United States Senate
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, DC 20510–6075

October 20, 2025

The Honorable Scott Bessent
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, D.C. 20220

Dear Secretary Bessent:

I am writing to comment on the Treasury Department's advance notice of proposed rulemaking soliciting feedback on its plans to implement the *Guiding and Establishing National Innovation for U.S. Stablecoins Act* ("GENIUS Act"). The law creates a light-touch regulatory framework for crypto banks, referred to as "stablecoin issuers." Experts, policymakers, and Democratic and Republican members of Congress have raised the importance of fixing flaws in the GENIUS Act as written. It is critical that Treasury take steps to implement and enforce the law in a manner that attempts to limit severe risks to U.S. financial stability, consumers, taxpayers, and national security. Treasury must also help ensure that legislation being considered in Congress to set the rules for the overall market structure of the crypto industry addresses the weaknesses left open by the GENIUS Act – and avoids codifying a weak overall regulatory framework that would threaten Americans' retirement savings, increase the chances of a financial meltdown, fail to address illicit finance risks and presidential corruption, and leave regular crypto investors vulnerable to fraud and volatility.

Corruption

The GENIUS Act imposed no restrictions on President Trump's unprecedented crypto corruption. In March, a crypto company launched by President Trump and his sons, World Liberty Financial, announced its own stablecoin called USD1.[1] It is one of the largest largest stablecoins in the world, at roughly $2.7 billion in assets, [2] and would rank among one of the largest U.S. banks by asset size.[3] Foreign investors have begun to exploit this avenue for corruption. For example, a UAE state-backed investment firm used USD1 to finance a $2 billion

[1] CNBC, "Trump-backed crypto bank joins stablecoin wars with new dollar-pegged token," Tanaya Macheel and MacKenzie Sigalos, March 25, 2025, https://www.cnbc.com/2025/03/25/trumps-world-liberty-financial-jumps-into-stablecoin-game-with-usd1-reveal.html.
[2] CoinMarketCap, "Top Stablecoin Tokens by Market Capitalization," https://coinmarketcap.com/view/stablecoin/ (accessed October 20, 2025).
[3] Federal Reserve System, "Federal Reserve Statistical Release: Large Commercial Banks," https://www.federalreserve.gov/releases/lbr/current/.

investment in a crypto exchange whose owner is reportedly lobbying President Trump for a pardon, essentially giving the Trump family a cut of this $2 billion deal.[4] No President has ever regulated his own financial company. The conflict of interest is staggering, and the Administration has not articulated any proposed plan for addressing it or mitigating the risk that the President or his family could profit from their crypto businesses while implementing rules that weaken basic protections for consumers, investors, and our tools for detecting illicit finance and safeguarding our national security. Given the importance of addressing this glaring problem, I expect that Treasury will propose specific steps for addressing corruption it implements the GENIUS Act, explain how it has insulated its proposed rules from conflicts of interest, and advocate for a meaningful legislative solution as Congress considers setting the rules for the broader structure of the crypto market.

Illicit Finance

Treasury is responsible for implementing U.S. financial sanctions, countering the financing of terrorism, and rooting out money laundering in the financial system. As it implements the GENIUS Act, Treasury must propose and adopt concrete plans to shore up weaknesses that national security experts have warned will make it easier for rogue states, drug cartels, terrorists, and criminals to fund their illicit activity and move money through the financial system as stablecoins become "the new kingpin of illicit crypto activity."[5] According to Chainalysis, a blockchain analytics firm, stablecoins account for more than 60% of all illicit crypto transactions.[6]

Open-source reporting has underscored the kind of gaps that criminals and adversaries are already seeking to exploit to move, mix, and cash out funds: laundering funds through opaque decentralized exchanges and bridges, and through mixers that a federal court held falls outside Treasury's sanctions authority.[7] Services such as mixers are specifically designed to make it prohibitively difficult or resource-intensive for law enforcement to follow the money associated with crime and national security threats.[8] In its forthcoming proposed rules, Treasury should explain how it intends to apply safeguards to ensure those entities are not used to circumvent the basic checks on money laundering and terrorist financing that apply to the rest of the financial system.

