

August 5, 2025

The Honorable Tim Scott
United States Senate
104 Hart Senate Office Building
Washington, DC 20510

The Honorable Bill Hagerty
United States Senate
251 Russell Senate Office Building
Washington, DC 20510

The Honorable Cynthia Lummis
United States Senate
127A Russell Senate Office Building
Washington, DC 20510

The Honorable Bernie Moreno
United States Senate
284 Russell Senate Office Building
Washington, DC 20510

RE: IIA Perspective on the Responsible Financial Innovation Act of 2025

Dear Chairman Scott, Senator Lummis, Senator Hagerty, and Senator Moreno:

On behalf of the Institute of Internal Auditors (The IIA), the international professional organization representing more than 265,000 internal auditors, I am writing to express The IIA's perspective on the recently published discussion draft of the *Responsible Financial Innovation Act of 2025*.

While the emerging digital asset market presents a unique opportunity to drive American innovation and economic growth, a well-defined legal and regulatory framework is essential to ensure fundamental investor protections. Establishing consistent industry safeguards will strengthen confidence in digital asset exchanges and help mitigate internal control failures – such as those that contributed to the collapse of FTX in 2022.

As the profession responsible for providing organizations with independent internal assurance, The IIA believes the draft legislation does not adequately address the critical need for **sound governance and risk management processes at digital asset exchanges**. For example, Section 4B(d) of the proposal outlines several “disclosure requirements” concerning ancillary asset originators,¹ yet it is silent on comparable transparency measures for digital asset exchanges.

Given that American investors primarily engage with *digital asset exchanges*, rather than ancillary asset originators, it is imperative that these public-facing entities implement robust consumer safeguards. As a result, The IIA recommends the discussion draft adopt the commonsense investor protections outlined in Section 404(f)(2)(F) and Section 406(i)(2)(F)(iii) of the bipartisan *Digital Asset Market Clarity Act of 2025* (CLARITY Act). The proposed inclusion of these two subsections would strengthen activities at digital asset exchanges in three meaningful ways:

- Develop processes for identifying and mitigating organizational risks

¹ U.S. Senate. (2025). *Responsible Financial Innovation Act of 2025* [Legislative discussion draft].
https://www.banking.senate.gov/imo/media/doc/senate_banking_committee_digital_asset_market_structure_legislation_discussion_draft.pdf

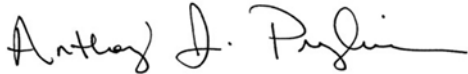
- Institute appropriate internal controls and independent oversight
- Support “establish[ing] procedures for the remediation of noncompliance issues”²

By integrating these key provisions of the CLARITY Act – which overwhelmingly passed the U.S. House of Representatives on July 17, 2025³ – the U.S. Senate can help ensure that the digital asset market is transparent, accountable, and aligned with the interests of American investors. This renewed emphasis on governance, risk management, and internal controls is essential in fostering operational integrity and investor confidence in the digital asset ecosystem.

Should you have any questions regarding this letter, please contact Michael Downing, Senior Director of North American Advocacy, at Michael.Downing@TheIIA.org.

Thank you in advance for your consideration.

Sincerely,



Anthony J. Pugliese, CIA, CPA, CGMA, CITP
President and Chief Executive Officer
The Institute of Internal Auditors

cc: Members of the U.S. Senate Committee on Banking, Housing, and Urban Affairs

² Digital Asset Market Clarity Act of 2025, H.R. 3633, 119th Congress (adopted on July 17, 2025).
<https://www.congress.gov/119/bills/hr3633/BILLS-119hr3633eh.pdf>

³ U.S. House of Representatives. (2025). Roll call vote no. 199 on H.R. 3633. <https://clerk.house.gov/Votes/2025199>