

FACT SHEET: The CLARITY Act Cracks Down on Illicit Finance

The Banking Committee's Market Structure Bill takes a hardline approach to illicit finance while preserving software developers and innovation.

The bill strengthens national security and equips law enforcement with clear, workable tools to prevent the illicit use of digital assets.

Key Illicit Finance Provisions Include:

- **Designating digital asset intermediaries as financial institutions** under applicable law, requiring AML programs, customer identification, recordkeeping, and suspicious activity reporting.
- **Sanctions obligations for distributed ledger application layers** operated by U.S. persons, preventing bad actors from accessing decentralized finance trading protocols through a front-end.
- **A new "Special Measure 6" authority**, allowing the Treasury Department to act swiftly against foreign jurisdictions, institutions, or transaction types that pose a primary money laundering concern involving digital assets.
- **A targeted "hold law" safe harbor**, granting digital asset service providers and permitted payment stablecoin issuers a safe harbor from a private cause of action if they temporarily pause suspicious transactions at the request of law enforcement.
- **Establishing a pilot program** that allows private sector entities to partner with federal law enforcement to share information about illicit finance violations and emerging risks related to illicit finance.
- **Focused studies and reporting requirements** on digital asset mixers and tumblers, illicit finance risks, cybersecurity vulnerabilities, and national security threats.

Bottom line: The bill closes significant illicit finance gaps while preserving innovation and civil liberties.