Treasury should also explain how it intends to mitigate widely reported risks posed by a requirement that foreign stablecoin issuers respond to lawful orders within 30 days. Even if the

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[4] The New York Times, "Anatomy of Two Giant Deals: The U.A.E. Got Chips. The Trump Team Got Crypto Riches." Eric Lipton, David Yaffe-Bellany, Bradley Hope et al., September 15, 2025, https://www.nytimes.com/2025/09/15/us/politics/trump-uae-chips-witkoff-world-liberty.html.

[5] CoinTelegraph, "Crypto crime in 2024 likely exceeded $51B, far higher than reported: Chainalysis," Michael Tabone, February 27, 2025, https://cointelegraph.com/news/crypto-crime-2024-2025-chainalysis.

[6] Chainalysis, "2025 Crypto Crime Trends: Illicit Volumes Portend Record Year as On-Chain Crime Becomes Increasingly Diverse and Professionalized," January 15, 2025, https://www.chainalysis.com/blog/2025-crypto-crime-report-introduction.

[7] Reuters, "U.S. Scraps Sanctions on Tornado Cash, Crypto 'Mixer' Accused of Laundering North Korea Money," March 21, 2025, https://www.reuters.com/business/finance/us-scraps-sanctions-tornado-cash-crypto-mixer-accused-laundering-north-korea-2025-03-21/.

[8] U.S. Department of the Treasury, National Money Laundering Risk Assessment, p. 45, February 2022, https://home.treasury.gov/system/files/136/2022-National-Money-Laundering-Risk-Assessment.pdf.

30-day requirement had been written in a manner that would prevent noncompliant issuers from trading in the United States, Hamas and other illicit actors are known to move their assets in a fraction of that time.[9] In addition, Treasury's regulation or guidance implementing the GENIUS Act must counter the potential misperception that 30 days, or even half that time, is now an acceptable time lag between designation and asset freezing in the economic sanctions context. The broader financial sector has long been expected to block and freeze the assets of newly sanctioned targets as soon as possible after they are sanctioned, to avoid asset flight.

Finally, Treasury should explain how it will avoid creating a perverse outcome in which only more responsible stablecoin issuers build capacity or pay for ecosystem monitoring of the blockchains on which their stablecoins are traded—a service already offered by blockchain analysis firms. In particular, to level the playing field for responsible issuers, Treasury should propose requiring all permitted stablecoin issuers to monitor such blockchains and report suspicious activity they see to law enforcement.

In short, Treasury owes the public detailed proposals on how it intends to mitigate the perception that it is open season for terrorists and criminals to exploit every entity and service beyond stablecoin issuers that will facilitate an increasing share of financial transactions. Treasury's analysis of financial crime risks should not only guide implementation of the GENIUS Act but also inform ongoing discussions about how to address critical loopholes as Congress considers market structure legislation.

Consumer Protection

Treasury must similarly explain how federal regulators will mitigate the increased risk that consumers will get ripped off and scammed in financial transactions involving stablecoins. The GENIUS Act failed to include commonsense amendments to ensure that basic consumer protections that people enjoy when they use their Venmo app or ordinary bank account would extend to stablecoin transactions – and that the Consumer Financial Protection Bureau would maintain authority to enforce the law. During the Trump administration, moreover, Acting Director Vought's concerted effort to shutter the Consumer Financial Protect Bureau has functionally left consumers without a financial cop on the beat to help them when they are scammed or defrauded.[10] The vast majority of stablecoin issuers will not even be required to undergo financial audits to make sure that they aren't committing fraud.[11] This sector is a ticking time bomb for consumers, and Treasury and other implementing agencies must propose concrete administrative and legislative solutions to mitigate the fallout.

Banking and Commerce

The United States has long separated banking and commerce to promote competition, ensure financial stability, and prevent large conglomerates from accumulating undue power over our

[9] ACAMS, "Hamas Emptied Cryptocurrency Addresses After FBI Requested Freeze," Charlie Passut, March 27, 2025, https://www.moneylaundering.com/news/hamas-emptied-cryptocurrency-addresses-after-fbi-requested-freeze/.

