

119TH CONGRESS
2D SESSION

S.

To prohibit online platforms from displaying fraudulent or deceptive commercial advertisements, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Mr. GALLEGUO introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To prohibit online platforms from displaying fraudulent or deceptive commercial advertisements, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “Safeguarding Con-
5 sumers from Advertising Misconduct Act” or the “SCAM
6 Act”.

7 SEC. 2. FINDINGS.

8 Congress finds the following:

9 (1) Online platforms have become a primary
10 conduit for online scams or other digital advertising-

1 related fraud, including fake giveaways, animal
2 sales, deal advertisements tied to nonexistent prod-
3 ucts, government impersonations, romance scams,
4 health scams, and impersonations using AI-cloned
5 voices and stolen images targeting legitimate busi-
6 nesses.

7 (2) According to data reported by the Federal
8 Trade Commission, social media platforms are a pri-
9 mary contact method to initiate scams, with individ-
10 uals ages 20 to 29 reporting social media was the
11 contact method more than 38 percent of the time,
12 and for individuals ages 18 to 19, that figure was
13 47 percent.

14 (3) According to the Commission, the estimated
15 overall loss from fraud in 2024, adjusted to account
16 for underreporting, was \$195,900,000,000, with an
17 estimated \$81,500,000,000 lost by older adults.

18 (4) According to the AARP, consumers filed
19 2,600,000 fraud reports in 2023, with a median in-
20 dividual loss of \$500. Nearly 100,000 consumers re-
21 ported losses of \$10,000 or more.

22 (5) Some online platforms have abandoned
23 tighter advertiser verification processes to avoid driv-
24 ing away profits from advertisers.

1 (6) Section 230 of the Communications Act of
2 1934 (47 U.S.C. 230) was enacted to protect online
3 platforms acting as “Good Samaritans” by shielding
4 such platforms from being treated as publishers of
5 user content, while encouraging such platforms to
6 block or screen offensive content.

13 (8) According to the Federal Trade Commis-
14 sion’s consumer alert titled “Top scams of 2024”
15 (March 10, 2025), “People reported losing money
16 more often when contacted through social media.
17 Most people (70 percent) reported a loss when con-
18 tacted on a social media platform—and lost more
19 money overall.” The Commission issued broad infor-
20 mation requests to online platforms using the Com-
21 mission’s authority under section 6(b) of the Federal
22 Trade Commission Act (15 U.S.C. 46(b)) in order to
23 assess paid advertisement screening practices, citing
24 the surge in scam ads.

1 (9) Online platforms' inconsistent and optional
2 efforts to mitigate the rise in scams have failed,
3 leading to a consumer confidence crisis across digital
4 financial systems.

5 SEC. 3. PROHIBITION ON DIGITAL ADVERTISING-RELATED 6 FRAUD.

7 (a) IN GENERAL.—It shall be unlawful for an online
8 platform to display a fraudulent or deceptive commercial
9 advertisement on such platform if the online platform—

10 (1) accepted payment to display such advertise-
11 ment; and

12 (2) failed to take reasonable steps (as described
13 in subsection (b)) to prevent the fraudulent or de-
14 ceptive commercial advertisement from being made
15 available.

16 (b) ADDITIONAL REQUIREMENTS FOR ONLINE PLAT-
17 FORMS.—

23 (A) Procedures to verify the identity of
24 each advertiser prior to the placement of a paid
25 advertisement, including—

1 (i) verification of the legal name and
2 physical location of the advertiser;

3 (ii) verification of a valid and current
4 government-issued identification of the ad-
5 vertiser, or, in the case of a business enti-
6 ty, documentation establishing the legal ex-
7 istence of the entity and the relation of the
8 purchaser to the entity;

9 (iii) collection of contact information
10 for the advertiser sufficient to allow follow
11 up by the online platform or the Commis-
12 sion; and

13 (iv) reasonable measures to prevent
14 circumvention of such verification require-
15 ments through the use of any false, stolen,
16 or synthetic identity.

17 (B) An active impersonation detection and
18 mitigation program.

19 (C) Automated and manual fraudulent and
20 deceptive commercial advertisement detection
21 systems.

22 (D) A clear and conspicuous tool for users
23 to report suspected fraudulent or deceptive
24 commercial advertisements.

9 (i) not later than 72 hours after the
10 submission of such report or receiving such
11 identification, conduct an investigation of
12 such advertisement; and

17 (B) REMOVAL.—

18 (i) AFTER INVESTIGATION.—If, after
19 conducting an investigation under subpara-
20 graph (A), an online platform determines
21 that an advertisement violates the require-
22 ments of this Act, such online platform
23 shall, not later than 24 hours after making
24 such determination, remove the advertise-
25 ment from the platform.

