

The Honorable Ruben Gallego
SH-302 Hart Senate Office Building
Washington, DC 20510

May 6, 2025

Senators Gallego, Warner, Warnock, Blunt Rochester, Cortez Masto, Kim, Luján, Hickenlooper and Schiff,

We write to commend you on your decision to oppose further consideration of the GENIUS Act. It is not easy to stand up against large financial interests, like the crypto industry, that yield outside influence over federal and local elections. Nor is it easy to take a position at odds with the desires of Senate leadership on both sides of the aisle, or to change positions on a bill that received your support and vote in a committee markup. But it is exactly this unprecedented and decisive political act that these unprecedented times call for.

We appreciate your acknowledgment of the myriad concerns that consumer, investor, banking, tech oversight, and even industry organizations have raised about the Genius Act. Your statement eloquently acknowledges several, although not all, of the issues most important to the American people. First and foremost, it is impossible to move forward with legislation without a strong, bipartisan condemnation of the President's conflicts of interest in the crypto industry. These include his scamming of investors out of hundreds of millions of dollars with a memecoin, launching his own stablecoin business, ending enforcement actions against his business partners, and most recently, executing an opaque \$2 billion business transaction with the brother of the President of the United Arab Emirates. These conflicts make it clear that no matter what legislation is passed at this critical moment, no parts of the law at odds with his business interests will be enforced – for any stablecoin, much less his own.

You have also acknowledged that the bill leaves consumers unprotected by failing to make stablecoins subject to federal consumer laws, including those applicable to other electronic payments. It also fails to acknowledge the critical role of enforcing those protections by the Consumer Financial Protection Bureau, which is under existential threat due to this administration's actions. Further, allowing states with a weaker regulatory regime to preempt strong consumer protections in other states erodes the ability of individual state governments and citizens to exercise their right to establish policy in their own jurisdictions. It also leaves consumers without their last line of defense under an administration that has demonstrated no interest in using federal authorities to protect them.

Crypto tokens are also the fastest-growing form of illicit financial activity. According to the FBI's most recent report, the \$9.3 billion in crypto scams made up more than half of all internet financial crime in 2024, a 66% increase over 2023. The current bill, which merely restates illicit

finance laws already applicable to stablecoin issuers enforced by the US Treasury's Financial Crimes Enforcement Network, is inadequate to address the novel issues stablecoins raise with regard to anti-money laundering laws and national security. As you may know, stablecoins are the intermediate financial instrument of choice that state-sponsored hacking groups, like North Korea's Lazarus Group, have used to funnel as much as \$2 billion in crypto assets to their nuclear weapons programs. Just as concerning, the Russian financial minister stated last year that cross-border payments in stablecoins and other crypto assets were useful in evading international sanctions placed to fight their deadly invasion of Ukraine. Not only does the law fail to adequately address these issues for domestically registered stablecoin issuers, but the provisions governing foreign issuers like Tether are ambiguous at best and wholly permissive at worst. The ability to evade laws meant to curb illicit activity may be the one promise of innovation that stablecoins have fulfilled, and such innovation requires far more stringent illicit finance laws than those applicable to the traditional financial system.

Your statement also invokes the critical threat stablecoins present to the stability of the financial system. Current financial regulation represents 90 years of hard lessons learned from financial crises stretching from the Great Depression through the Financial and Foreclosure crises of 2008. Ignoring history and taking the country back to the unpredictable and unstable banking system of the 1860s undermines a century of thoughtful work by Congress and federal regulators. The stablecoin reserve requirements under the GENIUS act are far less stringent than those of banks and allow for risky investments whose value will fail precipitously in times of financial stress, leaving stablecoin issuers in need of another taxpayer bailout like they received in 2023. Further, the bill undermines the critical separation of banking and commerce long recognized by federal law. This would allow giant tech companies to compete with small community banks for critical deposits and under a far less rigorous regulatory regime than community banks are held to. Though community banks make up a smaller amount of banking assets than the six largest US banks, they contribute almost 50% of small business and 70% of agricultural lending nationwide, lending that non-bank stablecoin issuers cannot replace. As the Independent Community Bankers of America observed about the GENIUS Act, "Any regulatory or supervisory regime applicable to nonbank issued stablecoins should be comparable to a functionally similar product offered by a bank or other traditional financial services provider."

We commend your commitment to ensuring that no stablecoin legislation would receive substantial bipartisan support without addressing these critical issues. Just as importantly, we urge you to continue your principled position that this bill cannot move forward without an unequivocal bipartisan statement that this lawless President will be held accountable and that he and his family must divest of all their crypto business interests before legislation can move forward. As many Senators have acknowledged, President Trump must be held accountable for defying edicts from the Supreme Court concerning immigration law and the mass firing of public servants, illegally handing over access and control of critical government systems to Elon Musk, and illegally withholding funds that support critical state and federal programs.

We urge you to continue to stand strong against any legislation that does not comprehensively and thoroughly address all your stated concerns. We would also encourage you to help your colleagues who remain in support of the bill understand the enormous threats to working Americans, our country's financial stability, and our national security that this legislation represents.

Sincerely,

Consumer Federation of America

The Tech Oversight Project

National Consumer Law Center, on behalf of its low-income clients

Americans for Financial Reform

CC: Sens. Warner, Warnock, Blunt Rochester, Cortez Masto, Kim, Luján, Hickenlooper, Schiff