PUBLIC CITIZEN
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July 14, 2025

Honorable Members
United States House of Representatives
Washington, DC 20515

Re: House consideration of cryptocurrency bills

Dear Representative,

On behalf of more than 500,000 members and supporters of Public Citizen across the country, we ask you to please vote NO on three cryptocurrency bills slated for full House consideration this week. These include the GENIUS Act (recently approved by the Senate); the CLARITY Act; and the CBDC Anti-Surveillance Act. These dangerous bills legitimize the cryptocurrency Ponzi scheme that will undoubtedly leave more Americans scammed and will enable criminal behavior.

Trump's Massive Crypto Grift

Regardless of a Member's position on whether the many risks of harm posed by cryptocurrency outweigh its supporters' inflated promises of innovation through blockchain-based payment systems, no responsible lawmaker can support these measures because they ratify the greatest corruption in presidential history: Donald Trump's crypto ventures, which astound in the scope of the grift and flagrancy of commitment. Leading ethicists agree, including the White House ethics "czars" for each president since Clinton (except for Trump's).

Trump once dismissed bitcoin, the most popular crypto, as "based on thin air." It is a "scam." It can facilitate unlawful behavior, including drug trade and other illegal activity." Now, he's the self-proclaimed crypto president.

In May, the Trump family announced an agreement with a fund backed by Abu Dhabi that "would be making a $2 billion business deal using the Trump firm's digital coins," according to the New York Times. That deal involved a stablecoin. The Constitution (Article 1, Section 9) forbids accepting money (specifically a "present" or "emolument") or anything of value from any "king, prince, or foreign state."

Previously, Trump hosted a presidential dinner for the largest new buyers of his crypto "meme," called "$Trump." Federal law strictly regulates payments to government officials, including gifts. Although the president may receive gifts, he or she may not "solicit" gifts. These prohibitions begin with the Constitution's Emoluments Clause and are reiterated in the U.S.'s anti-bribery statute, 18 U.S.C. § 201, and federal regulations, 5 C.F.R. § 2635. Although section 2635.205 lists several exemptions from the prohibition, none exempts soliciting purchases for personal gain.

As to why the public might be interested in sending money, the website explains: "This Trump Meme celebrates a leader who doesn't back down, no matter the odds." Under the Trump meme website's question, "What is a meme?" the website explains: "Merriam-Webster's meme noun: 1: an idea, behavior, style, or usage that spreads from person to person within a culture."

The website states that "Trump Memes . . . are not intended to be, or to be the subject of, an investment opportunity, investment contract, or security of any type." Additionally, the Securities and Exchange Commission (SEC) stated that meme coins have "no use." Other cryptocurrency observers deride memes generally as without value. Former aide Anthony Scaramucci said Trump's effort demeans broader cryptocurrency efforts, calling it "Idi Amin level corruption." Another commenter said that the Trump meme "is effectively a 'for sale' sign on the White House." Some, including an author in the Washington Post, characterized this token as a "sh—coin."

In short, it appears Trump is not soliciting money in exchange for an investment or tangible product (such as a Bible, sports shoes, or a guitar), but soliciting money in exchange for nothing—that is, asking for a gift that will benefit him personally.

Already, Trump has profited millions from the meme and other ventures. His initial sale generated nearly $100 million. The latest salvo in April brought in roughly $100 million more. Some new buyers come through the Binance exchange, legally barred for US investors, meaning that Trump may well be violating the emoluments clause with this venture as well.

The dangers inherent in the Trump meme portend ominously. Should the president be allowed to enrich himself in this way, other politician might follow this path, rendering the prohibition on solicitation in 18 U.S.C. § 201 and the prohibitions on receipt of gifts by officials other than the president meaningless.

Paradoxically, while this Trump meme is worthless (by his own estimation) Trump managed to create an earlier crypto that is worth less. In October, 2024, he became the "chief crypto advocate" for World Liberty Financial, a nascent cryptocurrency firm. The World Liberty Trump crypto is worse because it cannot be resold. This Trump crypto buys only "governance," but only a minority share. Trump controls the majority of the governance tokens.

Now, the House considers a trio of bills regarding cryptocurrencies. At the very least, Congress must bar the president along with all elected officials and their families from owning, buying or otherwise trafficking in stablecoins. Americans must be assured that policy won't be fashioned by those profiting from the shape of the legislation.

Further, Congress should approve an amendment that restates conflict laws that already apply to the president. Namely, he may not solicit gifts; he may not accept gifts from a foreign sovereign; he may not sell political favors.

