

The Clarity Act (Clarity) is a comprehensive market structure framework for the digital assets ecosystem.

It enhances regulatory supervision and increases consumer protections. It sets clear jurisdictional lines for the SEC and the CFTC, clarifies rules for centralized intermediaries, strengthens law enforcement against illicit finance, and establishes robust customer and investor protections. Passage of Clarity is essential to ensuring the United States is the global leader in this fast growing and significant industry.

Illicit Finance & National Security

Myth:

Clarity is weak on illicit finance and national security.

FACT:

False. Clarity is the most comprehensive digital assets law enforcement bill to date.

It expands existing AML/CFT requirements and significantly bolsters law enforcement's ability to target bad actors.

- Federal AML/CFT obligations have long applied to the digital asset industry. Since 2013, FinCEN has required digital asset exchanges to register as money services businesses (MSB), implement AML programs, fulfill know-your-customer (KYC) requirements, and file suspicious activity reports.
- Clarity bolsters counter illicit-finance measures by:
 - Directing Treasury to clarify and tailor BSA and sanctions obligations for digital asset intermediaries
 - Expanding grants and training programs for Federal, state, local, and tribal law enforcement to combat all forms of scams and illicit activity involving digital assets
 - Imposing robust anti-fraud measures on digital asset kiosk operators and directing NIST to establish cybersecurity standards for DeFi protocols
 - Authorizing the Treasury to restrict fund transfers identified as posing significant money laundering risks
 - Providing FinCEN with an additional \$150 million to implement AML/CFT regulations and support law enforcement

Myth:

Crypto is used by terrorists, drug traffickers, ransomware gangs, and rogue states.

FACT:

Bad actors abuse every financial system — cash, hawala networks, and traditional banking included, all at far greater scale than crypto.¹ That said, illicit activity in any amount or any form is too much, which is exactly why Clarity matters.

- Blockchain-based transactions are public, traceable, and more auditable than cash, limiting illicit actors' ability to use crypto for money laundering or sanctions evasion. These inherent attributes of blockchain have enabled law enforcement to rely on blockchain analytics firms to trace and recover funds.
- Clarity would enhance law enforcement's ability to identify and trace illicit digital asset flows by designating "digital assets" as monetary instruments under the BSA, helping ensure digital asset transactions are captured within the same reporting framework that applies to cash.
- It would also establish a Digital Asset Cyber Innovation Center to counter state-actor threats, disrupt cyberattacks and illicit finance activity, and support stolen-asset recovery.

1. See Treasury's 2024 National Money Laundering Risk Assessment, noting "the use of virtual assets for money laundering remains far below that of fiat currency[.]" <https://home.treasury.gov/system/files/136/2024-National-Money-Laundering-Risk-Assessment.pdf>.

Investor & Customer Protections

Myth:

The bill would provide fewer investor protections for digital asset securities and deviates from securities law.

FACT:

Securities remain securities. Fraud remains illegal. The SEC retains full enforcement authority.

Clarity doesn't undermine securities law — it clarifies the SEC's remit and gives it stronger tools.²

- Clarity grants the SEC clear authority to oversee the digital asset securities market. This includes implementing Regulation Crypto, which provides a compliant pathway for issuers to raise capital through certain digital asset offerings, subject to enumerated investor protections, including disclosures and eligibility criteria.
- Clarity establishes a comprehensive disclosure regime tailored to the unique features of crypto assets and blockchains, ensuring investors have access to the most pertinent information.
- Clarity combats insider trading by ensuring ancillary assets fall under insider trading prohibitions. It also restricts token sales by related persons of the issuer by establishing minimum holding periods, limits on how many assets may be sold at a time, and disclosures. Clarity also explicitly authorizes the SEC to issue rules to prevent evasion of the act's investor protections.

Myth:

This bill was written by crypto industry insiders and serves their interests over everyday Americans.

FACT:

This bill benefits everyday Americans.

Clarity has been shaped by years of bipartisan work. It strengthens national security, protects investors, and ensures that innovation occurs under clear, enforceable rules. Put simply, it increases and enhances federal supervision.

