

The Honorable Mike Johnson
Speaker
U.S. House of Representatives
H-232, The Capitol
Washington, DC 20515

The Honorable Hakeem Jeffries
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, DC 20515

July 15, 2025

Re: Coalition Letter in Opposition to the CLARITY Act

Dear Speaker of the House Johnson and Minority Leader Jeffries:

The 84 investor, consumer, and other advocacy organizations undersigned below write to express our opposition to the CLARITY Act (H.R. 3633). This bill creates a weak regulatory structure for crypto assets, actors, and activities that effectively deregulates much of the crypto sector, either by totally exempting many elements of the industry from any oversight or by replacing existing regulatory standards with weaker protections for customers and markets that could imperil investors and financial stability.

The bill creates loopholes or confusing legal questions that crypto and non-crypto firms will exploit in order to evade existing regulatory standards, causing more damage. The legislation gives the shady practices and endemic fraud in the crypto industry a government imprimatur without adequate guardrails to protect investors and the financial system and unleashes and rewards the administration's crypto corruption. There are many problems with the bill, including the following issues:

CLARITY legitimizes risky and exploitative crypto industry practices. The bill allows crypto platforms to maintain and expand conflicted business models, where platforms act as exchanges, brokers, dealers, and custodians and can shunt customers to their affiliated businesses that can cost customers more and without the safeguards provided in traditional finance. These practices have already contributed to investor losses and crypto firms' failures. Additionally, crypto firms' integration can increase financial stability risks due to the interconnections between its own investments and its trading or custody affiliations. A federal seal of approval is likely to worsen these harms.

CLARITY sets up an anemic CFTC customer protection regime for crypto consumers. It establishes a new Commodity Futures Trading Commission (CFTC) digital commodities regulatory framework that allows issuers to fast track the introduction and trading of new crypto assets with minimal oversight, disclosure, or investor protection obligations that are far weaker than existing approaches at the Securities and Exchange Commission (SEC). The bill's underfunded mandate worsens the CFTC's already narrow investor protection remit, further limiting its ability to provide effective investor protection.

CLARITY creates a permissive exemption pathway for crypto securities issuers, while undermining the SEC's mission and bedrock investor protection standards. It creates a broad SEC exemption from disclosure and registration obligations for those crypto issuers under the bill's "mature blockchain" rules. The bill allows these crypto firms to sell to retail investors without any of

the guardrails present in the traditional securities market, despite higher risks. The bill also fundamentally distorts the SEC's investor and market protection mandate by inserting the term "innovation" into law, which undermines the SEC's statutory mission to promote investor protection, fair markets, and capital formation.

CLARITY undoes decades of investor protection law and invites regulatory evasion.

Traditionally, courts and regulators use facts and circumstances tests to determine whether assets, arrangements, and actors should be subject to investor protection laws. But CLARITY exempts crypto from these tests by declaring that certain crypto offerings are not securities even when they explicitly meet the securities law tests. This broad exemption means that investors will have less information and be exposed to more risks from these crypto investments. It also creates a loophole for crypto and non-crypto firms alike who want to issue investment instruments without meeting the appropriately more rigorous securities registration and disclosure requirements, creating a deregulatory race to the bottom that could harm investors who never touch crypto.

CLARITY exempts many crypto assets and issuers from meaningful market oversight and consumer protections. The bill's wide regulatory exemptions for DeFi (decentralized finance) platforms and intermediaries mean that major swathes of the crypto industry, including many of the more risky and exploitative parts of it, would not be subject to federal oversight under either securities or commodities law, save for narrow anti-fraud measures. Regulators would have limited ability to police the widespread theft, fraud, and market manipulation in DeFi spaces that can lead to broader market instability. Additionally, CLARITY's loophole-ridden digital commodity definition means that many other crypto assets and issuers, such as memecoins or tokens that dub themselves "collectibles," may not be regulated at all by either the SEC or CFTC. This will leave many crypto investors to fend for themselves against fraud artists and the wealthy tech firms that control these platforms and assets.

CLARITY undermines state regulators' abilities to protect investors. The bill gives exclusive jurisdiction for regulating crypto commodity issuers and brokers to the CFTC, limiting state regulators from using their oversight and investor protection powers except in limited circumstances. State regulators have been at the forefront of many key crypto investor protection efforts. This bill weakens their ability to provide this protection.

