

**NCSL STANDING COMMITTEE on BANKING, FINANCIAL SERVICES &
INSURANCE**

POLICY DIRECTIVES AND RESOLUTIONS

**LEGISLATIVE SUMMIT
Boston, Massachusetts
Aug 4-6, 2025**

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1 **COMMITTEE: BANKING, FINANCIAL SERVICES & INSURANCE**
2 **(JOINT WITH LAW & PUBLIC SAFETY)**

3 **POLICY: FRAUD AND SCAMS PREVENTION**

4 **TYPE: NEW DIRECTIVE INTRODUCED, PREVIOUSLY A**
5 **RESOLUTION; COMMITTEE SPONSORED**
6

7 **Scale of Consumer Fraud**

8 Federal Trade Commission data shows that 2.6 million consumers filed fraud reports
9 and that consumers lost more than \$12.5 billion to fraud in 2024. The most reported
10 schemes were impostor scams; online shopping scams; scams involving prizes,
11 sweepstakes and lotteries; investment scams; and business and job opportunity scams.
12 Consumers lost more money to investment scams and impostor scams in 2024 than
13 any other category and the biggest losses were through bank transfers and
14 cryptocurrency.

15
16 Fraud and scams are becoming more prevalent online. In addition to robocalls and
17 spoofing, digital tools such as emails, text messaging, and social media are making it
18 easier than ever to target hard-working Americans. The emergence of artificial
19 intelligence technologies has significantly amplified the sophistication and reach of fraud
20 and scams, enabling scammers to create more convincing fake identities, deepfake
21 videos and personalized phishing attacks that are increasingly difficult for consumers to
22 detect.

23 24 **Disproportionate Impact on Older Adults and Veterans**

25 While a smaller percentage of older people report being victims of scams than younger
26 people, they tend to lose far more money to these crimes. Fraud victims in their 70s lost
27 a median of \$994. Fraud victims in their 80s lost a median of \$1,900 while those in their
28 20s lost about \$338. Veterans are victims of scams and fraud more often than the
29 general public because of their hard-earned benefits and resources, as well as their

30 general good will. According to data from the FTC, there were close to 93,000 military
31 reports of fraud with a median reported loss of about \$700 in 2024.

32

33 **Collaborative Efforts to Combat Fraud and Scams**

34 Fraud in all forms is a crime, and policymakers should encourage reporting of fraudulent
35 acts to law enforcement. The National Conference of State Legislatures urges the
36 federal government to work with state and local governments, law enforcement and
37 private industry to develop policies and practices that prevent, curtail and stop fraud
38 and, where possible, provide victims of fraud some options for relief and recovery.
39 Congress, federal agencies and the administration should support and not preempt
40 states' ability to adopt their own laws to curtail and stop fraud and scams in the best
41 interests of their residents.

1 **COMMITTEE: BANKING, FINANCIAL SERVICES & INSURANCE**
2 **(JOINT WITH TECHNOLOGY & COMMUNICATIONS)**

3 **POLICY: ARTIFICIAL INTELLIGENCE IN FINANCIAL SERVICES**

4 **TYPE: NEW DIRECTIVE INTRODUCED, PREVIOUSLY A**
5 **RESOLUTION; COMMITTEE SPONSORED**

6
7 **AI Transformation in Financial Services**

8 The National Conference of State Legislatures recognizes that AI is transforming and
9 impacting the field of financial services.

10 **Benefits and Risks of AI in Financial Services**

11 AI is enhancing the field by boosting efficiency, accuracy, and innovation through
12 applications such as chatbots and virtual assistants, advanced risk assessment, real-
13 time detection of suspicious transactions and consumer behavioral anomalies,
14 identification of emerging illicit activity patterns and the prediction of price movements
15 and market trends.

16 The deployment of AI in the financial sector can also create certain risks such as
17 perpetuating bias, reducing transparency and accountability, exacerbating cybersecurity
18 concerns if malicious actors can gain unauthorized access to sensitive financial
19 information and creating market instability from an overreliance on one single AI data
20 set or single base model.

21 **Federal Priorities**

22 States serve as laboratories of democracy and should have the flexibility to explore and
23 implement innovative approaches to regulating AI in financial services, including pilot
24 programs, public-private partnerships and state-specific safeguards tailored to local
25 needs. This also includes the ability of states to adopt strong cybersecurity frameworks,
26 including data encryption, multi-factor authentication and continuous monitoring, to
27 protect against threats posed by increasingly sophisticated cyberattacks.

