U.S. Securities and Exchange Commission

Office of the Investor Advocate

FISCAL YEAR 2024

Report on Activities

ABOUT THIS REPORT AND DISCLAIMER

Section 4(g)(6) of the Securities Exchange Act of 1934 (Exchange Act), 15 U.S.C. § 78d(g)(6), requires the Investor Advocate to file two reports per year with the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives.[1] The two reports are the mid-year Report on Objectives covering the forthcoming Fiscal Year and the end-of-year Report on Activities covering the preceding Fiscal Year.

A Report on Objectives is due no later than June 30 of each year, and its purpose is to set forth the objectives of the Investor Advocate for the following Fiscal Year.[2] A Report on Activities is due no later than December 31 of each year.[3] The Report on Activities describes the activities of the Investor Advocate during the immediately preceding Fiscal Year.

Disclaimer: Pursuant to Exchange Act Section 4(g)(6)(B)(iii), 15 U.S.C. § 78d(g)(6)(B)(iii), this Report on Activities is provided directly to Congress without any prior review or comment from the Commission, any Commissioner, any other officer or employee of the Commission outside of the Office of the Investor Advocate or the Office of Management and Budget. This Report on Activities expresses solely the views of the Investor Advocate. It does not necessarily reflect the views of the Commission, the Commissioners, or staff of the Commission, and the Commission disclaims responsibility for this Report on Activities and all analyses, findings, and conclusions contained herein.

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"We renew our commitment to listen to investors, to amplify their experiences, to address their concerns, and to further improve the value of our contributions to work of the Commission."

MESSAGE FROM THE INVESTOR ADVOCATE

The end of the 2024 fiscal year marks the conclusion of the tenth year of service for the Office of the Investor Advocate. We noted in our June 2024 Report to Congress that as the Office enters our second decade of service to the investing public, we renew our commitment to listen to investors, to amplify their experiences, to address their concerns, and to further improve the value of our contributions to the work of the Commission.

We value that investors may want and need different outcomes from their investment strategies, and we strive to understand and elevate the diversity of investment perspectives to encourage policy making that more effectively serves the needs of investors.

This Office has for many years dedicated resources to conduct and publish groundbreaking research focused on investors. To mark our tenth year of service and to renew our commitment to generate trusted, useful, and insightful data, in 2024 the Office launched a program of quarterly, longitudinal surveys of investors. The Thoughtful Households Relating InVesting Experiences (THRIVE) Panel is a nationally representative survey that can facilitate frequent, direct survey research to provide timely data on investment-related topics, and investor testing projects to inform policymaking or long-run research priorities. As detailed in this report, THRIVE was established to increase the cost-effectiveness, timeliness, and utility of the data collection efforts of this Office. The initiative has already yielded promising results, and we are confident that the value it can provide the Commission and the public will continue to grow.

This Report on Activities also continues our focus on investment fraud. In our June report, we spotlighted an explosion in fraud complaints. Fraud incidents continue to grow this year at an alarming pace, as reported by the Office of the Ombuds, as well as numerous regulators and law enforcement agencies. The Federal Trade Commission has reported that that overall losses due to fraud in 2023, adjusted for underreporting, was $158.3 billion.[4] Investment fraud is increasingly a big part of that number. According to the United States Department of the Treasury's *2024 National Money Laundering Risk Assessment*, investment schemes have surpassed business email compromise as the highest aggregate reported dollar loss to victims.[5] The Ombuds' Report describes in detail what has emerged as a sadly prevalent pattern of financial deceit and devastation, as learned from the victims who contact our Office for assistance. We strongly encourage the greatest possible coordination among regulators and law enforcement to curb and cure the impacts on not only individual victims, but also the victims' families and communities who also pay a price for fraud.

Finally, on behalf of the Office of the Investor Advocate and the Office of the Ombuds, I would like to express the deepest gratitude for the service that Ombuds Stacy Puente has given to countless retail investors in her time with this office. At the end of the year, Ombuds Puente will step down from her role, which she has served with empathy, generosity, and intelligence. While her dedication and leadership will be missed, her commitment to serve the public—which everyone shares—will continue.

I am pleased to submit this Report on Activities for Fiscal Year 2024 on behalf of the Office of the Investor Advocate, and I welcome any questions from Members of Congress.

Respectfully Submitted,

Cristina Begoña Martin Firvida

CRISTINA BEGOÑA MARTIN FIRVIDA
Investor Advocate

FISCAL YEAR 2024 SUMMARY

112
ENGAGEMENT ACTIVITIES

24 DATA COLLECTION ACTIVITIES completed involving over

55,000
INDIVIDUAL INVESTOR CONTACTS

2,772
INVESTOR SUBMISSIONS to the Ombuds

30 RULEMAKINGS and **193** SRO FILINGS reviewed

INVESTOR ENGAGEMENT

The Office of the Investor Advocate (OIAD) is statutorily mandated to assist retail investors, identify problems that investors may have, analyze the potential impacts on investors of rules or regulations, and make proposals to the Commission to promote the interests of investors.[6]

One of the primary ways in which OIAD collects this information and sustains a focus on investors is through ongoing investor engagement activities[7], which directly support the statutory mandate and help amplify the voices of investors.

INVESTOR ENGAGEMENT ACTIVITIES

The Office actively seeks input from a broad range and variety of investors—including individual retail investors, smaller and regional investor groups, non-profits and consumer groups, academics and researchers, public and private pension funds, and other small and large money managers—as well as regulatory and law enforcement counterparts.[8]

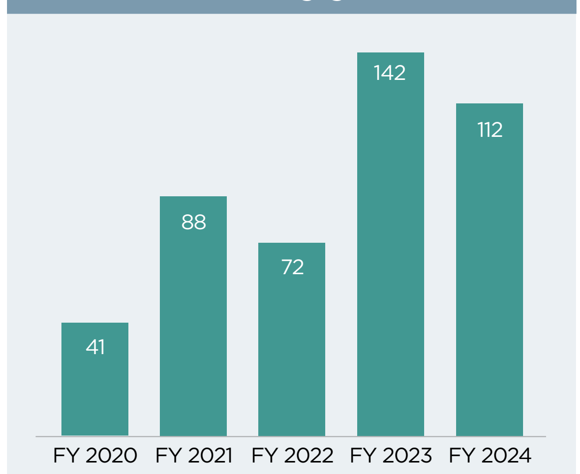
Retail investors, and their unique perspectives, are particularly important to OIAD. We place special emphasis on individuals and groups whose views and needs may be less frequently heard, including those who do not routinely travel to Washington, DC to lobby government leaders, or who do not regularly submit comment letters to the Commission. Among those whom OIAD especially seeks to hear from are older investors, new investors, veterans and military spouses, affinity-connected investors, investors from historically underserved, rural, or Native American/First Nations' communities, investors with disabilities, and investors with varying levels of exposure to capital markets. The Office also solicits and encourages input from stakeholders with a range of epistemological perspectives and values.

The goals for investor engagement are twofold:

- Understand investor experiences and perspectives regarding products, practices, regulations, rulemakings, and the markets, and communicate them in a decision-useful context for Commission leaders and staff; and
- Advocate for investors' interests in the regulatory and rulemaking environments in a manner consistent with the Office's statutory mission.

This year, the Office expanded engagement opportunities for retail investors to share their experiences directly with Commission leadership

FIGURE 1. **Number of Engagements**



and staff, meeting with a broad array of investors and investor representatives to gain from their perspectives and inform policy, and identifying and advocating for the trends, issues, and policies that investors consider to be important. By leveraging virtual and remote conferencing capabilities in a remote-first posture, in addition to the numerous in-person activities traditionally performed, OIAD was able to expand the available catchment area and welcome a number of new investors and related groups to share their experiences with the Investor Advocate.[9]

One area in which OIAD further matured this year was to increase data-driven decision-support across our portfolio, which provided decision makers with useful and evidence-based investor preferences, trends, and capabilities. OIAD has the unique ability to identify, answer, evaluate, and operationalize the questions of:

- What do we learn from investors?
- What do we do with that information?

OIAD does this, in part, by partnering with other Divisions and Offices to hear directly from investors regarding the impact that potential rules and regulations have on investors and identify problems that investors may have with products or services. The goal is to further institutionalize stakeholder (i.e. investor) input into all stages of the Commission's operations.

SEC AND EXTERNAL COLLABORATION

The Office further enhanced available engagement opportunities with other SEC Divisions and Offices, federal departments, state agencies, and law enforcement partners—so that they could hear directly from investors how the Commission, and the government, can best serve them. This included:

- Divisions and Offices
  - The Office expanded opportunities for investors to communicate their perspectives directly with the Divisions. For example, during FY 2024, OIAD organized numerous investor engagement activities with Division and Office Directors, so they could hear investor commentary first-hand—including providing input on the Division of Examinations Exam Priorities for Fiscal Year 2025.[10]
- Federal Departments and Agencies
  - In addition to the SEC, other federal departments and agencies are constantly working to protect the financial markets, products, and consumers. As part of the Office's regular course of business, we often communicate and partner with federal agencies to support the larger investor advocacy mission, or to obtain diverse investor and stakeholder feedback consistent with our statutory mission. For example, the OIAD Investor Engagement Manager leads a Working Group related to Online Confidence Scams for the Commodity Futures Trading Commission (CFTC).
- State Agencies
  - State Securities Regulators play a critical part in the regulatory and investor protection mosaic, and the Office continued to enhance the already strong connections with the North American Securities Administrators Association (NASAA) and individual state regulators. A recent example was in March 2024, the Office led the SEC-NASAA-Georgia Secretary of State Joint Public Roundtables in Georgia.[11] This event, which took place over two days at two different colleges in northern Georgia, was an opportunity to hear directly from investors and the public on topics important to them and was attended by Commissioner Hester Peirce, the Director of

FIGURE 2. **Phases of Investor Engagement**

the Division of Enforcement, and the Deputy Director of the Division of Examinations, amongst other Commission Leaders. The event was co-hosted with NASAA and the Georgia Secretary of State, and webcast via sec.gov.

- Law Enforcement Partners
  - As part of OIAD's commitment to investors, understanding the growth in investment frauds is of paramount concern. To enhance the Office's ability to mitigate problems and promote the interests of investors, the Division of Enforcement has launched the Interagency Securities Council[12] (ISC), with OIAD's conceptualization and support. The ISC convenes recurring meetings between law enforcement and regulators at the federal, state, and local levels. Additional details are described in the *Interagency Securities Council* section below.

FY 2024 BY THE NUMBERS

OIAD hosted or substantially contributed to over 110 engagements in 2024, with the cornerstone event—the SEC-NASAA-Georgia Secretary of State Joint Public Roundtables—occurring in March 2024 in Dahlonega at the University of North Georgia and at Dalton State College in Dalton, GA. At the roundtables, hundreds of investors, advocates, investigators, and regulators shared their experiences with investments, policy and regulation, securities fraud, and engaged with the Chair and Commissioners, Division and Office directors, and senior staff related to identifying fraud and avoiding suspicious investments.

INTERAGENCY SECURITIES COUNCIL

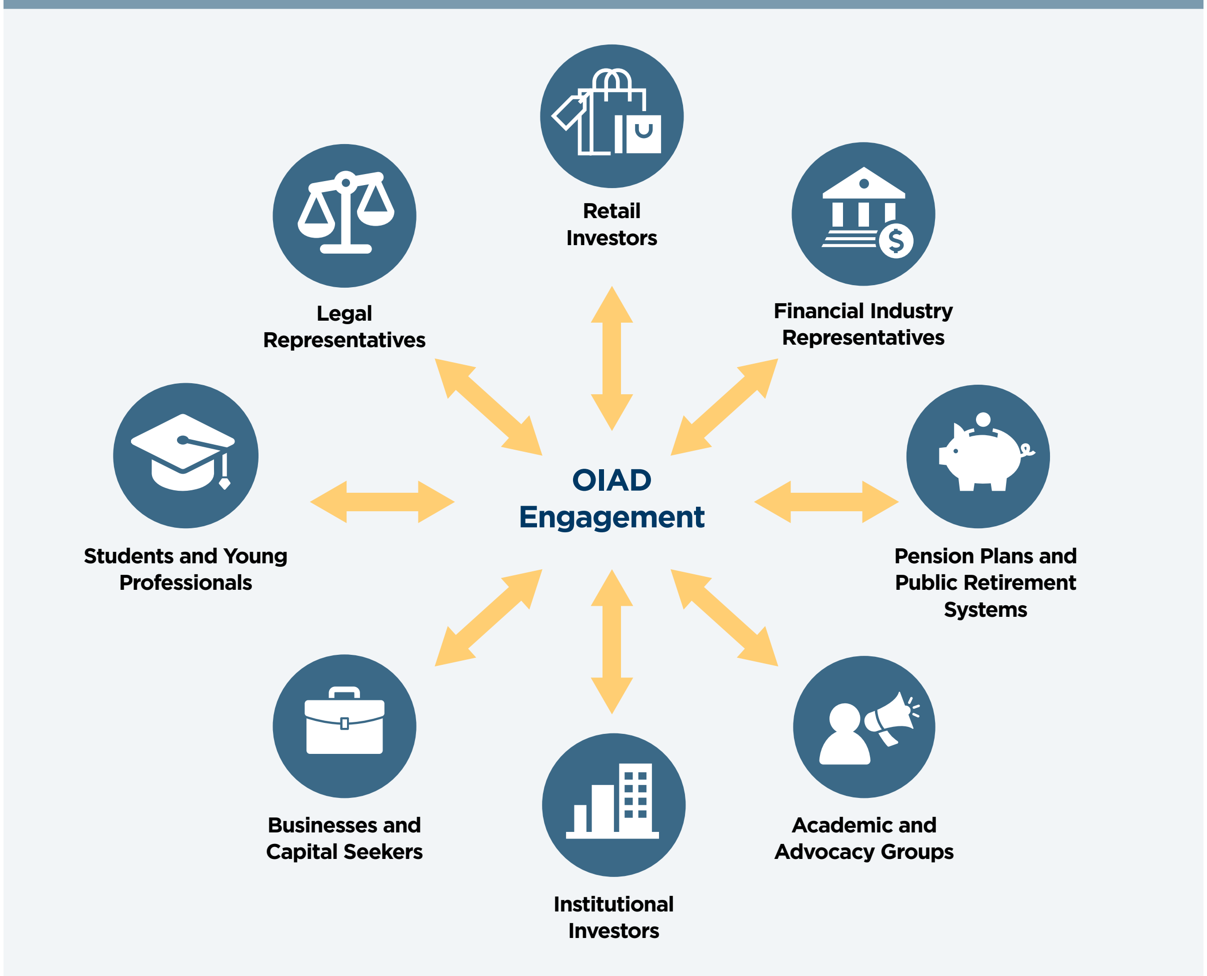
The Interagency Securities Council ("ISC")[13] is a joint task force that invites federal, state, and local regulatory and law enforcement professionals to meet quarterly to discuss the latest in scams, trends, frauds, and mitigation strategies, and provides briefings on emerging and complex topics.

