U.S. SENATE BANKING
SUBCOMMITTEE on DIGITAL ASSETS
SUBCOMMITTEE CHAIR CYNTHIA LUMMIS

Combatting Illicit Finance

Ensuring Bad Actors Have No Place to Hide in Crypto

TOPLINE

Senator Cynthia Lummis' *Digital Asset Market Clarity Act* gives law enforcement the authorities, information, and tools they need to hold bad actors accountable in digital asset markets. It closes long-standing gaps that let criminals, fraudsters, and sanctioned actors operate outside the reach of federal, state and local investigators—bringing crypto exchanges, DeFi platforms, and crypto ATMs fully within the Bank Secrecy Act (BSA) and sanctions framework so law enforcement can detect, investigate, and prosecute illicit finance.

KEY ILLICIT FINANCE MEASURES INCLUDE:

- **BSA, AML, and sanctions coverage for exchanges & DeFi –** Applies the BSA, heightened AML program obligations, and OFAC sanctions compliance to digital commodity exchanges and intermediaries, and closes the DINO (decentralized in name only) exchange loophole by requiring SEC registration and BSA compliance when a decentralized finance (DeFi) platform is actually centralized and controlled by a person or small group of people (Secs. 10201, 10301, 10308).
- **Risk-based examination standards –** Directs Treasury to create clear, risk-based standards for examining financial institutions and DeFi participants for BSA/AML and sanctions compliance (Secs. 10202, 10308).
- **New sanctions authority –** Grants Treasury new sanctions authority to cut off foreign crypto companies, classes of transactions or entire jurisdictions from the U.S. financial system if they are found to be engaging in illicit activity (Sec. 10303).
- **Safe harbor to freeze suspicious transactions –** Shields digital asset companies and stablecoin issuers from liability for voluntarily freezing fast-moving, suspicious transactions, making it far more likely they cooperate with law enforcement before a court order can be obtained and offering a new first line of defense against sanctions violations like those committed by North Korea's Lazarus Group (Sec. 10305).
- **Information sharing & interagency coordination –** Establishes a secure information-sharing program with DOJ, Treasury, and DHS (sponsored by Senator Hagerty), and a multi-agency working group that regularly delivers illicit-finance research and legislative recommendations to Congress (Secs. 10203, 10204) (sponsored by Senators Budd and Gillibrand).
- **Crypto ATM fraud protections –** Requires refunds for fraud victims, blockchain analytics to block illicit transactions, published ATM locations and law-enforcement contacts, live customer service, and transaction limits for new customers (Sec. 10205).
- **Public education & FinCEN funding –** Requires digital asset companies to publish fraud-recognition materials for consumers and increases FinCEN appropriations to strengthen AML/CFT rulemaking and financial-intelligence analysis (Secs. 10801, 10903).
- **Cybersecurity certification & global standards –** Directs NIST to build a voluntary cybersecurity compliance program for decentralized exchanges and creates an interagency initiative to raise AML/CFT and sanctions standards for digital assets abroad (Secs. 10306, 10507).
- **Other Member Priorities –** Includes the GUARD Act, sponsored by Senators Britt and Gillibrand, which removes restrictions on existing law enforcement grant programs to be used for digital asset law enforcement activities, and the SAFE Crypto Act, sponsored by Senators Moran and Slotkin, which establishes a task force to address digital asset-related fraud.
- **Funding –** Provides $150 million to Treasury's Financial Crimes Enforcement Network (FinCEN) for digital asset rulemaking and enforcement, and $150 million in grants to state and local law enforcement to catch bad actors in the digital asset space.

Closing the loopholes that let bad actors abuse crypto.

BOTTOM LINE

The *Digital Asset Market Clarity Act's* illicit finance provisions bring digital asset markets fully within the U.S. AML/BSA and sanctions framework, give Treasury and law enforcement new authorities and information to fight financial crime, and hold exchanges, DeFi platforms, and crypto ATMs accountable to consumers – all while fully preserving every existing anti-fraud authority under federal law.