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September 14, 2026

The Honorable Tim Scott (R-SC)
Chairman
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
Washington, DC 20515

The Honorable Elizabeth Warren (D-MA)
Ranking Member
U.S. Senate Committee on Banking,
Housing, and Urban Affairs
Washington, DC 20515

RE: Multi-State Coalition Urges Congress to Preserve States' Rights to Protect Investors

Dear Chairman Scott and Ranking Member Warren:

On behalf of New York, Arizona, California, Connecticut, Delaware, Illinois, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Nevada, New Jersey, Ohio, Virginia, Washington, Wisconsin and the District of Columbia, ("Multi-State Coalition"), in connection with the CLARITY Act (H.R. 3633 R.S.), we write to urge the Senate to expressly preserve the police powers of the states and ensure that the states remain armed with the tools necessary to protect the American people from predatory scammers. As the epidemic of online scams continues to grow, we remain firmly opposed to any federal statutory changes that would displace states' authority to oversee the securities and commodities markets to protect everyday Americans. Enforcing our laws against those defrauding investors in our states is an important function and an essential complement to federal authority.

A. States remain essential forces fighting against online scams in the United States.

The United States continues to face a growing epidemic of digital scams centered around cryptocurrency that threatens our economy and financial system as well as Americans' safety and financial health. The epidemic's speed, scale, and damage are alarming. The FBI reported $11.4 billion in losses from complaints involving cryptocurrencies in 2025, an increase of 22%

from 2024, with an average reported loss of $62,604.[1] The FTC has reported $1.78 billion in losses from complaints involving cryptocurrencies in 2025, a 25.6% increase from 2024.[2] According to the data analytics firm TRM Labs, there was an estimated $158 billion in illicit cryptocurrency volume in 2025, an increase of nearly 145% from 2024.[3] And some estimates find that hundreds of billions of dollars in losses were sustained from investments in failed cryptocurrency tokens, meme coins, and NFTs due to the collapse of the 2022 cryptocurrency bubble.[4] As these scams continue to plague American investors, an **all-hands-on-deck** approach is required to fight back against these frauds. It would be a grave mistake to deprive states of essential tools to combat fraud.

Alongside federal efforts, state enforcement powers have been a critical weapon in fighting this epidemic. Since 2017, the states have brought over 330 anti-fraud enforcement actions against scammers in the cryptocurrency ecosystem, shutting down fraudulent websites and schemes, securing justice for victims, and prioritizing cases where the victims had no federal, private, or other recourse against the scammers.[5] In each of these cases, there are individuals throughout America who lost money. The unfortunate truth is that pernicious actors continue to target unsuspecting Americans, particularly as AI allows them to create fake websites, chat with potential victims, and create worthless cryptocurrency tokens with ease.[6] The states remain a vital force and steadfast partner to the federal government in the efforts to combat these scams and should not be deprived of their authority to do so.

While the current draft of the CLARITY Act reserves certain powers for states to prosecute fraud, the language is often ambiguous, unclear, or confined in ways that either create the opportunity to challenge state police powers or outright deprive the states of their ability to continue to combat the scam epidemic. Even though states will prevail in enforcing laws that are not preempted, the benefit of litigation and delay caused by ambiguity accrues to bad actors.

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[1] FED. BUREAU OF INVESTIGATION, INTERNET CRIME COMPLAINT CENTER, *2025 Internet Crime Report* 52 (2026), https://www.ic3.gov/AnnualReport/Reports/2025_IC3Report.pdf.

[2] FED. TRADE COMM'N, *All Fraud Reports by Payment Method*, Tableau Public (July 28, 2026), https://public.tableau.com/app/profile/federal.trade.commission/viz/FraudReports/PaymentContactMethods (last visited Sept. 13, 2026).

[3] TRM Labs, *2026 Crypto Crime Report* (Jan. 28, 2026), https://www.trmlabs.com/reports-and-whitepapers/2026-crypto-crime-report.

[4] Comsure Group, *Crypto Exchange Collapses Have Led to $30-50 Billion in Investor Losses* (Sept. 24, 2025), https://www.comsuregroup.com/news/crypto-exchange-collapses-have-led-to-30-50-billion-in-investor-losses/; World Economic Forum, *2022 Was a Hard Year for Crypto — But it May Have Been Just What the Industry Needed,* (Apr. 14, 2023), https://www.weforum.org/stories/emerging-technologies/2022-was-a-hard-year-for-cryptocurrencies-but-it-may-have-been-just-what-the-industry-needed/ (noting the digital asset market lost nearly $2 trillion in 2022).

