

# AFL-CIO

## LEGISLATIVE ALERT

October 6, 2025

Committee on Banking, Housing, and Urban Affairs  
The Honorable Tim Scott, Chairman  
The Honorable Elizabeth Warren, Ranking Member  
534 Dirksen Senate Office Building  
Washington DC 20510

Dear Chairman Scott, Ranking Member Warren, and members of the Committee:

On behalf of the AFL-CIO, I am writing to provide you with our serious concerns regarding the Responsible Financial Innovation Act that may soon come before the Senate Banking Committee. This bill's treatment of crypto assets poses risks to both retirement funds and to the overall financial stability of the U.S. economy. As drafted, this bill will enable the crypto industry to operate in wider and deeper ways in our financial system without sufficient oversight or meaningful safeguards.

The AFL-CIO supports efforts to update regulatory regimes to better protect workers from the volatility of this asset class. That is not what we have seen. Rather than insulating workers from the instability of crypto assets values, the Responsible Financial Innovation Act would increase workers' exposure by greenlighting retirement plans like 401(k)s and pensions to hold this risky asset.

We also see this proposal as increasing systemic risk. Two immediate examples are that this proposal would expand the ability of FDIC-backed banks and bankholding companies to hold and trade crypto assets directly, not just on behalf of their clients. This not only exposes banks to heightened risk of losses and failures, but it also puts the FDIC's taxpayer-backed Deposit Insurance Fund at greater risk. Secondly, this bill codifies the tokenization of securities and assets such that private companies have a pathway to create a shadow public stock outside of SEC oversight. These blockchain-based shadow stocks, notionally-tied to the traditional public stock but trading independently, would create new risks both for the holder of the shadow stock but also the public stockholders who did not opt into this new unregulated market. We are deeply concerned about the impact this potential shadow stock trading would have on the stability of the traditional financial markets and institutions.

### **Poorly regulated crypto assets are dangerous to pensions**

Unions strongly support workers having retirement benefits and regularly negotiate for pension plans in labor contracts. But retirement plans are only solvent if their assets are appropriately regulated, including protection against fraud, conflicts of interest, and other unethical practices that can lead to dramatic losses. This bill substantially weakens both federal and state enforcement tools to police these practices. For example, it creates avenues for issuers of

securities to evade SEC regulation through tokenization, reduces public disclosure requirements, and preempts state level antifraud, securities, and consumer protection laws.

While currently most pensions do not carry crypto assets because of the risks associated with them, the bill provides the facade of regulation that may make cryptocurrency and associated assets more mainstream in portfolios. Passing this legislation will allow the proliferation of assets that investors will wrongly perceive as safe.

### **Financial instability would increase**

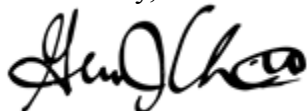
The AFL-CIO has always supported measures that properly regulate financial markets so that working people are not cheated out of their hard earned wages. In the aftermath of the 2008 financial crisis which had its genesis in unregulated derivatives markets and widespread fraudulent banking activities, we supported legislation that created the Consumer Financial Protection Bureau (CFPB) and strengthened financial regulations through the Dodd-Frank Act.

The Responsible Financial Innovation Act does not protect consumers, workers or the financial system and instead exposes all to more risk. Under our current regulatory structure, FDIC-insured banks are prevented from high risk trading and other financial activities with crypto rather than traditional financial instruments. In our view, banks engaging in crypto-based hedge fund trading activity, which would be allowed under this regime, could be even riskier than some of the dangerous financial activities conducted before the 2008 financial crisis. Again, this not only exposes the financial institution and broader financial system to an unacceptable level of risk but also puts the taxpayer on the hook. As such, this legislation provides the perfect environment for the next financial crisis to germinate.

### **Oppose This Bill**

For all the reasons above and more, the AFL-CIO strongly urges you to oppose the Responsible Financial Innovation Act. Working people need policies that effectively regulate financial markets and ensure that hard earned retirement benefits are not endangered by risky assets. We need to make sure that the financial system is stable instead of creating a casino for crypto billionaires to make more profits.

Sincerely,



Jody Calemine  
Director, Government Affairs