The ISC's objective is to strengthen the cohesion between federal, state, and local agencies, enhance opportunities to collaborate on cases to protect investors, provide insight and guidance across the ecosystem for investigators who may not frequently operate in the securities space, and creates a forum for unified efforts in combating financial fraud. Chaired by the Director of the Division of Enforcement, the OIAD Investor Engagement Manager envisioned, developed, and leads the SEC's efforts on the Council.

The ISC is limited to law enforcement and regulatory agencies, and now includes nearly 2,000 representatives from more than 250 departments and agencies[14], including federal financial and law enforcement agencies, state offices of attorneys general and state police, state securities regulators, and local police departments and sheriff's offices. Members participate in discussions with experts on emerging threats, hear from investigators conducting and supervising investigations, and explore case study examples of agencies employing innovative approaches to combat financial fraud. The ISC also serves as an opportunity to connect and share information with the larger law enforcement community that less frequently deals with securities law violations, such as police/sheriff departments and tribal- and military-community law enforcement.

In FY 2024, the ISC conducted meetings and specialized briefings with other agencies, such as a briefing on the use of deepfakes and artificial intelligence in financial frauds with the SEC's Event and Emerging Risks Team, the FBI's Complex Financial Crimes unit, and the Central Intelligence Agency.

FIGURE 3. **Investor Groups Represented**



DIVISIONS AND OFFICES. **Investor Roundtable**

Atlanta Regional Office Director Nekia Hackworth Jones and then Division of Enforcement Director Gurbir Grewal at the Joint Investor Roundtables at the University of North Georgia and Dalton State College

LOOKING AHEAD

In FY 2025, OIAD operations will remain robust; with plans to continue engaging directly with retail investors through investor-focused meetings, events, activities, and roundtables, and by continuing to partner with other federal, state, and local agencies on issues relating to retail investors.

Through these, and additional activities and strategies, OIAD will continue to include investor voices from the whole community in policy, practice, and advocacy.

ADVOCACY FOR INVESTORS

This section of our annual Report on Activities describes a selection of our policy activities on behalf of investors for the period from October 1, 2023 through September 30, 2024 (the Reporting Period).

PROBLEMS ENCOUNTERED BY INVESTORS

Pursuant to Exchange Act Section 4(g)(6)(B)(III), we are required to provide a summary of the most serious problems encountered by investors during the prior fiscal year. In addition, the illustration below summarizes some of the other serious problems that investors have encountered during Fiscal Year 2024, based on our consultation with sources both within and outside the Commission.

Each of the products and practices listed below represents an area of concern for investors during the Reporting Period. OIAD communicates regularly with various Divisions and Offices within the Commission, including with the Division of Enforcement, the Division of Examinations, and the Office of Investor Education and Advocacy (OIEA), among others, to gain awareness of the

FIGURE 4. **Lists of Certain Problems Encountered by Investors During Fiscal Year 2024**

Reported potentially problematic products or practices

SEC[15]
- Relationship Investment Scams
- Exchange-Traded Products (ETPs) Providing Access to Ether and Bitcoin
- Fake Form 4 Filings
- Accidental Text Messages on Social Media Platforms
- Generation of excitement around emerging AI technology and deploying bots
- Advertisements of certificate of deposit accounts with supposed high-yields
- Leverage and Inverse ETFs

NASAA[16]
- Digital Asset Frauds
- "Pig Butchering" Schemes
- Social Media & Internet Schemes

FINRA[17]
- Phantom Riches
- Social Consensus
- Source Credibility
- Scarcity
- Reciprocity

PCAOB[18]
- Proof of Reserve Assertions
- High Audit Deficiency Rates
- Recurring Quality Control Deficiencies

problematic products and practices that such Divisions and Offices may discern in the course of their work. The Office also maintains regular communications with other regulators, such as Financial Industry Regulatory Authority (FINRA), NASAA, Public Company Accounting Oversight Board (PCAOB), and the Municipal Securities Rulemaking Board (MSRB) to maintain visibility into problematic products and practices that those regulators have confronted in their day-to-day responsibilities during the reporting period.

Focus on Complex Investment Fraud

Public trust in the integrity of the securities markets is necessary for our capital markets to thrive. Investors are not required, however, to take a leap of faith by allocating their savings to the capital markets without a basis for trust in those markets. For decades, regulatory examination regarding, and enforcement of, our federal and state securities laws and rules have worked to instill that trust. This financial regulatory structure is designed to help protect investors and lower the cost of capital raising, benefitting market participants and the U.S. economy as a whole.

Unfortunately, investors who experience investment fraud, manipulation, or abuse often lose twice. First, having trusted a bad actor, such as a dishonest financial representative or an unregistered adviser, these investors may suffer the loss of some or all of their hard-earned savings. Second, they may experience a loss of confidence in the securities markets. With personal investment decisions becoming much more important to the well-being of Americans looking to save for retirement, the purchase of a home, or their children's education, the loss of confidence in the securities markets can compound the damage already inflicted upon them by an unscrupulous financial representative or a criminal pretending to be a legitimate adviser. By retreating from the securities markets, investors who stow their money under the proverbial mattress may keep their funds safe from con artists, but those funds will not grow in value and, in fact, will lose buying power over time due to inflation.

Because of the foregoing considerations, our Office has focused on the problem of complex investment fraud over the last year and will continue to do so for the foreseeable future as these fraudulent schemes proliferate and gain momentum. Directly below, we discuss the highlights from our ongoing review of relevant news and reports, insights into new trends and growing complexity in the markets, and how our Office expects to address these developments. In the Ombuds' Report, a deeper examination is provided of how investment fraud schemes currently threaten investors.

Investment Fraud Trends

As noted in our last report to Congress, investment fraud continues to beleaguer contemporary investors, securities markets, and law enforcement. While investment fraud itself is not new, the methods used to commit such fraud constantly evolve, and as noted below in the Ombuds' Report, our Office has experienced a recent surge in fraud complaints. Multiple government agencies, here and abroad, have recently also reported an increase in fraud generally.

A common element in these reports, including complaints to our Office, is the role advanced technologies play in facilitating complex fraud. It is important to acknowledge that technological advancements are opening doors for new populations of investors to participate in the markets and build wealth. Additionally, innovative new financial products are allowing retail investors to access complex investment strategies previously reserved for sophisticated institutional investors. For some individuals who wish to invest in innovative products, the features of developing or emerging technologies may themselves be the impetus for becoming an investor. For instance, "the use of digital ledger technology (DLT) may have the potential to foster financial innovation, increase efficiencies, and improve access to financial products, services, and activities."[19]

These same advancements, however, enable criminals to deepen the pool of potential fraud victims. Evolving technology has made deception more challenging for investors to recognize. Technological advancements further provide criminals with the tools to communicate more effectively, scale their schemes more rapidly than before, and conclude their frauds through effectively unrecoverable payments. Alarmingly, investment fraud enabled by technology is accelerating at a scale and complexity not previously possible to accomplish even a year ago.

Given this new reality, it may be challenging to see through scams, especially when *legitimate* investment products and services have become increasingly complex and harder to understand. If it is difficult for investors to digest lawful, yet complicated disclosures, the resulting opaqueness can widen the window of opportunity for criminal behavior to occur.

Technology also permits fraudulent schemes to proliferate much more rapidly than in the past. As the Commission noted in a recent rulemaking proposal, "due to the scalability of [predictive data analytics (PDA)] technologies and the potential for firms to reach a broad audience at a rapid speed . . . any resulting conflicts of interest could cause harm to investors in a more pronounced fashion and on a broader scale than previously possible."[20] Although the Commission's proposal was focused on the use of PDA technologies by firms acting lawfully and in good faith, its statements about the rapid scalability of harm associated with advanced technologies is relevant to bad actors as well.

While we acknowledge that investing in crypto assets may represent an entry point into investing for many investors, the Ombuds' Report below details how evolving technologies, such as crypto-related payments and social media has led to an increase in fraudulent schemes reported to the Ombuds. Beyond the Ombuds and within the SEC, OIEA has reported a similar increase in the number of complaints related to crypto-related investments. In its annual list of *Ten Most Common Complaints*, OIEA reported receiving 1,075 in fiscal year 2020,[21] 4,599 in fiscal year 2021, 5,040 in fiscal year 2022, and 5,357 crypto-related complaints in fiscal year 2023.[22] OIEA has published an Investor Alert warning that fraudsters are targeting victims by offering crypto related investments.[23] While some fraud is committed using schemes wherein the underlying crypto-related investment itself is illegitimate, the vast majority of these fraudsters are simply using crypto-related payments as an enabling tool. Similarly, the SEC's Office of the Inspector General has recently highlighted the challenges in protecting investors from crypto-asset related fraud.[24]

The SEC's Investor Advisory Committee has also expressed concern about digital-asset based fraud, and the semi-anonymous and borderless nature of crypto transactions that make them well-suited for various illegal activities such as money-laundering and tax evasion.[25]

Beyond the SEC, other regulators are also reporting a significant increase in crypto-related complaints. For instance, in its *Cryptocurrency Fraud Report for 2023*, the Federal Bureau of Investigations (FBI) Internet Crime Complaint Center (IC3) reported receiving 69,468 complaints from the public regarding cyber-enabled crime and financial fraud involving the use of crypto, with over $5.6 billion in reported losses, constituting a 45 percent increase in reported losses since 2022. Losses from cryptocurrency-related investment fraud schemes reported to IC3 rose $2.57 billion in 2022 to $3.96 billion in 2023, an increase of 53%. Many individuals reported accumulating massive debt to cover losses from these fraudulent investments. Additionally, of the complaints submitted to the FBI IC3, the exploitation of crypto was most pervasive in investment scams, where losses accounted for 71 percent of all losses related to crypto.[26]

Similarly, the Federal Trade Commission (FTC) reported an increase in the amount that consumers reported losing to fraud, $10 billion in overall losses in 2023. The FTC also reported an increase in the amount that consumers lost to investment scams, with a 21 percent increase from 2022 to 2023, and a reported loss of $4.6 billion in 2023.[27] The second highest reported loss amount came from imposter scams, with losses of nearly $2.7 billion reported. Moreover, in its *2024 Report on Protecting Older Consumers*, the FTC acknowledged that underreporting results in an incomplete picture of the scale of the problem. The FTC estimated that overall losses due to fraud in 2023, adjusted for underreporting, was "$158.3 billion or $23.7 billion for consumers of all ages and $61.5 billion or $7.1 billion for older adults."[28] The FTC explained that those estimates are based on two different assumptions about the degree of underreporting for high dollar losses.

Separate from crypto-related investment fraud, the SEC's OIEA, NASAA, and FINRA have all warned investors that bad actors are using the growing popularity and complexity of AI to lure victims into scams.[29] The FBI has noted that "AI provides augmented and enhanced capabilities to schemes that attackers already use and increases cyber-attack speed, scale, and automation."[30] The National Security Agency (NSA), the FBI, and the Cybersecurity and Infrastructure Security Agency (CISA) warn that "[m]alicious actors, many of them likely cyber criminals, often use multiple types of manipulated media in social engineering campaigns for financial gain. These may include impersonating key leaders or financial officers and operating over various mediums using manipulated audio, video, or text, to illegitimately authorize the disbursement of funds to accounts belonging to the malicious actor."[31] Fraudsters also may use AI technology to produce realistic looking websites or marketing materials to promote investment scams, or deepfakes to deceive investors.[32]

On a global level, as INTERPOL notes in its recent *Global Financial Fraud Assessment*: "Within financial fraud, technology has emerged as the key enabling factor for criminal groups . . . The use of artificial intelligence, large language models and cryptocurrencies combined with phishing-and ransomware-as-a-service business models have resulted in more sophisticated and professional fraud campaigns without the need for advanced technical skills, and at relatively little cost."[33]

Additionally, the World Economic Forum, in its *The Global Risks Report 2024*, reports that "easy-to-use interfaces to large-scale artificial intelligence models have already enabled an explosion in falsified information and so-called 'synthetic' content, from sophisticated voice cloning to counterfeit websites."[34] The World Economic Forum also ranks AI-generated "misinformation and disinformation" as the second highest risk "likely to present a material crisis on a global scale in 2024."[35]

As the use of crypto payments in the global financial system continues to increase, our Office will continue to pay close attention to the issues surrounding digital asset-based fraud and the technologies that are used to perpetrate those frauds. Our Office will also continue to work with our SEC colleagues to encourage that disclosures related to complex investment products and services are presented in a manner that retail investors can more easily digest. Conducting investor testing on proposed financial disclosures and continuing to strive for greater comprehension of those disclosures, may help retail investors better understand their legitimate investment choices, potentially reducing the opaqueness that criminals currently exploit to their advantage.

