09.28.2026

Blumenthal Releases PSI Report Detailing how Lutnick-Linked Crypto Firm Tether Props Up Iran's Shadow Banking System

PSI analysis shows Tether has become a preferred payment system for terrorist organizations and rogue states; Blumenthal calls on Treasury, DOJ to investigate potential violations of sanctions & banking laws, questions whether Trump Administration dropped prior investigations

[WASHINGTON, D.C.] – U.S. Senator Richard Blumenthal (D-CT), Ranking Member of the Senate Permanent Subcommittee on Investigations (PSI), today released a new report detailing how Tether and its dollar-pegged stablecoin (USDT) have become a significant financial lifeline within Iran's shadow banking network.

As part of its ongoing inquiry into the role of cryptocurrencies in illicit finance, PSI Democratic investigators conducted a forensic analysis of blockchain transaction data from 846 unique cryptocurrency wallets that have been sanctioned or targeted for seizure due to their association with Iran and its regional proxies. This analysis shows that Tether has, in effect, provided Iran access to a high-liquidity international payment system that the United States has assiduously sought to deny it.

"My new PSI report exposes how Tether and its flagship token have become central to Iran's shadow banking system, allowing the Iranian government to fund its regional proxies, commit human rights abuses, and pursue hostile drone and missile programs as they defy our sanctions regime," Blumenthal said. **"The Trump Administration's glaring lack of oversight of cryptocurrency issuers has undermined our own national security interests. That is why I am calling on the Department of Treasury and Justice to immediately investigate Tether and hold it accountable for these potential sanctions violations."**

A summary of PSI's key findings is below:

- **Tether has become a primary illicit international payment system for Iran, allowing it to circumvent international sanctions on its banks:** Of the 846 wallets sanctioned for their association with Iran and its terrorist proxies, 84% have transacted exclusively, or nearly exclusively, in USDT. These activities include efforts by the Iranian government to move funds into, and out of, Iran and to prop up the country's currency in the face of U.S. sanctions, including through the Central Bank of Iran.
- **Tether serves as a central payment mechanism that interlinks Iran and its terrorist proxy organizations, undermining U.S. security interests in the region:** Iran's cryptocurrency-based shadow banking network has reached significant volumes of funds and implicate different Iranian interests. In addition to supporting terrorist organizations, there is evidence that this shadow banking network is used for the procurement and sales of drones and other military equipment.
- **Tether's failure to freeze illicit wallets and prevent abuse created the permissive environment under which Iranian shadowing banking could flourish:** Prior to 2024, Tether did not comprehensively and consistently freeze wallets designated by counter-terrorism agencies and continues to fail to proactively block clearly illicit wallets. This absence of deterrence invited abuse: terrorist organizations such as Hamas shifted from transacting in Bitcoin and a mix of cryptocurrencies, to promoting USDT.

In letters sent today to Treasury Secretary Scott Bessent and Attorney General Todd Blanche, Blumenthal referred PSI's findings to the Departments and called for thorough investigations into Tether's anti-money laundering and sanctions compliance practices.

In a letter to Bessent, Blumenthal raised concerns about the Trump Administration's lax oversight of cryptocurrency firms despite longstanding research and reporting on Tether's broader role in illicit finance, **"Yet, since President Trump's return to the White House, investigations and enforcement actions into the cryptocurrency industry have been dropped, settled on meager terms, or even reversed. I fear this lenient self-dealing includes Tether, despite its role in propping up a country that the United States is currently at war with."**

Blumenthal continued, **"While Tether has become a powerful tool for foreign adversaries, terrorists, and illicit actors that are a danger to our national security, it has numerous close ties to the highest levels of the Trump Administration. Most prominently, Cantor Fitzgerald—which until recently was run by Commerce Secretary Howard Lutnick and is now controlled by his children—owns 5% of Tether and holds a substantial portion of the company's more than $100 billion of assets in the United States."**

“The prospect of such a financial weapon being used against American interests is deeply troubling. I therefore request that Treasury review the Subcommittee’s report, which is enclosed with this letter, and conduct a thorough investigation of Tether’s anti-money laundering and sanctions compliance practices. If your investigation finds Tether has violated the Bank Secrecy Act, the International Emergency Economic Powers Act, or any other relevant provision of federal law, I encourage you to take the strongest appropriate action,” Blumenthal concluded.

The full text of PSI’s report is available here. Copies of Blumenthal’s letters to Bessent and Blanche are available here and here.

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