May 7, 2025

The Honorable John Thune
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Charles E. Schumer
Minority Leader
U.S. Senate
Washington, D.C. 20510

RE: Urgent Amendments Needed to Address Illicit Finance Risks in the GENIUS Act

Dear Leaders Thune and Schumer,

As organizations and individuals dedicated to combating kleptocracy, we urge you to amend the "Guaranteeing Enforceable Necessary Inspections and Uniform Safeguards Act" (GENIUS Act, S.1582)[1] before it moves forward. The bill, as written, would open the door to a new era of illicit finance, enabling America's adversaries, corrupt officials, and other bad actors to exploit the stablecoin ecosystem to launder money, finance corruption, and evade U.S. sanctions.

The risks are real and urgent. Iran,[2] North Korea,[3] and Russia[4] have increasingly turned to cryptocurrency to launder illicit funds, finance weapons programs, and bypass international sanctions. U.S. and U.K. investigations revealed that over $20 billion in crypto transfers—many involving Tether—were routed to sanctioned Russian exchanges like Garantex, which operated with virtually no Know Your Customer (KYC) protocols.[5]

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[1] GENIUS Act, https://www.congress.gov/bill/119th-congress/senate-bill/1582.
[2] *See* Angus Berwick and Tom Wilson, "Crypto exchange Binance helped Iranian firms trade $8 billion despite sanctions," Reuters, Nov. 7, 2022, https://www.reuters.com/business/finance/exclusive-crypto-exchange-binance-helped-iranian-firms-trade-8-billion-despite-2022-11-04/.
[3] *See* U.S. Senate Committee on Armed Services, "Hearing to Receive Testimony on Worldwide Threats," May 2, 2024, https://www.armed-services.senate.gov/imo/media/doc/5224fulltranscript.pdf.
[4] Chainalysis Team, "Russia Cryptocurrency Pivot: Legislated Sanctions Evasion," Chainalysis, Sept. 5, 2024, https://www.chainalysis.com/blog/russias-cryptocurrency-legislated-sanctions-evasion.
[5] Alex Wickham, Jennifer Jacobs, and Alberto Nardelli, "US and UK Probe $20 Billion of Crypto Transfers to Russian Exchange," Bloomberg, Mar. 28, 2024, https://www.bloomberg.com/news/articles/2024-03-28/crypto-transfers-to-russian-exchange-worth-20-billion-probed-by-us-uk; Angus Berwick and Ben Foldy, "Inside the Russian Shadow Trade for Weapons Parts, Fueled by Crypto," The Wall Street Journal,

These platforms actively facilitate transactions for sanctioned actors and are increasingly preferred because they operate outside the reach of U.S. law.

The Problem: The Tether Loophole

Tether—the world's largest stablecoin—has been linked to illicit finance. Yet the GENIUS Act allows foreign issuers like Tether to remain active in U.S. markets via decentralized exchanges and peer-to-peer transfers, even if they fail to register as a permitted issuer.

While the bill bars such issuers from centralized exchanges after a three-year grace period, it does little to prevent ongoing, unregulated circulation through other channels. The Secretary of the Treasury has multiple mechanisms to provide waivers and exemptions. Moreover, if they're based in a jurisdiction deemed "comparable" or if there is a "reciprocity" agreement—their stablecoins can circulate freely in the United States, even on centralized exchanges. That loophole could allow for a special deal with El Salvador, where Tether is registered, to serve as a backdoor for evading oversight. This loophole is a gift to corrupt actors, kleptocrats, and transnational criminals who rely on stablecoins to move funds without scrutiny.

Solution: Amend §2 to define "issue" as "directly or indirectly, issue or otherwise make available for purchase, sale, or exchange." Conforming changes should clarify extraterritorial reach, assign oversight of foreign issuers to a U.S. regulator such as the Comptroller of the Currency, and adopt language from Section 10 of the McHenry-Waters bill to ensure foreign bad actors cannot circumvent U.S. law.

The Problem: AML/CFT Gaps that Enable Corruption and Other Crime

While the GENIUS Act affirms that stablecoin issuers are subject to anti-money laundering (AML) and countering the financing of terrorism (CFT) rules, this is already required under existing law. Critically, the bill does not extend AML/CFT obligations to the *secondary* market—digital asset exchanges, custodians, and brokers—where illicit actors access stablecoins.

The result is that U.S.-sanctioned entities, terrorist financiers, and corrupt officials will continue to exploit exchanges and wallets that fall outside the bill's scope. Making matters worse, the current draft weakens compliance by stating that issuers only need to follow AML rules "as applicable"—a vague and unenforceable standard.

Solution: Explicitly apply AML/CFT program obligations to all digital asset service providers that move or custody stablecoins—not just issuers. This is essential to shutting down the pipelines that allow corrupt actors and sanctioned regimes to launder funds into and out of the United States.

The Problem: Sanctions Evasion via Stablecoins and Mixers

Apr. 1, 2024, https://www.wsj.com/finance/currencies/crypto-fuelsrussian-shadow-trade-for-weapons-parts-1bfdc1a1.

Treasury has warned that adversaries are moving away from the traditional financial system to stablecoins backed by U.S. dollars, which lack effective oversight. Yet, the GENIUS Act does not address the two most critical gaps: It fails to give Treasury clear authority to enforce sanctions against foreign entities that switch from dollars to stablecoins to bypass U.S. restrictions; and it does not include the tools necessary to sanction crypto "mixers" like Tornado Cash, which, for example, are central to North Korea's sanctions evasion. These omissions allow kleptocrats, rogue nations, arms traffickers, and other illicit actors to operate behind an untraceable veil of digital finance.

Solution: Amend the bill to empower U.S. agencies to enforce sanctions violations by foreign stablecoin users and to sanction anonymizing services used in large-scale illicit finance and corruption.

The Problem: DeFi Carveouts Will Undermine Enforcement
The bill permits so-called "decentralized" platforms to interact with noncompliant stablecoin issuers, and exempts developers and operators from accountability. Additionally, the bill imposes no AML requirements on service providers and sets no standards for mergers or acquisitions. That means criminal actors—whether corrupt oligarchs or fraudsters—could acquire a regulated stablecoin issuer and mint digital dollars without any background check.

Solution: Eliminate exemptions for so-called decentralized services and platforms, including for those developing or operating distributed ledger protocols like smart contracts that can be used to mix and launder funds, and apply AML/CFT requirements to all parties with control or influence over stablecoin networks.

The GENIUS Act must not be allowed to entrench a regulatory framework that facilitates illicit finance and shields corruption. We urge you to insist on these essential amendments to defend the integrity of the U.S. financial system.

Thank you for your consideration. If you have any questions, please contact Scott Greytak, Director of Advocacy for Transparency International U.S., at sgreytak@transparency.org.

Sincerely,

Transparency International U.S.
Free Russia Foundation
Financial Accountability and Corporate Transparency (FACT) Coalition
Nate Sibley, Kleptocracy Initiative, Hudson Institute

CC: Members of the U.S. Senate Committee on Banking, Housing, and Urban Affairs, U.S. Senate Committee on Homeland Security and Government Affairs, U.S. Senate Committee on Foreign Relations