More generally, complex investment fraud will remain a key area of focus of our Office moving forward, given the billions in investor losses. We will maintain our outreach efforts to investors (particularly retail investors), financial regulators, market participants, and other stakeholders in an effort to better evaluate the myriad issues associated with investment fraud today. We will continue to explore ways to deter investment fraud and financial exploitation from occurring in the first place, as well as possible approaches to assisting the victims of fraudulent schemes more effectively after the fraud has occurred. We will continue to evaluate pending legislative proposals in Congress that relate to investment fraud and analyze their potential impact on investors and consider whether there may be a need for additional resources, or ways to deploy existing resources more productively, in countering investment fraud. Last, we strongly encourage the greatest possible collaboration among law enforcement agencies to combat investment fraud.

RESEARCH AND INVESTOR TESTING

The Office of Investor Research (OIR) is a multidisciplinary research group that serves investors by identifying, analyzing, and addressing investors' concerns. Through its role as part of the OIAD, OIR's research on investor behavior and decision making provides an empirical basis for policy decisions, OIAD priorities, and SEC activities, ultimately helping investors succeed.

OIR provides insights on how investors and other stakeholders interact with the investment marketplace and how they are affected by SEC policy. OIR enables OIAD and the Commission to more thoroughly:

1. "Identify areas in which investors would benefit from changes in the regulations of the Commission or the rules of self-regulatory organizations;"[36]
2. Test potential policies before adoption, identifying areas in which investors would benefit from changes in regulation and allowing the Commission to "analyze the potential impact on investors of proposed regulations of the Commission. . . proposed rules of self-regulatory organizations . . . and . . . to the extent practicable, propose to the Commission changes in the regulations;"[37]
3. Conduct "retrospective analysis of rules" to help ensure that policies are working as intended;[38]
4. Study investor behavior and outcomes to "identify problems that investors have with financial service providers and investment products;"[39] and
5. Generate evidence of organizational management and efficacy, particularly regarding "outcome" performance indicators.

To accomplish these aims, OIR draws on deep staff expertise from fields including economics, finance, psychology, and judgment and decision-making. OIR staff are recognized experts in these fields who have published over 60 peer-reviewed journal articles or book chapters and have presented research at more than 100 conferences during their careers. Despite having a team of only five full-time Ph.D. researchers, OIR's team provides the SEC with expertise across broad subject matter and methodological areas.

Through the Policy-Oriented Stakeholder and Investor Testing for Innovative and Effective Regulation (POSITIER) initiative,[40] OIR's founding architecture, OIR uses its expertise for long-term research projects of fundamental importance and applied, collaborative projects with SEC teams to inform policymaking. In these endeavors, OIR designs bespoke research using a variety of research methods, drawing on extensive experience with econometric modeling, natural language processing, text analysis, experimental design, survey methods, survey sampling, qualitative interviews, and other state-of-the-art research methods. Further, projects are designed to be rapid and cost-effective.

FY 2024 was OIR's most productive year in terms of data collection: we completed 21 distinct survey projects and three qualitative studies. Adding this work to our past efforts, OIR has conducted a total of 71 surveys or experiments, 18 qualitative studies, and several analyses of market data over its lifetime (since June 2017). Multiple rulemaking documents cite our research, thereby impacting the investing public. Additionally, we engage in thought leadership to policy and academic communities, encouraging others to serve investor interests through advocacy, research, or direct outreach.

In FY 2024, highlights of our research group included:

- **Establishment of the nationally representative THRIVE survey panel to help OIR contact investors in a timely, cost-effective manner.** In the first quarter of FY 2024, we launched the nationally representative Thoughtful Households Relating InVesting Experiences (THRIVE) Panel to facilitate frequent, direct survey outreach with the public. THRIVE is a platform to help OIR conduct surveys that provide timely data on investment-related topics, and investor testing projects to inform SEC rulemaking and long-run research priorities. THRIVE was established to increase the efficiency of OIR's data collection efforts, an initiative that has already yielded results. In part thanks to THRIVE, we had 57,855 total investor contacts in FY 2024, representing more than 4 times the number of investor contacts in FY 2023.

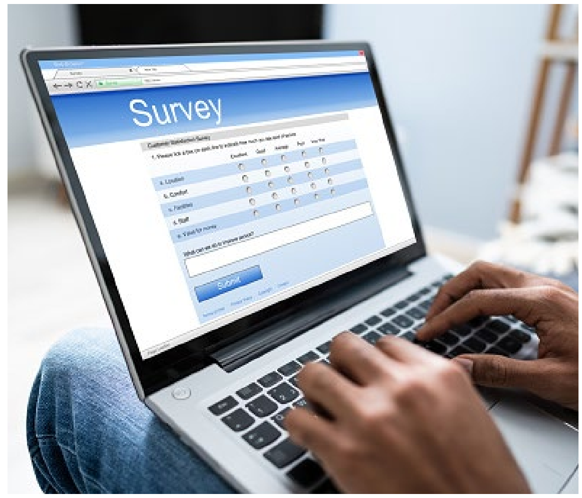
- **A rigorous research project on registered investment company fee meters to affect a potential rulemaking proposal.** In conjunction with the SEC's Division of Investment Management, OIR conducted research examining graphical displays of mutual fund expense ratios, known as "fee meters." This project built on OIR's published research, discussed in the OIAD's FY 2022 Report on Activities,[41] demonstrating that prototype fee meters could help investors viewing a set of index funds allocate a higher proportion of their hypothetical investment balance to lower-cost funds, thereby avoiding unnecessary fees. In the current work, we examined the effects of a fee meter when investors view a single fund, measuring potential impacts on knowledge of relative costs, evaluations of the fund, and interest in seeing an alternative mutual fund. This project highlights the value of long-run, iterative investor testing projects, with research leading to better-informed potential rulemaking activities.

- **A novel research project on the measurement of investor time horizons to understand factors driving reported time horizons.** Financial time horizons are a key component of the financial advice that investors receive from financial advisers and brokers. Financial advisers and brokers often collect an investor profile to determine the best investment strategy for their clients, and according to regulatory interpretation by the SEC, the investor profile should include questions to understand the client's time horizons.[42] We show that seemingly minor variation in the response options shown on time horizon questions can dramatically affect investors' answers, changing the proportion who appear to have a long-run or short-run time horizon for their financial goals. This project expands OIR's research on financial advice and raises questions about the consistency of existing time horizon elicitations, with likely downstream consequences for the quality of advice investors receive.

- **Dissemination of investor-related research in multiple communities, including through the Boulder Summer Conference on Consumer Financial Decision Making, the RAND Behavioral Finance Forum, and the Current Innovations in Probability-based Household Internet Panel Research (CIPHER) Conference.** These discussions help increase OIR's impact by raising awareness of our research, generating additional interest about investor issues among researchers and policymakers, and identifying areas of future research.

As always, OIR is aware that making financial decisions and achieving financial security remain difficult for many. We will continue to pursue research to help the public to make better investment decisions and avenues for OIR to collaborate with SEC staff on high-impact projects. We anticipate continued work on specific research areas that would benefit from additional attention: financial product information and disclosure; provision of financial advice or related communications; and investor participation, perception, and decision-making in an evolving economic environment. The rest of this year's report on investor testing presents additional details about our highlighted research projects.

A NEW SURVEY PANEL TO IMPROVE OUR UNDERSTANDING OF INVESTOR BEHAVIOR AND DECISION MAKING



In the first quarter of FY 2024, we launched the Thoughtful Households Relating InVesting Experiences (THRIVE) Panel. OIR established THRIVE to facilitate frequent, direct survey outreach with the general public.[43] THRIVE is a platform to help OIR conduct two primary activities: surveys that provide timely empirical data on investment-related topics, and investor testing projects to inform SEC rulemaking and long-run research priorities. As part of THRIVE quarterly surveys, the same 7,500 people are invited to answer recurring questions on investment decisions and household events, as well as novel questions examining contemporaneous areas of interest. For investor testing, THRIVE respondents (or subsamples of respondents) participate in custom projects designed by OIR to address rulemaking proposals or other key SEC policy needs. THRIVE is representative of the overall US population, with oversamples based on race and ethnicity to allow for subgroup analysis.

Goals of THRIVE

OIR created THRIVE as a nationally representative survey panel focused on investing and the policy interests of OIAD and the SEC. To that end, THRIVE surveys include content reflecting OIAD priorities, including (1) the content, presentation, and manner of delivery of financial product information; (2) investor experiences related to the provision of financial advice and related communications; and (3) investor participation, perception, and decision-making in an evolving economic environment.

THRIVE addresses OIR research needs in five important ways (Figure 5). First, a key responsibility of OIR is to conduct investor testing to support rulemaking. THRIVE facilitates online surveys, allowing respondents to view realistic sample elements of proposed disclosures, such as new text and visuals. Second, financial market events and policy interests can move quickly. THRIVE is designed so that OIR's research can respond rapidly to time-sensitive requests, including from the SEC and Congress. An online standing panel allows us to identify respondents who would be suitable to meet current research needs and launch studies within a matter of weeks, not months. Third, the SEC is interested in understanding how investor behavior changes over time. By surveying the same people over time, we observe individual transitions (e.g., when a non-investor becomes an investor). Fourth, THRIVE's panel structure—that is, returning to the same people over time rather than surveying new people each round—allows OIR to create and track repeated measures over time. Fifth, THRIVE provides a cost-effective way to meet OIR's research needs. Linking an individual's responses over time increases efficiency and reduces costs because relevant individuals can be targeted for surveys based on historical responses. Additionally, stable constructs that are used in many studies can be measured less frequently. As an example, the RILA research described in the Report on Activities for FY 2023[44] could have benefited from THRIVE, as it would have allowed us to identify potential respondents based on their annuity ownership and draw on previously measured constructs such

FIGURE 5. **Why did we develop THRIVE?**

Investor testing to support rulemaking	Online surveys allow us to test disclosures, showing respondents text and visuals.
Ability to respond to time-sensitive research needs	Quick survey delivery because we have already identified a sample suitable for many research projects.
Study within-household shocks and changes	By surveying the same people over time, we observe individual transitions.
Creation of metrics	By asking a repeating set of questions, we can reliably track trends and developments.
Cost-effective	Linking responses over time increases efficiency and reduces costs.

as financial literacy. "Sampling" (i.e., identifying specific people to survey) typically represents a large proportion of the total time and costs required to field a nationally representative survey. With THRIVE, we created a reusable sample, mitigating many of the costs associated with survey research.

THRIVE Builds on OIR's Experience and Expertise

THRIVE draws on the OIR team's combined research experience and expertise (Figure 6). OIR staff have dedicated their careers to studying financial decision making; however, developing a panel requires additional expertise. Over their careers, the OIR team has developed hundreds of surveys and experiments. To develop survey questions, OIR draws on best practices for measuring key concepts and testing new questions, including conducting qualitative interviews to better understand how respondents understand survey questions. OIR also has experience with statistical methods, such as development of survey weights that are used to address any imbalances in the representativeness of the panel (for example, those introduced by oversamples based on race and ethnicity).

Finally, members of the OIR team have over 10 years of experience with panel management, which provides us with expertise in all aspects of designing and maintaining a panel, including recruiting and retaining participants, analyzing potential statistical biases related to drop-out, protecting respondents' privacy, and determining whether participants' responses are conditioned by repeated surveys.

Types of Surveys

THRIVE consists of three types of surveys: baseline surveys, quarterly surveys, and custom investor testing surveys. Survey content is selected and ordered to minimize respondent burden, where possible.

There were two baseline surveys fielded in the fall of 2023. These baseline surveys were designed to provide an initial, thorough view of key investor behaviors and characteristics as well as fixed characteristics that are unlikely to change considerably over time. Baseline survey data provides ongoing value to the SEC by allowing surveys to be sent specifically to individuals with certain characteristics, ensuring future data collection is cost-effective.

FIGURE 6. **How Staff Expertise Contributes to THRIVE**

Following the baseline surveys, OIR started quarterly THRIVE surveys in January 2024. There are two sections to each quarterly survey. The first section contains key recurring content, including investment behaviors in the preceding 90 days and measures of current financial status. The second section changes across quarters and includes questions to provide a deeper understanding of a given individual's responses, or to measure concurrent topics of interest. This latter section can also include one-time modules to measure relatively stable individual characteristics that were not included in previous surveys.

In addition to baseline and quarterly surveys, THRIVE can be used for custom investor testing surveys. These surveys can take many forms but may be used inform policy making, improve research methods, or examine other areas of long-term interest.

