

Calendar No. 423

119TH CONGRESS
2D SESSION**H. R. 3633**

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 18 (legislative day, SEPTEMBER 16), 2025

Received; read twice and referred to the Committee on Banking, Housing, and
Urban Affairs

JUNE 1, 2026

Reported by Mr. SCOTT of South Carolina, with an amendment

[Strike out all after the enacting clause and insert the part printed in *italic*]**AN ACT**

To provide for a system of regulation of the offer and sale of digital commodities by the Securities and Exchange Commission and the Commodity Futures Trading Commission, to amend the Federal Reserve Act to prohibit the Federal reserve banks from offering certain products or services directly to an individual, to prohibit the use of central bank digital currency for monetary policy, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLES; TABLE OF CONTENTS.**

2 (a) **SHORT TITLES.**—This Act may be cited as the
 3 “Digital Asset Market Clarity Act of 2025” or the
 4 “CLARITY Act of 2025” and the “Anti-CBDC Surveil-
 5 lance State Act”.

6 (b) **TABLE OF CONTENTS.**—The table of contents for
 7 this Act is as follows:

Sec. 1. Short titles; table of contents.

**TITLE I—DEFINITIONS; RULEMAKING; EXPEDITED
 REGISTRATION**

Sec. 101. Definitions under the Securities Act of 1933.

Sec. 102. Definitions under the Securities Exchange Act of 1934.

Sec. 103. Definitions under the Commodity Exchange Act.

Sec. 104. Definitions under this Act.

Sec. 105. Rulemakings.

Sec. 106. Expedited registration for digital commodity exchanges, brokers, and
 dealers; provisional status.

Sec. 107. Commodity Exchange Act and securities laws savings provisions.

Sec. 108. Administrative requirements.

Sec. 109. Treatment of certain non-controlling blockchain developers.

Sec. 110. Application of the Bank Secrecy Act.

Sec. 111. Rule of construction.

Sec. 112. Implementation.

TITLE II—OFFERS AND SALES OF DIGITAL COMMODITIES

Sec. 201. Treatment of investment contract assets.

Sec. 202. Exempted primary transactions in digital commodities.

Sec. 203. Treatment of secondary transactions in digital commodities that
 originally involved investment contracts.

Sec. 204. Requirements for offers and sales of digital commodities by digital
 commodity related persons and digital commodity affiliated
 persons.

Sec. 205. Mature blockchain system requirements.

Sec. 206. Effective date.

**TITLE III—REGISTRATION FOR INTERMEDIARIES AT THE
 SECURITIES AND EXCHANGE COMMISSION**

Sec. 301. Treatment of digital commodities and permitted payment stablecoins.

Sec. 302. Anti-fraud authority over permitted payment stablecoins and certain
 digital commodity transactions.

Sec. 303. Eligibility of alternative trading systems.

Sec. 304. Rulemaking for dual-registered entities.

Sec. 305. Modernization of recordkeeping requirements.

Sec. 306. Exemptive authority.

- Sec. 307. Additional registrations with the Commodity Futures Trading Commission.
- Sec. 308. Exempting digital commodities from State securities laws.
- Sec. 309. Exclusion for decentralized finance activities.
- Sec. 310. Treatment of custody activities by banking institutions.
- Sec. 311. Broker and dealer disclosures regarding the treatment of assets.
- Sec. 312. Digital commodity activities that are financial in nature.
- Sec. 313. Effective date; administration.
- Sec. 314. Educational material requirements.
- Sec. 315. Discretionary Surplus Fund.

TITLE IV—REGISTRATION FOR DIGITAL COMMODITY INTERMEDIARIES AT THE COMMODITY FUTURES TRADING COMMISSION

- Sec. 401. Commission jurisdiction over digital commodity transactions.
- Sec. 402. Requiring futures commission merchants to use qualified digital asset custodians.
- Sec. 403. Trading certification and approval for digital commodities.
- Sec. 404. Registration of digital commodity exchanges.
- Sec. 405. Qualified digital asset custodians.
- Sec. 406. Registration and regulation of digital commodity brokers and dealers.
- Sec. 407. Registration of associated persons.
- Sec. 408. Registration of commodity pool operators and commodity trading advisors.
- Sec. 409. Exclusion for decentralized finance activities.
- Sec. 410. Resources for implementation and enforcement.
- Sec. 411. Requirements related to control persons.
- Sec. 412. Other tradable assets.
- Sec. 413. Conflict of interest rulemaking.
- Sec. 414. Effective date.
- Sec. 415. Sense of Congress.

TITLE V—INNOVATION AND TECHNOLOGY IMPROVEMENTS

- Sec. 501. Findings; sense of Congress.
- Sec. 502. Strategic Hub for Innovation and Financial Technology.
- Sec. 503. Codification of LabCFTC.
- Sec. 504. Study on decentralized finance.
- Sec. 505. Study on non-fungible tokens.
- Sec. 506. Study on expanding financial literacy amongst digital commodity holders.
- Sec. 507. Study on financial market infrastructure improvements.
- Sec. 508. Study on blockchain in payments.
- Sec. 509. Study on illicit use of digital assets.
- Sec. 510. GAO study on certain centralized intermediaries that are primarily located in foreign jurisdictions.
- Sec. 511. Studies on foreign adversary participation.
- Sec. 512. Conforming amendments.

TITLE VI—ANTI-CBDC SURVEILLANCE STATE ACT

- Sec. 601. Short title.
- Sec. 602. Prohibition on Federal reserve banks relating to certain products or services for individuals and prohibition on directly issuing a central bank digital currency.

Sec. 603: Prohibition on Federal reserve banks indirectly issuing a central bank digital currency.

Sec. 604: Prohibition with respect to central bank digital currency.

Sec. 605: Sense of Congress.

1 TITLE I—DEFINITIONS; RULE- 2 MAKING; EXPEDITED REG- 3 ISTRATION

4 SEC. 101. DEFINITIONS UNDER THE SECURITIES ACT OF 5 1933.

6 Section 2(a) of the Securities Act of 1933 (15 U.S.C.
7 77b(a)) is amended by adding at the end the following:

8 “(20) BLOCKCHAIN.—The term ‘blockchain’
9 means—

10 “(A) any technology—

11 “(i) where data is—

12 “(I) shared across a network to
13 create a distributed ledger of inde-
14 pendently verifiable transactions or in-
15 formation among network partici-
16 pants;

17 “(II) linked using cryptography
18 to maintain the integrity of the dis-
19 tributed ledger and to execute other
20 functions; and

21 “(III) propagated among network
22 participants to reach consensus on the

1 state of the distributed ledger and any
2 other functions; and

3 “(ii) composed of source code that is
4 publicly available; and

5 “(B) any similar technology to the tech-
6 nology described in subparagraph (A).-

7 “(21) BLOCKCHAIN APPLICATION.—The term
8 ‘blockchain application’ means any executable soft-
9 ware that is deployed to a blockchain and composed
10 of source code that is publicly available, including a
11 smart contract or any network of smart contracts, or
12 other similar technology.

13 “(22) BLOCKCHAIN PROTOCOL.—The term
14 ‘blockchain protocol’ means publicly available source
15 code of a blockchain that is executed by the network
16 participants of a blockchain to facilitate its func-
17 tioning, or other similar technology.

18 “(23) BLOCKCHAIN SYSTEM.—The term
19 ‘blockchain system’ means any blockchain, together
20 with its blockchain protocol or any blockchain appli-
21 cation or network of blockchain applications.

22 “(24) DECENTRALIZED GOVERNANCE SYS-
23 TEM.—

24 “(A) IN GENERAL.—The term ‘decentral-
25 ized governance system’ means, with respect to

1 a blockchain system; any transparent, rules-
2 based system permitting persons to form con-
3 sensus or reach agreement in the development,
4 provision, publication, maintenance, or adminis-
5 tration of such blockchain system; where par-
6 ticipation is not limited to; or under the effec-
7 tive control of; any person or group of persons
8 under common control.

9 “(B) RELATIONSHIP OF PERSONS TO DE-
10 CENTRALIZED GOVERNANCE SYSTEMS.—With
11 respect to a decentralized governance system;
12 the decentralized governance system and any
13 persons participating in the decentralized gov-
14 ernance system shall be treated as separate per-
15 sons unless such persons are under common
16 control or acting pursuant to an agreement to
17 act in concert.

18 “(C) LEGAL ENTITIES FOR DECENTRAL-
19 IZED GOVERNANCE SYSTEMS.—The term ‘de-
20 centralized governance system’ shall include a
21 legal entity used to implement the rules-based
22 system described in subparagraph (A); provided
23 that the legal entity does not operate pursuant
24 to centralized management. For the purposes of
25 this subparagraph, the delegation of ministerial

1 or administrative authority at the direction of
2 the participants in a decentralized governance
3 system shall not be construed to be centralized
4 management.

5 “(25) DIGITAL ASSET.—The term ‘digital asset’
6 means any digital representation of value which is
7 recorded on a cryptographically-secured distributed
8 ledger or other similar technology.

9 “(26) DIGITAL COMMODITY.—The term ‘digital
10 commodity’ has the meaning given that term under
11 section 1a of the Commodity Exchange Act (7
12 U.S.C. 1a).

13 “(27) DIGITAL COMMODITY AFFILIATED PER-
14 SON.—The term ‘digital commodity affiliated per-
15 son’—

16 “(A) means a person (including a digital
17 commodity related person) that, with respect to
18 any digital commodity—

19 “(i) acquires or has any right to ac-
20 quire 5 percent or more of the total out-
21 standing units of such digital commodity
22 from a digital commodity issuer or an
23 agent or underwriter thereof;

24 “(ii) is a founder of the digital com-
25 modity issuer; or

1 “(iii) is an executive officer, director,
 2 trustee, general partner, or person serving
 3 in a similar capacity of the digital com-
 4 modity issuer or held such role at any
 5 point in the previous 12-month period; and

6 “(B) does not include a decentralized gov-
 7 ernance system.

8 “(28) DIGITAL COMMODITY ISSUER.—

9 “(A) IN GENERAL.—With respect to a dig-
 10 ital commodity, the term ‘digital commodity
 11 issuer’ means any person that—

12 “(i) issues or causes to be issued, or
 13 proposes to issue or cause to be issued, a
 14 unit of such digital commodity to a person;
 15 or

16 “(ii) offers or sells a right to a future
 17 issuance of a unit of such digital com-
 18 modity to a person.

19 “(B) PROHIBITION ON EVASION.—It shall
 20 be unlawful for any person to knowingly evade
 21 classification as a ‘digital commodity issuer’
 22 and facilitate an arrangement for the primary
 23 purpose of effecting an offer, sale, distribution,
 24 or other issuance of a digital commodity, in-
 25 cluding via any arrangement involving the

1 transfer of intellectual property associated with
2 the blockchain system to which the digital com-
3 modity relates.

4 “(29) DIGITAL COMMODITY RELATED PER-
5 SON.—

6 “(A) IN GENERAL.—With respect to a dig-
7 ital commodity issuer, the term ‘digital com-
8 modity related person’—

9 “(i) means a person—

10 “(I) that is or was in the pre-
11 vious 6-month period a promoter, sen-
12 ior employee, advisory board member,
13 consultant, advisor, or person serving
14 in a similar capacity; or

15 “(II) that acquires or has any
16 right to acquire 1 percent or more of
17 the total outstanding units of such
18 digital commodity from a digital com-
19 modity issuer or an agent or under-
20 writer thereof; and

21 “(ii) does not include a decentralized
22 governance system.

23 “(B) SENIOR EMPLOYEE DEFINED.—In
24 this paragraph and with respect to a digital
25 commodity issuer, the term ‘senior employee’

1 means any employee materially involved in the
2 management of the digital commodity issuer,
3 including management of the development of
4 the blockchain system to which the digital com-
5 modity relates.

6 ~~“(30) END USER DISTRIBUTION.—~~

7 ~~“(A) IN GENERAL.—~~The term ‘end user
8 distribution’ means a distribution of a unit of
9 a digital commodity that—

10 ~~“(i) does not involve an exchange of~~
11 ~~more than a nominal value of cash, prop-~~
12 ~~erty, or other assets; and~~

13 ~~“(ii) is distributed in a broad and eq-~~
14 ~~uitable manner based on conditions capable~~
15 ~~of being satisfied by any participant in the~~
16 ~~blockchain system, including, as incentive-~~
17 ~~based rewards—~~

18 ~~“(I) to users of the digital com-~~
19 ~~modity or any blockchain system to~~
20 ~~which the digital commodity relates;~~

21 ~~“(II) for activities directly related~~
22 ~~to the operation of the blockchain sys-~~
23 ~~tem, such as mining, validating, stak-~~
24 ~~ing, or other activity directly tied to~~

1 the operation of the blockchain sys-
2 tem; or

3 “(III) to the existing holders of
4 another digital commodity, in propor-
5 tion to the total units of such other
6 digital commodity as are held by each
7 person;

8 “(B) PROTOCOL CONSENSUS PARTICIPA-
9 TION.—The term ‘end user distribution’ in-
10 cludes the following:

11 “(i) SELF STAKING.—The distribution
12 of a unit of a digital commodity as a pro-
13 grammatic result of validating or staking
14 activity for a blockchain system’s con-
15 sensus mechanism, including the staking of
16 a digital commodity and the operation of a
17 node or validator for such activity where
18 the owner of the staked digital commodity
19 and operator of the node or validator are
20 the same person or entity.

21 “(ii) SELF-CUSTODIAL STAKING WITH
22 A THIRD PARTY.—The distribution of a
23 unit of a digital commodity as a pro-
24 grammatic result of validating or staking
25 activity for a blockchain system’s con-

1 sensus mechanism, including the staking of
2 a digital commodity and the operation of a
3 node or validator for such activity where—

4 “(I) the owner of the staked dig-
5 ital commodity and operator of the
6 node or validator for such activity are
7 different persons or entities; and

8 “(II) the operator of the node or
9 validator does not maintain custody or
10 control of the staked digital com-
11 modity.

12 “(iii) CUSTODIAL AND ANCILLARY
13 STAKING SERVICES.—Subject to the rules
14 issued pursuant to subparagraph (C), the
15 provision of custodial or ancillary staking
16 services enabling the owner of a digital
17 commodity to participate in validating or
18 staking activity for a blockchain system’s
19 consensus mechanism that results in the
20 programmatic distribution of a unit of a
21 digital commodity; provided that such cus-
22 todial or ancillary services are exclusively
23 administrative or ministerial in nature.

24 “(C) RULEMAKING TO DEFINE THE CUS-
25 TODIAL AND ANCILLARY STAKING SERVICES.—

1 Not later than 270 days after the date of the
2 enactment of this paragraph, the Commission
3 shall issue rules defining the custodial and an-
4 cillary staking services described in subpara-
5 graph (B)(iii) that are exclusively administra-
6 tive or ministerial in nature, consistent with
7 what is necessary or appropriate for the public
8 interest or for the protection of investors.

9 “(31) MATURE BLOCKCHAIN SYSTEM.—The
10 term ‘mature blockchain system’ means a blockchain
11 system, together with its related digital commodity,
12 that is not controlled by any person or group of per-
13 sons under common control.

14 “(32) PERMITTED PAYMENT STABLECOIN.—
15 The term ‘permitted payment stablecoin’ means a
16 payment stablecoin (as defined in section 2 of the
17 GENIUS Act) issued by a permitted payment
18 stablecoin issuer.

19 “(33) PERMITTED PAYMENT STABLECOIN
20 ISSUER.—The term ‘permitted payment stablecoin
21 issuer’ has the meaning given that term in section
22 2 of the GENIUS Act.”.

1 **SEC. 102. DEFINITIONS UNDER THE SECURITIES EX-**
 2 **CHANGE ACT OF 1934.**

3 Section 3(a) of the Securities Exchange Act of 1934
 4 (~~15 U.S.C. 78e(a)~~) is amended—

5 (1) by redesignating the second paragraph (~~80~~)
 6 (~~relating to funding portals~~) as paragraph (81); and
 7 (2) by adding at the end the following:

8 “(~~82~~) **BANK SECRECY ACT.**—The term ‘Bank
 9 Secrecy Act’ means—

10 “(A) section 21 of the Federal Deposit In-
 11 surance Act (~~12 U.S.C. 1829b~~);

12 “(B) chapter 2 of title I of Public Law 91-
 13 508 (~~12 U.S.C. 1951 et seq.~~); and

14 “(C) subchapter II of chapter 53 of title
 15 31, United States Code.

16 “(~~83~~) **ADDITIONAL DIGITAL COMMODITY-RE-**
 17 **LATED TERMS.**—

18 “(A) **SECURITIES ACT OF 1933.**—The
 19 terms ‘blockchain system’, ‘decentralized gov-
 20 ernance system’, ‘digital asset’, ‘digital com-
 21 modity affiliated person’, ‘digital commodity
 22 issuer’, ‘digital commodity related person’, ‘end
 23 user distribution’, ‘mature blockchain system’,
 24 ‘permitted payment stablecoin’, and ‘permitted
 25 payment stablecoin issuer’ have the meaning
 26 given those terms, respectively, under section

1 2(a) of the Securities Act of 1933 (15 U.S.C.
2 77b(a)).

3 “(B) COMMODITY EXCHANGE ACT.—The
4 terms ‘digital commodity’, ‘digital commodity
5 broker’, ‘digital commodity dealer’, ‘digital com-
6 modity exchange’, ‘decentralized finance mes-
7 saging system’, and ‘decentralized finance trad-
8 ing protocol’ have the meaning given those
9 terms, respectively, under section 1a of the
10 Commodity Exchange Act (7 U.S.C. 1a).”.

11 **SEC. 103. DEFINITIONS UNDER THE COMMODITY EX-**
12 **CHANGE ACT.**

13 (a) IN GENERAL.—Section 1a of the Commodity Ex-
14 change Act (7 U.S.C. 1a) is amended—

15 (1) in paragraph (10)—

16 (A) in subparagraph (A)—

17 (i) by redesignating clauses (iii) and

18 (iv) as clauses (iv) and (v), respectively;

19 and

20 (ii) by inserting after clause (ii) the

21 following:

22 “(iii) digital commodity;”, and

23 (B) by redesignating subparagraph (B) as

24 subparagraph (C) and inserting after subpara-

25 graph (A) the following:

1 “(B) ~~EXCLUSION.~~—For purposes of this
 2 paragraph, the term ‘trading in commodity in-
 3 terests’ shall not include transacting in digital
 4 commodities for the purpose of—

5 “(i) acting as a digital commodity
 6 custodian;

7 “(ii) establishing, maintaining, or
 8 managing inventory or payment instru-
 9 ments for commercial purposes; or

10 “(iii) maintaining or supporting the
 11 operation of, or validating transactions on,
 12 a blockchain system.”;

13 (2) in paragraph (11)—

14 (A) in subparagraph (A)(i)—

15 (i) by redesignating subclauses (III)
 16 and (IV) as subclauses (IV) and (V), re-
 17 spectively; and

18 (ii) by inserting after subclause (II)
 19 the following:

20 “(III) digital commodity;”;

21 (B) by redesignating subparagraph (B) as
 22 subparagraph (C) and inserting after subpara-
 23 graph (A) the following:

24 “(B) ~~EXCLUSION.~~—For purposes of this
 25 paragraph, the term ‘trading in commodity in-

terests' shall not include transacting in digital commodities for the purpose of—

“(i) acting as a digital commodity custodian;

“(ii) establishing, maintaining, or managing inventory or payment instruments for commercial purposes; or

“(iii) maintaining or supporting the operation of, or validating transactions on, a blockchain system.”;

(3) in paragraph (12)(A)(i)—

(A) in subclause (II), by adding at the end a semicolon;

(B) by redesignating subclauses (III) and (IV) as subclauses (IV) and (V), respectively; and

(C) by inserting after subclause (II) the following:

“(III) a digital commodity;”;

(4) by redesignating paragraphs (16) through (51) as paragraphs (17) through (52), respectively; and inserting after paragraph (15) the following:

“(16) TERMS RELATED TO DIGITAL COMMODITIES.—

1 “(A) ASSOCIATED PERSON OF A DIGITAL
2 COMMODITY BROKER.—

3 “(i) IN GENERAL.—Except as pro-
4 vided in clause (ii), the term ‘associated
5 person of a digital commodity broker’
6 means a person who is associated with a
7 digital commodity broker as a partner, of-
8 ficer, employee, or agent (or any person oc-
9 cupying a similar status or performing
10 similar functions) in any capacity that in-
11 volves—

12 “(I) the solicitation or acceptance
13 of an order for the purchase or sale of
14 a digital commodity; or

15 “(II) the supervision of any per-
16 son engaged in the solicitation or ac-
17 ceptance of an order for the purchase
18 or sale of a digital commodity.

19 “(ii) EXCLUSION.—The term ‘associ-
20 ated person of a digital commodity broker’
21 does not include any person associated
22 with a digital commodity broker the func-
23 tions of which are solely clerical or ministe-
24 rial.

1 “(B) ASSOCIATED PERSON OF A DIGITAL
2 COMMODITY DEALER.—

3 “(i) IN GENERAL.—Except as pro-
4 vided in clause (ii), the term ‘associated
5 person of a digital commodity dealer’
6 means a person who is associated with a
7 digital commodity dealer as a partner, offi-
8 cer, employee, or agent (or any person oc-
9 cupying a similar status or performing
10 similar functions) in any capacity that in-
11 volves—

12 “(I) the solicitation or acceptance
13 of a contract for the purchase or sale
14 of a digital commodity; or

15 “(II) the supervision of any per-
16 son engaged in the solicitation or ac-
17 ceptance of a contract for the pur-
18 chase or sale of a digital commodity.

19 “(ii) EXCLUSION.—The term ‘associ-
20 ated person of a digital commodity dealer’
21 does not include any person associated
22 with a digital commodity dealer the func-
23 tions of which are solely clerical or ministe-
24 rial.

1 “(C) ~~BANK SECRECY ACT.~~—The term
2 ‘Bank Secrecy Act’ means—

3 “(i) ~~section 21 of the Federal Deposit~~
4 ~~Insurance Act (12 U.S.C. 1829b);~~

5 “(ii) ~~chapter 2 of title I of Public Law~~
6 ~~91–508 (12 U.S.C. 1951 et seq.); and~~

7 “(iii) ~~subchapter II of chapter 53 of~~
8 ~~title 31, United States Code.~~

9 “(D) ~~DECENTRALIZED FINANCE MES-~~
10 ~~SAGING SYSTEM.~~—

11 “(i) ~~IN GENERAL.~~—The term ‘decen-

12 tralized finance messaging system’ means

13 a software application that provides a user

14 with the ability to create or submit an in-

15 struction, communication, or message to a

16 decentralized finance trading protocol for

17 the purpose of executing a transaction by

18 the user.

19 “(ii) ~~ADDITIONAL REQUIREMENTS.~~—

20 The term ‘decentralized finance messaging

21 system’ does not include any system that

22 provides any person other than the user

23 with control over—

24 “(I) the funds of the user; or

1 “(H) the execution of the trans-
2 action of the user.

3 ~~“(E) DECENTRALIZED FINANCE TRADING~~
4 ~~PROTOCOL.—~~

5 “(i) IN GENERAL.—The term ‘decen-
6 tralized finance trading protocol’ means a
7 blockchain system through which multiple
8 participants can execute a financial trans-
9 action—

10 “(I) in accordance with an auto-
11 mated rule or algorithm that is pre-
12 determined and non-discretionary; and

13 “(H) without reliance on any
14 other person to maintain control of
15 the digital assets of the user during
16 any part of the financial transaction.

17 “(ii) EXCLUSIONS.—

18 “(I) IN GENERAL.—The term
19 ‘decentralized finance trading pro-
20 tocol’ does not include a blockchain
21 system if—

22 “(aa) a person or group of
23 persons under common control or
24 acting pursuant to an agreement
25 to act in concert has the author-

ity, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise, to control or materially alter the functionality, operation, or rules of consensus or agreement of the blockchain system; or

“(bb) the blockchain system does not operate, execute, and enforce its operations and transactions based solely on pre-established, transparent rules encoded directly within the source code of the blockchain system.

“(H) SPECIAL RULE.—For purposes of subclause (I), a decentralized governance system shall not be considered to be a person or a group of persons under common control or acting pursuant to an agreement to act in concert.

“(F) DIGITAL COMMODITY.—

“(i) IN GENERAL.—The term ‘digital commodity’ means a digital asset that is intrinsically linked to a blockchain system;

1 and the value of which is derived from or
2 is reasonably expected to be derived from
3 the use of the blockchain system.

4 “(ii) RELATIONSHIP TO A
5 BLOCKCHAIN SYSTEM.—For purposes of
6 this subparagraph, a digital asset is intrin-
7 sically linked to a blockchain system if the
8 digital asset is directly related to the
9 functionality or operation of the blockchain
10 system or to the activities or services for
11 which the blockchain system is created or
12 utilized, including where the digital asset
13 is—

14 “(I) issued or generated by the
15 programmatic functioning of the
16 blockchain system;

17 “(II) used to transfer value be-
18 tween participants in the blockchain
19 system;

20 “(III) used to access the activi-
21 ties or services of the blockchain sys-
22 tem;

23 “(IV) used to participate in the
24 decentralized governance system of
25 the blockchain system;

1 “(V) used or removed from cir-
2 culation in whole or in part to pay
3 fees or otherwise verify or validate
4 transactions on the blockchain system;

5 “(VI) used as payment or incen-
6 tive to participants in the blockchain
7 system to engage in the activities of
8 the blockchain system, provide serv-
9 ices to other participants in the
10 blockchain system, or otherwise par-
11 ticipate in the functionality of the
12 blockchain system; or

13 “(VII) used as payment or incen-
14 tive to participants in the blockchain
15 system to validate transactions, secure
16 the blockchain system, provide com-
17 putational services, maintain or dis-
18 tribute information, or otherwise par-
19 ticipate in the operations of the
20 blockchain system.

21 “(iii) EXCLUSION.—The term ‘digital
22 commodity’ does not include any of the fol-
23 lowing:

24 “(I) SECURITY.—

1 “(aa) Any security, other
2 than a note, an investment con-
3 tract, or a certificate of interest
4 or participation in any profit-
5 sharing agreement.

6 “(bb) A note, an investment
7 contract, or a certificate of inter-
8 est or participation in any profit-
9 sharing agreement that—

10 “(AA) represents or
11 gives the holder an owner-
12 ship interest or other inter-
13 est in the revenues, profits,
14 obligations, debts, assets, or
15 assets or debts to be ac-
16 quired of the issuer of the
17 digital asset or another per-
18 son (other than a decentral-
19 ized governance system);

20 “(BB) makes the hold-
21 er a creditor of the issuer of
22 the digital asset or another
23 person; or

24 “(CC) represents or
25 gives the holder the right to

1 receive interest or the return
2 of principal from the issuer
3 of the digital asset or an-
4 other person.

5 “(H) SECURITY DERIVATIVE.—A
6 digital asset that, based on its terms
7 and other characteristics, is, rep-
8 resents, or is functionally equivalent
9 to an agreement, contract, or trans-
10 action that is—

11 “(aa) a security future, as
12 defined in section 2a of the Secu-
13 rities Act of 1933;

14 “(bb) a security-based swap,
15 as defined in section 2a of the
16 Securities Act of 1933;

17 “(cc) a put, call, straddle,
18 option, or privilege on any secu-
19 rity, certificate of deposit, or
20 group or index of securities (in-
21 cluding any interest therein or
22 based on the value thereof), as
23 defined in section 2a of the Secu-
24 rities Act of 1933; or

1 “(dd) a put, call, straddle,
2 option, or privilege on any secu-
3 rity, as defined in section 2a of
4 the Securities Act of 1933.

5 “(III) PERMITTED PAYMENT
6 STABLECOIN.—A digital asset that is
7 a permitted payment stablecoin.

8 “(IV) BANKING DEPOSIT.—

9 “(aa) A deposit (as defined
10 under section 3 of the Federal
11 Deposit Insurance Act (12
12 U.S.C. 1813)), regardless of the
13 technology used to record the de-
14 posit.

15 “(bb) An account (as de-
16 fined in section 101 of the Fed-
17 eral Credit Union Act (12 U.S.C.
18 1752)), regardless of the tech-
19 nology used to record the ac-
20 count.

21 “(V) COMMODITY.—A digital
22 asset that references, represents an
23 interest in, or is functionally equiva-
24 lent to—

1 “(aa) an agricultural com-
2 modity;

3 “(bb) an excluded com-
4 modity, other than a security; or

5 “(cc) an exempt commodity,
6 other than the digital commodity
7 itself, as shall be further defined
8 by the Commission.

9 “(VI) COMMODITY DERIVA-
10 TIVE.—A digital asset that, based on
11 its terms and other characteristics, is,
12 represents, or is functionally equiva-
13 lent to an agreement, contract, or
14 transaction that is—

15 “(aa) a contract of sale of a
16 commodity for future delivery or
17 an option thereon;

18 “(bb) a security futures
19 product;

20 “(cc) a swap;

21 “(dd) an agreement, con-
22 tract, or transaction described in
23 section 2(e)(2)(C)(i) or section
24 2(e)(2)(D)(i);

1 “(cc) a commodity option
2 authorized under section 4e; or

3 “(ff) a leverage transaction
4 authorized under section 19.

5 “(VII) POOLED INVESTMENT VE-
6 HICLE.—

7 “(aa) IN GENERAL.—A dig-
8 ital asset not described by sub-
9 clause (I) that, based on its
10 terms and other characteristics,
11 is, represents, or is functionally
12 equivalent to an interest in—

13 “(AA) a commodity
14 pool, as defined in this Act;
15 or

16 “(BB) a pooled invest-
17 ment vehicle.

18 “(bb) POOLED INVESTMENT
19 VEHICLE DEFINED.—In this sub-
20 clause, the term ‘pooled invest-
21 ment vehicle’ means—

22 “(AA) any investment
23 company as defined in sec-
24 tion 3(a) of the Investment

1 Company Act of 1940 (15
2 U.S.C. 80a-3(a));

3 “(BB) any company (as
4 defined in section 2 of such
5 Act (15 U.S.C. 80a-2)) that
6 would be an investment
7 company under section 3(a)
8 of such Act but for the ex-
9 clusions provided from that
10 definition by section 3(e) of
11 such Act, if for purposes of
12 this subclause the company
13 were assumed to be an
14 issuer (as defined in section
15 2 of such Act); or

16 “(CC) any entity or
17 person that is not an invest-
18 ment company but holds or
19 will hold assets other than
20 securities.

21 “(VIII) GOOD, COLLECTIBLE,
22 AND OTHER NON-COMMODITY
23 ASSET.—A digital asset that has
24 value, utility, or significance beyond
25 its mere existence as a digital asset,

1 including the digital equivalent of a
2 tangible or intangible good, such as—

3 “(aa) a work of art, a musi-
4 cal composition, a literary work,
5 or other intellectual property;

6 “(bb) collectibles, merchan-
7 dise, virtual land, and video game
8 assets;

9 “(cc) affinity, rewards, or
10 loyalty points, including airline
11 miles or credit card points, that
12 are not primarily speculative in
13 nature; or

14 “(dd) rights, licenses, and
15 tickets.

16 “(iv) RULE OF CONSTRUCTION.—No
17 presumption shall exist that a digital asset
18 is a security, nor shall a digital asset be
19 excluded from being a digital commodity
20 pursuant to clause (iii)(I), solely due to—

21 “(I) the digital asset providing
22 voting or economic rights with respect
23 to the blockchain system to which the
24 digital asset relates or the decentral-
25 ized governance system of the

1 blockchain system to which the digital
2 asset relates;

3 “(H) the value of the digital
4 asset having the potential to appre-
5 ciate or depreciate in response to the
6 efforts, operations, or financial per-
7 formance of the blockchain system to
8 which the digital asset relates or the
9 decentralized governance system of
10 the blockchain system to which the
11 digital asset relates; or

12 “(III) the value of the digital
13 asset appreciating or depreciating due
14 to the use of the blockchain system to
15 which the digital asset relates or the
16 decentralized governance system of
17 the blockchain system to which the
18 digital asset relates.

19 “(G) DIGITAL COMMODITY BROKER.—

20 “(i) IN GENERAL.—The term ‘digital
21 commodity broker’ means any person who,
22 as a regular business—

23 “(I) is engaged in—

24 “(aa) soliciting or accepting
25 an order from a customer for—

1 “(AA) the purchase or
2 sale of a digital commodity;
3 or

4 “(BB) an agreement,
5 contract, or transaction de-
6 scribed in section
7 2(c)(2)(D)(iv); and

8 “(bb) in conjunction with
9 the activities in item (aa), ac-
10 cepts or maintains control over—

11 “(AA) the funds of any
12 customer; or

13 “(BB) the execution of
14 any transaction of a cus-
15 tomer;

16 “(H) is engaged in soliciting or
17 accepting orders from a customer for
18 the purchase or sale of a unit of a
19 digital commodity on or subject to the
20 rules of a registered entity; or

21 “(III) is registered with the Com-
22 mission as a digital commodity
23 broker.

1 “(ii) ~~EXCEPTIONS.—~~The term ‘digital
2 commodity broker’ does not include a per-
3 son solely because the person—

4 ~~“(I) solicits or accepts an order~~
5 ~~described in clause (i)(I)(aa)(AA)~~
6 ~~from a customer who is an eligible~~
7 ~~contract participant;~~

8 ~~“(II) enters into 1 or more dig-~~
9 ~~ital commodity transactions that are~~
10 ~~attributable or solely incidental to~~
11 ~~making, sending, receiving, or facili-~~
12 ~~tating payments, whether involving a~~
13 ~~payment service provider or on a peer-~~
14 ~~to-peer basis; or~~

15 ~~“(III) is a bank (as defined~~
16 ~~under section 3(a) of the Securities~~
17 ~~Exchange Act of 1934) engaging in~~
18 ~~certain banking activities with respect~~
19 ~~to a digital commodity in the same or~~
20 ~~a similar manner as a bank is ex-~~
21 ~~cluded from the definition of a broker~~
22 ~~under such section, as determined by~~
23 ~~the Commission.~~

24 “(iii) ~~FURTHER DEFINITION.—~~The
25 Commission, by rule or regulation, may ex-

1 clude from the term ‘digital commodity
2 broker’ any person or class of persons if
3 the Commission determines that the rule
4 or regulation will effectuate the purposes
5 of this Act.

6 “(H) DIGITAL COMMODITY DEALER.—

7 “(i) IN GENERAL.—The term ‘digital
8 commodity dealer’ means any person who,
9 as a regular business—

10 “(I) is, or offers to be a
11 counterparty to a person for the pur-
12 chase or sale of a digital commodity
13 as a regular business, and in conjunc-
14 tion with the activities, accepts or
15 maintains control over the funds of
16 any counterparty, or

17 “(II) is registered with the Com-
18 mission as a digital commodity dealer.

19 “(ii) EXCEPTION.—The term ‘digital
20 commodity dealer’ does not include a per-
21 son solely because the person—

22 “(I) is or offers to be a
23 counterparty to a person who is an el-
24 igible contract participant;

1 “(H) enters into a digital com-
2 modity transaction with an eligible
3 contract participant;

4 “(III) enters into a digital com-
5 modity transaction on or through a
6 registered digital commodity ex-
7 change, with a registered digital com-
8 modity broker, or through a decentral-
9 ized finance trading protocol;

10 “(IV) enters into a digital com-
11 modity transaction for the person’s
12 own account, either individually or in
13 a fiduciary capacity, but not as a part
14 of a regular business;

15 “(V) enters into 1 or more digital
16 commodity transactions that are at-
17 tributable or solely incidental to mak-
18 ing, sending, receiving, or facilitating
19 payments, whether involving a pay-
20 ment service provider or on a peer-to-
21 peer basis; or

22 “(VI) is a bank (as defined under
23 section 3(a) of the Securities Ex-
24 change Act of 1934) engaging in cer-
25 tain banking activities with respect to

1 a digital commodity in the same or a
 2 similar manner as a bank is excluded
 3 from the definition of a dealer under
 4 section 3(a)(5) of such Act, as deter-
 5 mined by the Commission.

6 “(iii) FURTHER DEFINITION.—The
 7 Commission, by rule or regulation, may ex-
 8 clude from the term ‘digital commodity
 9 dealer’ any person or class of persons if
 10 the Commission determines that the rule
 11 or regulation will effectuate the purposes
 12 of this Act.

13 “(I) DIGITAL COMMODITY EXCHANGE.—
 14 The term ‘digital commodity exchange’ means a
 15 trading facility that offers or seeks to offer a
 16 cash or spot market in at least 1 digital com-
 17modity.

18 “(J) MIXED DIGITAL ASSET TRANS-
 19 ACTION.—The term ‘mixed digital asset trans-
 20 action’ means a transaction in which a digital
 21 commodity is traded for a security.

22 “(K) TERMS DEFINED UNDER THE SECU-
 23 RITIES ACT OF 1933.—The terms ‘blockchain
 24 system’, ‘decentralized governance system’, ‘dig-
 25 ital asset’, ‘digital commodity issuer’, ‘digital

1 commodity affiliated person’, ‘digital commodity
 2 related person’, ‘end user distribution’, ‘mature
 3 blockchain system’, ‘permitted payment
 4 stablecoin’, and ‘permitted payment stablecoin
 5 issuer’ have the meaning given those terms, re-
 6 spectively, under section 2(a) of the Securities
 7 Act of 1933 (15 U.S.C. 77b(a)).”; and
 8 (5) in paragraph (41) (as so redesignated by
 9 paragraph (4) of this subsection)—

10 (A) by striking “and” at the end of sub-
 11 paragraph (E);

12 (B) by striking the period at the end of
 13 subparagraph (F) and inserting “; and”; and

14 (C) by adding at the end the following:

15 “(G) a digital commodity exchange reg-
 16 istered under section 5i.”.

17 (b) CONFORMING AMENDMENTS.—

18 (1) Each of the following provisions of law is
 19 amended by striking “1a(18)” and inserting
 20 “1a(19)”:

21 (A) Section 4s(h)(5)(A)(i) of the Com-
 22 modity Exchange Act (7 U.S.C. 6s(h)(5)(A)(i)).

23 (B) Section 5(e) of the Securities Act of
 24 1933 (15 U.S.C. 77e(e)).

1 (C) Section 6(g)(5)(B) of the Securities
 2 Exchange Act of 1934 (15 U.S.C.
 3 78f(g)(5)(B)).

4 (D) Section 15F(h)(5)(A)(i) of the Securi-
 5 ties Exchange Act of 1934 (15 U.S.C. 78o-
 6 10(h)(5)(A)(i)).

7 (2) Section 752 of the Wall Street Trans-
 8 parency and Accountability Act of 2010 (15 U.S.C.
 9 8325) is amended by striking “1a(39)” and insert-
 10 ing “1a(40)”.

11 (3) Section 4s(f)(1)(D) of the Commodity Ex-
 12 change Act (7 U.S.C. 6s(f)(1)(D)) is amended by
 13 striking “1a(47)(A)” and inserting “1a(48)(A)”.

14 (4) Each of the following provisions of the
 15 Commodity Exchange Act is amended by striking
 16 “1a(47)(A)(v)” and inserting “1a(48)(A)(v)”:

17 (A) Section 4t(b)(1)(C) (7 U.S.C.
 18 6t(b)(1)(C)).

19 (B) Section 5(d)(23) (7 U.S.C. 7(d)(23)).

20 (C) Section 5b(k)(3) (7 U.S.C. 7a-
 21 1(k)(3)).

22 (D) Section 5h(f)(10)(A)(iii) (7 U.S.C. 7b-
 23 3(f)(10)(A)(iii)).

1 (5) Section 21(f)(4)(C) of the Commodity Ex-
 2 change Act (7 U.S.C. 24a(f)(4)(C)) is amended by
 3 striking “1a(48)” and inserting “1a(49)”.

4 (6) Section 403 of the Legal Certainty for
 5 Bank Products Act of 2000 (7 U.S.C. 27a) is
 6 amended—

7 (A) in subsection (a)(2), by striking
 8 “1a(47)(A)(v)” and inserting “1a(48)(A)(v)”;
 9 and

10 (B) in each of subsections (b)(1) and
 11 (e)(2), by striking “1a(47)” and inserting
 12 “1a(48)”.

13 (7) Section 712 of the Wall Street Trans-
 14 parency and Accountability Act of 2010 (15 U.S.C.
 15 8302) is amended—

16 (A) in subsection (a)(8), by striking
 17 “1a(47)(D)” each place it appears and insert-
 18 ing “1a(48)(D)”;

19 (B) in subsection (d)(1), by striking
 20 “1a(47)(A)(v)” each place it appears and in-
 21 serting “1a(48)(A)(v)”.

22 **SEC. 104. DEFINITIONS UNDER THIS ACT.**

23 In this Act:

24 (1) **DEFINITIONS UNDER THE COMMODITY EX-**
 25 **CHANGE ACT.**—The terms “decentralized finance

1 messaging system”, “decentralized finance trading
 2 protocol”, “digital commodity”, “digital commodity
 3 broker”, “digital commodity dealer”, “digital com-
 4 modity exchange”, and “mixed digital asset trans-
 5 action” have the meaning given those terms, respec-
 6 tively, under section 1a of the Commodity Exchange
 7 Act (7 U.S.C. 1a).

8 (2) DEFINITIONS UNDER THE SECURITIES ACT
 9 OF 1933.—The terms “blockchain”, “blockchain sys-
 10 tem”, “blockchain protocol”, “decentralized govern-
 11 ance system”, “digital asset”, “digital commodity
 12 issuer”, “end user distribution”, “mature blockchain
 13 system”, “permitted payment stablecoin”, and “per-
 14 mitted payment stablecoin issuer” have the meaning
 15 given those terms, respectively, under section 2(a) of
 16 the Securities Act of 1933 (15 U.S.C. 77b(a)).

17 (3) DEFINITIONS UNDER THE SECURITIES EX-
 18 CHANGE ACT OF 1934.—The terms “Bank Secrecy
 19 Act”, “securities laws”, and “self-regulatory organi-
 20 zation” have the meaning given those terms, respec-
 21 tively, under section 3(a) of the Securities Exchange
 22 Act of 1934 (15 U.S.C. 78e(a)).

23 **SEC. 105. RULEMAKINGS.**

24 (a) DEFINITIONS.—The Commodity Futures Trading
 25 Commission and the Securities and Exchange Commission

1 shall jointly issue rules to further define the following
2 terms:

3 (1) The terms—

4 (A) “blockchain”, “blockchain applica-
5 tion”, “blockchain system”, “blockchain pro-
6 tocol”, “decentralized governance system”,
7 “digital commodity affiliated person”, “digital
8 commodity issuer”, “digital commodity related
9 person”, “end user distribution”, and “mature
10 blockchain system”, as defined under section
11 2(a) of the Securities Act of 1933;

12 (B) “unilateral authority”, as such term is
13 used in section 42 of the Securities Exchange
14 Act of 1934 and section 1a of the Commodity
15 Exchange Act; and

16 (C) “programmatic functioning”, as such
17 term is used in sections 4C of the Securities
18 Act of 1933, section 42 of the Securities Ex-
19 change Act of 1934, and section 1a of the Com-
20 modity Exchange Act.

21 (2) The terms “digital commodity”, “decentral-
22 ized finance messaging system”, and “decentralized
23 finance trading protocol”, as defined under section
24 1a of the Commodity Exchange Act.