28 Congress should prioritize investments and policies that promote the development of
29 transparent, understandable and accountable AI systems in the financial sector to
30 ensure fairness, trust and public confidence.

31 The National Conference of State Legislatures urges Congress, federal regulatory
32 agencies and the administration to keep these priorities in mind as they consider how to
33 best regulate AI's use in financial services. NCSL further encourages Congress, federal
34 agencies and the administration to consult with states as they debate and develop AI
35 legislation and regulations related to financial services, paying particular attention to
36 how any federal law or regulation will impact state laws governing AI in the financial
37 space.

38 Federal laws and regulations should support states' ability to adopt their own laws to
39 keep pace with and respond to rapid AI technological advances and to protect the
40 public's financial interests.

1 **COMMITTEE: BANKING, FINANCIAL SERVICES & INSURANCE**

2 **POLICY: BANKING AND FINANCIAL SERVICES**

3

4 **TYPE: UPDATED DIRECTIVE DEVELOPED BY**
5 **CRYPTOCURRENCY WORK GROUP**

6

7

8 **State Sovereignty in Financial Services**

9 The National Conference of State Legislatures (NCSL) is concerned that Congress, ~~the~~
10 federal financial services regulators, and the federal courts have sought to nationalize
11 control of financial services in Washington, D.C. NCSL has consistently and strongly
12 advocated for state sovereignty in financial services regulation. NCSL has opposed any
13 federal preemption of state legislative or regulatory authority in financial services. A high
14 threshold that federal action is necessary, such as a national financial crisis, should be
15 met before any preemption of state financial services laws and regulations is warranted.

16 **Preservation of Dual Banking System**

17 NCSL ~~supports is committed to~~ the preservation of the dual banking system. The dual
18 banking system enables state governments to apply laws and regulations to state-
19 chartered banks, thrifts, and non-bank financial services, including financial technology
20 entities ~~and those engaged in digital asset activities. that serve the needs of local~~
21 ~~economies and that respond to the values and concerns of local citizens.~~

22 In recognition of the advantages of the dual banking system to the public and to the
23 health of the financial services industry, NCSL opposes any efforts by the federal
24 government to restrict state authority to charter, supervise, or regulate the powers of
25 state-chartered banks, thrifts, and non-bank financial services, including financial
26 technology entities ~~and those engaged in digital asset activities. NCSL also opposes~~
27 ~~any effort by federal banking regulators to assert regulatory authority to weaken the~~

28 standard of preemption or shield national banks and bank operating subsidiaries from
29 state consumer protection laws and enforcement.

30 NCSL opposes any federal attempts to tax state banks for federal oversight services
31 already performed by the appropriate state banking agencies and departments. NCSL
32 recognizes that the states have a duty to use their powers responsibly and in a way that
33 does not endanger the deposit insurance system and the nation's financial stability.

34 ~~NCSL urges Congress to continue close scrutiny of federal banking regulators to limit~~
35 ~~preemption of state consumer protections.~~

36 **Federal Regulatory Consolidation**

37 NCSL recognizes the need for the federal government to reduce the federal regulatory
38 burden that can impede the economic vitality of our nation's financial services
39 industries. In consolidating the federal banking regulators, Congress must ensure that
40 any consolidation does not invalidate the regulatory independence of the dual banking
41 system.

42 NCSL opposes any federal regulatory consolidation plan that would:

- 43 • Preempt, limit, or interfere with the rights of states to regulate state-chartered
44 banks, thrifts, and non-bank financial services, including financial technology
45 entities and those engaged in digital asset activities;
- 46 • Require federal reporting requirements and examinations that duplicate state
47 efforts;
- 48 • Place state-chartered banks, thrifts, and non-bank financial services, including
49 financial technology entities, at a competitive disadvantage with national banks or
50 federal thrifts; and
- 51 • Grant oversight authority for state-chartered banks, thrifts, and non-bank financial
52 services, including financial technology entities and those engaged in digital
53 asset activities, to federal banking regulators.