Who is Included in THRIVE

Most THRIVE surveys, including the quarterly surveys, invite the same 7,500 people to respond. Participation rates are generally high, with approximately 6,000 people participating in each survey. This group includes both investors and non-investors, allowing us to monitor investor behavior, barriers to investing, and the transition from non-investor to investor. The THRIVE sample also oversamples Black, Hispanic, and Asian adults to ensure that we can accurately measure differences in behavior across these groups.[45] Figure 7 illustrates the demographic characteristics of the THRIVE panel.

FIGURE 7. **Summary of THRIVE Participant Demographic Characteristics**

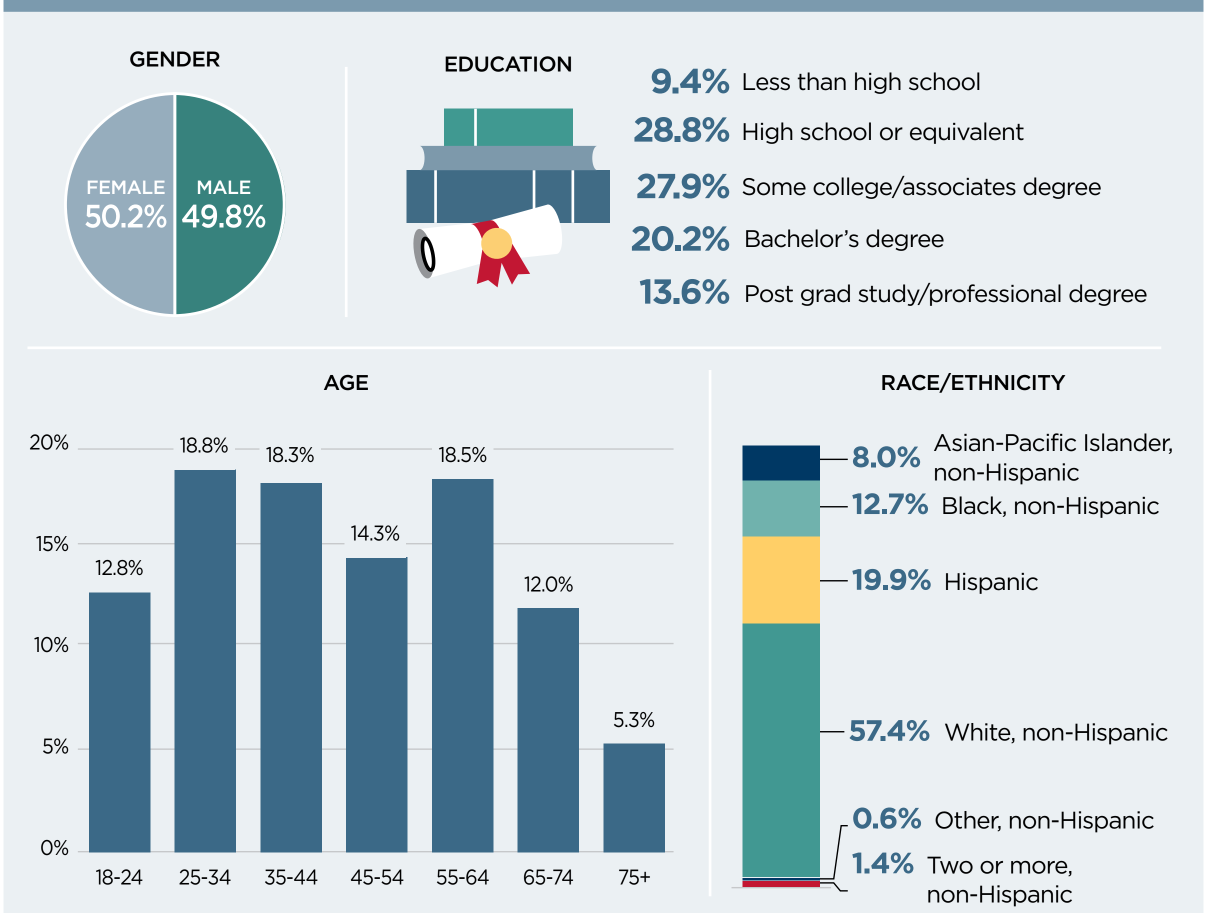
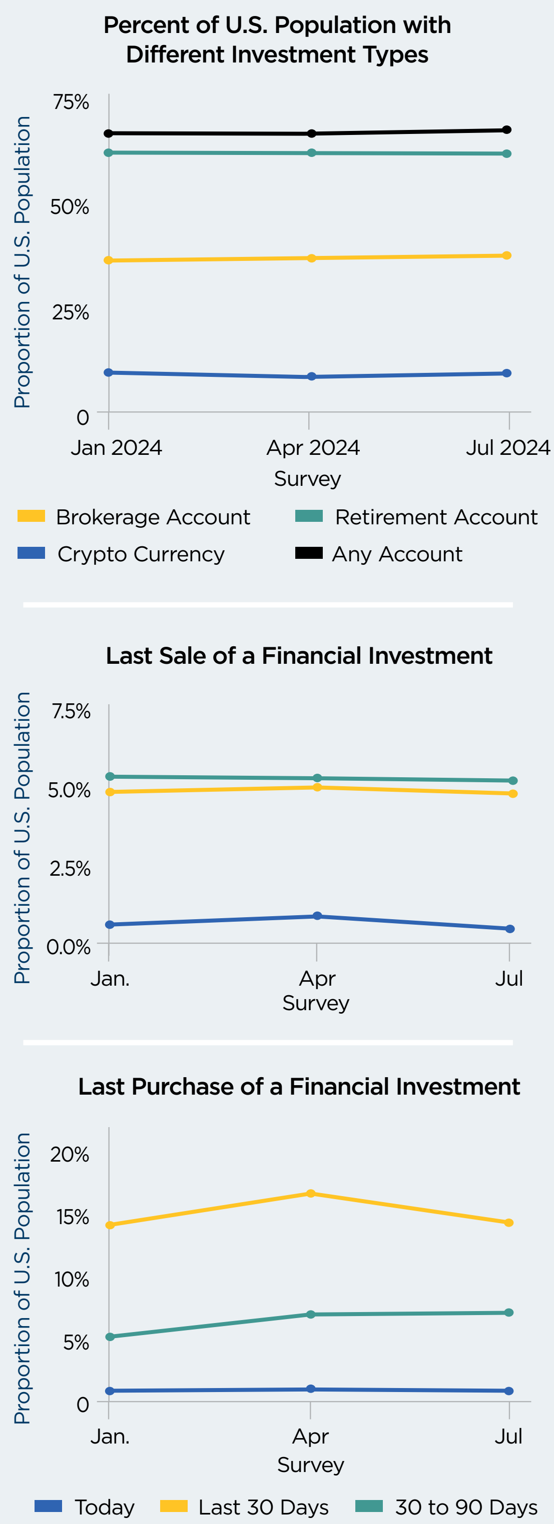


FIGURE 8. **Recent Results from THRIVE panel**



Figures show the proportion of the U.S. population buying or selling in each of the THRIVE quarterly surveys.

Initial Lessons from THRIVE

Since launching THRIVE in October 2023, seven surveys have been fielded on the THRIVE panel. These surveys have contributed to ongoing research and to our understanding of key investment behaviors. Figure 8 illustrates several of the measures that we are tracking each quarter, weighted to be representative of the U.S. population.

We find that over 60% of U.S. adults report having a retirement account, over 35% report owning a brokerage account, and approximately 10% report owning crypto currency, as shown in the top panel of figure 8. Overall, 70% report having one or more of these financial investments. These numbers are similar to those found in other nationally representative surveys. The Federal Reserve's 2022 Survey of Consumer Finance found that 54.4% report having retirement accounts.[46] The FINRA 2021 National Financial Capability Study found that 36% have brokerage accounts.[47] The Federal Reserve's 2023 Survey of Household and Economic Decisionmaking found that 6.7% reporting owning or buying cryptocurrency in the last year,[48] while Pew Research reported in 2023 that 17% had ever owned cryptocurrency.[49]

Because THRIVE surveys the same people multiple times a year, we are able to better understand changes in ownership over time. While the overall numbers suggest stability in overall ownership rates, they mask underlying changes in who owns each type of investment. As an example, over 15% of people who report owning cryptocurrency in April 2024 do not report owning cryptocurrency three months later, in the July 2024 quarterly survey. There are similar numbers of people opening new accounts, highlighting a key benefit of panel data: the ability not only to observe levels but also changes in ownership. Further research is needed to understand whose ownership is changing, and the reasons behind these shifts.

Another way of exploring ongoing investment behavior is to examine purchases or sales of assets in the last 90 days (Figure 8). In each of the surveys shown, approximately one quarter of the U.S. population reports purchasing a financial asset in the last 90 days, and approximately 10% report selling an asset in the last 90 days. The share purchasing assets almost certainly understates ongoing new contributions to retirement accounts through payroll deduction. Financial asset owners and purchasers include people from all walks of life; THRIVE is allowing OIR to better understand the behaviors of investors and non-investors alike.

The Future of THRIVE

THRIVE provides OIR with a valuable tool for monitoring investor behavior and conducting investor testing. As a custom SEC resource, THRIVE is designed specifically to yield insights across the agency. Partially due to efficiencies gained by THRIVE, we had more than 4 times the number of investor contacts in FY 2024 as FY 2023. THRIVE provided data that contributed to our study of fee meters, discussed further below, and the measurement of key investor behaviors. OIR will continue to delve into these rich data to deepen our understanding of investor behavior and decision making.

The value of THRIVE multiplies over time as we conduct interesting analyses across surveys and add future content. For instance, we can link data on asset ownership with major household events, or link information on investment advice and mutual fund knowledge to study the relationship between financial advice and beliefs about mutual fund fees.

THRIVE is more efficient than recruiting new respondents from scratch; however, it requires maintenance. Quarterly data collection means OIR staff must engage frequently to ensure that surveys are responsive to emerging SEC and OIAD needs. OIR must retain specialized staff to ensure continued quality of THRIVE, with required expertise spanning both substantive fields and methodological training. Ensuring that THRIVE can continue to provide benefits to the SEC will require sufficient funding and staffing in the years to come.

INVESTOR TESTING ON MUTUAL FUND FEE METERS

Mutual fund fee dispersion raises recurring policy and academic concerns about whether investors are paying too much for mutual funds. Over the past several years, OIR has tested various disclosures of mutual fund fees designed to make consumers aware of the importance of fees and improve their decision making about investments. In our 2022 annual report, we described this work, which was subsequently published in the *Journal of the Association for Consumer Research* in 2023.[50] In FY 2024, we continued this line of research through new testing exploring the effects of a mutual fund "fee meter."[51] The goal of a fee meter is to help investors compare fees across funds with similar objectives. Our testing uses no load mutual funds, so the only fees and costs are those reflected in the expense ratio (the percentage of an investor's assets under management that the investor has to pay to the mutual fund company annually).

Background on Price Dispersion and Potential Benefits of Shopping

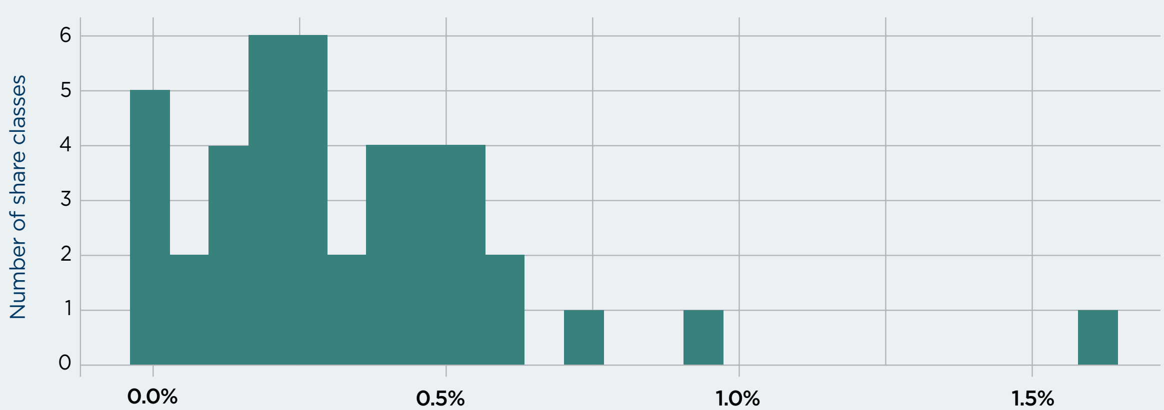
The mutual fund market is characterized by significant price dispersion—that is, some funds are more expensive than others—even when accounting for differences in investment strategy and risk. Indeed, we found that the fees on no-load non-institutional share classes for S&P 500 mutual funds in 2023 ranged from 0% to 1.61% per year (as shown in Figure 9), a pattern that has been demonstrated in past research studying historical dispersion in fees for S&P 500 index funds.[52] There is also significant fee dispersion within and across broader sets of mutual funds.[53]

It is important for investors to understand price dispersion in the mutual fund market so that they can make informed decisions about mutual funds. In particular, price dispersion across a set of funds that have a similar investment strategy and risk profile suggests that consumers who search the mutual fund market may find lower cost alternatives. Especially in the case of index funds, that seek to track the returns on an index such as the S&P 500, lower cost alternatives can provide investors an unambiguous financial benefit.