[10] NPR, "New CFPB chief closes headquarters, tells all staff they must not do 'any work tasks'," Laurel Wamsley, February 10, 2025, https://www.npr.org/2025/02/08/nx-s1-5290914/russell-vought-cfpb-doge-access-musk; American Prospect, "Hardly Workin'," James Baratta and Maureen Tkacik, July 11, 2025, https://prospect.org/2025/07/11/2025-07-11-hardly-workin-cfpb-doge-trump/.

[11] 12 U.S.C. 5903(a)(10).

economy.[12] But the GENIUS Act failed to prohibit Big Tech companies and other conglomerates from issuing their own private currencies and taking control over the money supply. Instead, it included a nominal prohibition to preclude public nonfinancial companies from issuing stablecoins.[13] That supposed prohibition can both be waived by the Administration and be easily evaded absent permission.[14] It also includes a special carveout that makes it even easier for private companies like X to issue a stablecoin[15], particularly concerning, given Elon Musk's comments that his X Money payment platform could one day make up"half of [the] global financial system."[16] Given the bipartisan concern about the risks of Big Tech control over the money supply, Treasury must explain how it intends to address that risk in implementing the law.

Financial Stability

Because the GENIUS Act itself failed to codify basic safeguards necessary to ensure that stablecoins don't blow up our entire financial system, Treasury must also propose rules to mitigate that risk to the greatest extent possible and, as Congress considers market structure legislation, advocate for concrete statutory changes that would more fully contain the chances of a meltdown that will hurt families, investors, and taxpayers across the country. Stablecoin issuers are essentially uninsured banks. They issue liabilities that can be used to make payments and can be redeemed for cash on demand. But unlike insured banks, they lack federal deposit insurance or access to the Federal Reserve's discount window. If stablecoin issuers' investments lose even a small fraction of their value, they may not be able to meet redemptions 1:1 and stablecoin holders may run to redeem their coins for cash. The stablecoin issuer may be forced to sell off traditional assets, like Treasuries, in a fire sale to meet redemptions. That could lead to contagion and spark losses, and runs, in non-crypto markets.

This is not hypothetical: notably, in 2023, Circle's USDC traded down to $0.87 when it looked like it would lose a portion of its $3.3 billion deposit at Silicon Valley Bank.[17] Once policymakers bailed out Circle and other SVB uninsured depositors, USDC went back to $1. The GENIUS Act makes these runs and firesales more likely. It permits stablecoin issuers to invest in riskier assets, like offshore deposits, and allows them to engage in risky non-stablecoin activities, like crypto derivatives trading.[18] At the same time, the bill constrains regulators' ability to apply capital and liquidity safeguards to limit the chances of stablecoin failures.[19] In addition, the law

[12] Federal Reserve Bank of San Francisco, "The Separation of Banking and Commerce," John Krainer, 2000, https://www.frbsf.org/wp-content/uploads/article2-4.pdf.

[13] 12 U.S.C. 5903(a)(12).

[14] *See* 12 U.S.C. 5903(a)(12)(B)(i). In addition, the prohibition on non-financial services public company issuance only extends to wholly owned or majority owned subsidiaries and affiliates. Firms may control a majority of the subsidiary's or affiliate's board of directors and plurality of its stock, functionally controlling the subsidiary or affiliate, while evading this prohibition.

[15] 12 U.S.C. 5903(a)(12) only applies to public companies.

[16] Post on X by Brandon Hoffman, July 14, 2023, https://x.com/BrandonHoffman_/status/1680002170073280512.

[17] CNBC, "Stablecoin USDC breaks dollar peg after firm reveals it has $3.3 billion in SVB exposure," Ashley Capoot, March 11, 2023, https://www.cnbc.com/2023/03/11/stablecoin-usdc-breaks-dollar-peg-after-firm-reveals-it-has-3point3-billion-in-svb-exposure.html.

[18] 12 U.S.C. 5903(a)(1)(A).