54 **Federal Preemption**

55 ~~NCSL strongly believes that a high burden of proof must be established before federal~~
56 ~~preemption of state banking authority is justified and that only Congress—and not~~
57 ~~federal regulatory agencies—can preempt the actions of elected state leaders. NCSL~~
58 ~~strongly opposes any effort by federal banking regulators to assert regulatory authority~~
59 ~~to weaken the standard of preemption or shield national banks and bank operating~~
60 ~~subsidiaries from state consumer protection laws and enforcement.~~

61 **Dual Chartering of Credit Unions**

62 ~~NCSL believes that s~~State credit union supervisors have the primary responsibility for
63 assuring the safety and soundness of credit unions chartered by and operating under
64 state law and regulation. NCSL supports the authority of state governments to
65 determine how state-chartered financial entities must be insured and opposes any
66 efforts by the federal government to preempt state authority to govern state deposit
67 insurance requirements.

68 ~~NCSL additionally acknowledges that federal deposit insurance agencies, like the~~
69 ~~National Credit Union Administration (NCUA), have a legitimate role to play if state~~
70 ~~authorized powers lead to unreasonable risks for NCUSIF. However, NCUA- National~~
71 ~~Credit Union Administration regulations and policies should ~~be crafted in a way that~~~~
72 ~~minimizes the preemption of state authority. NCSL opposes any effort by the~~
73 ~~Administration and Congress to erode the dual chartering system for credit unions by~~
74 ~~preempting state credit union laws and regulations unless those laws clearly harm the~~
75 ~~financial health of state-chartered credit unions and put the National Credit Union State~~
76 ~~Insurance Fund at real risk. that do not adversely impact the financial well-being of~~
77 ~~state-chartered credit unions and thus the NCUSIF. Any preemption of state credit~~
78 ~~union laws or regulatory authority should only occur if an imminent risk to the credit~~
79 ~~unions' share insurance fund is threatened.~~

80 **Consumer Protection**

81 ~~There is overlapping state and federal legislative jurisdiction that ensures consumer~~
82 ~~access to basic financial services; to protect the privacy of consumers of financial~~
83 ~~services and the security of their personal financial information; to provide protection for~~
84 ~~consumers from abusive lending practices; to ensure disclosure of information about~~
85 ~~credit terms, interest rates, fees, and balances; to regulate branch closing; and to~~
86 ~~otherwise protect the public. In recognition that this is an area of overlapping federal~~
87 ~~and state jurisdiction, NCSL will ordinarily not oppose such federal consumer protection~~
88 ~~measures, provided that there is no preemption of complementary state consumer~~
89 ~~protection legislation.~~

90 There are both state and federal consumer protection laws, reflecting overlapping
91 jurisdiction that are essential to ensuring the safety, fairness and accessibility of
92 financial services. This dual framework helps:

- 93 • Ensure consumer access to basic financial services.
- 94 • Protect the privacy and security of consumers' personal financial information.
- 95 • Guard against financial fraud, identity theft and other deceptive or abusive
96 practices.
- 97 • Provide protections from predatory or abusive lending.
- 98 • Ensure clear and consistent disclosure of credit terms, interest rates, fees and
99 account balances.
- 100 • Regulate branch closures and the continuity of access to financial institutions.
- 101 • Respond to emerging risks and protect the public in a rapidly evolving
102 financial services landscape.

103 In recognition that consumer protection is an area of shared federal and state
104 responsibility, NCSL will generally not oppose federal consumer protection measures,
105 so long as they do not preempt state laws. State legislatures must retain the ability to
106 enact and enforce safeguards tailored to the specific needs of their residents,
107 particularly in areas like fraud prevention and digital financial services where risks can
108 vary significantly across jurisdictions.

109 **Financial Services and Economic Development**

110 NCSL recognizes that racial, ethnic, or gender discrimination by financial services
111 entities may have an impact on the ability of residents in distressed communities to
112 obtain financial assistance. NCSL also recognizes the need for financial institutions to
113 make safe, sound, and profitable investments, ~~recognizing the responsibility that each~~
114 ~~state has for financial regulation, solvency and ensuring fair lending to their constituents~~
115 ~~NCSL recognizes that each state legislature has the responsibility to address the unique~~
116 ~~needs of its state. States are uniquely positioned to balance these varied interests.~~
117 Congress must not mandate federal guidelines that impede the states' abilities to
118 regulate financial services.

