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Dear Governor:

Today, Consumers' Research, the nation's oldest consumer advocacy organization, is issuing a *Consumer Warning* focused on the cryptocurrency company Tether (USDT). Tether operates a stablecoin which purports to be one-for-one backed by the U.S. dollar, but to date, and after nearly a decade of promises, the company has still failed to undergo an audit to verify that claim. While stablecoin technology has a valuable role to play in the marketplace, asset-backed stablecoins that fail to verify their holdings and their financial controls through an audit by a credible third party are a disaster for consumers waiting to happen.

Earlier this year, several Attorneys General filed an [amicus brief](#) opposing an attempt by the Securities and Exchange Commission (SEC) to regulate cryptocurrencies on behalf of the states. The amicus focused on concerns related to consumer protection and potential fraud in the category, which according to [media reports](#) is up by 45% over the last year. The states argued that it is within their power to protect their citizens from potential crypto scams, citing state consumer-protection laws. We agree – and that is exactly why states should be aware of the potential threat posed by Tether.

As noted in the warning, Tether's continual failure to undergo an independent audit raises a distressing red flag for the company and its USDT product. Tether has promised that it would conduct a full audit since at least 2017 but has still failed to do so. In August 2022, its CEO stated that an audit was "likely months away." Years later, there is still no audit.

Distressingly, when paired with a lack of an audit, Tether has a history of false claims. In 2018, the U.S. Department of Justice launched an investigation into whether traders were manipulating the cryptocurrency market using Tether and Bitfinex. In 2019, New York found that Tether moved hundreds of millions of dollars to cover up the loss of \$850 million in client money. In 2021, Tether was forced to cease trading activity in New York and pay \$18.5 million in penalties. In 2022, Tether settled charges stemming from false statements allegedly made regarding its backing of USDT with U.S. dollars with the Commodity Futures Trading Commission. Also in 2022, the SEC fined the law firm that claimed USDT was backed by the U.S. dollar for improper accountings purposes. This list is not exhaustive.

In addition to questions surrounding its backing, Tether also has a well-documented history of business with bad actors bringing further speculation as to whether the company has proper financial guardrails. Authorities in both the U.S. and the U.K. are currently investigating \$20 billion in Tether transactions that took place on Garantex, a Russian crypto exchange sanctioned by the U.S. Treasury Department in April 2022. As of July 2024, Tether was still processing transactions from the crypto exchange BitPapa, which was sanctioned in March 2024 for its role in aiding Russia's war against Ukraine. Just two days ago, the *Wall Street Journal* [pointed out that](#) "cryptocurrency Tether enables a parallel economy that operates beyond the reach of U.S. law enforcement" and that Tether is "undermining America's fight

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against arms dealers, sanctions busters and scammers.” While generally Consumers’ Research leaves questions of money laundering and foreign policy to experts in those fields, we believe it is important to note these reported ties because entanglement with criminals and rogue state actors has historically been a precursor warning signal of deeper issues with financial products.

Our goal as a consumer protection organization is to ensure U.S. consumers are equipped with the information needed to make informed decisions and protect Americans from predatory or unethical practices. As you will see outlined in the attached Consumer Warning, Tether has many of the same issues that FTX and Celsius had before their collapse – potentially costing consumers billions of dollars using deceptive and misleading marketing tactics that are inconsistent with the truth. We ask that you consider where Tether is available to consumers in your state and take appropriate steps to protect your citizens from financial harm.

Sincerely,

*Will Hild*

William Hild  
Executive Director, Consumers’ Research

**Attachment:**

Consumers’ Research Consumer Warning on Tether (USDT)

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