Testimony of Mr. Ben McKenzie Schenkkan
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I'm an author and filmmaker who has spent the last several years documenting fraud and other criminal activity in the cryptocurrency industry. It's timely we are here today as Congress considers new legislation—the CLARITY Act—to regulate the crypto sector. I believe we are at a point of crisis when it comes to crypto's influence over our legislative process. Recent reporting reveals a foreign company that issues a cryptocurrency used by major criminal organizations appears to have shaped Trump's landmark crypto legislation–the GENIUS Act–while forging deep financial relationships with members of the executive branch. When it comes to potential crypto crimes, the call is coming from inside the White House.

Some relevant background: In the midst of running for re-election in 2024, Donald Trump suddenly pivoted to embracing cryptocurrency, having previously called it a scam as recently as 2021. At the same time, Trump forged deep ties with Howard Lutnick, the then chairman and CEO of financial services firm Cantor Fitzgerald. Lutnick was a major fundraiser for Trump's campaign. According to the New York Times, he "donated or raised more than $75 million for groups supporting Mr. Trump in the 2024 cycle". When Trump was re-elected, he nominated Lutnick to be Secretary of Commerce. He was confirmed by the Senate on a party line vote.

Lutnick has an extensive financial relationship with the largest crypto company in the world: Tether. Cantor Fitzgerald was then and remains to this day the broker for the offshore crypto giant, a massive stablecoin company. Not only that, but in 2024 Lutnick negotiated a deal that allowed Cantor to purchase a stake in Tether worth multiple billions of dollars for only $600 million.

A little background on Tether is necessary here. The company has issued 184 billion Tether tokens it claims are backed by $184 billion in real money and investments. To this day, we still don't know if those claims are true. Tether has never been audited, and in 2021 the company paid $61 million to settle claims brought by the NY AG and CFTC that it misled investors about its reserves.

Much has been written about Tether and the numerous ways it is used by organized crime all over the world. A UN report from January 2024 notes that Tether is "a preferred choice" crypto money launderers in Southeast Asia. Tethers have been used by international drug cartels, as well as terrorist organizations like Hamas. They have been used for sanctions evasion and tax evasion in countries like Russia and Iran. The fact that the current Secretary of Commerce has a financial relationship with a company that issues a product which is an instrument of crime on a global scale ought to be troubling enough to warrant further investigation. But recent reporting sheds light on an even more disturbing fact pattern.

Last week, Bloomberg released its investigation into how Tether influenced the White House on crypto legislation via Lutnick and Bo Hines, the then 29 year-old former college football player who was appointed “Executive Director of the President's Council of Advisers on Digital Assets” in January 2025. According to Bloomberg: “In the months before and after Trump took office, his advisers Howard Lutnick and Bo Hines worked behind the scenes to loosen those safeguards and shape the law in ways that benefited the world’s dominant stablecoin issuer, Tether.”

What did Tether get out of the GENIUS Act? Under what is known as the “reciprocity loophole”, the GENIUS Act allows for Tether’s stablecoin (USDT) to be regulated by El Salvador law so long as the US Treasury secretary determines the Salvadoran regulatory scheme is comparable to that of the US. In the course of my reporting, I have traveled to El Salvador and I would be happy to answer questions as to my experience there, but Tether’s relationship to El Salvador’s President, Nayib Bukele, is unusual. And Bukele, who has referred to himself as “the world’s coolest dictator”, is a major proponent of cryptocurrency.

In addition to this provision, the GENIUS Act carved the “defi loophole” that absolves crypto companies like Tether from responsibility in tracking their products on secondary markets. This loophole means criminals of all sorts will be able to use Tethers for committing criminal activity while the company can continue to claim to bear no responsibility.

Lastly, the GENIUS Act contains a three year grace period before companies like Tether have to comply with US law. Some Democrats wanted 18 months, but according to Bloomberg, Hines stepped in and announced that three years was the White House’s “red line”. Where did this red line come from? Was it at the behest of Tether’s executives?

Lutnick and Hines’ relationships with Tether didn’t end with the passage of the GENIUS Act. In August 2025, Bo Hines left his position in the administration one month after the bill was signed into law. The very next month he became the CEO of Tether’s US operations. In October of that year, Tether executives made a loan to a trust benefiting Howard Lutnick’s children as they were in the process of purchasing their father’s multibillion-dollar business interests.

It is worth noting that the Trump family itself has also profited from Tether, albeit indirectly. In December 2024, Tether invested $775 million in the money-losing company Rumble, which runs President Trump’s Truth Social platform.

We still don’t know the exact contours of the financial relationships between Trump, Lutnick, Hines and Tether but one thing is abundantly clear: all have benefited from Tether. The American public deserves to know more about their financial ties to this shady foreign operator.

Before we consider any new crypto legislation like the CLARITY Act, we need to know what happened with the GENIUS Act and whether its passage was tethered to corruption in the executive branch. I encourage the Permanent Subcommittee on Investigations to pursue that line of inquiry.