1 (b) JOINT RULEMAKING FOR MIXED DIGITAL ASSET
 2 TRANSACTIONS.—The Securities and Exchange Commis-
 3 sion and the Commodity Futures Trading Commission
 4 shall jointly issue rules applicable to mixed digital asset
 5 transactions under this Act and the amendments made by
 6 this Act, including by further defining such term.

7 (c) PROTECTION OF SELF-CUSTODY.—

8 (1) IN GENERAL.—A United States individual
 9 shall retain the right to—

10 (A) maintain a hardware wallet or software
 11 wallet for the purpose of facilitating the individ-
 12 ual's own lawful custody of digital assets; and

13 (B) engage in direct, peer-to-peer trans-
 14 actions in digital assets with another individual
 15 or entity for the individual's own lawful pur-
 16 poses using a hardware wallet or software wal-
 17 let, if—

18 (i) such other individual or entity is
 19 not a financial institution (as defined in
 20 section 5312 of title 31, United States
 21 Code); and

22 (ii) the transactions do not involve
 23 any property or interests in property that
 24 are blocked pursuant to, or are otherwise
 25 prohibited by, United States sanctions.

1 ~~(2) APPLICATION.—This subsection—~~

2 ~~(A) applies solely to personal use by indi-~~
3 ~~viduals; and~~

4 ~~(B) does not apply to individuals acting in~~
5 ~~a custodial or fiduciary capacity for others.~~

6 ~~(3) RULE OF CONSTRUCTION.—Nothing in this~~
7 ~~subsection shall be construed to limit the authority~~
8 ~~of the Secretary of the Treasury, the Securities and~~
9 ~~Exchange Commission, the Commodity Futures~~
10 ~~Trading Commission, the Board of Governors of the~~
11 ~~Federal Reserve System, the Comptroller of the Cur-~~
12 ~~rency, the Federal Deposit Insurance Corporation,~~
13 ~~or the National Credit Union Administration to~~
14 ~~carry out any enforcement action or special measure~~
15 ~~authorized under applicable law, including—~~

16 ~~(A) the Bank Secrecy Act, section 9714 of~~
17 ~~the Combating Russian Money Laundering Act~~
18 ~~(31 U.S.C. 5318A note), and section 7213A of~~
19 ~~the Fentanyl Sanctions Act (21 U.S.C. 2313a);~~
20 ~~or~~

21 ~~(B) any other law relating to illicit finance;~~
22 ~~money laundering, terrorism financing, or~~
23 ~~United States sanctions.~~

24 ~~(d) JOINT RULEMAKING, PROCEDURES, OR GUID-~~
25 ~~ANCE FOR DELISTING.—Not later than 180 days after the~~

1 date of the enactment of this Act, the Commodity Futures
 2 Trading Commission and the Securities and Exchange
 3 Commission shall jointly issue rules, procedures, or guid-
 4 ance (as determined appropriate by the Commissions) re-
 5 garding the process to delist an asset for trading under
 6 section 106 if the Commissions determine that the listing
 7 is inconsistent with the Commodity Exchange Act, the se-
 8 curities laws (including regulations under those laws), or
 9 this Act.

10 (e) JOINT RULES FOR PORTFOLIO MARGINING DE-
 11 TERMINATIONS.—

12 (1) IN GENERAL.—Not later than 360 days
 13 after the date of the enactment of this Act, the
 14 Commodity Futures Trading Commission and the
 15 Securities and Exchange Commission shall jointly
 16 issue rules describing the process for persons reg-
 17 istered with either such Commission to seek a joint
 18 order or determination with respect to margin, cus-
 19 tomer protection, segregation, or other requirements
 20 as necessary to facilitate portfolio margining of secu-
 21 rities (including related extensions of credit), secu-
 22 rity-based swaps, contracts for future delivery, op-
 23 tions on a contract for future delivery, swaps, and
 24 digital commodities, or any subset thereof, in—

1 (A) a securities account carried by a reg-
2 istered broker or dealer or a security-based
3 swap account carried by a registered security-
4 based swap dealer;

5 (B) a futures or cleared swap account ear-
6 ried by a registered futures commission mer-
7 chant;

8 (C) a swap account carried by a swap deal-
9 er; or

10 (D) a digital commodity account carried by
11 a registered digital commodity broker or digital
12 commodity dealer that is also registered in such
13 other capacity as is necessary to also carry the
14 other customer or counterparty positions being
15 held in the account.

16 (2) PROCESS.—With respect to a joint order or
17 determination described in paragraph (1), the rules
18 required to be issued pursuant to paragraph (1)
19 shall require—

20 (A) the joint order or determination to be
21 issued only if the order or determination is in
22 the public interest and provides for the appro-
23 priate protection of customers;

24 (B) applicants to file a standard applica-
25 tion, in a form and manner determined by the

1 Securities and Exchange Commission and the
2 Commodity Futures Trading Commission,
3 which shall include the information necessary to
4 make the joint order or determination;

5 (C) the Securities and Exchange Commis-
6 sion and the Commodity Futures Trading Com-
7 mission to make a final determination not later
8 than 270 days after the filing of a completed
9 application;

10 (D) the Securities and Exchange Commis-
11 sion and the Commodity Futures Trading Com-
12 mission to consider the public interest of the
13 joint order or determination through the solici-
14 tation of public comments; and

15 (E) the Securities and Exchange Commis-
16 sion and the Commodity Futures Trading Com-
17 mission to consult with other relevant foreign or
18 domestic regulators, including the Board of
19 Governors of the Federal Reserve System, the
20 Federal Deposit Insurance Corporation, and the
21 Office of the Comptroller of the Currency, as
22 appropriate.

23 (f) CAPITAL REQUIREMENTS TO ADDRESS NETTING
24 AGREEMENTS.—No later than 360 days following the date
25 of enactment of this Act, the Board of Governors of the

1 Federal Reserve System, the Comptroller of the Currency,
 2 and the Federal Deposit Insurance Corporation shall de-
 3 velop risk-based and leverage capital requirements for in-
 4 sured depository institutions, depository institution hold-
 5 ing companies, and nonbank financial companies super-
 6 vised by the Board of Governors that address netting
 7 agreements that provide for termination and close-out net-
 8 ting across multiple types of financial transactions, con-
 9 sistent with subsection (c), in the event of a counterparty's
 10 default.

11 **SEC. 106. EXPEDITED REGISTRATION FOR DIGITAL COM-**
 12 **MODITY EXCHANGES, BROKERS, AND DEAL-**
 13 **ERS; PROVISIONAL STATUS.**

14 (a) REGISTRATION.—

15 (1) IN GENERAL.—Unless exempted from reg-
 16 istration, a person shall not act as a digital com-
 17 modity broker, digital commodity dealer, or digital
 18 commodity exchange after the end of the 90-day pe-
 19 riod beginning on the date the process described in
 20 paragraph (2) is adopted by the Commodity Futures
 21 Trading Commission, unless, as the case may be, the
 22 person is registered as a—

23 (A) digital commodity broker pursuant to
 24 section 4u of the Commodity Exchange Act;

1 (B) digital commodity dealer pursuant to
2 section 4u of the Commodity Exchange Act; or

3 (C) digital commodity exchange pursuant
4 to section 5i of the Commodity Exchange Act.

5 (2) EXPEDITED PROCESS.—Within 180 days
6 after the date of the enactment of this Act, the
7 Commodity Futures Trading Commission shall
8 adopt, by rule, regulation, or order, a process for ex-
9 pedited registration of persons required to be reg-
10 istered pursuant to paragraph (1).

11 (b) PROVISIONAL STATUS.—

12 (1) IN GENERAL.—A person who is registered
13 in accordance with subsection (a) of this section
14 shall be in provisional status until—

15 (A) in the case of a digital commodity
16 broker or dealer, 270 days after the final effec-
17 tive date of the rulemakings required under sec-
18 tion 4u of the Commodity Exchange Act; or

19 (B) in the case of a digital commodity ex-
20 change, 270 days after the final effective date
21 of the rulemakings required under section 5i of
22 such Act.

23 (2) PAYMENT OF FEES.—A person in provi-
24 sional status shall pay all fees and penalties required
25 under section 410.

1 (c) OPERATIONS PRIOR TO REGULATIONS.—

2 (1) REQUIREMENTS.—A person in provisional
3 status shall be subject to the requirements of this
4 section and the Commodity Exchange Act and any
5 rules or regulations promulgated under this section
6 or the Commodity Exchange Act, as applicable.

7 (2) LISTINGS.—

8 (A) IN GENERAL.—Except as provided in
9 subparagraph (B), a person in provisional sta-
10 tus may continue to offer, solicit, trade, facili-
11 tate, execute, clear, report, or otherwise deal in
12 any digital asset offered on or through the fa-
13 cilities of the person before the date of registra-
14 tion under this section, until such time as the
15 joint rulemaking on definitions required under
16 section 105(a) is effective.

17 (B) DELISTING.—Before the effective date
18 of the joint rulemaking on definitions under
19 section 105(a), a person in provisional status
20 shall cease offering, soliciting, trading, facili-
21 tating, executing, clearing, reporting, or other-
22 wise dealing in any digital asset required to be
23 delisted pursuant to a joint delisting process es-
24 tablished under section 105(d).

1 (3) EXEMPTIVE AUTHORITY.—In order to pro-
 2 mote responsible innovation and fair competition, or
 3 protect customers, the Commodity Futures Trading
 4 Commission may exempt any persons or class of per-
 5 sons registered pursuant to subsection (a) and in
 6 provisional status pursuant to subsection (b) from
 7 any requirements of this section or the Commodity
 8 Exchange Act or any rules or regulations promul-
 9 gated under this section or the Commodity Ex-
 10 change Act, as applicable.

11 (d) CUSTOMER DISCLOSURE BEFORE REGISTRA-
 12 TION.—

13 (1) IN GENERAL.—Beginning 30 days after the
 14 date of the enactment of this Act, any person acting
 15 as a digital commodity exchange, digital commodity
 16 broker, or digital commodity dealer shall disclose to
 17 the customers of the person so acting, in the disclo-
 18 sure documents, offering documents, and pro-
 19 motional material of the person so acting, in a
 20 prominent manner, that the person is not registered
 21 with or regulated by the Commodity Futures Trad-
 22 ing Commission.

23 (2) EXPIRATION.—Paragraph (1) of this sub-
 24 section shall not apply to any person who registers
 25 pursuant to subsection (a).

1 **SEC. 107. COMMODITY EXCHANGE ACT AND SECURITIES**
 2 **LAWS SAVINGS PROVISIONS.**

3 (a) IN GENERAL.—Nothing in this Act shall affect
 4 or apply to, or be interpreted to affect or apply to—

5 (1) any agreement, contract, or transaction that
 6 is subject to the Commodity Exchange Act as—

7 (A) a contract of sale of a commodity for
 8 future delivery or an option on such a contract;

9 (B) a swap;

10 (C) a security futures product;

11 (D) an option authorized under section 4e
 12 of such Act;

13 (E) an agreement, contract, or transaction
 14 described in section 2(e)(2)(C)(i) of such Act;

15 or

16 (F) a leverage transaction authorized
 17 under section 19 of such Act;

18 (2) any agreement, contract, or transaction that
 19 is subject to the securities laws as—

20 (A) a security-based swap;

21 (B) a security futures product; or

22 (C) an option on or based on the value of
 23 a security; or

24 (3) the activities of any person with respect to
 25 any such agreement, contract, or transaction.

1 (b) PROHIBITIONS ON SPOT DIGITAL COMMODITY
 2 ENTITIES.—Nothing in this Act authorizes, or shall be in-
 3 terpreted to authorize, a digital commodity exchange, dig-
 4 ital commodity broker, or digital commodity dealer to en-
 5 gage in any activities involving any transaction, contract,
 6 or agreement described in subsection (a)(1), solely by vir-
 7 tue of being registered as a digital commodity exchange,
 8 digital commodity broker, or digital commodity dealer.

9 (c) DEFINITIONS.—In this section, each term shall
 10 have the meaning provided in the Commodity Exchange
 11 Act or the regulations prescribed under such Act.

12 **SEC. 108. ADMINISTRATIVE REQUIREMENTS.**

13 Section 4e(a) of the Commodity Exchange Act (7
 14 U.S.C. 6e(a)) is amended—

15 (1) in paragraph (3)—

16 (A) in subparagraph (B), by striking “or”
 17 at the end;

18 (B) in subparagraph (C), by striking the
 19 period and inserting “; or”; and

20 (C) by adding at the end the following:

21 “(D) a contract of sale of a digital com-
 22 modity.”;

23 (2) in paragraph (4)—

24 (A) in subparagraph (A)—

1 (i) in clause (ii), by striking “or” at
2 the end;

3 (ii) in clause (iii), by striking the pe-
4 riod and inserting “; or”; and

5 (iii) by adding at the end the fol-
6 lowing:

7 “(iv) a contract of sale of a digital
8 commodity.”;

9 (B) in subparagraph (B)—

10 (i) in clause (ii), by striking “or” at
11 the end;

12 (ii) in clause (iii), by striking the pe-
13 riod and inserting “; or”; and

14 (iii) by adding at the end the fol-
15 lowing:

16 “(iv) a contract of sale of a digital
17 commodity.”; and

18 (C) in subparagraph (C)—

19 (i) in clause (ii), by striking “or” at
20 the end;

21 (ii) by striking “(iii) a swap; provided
22 however,” and inserting the following:

23 “(iii) a swap; or

24 “(iv) a contract of sale of a digital
25 commodity;

1 provided, however,”; and

2 (iii) by striking “clauses (i), (ii), or
3 (iii)” and insert “any of clauses (i)
4 through (iv)”.

5 **SEC. 109. TREATMENT OF CERTAIN NON-CONTROLLING**
6 **BLOCKCHAIN DEVELOPERS.**

7 (a) IN GENERAL.—Notwithstanding applicable law, a
8 non-controlling blockchain developer or provider of a
9 blockchain service shall not be treated as a money trans-
10 mitter or as engaged in “money transmitting” or, fol-
11 lowing the date of enactment of this Act, be otherwise sub-
12 ject to any new registration requirement that is substan-
13 tially similar to the requirement that currently applies to
14 money transmitters, solely on the basis of—

15 (1) creating or publishing software to facilitate
16 the creation of, or provision of maintenance services
17 to, a blockchain or blockchain service;

18 (2) providing hardware or software to facilitate
19 a customer’s own custody or safekeeping of the cus-
20 tomer’s digital assets; or

21 (3) providing infrastructure support to main-
22 tain a blockchain service.

23 (b) RULE OF CONSTRUCTION.—Nothing in this sec-
24 tion shall be construed to affect whether a blockchain de-
25 veloper or provider of a blockchain service is otherwise

1 subject to classification or treatment as a money trans-
 2 mitter, or as engaged in “money transmitting”, under ap-
 3 plicable State or Federal law, including laws relating to
 4 anti-money laundering or countering the financing of ter-
 5 rorism, based on conduct outside the scope of subsection
 6 (a). Nothing in this section shall be construed to affect
 7 whether a blockchain developer or provider of a blockchain
 8 service is otherwise subject to classification or treatment
 9 as a financial institution under the Bank Secrecy Act, this
 10 Act, or any Act enacted after the date of enactment of
 11 this Act.

12 (c) EFFECT ON OTHER LAWS.—

13 (1) INTELLECTUAL PROPERTY LAW.—Nothing
 14 in this section shall be construed to limit or expand
 15 any law pertaining to intellectual property.

16 (2) STATE LAW.—Nothing in this section shall
 17 be construed to prevent any State from enforcing
 18 any State law that is consistent with this section. No
 19 cause of action may be brought and no liability may
 20 be imposed under any State or local law that is in-
 21 consistent with this section.

22 (d) DEFINITIONS.—In this section:

23 (1) BLOCKCHAIN DEVELOPER.—The term
 24 “blockchain developer” means any person or busi-
 25 ness that creates or publishes software to facilitate

1 the creation of, or provide maintenance to, a
 2 blockchain or a blockchain service.

3 ~~(2) BLOCKCHAIN SERVICE.—~~The term
 4 “blockchain service” means any information, trans-
 5 action, or computing service or system that provides
 6 or enables access to a blockchain network by mul-
 7 tiple users, including specifically a service or system
 8 that enables users to send, receive, exchange, or
 9 store digital assets described by blockchain net-
 10 works.

11 ~~(3) NON-CONTROLLING BLOCKCHAIN DEVEL-~~
 12 ~~OPER OR PROVIDER OF A BLOCKCHAIN SERVICE.—~~
 13 The term “non-controlling blockchain developer or
 14 provider of a blockchain service” means a blockchain
 15 developer or provider of a blockchain service that in
 16 the regular course of operations, does not have the
 17 legal right or the unilateral and independent ability
 18 to control, initiate upon demand, or effectuate trans-
 19 actions involving digital assets that users are enti-
 20 tled to, without the approval, consent, or direction of
 21 any other third party.

22 **SEC. 110. APPLICATION OF THE BANK SECRECY ACT.**

23 (a) IN GENERAL.—Section 5312(c)(1)(A) of title 31,
 24 United States Code, is amended—

(1) by inserting “digital commodity broker, digital commodity dealer,” after “futures commission merchant,”; and

(2) by inserting before the period the following: “and any digital commodity exchange registered, or required to register, under the Commodity Exchange Act which permits direct customer access”.

(b) BANK SECRECY ACT REQUIREMENTS.—

(1) REGULATIONS.—The Secretary of the Treasury, acting through the Director of the Financial Crimes Enforcement Network, and in consultation with Commodity Futures Trading Commission, shall issue requirements consistent with the requirements of futures commission merchants to apply the Bank Secrecy Act to digital commodity brokers, digital commodity dealers, and digital commodity exchanges that are tailored to the size and complexity of such entities, including by requiring each such entity to—

(A) establish and maintain an anti-money laundering and countering the financing of terrorism program, which shall include—

(i) an appropriate risk assessment;

(ii) the development of internal policies, procedures, and controls;

1 (iii) the designation of a compliance
2 officer;

3 (iv) an ongoing employee training pro-
4 gram; and

5 (v) an independent audit function to
6 test such program;

7 (B) retain appropriate records of trans-
8 actions;

9 (C) monitor and report suspicious activity;
10 which may include use of appropriate distrib-
11 uted ledger analytics; and

12 (D) maintain an effective customer identi-
13 fication program to identify and verify account
14 holders and carry out appropriate customer due
15 diligence.

16 (2) COMPLIANCE WITH SANCTIONS.—A digital
17 commodity broker, digital commodity dealer, or dig-
18 ital commodity exchange shall comply with all laws
19 and regulations related to United States sanctions
20 administered by the Office of Foreign Assets Con-
21 trol.

22 **SEC. 111. RULE OF CONSTRUCTION.**

23 Nothing in this Act, or the amendments made by this
24 Act, shall be construed to limit or prevent the continued
25 application of applicable ethics statutes and regulations

1 administered by the Office of Government Ethics, or the
2 ethics rules of the Senate and the House of Representa-
3 tives, including section 208 of title 18, United States
4 Code, and sections 2635.702 and 2635.802 of title 5, Code
5 of Federal Regulations. For the avoidance of doubt, exist-
6 ing Office of Government Ethics laws and the ethics rules
7 of the Senate and the House of Representatives prohibit
8 any member of Congress or senior executive branch official
9 from issuing a digital commodity during their time in pub-
10 lic service. For the purposes of this section, an employee
11 described in section 202 of title 18, United States Code,
12 shall be deemed an executive branch employee for pur-
13 poses of complying with section 208 of that title.

14 **SEC. 112. IMPLEMENTATION.**

15 (a) **GLOBAL RULEMAKING TIMEFRAME.**—Unless oth-
16 erwise provided in this Act or an amendment made by this
17 Act, the Commodity Futures Trading Commission and the
18 Securities and Exchange Commission, or both, shall indi-
19 vidually, and jointly where required, promulgate rules and
20 regulations required of each Commission under this Act
21 or an amendment made by this Act not later than 360
22 days after the date of enactment of this Act.

23 (b) **RULES AND REGISTRATION BEFORE FINAL EF-**
24 **FECTIVE DATES.**—

1 (1) IN GENERAL.—In order to prepare for the
 2 implementation of this Act, the Commodity Futures
 3 Trading Commission and the Securities and Ex-
 4 change Commission may, before any effective date
 5 provided in this Act—

6 (A) promulgate rules, regulations, or or-
 7 ders permitted or required by this Act;

8 (B) conduct studies and prepare reports
 9 and recommendations required by this Act;

10 (C) register persons under this Act; and

11 (D) exempt persons, agreements, contracts,
 12 or transactions from provisions of this Act,
 13 under the terms contained in this Act.

14 (2) LIMITATION ON EFFECTIVENESS.—An ac-
 15 tion by the Commodity Futures Trading Commission
 16 or the Securities and Exchange Commission under
 17 paragraph (1) shall not become effective before the
 18 effective date otherwise applicable to the action
 19 under this Act.

20 **TITLE II—OFFERS AND SALES OF** 21 **DIGITAL COMMODITIES**

22 **SEC. 201. TREATMENT OF INVESTMENT CONTRACT ASSETS.**

23 (a) SECURITIES ACT OF 1933.—Section 2(a) of the
 24 Securities Act of 1933 (15 U.S.C. 77b(a)), as amended
 25 by section 101, is further amended—

1 (1) in paragraph (1), by adding at the end the
 2 following: “The term ‘investment contract’ does not
 3 include an investment contract asset.”; and

4 (2) by adding at the end the following:

5 “(36) The term ‘investment contract asset’
 6 means a digital commodity—

7 “(A) that can be exclusively possessed and
 8 transferred, person to person, without necessary
 9 reliance on an intermediary, and is recorded on
 10 a blockchain; and

11 “(B) sold or otherwise transferred, or in-
 12 tended to be sold or otherwise transferred, pur-
 13 suant to an investment contract.”.

14 (b) INVESTMENT ADVISERS ACT OF 1940.—Section
 15 202(a)(18) of the Investment Advisers Act of 1940 (15
 16 U.S.C. 80b-2(a)(18)) is amended by adding at the end
 17 the following: “The term ‘investment contract’ does not
 18 include an investment contract asset (as such term is de-
 19 fined under section 2(a) of the Securities Act of 1933).”.

20 (c) INVESTMENT COMPANY ACT OF 1940.—Section
 21 2(a)(36) of the Investment Company Act of 1940 (15
 22 U.S.C. 80a-2(a)(36)) is amended by adding at the end
 23 the following: “The term ‘investment contract’ does not
 24 include an investment contract asset (as such term is de-
 25 fined under section 2(a) of the Securities Act of 1933).”.

1 (d) SECURITIES EXCHANGE ACT OF 1934.—Section
 2 3(a)(10) of the Securities Exchange Act of 1934 (15
 3 U.S.C. 78c(a)(10)) is amended by adding at the end the
 4 following: “The term ‘investment contract’ does not in-
 5 clude an investment contract asset (as such term is de-
 6 fined under section 2(a) of the Securities Act of 1933).”.

7 (e) SECURITIES INVESTOR PROTECTION ACT OF
 8 1970.—Section 16(14) of the Securities Investor Protec-
 9 tion Act of 1970 (15 U.S.C. 78lll(14)) is amended by add-
 10 ing at the end the following: “The term ‘investment con-
 11 tract’ does not include an investment contract asset (as
 12 such term is defined under section 2(a) of the Securities
 13 Act of 1933).”.

14 **SEC. 202. EXEMPTED PRIMARY TRANSACTIONS IN DIGITAL**
 15 **COMMODITIES.**

16 (a) IN GENERAL.—The Securities Act of 1933 (15
 17 U.S.C. 77a et seq.) is amended—

18 (1) in section 4(a), by adding at the end the
 19 following:

20 “(8) the offer or sale of an investment contract
 21 involving units of a digital commodity by its digital
 22 commodity issuer (including all entities controlled by
 23 or under common control with the issuer), if—

24 “(A) the blockchain system to which the
 25 digital commodity relates, together with the dig-

1 ital commodity, is certified as a mature
2 blockchain system under section 42 of the Secu-
3 rities Exchange Act of 1934 or the issuer in-
4 tends for the blockchain system to which the
5 digital commodity relates to be a mature
6 blockchain system by the later of—

7 “(i) the date that is four years after
8 the first sale of the investment contract in-
9 volving a unit of such digital commodity in
10 reliance on the exemption provided under
11 this paragraph, subject to any extensions
12 as may be granted by the Commission; or

13 “(ii) the date that is four years after
14 the effective date of this paragraph;

15 “(B) the sum of all cash and other consid-
16 eration to be received by the digital commodity
17 issuer in reliance on the exemption provided
18 under this paragraph, during the 12-month pe-
19 riod preceding the date of such offering, includ-
20 ing the amount received in such offering, is not
21 more than \$50,000,000 (as such amount is an-
22 nually adjusted by the Commission to reflect
23 the change in the Consumer Price Index for All
24 Urban Consumers published by the Bureau of
25 Labor Statistics of the Department of Labor);

1 “(C) after the completion of the trans-
2 action, a purchaser does not own more than 10
3 percent of the total amount of the outstanding
4 units of the digital commodity;

5 “(D) the transaction does not involve the
6 offer or sale of an investment contract involving
7 units of a digital commodity by its digital com-
8 modity issuer that—

9 “(i) is not organized under the laws of
10 a State, a territory of the United States,
11 or the District of Columbia;

12 “(ii) is a development stage company
13 that either—

14 “(I) has no specific business plan
15 or purpose; or

16 “(II) has indicated that the busi-
17 ness plan of the company is to merge
18 with or acquire an unidentified com-
19 pany;

20 “(iii) is an investment company, as
21 defined in section 3 of the Investment
22 Company Act of 1940 (15 U.S.C. 80a-3),
23 or is excluded from the definition of invest-
24 ment company by section 3(e) of that Act
25 (15 U.S.C. 80a-3(b) or 80a-3(c));

1 “(iv) is issuing fractional undivided
2 interests in oil or gas rights, or a similar
3 interest in other mineral rights;

4 “(v) is, or has been, subject to any
5 order of the Commission entered pursuant
6 to section 12(j) of the Securities Exchange
7 Act of 1934 during the 5-year period be-
8 fore the filing of the offering statement; or

9 “(vi) is disqualified pursuant to sec-
10 tion 230.262 of title 17, Code of Federal
11 Regulations; and

12 “(E) the issuer meets the requirements of
13 section 4B(b).”; and

14 (2) by inserting after section 4A the following:

15 **“SEC. 4B. REQUIREMENTS WITH RESPECT TO CERTAIN DIG-**
16 **ITAL COMMODITY TRANSACTIONS.**

17 “(a) COMMISSION JURISDICTION.—For the purposes
18 of this section:

19 “(1) The Commission shall have jurisdiction
20 and enforcement authority with respect to disclo-
21 sures described in this section.

22 “(2) Section 17 shall apply to a statement
23 made in an offering statement, disclosure, or report
24 filed under this section to the same extent as such
25 section 17 applies to a statement made in any other

1 offering statement, disclosure, or report filed under
2 this Act.

3 “(b) REQUIREMENTS FOR DIGITAL COMMODITY
4 ISSUERS.—

5 “(1) TERMS AND CONDITIONS.—A digital com-
6 modity issuer offering or selling an investment con-
7 tract involving units of a digital commodity in reli-
8 ance on section 4(a)(8) shall file with the Commis-
9 sion an offering statement and any related docu-
10 ments, in such form and with such content as pre-
11 scribed by the Commission, including financial infor-
12 mation, a description of the issuer and the oper-
13 ations of the issuer, the financial condition of the
14 issuer, a description of the plan of distribution of
15 any unit of a digital commodity that is to be offered
16 as well as the intended use of the offering proceeds,
17 and a description of the development plan for the
18 blockchain system, and the related digital com-
19 modity, to become a mature blockchain system, if
20 such blockchain system is not already certified as a
21 mature blockchain system pursuant to section 42 of
22 the Securities Exchange Act of 1934 (15 U.S.C. 78a
23 et seq.).

24 “(2) INFORMATION REQUIRED FOR PUR-
25 CHASERS.—A digital commodity issuer that has filed

1 a statement under paragraph (1) to offer and sell an
2 investment contract involving a unit of a digital
3 commodity in reliance on section 4(a)(8) shall in-
4 clude in such statement the following information:

5 “(A) MATURITY STATUS.—Whether the
6 blockchain system to which the digital com-
7 modity relates has been certified as a mature
8 blockchain system pursuant to section 42 of the
9 Securities Exchange Act of 1934 (15 U.S.C.
10 78a et seq.) and, where such blockchain system
11 is not so certified, a statement of the digital
12 commodity issuer’s intent for the blockchain
13 system to which the digital commodity relates
14 to be a mature blockchain system within the
15 time period described in section 4(a)(8)(A).

16 “(B) SOURCE CODE.—The source code, or
17 a publicly accessible webpage displaying such
18 source code, for any blockchain system to which
19 the digital commodity relates, and whether the
20 source code was sourced from an external third
21 party, whether there are any existing external
22 dependencies, and whether the code underwent
23 a third-party security audit, along with material
24 results of any such audit.

1 “(C) TRANSACTION HISTORY.—A descrip-
2 tion of the steps necessary to independently ac-
3 cess, search, and verify the transaction history
4 of any blockchain system to which the digital
5 commodity relates, to the extent any such inde-
6 pendent access, search, and verification activi-
7 ties are technically feasible with respect to such
8 blockchain system.

9 “(D) DIGITAL COMMODITY ECONOMICS.—
10 A description of the purpose of any blockchain
11 system to which the digital commodity relates
12 and the operation of any such blockchain sys-
13 tem, including—

14 “(i) information explaining the launch
15 and supply process, including the number
16 of units of the digital commodity to be
17 issued in an initial allocation, the total
18 number of units of the digital commodity
19 to be created, the release schedule for the
20 units of the digital commodity, and the
21 total number of units of the digital com-
22 modity outstanding;

23 “(ii) information explaining the tech-
24 nical requirements for holding, accessing,
25 and transferring the digital commodity;

1 “(iii) information on any applicable
2 consensus mechanism or process for vali-
3 dating transactions; method of generating
4 or mining digital commodities; and any
5 process for burning or destroying units of
6 the digital commodity on the blockchain
7 system;

8 “(iv) an explanation of any mecha-
9 nism for driving value to the digital com-
10 modity of such blockchain system; and

11 “(v) an explanation of governance
12 mechanisms for implementing changes to
13 the blockchain system or forming con-
14 sensus among holders of units of such dig-
15 ital commodity.

16 “(E) PLAN OF DEVELOPMENT.—The cur-
17 rent state and timeline for the development of
18 any blockchain system to which the digital com-
19 modity relates; detailing how and when the
20 blockchain system is intended to be a mature
21 blockchain system; if the blockchain system is
22 not yet certified as a mature blockchain system;
23 and the various roles that exist or are intended
24 to exist in connection with the blockchain sys-
25 tem; such as users; service providers; devel-

1 opers, transaction validators, and governance
2 participants, including a discussion of any
3 mechanisms by which control or authority are
4 exerted with respect to the blockchain system or
5 its related digital commodity, and any critical
6 operational dependencies of the blockchain sys-
7 tem or its related digital commodity.

8 “(F) OWNERSHIP DISCLOSURES.—

9 “(i) IN GENERAL.—A list of all per-
10 sons who are digital commodity related
11 persons or digital commodity affiliated per-
12 sons who have been issued a unit of the
13 digital commodity by the digital commodity
14 issuer or have a right to a unit of the dig-
15 ital commodity from the digital commodity
16 issuer.

17 “(ii) CONFIDENTIALITY.—The Com-
18 mission shall keep each list described
19 under clause (i) confidential, consistent
20 with what is necessary or appropriate in
21 the public interest or for the protection of
22 investors.

23 “(G) RISK FACTOR DISCLOSURES.—A de-
24 scription of the material risks surrounding own-
25 ership of a unit of a digital commodity.

1 “(3) ONGOING DISCLOSURE REQUIREMENTS
2 FOR MATURING BLOCKCHAIN SYSTEMS.—Subject to
3 paragraph (5), the issuer of a digital commodity re-
4 lated to a blockchain system that is not yet certified
5 as a mature blockchain system under section 42 of
6 the Securities Exchange Act of 1934 that has filed
7 a statement under paragraph (1) to offer and sell an
8 investment contract involving a unit of a digital
9 commodity in reliance on section 4(a)(8) shall file
10 the following with the Commission:

11 “(A) SEMIANNUAL REPORTS.—Every 6
12 months, a report containing—

13 “(i) an updated description of the cur-
14 rent state and timeline for the development
15 of the blockchain system to which the dig-
16 ital commodity relates, showing how and
17 when the blockchain is intended to be a
18 mature blockchain system;

19 “(ii) a description of the efforts of the
20 issuer and digital commodity related per-
21 sons in developing the blockchain system to
22 which the digital commodity relates;

23 “(iii) the amount of money raised by
24 the digital commodity issuer in reliance on
25 section 4(a)(8), how much of that money

has been spent, and the general categories of activities for which that money has been spent and amounts spent per category; and

“(iv) financial statements, where applicable.

“(B) CURRENT REPORTS.—A current report reflecting any material changes relevant to the information previously reported to the Commission by the digital commodity issuer, which shall be filed as soon as practicable after the material change occurred, in accordance with such rules as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

“(4) RULEMAKING.—Not later than 360 days after the date of the enactment of this section, the Commission shall prescribe rules on requirements applicable to issuers of digital commodities in reliance on section 4(a)(8).

“(5) TERMINATION OF CERTAIN REPORTING REQUIREMENTS; POST-MATURITY REPORTING REQUIREMENTS.—

“(A) IN GENERAL.—The ongoing reporting requirements under paragraph (3) shall not apply to a digital commodity issuer 180 days

1 after the end of the covered fiscal year, if the
2 information with respect to the digital com-
3 modity and the blockchain system to which it
4 relates described in subparagraphs (A) through
5 (C) of paragraph (2) is made publicly available
6 and the disclosure requirements under subpara-
7 graph (C) of this paragraph are satisfied.

8 “(B) COVERED FISCAL YEAR DEFINED.—

9 In this paragraph, the term ‘covered fiscal year’
10 means, with respect to a digital commodity, the
11 first fiscal year of a digital commodity issuer in
12 which the blockchain system to which such dig-
13 ital commodity relates is certified as a mature
14 blockchain system under section 42 of the Secu-
15 rities Exchange Act of 1934.

16 “(C) POST-MATURITY REPORTING RE-

17 QUIREMENTS.—After the blockchain system to
18 which a digital commodity relates is certified as
19 a mature blockchain system under section 42 of
20 the Securities Exchange Act of 1934, any dig-
21 ital commodity issuer that has filed a statement
22 under paragraph (1) to offer and sell an invest-
23 ment contract involving a unit of a digital com-
24 modity in reliance on section 4(a)(8) and is en-
25 gaged in material ongoing efforts related to the

1 mature blockchain system shall disclose, in a
2 manner reasonably calculated to inform the
3 public, and at such frequency as the Commis-
4 sion may prescribe, by rule, a description of
5 such efforts, including—

6 “(i) any participation in a decentral-
7 ized governance system of such blockchain
8 system;

9 “(ii) any participation in alterations
10 or proposed alterations to the functionality
11 or operation of such blockchain system;

12 “(iii) the use or planned use of any
13 funds raised in reliance on section 4(a)(8)
14 or any rulemaking pursuant to section
15 202(c) of the CLARITY Act of 2025 in
16 such efforts;

17 “(iv) the amount of units of the dig-
18 ital commodity, or rights thereto, owned
19 and controlled by such issuer and any use,
20 sale, trading, or other disposition thereof;
21 and

22 “(v) any affiliations of such issuer
23 material to the efforts of such issuer.

24 “(D) TERMINATION OF AND EXEMPTION
25 FROM POST-MATURITY REPORTING REQUIRE-

1 MENTS.—Not later than 270 days after the
 2 date of the enactment of this section, the Com-
 3 mission shall issue rules—

4 “(i) for terminating the disclosure re-
 5 quirements described in subparagraph (C)
 6 during the first fiscal year in which the
 7 digital commodity issuer does not engage
 8 in material ongoing efforts related to the
 9 mature blockchain system; and

10 “(ii) to, as is necessary or appropriate
 11 in the public interest or for the protection
 12 of investors, exempt a digital commodity
 13 issuer from the requirements described in
 14 subparagraph (C) where only a de minimis
 15 amount of market activity involving the
 16 digital commodity of such digital com-
 17 modity issuer is taking place.

18 “(E) RULE OF CONSTRUCTION.—Nothing
 19 in subparagraph (C) may be construed to make
 20 any digital commodity described in such sub-
 21 paragraph a security.

22 “(c) REQUIREMENTS FOR INTERMEDIARIES.—A per-
 23 son acting as an intermediary in connection with the offer
 24 or sale of an investment contract involving units of a dig-
 25 ital commodity in reliance on section 4(a)(8) shall—

1 “(1) register with the Commission as a broker
2 or dealer; and

3 “(2) be a member of a national securities asso-
4 ciation registered under section 15A of the Securi-
5 ties Exchange Act of 1934 (15 U.S.C. 78o-3).

6 “(d) DISQUALIFICATION PROVISIONS.—The Commis-
7 sion shall issue rules to apply the disqualification provi-
8 sions under section 230.262 of title 17, Code of Federal
9 Regulations, to the exemption provided under section
10 4(a)(8).

11 “(e) FAILURE TO MATURE.—

12 “(1) IN GENERAL.—Not later than 270 days
13 after the date of the enactment of this section, the
14 Commission shall issue rules applying such addi-
15 tional obligations and disclosures for the digital com-
16 modity issuers, digital commodity related persons,
17 and digital commodity affiliated persons of a
18 blockchain system described under subsection (b)(1)
19 that does not become a mature blockchain system
20 within the time period described in section
21 4(a)(8)(A) as are necessary or appropriate in the
22 public interest or for the protection of investors.
23 Such obligations and disclosures shall include the
24 following:

1 “(A) DISCLOSURES.—Disclosures regard-
2 ing the following:

3 “(i) FAILURE TO MATURE.—A de-
4 tailed explanation of the reason that the
5 blockchain system has not become a ma-
6 ture blockchain system within the time pe-
7 riod described in section 4(a)(8)(A).

8 “(ii) DEVELOPMENT PLANS.—The fu-
9 ture plans of development of the
10 blockchain system, including information
11 required under subsection (b)(3).

12 “(iii) RISK FACTOR DISCLOSURES.—
13 The material risks surrounding ownership
14 of a unit of a digital commodity that re-
15 lates to a blockchain system described
16 under subsection (b)(1) that has not be-
17 come a mature blockchain system within
18 the time period described in section
19 4(a)(8)(A).

20 “(B) OBLIGATIONS.—Transaction report-
21 ing and beneficial ownership disclosure obliga-
22 tions applicable to digital commodity related
23 persons and digital commodity affiliated per-
24 sons of such blockchain system.

1 “(2) QUALIFICATION REQUIRED.—The Com-
 2 mission may not permit any additional reliance on
 3 an exempt offering for the offer or sale of an invest-
 4 ment contract involving a unit of a digital com-
 5 modity by the issuer of the digital commodity related
 6 to a blockchain system described under subsection
 7 (a)(1) that has not become a mature blockchain sys-
 8 tem within the time period described in section
 9 4(a)(8)(A) unless the Commission has qualified any
 10 offering statement related to such exempt offering.”.

11 (b) ADDITIONAL EXEMPTIONS.—

12 (1) CERTAIN REGISTRATION REQUIREMENTS.—
 13 Section 12(g)(6) of the Securities Exchange Act of
 14 1934 (15 U.S.C. 78l(g)(6)) is amended by striking
 15 “under section 4(6)” and inserting “under section
 16 4(a)(6) or 4(a)(8)”.

17 (2) EXEMPTION FROM STATE REGULATION.—
 18 Section 18(b)(4) of the Securities Act of 1933 (15
 19 U.S.C. 77r(b)(4)) is amended—

20 (A) in subparagraph (B), by striking “sec-
 21 tion 4(4)” and inserting “section 4(a)(4)”;

22 (B) in subparagraph (C), by striking “sec-
 23 tion 4(6)” and inserting “section 4(a)(6)”;

24 (C) in subparagraph (F)—

1 (i) by striking “section 4(2)” each
 2 place such term appears and inserting
 3 “section 4(a)(2)”; and

4 (ii) by striking “or” at the end;

5 (D) in subparagraph (G), by striking the
 6 period and inserting “; or”; and

7 (E) by adding at the end the following:

8 “(H) section 4(a)(8).”.

9 (c) USE OF OTHER EXEMPTIONS.—

10 (1) RULE OF CONSTRUCTION.—Except as pro-
 11 vided in this subsection, nothing in this section or
 12 the amendments made by this section may be con-
 13 strued as prohibiting the offer or sale of an invest-
 14 ment contract involving units of a digital commodity
 15 in reliance on an exemption from registration under
 16 the Securities Act of 1933, including as provided
 17 under section 3, 4(a), or 19 of the Securities Act of
 18 1933, other than that provided under section 4(a)(8)
 19 of the Securities Act of 1933.

20 (2) RULEMAKINGS.—

21 (A) The Securities and Exchange Commis-
 22 sion may issue rules—

23 (i) to permit the issuer of a digital
 24 commodity related to a blockchain system
 25 described under section 4B(b)(1) of the

1 Securities Act of 1933 that has not become
2 a mature blockchain system within the
3 time period described in section 4(a)(8)(A)
4 of such Act, or the issuer of a digital com-
5 modity described in subparagraph (B)(iii),
6 to utilize an exempt offering to offer or sell
7 an investment contract involving the digital
8 commodity, if the Commission qualifies
9 any offering statement related to such ex-
10 empt offering; and

11 (ii) for the offer and sale of invest-
12 ment contracts involving units of a digital
13 commodity by issuers that are not orga-
14 nized under the laws of a State, a territory
15 of the United States, or the District of Co-
16 lumbia.

17 (B) Not later than 270 days after the date
18 of the enactment of this section, the Securities
19 and Exchange Commission shall issue the fol-
20 lowing rules:

21 (i) A rule requiring a digital com-
22 modity issuer that last offered or sold an
23 investment contract involving units of a
24 digital commodity in reliance on an exemp-
25 tion from registration under the Securities

1 Act of 1933, including as provided under
2 section 3, 4(a), or 19 of the Securities Act
3 of 1933, prior to the date of enactment of
4 this Act, to file a comparable set of disclo-
5 sures to those described under section 4B
6 of the Securities Act of 1933 as the Com-
7 mission determines appropriate based on
8 the exemption, the maturity of the
9 blockchain system to which such digital
10 commodity relates, and any material ongo-
11 ing efforts of such digital commodity issuer
12 (provided that for blockchains certified as
13 a mature blockchain system under section
14 42 of the Securities Exchange Act of 1934,
15 such disclosures shall be comparable to
16 those under section 4B(b)(5)(C)), not later
17 than the later of—

18 (I) one year after the effective
19 date of this section; or

20 (II) the date of any secondary
21 market sale of such digital commodity
22 made in reliance on section 203.

