



NASAA

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION

Federal Policy Agenda

Last Updated February 12, 2025

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About NASAA

Organized in 1919, the North American Securities Administrators Association (“NASAA”) is the oldest international organization devoted to investor protection. NASAA is a voluntary association whose membership consists of the securities regulators in the 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands (collectively referred to below as “state securities regulators”), as well as the 13 provincial and territorial securities regulators in Canada and the securities regulator in México. In the United States, NASAA is the voice of state securities regulators that protect investors, promote responsible capital formation, and support inclusion and innovation in the capital markets. U.S. NASAA members license firms and their agents, investigate alleged violations of securities laws, file enforcement actions when appropriate, and educate the public about investment fraud. NASAA members also participate in multi-state enforcement actions and information sharing. For more, visit: <https://www.nasaa.org/>.

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NASAA Leadership Message

We are honored to lead NASAA’s longstanding efforts to protect investors, promote responsible capital formation, and support innovation and inclusion in our capital markets. A significant part of these efforts is our ongoing maintenance and advancement of NASAA’s robust federal policy agenda.

NASAA takes a collaborative approach to agenda setting. NASAA regularly solicits ideas from our membership, as well as a broad range of external stakeholders. NASAA’s Board of Directors, comprised of securities regulators, approves our agenda. Throughout this process, we strive to uphold NASAA’s core principles for pro-investor policymaking (see Section I). As you will read, NASAA continues to believe the investor protections set forth in the securities regulatory framework can be adapted to support new ways of saving and investing.

NASAA similarly takes a collaborative approach to education and advocacy. As our recent record illustrates (see Section II), we engage with a broad range of stakeholders, including academics, congressional offices, consumer groups, peer regulators, trade associations, and other external partners. In everything we do, we strive to consult both seasoned and new market participants to ensure we understand both perspectives. In addition, we offer technical expertise and other advice to congressional offices, peer regulators, and other policymakers. We also serve on inter-agency bodies such as the Financial Stability Oversight Council and advisory committees for the U.S. federal government. We appreciate invitations to testify before Congress or speak at events.

As explained in Sections III and IV, we believe that fostering better data collection and usage and stronger regulatory coordination are critical to the preservation of our regulated capital markets. We urge Congress, the SEC, and the CFTC to join us in prioritizing these efforts.

Contact Kristen Hutchens, NASAA’s Director of Policy and Government Affairs, and Policy Counsel, at khutchens@nasaa.org, to start a dialogue.



Leslie Van Buskirk
2024-2025 President
Wisconsin



Marni Rock Gibson
2024-2025 President-Elect
Kentucky



Claire McHenry
2024-2025 Past President
Nebraska

Section I: NASAA's Core Principles for Pro-Investor Policymaking

1. We should strengthen, not weaken, the government's ability to prevent harm to investors.

A critical component of investor protection is registration. Workable registration paths that maintain critical investor protections benefit investors, innovators, and the markets for the following reasons: Registration triggers processes whereby investors receive important information about firms, products, and professionals. Access to this information empowers investors to educate and defend themselves. Registration also triggers processes whereby regulators can examine activities, entities, products, and professionals for compliance with rules that are designed to prevent investor harm and otherwise strengthen our securities markets. Examinations of registrants support the efforts of regulators and many financial institutions to prevent investor harm before it occurs. While a particular legislative or



regulatory effort to exclude or exempt a specific type of firm, product, or professional from regulation may make sense when considered in isolation, such proposals must be considered within their broader context— specifically, at this point, the extent of the registration gaps in our markets makes it extremely difficult to prevent investor harm.

2. We should adhere to the principles that foster trust in our public and private securities markets by enhancing fair treatment and transparency.

Based on our experience working with victims and conversations with other key stakeholders such as peer regulators, we believe that the proliferation and persistence of scams and offers that are 'too good to be true' are key contributing factors to the erosion of trust. As a general matter, NASAA believes that state and federal government officials should ensure that, on a reliable basis, investors receive fair treatment and all the necessary information to make an informed investment decision. Indeed, to maintain and, where needed, rebuild trust, state securities regulators work tirelessly to educate entrepreneurs and investors, register professionals and their products, write rules, conduct examinations, and, if needed, hold firms and professionals accountable for harming investors. We welcome outreach from members of the public and private sectors who want to join our efforts to ensure that the United States remains the country with the deepest, most liquid markets for generations to come.

