

# State Regulators Poised to Increase Enforcement Efforts as Trump Administration Executes Deregulation Agenda

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In the first three months of the second Trump administration, federal regulators have signaled a shift in priorities while enforcing federal securities violations and consumer protection laws. In fact, the administration has effectively shuttered the Consumer Financial Protection Bureau (CFPB) and effected significant changes to the Securities and Exchange Commission's (SEC or Commission) organizational structure and enforcement procedures. As federal regulators shift their focus, state attorneys general have shown a willingness to ramp up enforcement efforts. States have various tools at their disposal, including enforcing existing federal and state consumer financial protection and securities laws and amending state law to expand their regulatory enforcement authority.

The variances in state law and appetites of the state attorneys general may result in a patchwork style of enforcement across the United States. Moreover, states with a more aggressive enforcement approach, such as New York and Massachusetts, may also spur other states to action.

## Trump Administration's Deregulation Agenda Expected to Impact the SEC Enforcement Program

Developments in Washington strongly suggest that the SEC under the Trump administration will depart from aggressive and novel enforcement strategies that characterized the previous administration. In the first few days of the current administration, President Trump announced a "massive" deregulation initiative,<sup>1</sup> which we expect will impact the breadth and volume of SEC enforcement activity. Some changes already taking place at the SEC include:

- **Refocusing the Commission's Enforcement Approach.** During his confirmation hearing, SEC Chair Paul Atkins said he "will strive to protect investors from fraud, to keep politics out of how our securities laws and regulations are applied, and to advance clear rules of the road that encourage investment in our economy."<sup>2</sup> He further called "for the SEC to return to its core mission" of "investor protection; fair, orderly, and efficient markets; and capital formation."<sup>3</sup> Senate Banking Chairman Tim Scott observed that the Commission under Chair Atkins will "roll back harmful Biden-era policies" and "provide regulatory clarity for digital assets."<sup>4</sup>

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- **Focus on Investor Fraud Protection.** Going forward, many SEC observers expect the primary enforcement priority will shift to protecting investors from clear cases of fraud, rather than pursuing broader or more innovative regulatory actions.<sup>5</sup>
  - **Reduction in Enforcement Division Authority.** The SEC revoked the Director of the Division of Enforcement's ability to initiate investigations, formally centralizing decision-making at the Commission level.<sup>6</sup>
  - **Increased White House Oversight.** Executive orders now restrict the SEC's independent rule-making authority<sup>7</sup> and embed a White House liaison in key decision-making processes.<sup>8</sup>
  - **Coordination with DOGE.** Another executive order directs the SEC to coordinate its rule-making efforts with the DOGE government task force, which could lead to further agency restructuring and efficiency measures.<sup>9</sup>
  - **Office Closures and Staff Reductions.** The SEC reportedly canceled leases for major regional offices and plans to eliminate regional director positions, reducing the agency's physical presence and staff autonomy.<sup>10</sup>
  - **Focus on Big Firms.** Then-Acting SEC Chair Mark Uyeda suggested in an April 8, 2025, speech that the SEC could prioritize enforcement actions against larger, more complex investment advisers and firms, leaving oversight of smaller firms to state regulators.<sup>11</sup>
  - **Reduction in Crypto Enforcement.** There will be fewer enforcement actions against the crypto industry, with a preference for rule-making and public guidance over enforcement actions to clarify the regulatory status of crypto assets.<sup>12</sup>

## Cryptocurrency Enforcement Taken on by the States

Particularly in the area of cryptocurrency, states are poised to step up enforcement activity. This follows the disbanding of the Department of Justice (DOJ) National Cryptocurrency Enforcement Team and Deputy Attorney General Todd Blanche's announcement that the DOJ will "no longer pursue litigation or enforcement actions that have the effect of superimposing regulatory frameworks on digital assets[.]"<sup>13</sup> The DOJ will instead focus on prosecuting individuals who victimize digital asset investors or use digital assets in furtherance of criminal conduct, including terrorism, human trafficking, and gang financing.<sup>14</sup>