[5] *See* Letter from Leslie M. Van Buskirk, President & Administrator, NASAA, to Tim Scott, Chairman, & Elizabeth Warren, Ranking Member, Senate Comm. on Banking, Housing and Urban Affairs, Appendix B (July 7, 2025), https://www.nasaa.org/wp-content/uploads/2025/08/NASAA-Urges-Congress-to-Protect-Investment-Contract-Law-and-Pass-the-Support-Anti-Fraud-Enforcement-Act-8.5.25-F.pdf.

[6] Chainalysis, *AI-Powered Crypto Scams: How Artificial Intelligence is Being Used for Fraud*, Chainalysis Blog (May 28, 2025), https://www.chainalysis.com/blog/ai-artificial-intelligence-powered-crypto-scams/; Stefan Dasic, *Scammers Use Fake "Gemini" AI Chatbot to Sell Fake "Google Coin,"* Malwarebytes Blog (Feb. 18, 2026), https://www.malwarebytes.com/blog/ai/2026/02/scammers-use-fake-gemini-ai-chatbot-to-sell-fake-google-coin.

B. State securities licensing and registration authority over securities intermediaries and securities transactions must be preserved.

State licensing and registration regimes remain important frontline investor protection tools that support examinations, professional standards, investigations, and enforcement. The current bill includes language that could be construed by some as displacing these foundational tools in combatting investment fraud, which also serve as important state regulatory revenue systems that fund programs to fight investment fraud in both traditional and digital markets.

Further, CLARITY threatens one of the states' most vital enforcement tools—registration regimes over securities intermediaries and securities transactions. Between 2017 and 2025, the states brought hundreds of cases which included registration claims against a variety of bad actors such as trading platforms, investment advisers, Ponzi scheme perpetrators, and crypto mining operations. To the extent registration exemptions are necessary, they should be narrowly tailored and crafted to affirmatively preserve the states' authority to fight against these bad actors.

C. CLARITY's ambiguities must be resolved.

We remain deeply concerned about confusing and conflicting text in multiple sections of the bill that are vulnerable to exploitation by bad actors who may seize upon that text to try to weaken existing state anti-fraud, investigative, and enforcement authority, including administrative, civil, and criminal powers that form the basis of state police powers. State securities and commodities regulators are often first responders to investment fraud and frequently are the only regulators positioned to deliver accountability and recovery for constituents. The bill should clearly preserve these authorities to ensure states continue to play a role in combatting fraud in the digital asset markets.[7]

D. Overbroad grants of preemptive power should be removed.

Preemption of state law is a major question that Congress must handle with great deliberation and care so as to not offend the careful federal and state balance envisioned in the U.S. Constitution. The current draft of CLARITY disrespects that balance by attempting to give the U.S. Securities and Exchange Commission ("SEC") preemption authority indirectly through a new "qualified transaction" loophole in the Securities Act of 1933. Giving any federal agency such broad preemptive power would mark a significant departure from the current system of cooperative federalism. In this case, the bill would render meaningless the "covered security" designations in Section 18 of the Securities Act. That designation is used to preempt state registration requirements for offerings that are subject to heightened investor protections (such as for securities traded in a national market system, where registration and compliance with an

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[7] NASAA has proposed language to expressly preserve state enforcement authority. *See* Letter from Marni Rock Gibson, President, NASAA, to Tim Scott, Chairman, & Elizabeth Warren, Ranking Member, Senate Comm. on Banking, Housing and Urban Affairs, at 7-8 (Feb. 23, 2026), https://www.nasaa.org/wp-content/uploads/2026/03/Thirty-one-State-Regulators-Urge-Congress-to-Preserve-their-Role-as-Fraud-Fighters-in-the-Federal-Market-Structure-Proposals-3.12.26-F.pdf

exchange's listing requirements provide additional protections) or offerings that are limited to accredited and sophisticated investors (such as private placements under Regulation D). These protections mitigate the loss of state regulation. In CLARITY's current form, no such investor protections exist.

Congress should not cede its authority to define the parameters of preemption or allow the SEC to unilaterally affect the balance between federal and state authority. These provisions should be removed or substantially narrowed.

In conclusion, just as scams are increasing, the current draft of CLARITY limits protections that Americans enjoy. In place of CLARITY's limiting principles, Congress should employ an all-hands-on-deck approach to investor protection. The Senate should vote NO on the current version of the CLARITY Act unless and until the states' powers to police the market and protect investors are fully preserved.

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