

April 8, 2021

The Honorable Maxine Waters
Chairwoman
House Committee on Financial Services
2129 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairwoman Waters:

In recent years, the rate of participation by retail investors in the American capital markets has continuously increased. In fact, retail investors accounted for 25 percent of all trades on the busiest trading days of 2020.¹ As our economy continues to recover and as the major U.S. indexes build on their robust 2020 performances, it is clear that everyday Americans recognize our capital markets as a vehicle for helping them achieve the American Dream.

Yet, with the increase in retail investment participation has come an increase in the number of bad actors, such as fraudsters, hackers, and other predators, who are exploiting this increased activity for their benefit. To ensure that our capital markets are secure and everyday investors are protected, the Committee should prioritize a hearing exploring the predominant types of fraud and financial exploitation used by bad actors, and strategies to prevent them.

Experts have recently noted an increasing number of Ponzi schemes, with over 600 such schemes uncovered in the last decade and three to ten new schemes reported each month.² The latest schemes target those who believe they missed out on the substantial stock market gains over the last few years and are eager to catch up.³

Criminals are financially exploiting older adults through scams and cyber-attacks: roughly five million older Americans are victims of financial scams every year, losing an estimated \$36.5 billion annually.⁴ Likewise, the retirement industry has seen an increase in cyber

¹ Sonali Basak, *Citadel Securities Says Retail is 25% of the Market During Peaks*, BLOOMBERG, July 9, 2020, <https://www.bloomberg.com/news/articles/2020-07-09/citadel-securities-says-retail-is-25-of-the-market-during-peaks?srnd=markets-vp&sref=qvWfRb7L>.

² Paul Sullivan, *A Bigger Risk Than GameStop? Beware the Ponzi Scheme Next Door*, N.Y. TIMES, Feb. 5, 2021, <https://www.nytimes.com/2021/02/05/your-money/ponzi-schemes-stock-market.html>.

³ *Id.*

⁴ Nick Leiber, *How Criminals Steal \$37 Billion a Year from America's Elderly*, BLOOMBERG (May 3, 2018) <https://www.bloomberg.com/news/features/2018-05-03/america-s-elderly-are-losing-37-billion-a-year-to-fraud?sref=qvWfRb7L>.

theft of personal information and savings in recent years.⁵ In response to data breaches across several industries, the Government Accountability Office recently issued a report recommending that “industry and government prevention and mitigation efforts evolve to keep pace with these threats” and noting that a single cyber-attack could result in “enormous losses of both personally identifiable information and plan assets.”⁶

GAO’s findings are consistent with a report issued by Republican staff in January 2021, which described how cybercriminals and malicious actors adapted their tactics to leverage the COVID-19 pandemic to attack systems at government agencies and financial institutions.⁷ The report found increased cyberattacks targeting Americans working remotely, and a proliferation in pandemic-themed scams.

This Committee should do our part to stand up for everyday investors by more closely examining the various ways in which fraudsters, scammers, and hackers prey on American investors. I respectfully request that you schedule a hearing, or hold a series of hearings, on these important issues as soon as possible, and I look forward to working with you throughout the 117th Congress to protect Americans attempting to build wealth and save for the future.

Sincerely,

A handwritten signature in blue ink that reads "Patrick McHenry". The signature is fluid and cursive, with the first name "Patrick" and last name "McHenry" clearly legible.

Patrick McHenry

⁵ Anne Tergesen, *Retirement Planning Gives Bigger Role to Theft Prevention as Risks Lurk Online*, WALL ST. J. (Feb. 12, 2021) https://www.wsj.com/articles/retirement-planning-gives-bigger-role-to-theft-prevention-as-risks-lurk-online-11613125801?mod=article_inline.

⁶ See GAO, *Defined Contribution Plans: Federal Guidance Could Help Mitigate Cybersecurity Risks in 401(k) and Other Retirement Plans*, GAO-21-25 (Feb. 2021).

⁷ H. Comm. on Fin. Services Republican Staff Report: *Securing the New Normal: An Examination of Cybersecurity Issues Related to Remote Work and the Transition to a Digital Supervisory Relationship*, 117th Cong. (Jan. 11, 2021), https://republicans-financialservices.house.gov/uploadedfiles/final_report_clean_2021-01-11_13_41_11.pdf.