23 (ii) A rule requiring a digital com-
24 modity issuer that offers or sells an invest-
25 ment contract involving units of a digital

1 commodity in reliance on an exemption
2 from registration under the Securities Act
3 of 1933, including as provided under sec-
4 tion 3, 4(a), or 19 of the Securities Act of
5 1933, other than that provided under sec-
6 tion 4(a)(8) of the Securities Act of 1933,
7 on or after the date of enactment of this
8 Act, to file a comparable set of disclosures
9 to those described under section 4B of the
10 Securities Act of 1933 as the Commission
11 determines appropriate based on the ex-
12 emption, the maturity of the blockchain
13 system to which such digital commodity re-
14 lates, and any material ongoing efforts of
15 such digital commodity issuer, prior to the
16 date of any secondary market sale of such
17 digital commodity made in reliance on sec-
18 tion 203.

19 (iii) With respect to a digital com-
20 modity where the digital commodity issuer
21 is required to file disclosures under clause
22 (i) or (ii) and where the blockchain system
23 to which the digital commodity relates is
24 not certified as a mature blockchain sys-
25 tem pursuant to section 42 of the Securi-

1 ties Exchange Act of 1934 after the 4-year
2 period beginning on the date that the first
3 such disclosure is filed—

4 (I) a rule prohibiting the offer or
5 sale of an investment contract involv-
6 ing units of the digital commodity un-
7 less the Commission has qualified any
8 offering statement related to such
9 offer or sale, where such offer or sale
10 is permitted pursuant to subpara-
11 graph (A)(i); and

12 (II) a rule requiring the digital
13 commodity issuer to make disclosures
14 comparable to those described in
15 4B(e)(1)(A) of the Securities Act of
16 1933.

17 (iv) A rule permitting a successor to
18 a digital commodity issuer, or such other
19 appropriate person as designated by the
20 Commission, to make the disclosures re-
21 quired under clause (i), where such issuer
22 does not make the required disclosures.

1 **SEC. 203. TREATMENT OF SECONDARY TRANSACTIONS IN**
2 **DIGITAL COMMODITIES THAT ORIGINALLY**
3 **INVOLVED INVESTMENT CONTRACTS.**

4 (a) **SECONDARY MARKET TREATMENT.**—Notwith-
5 standing any other provision of law, the offer or sale of
6 a digital commodity that originally involved an investment
7 contract by a person other than the issuer of such digital
8 commodity, or an agent or underwriter thereof, shall be
9 deemed not to be an offer or sale of such investment con-
10 tract between the issuer of the investment contract involv-
11 ing the digital commodity, or an agent or underwriter
12 thereof, and the purchaser of such digital commodity
13 under—

14 (1) the Securities Act of 1933 (~~15~~ U.S.C. 77a
15 et seq.);

16 (2) the Investment Advisers Act of 1940 (~~15~~
17 U.S.C. 80b-1 et seq.);

18 (3) the Investment Company Act of 1940 (~~15~~
19 U.S.C. 80a-1 et seq.);

20 (4) the Securities Exchange Act of 1934 (~~15~~
21 U.S.C. 78a et seq.);

22 (5) the Securities Investor Protection Act of
23 1970 (~~15~~ U.S.C. 78aaa et seq.); and

24 (6) any applicable provisions of State law.

1 (b) ~~END USER DISTRIBUTIONS NOT AN OFFER OR~~
 2 ~~SALE OF A SECURITY.~~—An end user distribution does not
 3 involve the offer or sale of a security.

4 (c) ~~AGENT DEFINED.~~—In this section and with re-
 5 spect to a digital commodity issuer, the term “agent”
 6 means any person directly or indirectly controlled by the
 7 issuer or under direct or indirect common control with the
 8 issuer.

9 **~~SEC. 204. REQUIREMENTS FOR OFFERS AND SALES OF DIG-~~**
 10 **~~ITAL COMMODITIES BY DIGITAL COMMODITY~~**
 11 **~~RELATED PERSONS AND DIGITAL COM-~~**
 12 **~~MODITY AFFILIATED PERSONS.~~**

13 The Securities Act of 1933 (15 U.S.C. 77a et seq.),
 14 as amended by section 202, is further amended by insert-
 15 ing after section 4B the following:

16 **~~“SEC. 4C. REQUIREMENTS FOR OFFERS AND SALES OF DIG-~~**
 17 **~~ITAL COMMODITIES BY DIGITAL COMMODITY~~**
 18 **~~RELATED PERSONS AND DIGITAL COM-~~**
 19 **~~MODITY AFFILIATED PERSONS.~~**

20 ~~“(a) IN GENERAL.~~—It shall be a violation of this Act
 21 for a digital commodity affiliated person or a digital com-
 22 modity related person to offer or sell a digital commodity
 23 acquired directly from its issuer, or an agent or under-
 24 writer thereof, pursuant to an investment contract in reli-

1 anee on section 4(a)(8) or another exemption under this
 2 Act, other than as provided in this section.

3 “(b) COMMISSION JURISDICTION.—

4 “(1) Where a digital commodity affiliated per-
 5 son or a digital commodity related person offers or
 6 sells a digital commodity acquired directly from its
 7 issuer, or an agent or underwriter thereof, pursuant
 8 to an investment contract in reliance on section
 9 4(a)(8), or another exemption under this Act, other
 10 than as provided in this section, such digital com-
 11 modity affiliated person or digital commodity related
 12 person shall be considered an issuer of such invest-
 13 ment contract.

14 “(2) For the purposes of this section, the Com-
 15 mission shall have jurisdiction and enforcement au-
 16 thority with respect to an offer or sale of a digital
 17 commodity described in subsection (a).

18 “(c) RESTRICTIONS ON DIGITAL COMMODITY RE-
 19 LATED PERSONS AND DIGITAL COMMODITY AFFILIATED
 20 PERSONS.—

21 “(1) PRIOR TO BEING A MATURE BLOCKCHAIN
 22 SYSTEM.—Prior to the blockchain system to which a
 23 digital commodity relates being certified as a mature
 24 blockchain system under section 42 of the Securities
 25 Exchange Act of 1934, units of the digital com-

1 modity acquired by a digital commodity related per-
2 son or digital commodity affiliated person directly
3 from its issuer (or an agent or underwriter thereof)
4 pursuant to an investment contract in reliance on
5 section 4(a)(8), or another exemption under this
6 Act, may be offered or sold by such digital com-
7 modity related person or digital commodity affiliated
8 person if—

9 “(A) reports with respect to such digital
10 commodity, where required under section
11 4B(b)(3) (or, with respect to a digital com-
12 modity not issued in reliance on section 4(a)(8),
13 a comparable set of reports where required by
14 the Commission) have been filed with the Com-
15 mission;

16 “(B) the digital commodity related person
17 or digital commodity affiliated person has held
18 the units for not less than 12 months; and

19 “(C) the aggregate amount of the units of
20 the digital commodity offered or sold by the
21 digital commodity related person or digital com-
22 modity affiliated person is—

23 “(i) in any 12-month period, or short-
24 er period as the Commission may pre-
25 scribe, not less than 5 percent or greater

1 than 20 percent of the total units of the
2 digital commodity acquired directly from
3 its issuer (or an agent or underwriter
4 thereof) by the digital commodity related
5 person or digital commodity affiliated per-
6 son, as determined by the Commission pur-
7 suant to paragraph (3); and

8 “(ii) an amount, as determined by the
9 Commission pursuant to paragraph (3),
10 not less than 30 percent or greater than
11 50 percent of the total units of the digital
12 commodity acquired directly from its issuer
13 (or an agent or underwriter thereof) by the
14 digital commodity related person or digital
15 commodity affiliated person.

16 “(2) AFTER BECOMING A MATURE BLOCKCHAIN
17 SYSTEM.—After the blockchain system to which a
18 digital commodity relates is certified as a mature
19 blockchain system under section 42 of the Securities
20 Exchange Act of 1934, units of the digital com-
21 modity acquired by a digital commodity related per-
22 son or digital commodity affiliated person directly
23 from its issuer (or an agent or underwriter thereof)
24 pursuant to an investment contract in reliance on

1 section 4(a)(8) or another exemption under this Act,
2 may be—

3 “(A) offered or sold by a digital commodity
4 related person; or

5 “(B) offered or sold by a digital com-
6 modity affiliated person if—

7 “(i) information described in section
8 4B(b)(5)(C), where required (or, with re-
9 spect to a digital commodity not issued in
10 reliance on section 4(a)(8), a comparable
11 set of information, where required) is pub-
12 licly available;

13 “(ii) the digital commodity affiliated
14 person has held the units for not less than
15 the earlier of—

16 “(I) 12 months; or

17 “(II) 3 months following the date
18 on which the blockchain system is cer-
19 tified as a mature blockchain system
20 under section 42 of the Securities Ex-
21 change Act of 1934; and

22 “(iii) the aggregate amount of the
23 units of the digital commodity offered or
24 sold by the digital commodity affiliated
25 person in any 12-month period is an

amount, as determined by the Commission pursuant to paragraph (3), not less than 5 percent or greater than 10 percent of the total outstanding amount of the digital commodity.

~~“(3) RULEMAKINGS REQUIRED.~~—Not later than 270 days after the date of the enactment of this section, consistent with protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation, and to foster the development of mature blockchain systems, the Commission, by rule, after notice and comment—

~~“(A) shall set the percentage amounts described in paragraphs (1)(C)(i), (1)(C)(ii), and (2)(B)(iii); and~~

~~“(B) may provide an exemption from the limitation described in paragraph (1)(C)(ii), if the Commission requires any offer or sale pursuant to such exemption of a digital commodity related to a blockchain system that has failed to become a mature blockchain system under this Act or any rule promulgated hereunder to be accompanied by the disclosures required under, as applicable, section 4B(c)(1)(A) or section~~

1 202(c)(2)(B)(iii)(II) of the CLARITY Act of
2 2025.

3 “(d) RULES OF CONSTRUCTION.—For purposes of
4 this section, the use of a digital commodity in the pro-
5 grammatic functioning of the blockchain system to which
6 it relates is not an offer or sale of a digital commodity.

7 “(e) MANIPULATIVE AND DECEPTIVE DEVICES; RE-
8 PORTING.—

9 “(1) IN GENERAL.—It shall be unlawful for any
10 digital commodity issuer, digital commodity related
11 person, or digital commodity affiliated person, di-
12 rectly or indirectly, by the use of any means or in-
13 strumentality of interstate commerce or of the mails,
14 to use or employ, in connection with the purchase or
15 sale of any digital commodity, any manipulative or
16 deceptive device or contrivance in contravention of
17 such rules and regulations as the Commission may
18 prescribe as necessary or appropriate in the public
19 interest or for the protection of investors.

20 “(2) AFFIRMATIVE DEFENSE.—Not later than
21 270 days after the date of the enactment of this sec-
22 tion, the Commission shall issue rules to implement
23 paragraph (1), including by providing any affirma-
24 tive defenses to an enforcement action thereunder as
25 the Commission may prescribe as necessary or ap-

1 appropriate in the public interest or for the protection
2 of investors.

3 ~~“(3) REPORTING.—~~Not later than 270 days
4 after the date of the enactment of this section, the
5 Commission shall issue rules to prescribe such trans-
6 action reporting and beneficial ownership disclosure
7 obligations applicable to digital commodity related
8 persons and digital commodity affiliated persons, as
9 necessary or appropriate in the public interest or for
10 the protection of investors.

11 ~~“(4) DIFFERENTIATION BETWEEN PERSONS.—~~
12 In issuing rules required under paragraphs (2) and
13 (3), the Commission shall differentiate between dig-
14 ital commodity related persons and digital com-
15 modity affiliated persons, as necessary or appro-
16 priate in the public interest or for the protection of
17 investors.

18 ~~“(f) CERTAIN UNITS RECEIVED PRIOR TO ENACT-~~
19 MENT.—A unit of a digital commodity received from the
20 digital commodity issuer prior to the date of the enact-
21 ment of this section through an offer or sale of an invest-
22 ment contract involving units of a digital commodity in
23 reliance on an exemption from registration under this Act,
24 including as provided under section 3, 4(a), or 19, may

1 be offered or sold by a digital commodity related person
2 or digital commodity affiliated person, if—

3 “(1) the digital commodity issuer is no longer
4 engaged in material ongoing efforts related to the
5 blockchain system to which the digital commodity re-
6 lates and the blockchain system to which the digital
7 commodity relates is certified as a mature
8 blockchain system under section 42 of the Securities
9 Exchange Act of 1934; or

10 “(2) the appropriate disclosures required under
11 section 202(e)(2)(B) of the CLARITY Act of 2025
12 have been made with the Commission.

13 “(g) RULEMAKING ON FURTHER USAGE OF DIGITAL
14 COMMODITIES.— The Commission, consistent with pro-
15 tecting investors, maintaining fair, orderly, and efficient
16 markets, and facilitating capital formation, as well as fos-
17 tering the development of mature blockchain systems,
18 may, by rule, exempt unconditionally or on stated terms
19 or conditions, a digital commodity related person or a dig-
20 ital commodity affiliated person, or any class thereof, from
21 the requirements of this section for the offer or sale of
22 a digital commodity, including for the purposes of pro-
23 moting market liquidity.”.

1 **SEC. 205. MATURE BLOCKCHAIN SYSTEM REQUIREMENTS.**

2 Title I of the Securities Exchange Act of 1934 (15
3 U.S.C. 78a et seq.) is amended by adding at the end the
4 following:

5 **“SEC. 42. MATURE BLOCKCHAIN SYSTEMS.**

6 **“(a) CERTIFICATION OF BLOCKCHAIN SYSTEMS.—**

7 **“(1) CERTIFICATION.—**A digital commodity
8 issuer, digital commodity related person, digital com-
9 modity affiliated person, decentralized governance
10 system of the blockchain system, or a registered dig-
11 ital commodity exchange, or any other appropriate
12 person as designated by the Commission, may certify
13 to the Commission that the blockchain system to
14 which a digital commodity relates is a mature
15 blockchain system.

16 **“(2) FILING REQUIREMENTS.—**A certification
17 described under paragraph (1) shall be filed with the
18 Commission, and include such information that is
19 reasonably necessary to establish that the blockchain
20 system is not controlled by any person or group of
21 persons under common control, which may include
22 information regarding—

23 **“(A) the operation of the blockchain sys-**
24 **tem;**

25 **“(B) the functionality of the related digital**
26 **commodity;**

1 “(C) how the market value of the digital
2 commodity is substantially derived from the
3 programmatic functioning of such blockchain
4 system;

5 “(D) any decentralized governance system
6 which relates to the blockchain system; and

7 “(E) the current roles, if any, of the digital
8 commodity issuer, digital commodity affiliated
9 persons, and digital commodity related persons
10 where such roles are material to the develop-
11 ment or operation of such blockchain system or
12 the decentralized governance system of such
13 blockchain system.

14 “(3) REBUTTABLE PRESUMPTION.—The Com-
15 mission may rebut a certification described under
16 paragraph (1) with respect to a blockchain system if
17 the Commission, within 60 days of receiving such
18 certification, determines that the blockchain system
19 is not a mature blockchain system.

20 “(4) CERTIFICATION REVIEW.—

21 “(A) IN GENERAL.—Any blockchain sys-
22 tem that relates to a digital commodity for
23 which a certification has been made under para-
24 graph (1) shall be considered a mature
25 blockchain system 60 days after the date on

1 which the Commission receives a certification
2 under paragraph (1), unless the Commission
3 notifies the person who made the certification
4 within such time that the Commission is stay-
5 ing the certification due to—

6 “(i) an inadequate explanation by the
7 person making the certification; or

8 “(ii) any novel or complex issues
9 which require additional time to consider.

10 “(B) PUBLIC NOTICE.—The Commission
11 shall make the following available to the public
12 and provide a copy to the Commodity Futures
13 Trading Commission:

14 “(i) Each certification received under
15 paragraph (1).

16 “(ii) Each stay of the Commission
17 under this subsection, and the reasons
18 therefor.

19 “(iii) Any response from a person
20 making a certification under paragraph (1)
21 to a stay of the certification by the Com-
22 mission.

23 “(C) CONSOLIDATION.—The Commission
24 may consolidate and treat as one submission
25 multiple certifications made under paragraph

(1) for the same blockchain system which relates to a digital commodity which are received during the review period provided under this paragraph.

~~“(5) STAY OF CERTIFICATION.—~~

~~“(A) IN GENERAL.—A notification by the Commission pursuant to paragraph (4)(A) shall stay the certification once for up to an additional 120 days from the date of the notification.~~

~~“(B) PUBLIC COMMENT PERIOD.—Before the end of the 60-day period described under paragraph (4)(A), the Commission may begin a public comment period of at least 30 days in conjunction with a stay under this subsection.~~

~~“(6) DISPOSITION OF CERTIFICATION.—A certification made under paragraph (1) shall—~~

~~“(A) become effective—~~

~~“(i) upon the publication of a notification from the Commission to the person who made the certification that the Commission does not object to the certification; or~~

~~“(ii) at the expiration of the certification review period; and~~

1 “(B) not become effective upon the publi-
 2 cation of a notification from the Commission to
 3 the person who made the certification that the
 4 Commission has rebutted the certification.

5 “(7) RECERTIFICATION.—With respect to a
 6 blockchain system for which a certification has been
 7 rebutted under this subsection, no person may make
 8 a certification under paragraph (1) with respect to
 9 such blockchain system during the 90-day period be-
 10 ginning on the date of such rebuttal.

11 “(8) APPEAL OF REBUTTAL.—

12 “(A) IN GENERAL.—If a certification is re-
 13 butted under this section, the person making
 14 such certification may appeal the decision to
 15 the United States Court of Appeals for the Dis-
 16 trict of Columbia, not later than 60 days after
 17 the notice of rebuttal is made.

18 “(B) REVIEW.—In an appeal under sub-
 19 paragraph (A), the court shall have de novo re-
 20 view of the determination to rebut the certifi-
 21 cation.

22 “(b) MATURITY CRITERIA.—

23 “(1) SENSE OF CONGRESS.—It is the sense of
 24 the Congress that protecting investors, maintaining
 25 fair, orderly, and efficient markets, and facilitating

1 capital formation necessitates establishing clear cri-
2 teria for blockchain systems to be deemed mature,
3 as well as enabling the Commission to develop, with-
4 out prejudice to any such criteria codified in statute,
5 alternative criteria by which blockchain systems may
6 be considered not to be controlled by any person or
7 group of persons under common control in order to
8 accommodate changes in markets and technology.

9 “(2) IN GENERAL.—The Commission may issue
10 rules identifying conditions by which a blockchain
11 system, together with its related digital commodity,
12 shall be considered a mature blockchain system, con-
13 sistent with the protection of investors, maintenance
14 of fair, orderly, and efficient markets, and the facili-
15 tation of capital formation.

16 “(3) RULES OF CONSTRUCTION.—

17 “(A) Nothing in this subsection may be
18 construed to permit the Commission to impose
19 additional criteria to the criteria in subsection
20 (c) for certifying that a blockchain system is a
21 mature blockchain system pursuant to sub-
22 section (c).

23 “(B) Nothing in this subsection or sub-
24 section (c) may be construed to limit the Com-
25 mission’s ability to identify alternative condi-

1 tions and criteria by which a blockchain system
2 may be considered a mature blockchain system.

3 “(c) ~~DEEMED MATURE.~~—

4 “(1) ~~IN GENERAL.~~—Notwithstanding subsection
5 (b), for the purposes of subsection (a), a digital com-
6 modity issuer, digital commodity related person, dig-
7 ital commodity affiliated person, or decentralized
8 governance system of the blockchain system may es-
9 tablish that a blockchain system, together with its
10 related digital commodity, is not controlled by any
11 person or group of persons under common control,
12 if the blockchain system, together with its related
13 digital asset, meets the requirements described in
14 paragraph (2) or (3).

15 “(2) ~~CRITERIA FOR ANY BLOCKCHAIN SYS-~~
16 ~~TEM.~~—The requirements described in this paragraph
17 are the following:

18 “(A) ~~SYSTEM VALUE.~~—

19 “(i) ~~MARKET VALUE.~~—The digital
20 commodity has a value that is substantially
21 derived from the use and functioning of
22 the blockchain system.

23 “(ii) ~~DEVELOPMENT OF VALUE MECH-~~
24 ~~ANISM SUBSTANTIALLY COMPLETED.~~—

25 Where the digital commodity issuer has

1 made public a development plan describing
2 how the digital commodity's value is rea-
3 sonably expected to be derived from the
4 programmatic functioning of the
5 blockchain system; the development of such
6 mechanisms has been substantially com-
7 pleted.

8 “(B) FUNCTIONAL SYSTEM.—The
9 blockchain system allows network participants
10 to engage in the activities the blockchain system
11 is intended to provide, including—

12 “(i) using, transmitting, or storing
13 value, or otherwise executing transactions,
14 on the blockchain system;

15 “(ii) deploying, executing, or accessing
16 software or services, or otherwise offering
17 or participating in services, deployed on or
18 integrated with the blockchain system;

19 “(iii) participating in the consensus
20 mechanism, transaction validation process,
21 or decentralized governance system of the
22 blockchain system; or

23 “(iv) operating any client, node,
24 validator, or other form of computational

1 infrastructure with respect to the
2 blockchain system.

3 ~~“(C) OPEN AND INTEROPERABLE SYS-~~
4 ~~TEM.—The blockchain system—~~

5 ~~“(i) is composed of source code that is~~
6 ~~open source; and~~

7 ~~“(ii) does not restrict or prohibit~~
8 ~~based on the exercise of unilateral author-~~
9 ~~ity any person, other than a digital com-~~
10 ~~modity issuer, digital commodity related~~
11 ~~person, or digital commodity affiliated per-~~
12 ~~son from engaging in the activities the~~
13 ~~blockchain system is intended to provide,~~
14 ~~including the activities described in sub-~~
15 ~~paragraph (B).~~

16 ~~“(D) PROGRAMMATIC SYSTEM.—The~~
17 ~~blockchain system operates, executes, and en-~~
18 ~~forces its operations and transactions based~~
19 ~~solely on pre-established, transparent rules en-~~
20 ~~coded directly within the source code of the~~
21 ~~blockchain system.~~

22 ~~“(E) SYSTEM GOVERNANCE.—No person~~
23 ~~or group of persons under common control—~~

24 ~~“(i) has the unilateral authority, di-~~
25 ~~rectly or indirectly, through any contract,~~

1 arrangement, understanding, relationship,
2 or otherwise, to control or materially alter
3 the functionality, operation, or rules of
4 consensus or agreement of the blockchain
5 system or its related digital commodity; or

6 “(ii) has the unilateral authority to di-
7 rect the voting, in the aggregate, of 20
8 percent or more of the outstanding voting
9 power of such blockchain system by means
10 of a related digital commodity, nodes or
11 validators, a decentralized governance sys-
12 tem, or otherwise, in a blockchain system
13 which can be altered by a voting system.

14 “(F) IMPARTIAL SYSTEM.—No person or
15 group of persons under common control pos-
16 sesses a unique permission or privilege with re-
17 spect to functionality, operation, or rules of
18 consensus or agreement of the blockchain sys-
19 tem or its related digital commodity, unless
20 such alteration—

21 “(i) addresses errors, regular mainte-
22 nance, or cybersecurity risks of the
23 blockchain system that affect the pro-
24 grammatic functioning of the blockchain
25 system; and

1 “(ii) is adopted through the consensus
2 or agreement of a decentralized governance
3 system.

4 “(G) DISTRIBUTED OWNERSHIP.—No dig-
5 ital commodity issuer, digital commodity related
6 person, or digital commodity affiliated person
7 beneficially owns, in the aggregate, 20 percent
8 or more of the total amount of units of the dig-
9 ital commodity.

10 “(3) OPTIONAL CRITERIA FOR PREEXISTING
11 BLOCKCHAIN SYSTEMS.—The requirements described
12 in this paragraph are that the blockchain system—

13 “(A) was created prior to the date of en-
14 actment of this section;

15 “(B) met the requirements of subpara-
16 graphs (A) through (F) of paragraph (2) prior
17 to the date of enactment of this section; and

18 “(C) at least 50 percent of the units of the
19 digital commodity related to the blockchain sys-
20 tem are held by persons other than the digital
21 commodity issuer, a digital commodity related
22 person, or a digital commodity affiliated person.

23 “(d) DECENTRALIZED GOVERNANCE SYSTEM.—

1 “(1) For the purposes of this section, a decen-
 2 tralized governance system is not a ‘person’ or a
 3 ‘group of persons under common control’.

4 “(2) A blockchain system, together with its dig-
 5 ital commodity, shall not be precluded from being
 6 considered a mature blockchain system solely based
 7 on a functional, administrative, clerical, or ministe-
 8 rial action of a decentralized governance system, in-
 9 cluding any such action taken by a person acting on
 10 behalf of and at the direction of the decentralized
 11 governance system, as determined by the Commis-
 12 sion and consistent with the protection of investors,
 13 maintenance of fair, orderly, and efficient markets,
 14 and the facilitation of capital formation.

15 “(e) RULEMAKING.—Not more than 270 days after
 16 the date of enactment of this section, the Commission
 17 shall issue rules to carry out this section.”.

18 **SEC. 206. EFFECTIVE DATE.**

19 Unless otherwise provided in this title, this title and
 20 the amendments made by this title shall take effect 360
 21 days after the date of enactment of this Act, except that,
 22 to the extent a provision of this title requires a rule-
 23 making, the provision shall take effect on the later of—

24 (1) 360 days after the date of enactment of this
 25 Act; or

1 (2) 60 days after the publication in the Federal
2 Register of the final rule implementing the provision.

3 **TITLE III—REGISTRATION FOR**
4 **INTERMEDIARIES AT THE SE-**
5 **CURITIES AND EXCHANGE**
6 **COMMISSION**

7 **SEC. 301. TREATMENT OF DIGITAL COMMODITIES AND PER-**
8 **MITTED PAYMENT STABLECOINS.**

9 (a) SECURITIES ACT OF 1933.—Section 2(a)(1) of
10 the Securities Act of 1933 (15 U.S.C. 77b(a)(1)), as
11 amended by the GENIUS Act, is amended by striking the
12 final sentence and inserting the following: “The term does
13 not include a digital commodity or permitted payment
14 stablecoin.”.

15 (b) SECURITIES EXCHANGE ACT OF 1934.—Section
16 3(a)(10) of the Securities Exchange Act of 1934 (15
17 U.S.C. 78e(a)), as amended by the GENIUS Act, is
18 amended by striking the final sentence and inserting the
19 following: “The term does not include a digital commodity
20 or permitted payment stablecoin.”.

21 (c) INVESTMENT ADVISERS ACT OF 1940.—Section
22 202(a) of the Investment Advisers Act of 1940 (15 U.S.C.
23 80b-2(a)) is amended—

24 (1) in paragraph (18), as amended by the GE-
25 NIUS Act, by striking the final sentence and insert-

1 ing the following: “The term does not include a dig-
2 ital commodity or permitted payment stablecoin.”;

3 (2) by redesignating the second paragraph (29)
4 (relating to commodity pools) as paragraph (31);
5 and

6 (3) by adding at the end, the following:

7 “~~(32)~~ DIGITAL COMMODITY-RELATED TERMS.—
8 The terms ‘digital commodity’ and ‘permitted pay-
9 ment stablecoin’ have the meaning given those
10 terms, respectively, under section 2(a) of the Securi-
11 ties Act of 1933 (15 U.S.C. 77b(a)).”.

12 ~~(d)~~ INVESTMENT COMPANY ACT OF 1940.—Section
13 2(a) of the Investment Company Act of 1940 (15 U.S.C.
14 80a-2) is amended—

15 (1) in paragraph (36), as amended by the GE-
16 NIUS Act, by striking the final sentence and insert-
17 ing the following: “The term does not include a dig-
18 ital commodity or permitted payment stablecoin.”;
19 and

20 (2) by adding at the end, the following:

21 “~~(55)~~ DIGITAL COMMODITY-RELATED TERMS.—
22 The terms ‘digital commodity’ and ‘permitted pay-
23 ment stablecoin’ have the meaning given those
24 terms, respectively, under section 2(a) of the Securi-
25 ties Act of 1933 (15 U.S.C. 77b(a)).”.

1 (e) SECURITIES INVESTOR PROTECTION ACT OF
 2 1970.—Section 16 of the Securities Investor Protection
 3 Act of 1970 (15 U.S.C. 78lll) is amended—

4 (1) in paragraph (14), as amended by the GE-
 5 NIUS Act, by striking the final sentence and insert-
 6 ing the following: “The term does not include a dig-
 7 ital commodity or permitted payment stablecoin, as
 8 such terms are defined, respectively, under section
 9 2(a) of the Securities Act of 1933 (15 U.S.C.
 10 77b(a))”; and

11 (2) by adding at the end the following:

12 “(15) TREATMENT OF PERMITTED PAYMENT
 13 STABLECOINS.—A permitted payment stablecoin, as
 14 defined in section 2(a) of the Securities Act of 1933,
 15 shall not qualify as ‘cash’ and a claim for a per-
 16 mitted payment stablecoin shall not qualify as a
 17 ‘claim for cash’.”.

18 **SEC. 302. ANTI-FRAUD AUTHORITY OVER PERMITTED PAY-**
 19 **MENT STABLECOINS AND CERTAIN DIGITAL**
 20 **COMMODITY TRANSACTIONS.**

21 (a) IN GENERAL.—Section 10 of the Securities Ex-
 22 change Act of 1934 (15 U.S.C. 78j) is amended—

23 (1) by moving subsection (c) so as to appear
 24 after subsection (b);

1 (2) by inserting after subsection (c) the fol-
2 lowing:

3 “(d) To use or employ, in connection with the pur-
4 chase or sale of any permitted payment stablecoin or dig-
5 ital commodity, by or through, as applicable, a broker,
6 dealer, national securities exchange, or an alternative
7 trading system, any manipulative or deceptive device or
8 contrivance in contravention of such rules and regulations
9 as the Commission may prescribe as necessary or appro-
10 priate in the public interest or for the protection of inves-
11 tors.”; and

12 (3) by adding at the end the following: “Rules
13 promulgated under subsection (b) that prohibit
14 fraud, manipulation, or insider trading (but not
15 rules imposing or specifying reporting or record-
16 keeping requirements, procedures, or standards as
17 prophylactic measures against fraud, manipulation,
18 or insider trading); and judicial precedents decided
19 under subsection (b) and rules promulgated there-
20 under that prohibit fraud, manipulation, or insider
21 trading; shall apply with respect to permitted pay-
22 ment stablecoin and digital commodity transactions
23 engaged in by or through a broker or dealer or
24 through an alternative trading system or, as applica-
25 ble, a national securities exchange to the same ex-

1 tent as they apply to securities transactions. Judicial
 2 precedents decided under section 17(a) of the Secu-
 3 rities Act of 1933 and sections 9, 15, 16, 20, and
 4 21A of this title, and judicial precedents decided
 5 under applicable rules promulgated under such sec-
 6 tions, shall apply to permitted payment stablecoins
 7 and digital commodities with respect to those cir-
 8 cumstances in which the permitted payment
 9 stablecoins and digital commodities are, as applica-
 10 ble, brokered, traded, or custodied by or through a
 11 broker or dealer or through an alternative trading
 12 system or a national securities exchange to the same
 13 extent as they apply to securities.”.

14 (b) ~~TREATMENT OF PERMITTED PAYMENT~~
 15 ~~STABLECOINS.~~—Title I of the Securities Exchange Act of
 16 1934 (15 U.S.C. 78a et seq.) is amended by inserting after
 17 section 6 the following:

18 **“SEC. 6A. TREATMENT OF TRANSACTIONS IN PERMITTED**
 19 **PAYMENT STABLECOINS.**

20 **“(a) AUTHORITY TO BROKER, TRADE, AND CUSTODY**
 21 **PERMITTED PAYMENT STABLECOINS.**—Permitted pay-
 22 ment stablecoins may be brokered, traded, or custodied by
 23 a broker or dealer or through an alternative trading sys-
 24 tem or national securities exchange.

1 “(b) COMMISSION JURISDICTION.—The Commission
 2 shall only have jurisdiction over a transaction in a per-
 3 mitted payment stablecoin with respect to those cir-
 4 cumstances in which a permitted payment stablecoin is
 5 brokered, traded, or custodied—

6 “(1) by a broker or dealer;

7 “(2) through a national securities exchange; or

8 “(3) through an alternative trading system.

9 “(c) LIMITATION.—Subsection (b) shall only apply to
 10 a transaction described in subsection (b) for the purposes
 11 of regulating the offer, execution, solicitation, or accept-
 12 ance of a permitted payment stablecoin in those cir-
 13 cumstances in which the permitted payment stablecoin is
 14 brokered, traded, or custodied—

15 “(1) by a broker or dealer;

16 “(2) through a national securities exchange; or

17 “(3) through an alternative trading system.”.

18 **SEC. 303. ELIGIBILITY OF ALTERNATIVE TRADING SYS-**
 19 **TEMS.**

20 (a) IN GENERAL.—Section 5 of the Securities Ex-
 21 change Act of 1934 (15 U.S.C. 78c) is amended—

22 (1) by striking “It” and inserting the following:

23 “(a) IN GENERAL.—It”; and

24 (2) by adding at the end the following:

25 “(b) DIGITAL COMMODITY PROTECTIONS.—

1 ~~“(1) IN GENERAL.—~~The Commission may not
 2 preclude a trading platform from operating pursuant
 3 to a covered exemption to exchange registration
 4 under section 6 of this title on the basis that the as-
 5 sets traded or to be traded on such platform in-
 6 clude—

7 ~~“(A) digital commodities or permitted pay-~~
 8 ~~ment stablecoins; and~~

9 ~~“(B) securities.~~

10 ~~“(2) COVERED EXEMPTION.—~~In this sub-
 11 section, the term ‘covered exemption’ means an ex-
 12 emption—

13 ~~“(A) described in subsection (a)(2); or~~

14 ~~“(B) with respect to any other rule of the~~
 15 Commission relating to the definition of ‘ex-
 16 change’.”.

17 ~~(b) SECURITIES EXCHANGE ACT OF 1934.—~~Section
 18 ~~3(a)(2) of the Securities Exchange Act of 1934 (15 U.S.C.~~
 19 ~~78c(a)(2))~~ is amended by adding at the end the following:
 20 “Neither an alternative trading system predominantly fa-
 21 cilitating the trading of digital commodities, permitted
 22 payment stablecoins, or both, relative to its securities trad-
 23 ed, nor a digital commodity exchange, is a ‘facility’ of an
 24 exchange.”.

1 (c) **RULE OF CONSTRUCTION.**—Nothing in this sec-
 2 tion, the amendments made by this section, or section 304
 3 may be construed to—

4 (1) prohibit a national securities exchange from
 5 owning or operating any other type of alternative
 6 trading system; or

7 (2) create a presumption that any other type of
 8 alternative trading system owned or operated by a
 9 national securities exchange is a facility of that ex-
 10 change.

11 **SEC. 304. RULEMAKING FOR DUAL-REGISTERED ENTITIES.**

12 (a) **CONFLICT OF INTEREST POLICIES AND PROCE-**
 13 **DURES.**—Each person or entity dual-registered with the
 14 Commodity Futures Trading Commission as permitted
 15 under section 15(p) of the Securities Exchange Act of
 16 1934 shall establish, maintain, and, as applicable, enforce
 17 and comply with written policies and procedures reason-
 18 ably designed to mitigate any conflicts of interest, includ-
 19 ing with respect to transactions or arrangements with af-
 20 filiates registered with the Securities and Exchange Com-
 21 mission, taking into consideration the nature of the busi-
 22 ness of such person or entity.

23 (b) **EXEMPTION FROM DUPLICATIVE, CONFLICTING,**
 24 **OR UNDULY BURDENSOME PROVISIONS.**—The Securities
 25 and Exchange Commission shall prescribe rules for a per-

1 son or entity with multiple registrations, where at least
2 one such registration includes any dual registration per-
3 mitted under section 15(p) of the Securities Exchange Act
4 of 1934, to exempt the person or entity from duplicative,
5 conflicting, or unduly burdensome provisions of the Secu-
6 rities Exchange Act of 1934 and rules thereunder, to the
7 extent such an exemption would protect investors, main-
8 tain fair, orderly, and efficient markets, and facilitate cap-
9 ital formation.

10 (c) IMPLEMENTING ORGANIZATIONS.—The Securities
11 and Exchange Commission shall require any registered na-
12 tional securities association that has as a member a reg-
13 istered broker or registered dealer that is registered with
14 the Commodity Futures Trading Commission as a digital
15 commodity broker or digital commodity dealer as per-
16 mitted under section 15(p)(1) of the Securities Exchange
17 Act of 1934 or otherwise transacts in permitted payment
18 stablecoins to revise such rules as may be necessary to
19 further the purposes of and compliance with this section.

20 (d) MEMORANDUM OF UNDERSTANDING.—The Secu-
21 rities and Exchange Commission shall enter into a memo-
22 randum of understanding with the Commodity Futures
23 Trading Commission to ensure—

24 (1) non-duplicative supervision and enforcement
25 with respect to registrants of the Securities and Ex-

(2) appropriate information sharing between the Commissions to further the purposes of and compliance with this section, the Securities Exchange Act of 1934, and the Commodity Exchange Act.

(e) **RULE OF CONSTRUCTION.**—Nothing in this section shall be construed to limit the anti-fraud, anti-manipulation, or false reporting enforcement authorities of the Commodity Futures Trading Commission with respect to a contract of sale of a commodity and persons effecting such contracts.

16 SEC. 305. MODERNIZATION OF RECORDKEEPING REQUIRE-
17 MENTS.

(a) IN GENERAL.—For purposes of books and records requirements for brokers, dealers, transfer agents, national securities exchanges under the Securities and Exchange Act of 1934 (15 U.S.C. 78a et seq.); investment advisers under the Investment Advisers Act of 1940 (15 U.S.C. 80b-1 et seq.); and investment companies under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.); a person may, consistent with any rules promul-

1 gated under subsection (b), utilize records from a
2 blockchain system.

3 (b) **REVISION OF RULES.**—Not later than 180 days
4 after the date of enactment of this Act, the Securities and
5 Exchange Commission shall issue and revise such rules as
6 may be necessary to implement this section.

7 **SEC. 306. EXEMPTIVE AUTHORITY.**

8 Section 28 of the Securities Act of 1933 (15 U.S.C.
9 77z-3) is amended by striking “by rule or regulation” and
10 inserting “by rule, regulation, or order”.

11 **SEC. 307. ADDITIONAL REGISTRATIONS WITH THE COM-**
12 **MODITY FUTURES TRADING COMMISSION.**

13 Section 15 of the Securities Exchange Act of 1934
14 (15 U.S.C. 78o) is amended by adding at the end the fol-
15 lowing:

16 “(p) **ADDITIONAL REGISTRATIONS WITH THE COM-**
17 **MODITY FUTURES TRADING COMMISSION.**—

18 “(1) **REGISTERED BROKERS AND DEALERS.**—A
19 registered broker or registered dealer shall be per-
20 mitted to maintain a registration with the Com-
21 modity Futures Trading Commission as a digital
22 commodity broker or digital commodity dealer.

23 “(2) **NATIONAL SECURITIES EXCHANGES.**—A
24 national securities exchange or affiliate thereof shall
25 be permitted to maintain a registration with the

1 Commodity Futures Trading Commission as a dig-
 2 ital commodity exchange.

3 “(3) ~~ALTERNATIVE TRADING SYSTEMS.~~—An al-
 4 ternative trading system, and the operator thereof,
 5 shall be permitted to maintain a registration with
 6 the Commodity Futures Trading Commission as a
 7 digital commodity exchange.

8 “(4) ~~NOTICE OF APPLICATION.~~—Any person or
 9 entity described in paragraph (1) through (3) shall
 10 provide to the Securities and Exchange Commission,
 11 at such time and in such form and manner as the
 12 Securities and Exchange Commission shall prescribe,
 13 notice of any application to register with the Com-
 14 modity Futures Trading Commission as a digital
 15 commodity broker, digital commodity dealer, or dig-
 16 ital commodity exchange.”.

17 **SEC. 308. EXEMPTING DIGITAL COMMODITIES FROM STATE**
 18 **SECURITIES LAWS.**

19 (a) ~~COVERED SECURITY.~~—Section 18(b) of the Secu-
 20 rities Act of 1933 (15 U.S.C. 77r(b)) is amended by add-
 21 ing at the end the following:

22 “(5) ~~EXEMPTION IN CONNECTION WITH DIG-~~
 23 ~~ITAL COMMODITIES.~~—A digital commodity shall be
 24 treated as a covered security.”.

10 The Securities Exchange Act of 1934 (15 U.S.C. 78a
11 et seq.) is amended by inserting after section 15G the fol-
12 lowing:

15 “(a) IN GENERAL.—Notwithstanding any other pro-
16 vision of this Act, a person shall not be subject to this
17 Act and the regulations promulgated under this Act based
18 on the person directly or indirectly engaging in any of the
19 following activities, whether singly or in combination, in
20 relation to the operation of a blockchain system or in rela-
21 tion to a decentralized finance trading protocol:

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1 “(2) Providing computational work, operating a
2 node or oracle service, or procuring, offering, or uti-
3 lizing network bandwidth, or providing other similar
4 incidental services.

5 “(3) Providing a user-interface that enables a
6 user to read and access data about a blockchain sys-
7 tem.

8 “(4) Developing, publishing, constituting, ad-
9 ministering, maintaining, or otherwise distributing a
10 blockchain system or a decentralized finance trading
11 protocol.

12 “(5) Developing, publishing, constituting, ad-
13 ministering, maintaining, or otherwise distributing a
14 decentralized finance messaging system, or operating
15 or participating in a liquidity pool, for the purpose
16 of executing a spot contract for the purchase or sale
17 of a digital commodity in relation to a decentralized
18 finance trading protocol.

19 “(6) Developing, publishing, constituting, ad-
20 ministering, maintaining, or otherwise distributing
21 software or systems that create or deploy hardware
22 or software, including wallets or other systems, fa-
23 cilitating an individual user’s own personal ability to
24 keep, safeguard, or custody the user’s digital assets
25 or related private keys.

1 “(b) EXCEPTIONS.—Subsection (a) shall not apply to
 2 the anti-fraud and anti-manipulation authorities of the
 3 Commission.”.

4 **SEC. 310. TREATMENT OF CUSTODY ACTIVITIES BY BANK-**
 5 **ING INSTITUTIONS.**

6 (a) TREATMENT OF CUSTODY ACTIVITIES.—The ap-
 7 propriate Federal banking agency, the National Credit
 8 Union Administration (in the case of a credit union), and
 9 the Securities and Exchange Commission may not require
 10 a depository institution, national bank, Federal credit
 11 union, State credit union, trust company, broker, or deal-
 12 er, or any affiliate thereof (the “entity”)—

13 (1) to include assets held in custody that are
 14 not accounted for as assets of the entity as a liabil-
 15 ity on the financial statement or balance sheet of the
 16 entity, including digital commodity or permitted pay-
 17 ment stablecoin custody or safekeeping services; and

18 (2) to hold regulatory capital against assets, in-
 19 cluding reserves backing such assets, in custody or
 20 safekeeping, except as necessary to mitigate against
 21 operational risks inherent with the custody or safe-
 22 keeping services, as determined by—

23 (A) the appropriate Federal banking agen-
 24 cy;

1 (B) the National Credit Union Administra-
2 tion (in the case of a credit union);

3 (C) a State bank supervisor;

4 (D) a State credit union supervisor (as de-
5 fined in section 6003 of the Anti-Money Laun-
6 dering Act of 2020 (31 U.S.C. 5311 note)); or

7 (E) the Securities and Exchange Commis-
8 sion (in the case of a broker or dealer).

