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US rise of cryptocurrency and fall of regulation pose ‘profound risks’ – report

Center for Political Accountability, which advocates for corporate disclosure, warns of fallout from Trump’s efforts

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Martin Pengelly in Washington

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A new [report](#) warns of “profound risks” in American politics as cryptocurrency companies increase their political spending and Donald Trump oversees regulatory retreat while [promising](#) to create a “crypto strategic reserve”.

The situation “illustrate[s] the profound risks that unchecked corporate political spending presents, particularly within the volatile and often unpredictable cryptocurrency industry”, reads the [report](#), from the [Center for Political Accountability](#) (CPA), a non-profit that advocates for corporate political disclosure.

“The aggressive push for deregulation, combined with opaque and unaccountable political contributions, has not only raised red flags among regulators but also eroded investor confidence and public trust in the long-term viability of these companies.”

In the CPA’s definition, [cryptocurrency](#), “often shortened to ‘crypto’, is a monetary technology that emerged in the early 2010s ... meant to circumvent traditional central authorities like banks to allow decentralized, peer-to-peer transactions, recorded in heavily encrypted digital ledgers”.

The new report notes that “some public companies active in these fields have begun engaging in substantial political spending at both the national and state level – to the tune of [more than \\$134m](#) during the 2024 election alone”.

After the election, the CPA notes, the crypto companies Kraken and Coinbase were among “a number of ... public companies [making \\$1m donations](#) to the Trump Inaugural Fund”. With Trump in power, the Securities and Exchange Commission (SEC) has dropped lawsuits against both [Kraken](#), which it formerly alleged to be an “unregistered securities exchange”, and [Coinbase](#).

Such moves followed the departure on inauguration day, 20 January, of [Gary Gensler](#), confirmed as SEC chair under Joe Biden but whom Trump had vowed to remove. [Caroline Crenshaw](#), a commissioner confirmed in Trump’s first term but like Gensler [opposed](#) by crypto interests, was set to serve a second four-year term but is now to be replaced.

“Crypto money played such an important role in the election,” Bruce Freed, CPA president, said. “Take a look at some of the candidates who went down where there was heavy crypto spending.

“Take a look at the case of [the progressive representative and [crypto skeptic](#)] Katie Porter in the [US Senate] primary in California. Adam Schiff [a more crypto-friendly Democrat] benefited from that. You had the heavy crypto spending against Sherrod Brown [an incumbent Democrat, defeated in Ohio by the [crypto-friendly](#) Republican Bernie Moreno], because he was chair of the Senate banking committee [[and a crypto skeptic](#)].

“And then you take a look at the SEC, and you take a look at oversight and regulation of crypto, and some of the enforcement actions that were brought under Gary Gensler against crypto now have been dropped. So you can see a very significant impact in a short period of time, of crypto money.”

Ben Schaffzin, CPA assistant director of research and primary report author, said crypto companies “far and away blew every other industry out the water in terms of outside spending” in 2024. “We haven’t seen something like that before ... and now we’re seeing the [Trump administration](#) move very quickly around their idea of this ‘crypto strategic reserve’,” Schaffzin said.

This month, Trump, who has [launched](#) his own crypto ventures, [wrote](#) on his social media platform that using taxpayer money to create “a US Crypto Reserve” would “elevate this critical industry after years of corrupt attacks by the Biden administration”, amid a push to “make sure the US is the Crypto Capital of the World”.

On Thursday, Trump [signed](#) an executive order to establish the reserve. On Friday, he held a White House “cryptocurrency summit”, followed by a reception hosted by Coinbase.

Schaffzin and fellow report author Jeanne Hanna, CPA vice-president of research, note Trump's appointment of David Sacks, a South African entrepreneur and crypto investor, as "crypto czar".

Sacks "has [reportedly](#) divested his personal crypto holdings", the authors write, but "it remains to be seen if [he] will divest from his investment firm as well, of which he remains a partner and [which] stands to profit from the coins mentioned in the executive order if purchased in large numbers by the US government.

"This specter of impropriety does nothing to assuage concerns about the pay-to-play nature of cryptocurrency."

Asked whether the outlook on crypto would have been less concerning had Kamala Harris become president, Hanna said: "This spending was incredibly bipartisan ... [but] like a lot of things over the last six weeks [since Trump took power], I think the pace of what's unfolded in the crypto industry has been accelerated by some of the executive appointments Trump has made in this space. But I think maybe the overall regulatory environment through Congress possibly wouldn't have been dramatically different under Harris compared to Trump."

Freed said: "With Trump, you have a much more transactional approach to politics and policymaking, and I think that's very, very significant on [crypto]. When you see the money that poured in, for instance, against Sherrod Brown, you see basically crypto wanting to free itself from any oversight and regulation.

"There clearly was tremendous interest in what happens at the SEC ... crypto clearly did not want to be encumbered in any way by oversight or regulation."

To illustrate the dangers of crypto in politics, the CPA report cites recent events in Argentina, where Javier Milei – like Trump, a rightwing populist president – promoted "a scam coin called \$Libra that lost all of its value, nearly \$4.6bn in mere hours.

"While President Milei quickly deleted his endorsement of the token after the fact, his political opposition has filed over 100 fraud complaints with the government, prompting a judge to open an investigation" amid [calls](#) for Milei to be impeached.

"This scandal has only served to further highlight the systemic risks surrounding crypto," the CPA authors [write](#).

Schaffzin said Argentina should stand as a warning to Trump's administration, adding: "Preaching this stuff from the top, from an executive that really doesn't understand the mechanisms of crypto and how risky it is to ordinary consumers who don't know the pitfalls in this product, is extremely dangerous."