



Via Electronic Submission

March 6, 2025

U.S. Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549

Dear Acting Chairman Uyeda, Commissioner Peirce, and Commissioner Crenshaw:

The American Securities Association¹ (ASA) writes regarding the March 6th meeting of the Securities and Exchange Commission's (SEC) Investor Advisory Committee (IAC). The IAC is set to discuss, among other issues, the growing problem of bad actors targeting and stealing billions of dollars from American investors every year.

The ASA would like to thank the SEC's Investor Advocate, Cristina Martina Firvida along with senior advisor Adam Anicich for their tireless efforts to bring this issue to the public's attention.

The amount of fraud related losses perpetrated against Americans is staggering. The Federal Trade Commission (FTC) has estimated that Americans lost over \$158 billion to fraud in 2023 alone. Criminals are also becoming increasingly sophisticated in their techniques using generative AI and other means. Fraud has gone from an individual criminal act to a business opportunity funded by state-sponsored actors across the globe.

Fraud has become so lucrative that Deloitte estimates Americans will lose \$40 billion to generative AI-enhanced fraud by 2027. The perpetrators are often motivated not just by money but by a very anti-American animus as state-sponsored actors, including those supported by Russia, China, and Latin American drug cartels are among some of the biggest threats.

Despite efforts by the SEC and Financial Industry Regulatory Authority (FINRA) to warn investors about prevalent scams², the level of cunning and the constant evolution of the scams employed by these fraudsters continues to leave private companies, regulators, and investors playing catch-up.

Broker-dealers (BD) are increasingly grappling with scams that target their employees, their customers, and their firms. For example, it is not uncommon for scammers to pose as personnel

¹ ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.

² <https://www.finra.org/investors/insights/gen-ai-fraud-new-accounts-and-takeovers>;
<https://www.finra.org/investors/insights/artificial-intelligence-and-investment-fraud>





at a licensed U.S. BD after they know a person has been a victim of another scam (perhaps also perpetrated by them or their associates). The criminals then present a deceptive offer of forensic and recovery services, ostensibly to assist the victim in recouping their losses. In reality, they exploit the victim's desperation and further scam the victim out of multiple follow-on payments without providing any real assistance or recovery of funds.

Scammers have also begun to hack into customer email accounts and give trade instructions from an email account on file with the BD. Because scammers have access to email history, scammers can pose very credibly as customers and seem to know things specific to the customer. The scammers set up a 'rule' in email forwarding all incoming email to the customer from the BD to the scammers' fake email account, so the customer will not discover the activity. The scammers then submit wire requests to the BD to be sent to a bank account in the customer's name that the scammer has opened and controls. By the time the customer and/or BD discovers the depth of this scam, the funds have been moved and are extremely difficult to recover.

Many other types of scams exist and continue to proliferate, and unfortunately, those who are routinely targeted and most likely to be victimized are individuals who are most vulnerable, namely senior citizens.

It has become abundantly clear that communication and partnership between the private sector and government is absolutely critical to combat the sophistication of this ever-changing criminal activity.

While the relationship between government and private businesses has become needlessly strained in recent years, a reset, especially in the area of cybersecurity and combating fraud, is in order.

Businesses should be incentivized to report fraud to regulator's because it is the right thing to do. Unfortunately, all too often, this type of outreach has been seen by the enforcement division as a chance to scrutinize regulated entities and results in multiple documentation requests by the SEC and minor penalties for alleged supervisory infractions. This tunnel vision like focus on the firm is alarming, especially since, in many cases, no action was taken to hold the actual criminal accountable and no policy changes were considered to help the industry try to prevent the next fraud from happening. In instances like these, the government is confusing who is the victim and who is the perpetrator, and it must stop conflating enforcement headlines while failing to address the underlying problem.

The ASA urges the IAC to explore new methods where government and business can work in tandem to protect Americans from financial fraud. One possible mechanism would be to establish a portal where regulated entities can anonymously report trends or fraudulent activity targeting their firm or their customers.





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This type of public-private partnership would allow for the anonymous submission of crucial information about ongoing scams by businesses through a secure clearinghouse and provide regulators with more intelligence about the latest scams than they currently receive. Businesses would be encouraged to submit information about such activity or threats without fear of retribution.

The ASA hopes that the March 6 meeting kicks off a long overdue conversation about how to address financial fraud while maintaining the focus on the criminals that are stealing money and the identities of Americans. We look forward to being part of that conversation and addressing this major issue facing investors.

Sincerely,

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