CLARITY hinders efforts to apply consistent anti-money laundering (AML) rules to crypto platforms. The bill's exemptions for DeFi platforms combined with its blanket AML exemptions for self-hosted wallets — without offering any meaningful alternative approach to oversight — will undermine AML measures across the crypto industry and mainstream finance, create major AML loopholes bad actors can exploit, and undermine existing efforts to combat crypto's dominant role in facilitating illicit finance.

CLARITY fails to address conflicts of interest and corruption issues. It fails to address the unprecedented ethical concerns posed by the promotion of crypto ventures by high officials. These activities not only raise profound concerns about good government and corruption, but reduce the likelihood that regulators could effectively supervise the entire crypto industry that could directly harm consumers, investors, and the broader economy as well.

CLARITY's many structural flaws cannot be remedied by simple amendments alone, and the current aggressive deregulatory efforts within financial regulators mean that even the bill's weak provisions will get further watered down. Passage of CLARITY guarantees the crypto industry will be given kid-glove treatment by captured regulators, putting investors and the economy at significant risk. Financial deregulation in the late 1990s that was promoted as so-called financial innovation led directly to the 2008 financial crisis. The crypto industry has dusted off this innovation playbook, but the Congress should not be fooled again.

The government seal of approval will make it more likely that the crypto industry's widespread fraud, precipitous volatility, and shady practices will become enmeshed in mainstream finance, posing substantial risks to the stability of the financial system and the economy all in the name of so-called crypto innovation.

We strongly urge the Congress to vote against this bill.

Sincerely,

20/20 Vision
Accountable.us/Accountable.NOW
Action Center on Race and the Economy
Affordable Homeownership Foundation Inc
American Economic Liberties Project
Americans for Financial Reform
Animals Are Sentient Beings, Inc.
Arkansas Community Organizations
CA Democracy Defenders
California Democracy Defenders,
Center for Biological Diversity
Center for Economic Justice
Center for LGBTQ Economic Advancement
& Research (CLEAR)
Center for Responsible Lending
Church Women United in New York State
Civic Sundays
Committee to Preserve the Finger Lakes
Consumer Federation of America
Consumer Federation of California
Consumer Reports
Demand Progress
Democracy for America Advocacy Fund
Don't Gas the Meadowlands Coalition
Economic Action Maryland Fund
Faith in Action
Flow Water Advocates
Food & Water Watch
Fossil Free Tompkins
FrackBustersNY

FreshWater Accountability Project
Georgia Coalition Against Cryptomining
HollywoodDemocrats PAC
Indivisible
Indivisible Alta Pasadena
Indivisible CA 14 Feminists in Action
Indivisible Ca Green Team
Indivisible Sacramento
Indivisible San Francisco
Indivisible San Jose
Indivisible San Pedro
Indivisible Stanislaus
Indivisible Ventura
Indivisible West Marin
Indivisible Westside LA
Indivisible Westside Los Angeles
Indivisible Yolo
Lakewood Indivisible
Little Lakes Sustainability Network
Long Beach Indivisible
Maine People's Alliance
Media City Burbank Indivisible
Mountain State Justice
National Coalition Against Cryptomining
National Consumer Law Center, on behalf of
its low-income clients
NCAC
New Jersey Appleseed Public Interest Law
Center
New York Progressive Action Network

New Yorkers for Responsible Lending
North American Climate, Conservation and
Environment (NACCE)
North Tonawanda Climate Smart
Communities Task Force
Occupy Bergen County (New Jersey)
Oregon Consumer Justice
Oregon Consumer League
P Street
People Power United
PERR/NYPAN Suffolk County
Public Citizen
Rise Economy
Rooted in Resistance (Indivisible)
San Fernando Valley Indivisible
Seneca Lake Guardian
Sisters of Mary Reparatrix
St. Louis Equal Housing and Community
Reinvestment Alliance
Stand Strong LA Indivisible
Strong Economy For All Coalition
Sustainable Finger Lakes
Swing Left San Gabriel Valley
Take On Wall Street
TakeItBack.Org
Terra Advocati
The Academy of Financial Education
The Tech Oversight Project
Unitarian Universalists for a Just Economic
Community
Woodstock Institute