



July 15, 2025

Dear Representative and Legislative Director,

Consumer Reports¹ urges you to oppose the Digital Market Clarity Act of 2025 (the CLARITY Act, H.R.3633) unless substantially amended to incorporate much stronger consumer protections and guardrails to protect consumers and investors and ensure the safety and stability of the financial system. While we appreciate the real progress that has been made in some sections of the bill to improve definitions and lines of authority for oversight, we believe the bill still needs stronger and more accessible consumer and investor protections, stronger regulatory oversight of all market activity, robust enforcement, and the preservation of state-level rights and remedies. Without these provisions, consumers and investors will be placed at substantial risk and will lack appropriate redress and accountability mechanisms for serious harms such as platform failures, self-dealing and conflicts of interest, data breaches, loss of funds and poor customer service.

On the positive side, the CLARITY Act contains a number of consumer-friendly provisions that help clarify the rules of the road for consumers and the crypto industry. These include:

- **Clearer Definitions and Regulatory Lines of Authority** - The Act spells out what counts as a digital asset, digital commodity, stablecoin, and decentralized governance system (Sections 101–104). This helps consumers know what they're dealing with and who is responsible for oversight. However, definitions alone are not enough - strong enforceable consumer protections must be attached to each category.
- **Right to Self-Custody** - Consumers are guaranteed the right to hold their own digital assets and transact peer-to-peer without an intermediary (Section 105(c)). This is a positive protection for consumer autonomy and privacy, provided it does not undermine critical anti-fraud, anti-money laundering and sanctions enforcement.
- **Disclosure Requirements for Digital Commodity Issuers** - Issuers must provide detailed information about their projects, including source code, transaction history, economic purpose, and risks (Section 202, especially 4B(b)(2)). Consumer groups support strong disclosure but we believe these disclosures must be provided in plain

¹ Founded in 1936, Consumer Reports (CR) is an independent, nonprofit and nonpartisan organization that works with consumers to create a fair and just marketplace. Known for its rigorous testing and ratings of products, CR also advocates for laws and corporate practices that are beneficial for consumers. CR is dedicated to amplifying the voices of consumers to promote safety, digital rights, financial fairness, and sustainability. The organization surveys millions of Americans every year, reports extensively on the challenges and opportunities facing today's consumers, and provides ad-free content and tools to 6 million members across the United States.

language in each transaction (for example, through interstitial notices during digital finance transactions) with a standardized summary of key and ongoing risks and features, so that non-experts can make informed decisions.

- **Whistleblower and Complaint Channels** - Provisional registrants must clearly disclose their regulatory status and provide contact information for complaints and whistleblower programs (Section 106(c)(3)(D)). This is a baseline requirement for accountability, but we also urge the creation of a standardized accessible dispute resolution process for consumers.
- **Anti-Fraud and Manipulation Protections** - The Act extends anti-fraud and anti-manipulation rules to digital asset transactions involving brokers, dealers, and trading systems (Section 302). We strongly support robust anti-fraud protections and would push for these rules to be vigorously enforced with clear remedies for consumers harmed by violations.

However, on balance, the potential risks for consumers, investors and financial safety and stability from the CLARITY Act are very substantial. Our concerns include the following:

- **Erosion of SEC Authority:** Exempting most crypto assets from SEC oversight will undermine the SEC's authority and set a precedent for other companies to avoid compliance with established rules designed to protect investors and maintain market integrity. The SEC's authority to require detailed disclosures, conduct regular examinations, and pursue enforcement actions against deceptive practices would be greatly reduced under the provisions of the bill.
- **Weak and Inconsistent Standards for Investor Protections.** Transferring oversight of most digital assets from the Securities and Exchange Commission (SEC) to the Commodity Futures Trading Commission (CFTC) could leave retail investors more susceptible to fraud and manipulation. By classifying most crypto tokens as "digital commodities," the bill exempts them from SEC supervision—even if they function like securities. This undermines disclosure requirements and investor rights, and would enable insiders to engage in a variety of self-interested behaviors that are not aligned with consumer and investor interests. For example, SEC-registered entities would be allowed to trade in crypto, but the SEC would have no authority over this aspect of their operations. In addition, the CFTC has many fewer employees than SEC and may not be able to adequately supervise the large number of crypto market participants.
- **Impact on Primary Securities Markets:** The CLARITY Act could potentially undermine the established \$120 trillion U.S. equity and debt markets by altering the definitions of securities and revising the Howey test. Existing securities companies may reorganize as crypto companies because of lower regulatory scrutiny, cost burden, and a safe harbor from investor lawsuits.