Pro-crypto lawmakers apologize that Trump corruption will persist whether or not Congress approves crypto legislation. We reject this defeatist position. Congress must not abdicate any powers to hold Trump accountable. Without conflict-of-interest guardrails, approving these bills effectively endorses Trump's conflicts. The bills will integrate crypto into mainstream banking, serving to fatten his grift.

At the same time, we believe each bill fails to protect investors while facilitating the funding of illicit activities, which we explain in detail below.

H.R. 3633, the Digital Asset Market CLARITY Act of 2025

This measure succeeds the "Fit 21 Act" of the last Congress, approved with bipartisan support, a result we believe reflects profligate political spending by the crypto sector in 2024. Now that the crypto political spenders brazenly threaten to recycle even more of their ill-gotten gains into future elections, Congress is speeding through more pro-crypto bills.

The CLARITY Act falls so short of necessary investor protections as to invite mockery. Putting a sign on the keg at a frat party that says "Over 21 only" would achieve better results at tamping down harmful behavior. Fundamentally, the CLARITY Act accords the imprimatur of federal government approval for crypto by awarding official SEC-approved status for qualified firms.

To qualify for approved status, a firm might actually register. Exemptions, however, abound. Sections 309 and 409 of the legislation would exempt firms if they relate to "the operation of a blockchain system." Crypto projects may win exemption for contracts that trade and settle on a blockchain. The bill exempts tokens with "value, utility or significance," a designation that the sponsor itself can claim. And all existing tokens enjoy a grandfather protection, legal amnesty for any reporting requirements.

In effect, the bill claims to establish a speed limit and then provides what amount to exceptions for drivers with red cars, fast cars, or if they're in a hurry.

Further, the bill offers a means for non-crypto companies to bypass securities law and use the blockchain to raise funds. This threatens to upend a near century of securities law- and rule-making that established American markets as the envied, disciplined, safe, and largest in the world. Once the crypto craze dissolves and/or crashes, this element of the bill, if it becomes law, will constitute one of the greatest deteriorations of sound securities law ever. The Securities Industry and Financial Markets Association, the lobby that represents firms that underwrite and help investors trade stocks, shares this concern. Recently the association wrote to the Securities and Exchange Commission with a warning about the potential pitfalls of allowing firms to put stocks on the same blockchain technology that underpins digital assets without following the same rules that apply to the equities market. Doing so, SIFMA said, raises questions about whether investors would be getting the best prices when trading such tokenized stocks and if that trading could hamper capital formation in the U.S.

The CLARITY Act fails to provide adequate compliance requirements to deter money laundering. Drug, arms and human traffickers use crypto to avoid detection. If crypto promoters simply required every participant to register--just as a driver secures a driver's license-- much of this problem would abate. That the bill sponsors resist this simple policy speaks grimly about whom they are serving with this legislation.

Finally, bill sponsors claim they promote this bill to keep crypto innovation American and provide long needed regulation. But not all "innovation" advances an economy. Crafty cyberthieves deserve no trophy, nor do romance scammers, but both varieties of scammers frequently use crypto to bilk their marks. Moreover, current securities law provides a rubric for crypto. The Biden administration asked crypto to register and comply; some did. Most, however, prefer to grift outside any barriers. Congress must not plant the US flag on this rogue industry through this bill.

The GENIUS Act

The GENIUS Act focuses on essentially one element of what's necessary to govern stablecoins: namely the integrity of their reserves. It requires that the sponsor buy safe securities, such as U.S. treasuries. Even here, however, the GENIUS Act falls short because it also allows a coin's sponsor to include uninsured demand deposits. While cash might seem safe, if held in a bank, accounts beyond $250,000 would not enjoy FDIC coverage. The episode of Silicon Valley Bank's failure demonstrated this vulnerability. Further, the bill relies on sponsor certification (or attestation) as to the components of the reserve. Instead, responsible legislation should require an audit by a firm overseen by the Public Company Accounting Oversight Board (PCAOB). (Some stablecoins have sought audits from firms outside this recognized regime.)

Generally, the GENIUS Act includes several foundational flaws. First, it invites major commercial firms such as Amazon, Walmart, Twitter/X and/or Facebook/Meta to enter the banking sector because it lacks provisions under the Banking Holding Company Act that otherwise prohibit non-financial firms from entering the banking business. The nation's centuries old policy separating banking and commerce stems from concerns about concentration in power. Creditors should not face the moral hazard of competing with the borrower. Viability of a credit facility should not hinge on the viability of a commercial venture. For example, an automobile manufacturer that also sponsored a stablecoin might raid the reserve should car sales begin to falter. Or a major online aggregating retailer might disfavor a subcontractor if it failed to use the aggregator's stablecoin. History illustrates that when banks have entered commerce, such as financiers did in the late 19th century during the construction of railroads, manipulations led to frequent economic shocks. Any stablecoin legislation should obligate issuers to abide by robust Bank Holding Company Act provisions that guard against these harms by restricting sponsorship to existing banks.

