while it is not mandatory to report a crime against a non-vulnerable adult, law enforcement will accept those reports.

Example 1: Jane Doe's son, John Doe, was added to Jane's investment account on 10/1/2024. John appears to be stealing from Jane, as he withdrew \$50,000 from her account within two weeks using an online account. Jane is 85 years old, and never used an online account until John was added to her account. Jane opened an account with the investment firm in 2020, and her account records show the sudden change in activity in the last three months. Jane's daughter, Jill Doe, phone number 220-1234 can provide more information, and so can Bob Smith from the investment firm, phone number 330-5678.



Example 2: Willie (75) has a history of mild cognitive impairment (diagnosed early-stage dementia) and mild depression. He manages most daily tasks independently but occasionally forgets appointments. He has no primary caregiver but has an adult daughter who checks in weekly. Willie banks with Credit Union One and has recently withdrawn \$15,000 in cash and made several large electronic transfers to a new acquaintance who claims to need money for an emergency. Transactions are unusual for his normal spending patterns. When asked about the transfers, Willie says he “just wanted to help” but is vague on details and seems confused about the amounts.

Additional Tips to Improve Reports to Law Enforcement:

- Assume law enforcement has no experience with the securities industry unless told otherwise; try to avoid using industry terminology or abbreviations.
- If the victim of exploitation continues to be at immediate risk of harm or if you believe the matter is urgent, state that clearly in your initial complaint.
- At the beginning of your report, state succinctly what type of crime you believe was committed and who committed it, if known. “I believe Stephen’s daughter stole from him by using her power of attorney over his accounts to transfer the contents of his investment account to her own checking account.”
- Provide any supporting documents, like investment statements, in a well-organized manner, and explain what those documents show.



Securities Regulator

Under MCL 451.2533, when a broker-dealer or investment adviser suspects or detects covered financial exploitation of a client or customer, the firm may temporarily delay a suspicious disbursement or transaction. When such a pause occurs, the firm must notify the Department of Licensing and Regulatory Affairs (“LARA”), Corporations, Securities & Commercial Licensing Bureau by submitting a [Notification of Delay Form](https://www.michigan.gov/lara/-/media/Project/Websites/lara/cscl/NonImages_new/Securities/Notification-of-Delay.pdf?rev=7d555a063c3445a3b34ab2a4c8931f3d&hash=440D9Aafb38EBB97272598268CFD91AC) (https://www.michigan.gov/lara/-/media/Project/Websites/lara/cscl/NonImages_new/Securities/Notification-of-Delay.pdf?rev=7d555a063c3445a3b34ab2a4c8931f3d&hash=440D9Aafb38EBB97272598268CFD91AC).

LARA:

- Serves as a required notified party pursuant to Michigan’s “Report and Hold” law, MCL 451.2533.
- May open an investigation against a bad actor when a security, registered or unregistered, is part of the instance of exploitation.

When making a report to LARA, you should:

- Submit the Notification Form **within 2 business days** of placing a hold.
- State why the firm placed the temporary hold.
- State what triggered the suspicion that led to the temporary hold.
- Describe the details of the transaction or disbursement.

Example Of “Description of Circumstances” that led to the temporary hold:

John Doe, son of Jane Doe, was added to Jane’s investment account on Oct. 1 of this year. On October 3, three electronic transfers totaling \$75,000 were made to John’s personal bank account. This activity was inconsistent with her long-standing history. Jane is 85 years old, had not had an online account, and – on follow-up – appears to be unaware that funds are being transferred out of her account. Jane’s daughter, Samantha Doe (phone number 220-1234) is the Trusted Contact on the Account. She has been called but has not responded.