JULY 31, 2026

Letters to Congress: Coalition Opposes AI Sandbox in Crypto Bill

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Dear Leader Thune and Leader Schumer:

The undersigned 78 civil rights, labor, consumer, community, tech accountability, and other organizations write to express opposition to the inclusion of language authorizing so-called AI Innovation Labs within the CLARITY Act. This language creates regulatory sandboxes that allow otherwise regulated financial firms to deploy artificial intelligence (AI) systems without regulatory supervision, oversight, or enforcement and without the necessary civil rights, consumer, and user protections to prevent harm.

The use of AI in the financial sector has potential benefits to consumers and providers alike. It presents opportunities to reduce costs, improve efficiency, detect

and prevent fraud, and increase the access, quality, and choice of financial services and products. However, the benefits will only be realized if there are protections from the risks as well. The use of AI in financial services and products should include requiring the consistent application and enforcement of long-established federal civil rights, consumer protection, investor protection, market integrity, and financial supervision statutes and regulations.

The financial industry has already been deploying AI within the bounds of federal laws and regulations across its business lines including from customer service to automated underwriting to securities trading to risk management. Existing legal and regulatory regimes are designed to protect people and the financial system from predatory practices, market manipulation, and economic instability. There is no need to create regulatory carve outs for companies to deploy AI systems that would otherwise violate federal laws and pose risks to people and the economy. Nor does the use of AI, however trivial, justify broad waivers of consumer and investor protection laws.

The risks of AI are real. AI credit underwriting and decision-making systems tend to amplify existing patterns of discrimination against Black, Latino, Asian American, and Indigenous people; women; and people with disabilities in the approval, pricing, and terms of credit products like student loans, mortgages, and other credit products. AI's involvement in debt collection could make people susceptible to abusive collection tactics. People could see unjust freezes or closures of accounts driven by automated fraud detection AI systems. AI's increasing use in customer relations and emerging risks from agentic AI can leave people at the mercy of chatbots and

systems that give incomplete, misleading, or sometimes incorrect information. If financial institutions are granted waivers from laws and regulations for deploying AI in their systems and processes, people impacted by these risks would have little to no path for redress.

The deployment of unregulated AI into financial services products and systems also poses risks to investor protection, market integrity, and financial stability. AI-powered trading could result in market manipulation, harming investors and undermining the fidelity of the markets. Increasingly powerful AI cyberhacking tools can threaten the security of financial firms holdings, exposing customers' funds and personal information to cyberbreaches. Banks deploying AI for risk management models could result in minimizing risks and threats to the safety and soundness of the bank, posing financial stability threats. Further, the concentration of AI firms servicing the financial sector could exacerbate instability and create unstable bubbles and crashes.

The risks and threats of AI in the financial system demonstrate the importance of regulation and oversight of its use. Yet the language within this legislation would enable the financial industry to seek exemptions from these necessary laws and regulations. The threshold to create an AI test project shielded from regulatory oversight is woefully low. Virtually any company that uses AI would be able to request full waivers of civil rights, consumer, and investor protection laws, posing risks to people and the economy.

This language would allow financial firms to experiment on deploying AI for maximizing profits with effective impunity. Customers and the economy would bear the

risks and harms, with financial institutions reaping the rewards. The threats and risks are too grave.

We urge Members of Congress to oppose this language and any legislation that includes this language, including in the CLARITY Act. Elected leaders must reject the granting of immunity for unlawful practices or outcomes that would substantially harm people, communities, and the economy.

Sincerely,

National Organizations

Action Center on Race and the Economy

AFSCME

AFT

AI Now Institute

American Civil Liberties Union

American Economic Liberties Project

Americans for Financial Reform

As You Sow

CAMEO Network

Care in Action

Center for Democracy & Technology

Center for Digital Democracy

Center for Responsible Lending

Coalition on Human Needs

Communications Workers of America (CWA)

Consumer Action

Consumer Federation of America

Consumer Reports

Consumer Watchdog

Data & Society

Demand Progress Action

Equal Rights Advocates

HEAL Food Alliance

Interfaith Center on Corporate Responsibility

National Action Network

National Association of Consumer Advocates

National Community Reinvestment Coalition

National Consumer Law Center, on behalf of its low-income clients

National Consumers League

National Domestic Workers Alliance

National Fair Housing Alliance

Next 100 Coalition

Oxfam America

P Street

Popular Democracy

Protect Borrowers

Public Citizen

Public Good Law Center

Public Investors Advocate Bar Association

Public Justice

Racial Justice Investing Coalition

Stance Capital

TechTonic Justice

The Leadership Conference on Civil and

Human Rights

Transparency Task Force

UnidosUS

Woodstock Institute

State and Local Organizations

AKPIRG

Arkansas Community Organizations

Brooklyn Cooperative FCU

Center for Economic Integrity

Charlotte Center for Legal Advocacy

Community Legal Services in East Palo Alto

Consumers for Auto Reliability and Safety

DC Consumer Rights Coalition

Economic Action Maryland Fund

Housing Action Illinois

Housing and Economic Rights Advocates

Legal Action Chicago

Legal Aid Center of Southern Nevada

Legal Aid Works

Maine People's Alliance

New Jersey Appleseed Public Interest Law Center

New York Legal Assistance Group

New Yorkers for Responsible Lending

Oregon Consumer Justice

Oregon Consumer League

Project GREEN

Public Law Center

Rise Economy

South Carolina Appleseed Legal Justice Center

Strong Economy For All Coalition

Texas Appleseed

The Academy of Financial Education

Tzedek DC

Virginia Citizens Consumer Counsel

Virginia Poverty Law Center

William E. Morris Institute for Justice