

UNITED STATES SENATE COMMITTEE ON
BANKING
HOUSING &
URBAN AFFAIRS

Myth vs. Fact: The CLARITY Act

TOPLINE

Digital asset markets currently operate with fragmented oversight, outdated rules, and legal uncertainty. The CLARITY Act replaces confusion with clear, enforceable guardrails that protect consumers and investors, counter illicit finance and national security threats, and support responsible innovation in the United States.

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

FACT This claim is false. The bill relies on longstanding securities law principles to clearly define which digital assets are securities and which digital assets are commodities. Those subject to the bill's regulatory requirements must submit disclosures to the Securities and Exchange Commission (SEC), comply with resale restrictions, and comply with anti-evasion restrictions. Under the CLARITY Act, securities remain securities, fraud remains illegal, and the SEC retains full enforcement authority over digital asset securities and primary offerings of ancillary assets, a type of digital asset.

2 MYTH The bill puts banks, taxpayers, and the financial system at risk.

FACT The real risk is the status quo. The CLARITY Act establishes a clear regulatory framework that holds bad actors accountable for fraud, manipulation and abuse, and is designed to prevent another FTX-style collapse. It requires disclosures so investors understand material risks and includes safeguards to prevent insider misconduct. Clear rules protect investors — uncertainty does not. Without a clear regulatory framework in place, digital asset market participants would continue operating overseas, leaving good-faith actors outside U.S.-regulated markets and limiting U.S. oversight and visibility into these markets.

3 MYTH The bill creates loopholes for evasion of U.S. rules.

FACT The bill closes regulatory gaps. The real opportunity for evasion arises from the status quo -- unclear jurisdiction between the SEC and Commodity Futures Trading Commission (CFTC), which creates gaps that can be exploited to avoid oversight. The bill eliminates that ambiguity by clearly allocating jurisdiction between the SEC and CFTC, establishing a joint SEC-CFTC Advisory Committee designed to harmonize digital asset regulatory requirements, and including protections that specifically target evasion.

4 MYTH The bill fails to address illicit finance and national security risks.

FACT The bill establishes strong, enforceable protections against illicit finance and national security threats. It ensures digital asset intermediaries are subject to anti-money laundering and countering terrorist financing requirements, strengthens sanctions compliance, and authorizes Treasury to address high-risk foreign activity. It closes gaps that bad actors and adversaries currently exploit while preserving lawful innovation. It also provides tools to enhance cybersecurity protections.

5 MYTH The bill enables illicit finance to occur through decentralized finance (DeFi) trading protocols.

FACT The bill does the opposite. It targets illicit activity while protecting lawful software development and innovation. The legislation clarifies sanctions obligations, requires centralized digital asset intermediaries that interact with DeFi protocols to implement risk management standards, and includes a tailored rulemaking for intermediaries that are not truly decentralized. Code is protected — misconduct is not.

6 MYTH The bill criminalizes software developers or bans self-custody.

FACT The bill explicitly protects software developers who publish, maintain, or contribute to code without controlling customer funds, and it preserves Americans' ability to hold their own digital assets. At the same time, the bill makes clear that these protections do not shield fraud, illicit finance, or other misconduct, giving regulators targeted authority to address real risks without sweeping in lawful software development.

7 MYTH The bill was written by industry and serves industry interests.

FACT The bill has been shaped by years of bipartisan work, extensive engagement with regulators and law enforcement, and a focus on public-interest outcomes. It protects investors, closes national security vulnerabilities, and ensures digital asset innovation occurs under clear, enforceable rules instead of operating in regulatory gaps or moving offshore.

BOTTOMLINE

The CLARITY Act replaces uncertainty with clear rules of the road. It protects investors, strengthens national security, preserves lawful innovation, and gives regulators the tools to go after fraud, manipulation, sanctions evasion and illicit finance.