UNITED STATES SENATE COMMITTEE ON BANKING, HOUSING & URBAN AFFAIRS | U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

FACT SHEET

Vertical Integration

TOPLINE: The CLARITY Act gives the CFTC broad authority to regulate conflicts of interest without breaking up existing businesses, reducing market liquidity, and slowing cyber responses, among other things.

KEY POINTS

- Vertical integration **allows multiple functions to operate under one roof**, offering improved efficiencies to retail users by enabling faster settlement, lower transaction costs, and greater market accessibility.
- Vertical integration **does not mean conflicts of interest firewalls are missing**, or that appropriate rules regulating governance and protecting customer assets are lacking.
- Current CFTC-regulated derivatives markets **permit integrated structures under effective supervision**, disclosure, governance controls, capital rules, affiliate rules, customer-protection requirements, and enforcement. Regulators manage conflicts; they do not generally require enterprise-wide separation of governance, personnel, and financial resources.
- **The CLARITY Act takes the right approach** to vertical integration: it gives the CFTC authority to regulate conflicts while preserving discretion to tailor rules to actual risks, existing regulatory obligations, and market realities.
- The CLARITY Act **directs the CFTC to write rules** for the identification, mitigation, and resolution of conflicts of interest among affiliated entities and entities with multiple registrations – including conflicts related to vertically integrated market structures – for both digital commodity exchanges and digital commodity brokers and dealers.
- The CLARITY Act also directs the CFTC to **avoid duplicative, conflicting, or unduly burdensome requirements** for entities registered in multiple capacities.
- The CLARITY Act **DOES NOT mandate business separation or force existing businesses to break up their businesses**. Mandating businesses break up.

BOTTOM LINE: Americans deserve access to efficient, effective, and well-regulated products, and Congress shouldn't be in the business of breaking up businesses.