If the S&P 500 index rises by 10% in a given year, a high-fee S&P 500 mutual fund (with an expense ratio of 1.05%) would earn about 8.95% that year, whereas a low-fee fund (with an expense ratio of 0.14%) would earn about 9.86% that year. In subsequent years, investors remaining in the high-fee fund could forgo additional earnings on the money lost to fees, meaning that differences due to fees would compound over time. Continuing with our example of a 1.05% expense ratio fund and a 0.14% expense ratio fund, Figure 10 shows the difference in returns for a $10,000 investment over 10 years assuming an annual return of 10%. While the difference between these two investments is only $91 after the first year, after 10 years the difference is nearly $2,000.

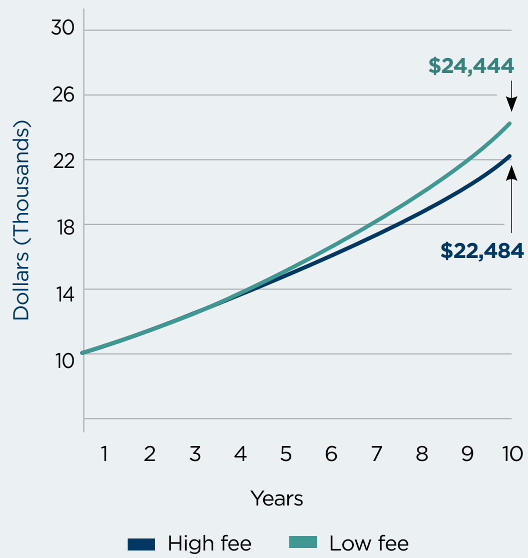
Given this background, spurring investors to search for less expensive funds could save them significant amounts of money. Past research conducted by OIR[54] suggests that fee meters may help consumers choose among a group of mutual funds, but did not explore whether providing such information for a single fund improves consumers' knowledge of relative costs and helps them decide when it is in their interest to search for a cheaper fund. The current research addresses those gaps.

FIGURE 9. **Distribution of Expense Ratios for S&P 500 Index Funds on the Market**



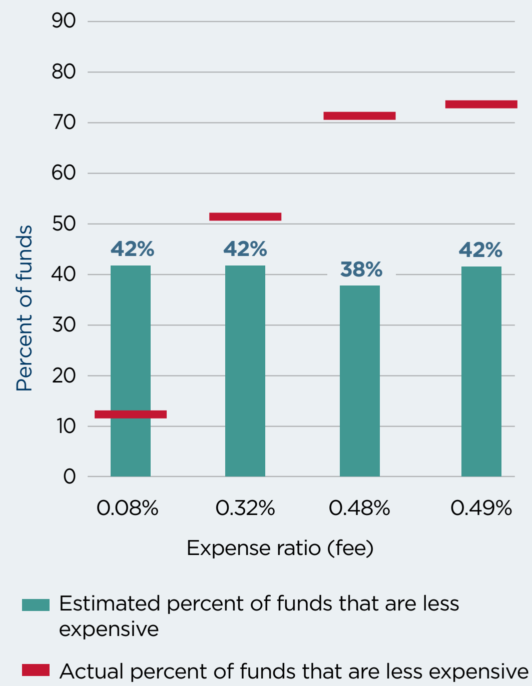
This figure shows the distribution of expense ratios for no-load, non-institutional share classes of S&P 500 index mutual funds, with each share class included separately, as of November 2023.

FIGURE 10. **Approximate Value of a $10,000 Investment Over Time Assuming a 10% Annual Return**



This figure shows how the value of a $10,000 investment changes over time, assuming a constant 10% annual return. The "high fee" line portrays an investment in a fund with an expense ratio of 1.05%. The "low fee" line portrays an investment in a fund with an expense ratio of 0.14%.

FIGURE 11. **Estimated and Actual Percent of Funds that are Less Expensive**



This figure shows estimated and actual percent of funds that are less than a given fee. For instance, participants receiving a fund with an expense ratio of 0.08% thought that 42% of funds were cheaper, on average. However, only 19% of funds were cheaper. The difference between the height of the aqua bars and the red lines therefore shows the mismatch between estimated and actual relative costs. Participants, on average, underestimate the relative cost of funds with expense ratios of 0.32% or higher.

Lesson 1. People Don't Understand the Relative Cost of Fees

Our research first sought to establish whether people are aware that a given mutual fund fee is relatively high or low. Each person viewed the expense ratio for one of four S&P 500 index funds, which varied in terms of their fees. Specifically, they were shown funds with an expense ratio of 0.08%, 0.32%, 0.48%, or 0.49%. They were then asked to estimate the percent of similar funds that had a lower fee. Figure 11 shows the average estimates provided by participants, as well as the true relative costs. Across all expense ratios, people provided similar responses. Without context, they estimated that all four example fees were roughly in the 40th percentile of cost. We found no differences in response patterns by peoples' mutual fund ownership and knowledge of mutual fund fees. These findings suggest that investors are not aware of relative costs in the mutual fund industry and that a visual aid containing this information may be helpful for investors.

The average errors (the difference between aqua bars and red lines) that we see in Figure 11 suggest that investors are most confused about relative costs for the cheapest and most expensive funds. Both errors are concerning. Investors who hold relatively inexpensive funds, but are unaware of those low costs, may be motivated to search for an alternative, but this could be a time-consuming activity with little financial benefit. On the other hand, if investors have an expensive fund but do not realize it, they are unlikely to shop around even if shopping would financially benefit them greatly.

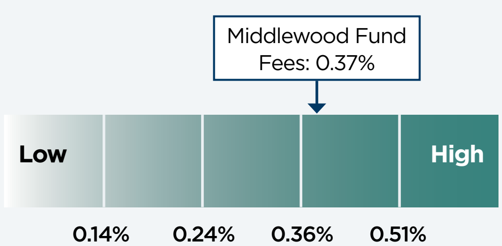
The finding that many investors are unaware of fund fee dispersion can explain why some investors hold high-cost index funds.

Lesson 2. Fee Meters Help People Understand Relative Costs

Given peoples' lack knowledge of the dispersion of fees charged by mutual funds, we next designed an experiment to see if a simple visual aid could increase awareness of which funds were more or less expensive. Over 4,000 people were provided with information about a hypothetical S&P 500 mutual fund including: the objective of the fund, fees, risk factors, and performance

People were randomly assigned to one of four different presentations of fee information: no meter (text only), a continuous meter, a discrete meter that adds category boundaries to the continuous meter, or a labeled meter that adds information about the fees at each category boundary (an example of the labeled meter is shown in Figure 12). We tested these different versions of the meter, as finding the optimal visual display requires testing such design elements.

FIGURE 12. **Example of a Fee Meter**



This figure shows an example of a labeled fee meter for a hypothetical S&P 500 index fund with a 0.37% expense ratio.

Participants were also randomly assigned to one of five fee levels: 0.14%, 0.37%, 0.50%, 0.51%, and 1.05%, which covered much of the distribution of actual costs for S&P 500 index funds as of the time of the testing. In all meter conditions, the fee assigned to the participant was shown at the appropriate location along the meter.

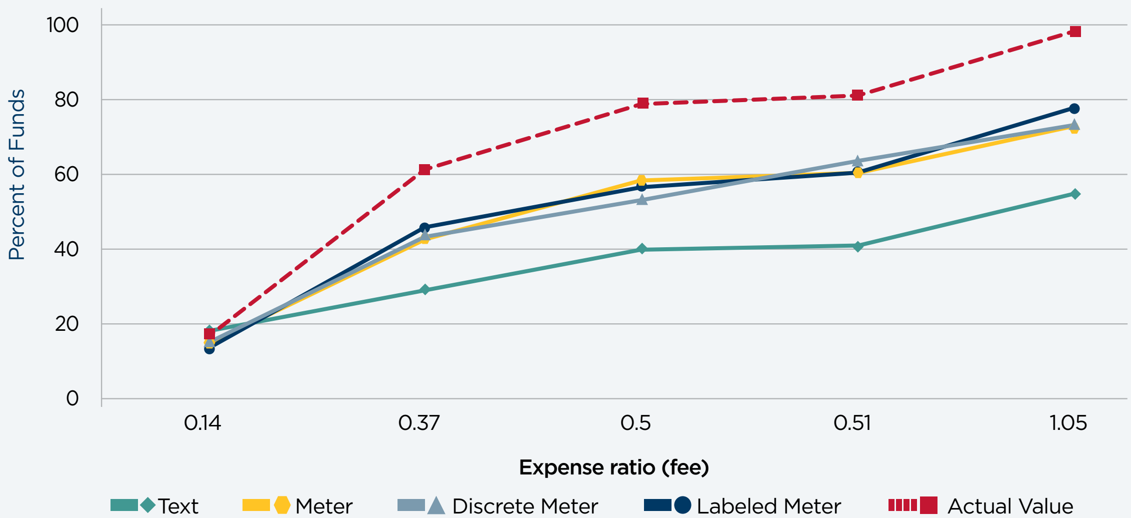
On average, people that saw any fee meter were more accurate about the relative cost of their assigned fee than those that did not see a fee meter. Figure 13 shows us that people viewing a fee meter were better able to assess the relative cost of the fund that they viewed—the gaps between the estimate (solid yellow, gray and blue lines) and true costs (dashed red line) were about half the size among those seeing a meter, versus those seeing fee information only as text (solid green line). For instance, people viewing only text information about fees estimated that a fund with a 1.05% expense ratio was more expensive than 45% of funds. With a fee meter, investors believed that fund was more expensive than 60% of funds, which is closer to the true value of 98%. While the meters increased the accuracy of these estimates, the exact characteristics of the meter (continuous, discrete, labeled) did not have a significant effect on cost percentile estimates.

Better informed investors will be able to make better decisions about their investments. Fee meters, which increase knowledge about relative costs, have the potential to help people make investment decisions that are right for them.

Lesson 3. More is Needed to Help People Translate Knowledge about Relative Costs into Behavior

In the case of index funds, those who believe that their fund is relatively expensive should be more interested in searching for a cheaper fund, whereas those who believe their fund is relatively inexpensive should be less interested in searching

FIGURE 13. **Estimated and Actual Percent of Funds that are Less Expensive for Participants Seeing Fee Information as Text or on a Meter**



This figure shows estimated and actual percent of funds that are less than a given fee. The lines represent the different experimental conditions. Each participant was in one of the following conditions: the fee in text ("Text"), a fee meter without cutoffs or labels ("Meter"), a fee meter with discrete cutoffs ("Discrete Meter"), or a meter with labels ("Labeled Meter"). For reference, the figure also provides the actual percent of funds that are less than a given fee ("Actual Value").

for a cheaper fund (as finding a cheaper fund is less likely). To measure these potential patterns, we asked participants for their interest in seeing an alternative to the fund they had been randomly assigned.

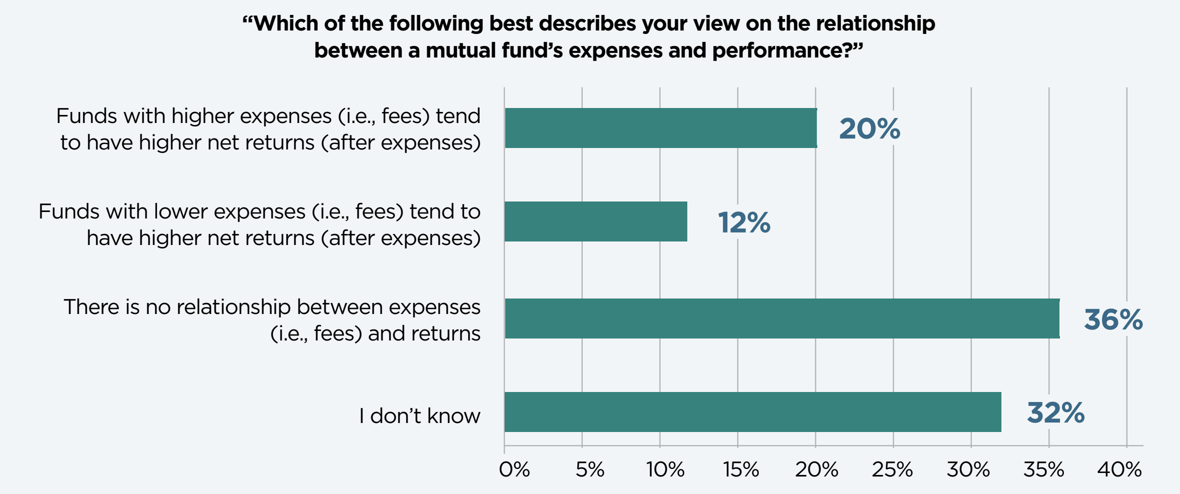
Overall, we found that there was a positive correlation between relative cost estimates and interest in seeing an alternative fund; in other words, people who thought their randomly assigned fund was expensive were more interested in looking at another option. The meters increased knowledge of relative costs, however, their impact on interest in an alternative fund was modest, suggesting frictions between knowledge of relative costs and behaviors that reduce fees paid.

OIR conducted additional analyses to delve into this relationship between relative cost estimates and interest in seeing another fund. Several factors may have contributed to the weakness of this relationship, including a lack of knowledge about the cumulative effect of fees over time and beliefs that paying higher fees could lead to higher returns.

We asked two additional survey questions to explore whether people perceive the importance of fees. First, we asked participants whether they agree or disagree with the statement "Mutual fund fees have little impact on a fund's performance in the long run." Only 26% of participants disagreed or strongly disagreed (5% strongly disagreed), suggesting that they would not be motivated to reduce fees.