Several states have already taken steps to ramp up enforcement actions relating to cryptocurrency, with others likely to follow. Recent examples include:

### *New York*

- In recent years, the Attorney General has filed multiple lawsuits against crypto platforms for selling or purchasing crypto tokens without registering in the state.
- In March 2023, sued KuCoin for failing to register as a securities and commodities broker-dealer under New York law.
- Secured a consent order in December 2023 banning KuCoin from trading securities and commodities in New York, requiring \$16.7 million in refunds to investors and \$5.3 million in penalties.<sup>15</sup>

### *Iowa*

- Attorney General filed lawsuits against Lux Vending, LLC (Bitcoin Depot) and GDP Holdings LLC (Coin Flip), operators of cryptocurrency ATMs, alleging insufficient policies and procedures to identify and block scams.<sup>16</sup>
- Claims include Iowa Consumer Fraud Act violations, unfair and deceptive practices, and

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misrepresentation.<sup>17</sup>

- Asserted that companies profit from fees charged to consumers sending cryptocurrency to scammers and fail to warn or protect users adequately.

## ***Pennsylvania***

- Attorney General issued a public warning to consumers about scams involving cryptocurrency ATMs.<sup>18</sup>
- Provided tips for identifying scams and encouraged scam victims to contact the Attorney General's office.
- Indicated potential for future legal action against crypto companies operating ATMs in the state.

## **States Prepare for the Uncertain Future of the CFPB**

Likewise, as the Trump administration seeks to dismantle the CFPB, states are preparing to fill the gap in regulation and enforcement of consumer protection violations.<sup>19</sup> Recent actions states are taking to prepare for the CFPB enforcement gap include the following:<sup>20</sup>

- **Amicus Brief Filing.** Twenty-three state attorneys general filed an amicus brief supporting the National Treasury Employees Union's action to block the shutdown of the CFPB, emphasizing the Bureau's historical partnership with states in consumer protection cases.<sup>21</sup>
- **Independent Authority Under CFPA.** States leverage their independent authority under the Consumer Financial Protection Act (CFPA) to bring civil actions against covered persons or providers for unfair, deceptive, and abusive acts or practices.<sup>22</sup> Michigan's attorney general, for example, brought a claim under the CFPA against an online lender for offering loans with exorbitant interest rates, resulting in a settlement that stopped the lender from marketing and extending new loans to Michigan consumers.<sup>23</sup>
- **New York's FAIR Act Proposal.**
  - New York Attorney General Letitia James proposed the Fostering Affordability and Integrity through Reasonable Business Practices Act (FAIR), which would expand the state's consumer protection law to cover "unfair" and "abusive" practices, allowing for broader enforcement authority.<sup>24</sup>
  - The FAIR Act would permit the New York attorney general to bring claims for a single instance of unfair, deceptive, or abusive activity, rather than being limited to conduct impacting the public at large.
  - The FAIR Act would enable the New York attorney general to address a wide range of conduct, including predatory loans, fraudulent landlord-tenant transactions, and other prohibited activities affecting individuals.
- **New York Banking Fee Regulations.** New York's Department of Financial Services proposed regulations to eliminate exploitative and deceptive banking fees, such as prohibiting overdraft fees on overdrafts of less than \$20 and charging overdraft fees that exceed the overdrawn amount.<sup>25</sup>
- **Massachusetts Junk Fee Regulations.** Massachusetts Attorney General Joy Campbell issued new regulations under the state's consumer protection law to curb "junk fees."<sup>26</sup> The regulations require companies to disclose the total price of a product or service upfront and

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provide clear information regarding additional charges.

## Expanded State Enforcement for Financial Markets

States are also increasingly scrutinizing new financial products and digital platforms, with particular attention to the trading of event contracts and the practices of online investment platforms. Recent actions in Massachusetts highlight how state regulators are responding to perceived risks and potential violations in these emerging areas.