[19] 12 U.S.C. 5903(a)(4).

itself imposes minimal operational risk controls on stablecoin issuers.[20] Recently, Paxos inadvertently minted, and then eliminated, $300 trillion of stablecoins.[21] This incident demonstrates the serious risks that operational failures can pose to an issuer, market integrity, and potentially financial stability. Treasury owes the public an explanation for how it intends to address those risks and, if it cannot, the authority it needs from Congress to do so.

In addition, creating an under-regulated, parallel banking system could drain deposits from community and mid-sized banks that actually lend to small businesses. This concern is even more acute if stablecoins are allowed to pay interest. Stablecoins are supposed to be a means of payment and not replicate the type of savings function that bank deposit accounts serve. There are bipartisan concerns that the GENIUS Act does not prohibit the payment of all forms of interest, which is something that Treasury should help address in market structure legislation.[22]

Treasury Department Implementation

In addition to generally limiting the risks posed above as you implement the GENIUS Act, there are two concrete steps the Treasury Department should take immediately:

First, the Treasury Department should publish guidance clarifying that it will not use the Exchange Stabilization Fund ("ESF"), or approve any Federal Reserve 13(3) emergency lending facility, to bail out the stablecoin industry in a period of stress. The GENIUS Act has weak financial stability and safety and soundness guardrails, making destructive runs and demands for bailouts likely.[23] The guidance would help improve market discipline on the front end by modestly reducing the stablecoin industry's expectation of a bailout.

The ESF has been repeatedly used over the past several decades to backstop financial markets in the United States and abroad. For example, the ESF was used to guarantee money market mutual funds after those fragile products experienced a run following the failure of Lehman Brothers in 2008.[24] More recently, the Trump administration tapped the ESF to backstop Argentina's financial markets following distress related to Argentine President Javier Milei's corruption scandals and failing right-wing economic policies.[25] In addition, Federal Reserve 13(3) emergency lending facilities have served as another popular mechanism to bail out short-term funding markets.[26] The Dodd-Frank Act required prior approval of these facilities by the

[20] 12 U.S.C. 5903(a)(4)(iv) requires operational risk management standards that are merely "principles based." [21] Yahoo Finance, "Paxos Burns $300 Trillion Worth PYUSD It Mistakenly Minted, Issues Official Statement," Prashant Jha, October 16, 2025, https://finance.yahoo.com/news/paxos-burns-300-trillion-worth-081715833.html.

[22] PoliticoPro, "Key Republican sides with banks in Wall Street's clash with crypto firms," Jasper Goodman, October 8, 2025, https://subscriber.politicopro.com/article/2025/10/key-republican-sides-with-banks-in-wall-streets-clash-with-crypto-firms-00598151?site=pro&prod=alert&prodname=alertmail&linktype=headline&source=email.

[23] 12 U.S.C. 5903(a)(4).

[24] U.S. Department of the Treasury, "Treasury Announces Temporary Guarantee Program for Money Market Funds," press release, September 29, 2008, https://home.treasury.gov/news/press-releases/hp1161.

[25] The New York Times, "Big Investors Await Windfall From Trump's Argentina Bailout," Alan Rappeport and Maria Abi-Habib, October 9, 2025, https://www.nytimes.com/2025/10/09/us/politics/argentina-bailout-investors.html.

[26] Congressional Research Service, "Federal Reserve: Emergency Lending," Marc Labonte, March 27, 2020, https://www.congress.gov/crs-product/R44185.

Treasury Secretary.[27] Treasury's guidance committing to a no-bailout posture should also cover this authority.

Second, the Treasury Department should publicly assert that it will not execute a reciprocity agreement with the Bukele regime in El Salvador or otherwise determine that El Salvador's stablecoin supervisory and regulatory framework is "comparable" to that of the United States. Section 18 of the GENIUS Act provides the Treasury Secretary with the authority to weaken oversight over foreign stablecoin issuers through special backroom deals called reciprocity agreements that exempt foreign issuers from U.S. safeguards or through comparability determinations that alternatively allow for light-touch U.S. oversight. Tether, the largest stablecoin issuer in the world, reportedly continues to be the favored financing mechanism of terrorists, cartels, human traffickers, and other illicit finance actors. As one recent headline put it, Tether is "money-launderers' dream currency."[28] The company has reportedly cozied up to President Trump and members of his Administration.[29] Commerce Secretary Howard Lutnick ran Cantor Fitzgerald, a close partner of Tether that owns a 5% stake in the company, before signing it over to his sons.[30] Tether's CEO has also met with executives of World Liberty Financial, including Zach Witkoff, the son of President Trump's special envoy to the Middle East.[31] Tether also recently hired one of President Trump's top crypto advisors, Bo Hines, who played a significant role in drafting the GENIUS Act.[32]