- A recent poll found 70% of Americans believe the U.S. should have already passed crypto legislation, demonstrating widespread support for bringing digital assets under clear rules of the road.³
- The House recognized the importance of market structure legislation, passing the bill in a bipartisan 294-134 vote, with 78 Democrats voting in favor. It is a bipartisan bill by any measure.

2. This specifically clarifies its remit over digital asset securities and capital raises involving digital assets. The Senate Agriculture Committee-passed Digital Commodities Intermediaries Act further subjects spot digital commodity trading activity to federal supervision for the first time.

3. Voter Perceptions & Support for the Clarity Act, National survey of voters shows bipartisan support for American leadership in cryptocurrencies and passing the Clarity Act, <https://www.harrisx.com/posts/national-survey-of-voters-shows-bipartisan-support-for-american-leadership-in-cryptocurrencies-and-passing-the-clarity-act>

Investor & Customer Protections

Myth:

The bill does not have adequate customer protections.

FACT:

Together with the Senate Agriculture Committee-passed Digital Commodities Intermediaries Act, Clarity delivers the most comprehensive customer protections the sector has seen.

- Clarifies SEC oversight over digital asset securities. It closes a key regulatory gap by granting the CFTC oversight over the digital commodity spot market.
- Establishes comprehensive disclosure requirements for issuers and intermediaries, tailored to the unique attributes and risks of digital assets and blockchains.
- Requires intermediaries to segregate customer assets, maintain minimum financial resources, mitigate conflicts of interests, and comply with AML and CFT requirements.
- Protects customers' digital assets with qualified digital asset custodian requirements. and bankruptcy protections.
- Mandates consumer education and fraud awareness through a dedicated customer protection title.
 - Section 10801 requires the SEC and CFTC to require digital asset intermediaries to provide “clear and accessible educational materials” to the public. Those materials must explain how distributed ledger systems function, describe any risks associated with digital assets, explain differences between digital asset markets and traditional financial markets, provide information on reporting and disclosure requirements, and include guidance on recognizing fraudulent schemes and instructions for reporting suspected fraud.
 - The bill directs the SEC and CFTC to conduct a joint study on expanding financial literacy among retail digital asset customers, including how to improve the timing, content, and format of digital asset financial literacy materials; how to coordinate with the Financial Literacy and Education Commission, nonprofits, and state and local jurisdictions; and what information retail customers need before engaging with or purchasing a digital asset.

Responsible Innovation in the U.S.

Myth:

Clarity gives DeFi a “free pass.”

FACT:

Clarity includes a full title on responsible innovation in DeFi. It applies longstanding regulatory principles by focusing registration and compliance obligations on customer-facing intermediaries that control customer assets.

- Persons controlling finance trading protocols (i.e., protocols that are not truly decentralized) must register as securities intermediaries and comply with BSA requirements.
- Treasury must clarify sanctions compliance obligations for U.S. owners and operators of distributed ledger application layers (e.g., front ends and user interfaces).
- NIST must establish cybersecurity standards for DeFi protocols with an evaluation process for whether those standards are met.
- Digital asset intermediaries must establish robust risk management programs before routing transactions through a DeFi protocol to detect and avoid operational, cybersecurity, AML, or sanctions risks.

Myth:

Self-custody provisions and developer protections are a regulatory loophole.

FACT:

Clarity protects lawful self-custody and maintains a precedent of protecting neutral software development. It does not limit the government’s ability to enforce the Bank Secrecy Act, sanctions laws, anti-money laundering laws, terrorism-financing laws, or any other illicit-finance authorities.

