

## **Myth vs. Fact: The CLARITY Act**

**TOPLINE:** Digital asset markets currently operate with fragmented oversight, outdated rules, and without legal uncertainty. The CLARITY Act establishes clear, enforceable guardrails that strengthen national security, protect customers and investors, and support responsible innovation in the United States.

**Myth 1:** *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 are subject to anti-evasion protections. Under this framework, securities remain securities, fraud remains illegal, and the SEC retains full enforcement authority over digital asset securities.

**Myth 2:** *The bill puts banks, taxpayers, and the financial system at risk.*

**Fact:** At its core, this is an investor protection bill. It brings digital assets into a clear regulatory framework, where bad actors are held responsible for fraud, manipulation, and abuse. This bill is designed to prevent a future FTX collapse – providing a regulatory framework where investors are informed about material risks, insiders are prevented from manipulating markets, and bad actors are penalized. Clear regulation protects investors — uncertainty does not. The real risk is in failing to provide a clear regulatory framework. Without a clear regulatory framework in place, digital asset market participants would continue operating overseas with minimal federal regulatory oversight in the United States.

**Myth 3:** *The bill creates loopholes for evasion of U.S. rules.*

**Fact:** The bill closes regulatory gaps. It clearly allocates jurisdiction between the SEC and Commodity Futures Trading Commission (CFTC), establishes a joint SEC-CFTC Advisory Committee designed to harmonize digital asset regulatory requirements, and includes protections that specifically target evasion.

**Myth 4:** *The bill fails to address illicit finance and national security risks.*

**Fact:** The bill includes the strongest illicit finance framework Congress has ever considered for digital assets. It ensures key 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.

**Myth 5:** *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.

**Myth 6:** *The bill criminalizes software developers or bans self-custody.*

**Fact:** The bill explicitly protects software developers and preserves the right to self-custody digital assets. Developers who publish or maintain code without controlling customer funds are not treated as financial intermediaries. At the same time, regulators retain the ability to address real threats in a way that is targeted and appropriately tailored.

**Myth 7:** *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 strengthens national security, protects investors, and ensures that innovation occurs under clear, enforceable rules.

**BOTTOM LINE:** This bill replaces uncertainty with clarity, strengthens enforcement against bad actors, and delivers modern protections for customers, investors, and the financial system.