3. We should preserve long-standing precedent that is critical to investor protection and use the elasticity of the securities and commodities laws to bring new practices, products, professionals, and technologies into the framework for the benefit of investors and industry.

We look forward to consulting and coordinating with the SEC and CFTC as U.S. financial regulations are adapted to provide regulatory clarity in the marketplace for tokenized securities and derivatives. Retail investors must remain protected no matter what technologies are used. The federal frameworks administered by the SEC and CFTC should be crafted with the same care and attention observed in fiat-based markets, accounting for the existence and benefits of complementary state securities and



commodities regulations. It will take federal and state securities and commodities regulators working together to develop and operationalize effective frameworks that promote innovation while screening out fraudsters and investment schemes that harm investors and threaten the integrity of our markets. If we want innovative securities and derivatives marketplaces to thrive, core state regulatory authority must be preserved.

4. We should continue to encourage coordination and collaboration between state and federal regulators.

State securities regulators work with the SEC and CFTC, as well as other federal agencies and offices, on many issues and matters. However, more can be done to foster real-time, joint efforts to protect investors, promote responsible capital formation, and support inclusion and innovation in our capital markets. For example, the SEC, the state securities regulators, and FINRA could do even more to update each other and, as appropriate, other market participants on market trends and developments identified through examinations and other channels of information. Ultimately, investors and taxpayers benefit when we all work together in a positive and effective manner.

5. We oppose legislative or regulatory changes that would restrict the role of state securities regulators in capital formation further.

State securities regulators regularly witness firsthand the value that comes from having small businesses engage directly with state regulators when raising capital. This engagement helps entrepreneurs better understand their options for raising capital and helps them avoid compliance missteps. In addition, engagement with state regulators deters fraud and other misconduct that can harm business owners and investors alike. Last, this engagement facilitates investor access to information necessary to make informed investment decisions, thus enhancing the fairness and efficiency of our capital



states is simply dangerous for businesses, investors, and our capital markets.

markets. While the SEC has made greater efforts in recent years to engage with entrepreneurs, in particular through the work of the Office of the Advocate for Small Business Capital Formation, this work is not a substitute for the work of the states. Any further erosion of the state authority to register offerings with the states, require notices to the states of securities transactions, and otherwise promote responsible capital formation within their

- 6. We oppose legislative or regulatory changes that would restrict the role of the SEC in capital formation further.** State securities regulators oppose policies designed to expand the opaque, minimally regulated private markets. Expanding these markets would exacerbate an already critical problem for our nation and our capital markets—nobody, including businesses, investors, legislators, and regulators, has a clear line of sight into these private securities markets. In these dark markets, all but the most sophisticated, well-funded investors lack access to adequate information about the businesses and operations of the private companies in which they are investing. Public and private companies alike struggle to account for private companies when they conduct risk assessments for themselves and, as applicable, provide disclosures. Importantly, regulators and legislators, who are charged in different ways with overseeing these markets, lack the basic information necessary to know if the private markets are operating in a fair, orderly, and efficient manner. In fact, they lack information necessary to know if the next financial crisis is coming. This combination of blindfolds undermines our shared goal of having free markets that, because of regulation, are fair, orderly, and efficient. Passing legislation or adopting rules to further reduce the information the government has regarding private offerings and funds would only make it more difficult for the government to sustain stable markets.

Section II: Examples of Recent Advocacy by NASAA

- **Fostering Responsible Capital Formation**

- NASAA [published its Report and Recommendations for Reinvigorating Our Capital Markets](#) and urged Congress to join NASAA and state securities regulators to prioritize these proposals.
- NASAA [members testified](#) before the SEC’s Investor Advisory Committee on the growth of private markets and the challenges facing oversight of investment advisers.
- NASAA [called on Congress](#) to preserve the authority of state securities regulators to oversee small-dollar offerings, crowdfunding, finders, and secondary market transactions.
- NASAA [submitted testimony](#) to the U.S. House Committee on Financial Services Subcommittee on Capital Markets on preserving the authority of state securities regulators and reining in private markets. NASAA [urged Congress](#) to support and advance legislation that helps rather than harms entrepreneurs, small businesses, and individual investors and promotes trust in our capital markets.
- NASAA called on the [SEC](#) and the [SEC’s Investor Advisory Committee](#) to support proposed reforms to Regulation D, Rule 506, and the accredited investor standard.
- NASAA urged the [SEC’s Investor Advisory Committee](#) to reject a recommendation regarding digital engagement practices that would limit the SEC’s Rule on the Use of Predictive Data Analytics.