- In March, Massachusetts Secretary of the Commonwealth Bill Galvin issued a subpoena to Robinhood over its launch of a prediction markets hub, which allows users to bet on the outcomes of events such as March Madness basketball tournaments.<sup>27</sup> Galvin raised concerns about integrating gambling-like features on a platform popular with young investors, suggesting these event contracts are designed to lure users away from sound investing.
- Massachusetts previously filed an enforcement action against Robinhood for improper "gamification" features, resulting in a \$7.5 million settlement for violations of state securities laws.<sup>28</sup>
- The current investigation may focus on potential violations of Massachusetts's Fiduciary Rule, which requires broker-dealers and investment advisors to act with utmost care and loyalty to customers and make recommendations solely in the customer's best interest.<sup>29</sup>

## Conclusion

Unlike past White House transitions, when federal regulators' priorities remained relatively consistent, the Trump administration's agenda has and will likely continue to significantly curtail the scope and volume of actions brought by federal regulators. However, we can expect state attorneys general, regulators, and legislators to increase enforcement efforts against financial markets participants. We will continue to monitor state-level initiatives very closely and will alert our financial markets clients to any significant developments.

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1 The White House, "Fact Sheet: President Donald J. Trump Launches Massive 10-to-1 Deregulation Initiative" (Jan. 31, 2025), <https://www.whitehouse.gov/fact-sheets/2025/01/fact-sheet-president-donald-j-trump-launches-massive-10-to-1-deregulation-initiative/>.

2 Paul Atkins, Opening Statement Before the Senate Banking Committee, Nomination Hearing of Paul Atkins (Mar. 27, 2025).

3 *Id.*

4 Sen. Tim Scott, "Scott Applauds Paul Atkins' Confirmation as SEC Chairman" (Apr. 9, 2025), Senate Banking Committee, <https://www.banking.senate.gov/newsroom/majority/scott-applauds-paul-atkins-confirmation-as-sec-chairman>.

5 On April 29, 2025, for example, the SEC filed a complaint against a CEO of an investment advisory firm and business development company alleging the CEO defrauded investors by making material misrepresentations in offering documents provided to prospective investors and engaged in self-dealing by extending loans to two companies in which the CEO had undisclosed financial interests. See *Securities and Exchange Comm'n v. Derek R. Taller*, 25 Civ. 3537, S.D.N.Y. (April 29,

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2025).

6 Delegation of Authority to Director of the Division of Enforcement, 90 Fed. Reg. 12105 (Mar. 10, 2025).

7 Exec. Order 14215, 90 Fed. Reg. 10447 (Feb. 24, 2025).

8 Exec. Order 14215, 90 Fed. Reg. 10447 (Feb. 24, 2025).

9 Jessica Corso & Jon Hill, "Atkins Suggests He May Open SEC's Doors To DOGE" (Mar. 27, 2025), *Law360*, <https://www.law360.com/banking/articles/2316005>.

10 Carl Ayers, "RCW exclusive: Leases on three SEC regional offices to end" (Mar. 7, 2025), *Regulatory Compliance Watch*, <http://regcompliancewatch.com/rcw-exclusive-leases-on-three-sec-regional-offices-to-end/>.

11 Mark T. Uyeda, "Remarks to the Annual Conference on Federal and State Securities Cooperation" (Apr. 8, 2025), SEC, <http://sec.gov/newsroom/speeches-statements/uyeda-nasaa-040825>.

12 Mark T. Uyeda, "Remarks at the Crypto Task Force's Inaugural Roundtable" (Mar. 21, 2025), SEC, <https://www.sec.gov/newsroom/speeches-statements/uyeda-remarks-crypto-roundtable-032125>.

