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## **SEC Request for Comment**

**Subject line: File Number 4-626**

Task: The SEC published a request for public comment on the effectiveness of existing investor education efforts as part of a review mandated by the Dodd-Frank Act. Section 917(a)(5) requires the study to identify “the most effective existing private and public efforts to education investors.”

**(1) Have you attended, or does your organization operate, organize, sponsor, promote, or host, any investor education programs? Please describe the program, including its duration, target audience, and any measurable goals and objectives aimed at changing investor behavior. What specific topics are covered in its curriculum?**

Yes, the State of Hawaii Department of Commerce and Consumer Affairs (DCCA), Office of the Securities Commissioner (OSC) organizes and promotes investor education statewide. The audience includes various levels of the public from schooled-aged children to senior citizens. Since August 2006, the Hawaii Investor Education Program under the direction of the Securities Commissioner has grown tremendously.

As part of the mission to promote sound investing, our Investor Education Specialist (IES) and an assistant has expanded the outreach program, responsible for innovative programs within the OSC and cultivated valuable partnerships that have attracted greater visibility to the Securities Office. The staff is dedicated to investor education and has lead an active securities education program to various audiences including seniors, union members/working adults, students and teachers and military just to name a few.

In an effort to educate, we have created seven (7) 30-minute powerpoint presentations focusing on investor protection that we present to the public and for which copies are available at no cost to the public upon request. We provide supporting materials for all presentations, a securities professional staff will conduct the presentation and the topics include:

1. Investor Education: Who we are & How we can help?
2. How to Spot a Con artist and Safeguard your Investment
3. Protect yourself and your money from Predatory Tactics
4. Understanding Variable Annuities and are they Right for you?
5. Avoid being a Victim: Know the Threats that Investors Face
6. Investment Fraud: The Ponzi Scheme
7. Affinity Fraud

Our office creates many types of materials to address a specific investment topic or fraud alert for different audiences. We also work with national organizations and distribute their materials too (i.e. SEC, FINRA, SIFMA, IPT, NASAA, etc.)

After setting a goal, we measure our efforts by tracking actual statewide senior presentations, other audience presentations and community events:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Senior Presentations	26	27	30	31
Other Audience Presentations	8	11	17	9
Community Events	38	48	71	44
Actual Audience Reached	70,292*	39,670	24,063	25,184

(\* = this number is the combined amount of actual audience count and estimated reached.)

In a 2008 partnership with the Hawaii Department of Health’s Executive Office on Aging and the Department of the Attorney General’s Crime Prevention and Justice Assistance Division, our Office of the Securities Commissioner staff represented DCCA in the development of the first Hawaii's Fraud Prevention & Resource Guide for the public. The guide was designed to help Hawaii residents protect themselves against various types of fraud. A section in the book was dedicated to investor education and protection.

**(2) What do you consider the most important characteristics of an effective investor education program?**

We believe that the most effective characteristics of an investor education program are to 1) engage, 2) educate and 3) provide friendly service to the public. Engaging includes making meaningful connections to the community and building trust within the community. To educate, we feel that thoughtful customization of the way material is presented is critical. The information has to be geared the right educational level, interests and needs of the audience. Finally, an emphasis on friendly services is very important. Instilling the goal of friendly service to our staff helps assure that the public does not feel overwhelmed, intimidated or neglected by our efforts.

**(3) What programs do you view as most effective?**

The most effective outreach programs we have are geared towards seniors and union members/working adults. We give presentations to groups ranging from 5 to 150 attendees. The first priority of our outreach efforts is to help seniors since they are the largest and most targeted group. The next group is the union members/working adults. With this group we see relationships being taken advantage of and affinity fraud growing in our island community. Our outreach seems to be most effective with these groups because we can leverage established and trusted group structures.

**(4) Has your organization or an independent third party evaluated any of your organization’s programs? If yes, please describe the findings of the evaluation, including any statistical evidence of how your program effectively changed one or more investor behaviors among participants.**

We regularly conduct written evaluations with our senior and other audience presentations we give in the local community. In 2010, we completed 31 seniors presentations and reached 2,593 seniors. Overall 96% of the seniors noted that they agreed or strongly agreed that the presentation was helpful. 96% of the seniors also marked on the evaluations that they agreed or strongly agreed that the presentation was clear and easy to understand. Finally, we asked if the senior would recommend these presentations to others and 98% marked ‘yes’ they would.

**(5) Are any of your organization’s programs national in scope? If not, could any of these programs be replicated or expanded to reach a national audience?**

Yes, the Hawaii Office of the Securities Commissioner developed the Hawaii Union Outreach Program to help union members/working adults protect themselves from investment fraud. This toolkit includes a powerpoint presentation, speakers notes and handouts. In 2008, the North American Securities Administrators Association (NASAA) revised the toolkit to create a national outreach program for the other states, Mexico, Porto Rico and Canada. The national program is called United Against Investment Fraud (UAIF) and can be found on the NASAA website at [nasaa.org](http://nasaa.org).

On a national level, we’ve had an appointed staff member assigned to the NASAA Investor Education Outreach Project Group since 2007. The Hawaii staff representative works with other states representatives to research and develop national investor education programs. Hawaii’s program received a NASAA investor education award in 2007 for “Most Investor Education Consumers Reached”.

**(6) What types of investor behaviors or other topics do you think investor education programs should focus on? Why?**

Some of the investor behaviors that we would like to improve on is getting the investor involved with:

1. Registration: Check the registration of the professional investment advisor or broker dealer regardless if you know the person or are related to them.
2. Due diligence: Check the professional background of individual and investment product before giving them your investment money.
3. Report: Call our hotline or our enforcement office and report any securities violations and/or fraud.
4. Protection: Returns that are too good to be true should be a red flag.

These key investor education topics could help investors nationwide protect themselves.

**(7) Which best describes you or your organization?**

In the State of Hawaii, the Department of Commerce and Consumer Affairs, Office of the Securities Commissioner, regulates and enforces the State Securities Law (HRS Chapter 485 and 485A) and educates investors. Many of the complaints and inquiries about securities violations are directed to our office since Hawaii does not have a local office of a federal agency (i.e. SEC) or non-government organization (i.e. FINRA) to help Hawaii residents with securities violations and issues. We do our best to work with both local and national law enforcement agencies to prosecute the violators.

**(8) Do you have any other comments regarding the effectiveness of existing private and public efforts to educate investors?**

As a state government agency, we understand that everyone is dealing with the challenges of a tough economy and the increase of financial crimes. We believe greater resources should be allocated to public agencies to help educate the public on scams. With the first wave of our “Baby Boomer” generation rapidly approaching retirement, it is crucial to keep educating seniors as well as working adults to keep them thinking about investor protection. We need to remind them of the importance of protecting their hard-earned savings/nest egg. During retirement years, money lost to investment scams can often be

more damaging because the individuals are no longer working and/or contributing to their savings and have limited monthly income. The effects of getting scammed can go beyond financial loss, negatively impacting one's physical and mental health and social well-being/relationships. For some it is just too much to deal with.