9 (b) DEFINITIONS.—In this section:

10 (1) BANKING TERMS.—The terms “appropriate
11 Federal banking agency”, “depository institution”,
12 “national bank”, and “State bank supervisor” have
13 the meaning given those terms, respectively, under
14 section 3 of the Federal Deposit Insurance Act (12
15 U.S.C. 1813).

16 (2) CREDIT UNION TERMS.—The terms “Fed-
17 eral credit union” and “State credit union” have the
18 meaning given those terms, respectively, under sec-
19 tion 101 of the Federal Credit Union Act (12 U.S.C.
20 1752).

21 **SEC. 311. BROKER AND DEALER DISCLOSURES REGARDING**
22 **THE TREATMENT OF ASSETS.**

23 (a) IN GENERAL.—Not later than 270 days after the
24 date of the enactment of this Act, the Securities and Ex-
25 change Commission shall issue rules requiring written dis-

1 closures regarding the treatment of customer assets in the
2 event of an insolvency, resolution, or liquidation pro-
3 ceeding to be provided by a registered broker or dealer
4 to an investor before a digital commodity, a permitted pay-
5 ment stablecoin, or an investment contract involving a unit
6 of a digital commodity is received, acquired, or held by
7 the broker or dealer for the account of the investor, which
8 shall include, as necessary or appropriate for the protec-
9 tion of investors—

10 (1) a description of the manner in which any
11 digital commodity, permitted payment stablecoin, or
12 investment contract involving a unit of a digital com-
13 modity received, acquired, or held by the broker or
14 dealer for the account of such investor would be
15 treated in an insolvency, resolution, or liquidation
16 proceeding with respect to the broker or dealer
17 under—

18 (A) title II of the Dodd-Frank Wall Street
19 Reform and Consumer Protection Act (12
20 U.S.C. 5381 et seq.);

21 (B) the Securities Investor Protection Act
22 of 1970 (15 U.S.C. 78aaa et seq.); or

23 (C) as applicable, chapter 7 or chapter 11
24 of title 11, United States Code; and

1 (2) how the treatment described in paragraph
 2 (1) differs from the treatment of securities and cash
 3 received, acquired, or held by the broker or dealer
 4 for the account of such investor in the event of an
 5 insolvency, resolution, or liquidation proceeding with
 6 respect to the broker or dealer under each law de-
 7 scribed under subparagraph (A) through (C) of
 8 paragraph (1).

9 **SEC. 312. DIGITAL COMMODITY ACTIVITIES THAT ARE FI-**
 10 **NANCIAL IN NATURE.**

11 (a) **DIGITAL COMMODITY ACTIVITIES THAT ARE FI-**
 12 **NANCIAL IN NATURE.**—Section 4(k)(4) of the Bank Hold-
 13 ing Company Act of 1956 (~~12 U.S.C. 1843(k)(4)~~) is
 14 amended—

15 (1) in subparagraph (A), by striking “or securi-
 16 ties” and inserting “, securities, or digital commod-
 17 ities”; and

18 (2) in subparagraph (E), by inserting “or dig-
 19 ital commodities” before the period at the end.

20 (b) **NATIONAL BANK ACTIVITY.**—

21 (1) **IN GENERAL.**—A national bank may use a
 22 digital asset or blockchain system to perform, pro-
 23 vide, or deliver any activity, function, product, or
 24 service that the national bank is otherwise author-
 25 ized by law to perform, provide, or deliver.

1 ~~(2) RULE OF CONSTRUCTION.—Nothing in this~~
 2 ~~subsection may be construed to exempt a national~~
 3 ~~bank’s performance, provision, or delivery of an ac-~~
 4 ~~tivity, function, product, or service from a require-~~
 5 ~~ment that would apply if the activity were not per-~~
 6 ~~formed, provided, or delivered using a digital asset~~
 7 ~~or blockchain system.~~

8 ~~(c) INSURED STATE BANKS AND SUBSIDIARIES OF~~
 9 ~~INSURED STATE BANKS.—For purposes of sections 24(a)~~
 10 ~~and 24(d) of the Federal Deposit Insurance Act (12~~
 11 ~~U.S.C. 1831a(a) and (d)), all of the activities authorized~~
 12 ~~for a national bank under subsection (b) that are principal~~
 13 ~~activities shall be permissible for an insured State bank~~
 14 ~~and subsidiary of an insured State bank.~~

15 **SEC. 313. EFFECTIVE DATE; ADMINISTRATION.**

16 ~~Except as otherwise provided under this title, this~~
 17 ~~title and the amendments made by this title shall take ef-~~
 18 ~~fect 360 days after the date of enactment of this Act, ex-~~
 19 ~~cept that, to the extent a provision of this title requires~~
 20 ~~a rulemaking, the provision shall take effect on the later~~
 21 ~~of—~~

22 ~~(1) 360 days after the date of enactment of this~~
 23 ~~Act; or~~

24 ~~(2) 60 days after the publication in the Federal~~
 25 ~~Register of the final rule implementing the provision.~~

1 **SEC. 314. EDUCATIONAL MATERIAL REQUIREMENTS.**

2 The Securities and Exchange Commission, in con-
3 sultation with the Commodity Futures Trading Commis-
4 sion, shall require any registered entity that facilitates the
5 trading of digital commodities or investment contracts in-
6 volving units of a digital commodity to provide clear and
7 accessible educational materials to the public, including—

8 (1) an overview of how blockchain technology
9 functions;

10 (2) a description of common risks associated
11 with digital commodities;

12 (3) a description of the differences between dig-
13 ital commodity markets and traditional financial
14 markets;

15 (4) information on reporting requirements re-
16 lated to digital commodity transactions or invest-
17 ment contracts involving units of a digital com-
18 modity; and

19 (5) guidance on recognizing fraudulent schemes
20 and instructions for reporting suspected fraud.

21 **SEC. 315. DISCRETIONARY SURPLUS FUND.**

22 (a) IN GENERAL.—The dollar amount specified
23 under section 7(a)(3)(A) of the Federal Reserve Act (12
24 U.S.C. 289(a)(3)(A)) is reduced by \$15,000,000.

25 (b) EFFECTIVE DATE.—The amendment made by
26 subsection (a) shall take effect on September 30, 2035.

1 **TITLE IV—REGISTRATION FOR**
 2 **DIGITAL COMMODITY INTER-**
 3 **MEDIARIES AT THE COM-**
 4 **MODITY FUTURES TRADING**
 5 **COMMISSION**

6 **SEC. 401. COMMISSION JURISDICTION OVER DIGITAL COM-**
 7 **MODITY TRANSACTIONS.**

8 (a) SAVINGS CLAUSE.—Section 2(a)(1) of the Com-
 9 modity Exchange Act (7 U.S.C. 2(a)(1)) is amended by
 10 adding at the end the following:

11 “(J) Except as expressly provided in this
 12 Act, nothing in the CLARITY Act of 2025 shall
 13 affect or apply to, or be interpreted to affect or
 14 apply to—

15 “(i) any agreement, contract, or
 16 transaction that is subject to this Act as—

17 “(I) a contract of sale of a com-
 18 modity for future delivery or an op-
 19 tion on such a contract;

20 “(H) a swap;

21 “(III) a security futures product;

22 “(IV) an option authorized under
 23 section 4e of this Act;

24 “(V) an agreement, contract, or
 25 transaction described in subparagraph

1 (C)(i) or (D)(i) of subsection (c)(2) of
2 this section; or

3 ~~“(VI) a leverage transaction au-~~
4 ~~thorized under section 19; or~~

5 ~~“(ii) the activities of any person with~~
6 ~~respect to any such an agreement, con-~~
7 ~~tract, or transaction.”.~~

8 (b) LIMITATION ON AUTHORITY OVER PERMITTED
9 PAYMENT STABLECOINS.—Section 2(c)(1) of the Com-
10 modity Exchange Act (7 U.S.C. 2(c)(1)) is amended—

11 (1) in subparagraph (F), by striking “or” at
12 the end;

13 (2) in subparagraph (G), by striking the period
14 and inserting “; or”; and

15 (3) by adding at the end the following:

16 ~~“(H) permitted payment stablecoins.”.~~

17 (c) COMMISSION JURISDICTION OVER FINANCING
18 AGREEMENTS.—Section 2(c)(2)(D) of the Commodity Ex-
19 change Act (7 U.S.C. 2(c)(2)(D)) is amended—

20 (1) in clause (ii)(I), by inserting after “para-
21 graph (1)” the following: ~~“(other than an agree-~~
22 ~~ment, contract, or transaction in a permitted pay-~~
23 ~~ment stablecoin)”;~~ and

24 (2) by redesignating clause (iv) as clause (v)
25 and inserting after clause (iii) the following:

1 “(iv) AGREEMENTS FOR MARGIN FI-
 2 NANCING.—Notwithstanding clause (iii), a
 3 digital commodity broker may, subject to
 4 the requirements of section 4u(c)(2), offer
 5 to or enter into an agreement for margin
 6 financing with a customer for the purchase
 7 or sale of a digital commodity, provided
 8 any purchase or sale made pursuant to the
 9 agreement shall result in the delivery of
 10 the digital commodity into or from an ac-
 11 count carried for the customer by the dig-
 12 ital commodity broker, as determined by
 13 the Commission by rule or regulation,
 14 based on commercial spot market prac-
 15 tices.”.

16 (d) COMMISSION AUTHORITY OVER CERTAIN DIG-
 17 ITAL COMMODITY AND STABLECOIN SPOT TRANS-
 18 ACTIONS.—Section 2(c)(2) of the Commodity Exchange
 19 Act (7 U.S.C. 2(c)(2)) is amended by adding at the end
 20 the following:

21 “(F) COMMISSION JURISDICTION WITH RE-
 22 SPECT TO DIGITAL COMMODITY TRANS-
 23 ACTIONS.—

24 “(i) IN GENERAL.—Subject to sec-
 25 tions 6d and 12(e), the Commission shall

1 have exclusive jurisdiction with respect to
2 any account, agreement, contract, or trans-
3 action involving a contract of sale of a dig-
4 ital commodity or tradable asset (as de-
5 fined in section 4x) in interstate commerce,
6 including in a digital commodity or
7 tradable asset (as so defined) cash or spot
8 market, that is offered, solicited, traded,
9 facilitated, executed, cleared, reported, or
10 otherwise dealt in—

11 “(I) on or subject to the rules of
12 a registered entity or an entity that is
13 required to be registered as a reg-
14 istered entity; or

15 “(II) by any other entity reg-
16 istered, or required to be registered,
17 with the Commission.

18 “(ii) LIMITATIONS.—Clause (i) shall
19 not apply with respect to—

20 “(I) custodial or depository ac-
21 tivities for a digital commodity of an
22 entity regulated by an appropriate
23 Federal banking agency or a State
24 bank supervisor (within the meaning

1 of section 3 of the Federal Deposit In-
 2 surance Act); or

3 “(H) an offer or sale of an in-
 4 vestment contract involving a digital
 5 commodity or of a securities offer or
 6 sale involving a digital commodity.

7 “(iii) MIXED DIGITAL ASSET TRANS-
 8 ACTIONS.—

9 “(I) IN GENERAL.—Clause (i)
 10 shall not apply to a mixed digital
 11 asset transaction.

12 “(H) REPORTS ON MIXED DIG-
 13 ITAL ASSET TRANSACTIONS.—A dig-
 14 ital commodity issuer, digital com-
 15modity related person, digital com-
 16modity affiliated person, or other per-
 17son registered with the Securities and
 18Exchange Commission that engages in
 19a mixed digital asset transaction;
 20shall, on request of the Commission,
 21open to inspection and examination by
 22the Commission all books and records
 23relating to the mixed digital asset
 24transaction, subject to the confiden-

1 tiality and disclosure requirements of
2 section 8.

3 ~~“(G) AGREEMENTS, CONTRACTS, AND~~
4 ~~TRANSACTIONS IN STABLECOINS.—~~

5 ~~“(i) TREATMENT OF PERMITTED PAY-~~
6 ~~MENT STABLECOINS ON COMMISSION-REG-~~
7 ~~ISTERED ENTITIES.—Subject to clauses (ii)~~
8 ~~and (iii), the Commission shall have juris-~~
9 ~~diction over a cash or spot agreement, con-~~
10 ~~tract, or transaction in a permitted pay-~~
11 ~~ment stablecoin that is offered, offered to~~
12 ~~enter into, entered into, executed, solicited,~~
13 ~~or accepted, or for which the execution of~~
14 ~~is confirmed—~~

15 ~~“(I) on or subject to the rules of~~
16 ~~a registered entity; or~~

17 ~~“(II) by any other entity reg-~~
18 ~~istered with the Commission.~~

19 ~~“(ii) PERMITTED PAYMENT~~
20 ~~STABLECOIN TRANSACTION RULES.—This~~
21 ~~Act shall apply to a transaction described~~
22 ~~in clause (i) only for the purpose of regu-~~
23 ~~lating the offer, execution, solicitation, or~~
24 ~~acceptance of a cash or spot permitted~~
25 ~~payment stablecoin transaction on a reg-~~

1 istered entity or by any other entity reg-
 2 istered with the Commission, as if the per-
 3 mitted payment stablecoin were a digital
 4 commodity.

5 “(iii) NO AUTHORITY OVER PER-
 6 MITTED PAYMENT STABLECOINS.—Not-
 7 withstanding clauses (i) and (ii), the Com-
 8 mission shall not make a rule or regula-
 9 tion, impose a requirement or obligation on
 10 a registered entity or other entity reg-
 11 istered with the Commission, or impose a
 12 requirement or obligation on a permitted
 13 payment stablecoin issuer, regarding the
 14 operation of a permitted payment
 15 stablecoin issuer or a permitted payment
 16 stablecoin.”.

17 (e) CONFORMING AMENDMENTS.—The Commodity
 18 Exchange Act is amended—

19 (1) in section 1a(9) (7 U.S.C. 1a(9)), as
 20 amended by the GENIUS Act, by striking the sec-
 21 ond sentence; and

22 (2) in section 2(a)(1)(A) (7 U.S.C. 2(a)(1)(A)),
 23 in the 1st sentence, by inserting “subparagraphs (F)
 24 and (G) of subsection (c)(2) of this section or” be-
 25 fore “section 19”.

1 **SEC. 402. REQUIRING FUTURES COMMISSION MERCHANTS**
 2 **TO USE QUALIFIED DIGITAL ASSET**
 3 **CUSTODIANS.**

4 Section 4d of the Commodity Exchange Act (7 U.S.C.
 5 6d) is amended—

6 (1) in subsection (a)(2)—

7 (A) in the 1st proviso, by striking “any
 8 bank or trust company” and inserting “any
 9 bank, trust company, or qualified digital asset
 10 eustodian, as applicable,”; and

11 (B) by inserting “: *Provided further*, That
 12 any such property that is a digital asset shall
 13 be held in a qualified digital asset eustodian”
 14 before the period at the end; and

15 (2) in subsection (f)(3)(A)(i), by striking “any
 16 bank or trust company” and inserting “any bank,
 17 trust company, or qualified digital asset eustodian”.

18 **SEC. 403. TRADING CERTIFICATION AND APPROVAL FOR**
 19 **DIGITAL COMMODITIES.**

20 Section 5e of the Commodity Exchange Act (7 U.S.C.
 21 7a-2) is amended—

22 (1) in subsection (a), by striking “5(d) and
 23 5b(c)(2)” and inserting “5(d), 5b(c)(2), and 5i(c)”;

24 (2) in subsection (b)—

1 (A) in each of paragraphs (1) and (2), by
 2 inserting “digital commodity exchange,” before
 3 “derivatives”; and

4 (B) in paragraph (3), by inserting “digital
 5 commodity exchange,” before “derivatives” each
 6 place it appears;

7 (3) in subsection (c)—

8 (A) in paragraph (2), by inserting “or par-
 9 ticipants” before “(in a”;

10 (B) in paragraph (4)(B), by striking
 11 “1a(10)” and inserting “1a(9)”; and

12 (C) in paragraph (5), by adding at the end
 13 the following:

14 “(D) SPECIAL RULES FOR DIGITAL COM-
 15 MODITY CONTRACTS.—In certifying any new
 16 rule or rule amendment, or listing any new con-
 17 tract or instrument, in connection with a con-
 18 tract of sale of a commodity for future delivery,
 19 option, swap, or other agreement, contract, or
 20 transaction, that is based on or references a
 21 digital commodity, a registered entity shall
 22 make or rely on a certification under subsection
 23 (d) for the digital commodity.”; and

24 (4) by inserting after subsection (c) the fol-
 25 lowing:

1 “(d) CERTIFICATIONS FOR DIGITAL COMMODITY
2 TRADING.—

3 “(1) IN GENERAL.—Notwithstanding subsection
4 (e), for the purposes of listing or offering a digital
5 commodity for trading in a digital commodity cash
6 or spot market, an eligible entity shall submit a
7 written certification to the Commission that the dig-
8 ital commodity meets the requirements of this Act
9 (including the regulations prescribed under this
10 Act).

11 “(2) CONTENTS OF THE CERTIFICATION.—

12 “(A) IN GENERAL.—In making a written
13 certification under this paragraph, the eligible
14 entity shall furnish to the Commission an anal-
15 ysis of how the digital commodity meets the re-
16 quirements of section 5i(c)(3).

17 “(B) RELIANCE ON PRIOR DISCLO-
18 SURES.—In making a certification under this
19 subsection, an eligible entity may rely on the
20 records and disclosures of any relevant person
21 registered with the Securities and Exchange
22 Commission or other State or Federal agency.

23 “(3) MODIFICATIONS.—

1 “(A) IN GENERAL.—An eligible entity shall
2 modify a certification made under paragraph
3 (1) to—

4 “(i) account for significant changes in
5 any information provided to the Commis-
6 sion under paragraph (2)(A)(ii); or

7 “(ii) permit or restrict trading in
8 units of a digital commodity held by a dig-
9 ital commodity related person or a digital
10 commodity affiliated person.

11 “(B) RECERTIFICATION.—Modifications
12 required by this subsection shall be subject to
13 the same disapproval and review process as a
14 new certification under paragraphs (4) and (5).

15 “(4) DISAPPROVAL.—

16 “(A) IN GENERAL.—The written certifi-
17 cation described in paragraph (1) shall become
18 effective unless the Commission finds that the
19 listing of the digital commodity is inconsistent
20 with the requirements of this Act or the rules
21 and regulations prescribed under this Act.

22 “(B) ANALYSIS REQUIRED.—The Commis-
23 sion shall include, with any findings referred to
24 in subparagraph (A), a detailed analysis of the
25 factors on which the decision was based.

1 “(C) PUBLIC FINDINGS.—The Commission
2 shall make public any disapproval decision, and
3 any related findings and analysis, made under
4 this paragraph.

5 “(5) REVIEW.—

6 “(A) IN GENERAL.—Unless the Commis-
7 sion makes a disapproval decision under para-
8 graph (4), the written certification described in
9 paragraph (1) shall become effective, pursuant
10 to the certification by the eligible entity and no-
11 tice of the certification to the public (in a man-
12 ner determined by the Commission) on the date
13 that is—

14 “(i) 20 business days after the date
15 the Commission receives the certification
16 (or such shorter period as determined by
17 the Commission by rule or regulation); in
18 the case of a digital commodity that has
19 not been certified under this section or for
20 which a certification is being modified
21 under paragraph (3); or

22 “(ii) 1 business day after the date the
23 Commission receives the certification (or
24 such shorter period as determined by the
25 Commission by rule or regulation) for any

1 digital commodity that has been certified
2 under this section.

3 “(B) ~~EXTENSIONS.~~—The time for consid-
4 eration under subparagraph (A) may be ex-
5 tended through notice to the eligible entity that
6 there are novel or complex issues that require
7 additional time to analyze; that the explanation
8 by the submitting eligible entity is inadequate;
9 or of a potential inconsistency with this Act—

10 “(i) once, for 30 business days,
11 through written notice to the eligible entity
12 by the Commission; and

13 “(ii) once, for an additional 30 busi-
14 ness days, through written notice to the el-
15 igible entity from the Commission that in-
16 cludes a description of any deficiencies
17 with the certification, including any—

18 “(I) novel or complex issues
19 which require additional time to ana-
20 lyze;

21 “(II) missing information or in-
22 adequate explanations; or

23 “(III) potential inconsistencies
24 with this Act.

1 “(6) PRIOR APPROVAL BEFORE REGISTRA-
2 TION.—

3 “(A) IN GENERAL.—A person applying for
4 registration with the Commission for the pur-
5 poses of listing or offering a digital commodity
6 for trading in a digital commodity cash or spot
7 market may request that the Commission grant
8 prior approval for the person to list or offer the
9 digital commodity on being registered with the
10 Commission.

11 “(B) REQUEST FOR PRIOR APPROVAL.—A
12 person seeking prior approval under subpara-
13 graph (A) shall furnish the Commission with a
14 written certification that the digital commodity
15 meets the requirements of this Act (including
16 the regulations prescribed under this Act) and
17 the information described in paragraph (2).

18 “(C) DEADLINE.—The Commission shall
19 take final action on a request for prior approval
20 not later than 90 business days after submis-
21 sion of the request, unless the person submit-
22 ting the request agrees to an extension of the
23 time limitation established under this subpara-
24 graph.

25 “(D) DISAPPROVAL.—

1 “(i) IN GENERAL.—The Commission
2 shall approve the listing of the digital com-
3 modity unless the Commission finds that
4 the listing is inconsistent with this Act (in-
5 cluding any regulation prescribed under
6 this Act).”

7 “(ii) ANALYSIS REQUIRED.—The
8 Commission shall include, with any find-
9 ings made under clause (i), a detailed anal-
10 ysis of the factors on which the decision is
11 based.

12 “(iii) PUBLIC FINDINGS.—The Com-
13 mission shall make public any disapproval
14 decision, and any related findings and
15 analysis, made under this paragraph.

16 “(7) ELIGIBLE ENTITY DEFINED.—In this sub-
17 section, the term ‘eligible entity’ means a registered
18 entity or group of registered entities acting jointly.”

19 **SEC. 404. REGISTRATION OF DIGITAL COMMODITY EX-**
20 **CHANGES.**

21 The Commodity Exchange Act (7 U.S.C. 1 et seq.)
22 is amended by inserting after section 5h the following:

23 **“SEC. 5I. REGISTRATION OF DIGITAL COMMODITY EX-**
24 **CHANGES.**

25 “(a) IN GENERAL.—

1 “(1) REGISTRATION.—

2 “(A) IN GENERAL.—A trading facility that
3 offers or seeks to offer a cash or spot market
4 in at least 1 digital commodity shall register
5 with the Commission as a digital commodity ex-
6 change.

7 “(B) APPLICATION.—A person desiring to
8 register as a digital commodity exchange shall
9 submit to the Commission an application in
10 such form and containing such information as
11 the Commission may require for the purpose of
12 making the determinations required for ap-
13 proval.

14 “(C) EXEMPTIONS.—A trading facility
15 that offers or seeks to offer a cash or spot mar-
16 ket in at least 1 digital commodity shall not be
17 required to register under this section if the
18 trading facility—

19 “(i) permits no more than a de mini-
20 mis amount of trading activity, as the
21 Commission may determine by rule or reg-
22 ulation, in a digital commodity; or

23 “(ii) serves only customers in a single
24 State, territory, or possession of the
25 United States.

1 ~~“(2) ADDITIONAL REGISTRATIONS.—~~

2 ~~“(A) WITH THE COMMISSION.—In order to~~
 3 ~~foster the development of fair and orderly mar-~~
 4 ~~kets, protect customers, and promote respon-~~
 5 ~~sible innovation, the Commission—~~

6 ~~“(i) shall prescribe rules to exempt an~~
 7 ~~entity registered with the Commission~~
 8 ~~under more than 1 section of this Act from~~
 9 ~~duplicative, conflicting, or unduly burden-~~
 10 ~~some provisions of this Act and the rules~~
 11 ~~under this Act;~~

12 ~~“(ii) shall prescribe rules to address~~
 13 ~~conflicts of interests and activities of the~~
 14 ~~entity; and~~

15 ~~“(iii) may, after an analysis of the~~
 16 ~~risks and benefits, prescribe rules to pro-~~
 17 ~~vide for portfolio margining.~~

18 ~~“(B) WITH A REGISTERED FUTURES ASSO-~~
 19 ~~CIATION.—~~

20 ~~“(i) IN GENERAL.—A registered dig-~~
 21 ~~ital commodity exchange shall become and~~
 22 ~~remain a member of a registered futures~~
 23 ~~association and comply with rules related~~
 24 ~~to such activity, if the registered digital~~
 25 ~~commodity exchange accepts customer~~

1 funds required to be segregated under sub-
2 section (d).

3 “(ii) RULEMAKING REQUIRED.—The
4 Commission shall require any registered
5 futures association with a digital com-
6 modity exchange as a member to provide
7 such rules as may be necessary to further
8 compliance with subsection (d), protect
9 customers, and promote the public interest.

10 “(C) REGISTRATION REQUIRED.—A person
11 required to be registered as a digital commodity
12 exchange under this section shall register with
13 the Commission as such regardless of whether
14 the person is registered with another State or
15 Federal regulator.

16 “(b) TRADING.—

17 “(1) PROHIBITION ON CERTAIN TRADING PRAC-
18 TICES.—

19 “(A) Section 4b shall apply to any agree-
20 ment, contract, or transaction in a digital com-
21 modity as if the agreement, contract, or trans-
22 action were a contract of sale of a commodity
23 for future delivery.

24 “(B) Section 4c shall apply to any agree-
25 ment, contract, or transaction in a digital com-

1 modity as if the agreement, contract, or trans-
2 action were a transaction involving the purchase
3 or sale of a commodity for future delivery.

4 “(C) Section 4b-1 shall apply to any
5 agreement, contract, or transaction in a digital
6 commodity as if the agreement, contract, or
7 transaction were a contract of sale of a com-
8 modity for future delivery.

9 “(2) PROHIBITION ON ACTING AS A
10 COUNTERPARTY.—

11 “(A) IN GENERAL.—A digital commodity
12 exchange or any affiliate of such an exchange
13 shall not trade on or subject to the rules of the
14 digital commodity exchange for its own account.

15 “(B) EXCEPTIONS.—Subject to any condi-
16 tions, requirements, or limitations imposed by
17 the Commission pursuant to subparagraph (C),
18 a digital commodity exchange may engage in
19 trading on the exchange so long as the trading
20 is not solely for the purpose of the profit of the
21 exchange, including the following:

22 “(i) CUSTOMER DIRECTION.—A trans-
23 action for, or entered into at the direction
24 of, or for the benefit of, an unaffiliated
25 customer.

1 “(ii) RISK MANAGEMENT.—A trans-
2 action to manage the credit, market, and
3 liquidity risks associated with the digital
4 commodity business of the exchange.

5 “(iii) OPERATIONAL NEEDS.—A
6 transaction related to the operational
7 needs of the business of the digital com-
8 modity exchange or its affiliate.

9 “(iv) FUNCTIONAL USE.—A trans-
10 action related to the functional operation
11 of a blockchain system.

12 “(C) RULEMAKING.—The Commission
13 may, by rule, establish conditions, requirements,
14 or other limitations on the activities of a digital
15 commodity exchange and its affiliate permitted
16 pursuant to subparagraph (B) that are nec-
17 essary for the protection of customers, the pro-
18 motion of innovation, or the maintenance of
19 fair, orderly, and efficient markets.

20 “(D) NOTICE REQUIREMENT.—In order
21 for a digital commodity exchange or any affil-
22 iate of a digital commodity exchange to engage
23 in trading on the affiliated exchange pursuant
24 to subsection (B), notice must be given to the
25 Commission that shall enumerate how any pro-

1 posed activity is consistent with the exceptions
 2 in subsection (B) and the purposes of this Act.

3 ~~“(e) CORE PRINCIPLES FOR DIGITAL COMMODITY~~
 4 ~~EXCHANGES.—~~

5 ~~“(1) COMPLIANCE WITH CORE PRINCIPLES.—~~

6 ~~“(A) IN GENERAL.—To be registered, and~~
 7 ~~maintain registration, as a digital commodity~~
 8 ~~exchange, a digital commodity exchange shall~~
 9 ~~comply with—~~

10 ~~“(i) the core principles described in~~
 11 ~~this subsection; and~~

12 ~~“(ii) any requirement that the Com-~~
 13 ~~mission may impose by rule or regulation~~
 14 ~~pursuant to section 8a(5).~~

15 ~~“(B) REASONABLE DISCRETION OF A DIG-~~
 16 ~~ITAL COMMODITY EXCHANGE.—Unless other-~~
 17 ~~wise determined by the Commission by rule or~~
 18 ~~regulation, a digital commodity exchange de-~~
 19 ~~scribed in subparagraph (A) shall have reason-~~
 20 ~~able discretion in establishing the manner in~~
 21 ~~which the digital commodity exchange complies~~
 22 ~~with the core principles described in this sub-~~
 23 ~~section.~~

24 ~~“(2) COMPLIANCE WITH RULES.—A digital~~
 25 ~~commodity exchange shall—~~

1 “(A) establish and enforce compliance with
2 any rule of the digital commodity exchange, in-
3 cluding—

4 “(i) the terms and conditions of the
5 trades traded or processed on or through
6 the digital commodity exchange; and

7 “(ii) any limitation on access to the
8 digital commodity exchange;

9 “(B) establish and enforce trading, trade
10 processing, and participation rules that will
11 deter abuses and have the capacity to detect,
12 investigate, and enforce those rules, including
13 means—

14 “(i) to provide market participants
15 with impartial access to the market; and

16 “(ii) to capture information that may
17 be used in establishing whether rule viola-
18 tions have occurred; and

19 “(C) establish rules governing the oper-
20 ation of the exchange, including rules specifying
21 trading procedures to be used in entering and
22 executing orders traded or posted on the facil-
23 ity.

24 “(3) LISTING STANDARDS FOR DIGITAL COM-
25 MODITIES.—

1 “(A) IN GENERAL.—A digital commodity
2 exchange shall establish policies and procedures
3 to permit trading in a digital commodity only
4 if—

5 “(i) reports with respect to the digital
6 commodity required under, as applicable,
7 section 4B(b)(3) or 4B(b)(5)(C) of the Se-
8 curities Act of 1933 (or, with respect to a
9 digital commodity not issued in reliance on
10 section 4(a)(8) of the Securities Act of
11 1933, a comparable set of reports, where
12 required by the Securities and Exchange
13 Commission) have been filed with the Se-
14 curities and Exchange Commission; or

15 “(ii) such other similar information as
16 the Commission may, by rule or regulation
17 require, that is related to the ongoing de-
18 velopment plan of the blockchain system
19 and is able to be publicly ascertained, has
20 been provided to the public.

21 “(B) PUBLIC INFORMATION REQUIRE-
22 MENTS.—

23 “(i) IN GENERAL.—A digital com-
24 modity exchange shall—

1 “(I) permit trading in a digital
2 commodity only if the digital com-
3 modity exchange reasonably deter-
4 mines that the information required
5 by clause (ii) is correct, current, and
6 available to the public; and

7 “(II) establish policies and proce-
8 dures to determine that the informa-
9 tion provided pursuant to clause (ii) is
10 correct, current, and available to the
11 public.

12 “(ii) REQUIRED INFORMATION.—With
13 respect to a digital commodity and each
14 blockchain system to which the digital
15 commodity relates for which the digital
16 commodity exchange will make the digital
17 commodity available to the customers of
18 the digital commodity exchange, the fol-
19 lowing information:

20 “(I) SOURCE CODE.—The source
21 code for any blockchain system to
22 which the digital commodity relates:

23 “(II) TRANSACTION HISTORY.—A
24 description of the steps necessary to
25 independently access, search, and

1 verify the transaction history of any
2 blockchain system to which the digital
3 commodity relates; to the extent any
4 such independent access, search, and
5 verification activities are technically
6 feasible with respect to the blockchain
7 system.

8 “(III) DIGITAL COMMODITY ECO-
9 NOMICS.—A narrative description of
10 the purpose of any blockchain system
11 to which the digital commodity relates
12 and the operation of any such
13 blockchain system, including—

14 “(aa) information explaining
15 the launch and supply process;
16 including the number of digital
17 assets to be issued in an initial
18 allocation; the total number of
19 digital commodities to be created;
20 the release schedule for the dig-
21 ital commodities; and the total
22 number of digital commodities
23 then outstanding;

24 “(bb) information detailing
25 any applicable consensus mecha-

1 nism or process for validating
2 transactions; method of gener-
3 ating or mining digital commod-
4 ities; and any process for burning
5 or destroying digital commodities
6 on the blockchain system;

7 “(cc) an explanation of gov-
8 ernance mechanisms for imple-
9 menting changes to the
10 blockchain system or forming
11 consensus among holders of the
12 digital commodities; and

13 “(dd) sufficient information
14 for a third party to create a tool
15 for verifying the transaction his-
16 tory of the digital asset.

17 “(IV) TRADING VOLUME AND
18 VOLATILITY.—The trading volume
19 and volatility of the digital commodity
20 on the exchange.

21 “(V) ADDITIONAL INFORMA-
22 TION.—Such additional information
23 as the Commission may determine by
24 rule to be necessary for a customer to
25 understand the financial and oper-

1 ational risks of a digital commodity;
2 and to be practically feasible to pro-
3 vide.

4 “(iii) **FORMAT.**—The Commission
5 shall prescribe rules and regulations for
6 the standardization and simplification of
7 disclosures under clause (ii), including re-
8 quiring that disclosures—

9 “(I) be conspicuous;

10 “(II) use plain language com-
11 prehensible to customers;

12 “(III) are not drafted in a way
13 that presumes the customer already
14 has a base knowledge, familiarity, or
15 understanding of the basic termi-
16 nology, operation, and function of
17 blockchain systems; and

18 “(IV) succinctly explain the in-
19 formation that is required to be com-
20 municated to the customer.

21 “(iv) **RELIANCE ON PREVIOUS DIS-**
22 **CLOSURES.**—In complying with this sub-
23 paragraph, a digital commodity exchange
24 may rely on and make available to the pub-
25 lic relevant information publicly disclosed

1 to the Commission, the Securities and Ex-
 2 change Commission, or an appropriate
 3 Federal banking agency.

4 “(C) ~~DIGITAL COMMODITIES HELD BY RE-~~
 5 ~~LATED AND DIGITAL COMMODITY AFFILIATED~~
 6 ~~PERSONS.~~—A digital commodity exchange shall
 7 establish policies and procedures designed to
 8 permit the trading of a unit of a digital com-
 9 modity acquired from the issuer and held by a
 10 digital commodity affiliated person or a digital
 11 commodity related person, only in accordance
 12 with the requirements of section 4C of the Se-
 13 curities Act of 1933.

14 “(4) ~~TREATMENT OF CUSTOMER ASSETS.~~—A
 15 digital commodity exchange shall establish policies
 16 and procedures that are designed to protect and en-
 17 sure the safety of customer money, assets, and prop-
 18 erty.

19 “(5) ~~MONITORING OF TRADING AND TRADE~~
 20 ~~PROCESSING.~~—

21 “(A) ~~IN GENERAL.~~—A digital commodity
 22 exchange shall provide a competitive, open, and
 23 efficient market and mechanism for executing
 24 transactions that protects the price discovery
 25 process of trading on the exchange.

1 “(B) PROTECTION OF MARKETS AND MAR-
2 KET PARTICIPANTS.—A digital commodity ex-
3 change shall establish and enforce rules—

4 “(i) to protect markets and market
5 participants from abusive practices com-
6 mitted by any party, including abusive
7 practices committed by a party acting as
8 an agent for a participant; and

9 “(ii) to promote fair and equitable
10 trading on the exchange.

11 “(C) TRADING PROCEDURES.—A digital
12 commodity exchange shall—

13 “(i) establish and enforce rules or
14 terms and conditions defining, or specifica-
15 tions detailing—

16 “(I) trading procedures to be
17 used in entering and executing orders
18 traded on or through the facilities of
19 the digital commodity exchange; and

20 “(II) procedures for trade proe-
21 cessing of digital commodities on or
22 through the facilities of the digital
23 commodity exchange; and

24 “(ii) monitor trading in digital com-
25 modities to prevent manipulation; price

1 distortion, and disruptions, through sur-
2veillance, compliance, and disciplinary
3practices and procedures, including meth-
4ods for conducting real-time monitoring of
5trading and comprehensive and accurate
6trade reconstructions.

7 “(6) ABILITY TO OBTAIN INFORMATION.—A
8 digital commodity exchange shall—

9 “(A) establish and enforce rules that will
10 allow the facility to obtain any necessary infor-
11mation to perform any of the functions de-
12scribed in this section;

13 “(B) provide the information to the Com-
14mission on request; and

15 “(C) have the capacity to carry out such
16international information-sharing agreements as
17the Commission may require.

18 “(7) EMERGENCY AUTHORITY.—A digital com-
19modity exchange shall adopt rules to provide for the
20exercise of emergency authority, in consultation or
21cooperation with the Commission or a registered en-
22tity, as is necessary and appropriate, including the
23authority to facilitate the liquidation or transfer of
24open positions in any digital commodity or to sus-
25pend or curtail trading in a digital commodity.

1 “(8) ~~TIMELY PUBLICATION OF TRADING INFOR-~~
2 ~~MATION.—~~

3 “(A) ~~IN GENERAL.—~~A digital commodity
4 exchange shall make public timely information
5 on price, trading volume, and other trading
6 data on digital commodities to the extent pre-
7 scribed by the Commission.

8 “(B) ~~CAPACITY OF DIGITAL COMMODITY~~
9 ~~EXCHANGE.—~~A digital commodity exchange
10 shall have the capacity to electronically capture
11 and transmit trade information with respect to
12 transactions executed on the exchange.

13 “(9) ~~RECORDKEEPING AND REPORTING.—~~

14 “(A) ~~IN GENERAL.—~~A digital commodity
15 exchange shall—

16 “(i) maintain records relating to the
17 business of the exchange, including a com-
18 plete audit trail, in a form and manner ac-
19 ceptable to the Commission for a period of
20 5 years;

21 “(ii) report to the Commission, in a
22 form and manner acceptable to the Com-
23 mission, such information as the Commis-
24 sion determines to be necessary or appro-
25 priate for the Commission to perform the

1 duties of the Commission under this Act;
2 and

3 “(iii) keep any such records of digital
4 commodities which relate to a security
5 open to inspection and examination by the
6 Securities and Exchange Commission.

7 “(B) INFORMATION-SHARING.—Subject to
8 section 8, and on request, the Commission shall
9 share information collected under subparagraph
10 (A) with—

11 “(i) the Board;

12 “(ii) the Securities and Exchange
13 Commission;

14 “(iii) each appropriate Federal bank-
15 ing agency;

16 “(iv) each appropriate State bank su-
17 pervisor (within the meaning of section 3
18 of the Federal Deposit Insurance Act);

19 “(v) the Financial Stability Oversight
20 Council;

21 “(vi) the Department of Justice; and

22 “(vii) any other person that the Com-
23 mission determines to be appropriate, in-
24 cluding—

1 “(I) foreign financial supervisors
2 (including foreign futures authorities);

3 “(II) foreign central banks; and

4 “(III) foreign ministries.

5 “(C) CONFIDENTIALITY AGREEMENT.—Be-
6 fore the Commission may share information
7 with any entity described in subparagraph (B),
8 the Commission shall receive a written agree-
9 ment from the entity stating that the entity
10 shall abide by the confidentiality requirements
11 described in section 8 relating to the informa-
12 tion on digital commodities that is provided.

13 “(D) PROVIDING INFORMATION.—A digital
14 commodity exchange shall provide to the Com-
15 mission (including any designee of the Commis-
16 sion) information under subparagraph (A) in
17 such form and at such frequency as is required
18 by the Commission.

19 “(10) ANTITRUST CONSIDERATIONS.—Unless
20 necessary or appropriate to achieve the purposes of
21 this Act, a digital commodity exchange shall not—

22 “(A) adopt any rules or take any actions
23 that result in any unreasonable restraint of
24 trade; or

1 “(B) impose any material anticompetitive
2 burden on trading.

3 “(11) CONFLICTS OF INTEREST.—The digital
4 commodity exchange shall establish and enforce
5 rules—

6 “(A) to minimize conflicts of interest in
7 the decision making processes of the contract
8 market; and

9 “(B) to establish a process for resolving
10 conflicts of interest referred to in subparagraph
11 (A).

12 “(12) FINANCIAL RESOURCES.—

13 “(A) IN GENERAL.—A digital commodity
14 exchange shall have adequate financial, oper-
15 ational, and managerial resources, as deter-
16 mined by the Commission, to discharge each re-
17 sponsibility of the digital commodity exchange.

18 “(B) MINIMUM AMOUNT OF FINANCIAL RE-
19 SOURCES.—A digital commodity exchange shall
20 possess financial resources that, at a minimum,
21 exceed the sum of—

22 “(i) the total amount that would en-
23 able the digital commodity exchange to
24 cover the operating costs of the digital

1 commodity exchange for a 1-year period;
2 as calculated on a rolling basis; and

3 “(ii) the total amount necessary to
4 meet the financial obligations of the digital
5 commodity exchange to all customers of
6 the digital commodity exchange.

7 “(13) DISCIPLINARY PROCEDURES.—A digital
8 commodity exchange shall establish and enforce dis-
9 ciplinary procedures that authorize the digital com-
10modity exchange to discipline, suspend, or expel
11 members or market participants that violate the
12 rules of the digital commodity exchange, or similar
13 methods for performing the same functions, includ-
14 ing delegation of the functions to third parties.

15 “(14) GOVERNANCE FITNESS STANDARDS.—

16 “(A) GOVERNANCE ARRANGEMENTS.—A
17 digital commodity exchange shall establish gov-
18 ernance arrangements that are transparent and
19 designed to permit consideration of the views of
20 market participants.

21 “(B) FITNESS STANDARDS.—A digital
22 commodity exchange shall establish and enforce
23 appropriate fitness standards for—

24 “(i) officers and directors; and

1 “(ii) any individual or entity with di-
2 rect access to, or control of, customer as-
3 sets.

4 “(15) SYSTEM SAFEGUARDS.—A digital com-
5 modity exchange shall—

6 “(A) establish and maintain a program of
7 risk analysis and oversight to identify and mini-
8 mize sources of operational and security risks,
9 through the development of appropriate controls
10 and procedures, and automated systems in ac-
11 cordance with industry standards, that—

12 “(i) are reliable and secure; and

13 “(ii) have adequate scalable capacity;

14 “(B) establish and maintain emergency
15 procedures, backup resources, and a plan for
16 disaster recovery that allow for—

17 “(i) the timely recovery and resump-
18 tion of operations; and

19 “(ii) the fulfillment of the responsibil-
20 ities and obligations of the digital com-
21 modity exchange; and

22 “(C) periodically conduct tests to verify
23 that the backup resources of the digital com-
24 modity exchange are sufficient to ensure contin-
25 ued—

1 “(i) order processing and trade
 2 matching;
 3 “(ii) price reporting;
 4 “(iii) market surveillance; and
 5 “(iv) maintenance of a comprehensive
 6 and accurate audit trail.