13 DOJ, "Memorandum for All Department Employees" (Apr. 7, 2025), <https://www.justice.gov/dag/media/1395781/dl?inline>.

14 The SEC has similarly reduced its investigations and enforcement in the area of cryptocurrency. In late April, for example, PayPal disclosed in its quarterly Form 10-Q report that the SEC was closing an inquiry, opened in November 2023, regarding PayPal's PYUSD stablecoin, which pegs its value to the U.S. dollar.

15 New York Stipulation and Consent (Dec. 8, 2023), <https://ag.ny.gov/sites/default/files/settlements-agreements/kucoin-stipulation-and-consent.pdf>.

16 Iowa Attorney Department of Justice, "Attorney General Bird Sues Crypto ATM Companies for Costing Iowans More than \$20 Million" (Feb. 26, 2025), <https://www.iowaattorneygeneral.gov/newsroom/attorney-general-bird-sues-crypto-atm-companies-for-costing-iowans-more-than-20-million>.

17 *Id.*

18 Pennsylvania Attorney General, "AG Sunday Warns Pennsylvanians of Rise in Scams Involving Bitcoin ATMs" (Feb. 25, 2025), <https://www.attorneygeneral.gov/taking-action/ag-sunday-warns-pennsylvanians-of-rise-in-scams-involving-bitcoin-atms/>.

19 Note that the materials relied upon by Katten for purposes of this advisory do not appear publicly on the CFPB's website. However, the materials reviewed appear on CFPB letterhead and, as

described herein, are consistent with public positions agency leadership has taken with respect to the nature of future agency activities in light of the recent presidential election.

20 For a closer look at what the CFPB's new leadership proposes, see Katten's recent advisory, "CFPB Suggests Shift In Supervision and Enforcement Priorities."

21 *National Treasury Employees Union, et al v. Russell Vought, et al.*, No. 25-cv-00381, Dkt. No. 24 (D. DC. Feb. 21, 2025), [https://www.marylandattorneygeneral.gov/News%20Documents/022125\\_DC\\_DCt\\_Amicus.pdf](https://www.marylandattorneygeneral.gov/News%20Documents/022125_DC_DCt_Amicus.pdf).

22 *Id.* at 4.

23 *Dana Nessel, Attorney General of the State of Michigan v. Huggy Lamar Price, et al.*, No. 19-cv-13078, Dkt. No. 1 (E.D. Mich. Oct. 18, 2019), [https://www.michigan.gov/ag/-/media/Project/Websites/AG/releases/2019/october/Complaint\\_FILED.pdf?rev=ed465f8086f147629de063292258e59c&hash=96ABAB057544A8516DEC0A12D0C4FC88](https://www.michigan.gov/ag/-/media/Project/Websites/AG/releases/2019/october/Complaint_FILED.pdf?rev=ed465f8086f147629de063292258e59c&hash=96ABAB057544A8516DEC0A12D0C4FC88).

24 N.Y. Gen. Bus. Law FAIR Business Practices Act at § 349.

25 New York Governor, "Protecting Consumers: Governor Hochul Cracks Down on Exploitative Overdraft Fees Targeting Low-Income New Yorkers" (Jan. 22, 2025), <https://www.governor.ny.gov/news/protecting-consumers-governor-hochul-cracks-down-exploitative-overdraft-fees-targeting-low>.

26 Mass. Attorney General, "AG Campbell Releases 'Junk Fee' Regulations to Help Consumers Avoid Unnecessary Costs" (Mar. 3, 2025), <https://www.mass.gov/news/ag-campbell-releases-junk-fee-regulations-to-help-consumers-avoid-unnecessary-costs>.

27 "Massachusetts regulator subpoenas Robinhood over sports betting" (Mar. 24, 2025), CNN, <https://www.cnn.com/2025/03/24/business/regulators-probe-robinhood-prediction-markets-march-madness/index.html>.

28 *Id.*

29 950 Code Mass. Regs. § 12.207(1)(a).

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