119 **Financial Technology**

120 ~~As online financial services products continue to grow, clear rules must be established~~
121 ~~as to which jurisdiction's consumers protections apply to a given transaction. NCSL~~
122 ~~believes that any such rules should be crafted through a partnership between state and~~
123 ~~federal regulators and should not place state-chartered financial institutions at a~~
124 ~~disadvantage in their ability to provide services over the internet. State banking laws~~
125 ~~provide thorough consumers protections and NCSL strongly opposes any efforts by~~
126 ~~Congress or federal regulators to preempt state banking authority in regulating financial~~
127 ~~technology companies that would limit the financial protections states provide to their~~
128 ~~citizens.~~

129 ~~NCSL believes that s~~ State banking regulators should maintain primary responsibility for
130 of chartering and supervising financial technology companies that operate in their state.
131 States have implemented the Nationwide Multistate Licensing System to make the
132 licensing and registration process more uniform and efficient for companies across the
133 country while still providing rigorous protections to consumers. States have also created
134 standards to protect the data privacy of citizens and reduce discrimination in financial
135 services while encouraging innovation. Regulatory sandboxes are often utilized by
136 states to encourage new technologies and innovation without prohibitive government

137 regulation so that states can determine the best regulatory framework for the new
138 technology. These unique solutions should not be infringed upon so that states can
139 continue to inspire innovation while protecting the public.

140 NCSL opposes any efforts by Congress or federal regulators to preempt state banking
141 authority over financial technology companies in ways that would diminish the consumer
142 protections states provide to their residents.

143 **Digital Assets**

144 States are regulating digital assets in a variety of ways to protect consumers, ensure
145 financial stability, prevent illicit activity, encourage innovation and maintain oversight of
146 new technologies. To achieve those ends and consistent with the dual banking system,
147 NCSL supports state authority over cryptocurrency exchanges, wallet providers and
148 other digital asset service providers operating within their jurisdictions in the following
149 areas:

- 150 • Licensing and registration.
- 151 • Compliance oversight.
- 152 • Consumer protection standards such as disclosure requirements, antifraud
153 measures, privacy protections and the right to redress.
- 154 • Custody.
- 155 • Mining.
- 156 • Financial inclusion and innovation.
- 157 • Taxation.
- 158 • Anti-money laundering and know your customer rules; and
- 159 • Investment decisions.

160 In the case of both financial technology and digital asset companies, NCSL opposes
161 any efforts by Congress, federal regulators or the administration to preempt the long-
162 standing rights of states to determine which entities may lawfully operate within their
163 jurisdictions or to diminish the consumer protections states provide to their residents.

164 **Securities Regulation**

165 NCSL recognizes that the federal government has an interest in efficient and fair capital
166 markets. NCSL also acknowledges that states' securities agencies are indispensable
167 partners with their federal counterparts engaging in the pursuit of fair and efficient
168 capital markets by protecting local investors, workers, and communities by ensuring
169 compliance with securities laws.

170 NCSL is concerned that the preemption of state securities laws and regulations will
171 serve only to erode investor trust in the capital markets by further weakening a system
172 designed to protect investors and putting the financial well-being of hard-working
173 Americans at risk. NCSL opposes such federal preemption and the creation of self-
174 regulatory organizations that usurp state authority. Instead, NCSL supports
175 congressional efforts to expand the restoration of state securities regulators' authority.

176 **Mortgage Industry**

177 Currently, states regulate a significant portion of mortgage lending. Federal intervention
178 in this area of supervision will displace the state regulatory system and could erode, or
179 even eliminate, the current authority the states have to supervise and license mortgage
180 professionals. The local nature of real estate and consumer protection necessitates
181 direct state authority.

182 States, through the Conference of State Bank Supervisors (CSBS) and the American
183 Association of Mortgage Regulators (AARMR), developed the Nationwide Multistate
184 Licensing System (NMLS) to improve and coordinate mortgage supervision. This state
185 system enhances consumer protection and streamlines the licensing process for
186 regulators and industry. NCSL supports the NMLS to encourage a more coordinated
187 system of state and federal supervision.