Notably Section 3 of the GENIUS Act provides companies like Tether with a major loophole that would allow it to avoid compliance with the law. Specifically, the bill allows Tether's stablecoin USDT to circulate in the so-called decentralized finance ecosystem in the U.S. and among U.S. persons without complying with basic GENIUS Act requirements. Under Section 18 of the GENIUS Act, Tether may pursue two additional avenues to further reduce restrictions on its ability to operate within the U.S. without facing all of the requirements under the law. Granting Tether these additional avenues for evasion would further undermine the United States's national security interests. Whether or not Tether and companies like it take advantage of these provisions, these loopholes pose significant risks for the American financial system and public.

[27] 12 U.S.C. § 343(3).

[28] The Economist, "How Tether became money-launderers' dream currency," Oliver Bullough, July 4, 2025, https://www.economist.com/1843/2025/07/04/how-tether-became-money-launderers-dream-currency.

[29] The New York Times, "Tether Was Accused of Fraud. Now It's a Crypto Darling in Washington." David Yaffe-Bellany and Kenneth P. Vogel, April 29, 2025, https://www.nytimes.com/2025/04/29/technology/trump-crypto-tether.html.

[30] The Guardian, "Trump cabinet member's links to El Salvador crypto firm under scrutiny," Jason Wilson, May 14, 2025, https://www.theguardian.com/us-news/2025/may/14/lutnick-el-salvador-crypto-immigration.

[31] The New York Times, "Tether Was Accused of Fraud. Now It's a Crypto Darling in Washington." David Yaffe-Bellany and Kenneth P. Vogel, April 29, 2025, https://www.nytimes.com/2025/04/29/technology/trump-crypto-tether.html.

[32] Tether, "Tether Appoints Former White House Crypto Council Executive Director Bo Hines as Strategic Advisor for Digital Assets and U.S. Strategy," press release, August 19, 2025, https://tether.io/news/tether-appoints-former-white-house-crypto-council-executive-director-bo-hines-as-strategic-advisor-for-digital-assets-and-u-s-strategy/; Cointelegraph, "Quitting Trump's top crypto job wasn't easy: Bo Hines," Ciaran Lyons, September 30, 2025, https://cointelegraph.com/magazine/bo-hines-us-president-donald-trump-crypto-job-tether-usa/.

Tether is now headquartered in El Salvador. The Trump administration has closely aligned with El Salvador's President, hosting him for an Oval Office visit, striking an agreement to send immigrant detainees to a Salvadoran prison, upgrading the State Department's travel advisory for the country, and maintaining temporary protected status for Salvadoran immigrants.[33] It would appear that a backroom reciprocity agreement between the United States and El Salvador is very much on the table. Treasury should swiftly rule out the possibility.

Conclusion

It is critical that Treasury implement and enforce the GENIUS Act in a manner that attempts to limit severe risks to U.S. financial stability, consumers, taxpayers, and national security. It has a responsibility to quickly propose rules that will address those risks to the greatest extent possible and explain to the public the remaining gaps that must be addressed through further legislation. Treasury has an opportunity to address some of these risks in bipartisan negotiations over legislation being considered in Congress to set the rules for the overall market structure of the crypto industry.

Sincerely,

Elizabeth Warren
Ranking Member
Committee on Banking,
Housing, and Urban Affairs

[33] The New York Times, "How El Salvador Is Reaping Rewards From Trump's Deportation Agenda," Annie Correal and Pranav Baskar, July 10, 2025, https://www.nytimes.com/2025/07/10/world/americas/trump-migrants-el-salvador-bukele.html.