NASAA Federal Legislation Committee Chair Melanie Senter Lubin of Maryland testifies before the U.S. House Committee on Financial Services Subcommittee on Capital Markets, urging lawmakers to preserve notice filings to state securities regulators and the authority of the states to pursue financial fraud against investors.



Shamiso Maswoswe of New York and Brynly Llyr of California engage with thought-leaders on opportunities and challenges for firms, regulators, and investors presented by artificial intelligence-based applications in the securities industry and client services.

- NASAA hosted a symposium on “Uses of Artificial Intelligence in the Securities Markets” featuring thought leaders from government and industry.
- **Urging Preservation of and Compliance with Securities Laws**
 - NASAA [continued to lead by publishing data about state-registered and federal covered investment advisers](#) across jurisdictions and provide updates on state outreach to investment advisers.
 - NASAA [urged Congress](#) again to consider NASAA’s core concerns relating to digital assets policy proposals, including the preservation of the securities regulatory framework and the important role and work of state securities regulators within it.
 - NASAA [published its annual Enforcement Report](#) to inform our collective efforts to protect investors, promote responsible capital formation, and support inclusion and innovation in our capital markets.
 - NASAA [called on Congress](#) to preserve the securities regulatory framework when deliberating digital asset market structure legislation.
 - NASAA [urged Congress](#) to preserve the Investment Company Act of 1940 as a pathway for regulating activities and products described at times as tokenized money market funds.



2024-2025 NASAA President Leslie Van Buskirk of Wisconsin urges the SEC’s Investor Advisory Committee to consider retail investor interests as the committee makes recommendations regarding digital engagement practices.



Diane Young-Spitzer of Massachusetts and Jo-Anne Matear of Ontario engage thought-leaders on opportunities to make regulatory compliance even easier for entrepreneurs and small businesses.

- **Building on Our Longstanding Efforts to Protect At-Risk Investors**

- NASAA [published](#) its annual list of top investor threats.
- NASAA’s Senior Issues Committee [continued](#) its webcast series dedicated to fostering ongoing learning and discussion among investment professionals, regulators, and other stakeholders regarding best practices for protecting at-risk investors from fraud and scams.
- NASAA [urged Congress](#) to pass the Empowering States to Protect Seniors from Bad Actors Act as an amendment to the National Defense Authorization Act for Fiscal Year 2024. The legislation would establish a grant program for state securities and insurance regulators to do even more to protect older and at-risk investors from financial fraud.
- NASAA [called on Congress](#) again to ban the use of mandatory arbitration agreements by broker-dealers and investment advisers.



NASAA Senior Issues Committee Co-Chair Andrew Hartnett of Iowa engages thought-leaders regarding behavioral research that can inform the government’s ability to protect seniors from financial fraud.



NASAA Investment Adviser Section Committee Chair Steve Brey urges the SEC’s Investor Advisory Committee to consider retail investor interests as the committee makes a recommendation regarding the use by investment advisers of pre-dispute mandatory arbitration clauses.

Section III: NASAA's Priority Requests for Congress

Prevent Securities Fraud

- Preserve state authority to review and register small offerings, especially ones under \$500,000
- Preserve state authority to require notices to the states of certain securities transactions
- Preserve state authority to register and regulate finders

Promote Responsible Capital Formation

- Strengthen the SEC's definition of an accredited investor by only providing additional retail access if complementary improvements are made to private securities disclosures
- Strengthen state authority to bring enforcement actions where appropriate to prevent and address securities and commodities fraud
- Support a robust, whole-of-government approach to combating the scam epidemic

Sustain Innovation in Our Capital Markets

- Maintain choice for industry, investors, and regulators alike in their uses of technologies
- Support regulators in their adaptation of the securities and commodities regulatory frameworks for the tokenization of traditional and emerging assets, as well as the use of artificial intelligence

Section IV: NASAA's Priority Requests Explained

1. **Improving the prevention of securities fraud starts with state authority and data that is more robust.** Regulators lack a clear line of sight into the private and dark areas of our capital markets. Without critical information relating to the private markets, regulators cannot prevent investor harm or maintain fair, orderly, and efficient markets as expected. They, as well as other policymakers, may struggle to perform cost-benefit analyses and otherwise use data to drive smart policy. As recently as 2022, Congress agreed on a bipartisan basis that the federal government should use data to make better decisions and achieve better results. See [Financial Data Transparency Act of 2022](#); see also [Foundations for Evidence-Based Policymaking Act of 2018](#).

