



March 5, 2026

The Honorable Andy Barr  
Chairman, Subcommittee on Financial Institutions  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

The Honorable Bill Foster  
Ranking Member, Subcommittee  
Committee on Financial Services  
U.S. House of Representatives  
Washington, DC 20515

***Re: Hearing Entitled: "Fighting Fraud on the Front Lines: Challenges and Opportunities for Financial Institutions"***

Dear Chairman Barr and Ranking Member Foster:

On behalf of the American Securities Association<sup>1</sup> (ASA), thank you for convening this important hearing<sup>2</sup> to exam how financial institutions, regulators, and law enforcement can better combat fraud and protect America's investors and savers.

ASA represents American financial services firms that provide small and mid-cap businesses with access to capital and advise hardworking Americans on how to create and preserve wealth, with a mission to promote trust and confidence among investors and support competitively balanced capital markets.

**I. General.**

In written comments to the House Select Committee on the Chinese Communist Party dated May 16, 2023,<sup>3</sup> ASA described how the Chinese Communist Party (CCP) has "methodically exploited the U.S. capital markets while sponsoring cybercriminals that steal the personal and financial information of Americans," imposing "heavy costs on American investors, the U.S. economy, and the integrity of the U.S. capital markets."

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<sup>1</sup> 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 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.

<sup>2</sup> House Financial Services Subcommittee on Financial Institutions hearing titled, "Fighting Fraud on the Front Lines: Challenges and Opportunities for Financial Institutions, available here:

<https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=411032>

<sup>3</sup> ASA Submits letter to the Select Committee on the Chinese Communist Party, May 16, 2023, available here:

<https://files.constantcontact.com/ca98267e701/50657974-148a-4259-8f99-e6211115594b.pdf>.





Additionally, in testimony prepared for the United States Senate Special Committee on Aging,<sup>4</sup> ASA further detailed the risks the CCP poses to American investors and senior savings and outlined steps Congress can take to prevent further investor harm.

## **II. Fraud, Foreign Exploitation, And Senior Investors.**

In previous written and oral testimony, ASA explained that while the free flow of capital can promote economic growth and strengthen the rule of law, it can also be exploited by authoritarian regimes and sophisticated fraudsters in ways that directly harm American investors.

To that end, we note that foreign adversaries and their proxy companies have used the U.S. capital markets to fund forced labor, human rights abuses, cyber-operations, and other activities hostile to American interests, with many of them turning out to be frauds.

This committee can address the Chinese company fraud risk that exists directly through Variable Interest Entity (VIE) companies and indirectly by including these companies in mutual and exchange-traded funds. Without such protections, American investors harmed by these companies will find they have little to no legal redress.

## **III. Front-Line Fraud.**

Recent congressional work on “pig butchering” scams illustrate how fraudsters weaponize technology, social engineering, and cross-border structures to separate victims from their life savings. In a widely covered hearing, Representative Raja Krishnamoorthi highlighted a case<sup>5</sup> in which scammers instructed a victim to liquidate assets and purchase physical gold bars as “payment,” demonstrating the extreme and manipulative tactics used to steal from seniors and retail investors.

CCP-linked cyber actors and fraud networks target the personal and financial information of American investors, making them more vulnerable to these kinds of sophisticated schemes. Taken together, the Krishnamoorthi example and ASA’s prior work show that Americans can do “everything right” under existing rules and still lose their life savings when criminals exploit technological, jurisdictional, and regulatory gaps.

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<sup>4</sup> Testimony of Christopher A. Iacovella, President & CEO, American Securities Association, Hearing Entitled “Financial Aggression: How the Chinese Communist Party Exploits American Retirees and Undermines National Security.” United States Senate Special Committee on Aging and the United States House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party, available here:

<https://www.congress.gov/119/meeting/house/118132/witnesses/HHRG-119-ZS00-Wstate-IacovellaC-20250409.pdf>.

<sup>5</sup> Rep. Krishnamoorthi highlights scam factories, available here: <https://abc7chicago.com/post/illinois-us-rep-raja-krishnamoorthi-cites-abc7-team-report-push-stop-pig-butchering-scams-congressional-hearing/16296267/#:~:text=He%20showed%20a%20recent%20I,compelled%20to%20engage%20in%20scams.%22>.





#### **IV. Recommendations for this Subcommittee to Strengthen Fraud Protections.**

We offer the following recommendations to help protect American investors—particularly seniors—from fraud and foreign exploitation of our capital markets.

- Strengthen public-private partnerships. ASA urges closer collaboration between government agencies and financial firms, especially on cybersecurity and fraud detection, arguing that a “reset” in this relationship is needed to combat sophisticated fraud and state-sponsored schemes.
- Incentivize businesses to report fraud. ASA recommends that Congress and regulators design incentives so firms are rewarded—not punished—for promptly reporting fraud and threats. This will contribute to corporate responsibility and market transparency.
- Create an anonymous reporting portal for scams. ASA would like you to think about adopting a secure portal where regulated firms can anonymously report trends or specific fraudulent activity targeting their firm or customers, giving regulators more timely intelligence on new scams without fear of retribution.
- Focus on emerging threats like AI-driven fraud. In comments to the House Financial Services Committee, we highlighted the rise of AI-generated fraud and schemes tied to foreign state actors (such as the Russian and Chinese government) as growing risks to American families and investors.
- Continue to use hearings like this to push policy changes. ASA has submitted letters and comments to House Financial Services subcommittees in hearings specifically examining tools and techniques to combat fraud, outlining policy options for Congress and regulators to better protect households from investment scams.
- Advance bipartisan legislation such as the No China in Index Funds Act and make certain the Foreign Investment Guardrails to Help Thwart (FIGHT) China Act is implemented to prevent American retirement and savings capital from financing CCP-controlled or CCP-backed companies that pose fraud, cyber, and national-security risks.
- Review how large-scale regulatory data-collection initiatives, like the SEC Consolidated Audit Trail or CAT, expose investors to fraud and cyber risk. This Congress must not allow regulators and market utilities to collect and retain, in any form, the personal and financial information of Americans that could be turned against them.

By incorporating these recommendations, the Subcommittee can strengthen the broader U.S. response to fraud on the front lines. It will also reinforce a clear message to investors and markets alike: protecting America’s seniors, working families and savers from fraud—whether domestic or foreign in origin—is a bipartisan priority and a core obligation for financial institutions, regulators, and policymakers.





**american securities association**

*America's Voice for Main Street's Investors*

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**V. Conclusion.**

Thank you again for your leadership in convening this timely hearing and for your commitment to protect investors from nation states and bad actors intent on defrauding Americans. Please do not hesitate to contact us if we can be of further assistance to the Subcommittee.

Sincerely,

*Christopher A. Iacovella*

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President & CEO  
American Securities Association



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