Democracy Defenders Action

June 26, 2025

RE: Must-Include Ethics Provisions for Digital Asset Market Structure Legislation

Dear Senators:

As the Senate begins to consider legislation that would establish a regulatory structure for digital assets, we write to remind you that the inclusion of strong ethics provisions for these assets is an indispensable part of Congress's work to make financial markets safer and healthier.

As ethics lawyers with decades of experience advising Presidents, the Treasury Department, and the Securities and Exchange Commission (SEC), we are alarmed by the significant risks that President Trump's vast cryptocurrency conflicts of interest pose to the strength of our nation's democracy and our national security. We urge the Senate to include essential ethics protections, like a strong divestment requirement, in any digital asset market structure legislation to ensure that there is an enforceable statutory remedy for the President's crypto corruption. We believe that any legislation that purports to encourage responsible innovation for digital assets is incomplete without this.

The President's ever-growing crypto conflicts of interest cast a dark shadow over Congress's progress toward properly regulating digital assets. In April, we 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 scored significant earnings from their own memecoins.

Since our report was released, the President's and his family's entanglement 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 and has invested over a million dollars in Ethereum. 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.

We believe there is evidence to suggest that President Trump and his family's entanglement with digital assets 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. Not only does it lack the requisite attributes to qualify legally as a "blind trust" under government ethics laws, but the very pretext of legitimacy 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.

Further, our report highlights several times when the President or his family members announced new crypto ventures soon after, or immediately before, a related official action was taken. 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 released 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 only continued. 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 stablecoin 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 under the control of the head of MGX.

It is clear to us that the President's conflicts of interest are actively undermining the health of the United States crypto market by creating a dynamic where the companies that do best are the ones that pander to or partner with Trump while actions to advance national security or consumer interests are dropped if 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 enabling—and worsening—President Trump's corruption. Bills like the House's *Digital Asset Market Clarity (CLARITY) Act* (H.R. 3633) show that regulating fast-evolving assets often requires delegating interpretive authority to federal agencies. This is troubling given Trump's growing influence over these bodies. His appointees are often personally loyal to him, have crypto conflicts of interest of their own, or are tied to Trump's private crypto ventures. Compounding the issue, Trump has undermined agency independence through actions like his Executive Order directing agencies to report to the Office of Management and Budget (OMB). 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 while disadvantaging their competitors. And while it's 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.

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:

First, Congress should ban the President, Vice President, members of Congress, senior executive officials, Supreme Court justices, and federal judges–and their spouses and dependent 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.

Second, 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 the public can verify officials' compliance with divestment rules, and ethics officials can more easily hold violators accountable.

Third, Congress should create a clear and comprehensive criminal crypto anticorruption regime that serves as a true deterrent, empower independent ethics bodies to investigate, review, and enforce divestment and disclosure requirements, and impose 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 and strengthen protections and incentives for whistleblowers.

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

We thank you for your attention to this matter and look forward to working with you to advance strong and healthy digital markets free from the threat of President Trump's conflicts of interest.

Sincerely,

/s/
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