Second, the GENIUS Act provides a dual oversight structure, permitting stablecoins under a certain value ($10 billion) to register under individual states. This allows a race to the bottom, where unscrupulous sponsors would seek the state with the most convenient rules. The bill calls on the states to establish safety standards, but these will inevitably be worked out between industry and lawmakers with little consumer protection given the scant interest by average Americans in this sector. Further, a bad actor could game the $10 billion limit by organizing multiple funds, beginning a new one once the last one reaches this figure.

The bill also fails to establish clear safeguards for those stablecoins that seek federal oversight, with the same vague injunctions to regulators. As implementation of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act demonstrates, regulators were slow to implement rules, and those rules reflected intense Wall Street lobbying. With the U.S. Supreme Court decision eliminating *Chevron* deference, rules that industry finds inconvenient now may perish at the whim of cherry-picked courts.

Third, the bill fails to provide speedy resolution for customers in case of failure of a stablecoin. Bankruptcy does not suit a firm that custodies savings that should be available within days of a failure, as is the case with banks that are resolved by the Federal Deposit Insurance Corp. Section 9 of the GENIUS Act references sections of Chapter 11 of the Bankruptcy Code, affording holders of payment stablecoins "priority." But bankruptcy triggers an automatic stay on payments that could take years before the relief of funds, according to Georgetown Prof. Arthur Wilmarth, which renders "priority" little relief in actuality. Related to this, the bill includes inadequate custodial rules. The GENIUS Act declares that stablecoins are property of the investor and must be segregated from sponsor funds. But this doesn't direct the bankruptcy court to pay the investor immediately.

Lastly, the bill lacks a fair redemption regime. It simply requires the stablecoin sponsor to establish a policy. It fails to prohibit a firm from establishing exorbitant fees, or setting an unreasonable time to honor a redemption, or favoring some customers over others. A sponsor could establish long waiting periods; a sponsor could even change policies, such as advertising a low fee one month, then raising it the next, and setting different fees for different customers. In a money market mutual fund, all customers receive the same prevailing interest rate and enjoy equal redemption rules.

Central Bank Digital Currency

The CBDC Anti-Surveillance State Act oddly places its specious talking point in the bill's title. The bill would bar the government from establishing a central bank digital currency on the argument that it would invade personal financial privacy.

In reality, the sponsors of this bill serve the interests of private sector cryptocurrency promoters that we believe do not want to be displaced by a better, government-sponsored digital currency. It is revealing that so-called innovators in the free market fear they might be outdone by federal technocrats. Public Citizen believes these self-described crypto innovators are craven fraudsters looting the vulnerable with a Ponzi scheme.

Public Citizen does support exploration of a Central Bank Digital Currency (CBDC). This federal digital coin, in one form dubbed a FedAccount, holds the promise to address some of the problems with the payment system.

Conceived by Lev Menand of Columbia Law School in June 2018, the CBDC would be a Federal Reserve account. It would be available to "any U.S. resident or business in digital wallets operated by the Federal Reserve, the Post Office, or one of the country's several thousand community banks," he explains. "The digital wallets would charge no fees and have no minimum balances. They would come with debit cards, direct deposit, and bill pay. They would have customer service, privacy safeguards, and fraud protection—if, for example, one lost their password. And these accounts would earn interest at the same rate that the Fed pays to banks."

Lack of profitability for the banks represents one of the reasons that banks fail to service roughly six percent of the population. The FedAccount would be available to those whom banks have failed to serve regardless of their balance. They would be streamlined to provide access with immediate payment clearing. There would be no fees charged. With such an account, delivery of federal payments would be immediate.

We believe the Menand idea deserves attention. Searching for a talking point, the bill's sponsors claim the idea would lead to a surveillance state. They seem unaware that credit card firms, major banks, and other financial institutions already own personal financial data. By the bill's logic, they should be banned as well.

In conclusion, we believe the House should reject these bills because they ratify Trump's grift. Separate from this grift, we oppose these bills as insufficient to counter the Ponzi nature of cryptocurrency.

For questions, please contact Bartlett Naylor at bnaylor@citizen.org.

Sincerely,

Public Citizen