1 (ii) DURING INVESTIGATION.—Nothing in this subparagraph shall preclude an
2 online platform from removing an advertisement prior to the conclusion of an investigation under subparagraph (A), as determined appropriate by the online platform.
3
4
5
6
7

8 (3) PRESUMED COMPLIANCE.—

9 (A) IN GENERAL.—For purposes of sub-
10 section (a), an online platform shall be pre-
11 sumed to have taken reasonable steps to pre-
12 vent a fraudulent or deceptive commercial ad-
13 vertisement from being made available if the
14 online platform—

15 (i) submits to the Commission a
16 fraudulent and deceptive commercial ad-
17 vertisement detection program that incor-
18 porates the procedures described in para-
19 graph (1), and the Commission approves
20 such program; and

21 (ii) demonstrates compliance with,
22 and active enforcement of, the program de-
23 scribed in clause (i), including by dem-
24 onstrating that the online platform pro-
25 vides adequate resources for the program.

1 (B) RULE OF CONSTRUCTION.—Nothing in
2 this paragraph shall be construed to create a
3 presumption of compliance in any individual en-
4 forcement action in which the Commission de-
5 termines or establishes that the online platform
6 did not comply with its fraudulent and decep-
7 tive commercial advertisement detection pro-
8 gram.

9 (c) REGULATIONS.—

19 (d) ENFORCEMENT BY THE COMMISSION.—

20 (1) UNFAIR OR DECEPTIVE ACTS OR PRAC-
21 TICES.—A violation of this Act or a regulation pro-
22 mulgated under this Act shall be treated as a viola-
23 tion of a rule defining an unfair or deceptive act or
24 practice prescribed under section 18(a)(1)(B) of the

1 Federal Trade Commission Act (15 U.S.C.
2 57a(a)(1)(B)).

3 (2) POWERS OF THE COMMISSION.—

4 (A) IN GENERAL.—The Commission shall
5 enforce this Act and any regulation promul-
6 gated under this Act in the same manner, by
7 the same means, and with the same jurisdic-
8 tion, powers, and duties as though all applicable
9 terms and provisions of the Federal Trade
10 Commission Act (15 U.S.C. 41 et seq.) were in-
11 corporated into and made a part of this Act.

12 (B) PRIVILEGES AND IMMUNITIES.—Any
13 person who violates this Act or any regulation
14 promulgated under this Act shall be subject to
15 the penalties and entitled to the privileges and
16 immunities provided in the Federal Trade Com-
17 mission Act (15 U.S.C. 41 et seq.).

18 (C) AUTHORITY PRESERVED.—Nothing in
19 this Act shall be construed to limit the author-
20 ity of the Commission under any other provi-
21 sion of law.

22 (e) ENFORCEMENT BY STATES.—

1 been or is threatened or adversely affected by the
2 engagement of any person in an act or practice that
3 violates subsection (a) or (b), the attorney general of
4 the State may, as parens patriae, bring a civil action
5 on behalf of the residents of the State in a district
6 court of the United States of appropriate jurisdic-
7 tion to—

8 (A) enjoin such act or practice;
9 (B) enforce compliance with subsection (a)
10 or (b);
11 (C) obtain damages, restitution, or other
12 compensation on behalf of residents of the
13 State; or
14 (D) obtain such other relief as the court
15 may consider to be appropriate.

16 (2) RIGHTS OF THE COMMISSION.—

17 (A) NOTICE TO THE COMMISSION.—

18 (i) IN GENERAL.—Except as provided
19 in clause (iii), before initiating a civil ac-
20 tion under paragraph (1), the attorney
21 general of a State shall notify the Commis-
22 sion in writing that the attorney general
23 intends to bring such civil action.

24 (ii) CONTENTS.—The notification re-
25 quired by clause (i) shall include a copy of

10 (B) INTERVENTION BY THE COMMISSION.—Upon receiving the notice required by
11 subparagraph (A)(i), the Commission may intervene in the civil action and, upon inter-
12
13
14 vening—

1 nesses or the production of documentary or other
2 evidence.

3 (4) PREEMPTIVE ACTION BY THE COMMIS-
4 SION.—If the Commission has instituted a civil ac-
5 tion for a violation of subsection (a) or (b), no State
6 officer may bring an action under paragraph (1)
7 during the pendency of that action against any de-
8 fendant named in the complaint of the Commission
9 for any violation of subsection (a) or (b) alleged in
10 the complaint.