We also asked participants to report their beliefs about the relationship between fees and net returns, depicted in Figure 14. Overall, 20% believe that higher fees lead to higher returns, about a third (36%) reported that there was no relationship,

FIGURE 14. **Perceived Relationship Between Mutual Fund Fees and Net Performance**



and only 12% believed that lower expenses would yield higher net returns. While this may be a noisy indicator of how investors viewed the funds offered in the experiment, it suggests some investors may have been willing to pay higher fees with the hope of achieving higher returns.

We believe that, together, these two survey questions suggest one barrier to translating between knowledge of fees and search behavior: people do not see fees as very important in determining investment outcomes. If individuals do not believe that mutual fund fees affect long-run performance, or believe that higher fee funds will yield higher returns, it is unlikely that they will seek lower-cost funds.

Summary of Findings and Discussion

This testing project demonstrates that, in the absence of additional information, consumers do not know the distribution of costs in the mutual fund market (Lesson 1). They tend to estimate that a variety of expense ratios are about the same in terms of relative costs. As these estimates hover around the 40th percentile regardless of the underlying fee, investors overestimate the cost of relatively inexpensive funds and underestimate the costs of relatively expensive funds. Providing them with comparative fee information in the form of a meter substantially improves their understanding of relative costs (Lesson 2). In turn, this improved knowledge increases interest in searching for an alternative fund. However, the increases in search were small, raising questions about the barriers that may exist to translating knowledge of relative costs into subsequent behavior (Lesson 3).

Overall, this project provides a data-driven approach to understanding potential investors' reactions to mutual fund fees and fee information. Academic research raises longstanding questions about why fee dispersion continues to exist in the mutual fund market, especially for mutual funds like S&P 500 index funds, which are arguably interchangeable except for fees. At the same time, the policy community has a longstanding interest in ensuring that investors do not pay too much for mutual funds. Our results provide an important demonstration that price dispersion persists because of lack of knowledge of fees, and that fee meters may help investors understand cost information in their investment decisions.

This research also helps illustrate the value that OIR can contribute to the SEC and broader research and policy communities, leveraging the group's expertise in crafting and conducting custom, targeted research projects on important investor issues. The research represents another step in OIR's journey to contribute to more effective disclosure policy, an important component of the SEC's broader investor protection mission. In past annual reports, we have discussed mutual fund fee meters, fee jargon, performance displays and benchmarks, and performed holistic testing on disclosures for a particularly complex product. Each project has been designed to provide targeted insights on the product or display under consideration. Together, they have promise for moving the needle on investors' overall experience with financial products.

This body of work also shows that much more can be done. In the future, we hope to continue to pursue research that reimagines investors' experiences, concentrating on what have become recurring themes in our disclosure testing—among these: that simply disclosing information does not provide meaning or context, that there may be limits to baseline financial knowledge or education that constrain the value of disclosures, and that behavioral frictions to taking action mean that investors can be informed without increasing their well-being. We look forward to continued work with SEC and academic communities on these important issues.

RESEARCH EXAMINING TIME HORIZONS

A critical component of investment decisions is their "time horizon," defined as "the number of months, years, or decades [needed] to invest to achieve [a] financial goal."[55] When giving advice, registered investment advisers are required to "make a reasonable inquiry into the client's financial situation, level of financial sophistication, investment experience, and financial goals," and use an "investment profile," typically consisting of a series of multiple choice questions, to do so.[56] According to regulatory interpretation by the SEC, time horizons are important to include in the investment profile when recommending an investment strategy. Similarly, broker-dealers are legally required to determine whether securities transactions or investment strategies are appropriate for investors, based on investor profiles that include time horizon.[57]

Given the importance of time horizons in investment advice and decision-making, the design and consistency of time horizon questions should be of interest to practitioners interested in investors' well-being. In FY 2024, OIR conducted research to explore how reported time horizons vary depending on the "response options" provided to survey respondents.[58] Specifically, we varied whether respondents saw mostly "short-run" options, which listed many potential answers focusing on the near term (e.g., "Less than a week," "The next week," "The next

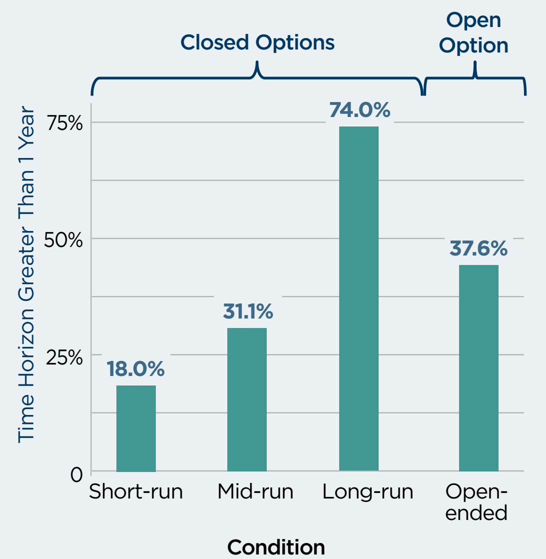
month"), or mostly "long-run" options, which listed many potential answers focusing on more distant periods (e.g., "The next 10–15 years," "The next 15–20 years," "More than 20 years"). Additionally, two other groups of respondents saw mostly "mid-run" options, with intermediate time periods, or an "open-ended" format, which allowed them to write any time period in a fill-in-the-blank format. Importantly, however, in all conditions, we designed the response options so that each set had a clear cutoff at one year, allowing us to classify all responses into longer or shorter than one year.

Lesson 1. Whether Response Options are Short-Run, Mid-Run, Long-Run, or Open-Ended Impacts Reported Time Horizons

Using a nationally-representative sample of people, we asked the following question to measure time horizons, "In deciding how much of their income to spend or save, people are likely to think about different financial planning periods. In planning your saving and spending, [which of the following time periods/what time period] is most important to you?" This question is used on many nationally representative surveys to measure financial time horizons and has been analyzed to understand use of investment products, even though the question is not restricted to investment decisions.[59]

We find that people's reported time horizons are shortest when they see short-run options, longest when they see long-run options, with mid-run and open-ended responses falling in between. When people see the set of short-run response options, they give time horizons greater than one year 18% of the time. When people see long-run response options, they report time horizons greater than one year 74% of the time (see Figure 15). Given that broker recommendations and investment advice from advisors are partially determined by time horizon questions, this research implies that

FIGURE 15. **Proportion of Respondents Reporting a Time Horizon of Greater than One Year, by Condition**



This figure shows the proportion of respondents providing a time horizon of greater than one year, depending on the response options provided to the time horizon question.

the choice of response options may dramatically change investment allocations coming from brokers and advisors.

Lesson 2. Mid-Run Responses are Closest to Open-Ended Responses, Likely Making Them the Most Accurate

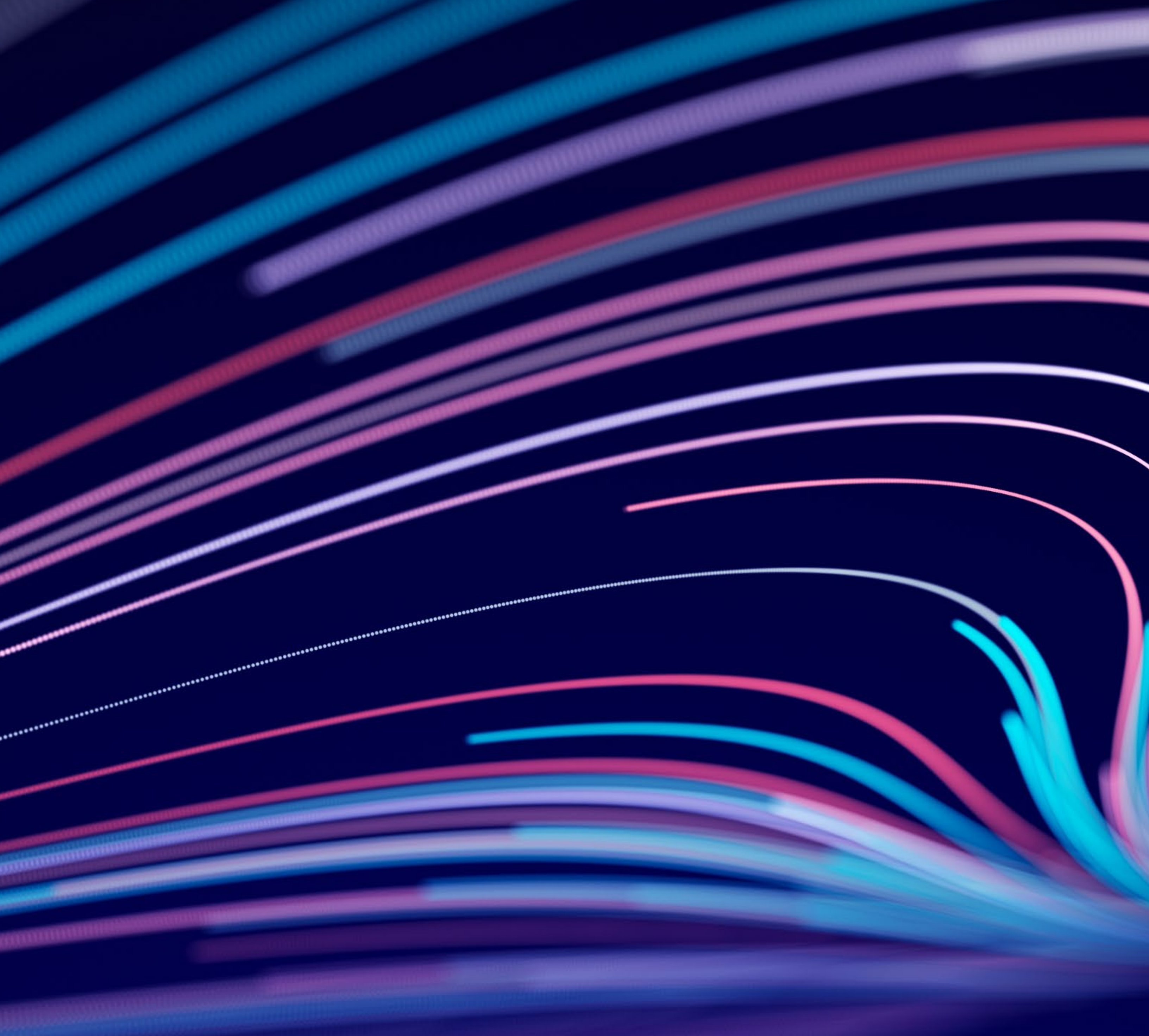
Past research generally finds that open-ended questions allow people to answer questions in the most natural way,[60] thus resulting in the most accurate estimates. Therefore, we included an open-ended condition which allowed participants to express time horizons in the way that was most natural to them. When we compare time horizons from this open-ended condition to time horizons provided in the short-, mid-, and long-run conditions, we find that those from the mid-run condition are closest to the open-ended time horizons (see Figure 15). This alignment suggests that, of the sets of response options we tested, the mid-run options result in the most accurate estimates of people's time horizons.

An alternative to the mid-run response options would be to administer the open-ended version of the question. As found in past research, however, people are more likely to skip open-ended questions, which may signal that this question is more burdensome to answer. Specifically, skip rates are roughly 3.4% for the open-ended question, versus at most 0.1% among the close-ended questions, which limits the total coverage in our data.

Discussion and Conclusion

To our knowledge, past research has not explored the time horizons used in investor profiles. On publicly posted investor profiles, we see that short time horizon options include "Immediately" to "0–5 years", while long response options vary from "10+ years" to "more than 20 years." The responses we examined in our research varied less dramatically than these profiles, yet we find a 56-percentage point difference in the proportion of respondents providing time horizons greater than one year. We therefore suspect that people's responses may be substantially impacted by the investor profile question they encounter. Having a substantially different time horizon should dramatically change an investor's optimal asset allocation, according to economic models of optimal investing behavior.[61] Such different asset allocations could substantially impact portfolio returns and risk. Yet, we do not see a strong financial justification for why variation in time horizon *response options* should impact the asset allocation recommendation investors receive.

We examined the effects of response options on time horizons using a commonly-administered question that pertains to a range of financial decisions, including saving and spending. While the results of this research should be replicated in an investment context, these results suggest that brokers and advisors could consider using the set of mid-run response options, as they result in reported time horizons that are most similar to open-ended responses. When there is some personal interaction between clients and brokers or advisors, asset allocation differences coming purely from question differences may be reduced through additional discussion of financial goals and their timelines.



“It is all too clear that we have entered a new era, where protecting individuals from financial predators will require superior tactics and greater resources.”

MESSAGE FROM THE OMBUDS

This Report on Activities warns of a looming complex investment fraud crisis that could threaten the stability of our markets, our banking systems, and our lives. Professional fraudsters prey on victims in a digital world with no borders, through anonymous crypto transactions, and with endless opportunity to exploit our dependence on social media and technology. Anyone can fall victim to complex investment fraud—irrespective of party, demographics, location, or socioeconomic status.

The exceptional scope and staggering financial impact of the current fraud crisis has been the subject of many alarming law enforcement reports and alerts. It is all too clear that we have entered a new era, where protecting individuals from financial predators will require superior tactics and greater resources. We urge Congress to provide the SEC, other financial regulators, and law enforcement agencies with the funds necessary to combat this criminal activity. Anything less than a fully resourced, coordinated strategy across law enforcement and regulatory leadership may fail to quell this rising tide of fraud.

