Democracy Defenders Action

Statement for the Record
Before the U.S. Senate Committee on Banking, Housing, and Urban Affairs
"From Wall Street to Web3: Building Tomorrow's Digital Asset Markets"

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Chair Scott, Ranking Member Warren, and members of the Committee thank you for the opportunity to submit this statement on the importance of addressing presidential conflicts of interest in the market for digital assets. My name is Virginia Canter, and I am the Anticorruption and Ethics Chief Counsel and Director at Democracy Defenders Action. I've advised federal officials on ethics compliance for close to 30 years, including during my tenure as White House Associate Counsel to Presidents Obama and Clinton, and as a senior ethics official at the Securities and Exchange Commission (SEC) and the Treasury Department.

Introduction

Powerful and effective ethics guardrails must be a precondition for any legislation attempting to regulate the cryptocurrency market. Since his inauguration, President Trump and his family members have made hundreds of millions of dollars from crypto ventures, and they stand to make millions more. These vast cryptocurrency conflicts of interest pose risks to the quality of our nation's crypto markets, threatening to undermine core enforcement actions and create a marketplace that favors those who do business with the President and his allies, with potentially devastating repercussions for our national security and democracy.

To protect against the inherent potential for decision-makers to abuse their positions for personal gain, the Senate must include essential ethics protections, like a strong divestment requirement, in any digital asset market structure legislation. If Congress were to pass legislation without strong ethics provisions, it risks creating an unfair competitive playing field. In particular, absent divestiture mandates, the officials who are responsible for enforcing fair and objective rules might have a financial stake in the game. This is particularly concerning for the President of the United States, whose expansive crypto companies and investments call into question whether the burgeoning market will be subject to the even-handed administration of law, or to the private pecuniary interests of a single person. Implementing strong ethics safeguards like the ones I outline today is the only way to ensure that there is an enforceable statutory remedy to prevent U.S. crypto markets from facing these threats.

Trump's Inner Circle's Vast Investment in Digital Assets

The President's ever-growing crypto conflicts of interest cast a dark shadow over Congress's progress toward properly regulating digital assets. In April, my organization released a report documenting President Trump's growing entanglement with cryptocurrency. At that time, his crypto assets, which include his $TRUMP memecoin, as well as his USD1 stablecoin and $WLFI governance token issued through his company World Liberty Financial (WLFI), were estimated to be worth $2.9 billion, or approximately 37% of his total wealth. Members of the President's family, like his wife Melania, also likely scored significant earnings from their own memecoins.

Since my organization released our report, the President and his family's financial interest in digital asset markets has only grown. The President's recent ethics disclosure revealed that he has earned $57.3 million from his stake in WLFI as of last December. The Trump Media & Technology Group recently announced that it would launch a series of exchange-traded funds with Crypto.com and invest over $3 billion to buy cryptocurrencies. And the President's two eldest sons have attained a 20% stake in the bitcoin mining operation American Bitcoin.

President Trump and his family's financial interest in digital asset markets creates increasingly dire conflicts of interest. The President's placement of his businesses in a purported "blind trust" managed by his sons is essentially meaningless, as it lacks the requisite attributes to qualify legally as a "blind trust" under government ethics laws. The notion that the President has taken any steps to address his conflicts of interest rings especially hollow when the President brazenly promotes his crypto ventures on social media between policy statements and offers White House access to top investors in his memecoin.

Troubling Conflicts of Interest

President Trump and his family members have, at times, appeared to flout core anti-corruption principles in their crypto investments. For example, there have been several instances when new developments in the President's crypto ventures have closely preceded or followed related official actions. A few months after President Trump issued an Executive Order promoting private sector participation in dollar-backed stablecoins, his company launched its own stablecoin, WLFI USD1. His memecoin's value jumped 18% after he announced his intention to release an Executive Order calling for a strategic bitcoin reserve. And the SEC dropped federal enforcement action against alleged fraudster Justin Sun after the crypto tycoon invested $75 million in $WLFI.