11 (5) VENUE; SERVICE OF PROCESS.—

12 (A) VENUE.—Any action brought under
13 paragraph (1) may be brought in the district
14 court of the United States that meets applicable
15 requirements relating to venue under section
16 1391 of title 28, United States Code.

17 (B) SERVICE OF PROCESS.—In an action
18 brought under paragraph (1), process may be
19 served in any district in which the defendant—

20 (i) is an inhabitant; or
21 (ii) may be found.

22 (f) PRIVATE RIGHT OF ACTION.—

23 (1) IN GENERAL.—A person who has been in-
24 jured by another person in violation of subsection
25 (a) or (b) may bring a civil action against such per-

1 son in an appropriate district court of the United
2 States—

3 (A) seeking injunctive relief;

4 (B) subject to paragraph (2), to obtain ac-
5 tual damages; and

6 (C) to obtain, for each violation, any other
7 restitution, penalties, and other legal or equi-
8 table relief as the court may deem just and
9 proper.

22 (4) LIMITATION.—An action may be com-
23 menced under this subsection not later than 5 years
24 after the date on which the person first discovered

1 or had a reasonable opportunity to discover the vi-
2 olation.

3 (5) NONEXCLUSIVE REMEDY.—Bringing a civil
4 action under this subsection shall be in addition to
5 any other remedy available to the person bringing
6 such civil action.

7 (g) RELATIONSHIP TO OTHER LAWS.—

8 (1) EFFECT OF OTHER LAWS.—

9 (A) APPLICATION OF SECTION 230(C)(1).—
10 Section 230(c)(1) of the Communications Act of
11 1934 (47 U.S.C. 230(c)(1)) shall not apply to
12 any violation of this section.

13 (B) APPLICATION OF SECTION 230(C)(2).—
14 Nothing in this Act shall be construed to limit
15 or affect the civil liability protections under sec-
16 tion 230(c)(2) of the Communications Act of
17 1934 (47 U.S.C. 230(c)(2)).

18 (2) EFFECT ON STATE LAWS.—Nothing in this
19 section or any regulation promulgated under this
20 section shall preempt or otherwise affect any State
21 or local law.

22 (3) SEVERABILITY.—If any provision of this
23 section, or the application thereof to any person or
24 circumstance, is held invalid, the remainder of this
25 section and the application of such provision to other

1 persons not similarly situated or to other cir-
2 cumstances shall not be affected by the invalidation.

3 SEC. 4. REGULATORY REPORT ON ONLINE SCAMS AND PO- 4 TENTIAL FOR ADDITIONAL RULEMAKING.

5 (a) REPORT REQUIRED.—Not later than 9 months
6 after the date of enactment of this section, the Commis-
7 sion, in consultation with other Federal agencies, shall
8 submit to the Committee on Banking, Housing, and
9 Urban Affairs of the Senate and the Committee on Finan-
10 cial Services of the House of Representatives a report as-
11 sessing whether additional statutory authority is needed
12 to prevent the proliferation of online scams involving fi-
13 nancial transactions.

14 (b) CONTENTS.—The report required under sub-
15 section (a) shall include—

16 (1) an assessment of any regulatory gaps that
17 allow online scams involving fraudulent advertise-
18 ments or digital payment fraud to persist;

19 (2) an analysis of whether improved information-sharing mechanisms between online platforms,
20 financial institutions, and regulators could reduce
21 consumer losses; and
22

23 (3) recommendations for such legislation and
24 administrative action required to strengthen over-

1 sight of online platforms or intermediaries facilit-
2 ating scam-related payments.

3 **SEC. 5. DEFINITIONS.**

4 For purposes of this Act:

5 (1) **COMMISSION.**—The term “Commission”
6 means the Federal Trade Commission.

7 (2) **DECEPTIVE.**—The term “deceptive”—
8 (A) has the meaning given the term in sec-
9 tion 5 of the Federal Trade Commission Act
10 (15 U.S.C. 45);

11 (B) shall be interpreted consistent with
12 any guidance of the Commission or precedent of
13 Federal courts applying such section; and

14 (C) for purposes of this Act, is limited to
15 material misrepresentations, omissions, or prac-
16 tices that are likely to cause financial harm to
17 a consumer.

18 (3) **ONLINE PLATFORM.**—The term “online
19 platform” means any public-facing website, online
20 service, online application, or mobile application that
21 predominantly provides a community forum for user-
22 generated content, such as sharing videos, images,
23 games, audio files, or other content, including a so-
24 cial media service, social network, or virtual reality
25 environment.