188 **Financial Information Security**

189 NCSL believes that states should continue to play a vital role in protecting the privacy,
190 confidentiality, and security of sensitive nonpublic personal financial information. States
191 long have sought to balance the economic value of information sharing with reasonable
192 safeguards against the unnecessary disclosure and inappropriate acquisition of
193 sensitive nonpublic personal financial information, such as credit information, account
194 numbers, account balances, and Social Security numbers. Understanding local and
195 regional economic situations and the unique needs of consumers within these markets,
196 states consistently have ensured the protection of sensitive nonpublic personal financial
197 information.

198 NCSL recognizes that financial information security is an area of overlapping federal
199 and state jurisdiction. Therefore, NCSL does not oppose federal baseline standards for
200 the protection of financial information, provided that these standards generally do not
201 preempt **complementary** state laws. NCSL believes that states should have the
202 authority and flexibility to adopt standards for acquisition, retention, disclosure, and
203 sharing of financial information by and among financial institutions and nonaffiliated third
204 parties that address local concerns or respond in a timely way to incidences of neglect
205 or abuse that may be local or regional in nature. NCSL specifically believes that
206 Congress should preserve state authority to exceed federal baseline standards for
207 information sharing among nonaffiliated third parties.

208 **Credit Reporting**

209 NCSL acknowledges the benefit to the nation's economy of a uniform national credit
210 reporting system and does not oppose the limited areas that were subject to federal
211 preemption by the 1996 Amendments of the Fair Credit Reporting Act and made
212 permanent by the Fair and Accurate Credit Transactions Act. In doing so, NCSL
213 supports the continued exemption of the state laws that were in existence prior to the
214 1996 Amendments and thus are currently exempted from the preemption provisions.

215 **Data Security Breach Disclosure**

216 Consistent with NCSL’s general policy for safeguarding financial information, NCSL
217 does not oppose baseline federal data security breach notification standards, provided
218 that the requirements do not preempt state authority to adopt standards that provide
219 affected consumers additional protection and notification. NCSL also supports allowing
220 state financial regulators and attorneys general to enforce any new federal data security
221 breach notification standards.

222 In the event that Congress decides to preempt state law, NCSL urges that the
223 preemption be narrowly construed to preempt only state laws that are inconsistent with
224 the federal standard while preserving state laws that apply to entities that may be
225 excluded from the federal act. Additionally, should Congress decide to preempt state
226 data security breach notification laws, NCSL would support a strong federal law that
227 would require notification of the affected consumers when sensitive personally
228 identifiable information has been, or is reasonably believed to have been, accessed or
229 acquired. ~~In this instance, exceptions should be made only when it is concluded that~~
230 ~~there is no significant risk that the breach has resulted in, or will result in, harm to the~~
231 ~~individual whose information has been breached.~~

1 **COMMITTEE: BANKING, FINANCIAL SERVICES & INSURANCE**
2 **(JOINT WITH TECHNOLOGY & COMMUNICATIONS)**

3 **POLICY: LIABILITY INSURANCE FOR ARTIFICIAL**
4 **INTELLIGENCE**

5 **TYPE: NEW DIRECTIVE, PREVIOUSLY A RESOLUTION;**
6 **INTRODUCED BY SENATOR VICTORIA GU, RI**

7

8 **Responsible AI Development and Social Benefits**

9 An important goal of federal policy should be to ensure that the development and
10 deployment of advanced AI systems is conducted responsibly and does not generate
11 social costs that exceed the social benefits of the technology.

12 Advanced AI systems may generate risks of harm that exceed the ability of their
13 developers or deployers to compensate the victims.

14 Requiring liability insurance commensurate with each technology's risk level will provide
15 an economic incentive for advanced AI system developers or deployers to take
16 appropriate precautions to avoid the occurrence of damage and protect the public

17 **Federal-State Collaboration**

18 NCSL requests that Congress work with state insurance regulators to encourage the
19 insurance industry to develop liability insurance for the developers and deployers of
20 advanced AI systems, with coverage requirements set based on an assessment of the
21 system's high-risk potential.

22 High-risk AI applications, such as those used in autonomous vehicles, financial
23 decision-making, healthcare diagnostics and critical infrastructure, require closer
24 oversight and accountability measures to prevent harm. These applications present
25 elevated potential for major losses that could affect entire communities or economic
26 sectors. Any liability or insurance framework for AI systems should be grounded in clear
27 and transparent standards to ensure fairness, accountability and public trust.