We also urge Congress to help restore investor trust in the agencies established to protect them. In the Ombuds Office, we hear the frustrated voices of investor distrust every day. There is a fundamental disconnect between investor perception of the SEC and what the SEC does, every day, on their behalf. This disconnect could prevent us from reaching the investors who most need our help.

It has been my honor to serve as the SEC Ombuds for over two years. In this role, I am proud to have led a team that assisted thousands of investors, conducted extensive research and reported groundbreaking findings on mandatory arbitration, and to have seized every opportunity to introduce the voices of retail investors throughout the Commission. Now, as I step down from my role this December, I would like to take the opportunity to introduce the staff of the SEC to members of Congress and to the investors that we serve.

For almost ten years, I have called the SEC my professional home. The colleagues and friends I have met are among the most knowledgeable, goal-oriented, conscientious professionals I've encountered in my 20-year legal career. The work of the agency is intensely complex and continually evolving, as our markets evolve to increasing levels of complexity. But agency staff are zealous in the execution of its innumerable tasks, guided at every step by the highest levels of ethical standards. SEC staff tirelessly educate themselves on new and developing areas of law and emerging market events, products, and trends. They are, at all times, cognizant of and dedicated to fulfilling the agency's mission: to protect investors; maintain fair, orderly, and efficiency markets; and to facilitate capital formation. Fulling these obligations sometimes requires working late nights, weekends, and long hours—with no expectation of remuneration, recognition, or reward—because the work must be done to serve the public interest.

I would like to thank my SEC colleagues for their collaboration, their shared knowledge, and their assistance in fortifying the work of the Ombuds Office for the past two years. And I would like to express my profound appreciation to the Ombuds team, without whom the work of this Office would not have been possible. Your dedication is unparalleled, your integrity and courage unmatched. With your support, this tiny office has achieved outsized results for the protection of investors everywhere.

As I write this, I recognize I am leaving the best and most impactful role I might ever have. So, I save my final thank you to the Investor Advocate, Cristina Martin Firvida, for entrusting me to serve in this capacity. I will take the knowledge and the empathy gained from this experience and carry it forward throughout my career.

With gratitude to the agency that has forged me into a better lawyer and a better person, and with the hope that Congress will support the SEC in quashing the rising tide of fraud—I humbly submit this Ombuds Report on Activities for the Fiscal Year 2024.

Respectfully Submitted,

STACY A. PUENTE
Ombuds

WHO WE ARE

The Securities Exchange Act requires the Investor Advocate to appoint an Ombudsman (Ombuds) to act as a liaison for retail investors to relay their concerns and questions about the Commission and the self-regulatory organizations (SROs) the Commission oversees.[62] The Ombuds staff consists of an experienced team of lawyers, law clerks, and paralegals, each with differing subject matter expertise, all dedicated to providing personalized, tailored assistance to the retail investors that contact the Ombuds Office for help. Through direct engagement with investors, relevant parties within the Commission, and external stakeholders committed to investor protection issues, the Ombuds Office fulfills its statutory duty to help retail investors resolve issues relating to the Commission and SROs.

Among other statutory duties, the Ombuds must submit biannual reports to Congress describing the work of the office and its effectiveness in assisting retail investors.[63] This Ombuds' Report provides a look back on the Ombuds' activities for the period October 1, 2023 through September 30, 2024, and discusses the Ombuds' objectives and outlook for Fiscal Year 2025.

WHAT WE DO

As noted above, the Ombuds is required by statute to:

1. help retail investors resolve questions and complaints they may have with the Commission or with SROs the Commission oversees;
2. review and make recommendations regarding policies and procedures that encourage investors to present questions to the Investor Advocate regarding compliance with the securities laws;
3. take steps to ensure the confidentiality of investor communications with our Office; and
4. submit biannual reports to the Investor Advocate that describe the activities and evaluate the effectiveness of the Office.[64]

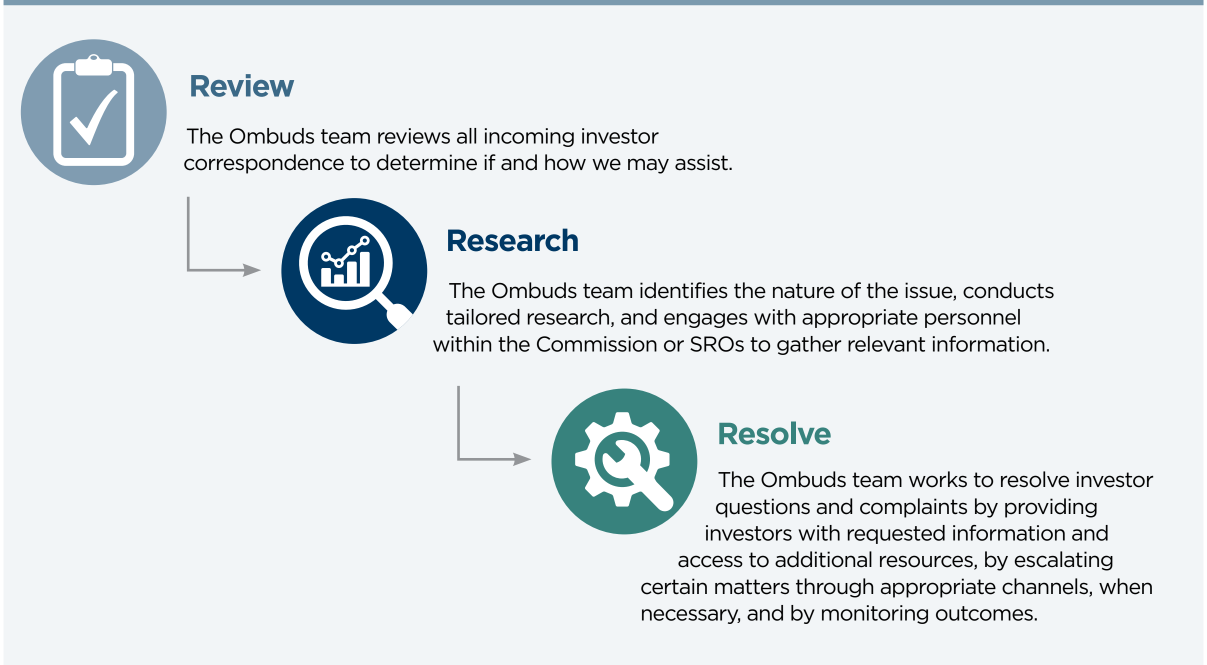
HOW WE HELP

Our primary responsibility is to assist retail investors by resolving concerns, questions, and complaints about the SEC and the SROs subject to SEC oversight. We accomplish this in several ways—most commonly by providing information, making referrals, and collaborating with other divisions, offices, and SROs about complaints that impact investor interests.

Figure 16 illustrates the process by which we receive and assist investors with their requests:

Additionally, we submit credible allegations of securities violations to the Divisions of Examinations and Enforcement for potential examination, investigation, or action. We study and report on issues of significant investor impact, assessing the effects of policies or practices on retail investors. Last, we inform the Investor Advocate and other interested parties within the Commission about trending investor protection concerns.

FIGURE 16. **The Process by Which We Receive and Assist Investors with Their Requests**



HOW TO CONTACT US

Our primary means of communication with the public is through the Ombudsman Matter Management System (OMMS), an online portal for receiving, responding to, and managing data submitted to our Office. The public can also contact us by email, telephone, and regular mail.

INVESTOR VOICES, BY THE NUMBERS

The Ombuds team maintains records in OMMS of all submissions and responses handled by our Office. Matters are assigned a label or "Primary Issue Category," reflecting the nature of the issues raised in the submission.[65]

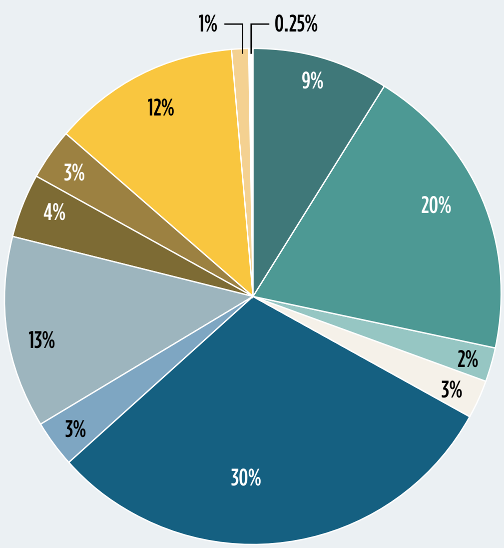
In tracking investor submissions by volume and by Primary Issue Category, OMMS may serve as an early warning system, flagging existing or potential risks for retail investors.

During the Reporting Period (October 1, 2023 – September 30, 2024), the Ombuds Office received and processed 2,772 matters submitted by U.S. and foreign investors, market participants, and other interested members of the public. Figure 17 illustrates the number of matters divided into 12 Primary Issue Categories, which are used to classify the nature of the submission.

In addition, the Ombuds team made approximately 3,390 follow-up emails, phone calls, and other forms of correspondence to resolve the 2,772 matters received—for a combined total of 6,162 contacts with or on behalf of submitters from October 1, 2023, to September 30, 2024. Figure 18 details the number of follow-up contacts with the public, separated by Primary Issue Category.

The volume of matters submitted to the Ombuds Office and the team's efforts to resolve these matters continue to grow over time. The total number of matters received in FY24 (2,772) increased by six percent from FY23 (2,605). More notably, the total number of contacts in FY24 (3,390) marked a 20 percent increase from the number of contacts in FY23 (2,829). The growth in both metrics suggests two potential conclusions: (1) the public is more aware of the SEC Ombuds function, and more frequently contacts the Ombuds Office to resolve their questions, complaints and concerns; and (2) the matters received by the Ombuds team are increasing in complexity as well as number, requiring the Ombuds team to resolve these matters through a greater number of contacts on the public's behalf.

FIGURE 17. **Matters by Primary Issue Category, October 1, 2023 – September 30, 2024**

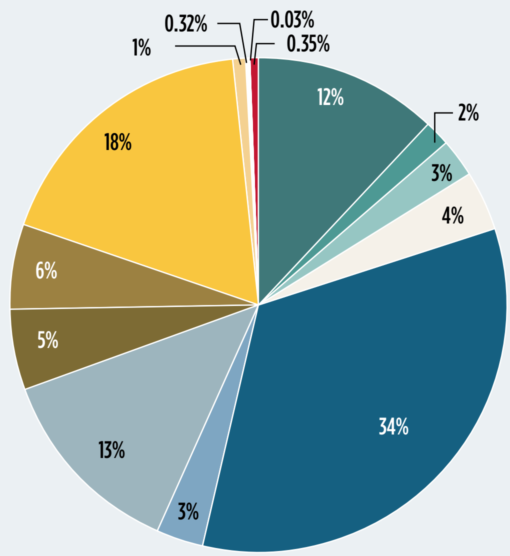


- Allegations of securities law violations (247)
- Atypical matters (543)
- Inquiries about corporate disclosure/ registration (57)
- FINRA Complaints/Questions/Procedures (74)
- Investor Account matters: (840)
- Investment products- questions/complaints (82)
- Non-SEC/Other matters (351)
- SEC Investigations/Litigation/Enforcement Actions (111)
- SEC/Other Impersonators (91)
- Other SEC Questions/Complaints (340)
- Other SRO Complaints (29)
- Potential Organized Campaign (7)

Total 2,772

We note, for example, that Fiscal Year 2024 saw the creation of a new primary issue category for "SEC/ Other Impersonators." This category was created in response to an influx of matters where the SEC's or other regulator's seal, and/or the name or signature of a real or purported SEC or other regulator employee were fabricated as part of a fraudulent scheme. Given the sensitivity surrounding these matters, they involve specific processing and

FIGURE 18. **Contacts by Primary Issue Category, October 1, 2023 – September 30, 2024**



- Allegations of securities law violations (408)[66]
- Atypical matters (61)
- Inquiries about corporate disclosure/ registration (85)
- FINRA Complaints/Questions/Procedures (130)
- Investor Account Matters: (1,136)
- Investment Products-Questions/Complaints (110)
- Non-SEC/Other Matters (431)
- SEC Investigations/Litigation/ Enforcement Actions (175)
- SEC/Other Impersonators (195)
- Other SEC Questions/Complaints (606)
- Other SRO Complaints/Questions/Procedures (30)
- Potential Organized Campaign (11)
- Securities Laws/Rules/Regulations (1)[67]
- SEC Questions/Complaints (12)

Total 3,390

require a greater degree of correspondence with the submitter and other offices within the Commission. In FY24, our Office handled 91 matters involving the fraudulent impersonation of an SEC or other regulatory employee, including one impersonation of the SEC Ombuds.

The Ombuds Office continues to receive an increasing volume of complaints alleging fraud and other securities law violations. Such submissions increased by 28 percent from 2022 to 2023, and by 41 percent from 2023 to 2024,[68] with most of the complaints involving crypto investments in some manner. Unfortunately, these matters are generally reported to our Office *after* the fraud has occurred, when it is too late to prevent them. We do our best to assist these investors, but there is often no recourse. We can only listen to their stories and offer information to prevent them from being victimized again in the future.

In the following section of our Report, we share our understanding of the factors driving the expansion of these crimes, along with a snapshot of the fraud experience on a personal level. This section is based on reputable external sources as well as our own interactions with the investors we assist every day.