- The Keep Your Coins Act provision is limited to lawful self-custody. A federal agency may not prohibit, restrict, or otherwise impair a covered user’s ability to self-custody digital assets using a self-hosted wallet or other means “to conduct transactions for any lawful purpose.”
- Nothing in the section limits Treasury, the SEC, CFTC, Federal Reserve, OCC, FDIC, or NCUA from carrying out enforcement actions or special measures under applicable law, including the Bank Secrecy Act or any other law relating to illicit finance, money laundering, terrorism financing, or sanctions.
- Software developer protections are targeted. Section 10601 provides that a person is not subject to the Securities Act or Securities Exchange Act solely because the person engages in neutral infrastructure activities such as compiling, relaying, searching, sequencing, or validating network transactions; providing computational work; operating a node or oracle service; or providing other similar incidental services. The Act explicitly clarifies that the SEC’s anti-fraud, anti-manipulation, and false reporting enforcement authorities still apply.
- The Blockchain Regulatory Certainty Act (BRCA) language preserves AML/CFT authority. Nothing in the section affects whether a developer or provider is otherwise treated as a money transmitter under federal or state law, including laws relating to AML/CFT, based on conduct outside the protected non-custodial software-development activities—activities which were never intended to be subject to money transmission laws. The BRCA also clarifies it does not affect application of money transmitter law where a person specifically intends to transfer illicit funds or support unlawful activity.
- The bill strengthens illicit-finance obligations for user-facing layers of decentralized finance. Section 10302 directs Treasury to issue guidance clarifying sanctions requirements for U.S.-owned or operated distributed ledger application layers. That guidance must address blockchain analytics screening, identifying sanctioned wallet addresses, and blocking or restricting prohibited transactions.

Responsible Innovation in the U.S.

Myth:

Clarity will lead to deposit flight.

FACT:

There is no evidence to support the claim that stablecoin adoption will lead to deposit flight. Furthermore, the Clarity Act includes language that explicitly addresses this purported concern.

- Senators Tillis and Alsbrooks' bipartisan language includes explicit prohibition on any digital asset service provider or its affiliate from "directly or indirectly" paying any form of interest or yield on a payment stablecoin balance in a manner that is economically or functionally equivalent to the payment of interest or yield on a bank deposit.
- This language explicitly bars any circumvention of this prohibition, provides enhanced disclosures and restrictions against marketing a payment stablecoin reward as comparable to interest on a bank deposit, and directs a study on stablecoin rewards' impact on deposit flight.
- This provision permits transaction or activity based rewards, which are distinct from the banks' purported concerns—in fact, stablecoin rewards are essential to ensuring the growth, adoption, and usage of U.S. regulated payment stablecoins.
- Clarity promotes responsible banking innovation by clarifying that banks may use digital assets and blockchain to engage in otherwise lawful activities and conduct various enumerated digital asset-related activities, while preserving applicable safeguards and supervisory obligations. It also requires the Federal Reserve, OCC, and FDIC to develop risk-based and leverage capital requirements for insured depository institutions, bank holding companies, and certain Fed-supervised nonbank financial companies that address netting agreements across multiple types of financial transactions in the event of counterparty default.

Myth:

The Clarity Act is not needed because Americans can already use crypto.

FACT:

Crypto is the future of global digital finance. Without market structure legislation that provides clear rules, crypto activity will either continue in the U.S. without the investor and customer protections outlined above, or move offshore, beyond the reach of U.S. regulation entirely. With the market moving offshore, the U.S. is missing out on the opportunity to lead the future of global digital finance, with implications for growth and tax revenue.

- Crypto is a significant and growing global market, with a global market capitalization in excess of \$2.6T. But, due to inaction, the U.S. is losing much of this growth to foreign jurisdictions that provide clearer rules for businesses.
 - Centralized exchanges are the engine of crypto liquidity, price discovery, and user trust. As much as 88% of centralized exchange trading volume occurred on non-U.S. exchanges in 2025.
 - Talent is a key indicator of market growth. Only 19% of crypto developers are in the U.S., a 51% drop over the last decade.
- Currently, the U.S. leads in global financial markets. This leadership made U.S. markets the gravitational center for global capital, giving American regulatory standards influence far beyond U.S. borders.
 - Foreign jurisdictions including the EU, Singapore, and the UAE have already enacted comprehensive digital asset market structure regimes, attracting capital flows and entrepreneurial activity.
- By establishing clear rules, Clarity would bring digital asset activity onshore, subject it to U.S. regulatory standards, and preserve America's historic leadership in technology, finance, and innovation.