7 “(d) HOLDING OF CUSTOMER ASSETS.—

8 “(1) IN GENERAL.—A digital commodity ex-
 9 change shall hold customer money, assets, and prop-
 10 erty in a manner to minimize the risk of loss to the
 11 customer or unreasonable delay in customer access
 12 to the money, assets, and property of the customer.

13 “(2) SEGREGATION OF FUNDS.—

14 “(A) IN GENERAL.—A digital commodity
 15 exchange shall treat and deal with all money,
 16 assets, and property that is received by the dig-
 17 ital commodity exchange, or accrues to a cus-
 18 tomer as the result of trading in digital com-
 19 modities, as belonging to the customer.

20 “(B) COMMINGLING PROHIBITED.—Money,
 21 assets, and property described in subparagraph
 22 (A) shall be separately accounted for and shall
 23 not be commingled with the funds of the digital
 24 commodity exchange or be used to margin, se-
 25 cure, or guarantee any trades or accounts of

any customer or person other than the person
for whom the same are held.

~~“(C) EXCEPTIONS.—~~

~~“(i) USE OF FUNDS.—~~

~~“(I) IN GENERAL.—Notwith-
standing subparagraph (A), money,
assets, and property described in sub-
paragraph (A) may, for convenience,
be commingled and deposited in the
same account or accounts with any
bank, trust company, derivatives
clearing organization, or qualified dig-
ital asset custodian.~~

~~“(II) WITHDRAWAL.—Notwith-
standing subparagraph (A), such
share of the money, assets, and prop-
erty described in subparagraph (A) as
in the normal course of business shall
be necessary to margin, guarantee, se-
cure, transfer, adjust, or settle a con-
tract of sale of a digital commodity
with a registered entity may be with-
drawn and applied to such purposes,
including the payment of commis-
sions, brokerage, interest, taxes, stor-~~

1 age, and other charges, lawfully ac-
2 cruing in connection with the con-
3 tract.

4 “(ii) COMMISSION ACTION.—Notwith-
5 standing subparagraph (A), in accordance
6 with such terms and conditions as the
7 Commission may prescribe by rule, regula-
8 tion, or order, any money, assets, or prop-
9 erty of the customers of a digital com-
10 modity exchange may be commingled and
11 deposited in customer accounts with any
12 other money, assets, or property received
13 by the digital commodity exchange and re-
14 quired by the Commission to be separately
15 accounted for and treated and dealt with
16 as belonging to the customer of the digital
17 commodity exchange.

18 “(3) PERMITTED INVESTMENTS.—Money de-
19 scribed in paragraph (2) may be invested in obliga-
20 tions of the United States, in general obligations of
21 any State or of any political subdivision of a State,
22 and in obligations fully guaranteed as to principal
23 and interest by the United States, or in any other
24 investment that the Commission may by rule or reg-
25 ulation prescribe, and such investments shall be

1 made in accordance with such rules and regulations
2 and subject to such conditions as the Commission
3 may prescribe.

4 “(4) CUSTOMER PROTECTION DURING BANK-
5 RUPTCY.—

6 “(A) CUSTOMER PROPERTY.—All assets
7 held on behalf of a customer by a digital com-
8 modity exchange, and all money, assets, and
9 property of any customer received by a digital
10 commodity exchange for trading or custody, or
11 to facilitate, margin, guarantee, or secure con-
12 tracts of sale of a digital commodity (including
13 money, assets, or property accruing to the cus-
14 tomer as the result of the transactions), shall
15 be considered customer property for purposes of
16 section 761 of title 11, United States Code.

17 “(B) TRANSACTIONS.—A transaction in-
18 volving the sale of a unit of a digital commodity
19 occurring on or subject to the rules of a digital
20 commodity exchange shall be considered a con-
21 tract for the purchase or sale of a commodity
22 for future delivery, on or subject to the rules of,
23 a contract market or board of trade for pur-
24 poses of the definition of ‘commodity contract’
25 in section 761 of title 11, United States Code.

1 “(C) EXCHANGES.—A digital commodity
2 exchange shall be considered a futures commis-
3 sion merchant for purposes of section 761 of
4 title 11, United States Code.

5 “(D) ASSETS REMOVED FROM SEGREGA-
6 TION.—Assets removed from segregation due to
7 a customer election under paragraph (6) shall
8 not be considered customer property for pur-
9 poses of section 761 of title 11, United States
10 Code.

11 “(5) MISUSE OF CUSTOMER PROPERTY.—

12 “(A) IN GENERAL.—It shall be unlawful—

13 “(i) for any digital commodity ex-
14 change that has received any customer
15 money, assets, or property for custody to
16 dispose of, or use any such money, assets,
17 or property as belonging to the digital
18 commodity exchange or any person other
19 than a customer of the digital commodity
20 exchange; or

21 “(ii) for any other person, including
22 any depository, other digital commodity ex-
23 change, or digital asset custodian that has
24 received any customer money, assets, or
25 property for deposit, to hold, dispose of, or

1 use any such money, assets, or property, or
2 property, as belonging to the depositing
3 digital commodity exchange or any person
4 other than the customers of the digital
5 commodity exchange.

6 “(B) USE FURTHER DEFINED.—For pur-
7 poses of this section, ‘use’ of a digital com-
8 modity includes utilizing any unit of a digital
9 asset to participate in a blockchain service de-
10 fined in paragraph (6) or a decentralized gov-
11 ernance system associated with the digital com-
12 modity or the blockchain system to which the
13 digital commodity relates in any manner other
14 than that expressly directed by the customer
15 from whom the unit of a digital commodity was
16 received.

17 “(6) PARTICIPATION IN BLOCKCHAIN SERV-
18 ICES.—

19 “(A) USE OF FUNDS.—A digital com-
20 modity exchange (or a designee of a digital
21 commodity exchange) may use a unit of a dig-
22 ital commodity belonging to a customer to pro-
23 vide a blockchain service for a blockchain sys-
24 tem to which the unit of the digital commodity
25 relates if—

1 “(i) the customer expressly permits
2 the use, in writing to the digital commodity
3 exchange; and

4 “(ii) the digital commodity exchange
5 complies with subparagraph (B).

6 “(B) LIMITATIONS.—

7 “(i) IN GENERAL.—The Commission
8 shall, by rule, establish notice and disclo-
9 sure requirements, and may, by rule, es-
10 tablish any other limitations and rules re-
11 lated to a permission provided under sub-
12 paragraph (A) that are reasonably nec-
13 essary to protect customers, including eligi-
14 ble contract participants, non-eligible con-
15 tract participants, or any other class of
16 customers.

17 “(ii) CUSTOMER CHOICE.—A digital
18 commodity exchange may not require a
19 customer to provide the permission re-
20 ferred to in subparagraph (A) as a condi-
21 tion of doing business on the exchange.

22 “(C) REQUIREMENTS.—The Commission
23 may, by rule, waive or modify the requirements
24 of paragraph (2) or subsection (h), to facilitate
25 the use of a unit of a digital commodity belong-

ing to a customer to provide a blockchain service.

“(D) BLOCKCHAIN SERVICE DEFINED.—In this paragraph, the term ‘blockchain service’ means any activity relating to validating transactions on a blockchain system, providing security for a blockchain system, or other similar activity, including protocol consensus participation activities described in section 2(a)(30)(B) of the Securities Act of 1933, required for the ongoing operation of a blockchain system.

“(e) MARKET ACCESS REQUIREMENTS.—The Commission may, by rule, impose any additional requirements related to the operations and activities of the digital commodity exchange and an affiliated digital commodity broker necessary to protect market participants, promote fair and equitable trading on the digital commodity exchange, and promote responsible innovation.

“(f) DESIGNATION OF CHIEF COMPLIANCE OFFICER.—

“(1) IN GENERAL.—A digital commodity exchange shall designate an individual to serve as a chief compliance officer.

“(2) DUTIES.—The chief compliance officer shall—

1 “(A) report directly to the board or to the
2 senior officer of the exchange;

3 “(B) review compliance with the core prin-
4 ciples in this subsection;

5 “(C) in consultation with the board of the
6 exchange, a body performing a function similar
7 to that of a board, or the senior officer of the
8 exchange, resolve any conflicts of interest that
9 may arise;

10 “(D) establish and administer the policies
11 and procedures required to be established pur-
12 suant to this section;

13 “(E) ensure compliance with this Act and
14 the rules and regulations issued under this Act,
15 including rules prescribed by the Commission
16 pursuant to this section; and

17 “(F) establish procedures for the remedi-
18 ation of noncompliance issues found during
19 compliance office reviews, look backs, internal
20 or external audit findings, self-reported errors,
21 or through validated complaints.

22 “(3) REQUIREMENTS FOR PROCEDURES.—In
23 establishing procedures under paragraph (2)(F), the
24 chief compliance officer shall design the procedures
25 to establish the handling, management response, re-

1 mediation, retesting, and closing of noncompliance
2 issues.

3 ~~“(4) ANNUAL REPORTS.—~~

4 ~~“(A) IN GENERAL.—~~In accordance with
5 rules prescribed by the Commission, the chief
6 compliance officer shall annually prepare and
7 sign a report that contains a description of—

8 ~~“(i) the compliance of the digital com-~~
9 ~~modity exchange with this Act; and~~

10 ~~“(ii) the policies and procedures, in-~~
11 ~~cluding the code of ethics and conflicts of~~
12 ~~interest policies, of the digital commodity~~
13 ~~exchange.~~

14 ~~“(B) REQUIREMENTS.—~~The chief compli-
15 ~~ance officer shall—~~

16 ~~“(i) submit each report described in~~
17 ~~subparagraph (A) with the appropriate fi-~~
18 ~~nancial report of the digital commodity ex-~~
19 ~~change that is required to be submitted to~~
20 ~~the Commission pursuant to this section;~~
21 ~~and~~

22 ~~“(ii) include in the report a certifi-~~
23 ~~cation that, under penalty of law, the re-~~
24 ~~port is accurate and complete.~~

25 ~~“(g) APPOINTMENT OF TRUSTEE.—~~

1 “(1) IN GENERAL.—If a proceeding under sec-
2 tion 5e results in the suspension or revocation of the
3 registration of a digital commodity exchange, or if a
4 digital commodity exchange withdraws from registra-
5 tion, the Commission, on notice to the digital com-
6 modity exchange, may apply to the appropriate
7 United States district court where the digital com-
8 modity exchange is located for the appointment of a
9 trustee.

10 “(2) ASSUMPTION OF JURISDICTION.—If the
11 Commission applies for appointment of a trustee
12 under paragraph (1)—

13 “(A) the court may take exclusive jurisdic-
14 tion over the digital commodity exchange and
15 the records and assets of the digital commodity
16 exchange, wherever located; and

17 “(B) if the court takes jurisdiction under
18 subparagraph (A), the court shall appoint the
19 Commission, or a person designated by the
20 Commission, as trustee with power to take pos-
21 session and continue to operate or terminate
22 the operations of the digital commodity ex-
23 change in an orderly manner for the protection
24 of customers subject to such terms and condi-
25 tions as the court may prescribe.

1 “(h) QUALIFIED DIGITAL ASSET CUSTODIAN.—A
 2 digital commodity exchange shall hold in a qualified digital
 3 asset custodian each unit of a digital asset that is—

4 “(1) the property of a customer of the digital
 5 commodity exchange;

6 “(2) required to be held by the digital com-
 7 modity exchange under subsection (c)(12) of this
 8 section; or

9 “(3) otherwise so required by the Commission
 10 to reasonably protect customers.

11 “(i) EXEMPTIONS.—

12 “(1) IN GENERAL.—In order to promote re-
 13 sponsible innovation and fair competition, or protect
 14 customers, the Commission may (on its own initia-
 15 tive or on application of the digital commodity ex-
 16 change) exempt, either unconditionally or on stated
 17 terms or conditions or for stated periods and either
 18 retroactively or prospectively, or both, a digital com-
 19 modity exchange from the requirements of this Act,
 20 if the Commission determines that—

21 “(A) the exemption would be consistent
 22 with the public interest and the purposes of this
 23 Act; and

24 “(B) the exemption will not have a mate-
 25 rial adverse effect on the ability of the Commis-

1 sion or the digital commodity exchange to dis-
2 charge regulatory or self-regulatory duties
3 under this Act.

4 “(2) FOREIGN EXCHANGES.—The Commission
5 may exempt, conditionally or unconditionally, a dig-
6 ital commodity exchange from registration under
7 this section if the Commission finds that the digital
8 commodity exchange is subject to comparable, com-
9 prehensive supervision and regulation on a consoli-
10 dated basis by the appropriate governmental au-
11 thorities in the home country of the facility.

12 “(j) CUSTOMER DEFINED.—In this section, the term
13 ‘customer’ means any person that maintains an account
14 for the trading of digital commodities directly with a dig-
15 ital commodity exchange (other than a person that is
16 owned or controlled, directly or indirectly, by the digital
17 commodity exchange) for its own behalf or on behalf of
18 any other person.

19 “(k) FEDERAL PREEMPTION.—Notwithstanding any
20 other provision of law, the Commission shall have exclusive
21 jurisdiction over any digital commodity exchange reg-
22 istered under this section with respect to activities and
23 transactions subject to this Act.”.

1 **SEC. 405. QUALIFIED DIGITAL ASSET CUSTODIANS.**

2 The Commodity Exchange Act (7 U.S.C. 1 et seq.);
3 as amended by the preceding provisions of this Act, is
4 amended by inserting after section 5i the following:

5 **“SEC. 5J. QUALIFIED DIGITAL ASSET CUSTODIANS.**

6 “(a) IN GENERAL.—A person is a qualified digital
7 asset custodian for purposes of this Act if the person—

8 “(1) holds digital assets on behalf of a person
9 registered under this Act or a customer of a person
10 registered under this Act; and

11 “(2) is in compliance with subsections (b) and
12 (c).

13 “(b) SUPERVISION REQUIREMENT.—A person is in
14 compliance with this subsection if the person is subject
15 to—

16 “(1) supervision and examination for custody
17 and safekeeping of digital assets by an appropriate
18 Federal banking agency, the National Credit Union
19 Administration, the Commission, or the Securities
20 and Exchange Commission; or

21 “(2) adequate supervision and appropriate reg-
22 ulation for custody and safekeeping of digital assets
23 by—

24 “(A) a State bank supervisor (within the
25 meaning of section 3 of the Federal Deposit In-
26 surance Act);

1 ~~“(B) a State officer, agency, or other enti-~~
2 ~~ty which has primary regulatory authority over~~
3 ~~nondepository State trust companies;~~

4 ~~“(C) a State credit union supervisor, as~~
5 ~~defined under section 6003 of the Anti-Money~~
6 ~~Laundering Act of 2020; or~~

7 ~~“(D) an appropriate foreign governmental~~
8 ~~authority in the home country of such person.~~

9 ~~“(e) OTHER REQUIREMENTS.—A person shall be in~~
10 ~~compliance with this subsection if:~~

11 ~~“(1) NOT OTHERWISE PROHIBITED.—The per-~~
12 ~~son has not been prohibited by its supervisor from~~
13 ~~engaging in an activity with respect to the custody~~
14 ~~and safekeeping of digital assets.~~

15 ~~“(2) INFORMATION SHARING.—~~

16 ~~“(A) IN GENERAL.—The person shares in-~~
17 ~~formation with the Commission on request and~~
18 ~~complies with such requirements for periodic~~
19 ~~sharing of information regarding customer ac-~~
20 ~~counts that the person holds on behalf of an en-~~
21 ~~tity registered with the Commission as the~~
22 ~~Commission determines by rule are reasonably~~
23 ~~necessary to effectuate any of the provisions, or~~
24 ~~to accomplish any of the purposes, of this Act.~~

1 “(B) PROVISION OF INFORMATION.—If the
 2 person is subject to regulation and examination
 3 by an appropriate Federal banking agency, the
 4 person may satisfy any information request de-
 5 scribed in subparagraph (A) by providing the
 6 Commission with a detailed listing, in writing,
 7 of the digital assets of a customer in the cus-
 8 tody of, or use by, the person.

9 ~~“(3) RULEMAKING FOR CFTC ENTITIES.—~~

10 ~~“(A) IN GENERAL.—The Commission shall~~
 11 ~~prescribe rules to permit a person registered~~
 12 ~~with the Commission to be a qualified digital~~
 13 ~~asset custodian in compliance with this section.~~

14 ~~“(B) CONTENT.—In prescribing the rules~~
 15 ~~under subparagraph (A), the Commission shall~~
 16 ~~require a person registered with the Commis-~~
 17 ~~sion to—~~

18 ~~“(i) implement requirement consistent~~
 19 ~~with the requirements in subsection (d)(1);~~

20 ~~“(ii) establish sufficient system safe-~~
 21 ~~guards;~~

22 ~~“(iii) prevent or mitigate conflicts of~~
 23 ~~interest, as appropriate; and~~

1 “(iv) establish separate governance ar-
2 rangements for the custodial function of
3 the entity.

4 “(d) ADEQUATE SUPERVISION AND APPROPRIATE
5 REGULATION.—

6 “(1) IN GENERAL.—For purposes of subsection
7 (b), the terms ‘adequate supervision’ and ‘appro-
8 priate regulation’ mean such minimum standards for
9 supervision and regulation as are reasonably nec-
10 essary to protect the digital assets held by a person
11 registered under this Act, including standards relat-
12 ing to the licensing, examination, and supervisory
13 processes that require the person to, at a min-
14 imum—

15 “(A) receive a review and evaluation of
16 ownership, character and fitness, conflicts of in-
17 terest, business model, financial statements,
18 funding resources, and policies and procedures
19 of the person;

20 “(B) hold capital sufficient for the finan-
21 cial integrity of the person;

22 “(C) protect customer assets;

23 “(D) establish and maintain books and
24 records regarding the business of the person;

1 “(E) submit financial statements and au-
 2 dited financial statements to the applicable su-
 3 pervisor described in subsection (b);

4 “(F) provide disclosures to the applicable
 5 supervisor described in subsection (b) regarding
 6 actions, proceedings, and other items as deter-
 7 mined by the supervisor;

8 “(G) maintain and enforce policies and
 9 procedures for compliance with applicable State
 10 and Federal laws, including those related to
 11 anti-money laundering and cybersecurity;

12 “(H) establish a business continuity plan
 13 to ensure functionality in cases of disruption;
 14 and

15 “(I) establish policies and procedures to re-
 16 solve complaints.

17 “(2) RULEMAKING WITH RESPECT TO DEFINI-
 18 TIONS.—

19 “(A) IN GENERAL.—For purposes of this
 20 section, the Commission may, by rule, further
 21 define the terms ‘adequate supervision’ and ‘ap-
 22 propriate regulation’ as necessary and appro-
 23 priate for the protection of customers, and con-
 24 sistent with the purposes of this Act.

1 “(B) EXISTING DIGITAL ASSET
2 CUSTODIANS.—A trust company operating as a
3 digital asset custodian before the effective date
4 of a rulemaking under subparagraph (A) is
5 deemed subject to adequate supervision and ap-
6 propriate regulation if—

7 “(i) the trust company is expressly
8 permitted by a State bank supervisor to
9 engage in the custody and safekeeping of
10 digital assets;

11 “(ii) the State bank supervisor has es-
12 tablished licensing, examination, and su-
13 pervisory processes that require the trust
14 company to, at a minimum, meet the con-
15 ditions described in subparagraphs (A)
16 through (I) of paragraph (1); and

17 “(iii) the trust company is in good
18 standing with its State bank supervisor.

19 “(C) TRANSITION PERIOD FOR CERTAIN
20 CUSTODIANS.—In implementing the rulemaking
21 under subparagraph (A), the Commission shall
22 provide a transition period of not less than 2
23 years for any trust company that is deemed
24 subject to adequate supervision and appropriate

1 regulation under subparagraph (B) on the ef-
 2 fective date of the rulemaking.

3 ~~“(e) AUTHORITY TO TEMPORARILY SUSPEND STAND-~~
 4 ~~ARDS.—The Commission may, by rule or order, tempo-~~
 5 ~~rarily suspend, in whole or in part, any requirement im-~~
 6 ~~posed under, or any standard referred to in, this section,~~
 7 ~~or any requirement to utilize a qualified digital asset cus-~~
 8 ~~todian, if the Commission determines that the suspension~~
 9 ~~would be consistent with the public interest and the pur-~~
 10 ~~poses of this Act.”.~~

11 **SEC. 406. REGISTRATION AND REGULATION OF DIGITAL**
 12 **COMMODITY BROKERS AND DEALERS.**

13 The Commodity Exchange Act (7 U.S.C. 1 et seq.)
 14 is amended by inserting after section 4t the following:

15 **“SEC. 4U. REGISTRATION AND REGULATION OF DIGITAL**
 16 **COMMODITY BROKERS AND DEALERS.**

17 ~~“(a) REGISTRATION.—~~

18 ~~“(1) REQUIREMENT.—It shall be unlawful for~~
 19 ~~any person to act as a digital commodity broker or~~
 20 ~~digital commodity dealer unless the person is reg-~~
 21 ~~istered as such with the Commission.~~

22 ~~“(2) ADDITIONAL REGISTRATION.—~~

23 ~~“(A) RULES.—In order to foster the devel-~~
 24 ~~opment of fair and orderly markets, protect~~

1 customers, and promote responsible innovation;
 2 the Commission—

3 “(i) shall prescribe rules to exempt an
 4 entity registered with the Commission
 5 under more than 1 section of this Act from
 6 duplicative, conflicting, or unduly burden-
 7 some provisions of this Act and the rules
 8 under this Act;

9 “(ii) shall prescribe rules to address
 10 conflicts of interests and the activities of
 11 the entity; and

12 “(iii) may after an analysis of the
 13 risks and benefits, prescribe rules to pro-
 14 vide for portfolio margining.

15 “(B) WITH MEMBERSHIP IN A REG-
 16 ISTERED FUTURES ASSOCIATION.—Any person
 17 required to be registered as a digital commodity
 18 broker or digital commodity dealer under this
 19 section shall become and remain a member of
 20 a registered futures association.

21 “(b) REQUIREMENTS.—

22 “(1) IN GENERAL.—A person shall register as
 23 a digital commodity broker or digital commodity
 24 dealer by filing a registration application with the
 25 Commission.

1 “(2) CONTENTS.—

2 “(A) IN GENERAL.—The application shall
3 be made in such form and manner as is pre-
4 scribed by the Commission, and shall contain
5 such information as the Commission considers
6 necessary concerning the business in which the
7 applicant is or will be engaged.

8 “(B) CONTINUAL REPORTING.—A person
9 that is registered as a digital commodity broker
10 or digital commodity dealer shall continue to
11 submit to the Commission reports that contain
12 such information pertaining to the business of
13 the person as the Commission may require.

14 “(3) STATUTORY DISQUALIFICATION.—Except
15 to the extent otherwise specifically provided by rule,
16 regulation, or order, it shall be unlawful for a digital
17 commodity broker or digital commodity dealer to
18 permit any person who is associated with a digital
19 commodity broker or a digital commodity dealer and
20 who is subject to a statutory disqualification to ef-
21 fect or be involved in effecting a contract of sale of
22 a digital commodity on behalf of the digital com-
23 modity broker or the digital commodity dealer, re-
24 spectively, if the digital commodity broker or digital
25 commodity dealer, respectively, knew, or in the exer-

1 eise of reasonable care should have known, of the
2 statutory disqualification.

3 ~~“(c) RULEMAKING.—~~

4 ~~“(1) IN GENERAL.—~~The Commission shall pre-
5 scribe such rules applicable to registered digital com-
6 modity brokers and registered digital commodity
7 dealers as are appropriate to carry out this section,
8 including rules in the public interest that limit the
9 activities of digital commodity brokers and digital
10 commodity dealers.

11 ~~“(2) FINANCING AGREEMENTS.—~~

12 ~~“(A) IN GENERAL.—~~The Commission shall
13 prescribe rules and regulations applicable to
14 digital commodity brokers or digital commodity
15 dealers which shall set forth minimum require-
16 ments related to disclosure, recordkeeping, mar-
17 gin financing arrangements, rehypothecation,
18 capital, reporting, business conduct, documenta-
19 tion, and supervision of employees and agents,
20 in connection with—

21 ~~“(i) an agreement described in section~~
22 ~~2(c)(2)(D)(iv); or~~

23 ~~“(ii) any other margined, leveraged,~~
24 ~~or financing arrangement for the purchase~~

1 or sale of a digital commodity with an eli-
2 gible contract participant.

3 “(B) SPECIFIC AUTHORITY.—Except as
4 prohibited in section 2(c)(2)(G)(iii), the Com-
5 mission may also make, promulgate, and en-
6 force such rules and regulations as, in the judg-
7 ment of the Commission, are reasonably nec-
8 essary to effectuate any of the provisions of, or
9 to accomplish any of the purposes of, this Act
10 in connection with an agreement referred to in
11 subparagraph (A) of this paragraph.

12 “(d) CAPITAL REQUIREMENTS.—

13 “(1) IN GENERAL.—Each digital commodity
14 broker and digital commodity dealer shall meet such
15 minimum capital requirements as the Commission
16 may prescribe to address the risks associated with
17 digital commodity trading and to ensure that the
18 digital commodity broker or digital commodity deal-
19 er, respectively, is able, at all times, to—

20 “(A) meet, and continue to meet the obli-
21 gations of such a registrant; and

22 “(B) fulfill obligations to customers or
23 counterparties for any margined, leveraged, or
24 financed transactions.

1 “(2) FUTURES COMMISSION MERCHANTS AND
 2 OTHER DEALERS.—Each futures commission mer-
 3 chant, introducing broker, digital commodity broker,
 4 digital commodity dealer, broker, and dealer shall
 5 maintain sufficient capital to comply with the strict-
 6 er of any applicable capital requirements to which
 7 the futures commission merchant, introducing
 8 broker, digital commodity broker, digital commodity
 9 dealer, broker, or dealer, respectively, is subject
 10 under this Act or the Securities Exchange Act of
 11 1934 (15 U.S.C. 78a et seq.).

12 “(e) REPORTING AND RECORDKEEPING.—Each dig-
 13 ital commodity broker and digital commodity dealer—

14 “(1) shall make such reports as are required by
 15 the Commission by rule or regulation regarding the
 16 transactions, positions, and financial condition of the
 17 digital commodity broker or digital commodity deal-
 18 er, respectively;

19 “(2) shall keep books and records in such form
 20 and manner and for such period as may be pre-
 21 scribed by the Commission by rule or regulation; and

22 “(3) shall keep the books and records open to
 23 inspection and examination by any representative of
 24 the Commission.

25 “(f) DAILY TRADING RECORDS.—

1 “(1) IN GENERAL.—Each digital commodity
2 broker and digital commodity dealer shall maintain
3 daily trading records of the transactions of the dig-
4 ital commodity broker or digital commodity dealer,
5 respectively, and all related records (including re-
6 lated forward or derivatives transactions) and re-
7 corded communications, including electronic mail, in-
8 stant messages, and recordings of telephone calls,
9 for such period as the Commission may require by
10 rule or regulation.

11 “(2) INFORMATION REQUIREMENTS.—The daily
12 trading records shall include such information as the
13 Commission shall require by rule or regulation.

14 “(3) COUNTERPARTY RECORDS.—Each digital
15 commodity broker and digital commodity dealer shall
16 maintain daily trading records for each customer or
17 counterparty in a manner and form that is identifi-
18 able with each digital commodity transaction.

19 “(4) AUDIT TRAIL.—Each digital commodity
20 broker and digital commodity dealer shall maintain
21 a complete audit trail for conducting comprehensive
22 and accurate trade reconstructions.

23 “(g) BUSINESS CONDUCT STANDARDS.—

24 “(1) IN GENERAL.—Each digital commodity
25 broker and digital commodity dealer shall conform

1 with such business conduct standards as the Com-
2 mission, by rule or regulation, prescribes related
3 to—

4 “(A) fraud, manipulation, and other abu-
5 sive practices involving spot or margined, lever-
6 aged, or financed digital commodity trans-
7 actions (including transactions that are offered
8 but not entered into);

9 “(B) diligent supervision of the business of
10 the registered digital commodity broker or dig-
11 ital commodity dealer, respectively; and

12 “(C) such other matters as the Commis-
13 sion deems appropriate.

14 “(2) BUSINESS CONDUCT REQUIREMENTS.—

15 The Commission shall, by rule, prescribe business
16 conduct requirements which—

17 “(A) require disclosure by a registered dig-
18 ital commodity broker and registered digital
19 commodity dealer to any counterparty to the
20 transaction (other than an eligible contract par-
21 ticipant) of—

22 “(i) information about the material
23 risks and characteristics of the digital com-
24 modity; and

1 “(ii) information about the material
2 risks and characteristics of the transaction;

3 “(B) establish a duty for such a digital
4 commodity broker and such a digital commodity
5 dealer to communicate in a fair and balanced
6 manner based on principles of fair dealing and
7 good faith;

8 “(C) establish standards governing digital
9 commodity broker and digital commodity dealer
10 marketing and advertising, including
11 testimonials and endorsements; and

12 “(D) establish such other standards and
13 requirements as the Commission may determine
14 are appropriate for the protection of customers.

15 “(3) PROHIBITION ON FRAUDULENT PRACTICES.—It shall be unlawful for a digital commodity
16 broker or digital commodity dealer to—

17 “(A) employ any device, scheme, or artifice
18 to defraud any customer or counterparty;

19 “(B) engage in any transaction, practice,
20 or course of business that operates as a fraud
21 or deceit on any customer or counterparty; or

22 “(C) engage in any act, practice, or course
23 of business that is fraudulent, deceptive, or ma-
24 nipulative.
25

1 “(h) DUTIES.—

2 “(1) RISK MANAGEMENT PROCEDURES.—Each
3 digital commodity broker and digital commodity
4 dealer shall establish robust and professional risk
5 management systems adequate for managing the
6 day-to-day business of the digital commodity broker
7 or digital commodity dealer, respectively.

8 “(2) DISCLOSURE OF GENERAL INFORMA-
9 TION.—Each digital commodity broker and digital
10 commodity dealer shall disclose to the Commission
11 information concerning—

12 “(A) the terms and conditions of the trans-
13 actions of the digital commodity broker or dig-
14 ital commodity dealer, respectively;

15 “(B) the trading operations, mechanisms,
16 and practices of the digital commodity broker
17 or digital commodity dealer, respectively;

18 “(C) financial integrity protections relating
19 to the activities of the digital commodity broker
20 or digital commodity dealer, respectively; and

21 “(D) other information relevant to trading
22 in digital commodities by the digital commodity
23 broker or digital commodity dealer, respectively.

1 ~~“(3) ABILITY TO OBTAIN INFORMATION.—Each~~
2 digital commodity broker and digital commodity
3 dealer shall—

4 ~~“(A) establish and enforce internal systems~~
5 and procedures to obtain any necessary infor-
6 mation to perform any of the functions de-
7 scribed in this section; and

8 ~~“(B) provide the information to the Com-~~
9 mission, on request.

10 ~~“(4) CONFLICTS OF INTEREST.—Each digital~~
11 commodity broker and digital commodity dealer shall
12 establish, maintain, and enforce written policies and
13 procedures reasonably designed, taking into consid-
14 eration the nature of the business of the person, to
15 mitigate any conflicts of interest in transactions or
16 arrangements with affiliates.

17 ~~“(5) ANTITRUST CONSIDERATIONS.—Unless~~
18 necessary or appropriate to achieve the purposes of
19 this Act, a digital commodity broker or digital com-
20 modity dealer shall not—

21 ~~“(A) adopt any process or take any action~~
22 that results in any unreasonable restraint of
23 trade; or

24 ~~“(B) impose any material anticompetitive~~
25 burden on trading or clearing.

1 “(i) DESIGNATION OF CHIEF COMPLIANCE OFFI-
2 CER.—

3 “(1) IN GENERAL.—Each digital commodity
4 broker and digital commodity dealer shall designate
5 an individual to serve as a chief compliance officer.

6 “(2) DUTIES.—The chief compliance officer
7 shall—

8 “(A) report directly to the board or to the
9 senior officer of the registered digital com-
10 modity broker or registered digital commodity
11 dealer;

12 “(B) review the compliance of the reg-
13 istered digital commodity broker or registered
14 digital commodity dealer with respect to the
15 registered digital commodity broker and reg-
16 istered digital commodity dealer requirements
17 described in this section;

18 “(C) in consultation with the board of di-
19 rectors, a body performing a function similar to
20 the board, or the senior officer of the organiza-
21 tion, resolve any conflicts of interest that may
22 arise;

23 “(D) be responsible for administering each
24 policy and procedure that is required to be es-
25 tablished pursuant to this section;

1 “(E) ensure compliance with this Act (in-
 2 cluding regulations), including each rule pre-
 3 scribed by the Commission under this section;

4 “(F) establish procedures for the remedi-
 5 ation of noncompliance issues identified by the
 6 chief compliance officer through any—

7 “(i) compliance office review;

8 “(ii) look-back;

9 “(iii) internal or external audit find-
 10 ing;

11 “(iv) self-reported error; or

12 “(v) validated complaint; and

13 “(G) establish and follow appropriate pro-
 14 cedures for the handling, management response,
 15 remediation, retesting, and closing of non-
 16 compliance issues.

17 “(3) ANNUAL REPORTS.—

18 “(A) IN GENERAL.—In accordance with
 19 rules prescribed by the Commission, the chief
 20 compliance officer shall annually prepare and
 21 sign a report that contains a description of—

22 “(i) the compliance of the registered
 23 digital commodity broker or registered dig-
 24 ital commodity dealer with this Act (in-
 25 cluding regulations); and

1 “(ii) each policy and procedure of the
 2 registered digital commodity broker or reg-
 3 istered digital commodity dealer followed
 4 by the chief compliance officer (including
 5 the code of ethics and conflict of interest
 6 policies).

7 “(B) REQUIREMENTS.—The chief compli-
 8 ance officer shall ensure that a compliance re-
 9 port under subparagraph (A)—

10 “(i) accompanies each appropriate fi-
 11 nancial report of the registered digital
 12 commodity broker or registered digital
 13 commodity dealer that is required to be
 14 furnished to the Commission pursuant to
 15 this section; and

16 “(ii) includes a certification that,
 17 under penalty of law, the compliance re-
 18 port is accurate and complete.

19 “(j) SEGREGATION OF DIGITAL COMMODITIES.—

20 “(1) HOLDING OF CUSTOMER ASSETS.—

21 “(A) IN GENERAL.—Each digital com-
 22 modity broker and digital commodity dealer
 23 shall hold customer money, assets, and property
 24 in a manner to minimize the risk of loss to the
 25 customer or unreasonable delay in customer ac-

cess to the money, assets, and property of the customer.

~~“(B) QUALIFIED DIGITAL ASSET CUSTODIAN.—~~Each digital commodity broker and digital commodity dealer shall hold in a qualified digital asset custodian each unit of a digital asset that is—

~~“(i) the property of a customer or counterparty of the digital commodity broker or digital commodity dealer, respectively;~~

~~“(ii) required to be held by the digital commodity broker or digital commodity dealer under subsection (c); or~~

~~“(iii) otherwise so required by the Commission to reasonably protect customers or promote the public interest.~~

~~“(2) SEGREGATION OF FUNDS.—~~

~~“(A) IN GENERAL.—~~Each digital commodity broker and digital commodity dealer shall treat and deal with all money, assets, and property that is received by the digital commodity broker or digital commodity dealer, or accrues to a customer as the result of trading

1 in digital commodities, as belonging to the cus-
2 tomer.

3 ~~“(B) COMMINGLING PROHIBITED.—~~

4 ~~“(i) IN GENERAL.—Except as pro-~~
5 ~~vided in clause (ii), each digital commodity~~
6 ~~broker and digital commodity dealer shall~~
7 ~~separately account for money, assets, and~~
8 ~~property of a digital commodity customer,~~
9 ~~and shall not commingle any such money,~~
10 ~~assets, or property with the funds of the~~
11 ~~digital commodity broker or digital com-~~
12 ~~modity dealer, respectively, or use any such~~
13 ~~money, assets, or property to margin, se-~~
14 ~~cure, or guarantee any trades or accounts~~
15 ~~of any customer or person other than the~~
16 ~~person for whom the money, assets, or~~
17 ~~property are held.~~

18 ~~“(ii) EXCEPTIONS.—~~

19 ~~“(I) USE OF FUNDS.—~~

20 ~~“(aa) IN GENERAL.—A dig-~~
21 ~~ital commodity broker or digital~~
22 ~~commodity dealer may, for con-~~
23 ~~venience, commingle and deposit~~
24 ~~in the same account or accounts~~
25 ~~with any bank, trust company,~~

1 derivatives clearing organization;
2 or qualified digital asset custo-
3 dian money, assets, and property
4 of customers.

5 “(bb) WITHDRAWAL.—The
6 share of the money, assets, and
7 property described in item (aa)
8 as in the normal course of busi-
9 ness shall be necessary to mar-
10 gin, guarantee, secure, transfer,
11 adjust, or settle a contract of sale
12 of a digital commodity with a
13 registered entity may be with-
14 drawn and applied to such pur-
15 poses, including the payment of
16 commissions, brokerage, interest,
17 taxes, storage, and other charges,
18 lawfully accruing in connection
19 with the contract.

20 “(H) COMMISSION ACTION.—In
21 accordance with such terms and con-
22 ditions as the Commission may pre-
23 scribe by rule, regulation, or order,
24 any money, assets, or property of the
25 customers of a digital commodity

1 broker or digital commodity dealer
2 may be commingled and deposited in
3 customer accounts with any other
4 money, assets, or property received by
5 the digital commodity broker or dig-
6 ital commodity dealer, respectively,
7 and required by the Commission to be
8 separately accounted for and treated
9 and dealt with as belonging to the
10 customer of the digital commodity
11 broker or digital commodity dealer,
12 respectively.

13 “(3) PERMITTED INVESTMENTS.—Money de-
14 scribed in paragraph (2) may be invested in obliga-
15 tions of the United States, in general obligations of
16 any State or of any political subdivision of a State,
17 in obligations fully guaranteed as to principal and
18 interest by the United States, or in any other invest-
19 ment that the Commission may by rule or regulation
20 allow.

21 “(4) CUSTOMER PROTECTION DURING BANK-
22 RUPTCY.—

23 “(A) CUSTOMER PROPERTY.—All money,
24 assets, or property described in paragraph (2)
25 shall be considered customer property for pur-

poses of section 761 of title 11, United States Code.

“(B) TRANSACTIONS.—A transaction involving a unit of a digital commodity occurring with a digital commodity broker or digital commodity dealer shall be considered a contract for the purchase or sale of a commodity for future delivery, on or subject to the rules of, a contract market or board of trade for purposes of the definition of a ‘commodity contract’ in section 761 of title 11, United States Code.

“(C) BROKERS AND DEALERS.—A digital commodity broker and a digital commodity dealer shall be considered a futures commission merchant for purposes of section 761 of title 11, United States Code.

“(D) ASSETS REMOVED FROM SEGREGATION.—Assets removed from segregation due to a customer election under paragraph (6) shall not be considered customer property for purposes of section 761 of title 11, United States Code.

“(5) MISUSE OF CUSTOMER PROPERTY.—

“(A) IN GENERAL.—It shall be unlawful—

1 “(i) for any digital commodity broker
2 or digital commodity dealer that has re-
3 ceived any customer money, assets, or
4 property for custody to dispose of, or use
5 any such money, assets, or property as be-
6 longing to the digital commodity broker or
7 digital commodity dealer, respectively, or
8 any person other than a customer of the
9 digital commodity broker or digital com-
10 modity dealer, respectively; or

11 “(ii) for any other person, including
12 any depository, digital commodity ex-
13 change, other digital commodity broker,
14 other digital commodity dealer, or digital
15 commodity custodian that has received any
16 customer money, assets, or property for
17 deposit, to hold, dispose of, or use any
18 such money, assets, or property, as belong-
19 ing to the depositing digital commodity
20 broker or digital commodity dealer or any
21 person other than the customers of the
22 digital commodity broker or digital com-
23 modity dealer, respectively.

24 “(B) USE FURTHER DEFINED.—For pur-
25 poses of this section, ‘use’ of a digital com-

1 modity includes utilizing any unit of a digital
2 asset to participate in a blockchain service de-
3 fined in paragraph (6) or a decentralized gov-
4 ernance system associated with the digital com-
5 modity or the blockchain system to which the
6 digital commodity relates in any manner other
7 than that expressly directed by the customer
8 from whom the unit of a digital commodity was
9 received.

10 “(6) PARTICIPATION IN BLOCKCHAIN SERV-
11 ICES.—

12 “(A) USE OF FUNDS.—A digital com-
13 modity broker or digital commodity dealer (or a
14 designee of a digital commodity broker or a dig-
15 ital commodity dealer) may use a unit of a dig-
16 ital commodity belonging to a customer to pro-
17 vide a blockchain service for a blockchain sys-
18 tem to which the unit of the digital commodity
19 relates if—

20 “(i) the customer expressly permits
21 the use, in writing to the digital commodity
22 broker or digital commodity dealer, as the
23 case may be; and

1 “(ii) the digital commodity broker or
2 the digital commodity dealer, as the case
3 may be, complies with subparagraph (B).

4 “(B) LIMITATIONS.—

5 “(i) IN GENERAL.—The Commission
6 shall, by rule, establish notice and disclo-
7 sure requirements, and may, by rule, es-
8 tablish any other limitations and rules re-
9 lated to a permission provided under sub-
10 paragraph (A) that are reasonably nec-
11 essary to protect customers, including eligi-
12 ble contract participants, non-eligible con-
13 tract participants, or any other class of
14 customers.

15 “(ii) CUSTOMER CHOICE.—A digital
16 commodity broker or digital commodity
17 dealer may not require a customer to pro-
18 vide the permission referred to in subpara-
19 graph (A) as a condition of doing business
20 with the broker or dealer.

21 “(C) REQUIREMENTS.—The Commission
22 may, by rule, waive or modify the requirements
23 of paragraph (2) or subsection (h), to facilitate
24 the use of a unit of a digital commodity belong-

ing to a customer to provide a blockchain service.

~~“(D) BLOCKCHAIN SERVICE DEFINED.—In this paragraph, the term ‘blockchain service’ means any activity relating to validating transactions on a blockchain system, providing security for a blockchain system, or other similar activity, including protocol consensus participation activities described in section 2(a)(30)(B) of the Securities Act of 1933, required for the ongoing operation of a blockchain system.~~

~~“(k) FEDERAL PREEMPTION.—Notwithstanding any other provision of law, the Commission shall have exclusive jurisdiction over any digital commodity broker or digital commodity dealer registered under this section with respect to activities subject to this Act.~~

~~“(l) EXEMPTIONS.—In order to promote responsible innovation and fair competition, or protect customers, the Commission may (on its own initiative or on application of the digital commodity broker or digital commodity dealer) exempt, unconditionally or on stated terms or conditions, or for stated periods, and retroactively or prospectively, or both, a digital commodity broker or digital commodity dealer from the requirements of this Act, if the Commission determines that—~~

1 “(1)(A) the exemption would be consistent with
2 the public interest and the purposes of this Act; and

3 “(B) the exemption will not have a material ad-
4 verse effect on the ability of the Commission to dis-
5 charge regulatory duties under this Act; or

6 “(2) the digital commodity broker or digital
7 commodity dealer is subject to comparable, com-
8 prehensive supervision and regulation by the appro-
9 priate government authorities in the home country
10 of the digital commodity broker or digital commodity
11 dealer, respectively.”.