- **Broad Federal Preemption of State Consumer Protections - Section 106(j), Section 308, Section 202(b)(2):** The Act broadly preempts state laws regulating the offer or sale of digital assets for federally registered firms, except for general antifraud statutes. Consumer groups have long opposed this kind of sweeping preemption, as it strips away state-level protections that often go beyond fraud—such as privacy, contract rights, and remedies for unfair or deceptive practices. This leaves consumers more vulnerable, especially in fast-evolving markets where state regulators are often first to act.
- **Lack of Mandated Plain-Language, Technology-Appropriate Disclosures -** The Act requires a lot of technical disclosures from commodity issuers, but most consumers aren't programmers. Disclosures should include simple, one-page summaries of key risks and features—like a nutrition label for digital assets (Section 202, 4B(b)(2)). Or, per above, leveraging the technology to require in transaction notices and pushes of information so that consumers can make informed decisions. Recommendation: Mandate plain-language summaries as part of all required disclosures, and in-transaction notices and information pushes.
- **Weak Stablecoin Consumer Protections -** Section 101(32), Section 301 - The Act defines “permitted payment stablecoins” and requires issuers to be under some form of state or federal oversight, but it does not set strong, clear requirements for reserve management, redemption rights, or independent audits. There is no guarantee that stablecoin holders can always redeem at par or that reserves are held in safe, liquid assets. This is a major gap, especially compared to proposals like the STABLE Act.
- **Insufficient Oversight and Accountability for Decentralized Finance (DeFi) and “Decentralized” Projects -** Sections 101(24), 309, 409, 205(d) - The Act exempts many DeFi activities and “decentralized governance systems” from core regulatory requirements. The criteria for what qualifies as “decentralized” are weak and could be gamed by projects that retain effective control while avoiding accountability. This leaves consumers exposed to risks without clear recourse if they are harmed by a supposedly “decentralized” platform.
- **No Standardized Dispute Resolution or Consumer Redress Process -** Section 106(c)(3)(D) - While the Act requires registrants to provide complaint and whistleblower channels, it does not establish a standardized federal process for consumers to resolve disputes or recover losses. Consumers harmed by fraud, hacks, or platform failures may have no clear path for redress, unlike with banks or traditional financial products.
- **Limited Financial Literacy and Education Requirements -** Section 507 - The Act merely calls for a study on financial literacy among digital asset holders, rather than requiring concrete, ongoing consumer education. In a complex and rapidly changing market, consumers need robust, in-transaction, regulator-approved educational resources at onboarding and throughout their engagement with digital assets.

- **Weak Protections Against Foreign and Legacy Platform Risks** - Section 111(b), Section 202(c) - The Act mandates a GAO study on foreign intermediaries and provides exceptions for legacy digital asset issuers but does not create a public registry of compliant/non-compliant platforms or require intermediaries to block access to unregistered foreign services. Consumers remain at risk from offshore or grandfathered platforms that may not meet U.S. standards.
- **Ambiguities and Loopholes in “Mature Blockchain System” Certification** - Section 205 - The process for certifying a blockchain as “mature” is largely self-attested and subject to only limited SEC review. This could allow projects to prematurely claim “mature” status and escape ongoing disclosure requirements, undermining transparency and consumer protection.

In its current form, the CLARITY Act falls short of the core set of protections that are needed to protect consumers and ensure financial safety for consumers and investors, financial safety and stability for the banking system and the economy. We therefore urge you to vote against this bill in its current form, unless it is substantially amended to address the very large gaps identified above.

Sincerely,



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