This suspicious pattern has intensified in recent months. For example, the SEC dropped its money laundering lawsuit against Binance after the exchange agreed to list the President's stablecoin. White collar criminals and special interests are now all but saying the quiet part out loud: Binance's founder Changpeng "CZ" Zhao revealed he asked the President for a pardon following the announcement that Trump's WLFI USD1 would facilitate a $2 billion investment by Abu Dhabi-backed firm MGX into Binance.

Trump's deal with Binance and MGX highlights a deeper, more alarming concern about his crypto conflicts of interest: they give foreign actors a way to influence U.S. foreign policy. For example, within days of the announcement that Trump's stablecoin would facilitate the MGX-Binance deal, his administration rescinded national security export controls on artificial intelligence (AI) and authorized the transfer of AI technology to the United Arab Emirates, through a company controlled by Tahnoun bin Zayed Al Nahyan, the UAE's National Security Advisor–and the head of MGX.

An Indispensable Solution

The President's conflicts of interest are actively undermining the health of the United States' digital asset market by creating a dynamic where the companies that do best are the ones that pander to or partner with President Trump, while actions to advance national security or consumer interests are dropped if President Trump's private business interests stand to benefit. His conflicts of interest also pose a broader threat to our nation's security and the quality of our democracy. This is an unacceptable state of affairs, but it is unfortunately one that currently has no statutory remedy. It is imperative that Congress provide one.

Passing market structure legislation without ethics safeguards risks further entrenching a marketplace that unfairly favors products tied to President Trump. Bills like the House's *Digital Asset Market Clarity (CLARITY) Act* (H.R. 3633), which attempts to regulate these fast-evolving assets, ultimately delegate interpretive authority to federal agencies. This is troubling given President Trump's growing influence over these bodies. Trump has undermined agency independence through actions like his Executive Order directing regulatory agencies to report to the Office of Management and Budget (OMB). Compounding this issue, key Trump appointees have crypto conflicts of interest of their own or are tied to President Trump's private crypto ventures. Compounding the issue, Legislation without ethics teeth risks creating only an illusion of independent market oversight while surrendering significant congressional power to curb executive corruption.

Put simply, it matters little if Congress provides regulatory "clarity" for digital asset innovators if the President and his appointees can manipulate definitions to exclude their assets, create regulatory regimes without any meaningful government supervision, and use their investigative authorities to target their competitors. While it's critically important that Congress extends consumer protection and anti-money laundering laws to digital assets, these improvements will ring hollow if companies can woo the President with favorable deals and investments that undermine the progress of legitimate enforcement actions.

Pillars for Crucial Ethics Safeguards

If Congress wants to provide true structure, protections, and space for safe innovation in digital assets, it must include the following safeguards in digital asset market structure legislation:

I. Congress should ban the President, Vice President, members of Congress, senior executive officials, Supreme Court justices, and federal judges–and their spouses and children–from owning or trading digital assets, or from owning a company that issues cryptocurrency and digital asset products. This is the only way to ensure there are no conflicts of interest.

II. Congress should require all senior officials to report any digital asset transactions or holdings, from any source, in any public financial disclosures they file, including those required under the Ethics in Government Act and the STOCK Act. This ensures that the public can verify officials' compliance with divestment rules, and ethics officials can more easily hold violators accountable.

III. Congress should create a clear and comprehensive criminal crypto anti-corruption regime that serves as a true deterrent, empowers independent ethics bodies to investigate, review, and enforce divestment and disclosure requirements, and imposes steep penalties for non-compliance. As President Trump weakens key independent enforcement capacities, firing Inspectors General and top members of the Office of Government Ethics and the Office of Special Counsel, Congress must restore the power to enforce ethics guidelines, or else they become meaningless. Supervising ethics officers must also be given the authority and access to audit members' finances, organizations, relevant blockchain data, public keys, and exchange records for cryptocurrency compliance. Legislation should also include severe penalties for individuals engaging in public corruption, strengthen protections and incentives for whistleblowers, and ban campaign contributions in the form of cryptocurrencies.

There are several quality proposals, many of which our organization has endorsed, that would accomplish these goals.

Conclusion

Thank you for the opportunity to submit this statement and for your attention to this matter. I look forward to working with you to advance strong and healthy digital markets free from the threat of conflicts of interest.