

Insights

FROM SMALL TIME SCAMMERS TO ESTABLISHED FIRMS, STATE REGULATORS REMAIN THE LOCAL COP ON THE BEAT:

NASAA RELEASES ITS 2025 ENFORCEMENT REPORT

Oct 23, 2025

While the federal financial regulators largely remain furloughed due to the federal government shutdown, the release of the North American Securities Administrators Association (“NASAA”) 2025 Enforcement Report^[1] last week reminds us of the important work our state regulators continue to do even as federal regulators sit at home. The report details that state regulators conducted 8,833 investigations, and brought 1,183 enforcement actions including 145 criminal cases, 69 civil actions and 853 administrative proceedings in the last year. In this time, state regulators obtained orders directing more than \$190 million in restitution and \$69 million in fines while imposing 3,450 months of prison sentences.^[2]

The report states that digital asset investment scams continue to be the leading threat to investors, while pig-butchering continues to be an all too frequent strategy employed by fraudsters. Technology such as social media allows bad actors to promote and carry out their frauds remotely and online. This can impact both individual investors and established financial firms. In one case, a registered representative at an established investment adviser was persuaded to invest in a cryptocurrency on what turned out to be scam exchange by someone he met on a dating site. After investing personally and seeing reports of substantial profits in his personal account, the registered representative recommended his clients to invest with him. It was all a scam. Altogether the registered representative and three of his clients lost \$1.2 million. The investment adviser fired the registered representative and he is now barred from registration.^[3]

Other applications of new technology by bad actors highlighted in the report include the sale of unregistered securities through smart phone apps, and blockchain metaverses.^[4] State regulators report investigating the use of artificial intelligence tools to pull off impersonation schemes. Other fraudsters use claims of increased profitability thanks to their firms supposed use of AI, or so-called AI washing.^[5]

The state regulators continue to see frauds involving traditional securities such as stocks and equities, promissory notes and real estate investments. In addition, it is important to remember that state regulators share responsibility to enforce violations of off-exchange violations of the federal Commodity Exchange Act and their own state commodity laws and regulations, such as the Model State Commodity Code, the Martin Act in New York, and in some cases, their state securities acts.^[6] The report spotlights a case brought against a Southern California precious metals dealer and its owner for misleading customers into purchasing grossly overpriced precious metals.^[7]

Traditional broker-dealer and investment adviser firms have found themselves in the state regulators' cross-hairs as well. The states conducted 282 investigations involving registered broker-dealers and 471 investigations of investment adviser firms. These investigations led to 86 enforcement actions against broker-dealers, and 100 cases against investment advisers. The charges involved "recordkeeping, supervision, dishonest or unethical business practices, unregistered activity, and securities fraud."^[8]

BCLP has extensive experience counseling broker-dealer, investment adviser, and commodity trading firms with regard to state securities and commodities laws and regulations. Please let us know if we can help you and your business with state financial regulatory issues.

FOOTNOTES & REFERENCES

[1] Press Release, North American Securities Administrators Association, [NASAA Releases 2025 Enforcement Report](#) (Oct. 16, 2025)

[2] [2025 Enforcement Report](#) at 1 (NASAA Oct. 2025)

[3] *Id.* at 22.

[4] *Id.* at 7.

[5] *Id.* at 7-8.

[6] Some 21 states have enacted NASAA's Model State Commodity Code. The securities acts of Arizona, Illinois, Montana, New Hampshire and Utah provide for the regulation of the sale of commodity investments.

[7] *Id.* at 17-18.

[8] *Id.* at 11.

MEET THE TEAM

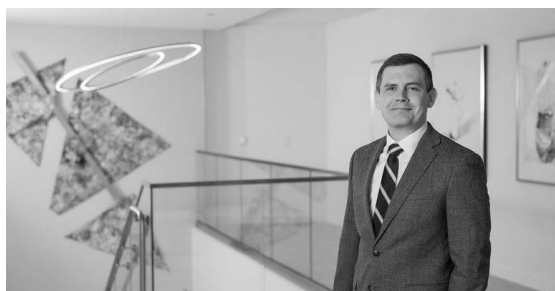


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