THE ONGOING FIGHT AGAINST FRAUD

Federal regulators—including the SEC—have witnessed a major proliferation in reported investment fraud schemes over the past several years.[69] Most of the fraud-related complaints the Ombuds Office receives involve fraudulent crypto investments initiated through social media contacts that later develop into relationship confidence scams. The types and sophistication of scams and scammers have evolved over time, revealing a nascent, global fraud industry with vast potential to invade and disrupt international securities markets.

Same game, new playbook, no rules

It is well-known among law enforcement and regulators that criminals are quick to adopt new strategies and technologies. The launch of crypto and crypto investments has unfortunately resulted in the somewhat predictable emergence of crypto investment scams. The SEC's Office of Investor Education and Advocacy has emphasized the inherent risks in crypto-related investments, which can be anonymous and difficult to trace (often across international borders), making it unlikely that the SEC or other regulators can recover lost investments.[70] This makes crypto an ideal vehicle for criminal activity. Perhaps the most unsettling aspects of these crimes are the professionalized manipulation of victims and the industrial scope of the criminal operations.

Fraud has become an industry, in part, due to organized crime syndicates' investment in "fraud factories," high-security compounds located in countries where the rule of law is weak, and the ill-gotten gains give rise to a lucrative "shadow economy" that thrives outside the scrutiny of regulation.[71] Research has shown that many individuals acting as scammers are doing so unwillingly, and are, themselves, victims of the fraud industry.[72] Criminal syndicates target desperate, unsuspecting job seekers with fake job ads, inducing them to accept employment abroad. Upon arrival in the foreign country, their passports are confiscated, they are forced to participate in the fraud schemes, and they are not permitted to leave.[73] They must follow scripts and processes that have been refined over time to psychologically manipulate targets into relinquishing their money. If the scammers fail to defraud their targets, they are subjected to coercive and abusive punishments.[74] The horrors experienced by the human trafficking victims are well-documented, beyond comprehension, and beyond the scope of this report. However, international human rights groups are actively pursuing means to stop the flow of this exploited labor, which could ultimately curb the expansion of the fraud industry.[75]

The script

Investors that contact our Office for assistance regularly report that the fraud began with a single contact on social media or text: a question, a photograph, an invitation to connect. If the investor replies, fraudsters use various forms of psychological manipulation and intense, frequent communication to cultivate an intimate relationship with their intended victim. In this early stage, fraudsters might "love bomb" their targets, showering them with praise and affection to quickly establish trust and attachment.

Scammers generally portray themselves as financially successful—success that they attribute to profitable cryptocurrency trades. The scammer may describe the cryptocurrency investments as one facet of their life and focus on other details of his life to appear trustworthy—such as concerns about family relationships, or hobbies. By casually referencing the crypto investment without soliciting the victim's participation, the victim generally accepts the scammer's claim about the investment's profitability without feeling the need to confirm the truthfulness of the claim.

The investor also shares information about their life with the scammer—their current financial situation and goals, information about family and friends, and the values that motivate them. As the scammer draws the victim into their confidence, they begin to use the investor's personal information against them, often convincing them to reject loved ones who might question the legitimacy of their relationship or the eventual crypto investment.

Closing the deal

Once the scammer believes they have successfully earned the victim's trust, they will use other manipulative tactics, such as guilt, fear of missing out, or threatening to exit the relationship to coerce them to invest in the same "profitable" crypto investment through the same "investment group," typically beginning with a low dollar amount paid into a crypto wallet. The scammer will show the investor lucrative but fake returns and convince them to invest more money in the scheme. Some investors report they would have never considered cryptocurrency investments, but for their trust in the relationship and the "evidence" of large returns.

Eventually, the investor enters the final phase of the scheme when they unsuccessfully attempt to withdraw their earnings. The "investment group" requires that they pay "taxes" or "commissions" before their funds can be released. The scammer portrays the demands as routine and might use the investor's personal information to suggest other resources with which to pay the fees: loans from family members, liquidating retirement accounts. Our team has spoken to investors at this stage who are nervous about the investments, and we have confirmed that the investments were fraudulent. Nevertheless, some investors were so swayed by the scammer that they still paid the "taxes" or "commissions."

The crypto investment firm delays release of the funds by continuing to demand additional payments. Eventually, the investor realizes they cannot recover any "returns" or even their initial investment amount. Communications with the scammer terminate along with the valued relationship.

Revictimization: recovery fraud

Unfortunately, there is often another layer to the scheme: recovery fraud. "Recovery firms," purporting to be experts in cryptocurrency tracking, promise they will recover some or all a defrauded investor's lost funds. They might contact victims on various social media or messaging platforms or advertise their fraudulent recovery services in online news articles. The victims, desperate to recoup their losses after the scam, will pay the recovery firm to get their money back, not realizing the "recovery firm" might be involved in the initial fraud scheme. If anything, the firm might produce an inaccurate tracking report or submit a boilerplate letter to a regulator. Sadly, the investors hoping to recover their initial losses are defrauded yet again.

Our Office has received numerous boilerplate submissions from so-called recovery firms, and we have discussed these submissions with the Division of Enforcement. Through our team's research, we discovered that a number of these submissions were drafted by the same recovery firm, purporting to be a consumer advocacy group assisting defrauded investors.

The aftermath

Our Office has counseled individuals who have lost everything and are in debt after a lifetime of saving. In the end, scammers abscond with more than investors' hard-earned money; they rob investors of their sense of security and well-being. Victims report feelings of profound loss at the betrayal and disappearance of their friend or lover. They regularly discuss their feelings of embarrassment for being deceived, and their regret for not heeding the warnings of family and friends. They have expressed fear of punishment from loved ones for engaging in a relationship that might be viewed as a betrayal.

Media portrayals of fraud victims as naïve reinforce those negative feelings and discourage them from reporting the crime. Such portrayals also make it less likely for the general population to recognize that *anyone* could be the victim of an investment fraud scheme. Indeed, many of the victims assisted by our Office hold advanced degrees or own their own successful businesses, believing that their sophistication would have protected them from being defrauded. Educated, affluent individuals are often targeted in these schemes because of their financial success. They often report being *aware* of investor education efforts and news reports about investment fraud schemes. Yet investor education can only go so far. Scammers embed themselves so deeply in targets' lives that targets are unable to imagine the betrayal.

Outlook

The growing profitability of the fraud trade and the availability of exploited labor will predictably lead to an increasing number of victims absent aggressive, consolidated intervention from regulators and law enforcement. As discussed throughout this Report, such intervention is necessary on a global scale to stop the financial and emotional losses associated with fraud, and to stop the human suffering associated with the fraud enterprise.

ENGAGING WITH THE PUBLIC

Investor Advocacy Clinic Summit 2024

On Friday, March 1, 2024, the Ombuds Office hosted the fifth annual Investor Advocacy Clinic Summit at the SEC Headquarters. The event, held in person for the first time since 2019, was attended by over 170 guests and was livestreamed on the SEC's website to nearly 1,000 viewers. Joined by the Office of Investor Education and Advocacy and the

INVESTOR ADVOCACY CLINIC SUMMIT 2024. **Engagement**

Office of Minority and Women Inclusion, the event highlighted the work of the law school clinics and emphasized the need for additional law school clinics in underserved parts of the U.S. Due to funding and other constraints, the number of law school clinics has dwindled from a peak of 25 to 10. There are currently no clinics operating west of Chicago, and only one clinic exists south of Washington DC, leaving investors in most of the geographic U.S. without access to the unique and valuable *pro bono* services these clinics can provide.

Prior to the official Summit, clinic directors held a roundtable to discuss the benefits of securities industry clinic experience for their students, their law schools, and their communities. During the Summit, all 10 active law school investor advocacy clinics engaged with SEC subject matter experts on the issues facing retail investors and their experiences in securities industry arbitrations. Participating law schools included (in alphabetical order): Benjamin N. Cardozo School of Law, Cornell Law School, Fordham University School of Law, Howard University School of Law, Northwestern Pritzker School of Law, Pace University School of Law, Seton Hall University School of Law, St. John's University School of Law, University of Miami School of Law, and the University of Pittsburgh School of Law.

The event featured remarks from SEC Chair Gary Gensler, Commissioners Hester Peirce and Jaime Lizárraga, as well as remarks from Richard Berry, the Director of Financial Industry Regulatory Authority (FINRA) Dispute Resolution Services, Cristina Martin Firvida, the SEC's Investor Advocate, Richard Best, former Director of the SEC's Division of Examinations, Eric Gerding, Director of the SEC's Division of Corporation Finance, Gurbir Grewal, Director of the SEC's Division of Enforcement, and William Birdthistle, former Director of the SEC's Division of Investment Management (in order of appearance). Keynote remarks were delivered by Nicole Iannarone, then-Chair of FINRA's National Arbitration and Mediation Committee and Professor of the Drexel University Kline School of Law.

Additional Engagement Activities

In addition to the Summit, Ombuds staff participated in numerous external and internal engagements throughout the fiscal year with the goal of improving our service to retail investors, and informing others about the services we provide. With the Investor Advocate, we met with a college investment club about the investment preferences of new investors. Pursuant to our ongoing focus on investor fraud, our team met with investor protection groups and other federal agencies to discuss ways to prevent fraud before it occurs. At the NASAA Senior Issues Commission Annual Meeting, we discussed with other regulators and industry members the biggest challenges facing senior investors today—including online scams and investment fraud. We furthered our commitment to the law school investment advocacy clinics by attending the Securities Arbitration Roundtable at Fordham Law School, where we listened to clinic directors' concerns about their ability to meet the needs of their clients. In July, representatives of the Ombuds Office attended the Commodity Futures Trading Commission's (CFTC's) first Fraud Disruption Conference, focused on financial confidence scams and how to prevent them. Ombuds staff also continued its periodic meetings with the Coalition of Federal Ombuds and the Public Investors Advocate Bar Association (PIABA).

Endnotes

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64 Exchange Act Section 4(g)(8)(B),(D), 15 U.S.C. § 78d(g)(8)(B),(D).

65 The 12 Primary Issue Categories can be defined as follows:

1. *Allegations of Securities Law Violations*: Investor alleges that an individual, firm, or entity has violated or is violating the U.S. securities laws.
2. *Atypical matters*: Matters of undetermined or harassing nature.
3. *FINRA Complaints/Questions/Procedures*: Questions or complaints relating to a FINRA investigation or arbitration, a FINRA employee, or about FINRA rules, policies, or procedures.
4. *Inquiries about Corporate Disclosure/Registration*: Questions about SEC filings and other matters relating to corporate disclosure.
5. *Investment Products—Questions/Complaints*: Questions or complaints about a specific type of investment product.
6. *Investor Account Matters*: Questions or complaints relating to a retail investor's personal investments or finances.
7. *Non-SEC/Other Matters*: Questions or complaints about issues that do not fall within the SEC's jurisdiction.
8. *Other SEC Questions/Complaints*: Questions or complaints about the SEC, including its policies, procedures, rules, and employees.
9. *Other SRO Complaints/Questions/Procedures*: Questions or complaints relating to the policies, procedures, or rules of an SRO other than FINRA.
10. *Potential Organized Campaign*: Submission appears to be part of a coordinated effort by multiple individuals to contact the Ombuds' Office about the same issue.
11. *SEC Investigations/Litigation/Enforcement Actions*: Questions or complaints about SEC investigations, litigation, or other related issues, such as distributions.
12. *SEC/Other Impersonators*: Complaints about SEC or SRO impersonators, and complaints involving fraudulent use of the SEC or SRO seal.

66 Effective October 1, 2023 (FY2024), the primary category label used for allegations of fraud or securities law violations ("Allegations of Securities Law Violations/Fraud") became "Allegations of Securities Law Violations," which encompasses fraud. During fiscal year 2024, three matters reflecting the prior primary category label were reopened and processed by staff. Because these matters appropriately fit the new label, "Allegations of Securities Law Violations," we have included them in the count for that primary category in fiscal year 2024.

67 The primary issue categories "Securities Laws/Rules/Regulations," and "SEC Questions/Complaints" were assigned to matters created before the establishment of the current primary issue categories. These older matters were reopened in fiscal year 2024. *See* n. 66, *infra*.

68 The Ombuds Office received ninety-one matters involving SEC or other impersonators in fiscal year 2024, virtually all of which involved fraud. To obtain a more accurate reflection of the volume of fraud complaints for this calculation, we have combined the number of SEC/other impersonations (ninety-one) with the number of allegations of securities law violations (247), for a total of 338 reported allegations of fraud and other securities law violations. This number reflects a 41% increase over the 240 allegations of fraud and securities law violations received in fiscal year 2023. See SEC, Office of the Investor Advocate, *Report on Activities, Fiscal Year 2023*, at 35 (Dec. 5, 2023), https://www.sec.gov/files/2023-oiad-annual-report.pdf.

69 *See* Report, *infra*, at 10-13.

70 *See* SEC, Office of Investor Education and Advocacy, *Investor Bulletin: Initial Coin Offerings* (July 25, 2017), https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins-16; *See also* Lori Schock, Director, SEC, Office of Investor Education and Advocacy, *Thinking about Buying the Latest New Cryptocurrency or Token?*, https://www.investor.gov/additional-resources/spotlight/directors-take/thinking-about-buying-latest-new-cryptocurrency-or (last visited Sept. 6, 2024).

71 *See generally* Friedrich Schneider & Dominik Enste, *Hiding in the Shadows: The Growth of the Underground Economy*, International Monetary Fund (2002), https://www.imf.org/external/pubs/ft/issues/issues30.

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