Congress should empower securities regulators to obtain and use more data, not less. To begin to solve the data gap, we should do the following:

- ✓ **Congress should preserve the choice and authority of the states to register and regulate small offerings.** The [Small Entrepreneurs' Empowerment and Development Act](#) (SEED Act), which was reintroduced in the 118th Congress, would take away rights from state governments to protect investors and businesses. These rights are critical if policymakers expect regulators to prevent potential and actual harms to investors and entrepreneurs. Further, excluding states from reviewing offerings not typically reviewed by federal authorities is an invitation to fundraising mistakes by companies and fraud perpetrated against investors and entrepreneurs.
- ✓ **Congress should preserve the choice and authority of the states to require notices to the states of securities transactions.** The [Restoring the Secondary Trading Market Act and the Improving Crowdfunding Opportunities Act](#), which were advanced in the 118th Congress, would prohibit state governments from using an important tool – regulatory notices called notice filings – to prevent harm to investors in their states. If these bills were to become law, dozens of state governments would no longer have the choice of using this tool for investor protection.
- ✓ **Congress should preserve the choice and authority of the states to register and regulate finders.** The [Unlocking Capital for Small Businesses Act](#), which was reintroduced in the 118th Congress, would exempt “finders” from registration under federal law, prohibit the states from registering “finders,” and impose a broker dealer-lite regulatory regime on private placement brokers. In other words, Congress would be placing additional blindfolds on state and federal regulators. NASAA continues to encourage the SEC and FINRA to collaborate with state securities regulators on changes to the regulatory regime for finders.

- 2. Building markets that are more trustworthy to more people starts with ensuring that additional access to our markets comes with additional transparency.** The definition of an “accredited investor” has never been perfect. In many cases, wealth measures are an inadequate screening criterion for measuring the type of sophistication necessary to invest in private markets, especially with respect to natural persons who meet the current thresholds simply by accumulating retirement savings over time. [At the same time, non-accredited investor restrictions have long helped to prevent securities fraud against persons who typically lack the time to rebuild lost wealth.](#) NASAA remains committed to considering additional retail access to the private markets where there are complementary improvements made to investor protection such as private securities disclosures.
- 3. Building markets that are more trustworthy to more people also requires us to maintain or establish state securities and commodities authority.** State and territorial securities regulators play a critical role in protecting investors from fraud and misconduct. Although their work varies from case to case, their investigations and enforcement actions largely begin with the receipt of either tips filed by the public or referrals from other agencies. In 2022, state securities regulators reported data showing the receipt of 6,932 tips and complaints – a slight increase from the 6,643 fielded in 2021 and a sharp increase from the 5,498 reported in 2020. They also received 1,394 referrals from other agencies; a plurality of these referrals (265) come from state or local law enforcement agencies. States cannot continue to conduct this important enforcement work if their authority to enforce the law is taken away.
- 4. Policymakers must use a robust, whole-of-government approach to solve the scam epidemic.** Investment scams are an increasing threat against Americans’ public safety and financial health, with implications for our economy, the U.S. financial system, and national security. Criminals carry out their crimes in multiple venues—over social media, dating sites, job boards, marketplaces, and telephone calls—breaking down trust in our institutions and putting Americans’ personal savings at risk. Further, many older investors possess wealth and assets accumulated over their lifetimes, making them attractive targets for scammers. Many state securities regulators prioritize the protection of older and vulnerable investors. They frequently file enforcement actions to stop senior financial exploitation and punish perpetrators of fraudulent schemes that target older and sometimes vulnerable investors. Moreover, state securities regulators coordinate their work with other state agencies serving seniors, such as local offices responsible for adult protective services, to ensure victims receive the appropriate guidance and service. [Taking a whole-of-government approach is critical to fighting back against the scam epidemic.](#)
- 5. Investors must remain protected no matter what technologies are used.** Historically, Congress, federal securities and commodities regulators, and associated self-regulatory associations have found ways to modernize our laws and rules to flex dynamically

with evolutions in technology without compromising investor protection or competitiveness. Artificial intelligence, including large language models and other generative AI tools, presents promising opportunities for private and public participants in the securities markets. The same is true for distributed ledger technologies, yet we have also observed catastrophic losses where that technology has been exploited, primarily by bad actors operating overseas. NASAA strongly urges Congress to work with the regulators to provide a safe and level playing field for investors and all market participants regardless of the technologies used in the investing process.