

September 29, 2025

The Honorable Tim Scott
Chairman
Senate Banking, Housing, and Urban Affairs Committee
534 Dirksen Senate Office Building
Washington, DC 20510

and

The Honorable Elizabeth Warren
Ranking Member
Senate Banking, Housing, and Urban Affairs Committee
311 Hart Senate Office Building
Washington, DC 20510

Dear Senators Scott and Warren:

We write on behalf of the Public Investors Advocate Bar Association ("PIABA"), an international bar association comprised of attorneys who represent investors in disputes with the securities industry. Since its formation in 1990, PIABA has promoted the interests of the public investor in all securities and commodities arbitration forums, while also advocating for public education regarding investment fraud and financial industry misconduct.

PIABA writes to express opposition to provisions in the Responsible Financial Innovation Act of 2025 that would weaken vital investor protections and expose more Americans to fraud and abuse. As presently written, the bill undermines well-settled principles of securities regulation, making it harder for regulators to stop online scams and other investment frauds, and would remove important guardrails designed to screen out bad actors from the securities marketplace.

First, Congress should remove Section 105, a provision that would redefine the investment contract test. Both federal and state securities regulators rely, sometimes exclusively, on this principle to act against the new and emerging frauds that are targeting Americans today. The provisions in 105 will be good for bad actors and harmful to investors. For example, fraudsters pushing pig butchering and Ponzi schemes, promissory note frauds, real estate swindles, and fraudulent oil and gas offerings will exploit loopholes and ambiguities created by this section such as a new requirement that investors lose more than a minimum amount of money for a violation to exist. Regulators will be sidelined in their efforts to address the constantly evolving nature of frauds and courts will be faced with addressing time sensitive requests for relief without the benefit of decades of case law resulting in yet further harm to investors. Given the epidemic of fraud being

perpetrated against American investors, especially older investors, Congress should not be pursuing policies that will make it easier for scam artists to get away with their crimes and harder for law enforcement and regulators to act.

Second, Congress should not weaken the safeguards provided by state registration and licensing laws for securities firms and professionals. These laws promote trust in the capital markets by setting important professional conduct and knowledge standards. They empower regulators to perform critical gatekeeping functions on behalf of investors by screening out unscrupulous individuals. Additionally, state registration and licensing programs provide the investing public with access to important background information on securities professionals, allowing investors to review a person's or firm's regulatory history before trusting them with their life savings.

Third, Congress should not enact laws that weaken existing state anti-fraud authority. State securities regulators have been on the frontlines of protecting retail investors for over a century. In the last decade, they have dedicated significant resources to help tackle the online scam epidemic fueled by the boom in innovation that has spread across the country and resulted in the loss of billions of dollars to fraudsters across the globe. We do not believe it is Congress' intention to interfere with the states' ability to respond to residents' fraud complaints, but the stakes are too high for Congress to leave any room for doubt. To protect the thousands of fraud victims across the country who are being helped by states currently and to let scammers across the globe know that states are and will remain an integral part of the U.S. response to online scams moving forward, Congress should explicitly preserve state anti-fraud enforcement authority as it exists today.

In closing, Congress must ensure that as it seeks to enact laws to regulate the offer and sale of digital assets it must ensure that the vital protections highlighted above remain in place. Congress should therefore abandon its effort to redefine investment contracts, maintain the critical guardrails provided through state registration and licensing laws, and protect existing state anti-fraud authority. Investors deserve no less.

Sincerely,

A handwritten signature in black ink, appearing to read 'Adam Gana', with a long horizontal flourish extending to the right.

Adam Gana, President
Public Investors Advocate Bar Association