

September 26, 2025

The Honorable John Thune  
Majority Leader  
United States Senate

The Honorable Charles E. Schumer  
Minority Leader  
United States Senate

Dear Majority Leader Thune and Minority Leader Schumer:

On behalf of a coalition of organizations committed to combating foreign corruption and kleptocracy, we write to urge you to ensure that digital asset market structure legislation under consideration by the Senate, including the Digital Asset Market Clarity Act (CLARITY Act) and Responsible Financial Innovation Act (RFIA), incorporates robust provisions to protect against money laundering, sanctions evasion, and other illicit finance risks.

We are encouraged that the [Market Structure Framework](#) recently released by Senate Democrats recognizes that any durable digital asset legislation must include strong anti-money laundering (AML) and sanctions safeguards. Our recommendations below build directly on that vision, ensuring that innovation in this space does not come at the expense of U.S. national security or financial integrity.

Digital assets risk becoming the new frontier for laundering the proceeds of corruption, including bribery and embezzlement. For example, the U.S. Department of Justice recently prosecuted a scheme in which a senior Venezuelan official and his associates converted millions in bribes and embezzled state funds into cryptocurrency before moving them through U.S. exchanges. Cases like this highlight how digital assets can be exploited to obscure the origins of illicit wealth and shield corrupt officials from accountability.

While we were encouraged to see that the September 5 draft of the RFIA makes clear that certain digital asset service providers (DASPs) are financial institutions under the Bank Secrecy Act (BSA), critical vulnerabilities remain and must be addressed as follows:

1. **Ensure Treasury has authority to apply AML obligations to decentralized finance (DeFi) when it functions like a financial institution.** As currently drafted, the RFIA would exempt decentralized crypto platforms from basic safeguards against money laundering and terrorist financing. Platforms that intermediate transactions, custody assets, or otherwise act as financial service providers must not escape oversight simply because they operate on distributed ledgers. This would match the Framework's call for "require[ing] digital asset platforms to register with FinCEN as 'financial institutions' under the [BSA] and adopt [AML/combating the financing of

terrorism (CFT)] policies and procedures,” as well as operationalize the Framework’s call to close regulatory gaps that undermine market integrity and financial stability.

2. **Close the Tornado Cash sanctions loophole.** Following the U.S. Court of Appeals for the Fifth Circuit’s *Van Loon* decision, the Office of Foreign Assets Control (OFAC) must have clear authority to designate immutable smart contracts when they are used for money laundering or sanctions evasion that threatens U.S. national security. Without this fix, mixers and anonymizing tools exploited by North Korean hackers and other actors—who have already laundered hundreds of millions of dollars to fund weapons programs—will remain out of reach of U.S. sanctions law. Clarifying OFAC’s reach over illicit tools like mixers directly supports the Framework’s emphasis on preventing national security threats in digital markets.
3. **Establish a level playing field for stablecoin issuers.** All issuers should be required to implement reasonable ecosystem-wide monitoring, based on guidance issued by the Financial Crimes Enforcement Network (FinCEN), to help proactively identify and report suspicious activity to law enforcement, perhaps via zero-knowledge proofs or other existing commercially available tools. This will help ensure that stablecoins do not become the preferred vehicle for illicit finance or sanctions evasion. Robust, uniform monitoring for stablecoins would advance the Framework’s goal of ensuring systemic resilience and investor protections across all issuers.
4. **Avoid creating new loopholes through exemptions, liability shields, weak record-keeping standards, or jurisdictional gaps.** For example, the September 5 RFIA draft contains carve-outs that could invite regulatory arbitrage, provides liability protections that risk encouraging a check-the-box approach to compliance, and leaves vague requirements for record retention and law-enforcement access. It also gives insufficient attention to broader money-laundering and corruption typologies—such as the misuse of digital assets to hide proceeds of bribery, embezzlement, or state capture schemes. Further, the RFIA would allow crypto platforms to escape accountability simply by claiming they operate outside the United States. Any final legislation must make clear that digital platforms serving U.S. customers must comply with U.S. sanctions and AML/CFT requirements, even if nominally domiciled abroad. Without careful drafting, these provisions could undermine otherwise strong AML rules, leaving open pathways for kleptocrats and sanctioned actors to continue exploiting the U.S. financial system. Eliminating carve-outs and weak standards would fulfill the Framework’s warning against regulatory arbitrage that could erode AML safeguards.

Taken together, these reforms not only close critical loopholes but also advance the priorities identified in the Market Structure Framework—promoting market integrity, investor protection, systemic resilience, and strong illicit-finance defenses. By grounding digital asset legislation in these principles, Congress can set a global standard for both innovation and financial security.

We appreciate your leadership in advancing digital asset legislation and stand ready to work with you and your staff to ensure that strong illicit-finance safeguards are included in any final bill. If you have any questions or wish to discuss further, please don’t hesitate

to reach out to Scott Greytak, Deputy Executive Director for Transparency International U.S., at [sgreytak@transparency.org](mailto:sgreytak@transparency.org).

Respectfully,

Transparency International U.S.

Free Russia Foundation

Nate Sibley, Kleptocracy Initiative, Hudson Institute

Financial Accountability and Corporate Transparency (FACT) Coalition

cc: Senate Committee on Banking, Housing, and Urban Affairs; Senate Committee on Agriculture, Nutrition, and Forestry