12 **SEC. 407. REGISTRATION OF ASSOCIATED PERSONS.**

13 (a) IN GENERAL.—Section 4k of the Commodity Ex-
14 change Act (7 U.S.C. 6k) is amended—

15 (1) by redesignating subsections (4) through
16 (6) as subsections (5) through (7), respectively;

17 (2) by inserting after subsection (3) the fol-
18 lowing:

19 “(4) It shall be unlawful for any person to act as an
20 associated person of a digital commodity broker or an as-
21 sociated person of a digital commodity dealer unless the
22 person is registered with the Commission under this Act
23 and such registration shall not have expired, been sus-
24 pended (and the period of suspension has not expired),
25 or been revoked. It shall be unlawful for a digital com-

1 modity broker or a digital commodity dealer to permit
 2 such a person to become or remain associated with the
 3 digital commodity broker or digital commodity dealer if
 4 the digital commodity broker or digital commodity dealer
 5 knew or should have known that the person was not so
 6 registered or that the registration had expired, been sus-
 7 pended (and the period of suspension has not expired),
 8 or been revoked.”; and

9 (3) in subsection (5) (as so redesignated), by
 10 striking “or of a commodity trading advisor” and in-
 11 serting “of a commodity trading advisor, of a digital
 12 commodity broker, or of a digital commodity deal-
 13 er”.

14 (b) CONFORMING AMENDMENTS.—The Commodity
 15 Exchange Act (7 U.S.C. 1a et seq.) is amended by striking
 16 “section 4k(6)” each place it appears and inserting “sec-
 17 tion 4k(7)”.

18 **SEC. 408. REGISTRATION OF COMMODITY POOL OPERA-**
 19 **TORS AND COMMODITY TRADING ADVISORS.**

20 (a) IN GENERAL.—Section 4m(3) of the Commodity
 21 Exchange Act (7 U.S.C. 6m(3)) is amended—

22 (1) in subparagraph (A)—

23 (A) by striking “any commodity trading
 24 advisor” and inserting “a commodity pool oper-
 25 ator or commodity trading advisor”; and

“(4) EXEMPTIVE AUTHORITY.—The Commission shall promulgate rules to provide appropriate exemptions for commodity pool operators and commodity trading advisors, to provide relief from duplicative, conflicting, or unduly burdensome requirements or to promote responsible innovation, to the extent the exemptions foster the development of fair and orderly cash or spot digital commodity markets, are necessary or appropriate in the public interest, and are consistent with the protection of customers.”.

21 The Commodity Exchange Act (7 U.S.C. 1 et seq.),
22 as amended by the preceding provisions of this Act, is
23 amended by inserting after section 4a the following:

1 **“SEC. 4V. DECENTRALIZED FINANCE ACTIVITIES NOT SUB-**
2 **JECT TO THIS ACT.**

3 “(a) IN GENERAL.—Notwithstanding any other pro-
4 vision of this Act, a person shall not be subject to this
5 Act and the regulations promulgated under this Act based
6 on the person directly or indirectly engaging in any of the
7 following activities, whether singly or in combination, in
8 relation to the operation of a blockchain system or in rela-
9 tion to decentralized finance trading protocol:

10 “(1) Compiling network transactions or relay-
11 ing; searching; sequencing; validating; or acting in a
12 similar capacity.

13 “(2) Providing computational work, operating a
14 node or oracle service, or procuring; offering; or uti-
15 lizing network bandwidth, or other similar incidental
16 services.

17 “(3) Providing a user-interface that enables a
18 user to read; and access data about a blockchain
19 system.

20 “(4) Developing; publishing; or otherwise dis-
21 tributing a blockchain system or a decentralized fi-
22 nance messaging system.

23 “(5) Constituting; administering; or maintain-
24 ing a decentralized finance messaging system or de-
25 centralized finance trading protocol; or operating or
26 participating in a liquidity pool with respect thereto;

1 for the purpose of executing a spot transaction for
 2 the purchase or sale of a digital commodity.

3 ~~“(6) Developing, publishing, constituting, ad-~~
 4 ~~ministering, maintaining, or otherwise distributing~~
 5 ~~software or systems that create or deploy hardware~~
 6 ~~or software, including wallets or other systems, fa-~~
 7 ~~cilitating an individual user’s own personal ability to~~
 8 ~~keep, safeguard, or custody the user’s digital assets~~
 9 ~~or related private keys.~~

10 ~~“(b) EXCEPTIONS.—Subsection (a) shall not be inter-~~
 11 ~~preted to apply to the anti-fraud, anti-manipulation, or~~
 12 ~~false reporting enforcement authorities of the Commis-~~
 13 ~~sion.”.~~

14 **SEC. 410. RESOURCES FOR IMPLEMENTATION AND EN-**
 15 **FORCEMENT.**

16 (a) COLLECTION OF FEES.—

17 (1) IN GENERAL.—The Commodity Futures
 18 Trading Commission (in this section referred to as
 19 the “Commission”) shall charge and collect a fee
 20 from each person in provisional status registered
 21 with the Commission pursuant to section 106, on—

22 (A) the filing of the initial application for
 23 registration; and

24 (B) an annual basis thereafter for main-
 25 taining provisional status.

1 (2) AMOUNT.—The fees authorized under para-
2 graph (1) may be collected and available for obliga-
3 tion only in the amounts provided in advance in an
4 appropriation Act.

5 (3) AUTHORITY TO ADJUST FEES.—Notwith-
6 standing the preceding provisions of this subsection,
7 to promote fair competition or innovation, the Com-
8 mission, in its sole discretion, may reduce or elimi-
9 nate any fee otherwise required to be paid by a small
10 or medium filer under this subsection.

11 (b) FEE SCHEDULE.—

12 (1) IN GENERAL.—The Commission shall pub-
13 lish in the Federal Register a schedule of the fees
14 to be charged and collected under this section.

15 (2) CONTENT.—The fee schedule for a fiscal
16 year shall include a written analysis of the estimate
17 of the Commission of the total costs of carrying out
18 the functions of the Commission under this Act dur-
19 ing the fiscal year.

20 (3) SUBMISSION TO CONGRESS.—Before pub-
21 lishing the fee schedule for a fiscal year, the Com-
22 mission shall submit a copy of the fee schedule to
23 the Committees on Agriculture and on Appropria-
24 tions of the House of Representatives and the Com-

mittees on Agriculture, Nutrition, and Forestry and
on Appropriations of the Senate.

(4) TIMING.—

(A) 1ST FISCAL YEAR.—The Commission
shall publish the fee schedule for the fiscal year
in which this Act is enacted, within 30 days
after the date of the enactment of this Act.

(B) SUBSEQUENT FISCAL YEARS.—The
Commission shall publish the fee schedule for
each subsequent fiscal year, not less than 90
days before the due date prescribed by the
Commission for payment of the annual fee for
the fiscal year.

(c) LATE PAYMENT PENALTY.—

(1) IN GENERAL.—The Commission may im-
pose a penalty against a person that fails to pay an
annual fee charged under this section, within 30
days after the due date prescribed by the Commis-
sion for payment of the fee.

(2) AMOUNT.—The amount of the penalty shall
be—

(A) 5 percent of the amount of the fee due,
multiplied by

1 ~~(B) the whole number of consecutive 30-~~
2 ~~day periods that have elapsed since the due~~
3 ~~date.~~

4 ~~(d) REIMBURSEMENT OF EXCESS FEES.—To the ex-~~
5 ~~tent that the total amount of fees collected under this sec-~~
6 ~~tion during a fiscal year that begins after the date of the~~
7 ~~enactment of this Act exceeds the amount provided under~~
8 ~~subsection (a)(2) with respect to the fiscal year, the Com-~~
9 ~~mission shall reimburse the excess amount to the persons~~
10 ~~who have timely paid their annual fees, on a pro-rata basis~~
11 ~~that excludes penalties, and shall do so within 60 days~~
12 ~~after the end of the fiscal year.~~

13 ~~(e) DEPOSIT OF FEES INTO THE TREASURY.—All~~
14 ~~amounts collected under this section shall be credited to~~
15 ~~the currently applicable appropriation, account, or fund of~~
16 ~~the Commission as discretionary offsetting collections, and~~
17 ~~shall be available for the purposes authorized in subsection~~
18 ~~(f) only to the extent and in the amounts provided in ad-~~
19 ~~vance in appropriations Acts.~~

20 ~~(f) AUTHORIZATION OF APPROPRIATIONS.—In addi-~~
21 ~~tion to amounts otherwise authorized to be appropriated~~
22 ~~to the Commission, there is authorized to be appropriated~~
23 ~~to the Commission amounts collected under this section~~
24 ~~to cover the costs of carrying out the functions of the~~
25 ~~Commission under this Act.~~

1 ~~(g) EXPEDITED HIRING AUTHORITY.—~~

2 ~~(1) APPOINTMENT AUTHORITY.—~~The Chair-
3 man, pursuant to section 6(a), may appoint individ-
4 uals to a position described in paragraph (2) of this
5 subsection—

6 ~~(A) in accordance with the statutes, rules,~~
7 and regulations governing appointments to posi-
8 tions in the excepted service (as defined in sec-
9 tion 2103 of title 5, United States Code); and

10 ~~(B) without regard to any statute, rule, or~~
11 regulation governing appointments to positions
12 in the competitive service (as defined in section
13 2102 of such title).

14 ~~(2) POSITION DESCRIBED.—~~A position referred
15 to in subparagraph (1) is a position at the Commis-
16 sion that—

17 ~~(A) is in the competitive service (as defined~~
18 in section 2102 of such title); and

19 ~~(B) requires specialized knowledge of dig-~~
20 ital commodities markets, financial and capital
21 market formation or regulation, financial mar-
22 ket structures or surveillance, data collection or
23 analysis, or information technology, cybersecu-
24 rity, or system safeguards.

1 ~~(3) RULE OF CONSTRUCTION.—~~The appoint-
 2 ment of a candidate to a position under this sub-
 3 section shall not be considered to cause the position
 4 to be converted from the competitive service to the
 5 excepted service.

6 ~~(h) SUNSET.—~~The authorities provided by this sec-
 7 tion shall expire at the end of the 4th fiscal year that be-
 8 gins after the date of the enactment of this Act.

9 **SEC. 411. REQUIREMENTS RELATED TO CONTROL PER-**
 10 **SONS.**

11 The Commodity Exchange Act (7 U.S.C. 1 et seq.),
 12 as amended the preceding provisions of this Act, is amend-
 13 ed by inserting after section 4v the following:

14 **“SEC. 4W. LIMITATION ON TRANSACTIONS BY BLOCKCHAIN**
 15 **CONTROL PERSONS.**

16 ~~“(a) LIMITATION.—~~It shall be unlawful for a
 17 blockchain control person with respect to a blockchain sys-
 18 tem certified as a mature blockchain system in accordance
 19 with section 42 of the Securities Exchange Act of 1934
 20 to sell a unit of a digital commodity related to the
 21 blockchain system unless the person files notice with the
 22 Commission, in a form and manner determined by the
 23 Commission, that the person has or intends to obtain an
 24 authority described in subsection ~~(b)(1)~~ with respect to the

1 blockchain system; and complies with rules adopted by the
2 Commission that require—

3 “(1) disclosure of information to the Commis-
4 sion and the public about the material activities; as
5 determined by the Commission; of the blockchain
6 control person; and

7 “(2)(A) the use of a digital commodity broker
8 to effect the sale; or

9 “(B) such other sales restrictions applicable to
10 the blockchain control person; or any affiliated
11 blockchain control person; to prevent manipulation
12 and distortion of the value of the digital commodity
13 and promote further maturity of the blockchain sys-
14 tem to which the digital commodity relates.

15 “(b) DEFINITIONS.—In this section:

16 “(1) BLOCKCHAIN CONTROL PERSON.—The
17 term ‘blockchain control person’ means; with respect
18 to a blockchain system; any person or group of per-
19 sons under common control; other than a decentral-
20 ized governance system; who—

21 “(A) has the unilateral authority; directly
22 or indirectly; through any contract; arrange-
23 ment; understanding; relationship; or otherwise;
24 to control or materially alter the functionality;
25 operation; or rules of consensus or agreement of

1 the blockchain system or its related digital com-
2 modity; or

3 “(B) has the unilateral authority to direct
4 the voting, in the aggregate, of 20 percent or
5 more of the outstanding voting power of the
6 blockchain system by means of a related digital
7 commodity; nodes or validators; a decentralized
8 governance system; or otherwise, in a
9 blockchain system which can be altered by a
10 voting system.

11 “(2) AFFILIATED BLOCKCHAIN CONTROL PER-
12 SON.—The term ‘affiliated blockchain control per-
13 son’ means any person directly or indirectly control-
14 ling; controlled by; or under common control with a
15 blockchain control person; as the Commission by
16 rule or regulation, may determine will effectuate the
17 purposes of this section.”.

18 **SEC. 412. OTHER TRADABLE ASSETS.**

19 The Commodity Exchange Act (7 U.S.C. 1 et seq.);
20 as amended by the preceding provisions of this Act, is
21 amended—

22 (1) by inserting after section 4w the following:

1 **“SEC. 4X. TRADING REQUIREMENTS FOR OTHER TRADABLE**
 2 **ASSETS.**

3 “(a) **LIMITATION.**—A contract of sale of a tradable
 4 asset shall not be offered, solicited, traded, facilitated, exe-
 5 cuted, cleared, reported, or otherwise dealt in, on or sub-
 6 ject to the rules of a registered entity, or by any other
 7 entity registered with the Commission, except in accord-
 8 ance with subsection (b).

9 “(b) **REQUIREMENTS.**—

10 “(1) **TREATMENT OF TRADABLE ASSETS.**—A
 11 contract of sale of a tradable asset that is offered,
 12 solicited, traded, facilitated, executed, cleared, re-
 13 ported, or otherwise dealt in on or subject to the
 14 rules of a registered entity, or by any other entity
 15 registered with the Commission, shall be treated as
 16 a digital commodity for purposes of this Act.

17 “(2) **ADDITIONAL RULEMAKING AUTHORITY.**—

18 In addition to the other requirements of this Act,
 19 the Commission may, by rule or regulation, impose
 20 additional obligations on any person registered
 21 under this Act offering, soliciting, trading, facili-
 22 tating, executing, clearing, reporting, or otherwise
 23 dealing in a contract of sale of a tradable asset, or
 24 class thereof, pursuant to paragraph (1) as are nec-
 25 essary for the protection of customers, the pro-
 26 motion of innovation, and the maintenance of fair,

1 orderly, and efficient markets, including additional
 2 obligations related to—

3 “(A) disclosure;

4 “(B) recordkeeping;

5 “(C) capital;

6 “(D) reporting;

7 “(E) business conduct;

8 “(F) documentation;

9 “(G) supervision of employees; and

10 “(H) segregation.

11 “(c) **TRADABLE ASSET DEFINED.**—In this section,
 12 the term ‘tradable asset’ means a digital asset other
 13 than—

14 “(1) a digital commodity that is treated as such
 15 other than by reason of subsection (b)(1) of this sec-
 16 tion; or

17 “(2) a digital asset excluded from the definition
 18 of digital commodity pursuant to subclause (I)
 19 through (VII) of section 1a(16)(F)(iii).”;

20 (2) by inserting after section 6d the following:

21 **“SEC. 6E. PROHIBITION ON TRADING CERTAIN DIGITAL AS-**
 22 **SETS.**

23 “(a) **IN GENERAL.**—A contract of sale of a digital
 24 commodity or tradable asset (as defined in section 4x)
 25 shall not be offered, solicited, traded, facilitated, executed,

1 cleared, reported, or otherwise dealt in on or subject to
 2 the rules of a registered entity, or by any other entity reg-
 3 istered with the Commission, if the primary purpose of
 4 the digital commodity or tradable asset is to be used to—

5 “(1) commit fraud or market manipulation;

6 “(2) further a scheme found in a final action by
 7 a court of competent jurisdiction to be in violation
 8 of campaign finance or government ethics laws; or

9 “(3) engage in any other conduct that would re-
 10 sult in abusive practices or be disruptive to market
 11 integrity.

12 “(b) GUIDANCE ON FRAUDULENT, MANIPULATIVE,
 13 OR DISRUPTIVE TRADABLE ASSETS.—The Commission
 14 may, after public notice and comment, issue guidance es-
 15 tablishing criteria for determining if the primary purpose
 16 of a digital commodity or tradable asset (as so defined)
 17 is to be used to commit fraud or market manipulation,
 18 or engage in any other conduct that would result in abu-
 19 sive practices or be disruptive to market integrity.”

20 **SEC. 413. CONFLICT OF INTEREST RULEMAKING.**

21 Not later than 360 days after the date of the enact-
 22 ment of this Act, the Commodity Futures Trading Com-
 23 mission shall issue rules establishing requirements for the
 24 identification, mitigation, and resolution of conflicts of in-
 25 terest among and across registered entities (within the

1 meaning of the Commodity Exchange Act) and persons
 2 required to be registered with the Commission, including
 3 conflicts of interest related to vertically integrated market
 4 structures and their varying responsibilities.

5 **SEC. 414. EFFECTIVE DATE.**

6 Unless otherwise provided in this title, this title and
 7 the amendments made by this title shall take effect 270
 8 days after the date of the enactment of this Act.

9 **SEC. 415. SENSE OF CONGRESS.**

10 It is the sense of Congress that nothing in this Act
 11 or any amendment made by this Act should be interpreted
 12 to authorize any entity to regulate any commodity, other
 13 than a digital commodity, on any spot market.

14 **TITLE V—INNOVATION AND**
 15 **TECHNOLOGY IMPROVEMENTS**

16 **SEC. 501. FINDINGS; SENSE OF CONGRESS.**

17 (a) FINDINGS.—Congress finds the following:

18 (1) Entrepreneurs and innovators are building
 19 and deploying this next generation of the internet.

20 (2) Digital commodity networks represent a
 21 new way for people to join together and cooperate
 22 with one another to undertake certain activities.

23 (3) Digital commodities have the potential to be
 24 the foundational building blocks of these systems,
 25 aligning the economic incentive for individuals to co-

1 operate with one another to achieve a common pur-
2 pose.

3 (4) The digital commodity ecosystem has the
4 potential to grow our economy and improve everyday
5 lives of Americans by facilitating collaboration
6 through the use of technology to manage activities,
7 allocate resources, and facilitate decision making.

8 (5) Blockchain systems and the digital commod-
9 ities they empower provide control, enhance trans-
10 parency, reduce transaction costs, and increase effi-
11 ciency if proper protections are put in place for in-
12 vestors, consumers, our financial system, and our
13 national security.

14 (6) Blockchain technology facilitates new types
15 of network participation which businesses in the
16 United States may utilize in innovative ways.

17 (7) Other digital commodity companies are set-
18 ting up their operations outside of the United
19 States, where countries are establishing frameworks
20 to embrace the potential of blockchain technology
21 and digital commodities and provide safeguards for
22 consumers.

23 (8) Digital commodities, despite the purported
24 anonymity, provide law enforcement with an excep-

1 tional tracing tool to identify illicit activity and bring
2 criminals to justice.

3 (9) The Financial Services Committee of the
4 House of Representatives has held multiple hearings
5 highlighting various risks that digital commodities
6 can pose to the financial markets, consumers, and
7 investors that must be addressed as we seek to har-
8 ness the benefits of these innovations.

9 (b) SENSE OF CONGRESS.—It is the sense of Con-
10 gress that—

11 (1) the United States should seek to prioritize
12 understanding the potential opportunities of the next
13 generation of the internet;

14 (2) the United States should seek to foster ad-
15 vances in technology that have robust evidence indi-
16 cating they can improve our financial system and
17 create more fair and equitable access to financial
18 services for everyday Americans while protecting our
19 financial system, investors, and consumers;

20 (3) the United States must support the respon-
21 sible development of digital commodities and the un-
22 derlying technology in the United States or risk the
23 shifting of the development of such assets and tech-
24 nology outside of the United States, to less regulated
25 countries;

1 (4) Congress should consult with public and
 2 private sector stakeholders to understand how to
 3 enact a functional framework tailored to the specific
 4 risks and unique benefits of different digital com-
 5 modity-related activities, distributed ledger tech-
 6 nology, distributed networks, and mature blockchain
 7 systems;

8 (5) Congress should enact a functional frame-
 9 work tailored to the specific risks of different digital
 10 commodity-related activities and unique benefits of
 11 distributed ledger technology, distributed networks,
 12 and mature blockchain systems; and

13 (6) consumers and market participants will ben-
 14 efit from a framework for digital commodities con-
 15 sistent with longstanding investor protections in se-
 16 curities and commodities markets, yet tailored to the
 17 unique benefits and risks of the digital commodity
 18 ecosystem.

19 **SEC. 502. STRATEGIC HUB FOR INNOVATION AND FINAN-**
 20 **CIAL TECHNOLOGY.**

21 Section 4 of the Securities Exchange Act of 1934 (15
 22 U.S.C. 78d) is amended by adding at the end the fol-
 23 lowing:

24 “(k) STRATEGIC HUB FOR INNOVATION AND FINAN-
 25 CIAL TECHNOLOGY.—

1 “(1) ESTABLISHMENT.—Not later than 180
2 days after the date of the enactment of this sub-
3 section, the Securities and Exchange Commission
4 shall establish a committee to be known as the Stra-
5 tegic Hub for Innovation and Financial Technology
6 (referred to in this subsection as the ‘FinHub’) to
7 support engagement on emerging technologies in the
8 financial sector.

9 “(2) MEMBERS.—The composition of FinHub
10 shall be determined by the Commission, drawing
11 from relevant divisions as appropriate, including the
12 Division of Trading and Markets, Division of Cor-
13 porate Finance, and Division of Investment Manage-
14 ment.

15 “(3) RESPONSIBILITIES.—FinHub shall—

16 “(A) serve as a resource for the Commis-
17 sion on emerging financial technology advance-
18 ments;

19 “(B) engage with market participants
20 working on emerging financial technologies; and

21 “(C) facilitate communication between the
22 Commission and businesses working in emerg-
23 ing financial technology fields with information
24 on the Commission, its rules, and regulations.

25 “(4) REPORT TO THE COMMISSION.—

1 “(A) ~~IN GENERAL.~~—Not later than Octo-
 2 ber 31 of each year after 2025, FinHub shall
 3 provide an annual summary of its engagement
 4 activities to the Commission, which shall be in-
 5 cluded in the Commission’s annual report to
 6 Congress.

7 “(B) ~~CONFIDENTIALITY.~~—Each report
 8 submitted under this paragraph shall not con-
 9 tain confidential information.”.

10 **SEC. 503. CODIFICATION OF LABCFTC.**

11 (a) ~~IN GENERAL.~~—Section 18 of the Commodity Ex-
 12 change Act (7 U.S.C. 22) is amended by adding at the
 13 end the following:

14 “(e) ~~LABCFTC.~~—

15 “(1) ~~ESTABLISHMENT.~~—There is established in
 16 the Commission ~~LabCFTC.~~

17 “(2) ~~PURPOSE.~~—The purposes of ~~LabCFTC~~
 18 are to—

19 “(A) promote responsible financial tech-
 20 nology innovation and fair competition for the
 21 benefit of the American public;

22 “(B) serve as an information platform to
 23 inform the Commission about new financial
 24 technology innovation; and

1 “(C) provide outreach to financial tech-
2 nology innovators to discuss their innovations
3 and the regulatory framework established by
4 this Act and the regulations promulgated there-
5 under.

6 “(3) DIRECTOR.—LabCFTC shall have a Direc-
7 tor, who shall be appointed by the Commission and
8 serve at the pleasure of the Commission. Notwith-
9 standing section 2(a)(6)(A), the Director shall re-
10 port directly to the Commission and perform such
11 functions and duties as the Commission may pre-
12 scribe.

13 “(4) DUTIES.—LabCFTC shall—

14 “(A) advise the Commission with respect
15 to rulemakings or other agency or staff action
16 regarding financial technology;

17 “(B) provide internal education and train-
18 ing to the Commission regarding financial tech-
19 nology;

20 “(C) advise the Commission regarding fi-
21 nancial technology that would bolster the Com-
22 mission’s oversight functions;

23 “(D) engage with academia, students, and
24 professionals on financial technology issues;

1 ideas, and technology relevant to activities
2 under this Act;

3 “(E) provide persons working in emerging
4 technology fields with information on the Com-
5 mission, its rules and regulations, and the role
6 of a registered futures association; and

7 “(F) encourage persons working in emerg-
8 ing technology fields to engage with the Com-
9 mission and obtain feedback from the Commis-
10 sion on potential regulatory issues.

11 “(5) REPORT TO CONGRESS.—

12 “(A) IN GENERAL.—Not later than Octo-
13 ber 31 of each year after 2025, LabCFTC shall
14 submit to the Committee on Agriculture of the
15 House of Representatives and the Committee
16 on Agriculture, Nutrition, and Forestry of the
17 Senate a report on its activities.

18 “(B) CONTENTS.—Each report required
19 under paragraph (1) shall include—

20 “(i) the total number of persons that
21 met with LabCFTC;

22 “(ii) a summary of general issues dis-
23 cussed during meetings with the person;

24 “(iii) information on steps LabCFTC
25 has taken to improve Commission services;

1 including responsiveness to the concerns of
2 persons;

3 “(iv) recommendations made to the
4 Commission with respect to the regula-
5 tions, guidance, and orders of the Commis-
6 sion and such legislative actions as may be
7 appropriate; and

8 “(v) any other information determined
9 appropriate by the Director of LabCFTC.

10 “(C) CONFIDENTIALITY.—A report under
11 paragraph (A) shall abide by the confidentiality
12 requirements in section 8.

13 “(6) RECORDS AND ENGAGEMENT.—The Com-
14 mission shall—

15 “(A) maintain systems of records to track
16 engagements with the public through
17 LabCFTC;

18 “(B) store communications and materials
19 received in connection with any such engage-
20 ment in accordance with Commission policies
21 and procedures on data retention and confiden-
22 tiality; and

23 “(C) take reasonable steps to protect any
24 confidential or proprietary information received
25 through LabCFTC engagement.”.

1 (b) CONFORMING AMENDMENTS.—Section
 2 2(a)(6)(A) of such Act (~~7 U.S.C. 2(a)(6)(A)~~) is amend-
 3 ed—

4 (1) by striking “paragraph and in” and insert-
 5 ing “paragraph,”; and

6 (2) by inserting “and section 18(e)(3),” before
 7 “the executive”.

8 (c) EFFECTIVE DATE.—The Commodity Futures
 9 Trading Commission shall implement the amendments
 10 made by this section (including complying with section
 11 18(e)(7) of the Commodity Exchange Act) within 180
 12 days after the date of the enactment of this Act.

13 **SEC. 504. STUDY ON DECENTRALIZED FINANCE.**

14 (a) IN GENERAL.—The Commodity Futures Trading
 15 Commission, the Securities and Exchange Commission,
 16 and the Secretary of the Treasury shall jointly carry out
 17 a study on decentralized finance that analyzes—

18 (1) the nature, size, role, and use of decentral-
 19 ized finance blockchain applications;

20 (2) the operation of blockchain applications that
 21 comprise decentralized finance;

22 (3) the interoperability of blockchain applica-
 23 tions and other blockchain systems;

1 (4) the interoperability of blockchain applica-
2 tions and software-based systems, including websites
3 and wallets;

4 (5) the decentralized governance systems
5 through which blockchain applications may be devel-
6 oped, published, constituted, administered, main-
7 tained, or otherwise distributed, including—

8 (A) whether the systems enhance or de-
9 tract from—

10 (i) the decentralization of the decen-
11 tralized finance; and

12 (ii) the inherent benefits and risks of
13 the decentralized governance system; and

14 (B) any procedures, requirements, or best
15 practices that would mitigate the risks identi-
16 fied in subparagraph (A)(ii);

17 (6) the benefits of decentralized finance, includ-
18 ing—

19 (A) operational resilience and availability
20 of blockchain systems;

21 (B) interoperability of blockchain systems;

22 (C) market competition and innovation;

23 (D) transaction efficiency;

24 (E) transparency and traceability of trans-
25 actions; and

1 (F) disintermediation;

2 (7) the risks of decentralized finance, includ-
3 ing—

4 (A) pseudonymity of users and trans-
5 actions;

6 (B) disintermediation; and

7 (C) cybersecurity vulnerabilities;

8 (8) the extent to which decentralized finance
9 has integrated with the traditional financial markets
10 and any potential risks or improvements to the sta-
11 bility of the markets;

12 (9) how the levels of illicit activity in decentral-
13 ized finance compare with the levels of illicit activity
14 in traditional financial markets;

15 (10) methods for addressing illicit activity in
16 decentralized finance and traditional markets that
17 are tailored to the unique attributes of each;

18 (11) how decentralized finance may increase the
19 accessibility of cross-border transactions; and

20 (12) the feasibility of embedding self-executing
21 compliance and risk controls into decentralized fi-
22 nance.

23 (b) CONSULTATION.—In carrying out the study re-
24 quired under subsection (a), the Commodity Futures
25 Trading Commission and the Securities and Exchange

1 Commission shall consult with the Secretary of the Treas-
2 ury on the factors described under paragraphs (7) through
3 (10) of subsection (a).

4 (c) REPORT.—Not later than 1 year after the date
5 of enactment of this Act, the Commodity Futures Trading
6 Commission and the Securities and Exchange Commission
7 shall jointly submit to the relevant congressional commit-
8 tees a report that includes the results of the study re-
9 quired by subsection (a).

10 (d) GAO STUDY.—The Comptroller General of the
11 United States shall—

12 (1) carry out a study on decentralized finance
13 that analyzes the information described under para-
14 graphs (1) through (12) of subsection (a); and

15 (2) not later than 1 year after the date of en-
16 actment of this Act, submit to the relevant congress-
17 sional committees a report that includes the results
18 of the study required by paragraph (1).

19 (e) DEFINITIONS.—In this section:

20 (1) DECENTRALIZED FINANCE.—

21 (A) IN GENERAL.—The term “decentral-
22 ized finance” means blockchain applications (in-
23 cluding decentralized finance trading protocols
24 and related decentralized finance messaging
25 systems) that allow users to engage in financial

1 transactions in a self-directed manner so that a
 2 third-party intermediary does not effectuate the
 3 transactions or take custody of digital commod-
 4 ities of a user during any part of the trans-
 5 actions.

6 ~~(B) RELATIONSHIP TO EXCLUDED ACTIVITIES.—~~The term “decentralized finance” shall
 7 not be interpreted to limit or exclude any activ-
 8 ity from the activities described in section
 9 15I(a) of the Securities Exchange Act of 1934
 10 or section 4v(a) of the Commodity Exchange
 11 Act.
 12 Act.

13 ~~(2) RELEVANT CONGRESSIONAL COMMIT-~~
 14 ~~TEES.—~~The term “relevant congressional commit-
 15 tees” means—

16 ~~(A) the Committees on Financial Services~~
 17 ~~and Agriculture of the House of Representa-~~
 18 ~~tives; and~~

19 ~~(B) the Committees on Banking, Housing,~~
 20 ~~and Urban Affairs and Agriculture, Nutrition,~~
 21 ~~and Forestry of the Senate.~~

22 **SEC. 505. STUDY ON NON-FUNGIBLE TOKENS.**

23 ~~(a) IN GENERAL.—~~The Comptroller General of the
 24 United States shall carry out a study of non-fungible to-
 25 kens that analyzes—

1 (1) the nature, size, role, purpose, and use of
2 non-fungible tokens;

3 (2) the similarities and differences between non-
4 fungible tokens and other digital commodities, in-
5 cluding digital commodities and permitted payment
6 stablecoins, and how the markets for those digital
7 commodities intersect with each other;

8 (3) how non-fungible tokens are minted by
9 issuers and subsequently administered to purchasers;

10 (4) how non-fungible tokens are stored after
11 being purchased by a consumer;

12 (5) the interoperability of non-fungible tokens
13 between different blockchain systems;

14 (6) the scalability of different non-fungible to-
15 kens marketplaces;

16 (7) the benefits of non-fungible tokens, includ-
17 ing verifiable digital ownership;

18 (8) the risks of non-fungible tokens, including—

19 (A) intellectual property rights;

20 (B) cybersecurity risks; and

21 (C) market risks;

22 (9) whether and how non-fungible tokens have
23 integrated with traditional marketplaces, including
24 those for music, real estate, gaming, events, and
25 travel;

1 (10) whether and how non-fungible tokens can
 2 be used to facilitate commerce or other activities
 3 through the representation of documents, identifica-
 4 tion, contracts, licenses, and other commercial, gov-
 5 ernment, or personal records;

6 (11) any potential risks to traditional markets
 7 from such integration; and

8 (12) the levels and types of illicit activity in
 9 non-fungible tokens markets.

10 (b) REPORT.—Not later than 1 year after the date
 11 of the enactment of this Act, the Comptroller General,
 12 shall make publicly available a report that includes the re-
 13 sults of the study required by subsection (a).

14 **SEC. 506. STUDY ON EXPANDING FINANCIAL LITERACY**
 15 **AMONGST DIGITAL COMMODITY HOLDERS.**

16 (a) IN GENERAL.—The Commodity Futures Trading
 17 Commission with the Securities and Exchange Commis-
 18 sion shall jointly conduct a study to identify—

19 (1) the existing level of financial literacy among
 20 retail digital commodity holders, including subgroups
 21 of investors identified by the Commodity Futures
 22 Trading Commission with the Securities and Ex-
 23 change Commission;

24 (2) methods to improve the timing, content, and
 25 format of financial literacy materials regarding dig-

1 ital commodities provided by the Commodity Fu-
2 tures Trading Commission and the Securities and
3 Exchange Commission;

4 (3) methods to improve coordination between
5 the Securities and Exchange Commission and the
6 Commodity Futures Trading Commission with other
7 agencies, including the Financial Literacy and Edu-
8 cation Commission as well as nonprofit organizations
9 and State and local jurisdictions, to better dissemi-
10 nate financial literacy materials;

11 (4) the efficacy of current financial literacy ef-
12 forts with a focus on rural communities and commu-
13 nities with majority minority populations;

14 (5) the most useful and understandable relevant
15 information, including clear disclosures, that retail
16 digital commodity holders need to make informed fi-
17 nancial decisions before engaging with or purchasing
18 a digital commodity or service that is typically sold
19 to retail investors of digital commodities;

20 (6) the most effective public-private partner-
21 ships in providing financial literacy regarding digital
22 commodities to consumers;

23 (7) the most relevant metrics to measure suc-
24 cessful improvement of the financial literacy of an

1 individual after engaging with financial literacy ef-
2 forts; and

3 (8) in consultation with the Financial Literacy
4 and Education Commission; a strategy (including to
5 the extent practicable, measurable goals and objec-
6 tives) to increase financial literacy of investors re-
7 garding digital commodities.

8 (b) REPORT.—Not later than 1 year after the date
9 of the enactment of this Act, the Commodity Futures
10 Trading Commission and the Securities and Exchange
11 Commission shall jointly submit a written report on the
12 study required by subsection (a) to the Committees on Fi-
13 nancial Services and on Agriculture of the House of Rep-
14 resentatives and the Committees on Banking, Housing,
15 and Urban Affairs and on Agriculture, Nutrition, and
16 Forestry of the Senate.

17 **SEC. 507. STUDY ON FINANCIAL MARKET INFRASTRUCTURE**
18 **IMPROVEMENTS.**

19 (a) IN GENERAL.—The Commodity Futures Trading
20 Commission and the Securities and Exchange Commission
21 shall jointly conduct a study to assess whether additional
22 guidance or rules are necessary to facilitate the develop-
23 ment of tokenized securities and derivatives products, and
24 to the extent such guidance or rules would foster the devel-
25 opment of fair and orderly financial markets, be necessary

1 or appropriate in the public interest, and be consistent
 2 with the protection of investors and customers.

3 ~~(b) REPORT.—~~

4 ~~(1) TIME LIMIT.—~~Not later than 1 year after
 5 the date of enactment of this Act, the Commodity
 6 Futures Trading Commission and the Securities and
 7 Exchange Commission shall jointly submit to the rel-
 8 evant congressional committees a report that in-
 9 cludes the results of the study required by sub-
 10 section (a).

11 ~~(2) RELEVANT CONGRESSIONAL COMMITTEES~~
 12 ~~DEFINED.—~~In this section, the term “relevant con-
 13 gressional committees” means—

14 ~~(A) the Committees on Financial Services~~
 15 ~~and on Agriculture of the House of Representa-~~
 16 ~~tives; and~~

17 ~~(B) the Committees on Banking, Housing,~~
 18 ~~and Urban Affairs and on Agriculture, Nutri-~~
 19 ~~tion, and Forestry of the Senate.~~

20 **SEC. 508. STUDY ON BLOCKCHAIN IN PAYMENTS.**

21 ~~(a) STUDY REQUIRED.—~~The Secretary of the Treas-
 22 ~~ury shall conduct a study on the potential use of~~
 23 ~~blockchain technology by the domestic private sector to ad-~~
 24 ~~dress—~~

25 ~~(1) fraud in payments;~~

- 1 (2) transaction costs and transaction times;
- 2 (3) automated payments; and
- 3 (4) efficiency in commercial transactions.

4 (b) **REPORT TO CONGRESS.**—Not later than one year
 5 after the date of enactment of this Act, the Secretary shall
 6 submit a report to the Committee on Financial Services
 7 of the House of Representatives and the Committee on
 8 Banking, Housing, and Urban Affairs of the Senate that
 9 summarizes the findings of the study required under sub-
 10 section (a).

11 (c) **RULE OF CONSTRUCTION.**—Nothing in this sec-
 12 tion shall be construed to mandate the use of blockchain
 13 technology by any public or private entity.

14 **SEC. 509. STUDY ON ILLICIT USE OF DIGITAL ASSETS.**

15 (a) **IN GENERAL.**—One year after the date of the en-
 16 actment of this Act, the Secretary of the Treasury, in con-
 17 sultation with the Securities and Exchange Commission
 18 and the Commodity Futures Trading Commission, shall
 19 conduct a comprehensive review of how Foreign Terrorist
 20 Organizations and Transnational Criminal Syndicates uti-
 21 lize digital assets in connection with illicit activities.

22 (b) **REPORT.**—Not later than 180 days after com-
 23 pleting the review under subsection (a), the Secretary of
 24 the Treasury shall issue a report to the Committees on
 25 Agriculture and on Financial Services of the House of

1 Representatives and the Committees on Agriculture, Nu-
2 trition, and Forestry and on Banking, Housing, and
3 Urban Affairs of the Senate on the findings of the Sec-
4 retary, including—

5 (1) an assessment of how Foreign Terrorist Or-
6 ganizations and Transnational Criminal Syndicates
7 utilize digital assets in connection with illicit activi-
8 ties; and

9 (2) recommendations to assist the Securities
10 and Exchange Commission and the Commodity Fu-
11 tures Trading Commission in strengthening compli-
12 ance and enforcement of digital assets-related enti-
13 ties registered with their respective agencies.

14 **SEC. 510. GAO STUDY ON CERTAIN CENTRALIZED INTER-**
15 **MEDIARIES THAT ARE PRIMARILY LOCATED**
16 **IN FOREIGN JURISDICTIONS.**

17 (a) IN GENERAL.—The Comptroller General of the
18 United States, in consultation with the Secretary of the
19 Treasury, shall conduct a study to—

20 (1) assess the risks posed by centralized inter-
21 mediaries that are primarily located in foreign juris-
22 dictions that provide services to U.S. persons with-
23 out regulatory requirements that are substantially
24 similar to the requirements of the Bank Secrecy Act;
25 and

1 (2) provide any regulatory or legislative rec-
2 ommendations to address these risks under para-
3 graph (1).

4 (b) REPORT.—Not later than 1 year after the date
5 of enactment of this Act, the Comptroller General shall
6 issue a report to Congress containing all findings and de-
7 terminations made in carrying out the study required
8 under subsection (a).

9 **SEC. 511. STUDIES ON FOREIGN ADVERSARY PARTICIPA-**
10 **TION.**

11 (a) IN GENERAL.—The Secretary of the Treasury, in
12 consultation with the Commodity Futures Trading Com-
13 mission and the Securities and Exchange Commission,
14 shall, not later than 1 year after date of the enactment
15 of this section, conduct a study and submit a report to
16 the relevant congressional committees that—

17 (1) identifies any digital commodity registrants
18 which are owned by governments of foreign adver-
19 saries;

20 (2) determines whether any governments of for-
21 eign adversaries are collecting trading data about
22 United States persons in the digital commodity mar-
23 kets; and

24 (3) evaluates whether any proprietary intellec-
25 tual property of digital commodity registrants is

1 being misused or stolen by any governments of for-
 2 eign adversaries.

3 ~~(b) GAO STUDY AND REPORT.—~~

4 ~~(1) IN GENERAL.—~~The Comptroller General
 5 shall, not later than 1 year after date of the enact-
 6 ment of this section, conduct a study and submit a
 7 report to the relevant congressional committees
 8 that—

9 ~~(A) identifies any digital commodity reg-~~
 10 ~~istrants which are owned by governments of~~
 11 ~~foreign adversaries;~~

12 ~~(B) determines whether any governments~~
 13 ~~of foreign adversaries are collecting trading~~
 14 ~~data about United States persons in the digital~~
 15 ~~commodity markets; and~~

16 ~~(C) evaluates whether any proprietary in-~~
 17 ~~tellectual property of digital commodity reg-~~
 18 ~~istrants is being misused or stolen by any gov-~~
 19 ~~ernments of foreign adversaries.~~

20 ~~(c) DEFINITIONS.—In this section:~~

21 ~~(1) DIGITAL COMMODITY REGISTRANT.—~~The
 22 term “digital commodity registrant” means any per-
 23 son required to register as a digital commodity ex-
 24 change, digital commodity broker, or digital com-
 25 modity dealer under the Commodity Exchange Act.

1 (2) FOREIGN ADVERSARIES.—The term “for-
 2 eign adversaries” means the foreign governments
 3 and foreign non-government persons determined by
 4 the Secretary of Commerce to be foreign adversaries
 5 under section 7.4(a) of title 15, Code of Federal
 6 Regulations.

7 (3) RELEVANT CONGRESSIONAL COMMIT-
 8 TEES.—The term “relevant congressional commit-
 9 tees” means—

10 (A) the Committees on Financial Services
 11 and Agriculture of the House of Representa-
 12 tives; and

13 (B) the Committees on Banking, Housing,
 14 and Urban Affairs and Agriculture, Nutrition,
 15 and Forestry of the Senate.

