



December 5, 2025

The Honorable John Thune (R-SD)  
Majority Leader  
U.S. Senate  
Washington, DC 20515

The Honorable Charles Schumer (D-NY)  
Minority Leader  
U.S. Senate  
Washington, DC 20515

The Honorable Mike Johnson (R-LA)  
Speaker  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Hakeem Jeffries (D-NY)  
Democratic Leader  
U.S. House of Representatives  
Washington, DC 20515

RE: NASAA Urges Congress to Oppose a Federal Ban on State Artificial Intelligence Laws

Dear Congressional Leaders:

On behalf of the North American Securities Administrators Association, Inc. (“NASAA”),<sup>1</sup> I write to applaud lawmakers’ decision to exclude from the National Defense Authorization Act a federal ban on the enforcement of state artificial intelligence (“AI”) laws. Further, I urge Congress to not enact any ban on the enforcement of state AI laws. Such a ban would leave Americans at greater risk of falling victim to online scams and would hinder states’ ability to foster innovation by adapting laws to emerging technologies.<sup>2</sup>

## **I. Preempting States Would Expose Americans to AI-Powered Scams**

A federal ban would place Americans at an increased risk of falling victim to online scams, including investment fraud. There is substantial evidence that AI is being used, and actively exploited, to facilitate scams:

- In 2024, the Federal Bureau of Investigation (“FBI”) Internet Crime Complaint Center issued a public service announcement that criminals are using AI-generated text, images, audio, and video to perpetrate financial fraud, contributing to the \$50.5 billion lost to online scams over the past five (5) years.<sup>3</sup>

<sup>1</sup> NASAA’s membership includes state securities and commodities regulators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and Guam, as well as regulators from Canada and México.

<sup>2</sup> These concerns echo those raised in our previous letters to Congress. See NASAA, [NASAA Cautions Against Decade-Long Moratorium on Enforcing State Artificial Intelligence Laws or Regulations](#) (May 16, 2025). See also NASAA, [NASAA Continues to Caution Against Moratorium on Enforcing State Artificial Intelligence Laws or Regulations](#) (Jun. 10, 2025).

<sup>3</sup> See FBI Internet Crime Complaint Center, [Criminals Use Generative Artificial Intelligence to Facilitate Financial Fraud](#) (Dec. 3, 2024). See also FBI Internet Crime Complaint Center, [2024 Internet Crime Report](#) (Apr. 2025).

- In each of the past three (3) years, U.S. NASAA members have reported a steady number of cases involving the misuse of AI. Most involved “AI washing,” where perpetrators falsely claim their trading tools use AI or imply that AI is improving investment outcomes.<sup>4</sup>

As NASAA members, we are actively raising awareness of the threats that AI will or may present to investors and other capital markets participants. In 2024, we worked with the U.S. Securities and Exchange Commission (“SEC”) and the Financial Industry Regulatory Authority to publish an investor alert, warning that bad actors are using the growing popularity and complexity of AI to lure victims into scams.<sup>5</sup> This year, we highlighted the misuse of AI as a top threat to retail investors.<sup>6</sup>

We also provide guidance to state-registered investment advisers on important compliance matters.<sup>7</sup> In 2025, NASAA’s Investment Adviser Section Resources and Publications Project Group, comprised of about 10 state securities regulators, published a compliance resource setting forth risks and challenges associated with the use of AI and common compliance considerations in part to help protect the clients they serve.<sup>8</sup>

Given both the potential benefits of the responsible use of AI as well as emerging threats through its misuse, it would be unwise to disarm states of their ability to craft and enforce AI-related policies. Maintaining state authority ensures regulators can respond quickly and decisively, protecting investors and benefiting all Americans.

## **II. Preempting States Would Make It More Difficult for the States to Adapt to Innovations in Financial Services**

A federal ban would also weaken states’ historical role as laboratories of regulatory innovation, especially in rapidly evolving technological landscapes. Preempting states in the AI space could remove incentives for developing new policies and deprive federal policymakers of valuable insights gained from state-level experimentation.

Similarly, preemption could create challenges for states and industry members, including investment advisers and broker-dealers that are only registered with the states. As these intermediaries explore new AI applications to serve small businesses and investors, states may need to adapt laws and regulations accordingly. A federal ban would risk slowing this process, limiting the states’ ability to respond effectively to technological advances.

## **III. Conclusion**

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<sup>4</sup> See NASAA, [NASAA 2025 Enforcement Report](#) (Oct. 2025), at 7.

<sup>5</sup> See NASAA, [NASAA Investor Alert: Artificial Intelligence \(AI\) and Investment Fraud](#) (Jan. 25, 2024).

<sup>6</sup> See NASAA, [NASAA Highlights Top Investor Threats of 2025](#) (Mar. 6, 2025).

<sup>7</sup> For an explanation of the SEC’s versus the states’ authorities over these intermediaries, see Zachary T. Knepper and A. Valerie Mirko, Securities Regulation, in *State Attorneys General Powers and Responsibilities*, 4th ed. (2019). See generally NASAA, [NASAA Calls on the Federal Government to Leverage the State-Federal Partnership that Fosters Innovation and Mitigates Fraud in Our Capital Markets](#) (May 29, 2025).

<sup>8</sup> See NASAA, [Compliance Matters: Using AI: Risks and Compliance Considerations](#) (accessed Dec. 5, 2025).

Thank you for your time and consideration. Should you or your colleagues have any questions, please do not hesitate to contact Kristen Hutchens, NASAA's Director of Policy and Government Affairs, and Policy Counsel, at [khutchens@nasaa.org](mailto:khutchens@nasaa.org).

Sincerely,

A handwritten signature in black ink that reads "Marni Rock Gibson". The signature is written in a cursive, flowing style.

Marni Rock Gibson  
NASAA President

CC: Members of the U.S. Senate and U.S. House Committees on Armed Services