

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 82 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  
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  
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