16 **SEC. 512. CONFORMING AMENDMENTS.**

17 The GENIUS Act is amended—

18 (1) in section 2, by amending paragraph (7) to
 19 read as follows:

20 “(7) DIGITAL ASSET SERVICE PROVIDER.—The
 21 term ‘digital asset service provider’ means any entity
 22 registered or required to be registered with the Secu-
 23 rities and Exchange Commission or the Commodity
 24 Futures Trading Commission.”;

25 (2) in section 4(a)—

1 (A) by amending paragraph (3) to read as
2 follows:

3 ~~“(3) MONTHLY CERTIFICATION; EXAMINATION~~
4 ~~OF REPORTS BY REGISTERED PUBLIC ACCOUNTING~~
5 ~~FIRM.—~~

6 ~~“(A) IN GENERAL.—A permitted payment~~
7 ~~stablecoin issuer shall, each month, have the in-~~
8 ~~formation disclosed in the previous month-end~~
9 ~~report required under paragraph (1)(C) exam-~~
10 ~~ined by a registered public accounting firm and~~
11 ~~such examination shall be performed in accord-~~
12 ~~ance with standards for attestation engage-~~
13 ~~ments issued or adopted by the primary Federal~~
14 ~~payment stablecoin regulator or, in the case of~~
15 ~~a State qualified payment stablecoin issuer, the~~
16 ~~State payment stablecoin regulator.~~

17 ~~“(B) CERTIFICATION.—Each month, the~~
18 ~~Chief Executive Officer and Chief Financial Of-~~
19 ~~ficer of a permitted payment stablecoin issuer~~
20 ~~shall submit to, as applicable, the primary Fed-~~
21 ~~eral payment stablecoin regulator or, in the~~
22 ~~case of a State qualified payment stablecoin~~
23 ~~issuer, the State payment stablecoin regulator,~~
24 ~~a certification that, based on such officers’~~

1 knowledge, the previous monthly report re-
2 quired under paragraph (1)(C)—

3 “(i) does not contain any untrue
4 statement of material fact or omit to state
5 a material fact necessary in order to make
6 the statements made, in light of the cir-
7 cumstances under which such statements
8 were made, not misleading; and

9 “(ii) fairly presented in all material
10 respects the information required under
11 paragraph (1)(C) for the period presented
12 in such report.

13 “(C) CRIMINAL PENALTY.—Any person
14 who submits a certification required under sub-
15 paragraph (B) knowing that such certification
16 is false shall be subject to the same criminal
17 penalties as those set forth under section
18 1350(e) of title 18, United States Code.

19 “(D) INTERNAL CONTROLS OVER PER-
20 MITTED PAYMENT STABLECOIN ISSUER’S RE-
21 QUIREMENTS.—

22 “(i) IN GENERAL.—Management of a
23 permitted payment stablecoin issuer shall
24 establish and maintain an adequate inter-
25 nal control structure and procedures for

1 the requirements under this paragraph and
2 paragraphs (1) and (2) in accordance with
3 a framework determined acceptable by the
4 primary Federal payment stablecoin regu-
5 lator or, in the case of a State qualified
6 payment stablecoin issuer, the State pay-
7 ment stablecoin regulator.

8 “(ii) ATTESTATION REPORT.—A per-
9 mitted payment stablecoin issuer shall ob-
10 tain an annual attestation report by an
11 independent registered public accounting
12 firm attesting to management’s assertions
13 concerning the effectiveness of the internal
14 control structure and procedures for com-
15 pliance with the requirements described in
16 this paragraph and paragraphs (1) and
17 (2). Such attestation shall be made in ac-
18 cordance with standards for attestation en-
19 gagements issued or adopted by the pri-
20 mary Federal payment stablecoin regulator
21 or, in the case of a State qualified payment
22 stablecoin issuer, the State payment
23 stablecoin regulator.”; and

24 (B) by amending paragraph (12) to read
25 as follows:

1 ~~“(12) NON-FINANCIAL COMPANIES.—~~

2 ~~“(A) PROHIBITION ON NON-FINANCIAL~~
 3 ~~COMPANY OWNERSHIP.—It shall be unlawful for~~
 4 ~~a company that derives a majority of its reve-~~
 5 ~~nues from activities that are not financial ac-~~
 6 ~~tivities to retain or acquire control of a~~
 7 ~~nonbank entity that is—~~

8 ~~“(i) a Federal qualified payment~~
 9 ~~stablecoin issuer; or~~

10 ~~“(ii) a State qualified payment~~
 11 ~~stablecoin issuer.~~

12 ~~“(B) FINANCIAL ACTIVITIES DEFINED.—~~

13 ~~“(i) IN GENERAL.—In this paragraph,~~
 14 ~~the term ‘financial activities’ means—~~

15 ~~“(I) a financial activity, within~~
 16 ~~the meaning of section 4(k) of the~~
 17 ~~Bank Holding Company Act of 1956~~
 18 ~~(12 U.S.C. 1843(k));~~

19 ~~“(II) issuing, redeeming, pro-~~
 20 ~~viding custodial or safekeeping serv-~~
 21 ~~ices for, buying, selling, making a~~
 22 ~~market in, or managing a reserve for~~
 23 ~~payment stablecoins;~~

24 ~~“(III) providing electronic wallet~~
 25 ~~services for payment stablecoins; or~~

1 “(IV) an activity determined by
2 the Board to be a financial activity
3 pursuant to clause (ii).

4 “(ii) ESTABLISHING ADDITIONAL FI-
5 NANCIAL ACTIVITIES.—Not later than 180
6 days after the date of enactment of the
7 CLARITY Act of 2025, the Board, in con-
8 sultation with the Secretary of the Treas-
9 ury and the Comptroller, shall issue rules,
10 consistent with the purposes of this Act, to
11 establish—

12 “(I) a list of additional activities
13 that are financial activities for pur-
14 poses of clause (i), including applica-
15 ble digital asset activities that are fi-
16 nancial activities; and

17 “(II) a streamlined procedure for
18 a nonbank entity to submit an activity
19 to the Board for purposes of the
20 Board determining whether such ac-
21 tivity should be added to the list of
22 additional activities that are financial
23 activities for purposes of clause (i).”;

24 and

25 (3) by adding at the end the following:

1 **“SEC. 21. COMMODITY-BACKED PAYMENT STABLECOINS.**

2 “(a) **RULE OF CONSTRUCTION.**—Nothing in this Act
3 shall be construed to prohibit or limit a commodity-backed
4 payment stablecoin issuer from issuing a commodity-
5 backed payment stablecoin in accordance with regulations
6 established by a State commodity-backed payment
7 stablecoin regulator.

8 “(b) **PRESERVATION OF FEDERAL AUTHORITY.**—
9 Nothing in this section shall be construed to alter or limit
10 the jurisdiction of the Commodity Futures Trading Com-
11 mission over any matter within the Commission’s author-
12 ity under applicable law.

13 “(c) **DEFINITIONS.**—For purposes of this section:

14 “(1) **COMMODITY-BACKED PAYMENT**
15 **STABLECOIN.**—The term ‘commodity-backed pay-
16 ment stablecoin’ means a digital asset—

17 “(A) that is, or is designed to be, used as
18 a means of payment or settlement;

19 “(B) that is denominated in a highly liq-
20 uid, publicly traded physical commodity, such
21 as gold;

22 “(C) the issuer of which is obligated to—

23 “(i) convert, redeem, or repurchase
24 for a fixed amount of the denominated
25 highly liquid, publicly traded physical com-
26 modity; and

1 “(ii) custody or cause to be custodied;
 2 for the benefit of the holders of the pay-
 3 ment stablecoin; an amount of the physical
 4 commodity equal to or greater than the
 5 total amount of outstanding payment
 6 stablecoins; for the purpose of converting;
 7 redeeming; or repurchasing the digital
 8 asset; and

9 “(D) that is not—

10 “(i) a security issued by—

11 “(I) an investment company reg-
 12 istered under section 8(a) of the In-
 13 vestment Company Act of 1940 (15
 14 U.S.C. 80a-8(a)); or

15 “(H) a person that would be an
 16 investment company under the Invest-
 17 ment Company Act of 1940 but for
 18 paragraphs (1) and (7) of section 3(e)
 19 of that Act (15 U.S.C. 80a-3(e));

20 “(ii) a deposit (as defined under sec-
 21 tion 3 of the Federal Deposit Insurance
 22 Act (12 U.S.C. 1813)), regardless of the
 23 technology used to record such deposit;

24 “(iii) an account (as defined in section
 25 101 of the Federal Credit Union Act (12

1 U.S.C. 1752)), regardless of the technology
 2 used to record such account; or

3 “(iv) an interest or participation in a
 4 commodity pool (as defined in section
 5 1a(10) of the Commodity Exchange Act (7
 6 U.S.C. 1a)).

7 “(2) COMMODITY-BACKED PAYMENT
 8 STABLECOIN ISSUER.—The term ‘commodity-backed
 9 payment stablecoin issuer’ means—

10 “(A) an entity that issues a commodity-
 11 backed payment stablecoin; and

12 “(B) an entity that is approved to issue
 13 such commodity-backed payment stablecoins by
 14 a State commodity-backed payment stablecoin
 15 regulator.

16 “(3) PHYSICAL COMMODITY.—The term ‘phys-
 17 ical commodity’ means any exempt commodity (as
 18 defined in section 1a(21) of the Commodity Ex-
 19 change Act (7 U.S.C. 1a)) which can be physically
 20 delivered.

21 “(4) STATE COMMODITY-BACKED PAYMENT
 22 STABLECOIN REGULATOR.—The term ‘State com-
 23 modity-backed payment stablecoin regulator’ means
 24 a State agency that has primary regulatory and su-

1 pervisory authority over entities that issue com-
2 modity-backed payment stablecoins in such State.

3 **“SEC. 22. PROTECTION OF SELF-CUSTODY.**

4 **“(a) IN GENERAL.—**A United States individual shall
5 retain the right to—

6 **“(1)** maintain a hardware wallet or software
7 wallet for the purpose of facilitating the individual’s
8 own lawful custody of digital assets; and

9 **“(2)** engage in direct, peer-to-peer transactions
10 in digital assets with another individual or entity for
11 the individual’s own lawful purposes using a hard-
12 ware wallet or software wallet, if—

13 **“(A)** such other individual or entity is not
14 a financial institution (as defined in section
15 5312 of title 31, United States Code); and

16 **“(B)** the transactions do not involve any
17 property or interests in property that are
18 blocked pursuant to, or are otherwise prohibited
19 by, United States sanctions.

20 **“(b) APPLICATION.—**This section—

21 **“(1)** applies solely to personal use by individ-
22 uals; and

23 **“(2)** does not apply to individuals acting in a
24 custodial or fiduciary capacity for others.

1 “(c) ~~RULE OF CONSTRUCTION.~~—Nothing in this sec-
 2 tion shall be construed to limit the authority of the Sec-
 3 retary of the Treasury, the Securities and Exchange Com-
 4 mission, the Commodity Futures Trading Commission, or
 5 the primary Federal payment stablecoin regulators to
 6 carry out any enforcement action or special measure au-
 7 thorized under applicable law, including—

8 “(1) the Bank Secrecy Act, section 9714 of the
 9 Combating Russian Money Laundering Act (31
 10 U.S.C. 5318A note), and section 7213A of the
 11 Fentanyl Sanctions Act (21 U.S.C. 2313a); or

12 “(2) any other law relating to illicit finance,
 13 money laundering, terrorism financing, or United
 14 States sanctions.”.

15 **TITLE VI—ANTI-CBDC** 16 **SURVEILLANCE STATE ACT**

17 ~~SEC. 601. SHORT TITLE.~~

18 This title may be cited as the “Anti-CBDC Surveil-
 19 lance State Act”.

1 **SEC. 602. PROHIBITION ON FEDERAL RESERVE BANKS RE-**
 2 **LATING TO CERTAIN PRODUCTS OR SERV-**
 3 **ICES FOR INDIVIDUALS AND PROHIBITION**
 4 **ON DIRECTLY ISSUING A CENTRAL BANK DIG-**
 5 **ITAL CURRENCY.**

6 Section 16 of the Federal Reserve Act (~~12 U.S.C. 411~~
 7 ~~et seq.~~) is amended by adding at the end the following
 8 new paragraph:

9 “~~(18)(A)~~ A Federal reserve bank may not—

10 “~~(i)~~ offer financial products or services directly to an
 11 individual;

12 “~~(ii)~~ maintain an account on behalf of an individual;
 13 or

14 “~~(iii)~~ issue a central bank digital currency, or any
 15 digital asset that is substantially similar under any other
 16 name or label.

17 “~~(B)~~ In this paragraph, the term ‘central bank digital
 18 currency’ has the meaning given that term under section
 19 ~~10(11)(D).~~”.

20 **SEC. 603. PROHIBITION ON FEDERAL RESERVE BANKS IN-**
 21 **DIRECTLY ISSUING A CENTRAL BANK DIG-**
 22 **ITAL CURRENCY.**

23 Section 16 of the Federal Reserve Act (~~12 U.S.C. 411~~
 24 ~~et seq.~~), as amended by section 2, is further amended by
 25 adding at the end the following paragraph:

1 “(19)(A) A Federal reserve bank may not offer a cen-
 2 tral bank digital currency, or any digital asset that is sub-
 3 stantially similar under any other name or label, indirectly
 4 to an individual through a financial institution or other
 5 intermediary.

6 “(B) In this paragraph, the term ‘central bank digital
 7 currency’ has the meaning given that term under section
 8 10(11)(D).”.

9 **SEC. 604. PROHIBITION WITH RESPECT TO CENTRAL BANK**
 10 **DIGITAL CURRENCY.**

11 Section 10 of the Federal Reserve Act (12 U.S.C. 241
 12 et seq.) is amended by inserting before paragraph (12) the
 13 following:

14 “(11) PROHIBITION WITH RESPECT TO GEN-
 15 TRAL BANK DIGITAL CURRENCY.—

16 “(A) IN GENERAL.—The Board of Gov-
 17 ernors of the Federal Reserve System may not
 18 test, study, develop, create, or implement a cen-
 19 tral bank digital currency, or any digital asset
 20 that is substantially similar under any other
 21 name or label.

22 “(B) MONETARY POLICY.—The Board of
 23 Governors of the Federal Reserve System and
 24 the Federal Open Market Committee may not
 25 use a central bank digital currency to imple-

ment monetary policy, or any digital asset that is substantially similar under any other name or label.

“(C) EXCEPTION.—Subparagraph (A) and sections 16(18)(A)(iii) and 16(19)(A) may not be construed to prohibit any dollar-denominated currency that is open, permissionless, and private, and fully preserves the privacy protections of United States coins and physical currency.

“(D) CENTRAL BANK DIGITAL CURRENCY DEFINED.—In this paragraph, the term ‘central bank digital currency’ means a form of digital money or monetary value that is—

“(i) denominated in the national unit of account;

“(ii) a direct liability of the Federal Reserve System; and

“(iii) widely available to the general public.”

SEC. 605. SENSE OF CONGRESS.

It is the sense of Congress that the Board of Governors of the Federal Reserve System currently does not have the authority to issue a central bank digital currency, or any digital asset that is substantially similar under any other name or label, and will not have such authority un-

1 less Congress grants it under Congress's Article 1 Section
 2 8 powers.

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) *SHORT TITLE.*—This Act may be cited as the
 5 “Digital Asset Market Clarity Act”.

6 (b) *TABLE OF CONTENTS.*—The table of contents for
 7 this Act is as follows:

Sec. 1. Short title; table of contents.

Sec. 2. Definitions.

TITLE I—RESPONSIBLE SECURITIES INNOVATION

Sec. 101. Short title.

Sec. 102. Disclosure requirements for certain transactions involving ancillary assets.

Sec. 103. Exemption and rulemaking for certain transactions involving ancillary assets.

Sec. 104. Special disposition restrictions by related persons.

Sec. 105. Characteristics of network tokens.

Sec. 106. Exemptive authority.

Sec. 107. Modernization of recordkeeping requirements.

Sec. 108. Modernization of securities regulations for digital asset activities.

Sec. 109. Insider trading with respect to ancillary asset transactions.

Sec. 110. Securities Investor Protection Corporation applicability.

Sec. 111. Investor and consumer protection enforcement.

TITLE II—PROTECTING AGAINST ILLICIT FINANCE

Sec. 201. Treatment under the Bank Secrecy Act and sanctions laws.

Sec. 202. Digital asset examination standards.

Sec. 203. Preventing Illicit Finance Through Partnership Act.

Sec. 204. Financial Technology Protection Act.

Sec. 205. Digital asset kiosks.

Sec. 206. Study on illicit use of digital assets.

TITLE III—RESPONSIBLE INNOVATION IN DECENTRALIZED FINANCE

Sec. 301. Rulemaking on application of existing securities intermediary requirements and existing Bank Secrecy Act requirements to non-decentralized finance trading protocols.

Sec. 302. Illicit finance obligations for distributed ledger messaging systems.

Sec. 303. Special measure relating to certain transmittals of funds.

Sec. 304. Offshore stablecoin report.

Sec. 305. Temporary hold for certain digital asset transactions.

Sec. 306. Voluntary cybersecurity program for decentralized finance trading protocols.

Sec. 307. Amendments to monetary instrument definition.

- Sec. 308. Risk management standards for digital asset intermediaries.*
- Sec. 309. Study on digital asset mixers and tumblers.*
- Sec. 310. GAO study on intermediaries in foreign jurisdictions.*
- Sec. 311. Studies on foreign adversary activities.*
- Sec. 312. Treasury study on cybersecurity standards.*
- Sec. 313. Studies on financial stability risks of decentralized finance trading and credit in digital commodity markets.*

TITLE IV—RESPONSIBLE BANKING INNOVATION

- Sec. 401. Permissibility of digital asset activities.*
- Sec. 402. Joint rules for portfolio margining determinations.*
- Sec. 403. Capital requirements to address netting agreements.*
- Sec. 404. Prohibiting interest and yield on payment stablecoins.*
- Sec. 405. Expanded securities portfolio margin accounts under the Securities Investor Protection Act of 1970.*

TITLE V—RESPONSIBLE REGULATORY INNOVATION

- Sec. 501. CFTC-SEC Micro-Innovation Sandbox.*
- Sec. 502. International cooperation.*
- Sec. 503. Automated regulatory compliance study.*
- Sec. 504. Report on legislative recommendations.*
- Sec. 505. Tokenization of securities.*
- Sec. 506. Voluntary adoption of National Institute of Standards and Technology post-quantum cryptography standards.*
- Sec. 507. International coordination to combat digital asset illicit finance.*
- Sec. 508. Annual report on foreign digital asset trading volume, compliance with United States standards and remediation actions.*
- Sec. 509. AI innovation labs.*

TITLE VI—PROTECTING SOFTWARE DEVELOPERS AND SOFTWARE INNOVATION

- Sec. 601. Protecting software developers.*
- Sec. 602. Safe harbor for nonfungible tokens.*
- Sec. 603. Study on nonfungible tokens.*
- Sec. 604. Blockchain Regulatory Certainty Act.*
- Sec. 605. Keep Your Coins Act.*

TITLE VII—PROTECTING CUSTOMER PROPERTY

- Sec. 701. Customer property protections for ancillary assets and digital commodities in bankruptcy.*
- Sec. 702. Insolvency safe harbor.*

TITLE VIII—CUSTOMER PROTECTION

- Sec. 801. Educational materials.*
- Sec. 802. Savings clauses.*
- Sec. 803. Study on expanding financial literacy.*
- Sec. 804. Consultation with SIPC regarding mandatory broker-dealer disclosures to investors concerning the status of payment stablecoins and digital commodities.*

TITLE IX—OTHER MATTERS

- Sec. 901. Joint Advisory Committee on Digital Assets.*

Sec. 902. Memorandum of understanding.

Sec. 903. FinCEN appropriations.

Sec. 904. Build Now Act.

Sec. 905. Rulemakings.

Sec. 906. Effective date.

1 SEC. 2. DEFINITIONS.

2 *In this Act:*

3 (1) *ANCILLARY ASSET; ANCILLARY ASSET ORIGI-*
 4 *NATOR; NETWORK TOKEN.—The terms “ancillary*
 5 *asset”, “ancillary asset originator”, and “network*
 6 *token” have the meanings given those terms in section*
 7 *4B(a) of the Securities Act of 1933, as added by this*
 8 *Act.*

9 (2) *BANK SECRECY ACT.—The term “Bank Se-*
 10 *crecy Act” means—*

11 (A) *section 21 of the Federal Deposit Insur-*
 12 *ance Act (12 U.S.C. 1829b);*

13 (B) *chapter 2 of title I of Public Law 91–*
 14 *508 (12 U.S.C. 1951 et seq.); and*

15 (C) *subchapter II of chapter 53 of title 31,*
 16 *United States Code.*

17 (3) *COMMISSION.—Except where otherwise ex-*
 18 *pressly provided, the term “Commission” means the*
 19 *Securities and Exchange Commission.*

20 (4) *COORDINATED CONTROL.—With respect to*
 21 *any distributed ledger system and a related ancillary*
 22 *asset, the term “coordinated control” has the meaning*

1 *given the term by the Commission pursuant to rules*
2 *adopted under section 104(b).*

3 (5) *DECENTRALIZED GOVERNANCE SYSTEM.—*

4 (A) *IN GENERAL.—The term “decentralized*
5 *governance system” means, with respect to a dis-*
6 *tributed ledger system, any transparent, rules-*
7 *based system permitting persons to form con-*
8 *sensus or reach agreement in the development,*
9 *provision, publication, maintenance, or adminis-*
10 *tration of the distributed ledger system, in which*
11 *participation is not limited to, or under the con-*
12 *trol of, any person or group of persons under*
13 *common control.*

14 (B) *RELATIONSHIP OF PERSONS TO DECEN-*
15 *TRALIZED GOVERNANCE SYSTEMS.—With respect*
16 *to a decentralized governance system, the decen-*
17 *tralized governance system and any persons par-*
18 *ticipating in the decentralized governance system*
19 *shall be treated as separate persons unless those*
20 *persons are under common control or acting pur-*
21 *suant to an agreement to act in concert.*

22 (C) *LEGAL ENTITIES FOR DECENTRALIZED*
23 *GOVERNANCE SYSTEMS.—The term “decentral-*
24 *ized governance system” shall include a legal en-*
25 *tity, including a decentralized unincorporated*

1 *nonprofit association or other entity created pur-*
2 *suant to State law, used to implement the rules-*
3 *based system described in subparagraph (A),*
4 *provided that the legal entity does not operate*
5 *pursuant to centralized management. For the*
6 *purposes of this subparagraph, the delegation of*
7 *ministerial or administrative authority at the*
8 *direction of the participants in a decentralized*
9 *governance system shall not be construed to be*
10 *centralized management.*

11 *(D) RULE OF CONSTRUCTION.—For pur-*
12 *poses of this Act, and the amendments made by*
13 *this Act, a decentralized governance system shall*
14 *not be deemed to be a person or a group of per-*
15 *sons acting under common control.*

16 *(6) DIGITAL ASSET; DIGITAL ASSET SERVICE*
17 *PROVIDER.—The terms “digital asset” and “digital*
18 *asset service provider” have the meanings given those*
19 *terms in section 2 of the GENIUS Act (12 U.S.C.*
20 *5901).*

21 *(7) DIGITAL ASSET INTERMEDIARY.—The term*
22 *“digital asset intermediary” means a person that is*
23 *engaged in digital asset activities and required by*
24 *law to register with the Commodity Futures Trading*

Commission or with the Commission under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

(8) *DIGITAL COMMODITY*.—The term “digital commodity” has the meaning given the term in section 1a of the Commodity Exchange Act (7 U.S.C. 1a), as added by this Act.

(9) *DISTRIBUTED LEDGER*.—The term “distributed ledger” means technology—

(A) through which data is shared across a network that creates a public digital ledger of verified transactions or information among network participants; and

(B) in which cryptography is used to link the data described in subparagraph (A) to—

(i) maintain the integrity of the digital ledger described in that subparagraph; and

(ii) execute other functions.

(10) *DISTRIBUTED LEDGER APPLICATION*.—The term “distributed ledger application” means executable software that is deployed to and maintained on a distributed ledger and composed of source code that is publicly available, including a smart contract or any network of smart contracts, or other similar technology.

1 (11) *DISTRIBUTED LEDGER PROTOCOL*.—The
2 term “distributed ledger protocol” means publicly
3 available source code of a distributed ledger that is ex-
4 ecuted by the network participants of a distributed
5 ledger to facilitate its functioning, or other similar
6 technology.

7 (12) *DISTRIBUTED LEDGER SYSTEM*.—The term
8 “distributed ledger system” means a distributed ledger
9 (together with its distributed ledger protocol), a dis-
10 tributed ledger application, or a network of distrib-
11 uted ledger applications.

12 (13) *RELATED PERSON*.—The term “related per-
13 son”, with respect to an ancillary asset originator or
14 an ancillary asset—

15 (A) means—

16 (i) any person that is, or within the
17 preceding 36-month period was—

18 (I) a founder or person serving in
19 a similar capacity with respect to the
20 ancillary asset originator; and

21 (II) a beneficial owner of not less
22 than 4 percent of the total amount of
23 outstanding units of an ancillary asset
24 associated with the ancillary asset
25 originator;

1 (ii) any person that is, or in the pre-
2 ceding 12-month period was, an executive
3 officer, director, trustee, general partner,
4 owner of more than 10 percent of any class
5 of equity shares of the ancillary asset origi-
6 nator, or person serving in a similar capac-
7 ity with respect to the ancillary asset origi-
8 nator;

9 (iii) any person, or group of persons
10 under common control, that beneficially
11 owns, or in the preceding 6-month period
12 owned, 10 percent or more of the total
13 amount of outstanding units of the ancil-
14 lary asset; and

15 (iv) any person, or group of persons
16 under common control, that beneficially
17 owns, or in the preceding 6-month period
18 owned, covered tokens (as that term is de-
19 fined in section 104(a)) that equal not less
20 than 2 percent of the total amount of out-
21 standing units of the ancillary asset; and

22 (B) does not include a decentralized govern-
23 ance system.

24 (14) SECURITIES LAWS.—The term “securities
25 laws” has the meaning given the term in section 3(a)

1 of the Securities Exchange Act of 1934 (15 U.S.C.
2 78c(a)).

3 (15) *SMART CONTRACT.*—The term “smart con-
4 tract” means a self-executing contract or program
5 that—

6 (A) is stored on a distributed ledger system;
7 and

8 (B) automatically executes or enforces dig-
9 ital asset transactions upon the occurrence of ex-
10 plicit, pre-determined conditions encoded in the
11 contract or program, without intervention, other
12 than to provide data, by any entity or natural
13 person.

14 ***TITLE I—RESPONSIBLE***
15 ***SECURITIES INNOVATION***

16 ***SEC. 101. SHORT TITLE.***

17 This title may be cited as the “Lummis-Gillibrand Re-
18 sponsible Financial Innovation Act of 2026”.

19 ***SEC. 102. DISCLOSURE REQUIREMENTS FOR CERTAIN***
20 ***TRANSACTIONS INVOLVING ANCILLARY AS-***
21 ***SETS.***

22 (a) *IN GENERAL.*—The Securities Act of 1933 (15
23 U.S.C. 77a et seq.) is amended by inserting after section
24 4A (15 U.S.C. 77d–1) the following:

1 **“SEC. 4B. REQUIREMENTS WITH RESPECT TO CERTAIN**
2 **TRANSACTIONS INVOLVING ANCILLARY AS-**
3 **SETS.**

4 “(a) *DEFINITIONS.—In this section:*

5 “(1) *ANCILLARY ASSET.—The term ‘ancillary*
6 *asset’ means a network token, the value of which is*
7 *dependent upon the entrepreneurial or managerial ef-*
8 *forts of an ancillary asset originator or a related per-*
9 *son, as those concepts are further specified by the*
10 *Commission by regulation.*

11 “(2) *ANCILLARY ASSET ORIGINATOR.—*

12 “(A) *IN GENERAL.—The term ‘ancillary*
13 *asset originator’ means, with respect to a par-*
14 *ticular ancillary asset, a person that (whether*
15 *directly or through 1 or more subsidiary or con-*
16 *trolled entities)—*

17 “(i) *initially offers, sells, or distributes*
18 *the ancillary asset; or*

19 “(ii) *during the 12-month period be-*
20 *ginning on the date on which the ancillary*
21 *asset is initially offered, sold, or distributed,*
22 *controls or causes the initial offer, sale, or*
23 *distribution of that ancillary asset.*

24 “(B) *JOINT AND SEVERAL LIABILITY.—For*
25 *the purposes of this paragraph, if the person that*
26 *initially offered, sold, or distributed an ancillary*

1 *asset (or otherwise sold, distributed, controlled,*
2 *or caused the initial offer, sale, or distribution of*
3 *the ancillary asset) did not receive the largest*
4 *amount of those ancillary assets distributed in*
5 *the 12-month period following the commencement*
6 *of that offer, sale, or distribution, then that per-*
7 *son, solely for purposes of subsection (c), shall be*
8 *jointly and severally considered to be an ancil-*
9 *lary asset originator with respect to that ancil-*
10 *lary asset (with the person that controlled such*
11 *offer, sale, or distribution) along with the person*
12 *(including a person under direct or indirect con-*
13 *trol of that person) that received the largest*
14 *amount of those ancillary assets in that period,*
15 *other than ancillary assets received—*

16 *“(i) in an intermediary capacity;*

17 *“(ii) solely through a gratuitous dis-*
18 *tribution;*

19 *“(iii) through an offer, sale, or dis-*
20 *tribution of a security to the public reg-*
21 *istered under section 5; or*

22 *“(iv) otherwise in a broad and public*
23 *manner that the Commission determines,*
24 *pursuant to regulation, should not subject*

1 the person to disclosure requirements under
2 subsection (d).

3 “(C) *RULEMAKING.*—Not later than 360
4 days after the date of enactment of this section,
5 the Commission shall, after providing notice and
6 the opportunity for comment, issue rules regard-
7 ing the circumstances under which persons that
8 are jointly and severally considered an ancillary
9 asset originator pursuant to subparagraph (B)
10 are responsible for furnishing the disclosures re-
11 quired under subsection (d) on behalf of the an-
12 cillary asset originator.

13 “(3) *CERTIFICATION COVERED PARTY.*—The term
14 ‘certification covered party’ means—

15 “(A) an ancillary asset originator;

16 “(B) a subsidiary of the ancillary asset
17 originator;

18 “(C) a related person of the ancillary asset
19 originator; or

20 “(D) any entity that directly or indirectly
21 controls or is controlled by a common entity
22 with the ancillary asset originator.

23 “(4) *DECENTRALIZED GOVERNANCE SYSTEM;*
24 *DIGITAL ASSET; DIGITAL ASSET INTERMEDIARY; RE-*
25 *LATED PERSON; SECURITIES LAWS.*—The terms ‘de-

1 *centralized governance system*, ‘*digital asset*’, ‘*digital*
 2 *asset intermediary*’, ‘*related person*’, and ‘*securities*
 3 *laws*’ have the meanings given those terms in section
 4 2 of the *Digital Asset Market Clarity Act*.

5 “(5) *GRATUITOUS DISTRIBUTION*.—

6 “(A) *IN GENERAL*.—The term ‘*gratuitous*
 7 *distribution*’—

8 “(i) *means a distribution of a network*
 9 *token, including a distribution effected by*
 10 *an agent or other service provider engaged*
 11 *solely in an administrative or ministerial*
 12 *capacity, in exchange for not more than a*
 13 *nominal value of cash, property, services, or*
 14 *other assets in a broad, equitable, and non-*
 15 *discretionary manner; and*

16 “(ii) *includes, without limitation, the*
 17 *mechanisms and methods of distribution de-*
 18 *scribed in subparagraph (B).*

19 “(B) *MECHANISMS AND METHODS OF DIS-*
 20 *TRIBUTION*.—The mechanisms and methods of
 21 distribution described in this subparagraph are
 22 the following:

23 “(i) *SELF STAKING*.—The distribution
 24 of a unit of a network token, as a pro-
 25 grammatic result of validating or staking

1 *activity for a distributed ledger system’s*
2 *consensus mechanism, including the staking*
3 *of a network token, and the operation of a*
4 *node, validator, or substantially similar*
5 *software for such activity where the owner*
6 *of the staked network token and the operator*
7 *of the node, validator, or substantially simi-*
8 *lar software are the same person or entity.*

9 “(ii) *SELF-CUSTODIAL STAKING WITH*
10 *A THIRD PARTY.—The distribution of a unit*
11 *of a network token, as a programmatic re-*
12 *sult of validating or staking activity for a*
13 *distributed ledger system’s consensus mecha-*
14 *nism, including the staking of a network*
15 *token, and the operation of a node,*
16 *validator, or substantially similar software*
17 *for such activity in which—*

18 “(I) *the owner of the staked net-*
19 *work token, and operator of the node,*
20 *validator, or substantially similar soft-*
21 *ware for such activity are different*
22 *persons or entities; and*

23 “(II) *the operator of the node,*
24 *validator, or substantially similar soft-*

ware does not maintain custody or control of the staked network token.

“(iii) *LIQUID STAKING.*—The distribution of network tokens, as the issuance, transfer, or redemption of liquid staking tokens representing a pro rata interest in staked network tokens, and their associated rewards, provided that such tokens are issued as administrative or ministerial receipts and are not providing discretionary management authority.

“(iv) *CUSTODIAL AND ANCILLARY STAKING SERVICES.*—

“(I) *IN GENERAL.*—Subject to the rules issued pursuant to subclause (II), the provision of custodial or ancillary staking services enabling the owner of a network token to participate in validating or staking activity for a distributed ledger system’s consensus mechanism that results in the programmatic distribution of a unit of a network token, provided that such custodial or ancillary services are exclusively administrative or ministerial in nature.

1 “(II) *RULEMAKING TO DEFINE*
2 *THE CUSTODIAL AND ANCILLARY STAK-*
3 *ING SERVICES.*—*The Commission shall*
4 *issue rules defining the custodial and*
5 *ancillary staking services described in*
6 *subclause (I) that are exclusively ad-*
7 *ministrative or ministerial in nature,*
8 *consistent with what is necessary or*
9 *appropriate for the public interest or*
10 *for the protection of investors.*

11 “(v) *PROGRAMMATIC AND AUTOMATED*
12 *DISTRIBUTIONS.*—*The automated, pro-*
13 *grammatic, protocol-defined, or rules-based*
14 *distribution of network tokens achieved*
15 *through the transparent functioning of a*
16 *distributed ledger system, a distributed ledg-*
17 *er, or distributed ledger applications, in*
18 *which—*

19 “(I) *distributions occur pursuant*
20 *to public, transparent, rules-based pa-*
21 *rameters that are publicly available*
22 *and are accessible on a permissionless*
23 *basis, without individualized or real-*
24 *time negotiation with recipients;*

1 “(II) recipients receive network
2 tokens as a direct, programmatic result
3 of objective, verifiable network partici-
4 pation, consumption, or contribution,
5 including consensus participation,
6 data availability, bandwidth, govern-
7 ance, or use and interaction with the
8 protocol or application;

9 “(III) the number of network to-
10 kens received is proportionate to the
11 verifiable service, usage, or contribu-
12 tion;

13 “(IV) any expected utility or
14 value of the network tokens arises pri-
15 marily from decentralized network
16 participation and market forces, rather
17 than the discretionary actions of any
18 single person or affiliated group; and

19 “(V) no person or group has uni-
20 lateral authority to alter, restrict, or
21 direct the issuance parameters or dis-
22 tribution mechanisms of the distributed
23 ledger system, and any modification
24 occurs only through a decentralized
25 governance system.

1 “(vi) TECHNOLOGY-NEUTRAL
 2 *CLAUSE.—The distribution employing a*
 3 *mechanism, protocol, or technology not spe-*
 4 *cifically described in clauses (i) through (v),*
 5 *without regard to whether such mechanism,*
 6 *protocol, or technology is in existence at the*
 7 *time of enactment of this section, and with-*
 8 *out regard to terminology or underlying*
 9 *technical framework, provided such dis-*
 10 *tribution meets the requirements described*
 11 *in subparagraph (A)(i).*

12 “(6) *INVESTMENT COMPANY.—The term ‘invest-*
 13 *ment company’ has the meaning given the term in*
 14 *section 3(a) of the Investment Company Act of 1940*
 15 *(15 U.S.C. 80a–3(a)).*

16 “(7) *NETWORK TOKEN.—*

17 “(A) *IN GENERAL.—The term ‘network*
 18 *token’ means a digital commodity that is intrin-*
 19 *sically linked to a distributed ledger system and*
 20 *that derives, or is reasonably expected to derive,*
 21 *its value from the use of such distributed ledger*
 22 *system, and, pursuant to the Digital Asset Mar-*
 23 *ket Clarity Act and the amendments made by the*
 24 *Digital Asset Market Clarity Act, is treated as a*

1 *non-security solely for purposes of the securities*
2 *laws.*

3 “(B) *DISQUALIFYING FINANCIAL RIGHTS.*—
4 *The term ‘network token’ does not include any of*
5 *the following:*

6 “(i) *Any security, consistent with the*
7 *categories of disqualifying financial rights*
8 *described in clause (ii).*

9 “(ii) *An investment contract or a cer-*
10 *tificate of interest or participation in any*
11 *profit-sharing agreement that represents,*
12 *gives the holder, or is substantially economi-*
13 *cally or functionally equivalent to, any of*
14 *the following, as the Commission shall es-*
15 *tablish by rule:*

16 “(I) *A debt or equity interest, or*
17 *an option on a debt or equity interest,*
18 *in a person.*

19 “(II) *Liquidation rights with re-*
20 *spect to a person.*

21 “(III) *An entitlement to, or a rea-*
22 *sonable expectation of, an interest, div-*
23 *idend, or other payment, or direct or*
24 *indirect transfer of value, from a per-*

son (other than a decentralized governance system).

“(IV) An express or implied financial interest in (including a limited partnership interest or interest in intellectual property of), or provided by, a person (other than a decentralized governance system).

“(iii) Any interest that is, represents, or is functionally equivalent to an interest in an investment company or a company (as defined in section 2 of the Investment Company Act of 1940 (15 U.S.C. 80a–2)) that would be an investment company under section 3(a) of that Act (15 U.S.C. 80a–3(a)) but for the exclusions provided from that definition by section 3(c) of that Act (15 U.S.C. 80a–3(c)).

“(iv) Any interest that is, represents, or is functionally equivalent to an interest in any entity or person that is not an investment company but holds or will hold assets other than securities.

“(C) *RULE OF CONSTRUCTION.*—A digital commodity—

1 “(i) shall be deemed to be intrinsically
2 linked to a distributed ledger system if the
3 digital commodity is directly related to the
4 functionality or operation of the distributed
5 ledger system or to the activities or services
6 for which the distributed ledger system is
7 created or utilized; and

8 “(ii) shall not be disqualified from
9 being deemed a network token due to the
10 granting of economic interests or voting ca-
11 pabilities with respect to a distributed ledg-
12 er system or its decentralized governance
13 system, as further clarified by the Commis-
14 sion through the final rules adopted under
15 section 105 of the Lummis-Gillibrand Re-
16 sponsible Financial Innovation Act of 2026.

17 “(b) TREATMENT OF NETWORK TOKENS AND TRANS-
18 ACTIONS.—

19 “(1) IN GENERAL.—The offer, sale, or distribu-
20 tion of an ancillary asset by, or caused by, an ancil-
21 lary asset originator, including through an under-
22 writer, shall be considered to be an offer, sale, or dis-
23 tribution of an investment contract involving an an-
24 cillary asset, except with respect to a gratuitous dis-
25 tribution.

1 “(2) *TREATMENT AS NON-SECURITY.*—*Except as*
2 *provided in this section, and subject to paragraph (3),*
3 *a network token shall be treated as a non-security, to*
4 *the extent materially consistent with the requirements*
5 *and conditions of this section, for purposes of —*

6 “(A) *section 2(a)(1);*

7 “(B) *section 3(a) of the Securities Exchange*
8 *Act of 1934 (15 U.S.C. 78c(a));*

9 “(C) *section 2(a) of the Investment Com-*
10 *pany Act of 1940 (15 U.S.C. 80a–2(a));*

11 “(D) *section 202(a) of the Investment Ad-*
12 *visers Act of 1940 (15 U.S.C. 80b–2(a));*

13 “(E) *section 16 of the Securities Investor*
14 *Protection Act of 1970 (15 U.S.C. 78lll); or*

15 “(F) *any applicable requirement of State*
16 *law that is functionally equivalent to the provi-*
17 *sions described in subparagraphs (A) through*
18 *(E), including any provision of State law that*
19 *directly or indirectly prohibits, limits, or im-*
20 *poses any conditions on the use, offer, sale,*
21 *transfer, or disposition of a network token in a*
22 *manner that is—*

23 “(i) *not substantially similar to prohi-*
24 *bitions, limitations, or conditions imposed*
25 *by that State relating to assets that are*

1 *commodities under the laws of that State;*
 2 *and*

3 “(ii) *inconsistent with this section.*

4 “(3) *SECONDARY MARKET TREATMENT.—*

5 “(A) *IN GENERAL.—Except as provided in*
 6 *this section (including the limitation under sub-*
 7 *paragraph (B)), and to the extent materially*
 8 *consistent with the requirements and conditions*
 9 *of this section, the offer, sale, or distribution of*
 10 *a network token by a person shall be treated as*
 11 *not involving the offer, sale, or distribution of a*
 12 *security under—*

13 “(i) *section 2(a)(1);*

14 “(ii) *the Securities Exchange Act of*
 15 *1934 (15 U.S.C. 78a et seq.);*

16 “(iii) *the Investment Company Act of*
 17 *1940 (15 U.S.C. 80a–1 et seq.);*

18 “(iv) *the Investment Advisers Act of*
 19 *1940 (15 U.S.C. 80b–1 et seq.);*

20 “(v) *the Securities Investor Protection*
 21 *Act of 1970 (15 U.S.C. 78aaa et seq.); and*

22 “(vi) *any applicable requirement of*
 23 *State law that is functionally equivalent to*
 24 *the provisions described in clauses (i)*
 25 *through (v), including any provision of*

1 *State law that directly or indirectly pro-*
 2 *hibits, limits, or imposes any conditions on*
 3 *the use, offer, sale, transfer, or disposition of*
 4 *a network token in a manner that is—*

5 *“(I) not substantially similar to*
 6 *prohibitions, limitations, or conditions*
 7 *imposed by that State relating to assets*
 8 *that are commodities under the laws of*
 9 *that State; and*

10 *“(II) inconsistent with this sec-*
 11 *tion.*

12 *“(B) LIMITATION.—Subparagraph (A) shall*
 13 *not apply if the applicable network token is of-*
 14 *fered, sold, or distributed pursuant to the offer,*
 15 *sale, or distribution of a security by an ancillary*
 16 *asset originator or underwriter.*

17 *“(4) TREATMENT OF GRATUITOUS DISTRIBUTIONS.—*
 18

19 *“(A) IN GENERAL.—A gratuitous distribu-*
 20 *tion, by itself, shall be presumed to not constitute*
 21 *an offer, sale, or distribution of a security for the*
 22 *purposes of—*

23 *“(i) section 2(a)(1);*

24 *“(ii) section 3(a) of the Securities Ex-*
 25 *change Act of 1934 (15 U.S.C. 78c(a));*

1 “(iii) section 2(a) of the Investment
2 Company Act of 1940 (15 U.S.C. 80a–2(a));

3 “(iv) section 202(a) of the Investment
4 Advisers Act of 1940 (15 U.S.C. 80b–2(a));

5 “(v) section 16 of the Securities Inves-
6 tor Protection Act of 1970 (15 U.S.C. 78lll);
7 or

8 “(vi) any applicable requirement of
9 State law, or any provision of State law
10 that is functionally equivalent to the provi-
11 sions described in clauses (i) through (v),
12 including any provision of State law that
13 directly or indirectly prohibits, limits, or
14 imposes any conditions on the use, offer,
15 sale, transfer, or disposition of a network
16 token in a manner that is—

17 “(I) not substantially similar to
18 prohibitions, limitations, or conditions
19 imposed by that State relating to assets
20 that are commodities under the laws of
21 that State; and

22 “(II) inconsistent with this sec-
23 tion.

24 “(B) SAVINGS CLAUSE.—Nothing in this
25 paragraph may be construed to limit, impair, or

otherwise affect the anti-fraud or anti-manipulation authorities of the Commission, the Commodity Futures Trading Commission, or a State regulator.

“(5) *PRIOR CERTIFICATION.*—

“(A) *SUBMISSION AND DEFAULT TREATMENT.*—

“(i) *IN GENERAL.*—

“(I) *PRESUMPTION.*—For purposes of this section, there shall be a rebuttable presumption that a network token, including a network token distributed in the manner described in paragraph (4), is an ancillary asset unless the originator of that network token, or a digital asset intermediary (as provided under subsection (c)(4)), submits to the Commission a completed written certification, supported by reasonable evidence, as defined by the Commission, sufficient to demonstrate that the network token is not an ancillary asset.

“(II) *CONTENTS.*—A certification submitted under subclause (I) shall in-

1 *clude a statement in accordance with*
2 *subsection (d)(3)(B)(i).*

3 “(ii) *NOTIFICATION.*—*The Commission*
4 *shall notify the Commodity Futures Trad-*
5 *ing Commission of each certification made*
6 *pursuant to clause (i) and of any final*
7 *agency action with respect to that certifi-*
8 *cation.*

9 “(iii) *RECIPROCAL NOTICE.*—*The Com-*
10 *mission shall receive a copy of any certifi-*
11 *cation and supporting materials submitted*
12 *to the Commodity Futures Trading Com-*
13 *mission under section 203(d) of the Digital*
14 *Commodity Intermediaries Act.*

15 “(B) *AUTOMATIC EFFECTIVENESS.*—*A cer-*
16 *tification submitted under subparagraph (A) by*
17 *an originator or a digital asset intermediary*
18 *shall become effective upon the earlier of—*

19 “(i) *the date on which the Commission*
20 *notifies the originator or digital asset inter-*
21 *mediary in writing that the Commission*
22 *does not object to the certification; or*

23 “(ii) *if the Commission has not issued*
24 *a rebuttal to the originator or digital asset*
25 *intermediary in accordance with subpara-*

1 *graph (C), 60 days after the date on which*
2 *the originator or digital asset intermediary*
3 *submits the certification.*

4 *“(C) COMMISSION DENIAL.—*

5 *“(i) AUTHORITY TO DENY.—Subject to*
6 *clauses (ii) and (iii), the Commission may*
7 *deny a certification submitted under sub-*
8 *paragraph (A) by an originator or digital*
9 *asset intermediary only during the 60-day*
10 *period described in subparagraph (B)(ii) or*
11 *upon determining, based on reasonable evi-*
12 *dence, that a material change in cir-*
13 *cumstances has occurred after the submis-*
14 *sion of the certification, whether or not the*
15 *certification has taken effect.*

16 *“(ii) NOTICE OF INTENT TO DENY.—If*
17 *the Commission intends to deny a certifi-*
18 *cation submitted under subparagraph (A),*
19 *the Commission shall—*

20 *“(I) either not later than 20 busi-*
21 *ness days after the date on which the*
22 *certification is submitted, or promptly*
23 *after determining that a material*
24 *change in circumstances has occurred,*
25 *provide to the applicable originator or*

1 *digital asset intermediary notice of the*
2 *intent of the Commission to deny that*
3 *certification; and*

4 “(II) provide to the applicable
5 originator or digital asset inter-
6 mediary a 10-day period following the
7 provision of notice under subclause (I)
8 during which—

9 “(aa) interested persons shall
10 have an opportunity to submit
11 written data, views, and argu-
12 ments relating to that certifi-
13 cation; and

14 “(bb) the Commodity Futures
15 Trading Commission may, at the
16 discretion of the Commodity Fu-
17 tures Trading Commission, sub-
18 mit input regarding whether the
19 applicable asset—

20 “(AA) satisfies the re-
21 quirements for being consid-
22 ered an ancillary asset; or

23 “(BB) includes any dis-
24 qualifying financial right de-

1 *scribed in subsection*
2 *(a)(7)(B).*

3 *“(iii) REQUIREMENTS AFTER NOTICE*
4 *OF INTENT.—After the 10-day period de-*
5 *scribed in clause (ii)(II), the Commission*
6 *shall—*

7 *“(I) upon request of the applicable*
8 *originator or digital asset inter-*
9 *mediary, provide an opportunity for*
10 *the oral presentation of data, views,*
11 *and arguments by certification covered*
12 *parties;*

13 *“(II) have a vote of the Commis-*
14 *sion (which, notwithstanding section*
15 *4A of the Securities Exchange Act of*
16 *1934 (15 U.S.C. 78d–1), may not be*
17 *delegated to an employee or employee*
18 *board or to any individual Commis-*
19 *sioner) to deny the certification after a*
20 *finding that the applicable asset—*

21 *“(aa) is an ancillary asset;*
22 *or*

23 *“(bb) includes any disquali-*
24 *fying financial right described in*
25 *subsection (a)(7)(B); and*

1 “(III) notify the Commodity Fu-
2 tures Trading Commission of each de-
3 nial made under subclause (II).

4 “(iv) *INTERESTED PERSON*.—For pur-
5 poses of this subparagraph, the term ‘inter-
6 ested person’ means, with respect to a net-
7 work token—

8 “(I) the ancillary asset originator
9 with respect to that network token (re-
10 ferred to in this clause as ‘the origi-
11 nator’);

12 “(II) a subsidiary of the origi-
13 nator;

14 “(III) a related person of the
15 originator;

16 “(IV) any entity that directly or
17 indirectly controls or is controlled by a
18 common entity with the originator;

19 “(V) any broker or dealer (as
20 those terms are defined in section 3(a)
21 of the Securities Exchange Act of 1934
22 (15 U.S.C. 78c(a))), or an exchange
23 registered pursuant to section 6 of that
24 Act (15 U.S.C. 78f), that operates in
25 connection with digital assets; or

1 “(VI) any person registered with
2 the Commodity Futures Trading Com-
3 mission that operates or proposes to
4 operate in connection with digital as-
5 sets.

6 “(D) CERTIFICATION FILED BY DIGITAL
7 ASSET INTERMEDIARY.—

8 “(i) IN GENERAL.—A certification sub-
9 mitted by a digital asset intermediary
10 under this paragraph shall only become ef-
11 fective if—

12 “(I) the digital asset intermediary
13 has—

14 “(aa) conducted a reasonable
15 inquiry of publicly available in-
16 formation, appropriate under the
17 circumstances, regarding whether
18 the applicable originator has en-
19 gaged in entrepreneurial and
20 managerial efforts with respect to
21 the applicable network token dur-
22 ing the most recent 180-day pe-
23 riod, or is likely to engage in
24 those efforts in the future; and

1 “(bb) concluded that the ef-
2 forts described in item (aa) have
3 not occurred or are not reasonably
4 likely to occur; and

5 “(II) subject to clause (ii), the ap-
6 plicable originator has certified that
7 there is not (and, during the most re-
8 cent 180-day period, there has not
9 been) material, non-public information
10 regarding entrepreneurial or manage-
11 rial efforts with respect to the applica-
12 ble network token in the possession of
13 the originator or a related party.

14 “(ii) *LIMITATION.*—Clause (i)(II) shall
15 not be required if the applicable digital
16 asset intermediary, after a reasonable in-
17 quiry, appropriate under the circumstances,
18 determines that the applicable originator, or
19 any person jointly and severally liable pur-
20 suant to subsection (a)(2)(B), is not capable
21 of submitting the applicable certification.

22 “(E) *FINAL AGENCY ACTION.*—Denial under
23 this paragraph constitutes final agency action
24 reviewable under applicable law.

1 “(F) *TOLLING.*—Any applicable period
2 *specified in this paragraph may be tolled, for pe-*
3 *riods of not longer than 60 days, during the 3-*
4 *year period following the effective date of the*
5 *Digital Asset Market Clarity Act, upon a show-*
6 *ing in writing that the originator or digital*
7 *asset intermediary has not substantially re-*
8 *sponded to a request for information from the*
9 *Commission within a reasonable time.*

10 “(G) *WITHDRAWAL.*—An originator or dig-
11 *ital asset intermediary may withdraw a certifi-*
12 *cation submitted under subparagraph (A) at any*
13 *time before approval.*

14 “(H) *DESIGNATED COMMISSION OFFICE.*—
15 *The Commission shall designate an office that*
16 *shall—*

17 “(i) *acknowledge receipt of certifi-*
18 *cations submitted under subparagraph (A);*

19 “(ii) *support those seeking certification*
20 *under subparagraph (A) by providing guid-*
21 *ance regarding the mechanics of preparing*
22 *and submitting those certifications; and*

23 “(iii) *route certifications submitted*
24 *under subparagraph (A), together with any*
25 *associated comments or recommendations, to*

1 the appropriate division or office of the
2 Commission for review.

3 “(I) *MISSTATEMENTS OR OMISSIONS.*—Any
4 material misstatement or omission to state a
5 material fact, including with respect to con-
6 tinuing compliance, in a certification that has
7 become effective under this paragraph shall con-
8 stitute grounds for the Commission, consistent
9 with the securities laws, to issue an order deny-
10 ing, suspending, or revoking the effectiveness of
11 the certification and to pursue any appropriate
12 enforcement action.

13 “(c) *DISCLOSURE REQUIREMENTS FOR CERTAIN*
14 *TRANSACTIONS INVOLVING ANCILLARY ASSETS.*—

15 “(1) *SPECIFIED INITIAL AND PERIODIC DISCLO-*
16 *SURE REQUIREMENTS.*—

17 “(A) *IN GENERAL.*—An ancillary asset
18 originator shall be subject to the initial and peri-
19 odic disclosure requirements under subsection (d)
20 upon the occurrence of the earlier of the fol-
21 lowing:

22 “(i) Any offer, sale, or distribution of
23 an ancillary asset after the effective date of
24 the Digital Asset Market Clarity Act by, or

1 *that is caused by, that ancillary asset origi-*
2 *nator pursuant to—*

3 *“(I) Regulation Crypto, as adopt-*
4 *ed pursuant to section 103 of the Lum-*
5 *mis-Gillibrand Responsible Financial*
6 *Innovation Act of 2026;*

7 *“(II) the filing of an effective reg-*
8 *istration statement under this Act;*

9 *“(III) the filing of an offering*
10 *statement described in section 3(b)(2);*
11 *or*

12 *“(IV) an offering conducted pur-*
13 *suant to section 4(a)(6).*

14 *“(ii)(I) The first secondary market*
15 *offer, sale, or distribution of an ancillary*
16 *asset in the United States after the effective*
17 *date of the Digital Asset Market Clarity Act*
18 *that constitutes a public offering, whether*
19 *by the ancillary asset originator or any*
20 *other person.*

21 *“(II) For the purposes of subclause (I),*
22 *the term ‘public offering’ shall be inter-*
23 *preted consistent with the meaning of that*
24 *term under section 4(a)(2).*

1 “(B) *EXCLUSION.*—Subparagraph (A) shall
2 *not apply if—*

3 “(i) *the aggregate gross proceeds from*
4 *the offer, sale, or distribution of the applica-*
5 *ble ancillary asset (together with any re-*
6 *lated assets sold in those offers, sales, or dis-*
7 *tributions) were \$5,000,000 or less (adjusted*
8 *for inflation) during the 12-month period*
9 *immediately following the date of the first*
10 *such offer, sale, or distribution; or*

11 “(ii) *the average daily aggregate value*
12 *of trading in the applicable ancillary asset*
13 *in all spot markets open to the public in the*
14 *United States for which trading volume is*
15 *generally available is \$5,000,000 or less*
16 *(adjusted for inflation) during the 12-month*
17 *period (or such shorter period as the Com-*
18 *mission may determine) immediately fol-*
19 *lowing the commencement of compliance*
20 *with the disclosure requirements under sub-*
21 *section (d) (as determined pursuant to*
22 *paragraph (2) of this subsection), based on*
23 *the knowledge of the ancillary asset origi-*
24 *nator after due inquiry (or, if the ancillary*
25 *asset has not yet traded on spot markets*

1 *open to the public in the United States, the*
 2 *trading volume is reasonably expected to be*
 3 *\$5,000,000 or less (adjusted for inflation)*
 4 *during the 12-month period immediately*
 5 *following the reporting date specified by*
 6 *paragraph (2)).*

7 “(C) *CALCULATION.*—*For the purposes of*
 8 *this paragraph, the calculation of daily aggre-*
 9 *gate value shall be based on a reasonable calcula-*
 10 *tion of public data.*

11 “(2) *COMMENCEMENT OF COMPLIANCE WITH*
 12 *SPECIFIED INITIAL AND PERIODIC DISCLOSURE RE-*
 13 *QUIREMENTS.*—

14 “(A) *IN GENERAL.*—*An ancillary asset*
 15 *originator subject to the requirements of para-*
 16 *graph (1) shall comply with the disclosure re-*
 17 *quirements under subsection (d)—*

18 “(i) *before—*

19 “(I) *any initial offer, sale, or dis-*
 20 *tribution described in paragraph*
 21 *(1)(A)(i); or*

22 “(II) *a secondary market offer,*
 23 *sale, or distribution described in para-*
 24 *graph (1)(A)(ii); and*

25 “(ii) *semiannually thereafter.*

1 “(B) *EXCLUSION.*—The requirements of this
2 paragraph shall not apply to an offer, sale, or
3 distribution of an ancillary asset that occurs
4 after the effective date of the Digital Asset Mar-
5 ket Clarity Act if an ancillary asset originator
6 has submitted a certification under subsection
7 (d)(3)(B) and the Commission has not denied
8 that certification within a 60-day period after
9 the completion of the process under that sub-
10 section.

11 “(3) *TRANSITION RULE.*—

12 “(A) *IN GENERAL.*—An ancillary asset
13 originator that initially offered, sold, or distrib-
14 uted (or otherwise controlled or caused the offer,
15 sale, or distribution of) a security involving an
16 ancillary asset before the effective date of the
17 Digital Asset Market Clarity Act shall comply
18 with the periodic disclosure requirements under
19 subsection (d), if applicable, beginning on the
20 date that is 1 year after that effective date.

21 “(B) *EFFECT ON CERTIFICATION.*—An an-
22 cillary asset originator, or any other certifi-
23 cation covered party, subject to this paragraph
24 that meets the requirements of subsection (d)(3)
25 may furnish a certification as provided in that

1 subsection without complying with the periodic
 2 disclosure requirements under subsection (d), if
 3 the Commission has not denied that certification
 4 within a 60-day period after the completion of
 5 the process under that subsection.

6 “(C) *PERIOD OF DISCLOSURES.*—The dis-
 7 closures required under subparagraph (A) shall
 8 apply with respect to the 3-year period preceding
 9 the effective date described in that subparagraph.

10 “(4) *DIGITAL ASSET INTERMEDIARIES.*—

11 “(A) *IN GENERAL.*—Other than as provided
 12 under subparagraph (B), with respect to an an-
 13 cillary asset that is listed for trading on a dig-
 14 ital asset intermediary, that digital asset inter-
 15 mediary may, in lieu of the applicable ancillary
 16 asset originator, satisfy the requirements of sub-
 17 section (d) in accordance with such rules as the
 18 Commission shall jointly adopt with the Com-
 19 modity Futures Trading Commission.

20 “(B) *ALLOCATION OF DISCLOSURE RESPON-*
 21 *SIBILITY.*—

22 “(i) *ORIGINATOR FILINGS.*—A digital
 23 asset intermediary may not satisfy the re-
 24 quirements of subsection (d) in lieu of the
 25 applicable ancillary asset originator, if—

1 “(I) the ancillary asset originator
2 is incorporated, organized, or otherwise
3 registered under the laws of the United
4 States or of any State; and

5 “(II) the applicable ancillary
6 asset is—

7 “(aa) offered, sold, or distrib-
8 uted after the effective date of the
9 Digital Asset Market Clarity Act
10 pursuant to—

11 “(AA) an investment
12 contract that is offered, sold,
13 or distributed pursuant to
14 Regulation Crypto, as adopt-
15 ed pursuant to section 103 of
16 the Lummis-Gillibrand Re-
17 sponsible Financial Innova-
18 tion Act of 2026;

19 “(BB) the filing of an
20 effective registration state-
21 ment under this Act (other
22 than a registration statement
23 on the form described in sec-
24 tion 239.31 or 239.33 of title
25 17, Code of Federal Regula-

1 *tions, or the successor to ei-*
 2 *ther such form);*

3 *“(CC) the filing of an*
 4 *offering statement described*
 5 *in section 3(b)(2); or*

6 *“(DD) an offering con-*
 7 *ducted pursuant to section*
 8 *4(a)(6); or*

9 *“(bb) first offered or sold*
 10 *after the effective date of the Dig-*
 11 *ital Asset Market Clarity Act in a*
 12 *transaction described in para-*
 13 *graph (1)(A)(ii).*

14 *“(ii) COMMISSION DETERMINATION.—*

15 *“(I) IN GENERAL.—If, after no-*
 16 *tice, comment, and the opportunity for*
 17 *a hearing, the Commission determines*
 18 *that it is in the public interest or nec-*
 19 *essary for the protection of investors,*
 20 *including with respect to an ancillary*
 21 *asset originator incorporated or orga-*
 22 *nized in a foreign jurisdiction, the*
 23 *Commission may require an ancillary*
 24 *asset originator, after a transition pe-*

1 rion, to file the disclosures required
2 under subsection (d).

3 “(II) *EXTRATERRITORIAL EF-*
4 *FECT.*—Subclause (I) shall apply
5 extraterritorially.

6 “(C) *STANDARD OF LIABILITY.*—Notwith-
7 standing any other provision of this Act, it shall
8 be unlawful for a digital asset intermediary to
9 file disclosures under subsection (d) pursuant to
10 this paragraph that contain any material
11 misstatement or omission to state a material fact
12 required to be stated therein, or necessary to
13 make the statements therein not misleading, un-
14 less that digital asset intermediary did not know
15 (and, in the exercise of reasonable care, could not
16 have known) of that misstatement or omission.

17 “(5) *FAILURE TO COMPLY.*—Subject to the re-
18 quirements of this section, an ancillary asset shall not
19 be listed for trading on a digital asset intermediary
20 if the Commission and the Commodity Futures Trad-
21 ing Commission jointly find that the ancillary asset
22 originator that initially offered, sold, or distributed
23 the ancillary asset after the effective date of the Dig-
24 ital Asset Market Clarity Act (or, if a digital asset
25 intermediary is satisfying the requirements of this

1 subsection in lieu of that ancillary asset originator in
 2 accordance with paragraph (4), such digital asset
 3 intermediary) has materially failed to furnish the re-
 4 quired disclosures under this subsection after a rea-
 5 sonable opportunity to cure, as provided by joint rule
 6 of the Commission and the Commodity Futures Trad-
 7 ing Commission in a manner that is consistent with
 8 the considerations under subsection (d)(5).

9 “(d) SPECIFIED INITIAL AND PERIODIC DISCLOSURE
 10 REQUIREMENTS.—

11 “(1) IN GENERAL.—

12 “(A) FURNISHING OF INFORMATION.—An
 13 ancillary asset originator that is subject to the
 14 requirements of paragraph (1) or (3) of sub-
 15 section (c), or a digital asset intermediary acting
 16 in accordance with subsection (c)(4), shall fur-
 17 nish to the Commission, in such form as the
 18 Commission may prescribe by rule after pro-
 19 viding notice and the opportunity for comment,
 20 and until the requirement terminates under
 21 paragraph (3) of this subsection, the information
 22 described in paragraph (2) of this subsection, to
 23 the extent that the information is material and
 24 known, or reasonably knowable, to the ancillary
 25 asset originator or digital asset intermediary.

1 “(B) *REQUIREMENTS FOR RULES.*—A rule
2 *prescribed under subparagraph (A) shall be rea-*
3 *sonably tailored, including by adjusting the*
4 *scope, form, and content of required disclosures,*
5 *based on—*

6 “(i) *the size of the applicable ancillary*
7 *asset originator in accordance with section*
8 *108(a) of the Lummis-Gillibrand Respon-*
9 *sible Financial Innovation Act of 2026;*

10 “(ii) *the aggregate amount of ancillary*
11 *assets offered, sold, or distributed by the ap-*
12 *plicable ancillary asset originator to the*
13 *public in the United States; and*

14 “(iii) *whether the applicable ancillary*
15 *asset and any related distributed ledger sys-*
16 *tem is subject to coordinated control, as de-*
17 *finied by the Commission pursuant to rules*
18 *adopted under section 104(b) of the Lum-*
19 *mis-Gillibrand Responsible Financial Inno-*
20 *vation Act of 2026.*

21 “(2) *CATEGORIES OF INFORMATION.*—*The infor-*
22 *mation required under paragraph (1) shall include*
23 *the following with respect to the applicable ancillary*
24 *asset originator and the related ancillary asset:*

1 “(A) *Basic corporate information regarding*
2 *the ancillary asset originator and the ancillary*
3 *asset activities of the ancillary asset originator,*
4 *which may include the following items, as the*
5 *Commission shall determine by rule:*

6 “(i) *The experience of the ancillary*
7 *asset originator (or persons controlling the*
8 *ancillary asset originator) in developing*
9 *ancillary assets.*

10 “(ii) *If the ancillary asset originator*
11 *(or persons controlling the ancillary asset*
12 *originator) has previously distributed ancil-*
13 *lary assets, information on the subsequent*
14 *distribution history of those ancillary as-*
15 *sets, including price history, if the informa-*
16 *tion is publicly available.*

17 “(iii) *The activities that the ancillary*
18 *asset originator has taken in the relevant*
19 *disclosure period, and is projecting to take*
20 *in the 1-year period following the submis-*
21 *sion of the disclosure, with respect to pro-*
22 *moting the use, value, or resale of the ancil-*
23 *lary asset (including any activity to facili-*
24 *tate the creation or maintenance of a trad-*
25 *ing market for the ancillary asset and any*

1 *distributed ledger system, application, or*
2 *system that uses the ancillary asset).*

3 “(iv) *The anticipated cost of the activi-*
4 *ties of the ancillary asset originator de-*
5 *scribed in clause (iii), whether the ancillary*
6 *asset originator has unencumbered, liquid*
7 *funds equal to that amount, and, if the an-*
8 *cidental asset originator does not have those*
9 *funds, the anticipated plan of operations of*
10 *the ancillary asset originator for the portion*
11 *of time where those liquid funds are less*
12 *than the anticipated cost of the activities of*
13 *the ancillary asset originator.*

14 “(v) *The experience of the ancillary*
15 *asset originator with the use of a distrib-*
16 *uted ledger system or distributed ledger*
17 *technology.*

18 “(vi) *The identities and expertise of the*
19 *board of directors (or equivalent body) and*
20 *senior management of the ancillary asset*
21 *originator, the experience or functions of*
22 *whom are material to the development or*
23 *value of the ancillary asset, as well as any*
24 *personnel changes relating to the ancillary*

1 *asset originator during the period covered*
2 *by the disclosure.*

3 “(vii) *Financial statements of the an-*
4 *cillary asset originator that are—*

5 “(I) *if the aggregate amount of*
6 *such ancillary assets offered, sold, or*
7 *distributed to the public does not ex-*
8 *ceed \$25,000,000 in gross proceeds, re-*
9 *viewed by a public accountant that is*
10 *independent of the ancillary asset*
11 *originator; or*

12 “(II) *if the aggregate amount of*
13 *such ancillary assets offered, sold, or*
14 *distributed to the public exceeds*
15 *\$25,000,000 in gross proceeds, audited*
16 *by a public accountant that is inde-*
17 *pendent of the ancillary asset origi-*
18 *nator.*

19 “(viii) *A description of any legal pro-*
20 *ceedings in which the ancillary asset origi-*
21 *nator is engaged.*

22 “(ix) *Risk factors arising from the ac-*
23 *tivities of the ancillary asset originator*
24 *with respect to the ancillary asset, and not*
25 *generally applicable to other kinds of ancil-*

1 *lary assets, that may limit the utility or li-*
2 *quidity of the ancillary asset, investor de-*
3 *mand with respect to the ancillary asset, or*
4 *the market price or value of the ancillary*
5 *asset.*

6 *“(x) Information relating to ownership*
7 *of the ancillary asset by—*

8 *“(I) persons owning not less than*
9 *10 percent of any class of equity secu-*
10 *rity or other ownership interest of the*
11 *ancillary asset originator; and*

12 *“(II) the board of directors (or*
13 *equivalent body) and senior manage-*
14 *ment of the ancillary asset originator,*
15 *if those individuals, in the aggregate,*
16 *own not less than 5 percent of the an-*
17 *cillary asset.*

18 *“(xi) For any material transactions*
19 *involving the ancillary asset between the*
20 *ancillary asset originator and any related*
21 *person, a description, in the aggregate, of*
22 *the parties, the number of ancillary assets*
23 *involved, and a summary of any material*
24 *features of the transactions, including any*
25 *material terms or ongoing obligations.*

1 “(xii) *A summary, in the aggregate by*
2 *year, of transactions in ancillary assets*
3 *during the 4-year period preceding the fur-*
4 *nishing of the disclosure, by the ancillary*
5 *asset originator and persons that directly or*
6 *indirectly control the ancillary asset origi-*
7 *nator.*

8 “(xiii) *Purchases or similar acquisi-*
9 *tions of ancillary assets by the ancillary*
10 *asset originator and affiliates of the ancil-*
11 *lary asset originator.*

12 “(xiv) *A statement, made in good faith,*
13 *from the chief financial officer of the ancil-*
14 *lary asset originator or equivalent official,*
15 *stating whether the ancillary asset origi-*
16 *nator reasonably expects to maintain or*
17 *have the financial resources to continue*
18 *business as a going concern for the 12-*
19 *month period following the furnishing of the*
20 *disclosure, absent a change in cir-*
21 *cumstances.*

22 “(xv) *The current state and timeline*
23 *for the development of the distributed ledger*
24 *system to which the ancillary asset relates,*
25 *detailing if, how, and when the distributed*

1 *ledger system and the related ancillary asset*
2 *are intended to no longer be subject to co-*
3 *ordinated control, including by related per-*
4 *sons, if the distributed ledger system has not*
5 *yet received a certification under section*
6 *104(d) of the Lummis-Gillibrand Respon-*
7 *sible Financial Innovation Act of 2026.*

8 *“(B) Economic and technical information*
9 *relating to the ancillary asset, which may in-*
10 *clude the following items, as the Commission*
11 *shall determine by rule:*

12 *“(i) A general description of the ancil-*
13 *lary asset and the distributed ledger system*
14 *to which that ancillary asset relates, includ-*
15 *ing—*

16 *“(I) a plain-English description*
17 *of how the applicable distributed ledg-*
18 *er, distributed ledger system, or dis-*
19 *tributed ledger application functions;*

20 *“(II) the intended or known*
21 *functionality and uses of the ancillary*
22 *asset and any associated fees for use or*
23 *disposition of the ancillary asset;*

24 *“(III) the market for the ancillary*
25 *asset;*

1 “(IV) other assets or services that
2 may compete with the ancillary asset;

3 “(V) the total supply of the ancil-
4 lary asset or the manner and rate of
5 the ongoing production or creation of
6 the ancillary asset; and

7 “(VI) the governance and con-
8 sensus mechanism for the ancillary
9 asset and that distributed ledger sys-
10 tem, if applicable, including for vali-
11 dating transactions and implementing
12 changes to the distributed ledger sys-
13 tem, the method of generating or min-
14 ing ancillary assets, and any process
15 for burning or destroying units of the
16 ancillary asset on a distributed ledger
17 system.

18 “(ii) If the ancillary asset originator
19 has offered, sold, or otherwise provided an-
20 cillary assets to affiliates, investors, employ-
21 ees, intermediaries, or resellers, a descrip-
22 tion of the amount of assets offered, sold, or
23 otherwise provided to such persons and a
24 summary of any material resale restrictions
25 or other material obligations arising from

1 *related contracts, agreements, or other ar-*
2 *rangements.*

3 “(iii) *If ancillary assets were distrib-*
4 *uted by the ancillary asset originator with-*
5 *out charge or upon meeting certain condi-*
6 *tions, a description of the distributions, in*
7 *the aggregate, along with the identity of*
8 *any recipient that received more than 5*
9 *percent of the total amount of ancillary as-*
10 *sets (calculated as a percentage of the total*
11 *supply of such asset at the time of distribu-*
12 *tion).*

13 “(iv) *The amount of ancillary assets*
14 *owned by the ancillary asset originator.*

15 “(v) *For the 12-month period following*
16 *the furnishing of the disclosure, a descrip-*
17 *tion of the current state and anticipated*
18 *timeline for the development of the distrib-*
19 *uted ledger system to which that ancillary*
20 *asset relates, including—*

21 “(I) *plans of the ancillary asset*
22 *originator to support (or to cease sup-*
23 *porting) the use or development of the*
24 *ancillary asset, including markets for*

1 *the ancillary asset and that distributed*
2 *ledger system;*

3 “(II) *the various roles that exist*
4 *or are intended to exist in connection*
5 *with any applicable distributed ledger,*
6 *distributed ledger system, or distrib-*
7 *uted ledger application, such as users,*
8 *service providers, developers, trans-*
9 *action validators, and governance par-*
10 *ticipants;*

11 “(III) *a discussion of any mecha-*
12 *nisms by which control or authority*
13 *are exerted with respect to that distrib-*
14 *uted ledger system, if applicable, or the*
15 *related ancillary asset; and*

16 “(IV) *any critical operational de-*
17 *pendencies of any applicable distrib-*
18 *uted ledger, distributed ledger system,*
19 *or distributed ledger application or of*
20 *the related ancillary asset.*

21 “(vi) *Risk factors that may materially*
22 *affect the liquidity of the ancillary asset, in-*
23 *vestor demand with respect to the ancillary*
24 *asset, or the market price or value of the an-*
25 *cillary asset.*

1 “(vii) *To the extent available to the*
2 *ancillary asset originator, the average daily*
3 *price for a constant unit of value of the an-*
4 *cillary asset during the relevant reporting*
5 *period, as well as the 12-month high and*
6 *low prices for the ancillary asset, as cal-*
7 *culated based on the 3 exchanges with the*
8 *largest trading volume in that ancillary*
9 *asset.*

10 “(viii) *If applicable, and subject to cy-*
11 *bersecurity best practices, information relat-*
12 *ing to any external audit of the code and*
13 *functionality of the ancillary asset, includ-*
14 *ing the entity performing the audit and the*
15 *experience of the entity in conducting simi-*
16 *lar audits.*

17 “(ix) *Information relating to custodial*
18 *services available for the ancillary asset.*

19 “(x) *Information on intellectual prop-*
20 *erty rights claimed or disputed relating to*
21 *the ancillary asset.*

22 “(xi) *A description of the technology*
23 *underlying the initial distribution and*
24 *trading of the ancillary asset, including the*
25 *source code for the ancillary asset, if appli-*

1 *cable, and technical requirements for hold-*
2 *ing, accessing, and transferring the ancil-*
3 *lary asset.*

4 “(xii) *If applicable, a description of*
5 *the steps necessary to independently access,*
6 *search, and verify the transaction history of*
7 *the ancillary asset.*

8 “(C) *In addition to the information ex-*
9 *pressly required to be included under subpara-*
10 *graphs (A) and (B), the ancillary asset origi-*
11 *nator or digital asset intermediary, as applica-*
12 *ble, shall provide such further material informa-*
13 *tion, if any, as may be necessary to ensure that*
14 *the statements made in the disclosure are not, in*
15 *light of the circumstances under which the state-*
16 *ments are made, materially misleading.*

17 “(3) *TERMINATION OF REQUIREMENTS.—*

18 “(A) *TERMINATION.—The obligation of an*
19 *ancillary asset originator to provide disclosures*
20 *under paragraph (1) shall terminate on the date*
21 *that a certification becomes effective under sub-*
22 *paragraph (B), including through an approval*
23 *or deemed approval.*

24 “(B) *CERTIFICATION.—*

1 “(i) *IN GENERAL.*—A certification cov-
2 ered party may submit to the Commission
3 a certification, based on the knowledge of
4 the certification covered party after due in-
5 quiry and supported by reasonable evidence,
6 that states—

7 “(I) that—

8 “(aa) during the 180-day pe-
9 riod preceding the date on which
10 the certification covered party
11 submits the certification, and as
12 of the date of submission, no cer-
13 tification covered party has en-
14 gaged in more than a nominal
15 level of entrepreneurial or mana-
16 gerial efforts (as defined by the
17 Commission by rule), which shall
18 not, for the purposes of this
19 clause, include providing admin-
20 istrative services alone;

21 “(bb) any efforts described in
22 item (aa) were not a primary fac-
23 tor in determining the value of the
24 related ancillary asset (which
25 may include that any essential

1 *promises made by the certification*
2 *covered party have been fulfilled);*
3 *and*

4 “(cc) a certification is effec-
5 *tive under section 104(d) of the*
6 *Lummis-Gillibrand Responsible*
7 *Financial Innovation Act of 2026;*

8 “(II) in good faith that the certifi-
9 *cation covered party does not reason-*
10 *ably expect there to be any efforts that*
11 *would render the certification covered*
12 *party unable to provide a new certifi-*
13 *cation following the date of the certifi-*
14 *cation; and*

15 “(III) that substantially all mate-
16 *rial information that is reasonably ex-*
17 *pected to contribute to the value of the*
18 *ancillary assets offered, sold, or distrib-*
19 *uted to the public by the ancillary*
20 *asset originator is, and is reasonably*
21 *expected to remain, available to the*
22 *public.*

23 “(ii) *CHANGE IN CIRCUMSTANCES.—*

24 “(I) *EFFECTIVENESS OF THE*
25 *CERTIFICATION.—A certification under*

1 *clause (i) shall remain effective until*
2 *the date on which any certification*
3 *covered party engages in entrepre-*
4 *neurial or managerial efforts that*
5 *would render the certification covered*
6 *party unable to meet the standards of*
7 *the certification.*

8 “(II) *NEW DISCLOSURES RE-*
9 *QUIRED.—On and after the date de-*
10 *scribed in subclause (I), the certifi-*
11 *cation covered party undertaking ef-*
12 *forts described in that subclause shall*
13 *be responsible for furnishing to the*
14 *Commission the disclosures required*
15 *under paragraph (1), including a de-*
16 *scription of the change in cir-*
17 *cumstances.*

18 “(III) *PERIODIC DISCLOSURES.—*
19 *The furnishing of disclosures pursuant*
20 *to subclause (II) shall restart the sched-*
21 *ule for periodic disclosures under para-*
22 *graph (1).*

23 “(IV) *PRIOR CERTIFICATIONS.—A*
24 *certification submitted under clause (i)*
25 *before a change in circumstances shall*

1 *not be deemed false or misleading sole-*
2 *ly by reason of subsequent reengage-*
3 *ment under this clause.*

4 *“(iii) COMMISSION DENIAL.—*

5 *“(I) IN GENERAL.—The Commis-*
6 *sion may deny a certification sub-*
7 *mitted under clause (i) by a certifi-*
8 *cation covered party by—*

9 *“(aa) issuing a written no-*
10 *tice of objection to the certifi-*
11 *cation submitted under clause (i)*
12 *or upon determining that more*
13 *than a nominal level of entrepre-*
14 *neurial or managerial efforts has*
15 *been undertaken by any certifi-*
16 *cation covered party after the sub-*
17 *mission of the certification; and*

18 *“(bb) providing to the certifi-*
19 *cation covered party 10 days no-*
20 *tice of the intent of the Commis-*
21 *sion to deny that certification,*
22 *during which period interested*
23 *persons shall have an opportunity*
24 *to submit written data, views,*

1 *and arguments relating to that*
2 *certification.*

3 “(II) *REQUIREMENTS AFTER NO-*
4 *TICE OF INTENT.*—*After the 10-day pe-*
5 *riod described in subclause (I)(bb), the*
6 *Commission shall—*

7 “(aa) *upon request of the cer-*
8 *tification covered party, provide*
9 *an opportunity for the oral pres-*
10 *entation of data, views, and argu-*
11 *ments by any interested persons;*
12 *and*

13 “(bb) *have a vote of the Com-*
14 *mission on whether to grant or*
15 *deny the certification, based on a*
16 *finding as to whether the applica-*
17 *ble ancillary asset meets the*
18 *standard for certification under*
19 *clause (i).*

20 “(III) *FINAL AGENCY ACTION.*—
21 *Denial under this clause constitutes*
22 *final agency action reviewable under*
23 *applicable law.*

24 “(iv) *DEEMED APPROVAL.*—*If the*
25 *Commission fails to issue a written notice*

1 *of objection or non-objection within 90 days*
2 *after submission of a certification under*
3 *clause (i), the certification shall be deemed*
4 *approved by the Commission.*

5 “(v) *WITHDRAWAL.—A certification*
6 *covered party may withdraw a certification*
7 *submitted under clause (i) at any time be-*
8 *fore that certification is approved or denied.*

9 “(vi) *DESIGNATED COMMISSION OF-*
10 *FICE.—The Commission shall designate an*
11 *office that shall—*

12 “(I) *acknowledge the receipt of*
13 *certifications submitted under clause*
14 *(i);*

15 “(II) *support certification covered*
16 *parties seeking certification under*
17 *clause (i) by providing guidance re-*
18 *garding the mechanics of preparing*
19 *and submitting those certifications;*
20 *and*

21 “(III) *route certifications sub-*
22 *mitted under clause (i), together with*
23 *any associated comments or rec-*
24 *ommendations, to the appropriate divi-*

1 *sion or office of the Commission for re-*
2 *view.*

3 “(vii) *ADVANCE REVIEW.*—

4 “(I) *IN GENERAL.*—*A certification*
5 *covered party may submit a certifi-*
6 *cation under clause (i) before the offer,*
7 *sale, or distribution of a network token.*

8 “(II) *INTENDED ORIGINATOR.*—*In*
9 *submitting for a certification for ad-*
10 *vance review under subclause (I), a*
11 *certification covered party shall iden-*
12 *tify the person intending to offer, sell,*
13 *or distribute the applicable network*
14 *token, and that person shall be treated*
15 *as the applicable ancillary asset origi-*
16 *nator for the purposes of this subpara-*
17 *graph.*

18 “(viii) *TOLLING.*—*Any applicable pe-*
19 *riod specified in this subparagraph may be*
20 *tolled, for periods of not longer than 60*
21 *days, during the 3-year period following the*
22 *effective date of the Digital Asset Market*
23 *Clarity Act, upon a showing in writing*
24 *that the submitting certification covered*
25 *party has not substantially responded to a*

1 *request for information from the Commis-*
2 *sion within a reasonable time.*

3 “(ix) *MISSTATEMENTS OR OMIS-*
4 *SIONS.—Any material misstatement or*
5 *omission to state a material fact, including*
6 *with respect to continuing compliance, in a*
7 *certification that has become effective under*
8 *this subparagraph shall constitute grounds*
9 *for the Commission, consistent with the se-*
10

11 “(I) *issue an order denying, sus-*
12 *pending, or revoking the effectiveness of*
13 *that certification; and*

14 “(II) *pursue any appropriate en-*
15 *forcement action.*

16 “(4) *VOLUNTARY DISCLOSURE.—An ancillary*
17 *asset originator may voluntarily furnish to the Com-*
18 *mission the information required under this sub-*
19 *section if the ancillary asset originator determines*
20 *that it is reasonably likely that the ancillary asset*
21 *originator will become subject to the requirements of*
22 *paragraph (1) or (3) of subsection (c) in the future.*

23 “(5) *RULEMAKING CONSIDERATIONS.—In adopt-*
24 *ing rules under this subsection, the Commission*
25 *shall—*

1 “(A) require only such information as the
2 Commission finds to be necessary or appropriate
3 to protect investors, maintain fair, orderly, and
4 efficient markets, and facilitate capital forma-
5 tion, innovation, and efficiency;

6 “(B) include in any final versions of those
7 rules a cost-benefit analysis evaluating the effects
8 of any such rule on innovation, efficiency, com-
9 petition, maintaining fair and orderly markets,
10 and capital formation, including the competi-
11 tiveness of United States market participants;
12 and

13 “(C) act jointly with the Commodity Fu-
14 tures Trading Commission to establish a process
15 for implementing the requirements of this sub-
16 section, including with respect to listing and dis-
17 closures, that is consistent and coordinated with
18 the listing process for digital asset inter-
19 mediaries.

20 “(6) LIMITATIONS.—Rules adopted under this
21 subsection shall not require the inclusion of financial
22 statements of an ancillary asset originator, except
23 with respect to the disclosure of financial information
24 under paragraph (2).

1 “(e) *EXEMPTIONS.*—*The Commission may, by order,*
2 *exempt an ancillary asset originator or digital asset inter-*
3 *mediary, or any class of ancillary asset originators or dig-*
4 *ital asset intermediaries, from specified requirements under*
5 *subsection (d) if it is in the public interest or for the protec-*
6 *tion of investors, consistent with the purposes of this section*
7 *and subject to such conditions as the Commission deter-*
8 *mines necessary to protect investors and in the public inter-*
9 *est.*

10 “(f) *CONFIDENTIAL TREATMENT OF CERTAIN INFOR-*
11 *MATION.*—*Subject to Commission rules and procedures, an*
12 *ancillary asset originator required to furnish to the Com-*
13 *mission disclosures under subsection (d), or a digital asset*
14 *intermediary furnishing those disclosures in lieu of such an*
15 *ancillary asset originator, may submit a request for con-*
16 *fidential treatment of information included in such disclo-*
17 *sures pursuant to procedures the Commission shall establish*
18 *and that are modeled on or identical to section 230.406 of*
19 *title 17, Code of Federal Regulations, or any successor regu-*
20 *lation.*

21 “(g) *EFFECT OF FAILURE TO COMPLY.*—*The failure*
22 *of an ancillary asset originator or digital asset inter-*
23 *mediary to comply with a provision of this section shall*
24 *not, by itself, cause an ancillary asset offered, sold, or dis-*
25 *tributed by that ancillary asset originator (or that the an-*

1 ancillary asset originator caused to be offered, sold, or distrib-
 2 uted) to be a security under any applicable law.

3 “(h) *LIABILITY FOR FALSE OR MISLEADING STATE-*
 4 *MENTS.*—

5 “(1) *IN GENERAL.*—It shall be unlawful for an
 6 ancillary asset originator, in any initial and periodic
 7 disclosure, certification, or other document furnished
 8 under this section, to make an untrue statement of a
 9 material fact or omit to state a material fact required
 10 to be stated therein or necessary to make the state-
 11 ments therein not misleading.

12 “(2) *RULE OF CONSTRUCTION.*—Nothing in this
 13 subsection may be construed as limiting the applica-
 14 tion of section 240.10b–5 of title 17, Code of Federal
 15 Regulations, or any successor regulation, to false or
 16 misleading disclosure statements or preventing any
 17 private right of action otherwise available under the
 18 securities laws.

19 “(i) *SPECIAL DISPOSITION RESTRICTIONS BY RE-*
 20 *LATED PERSONS.*—

21 “(1) *IN GENERAL.*—The Commission shall adopt
 22 rules, consistent with section 104 of the Lummis-
 23 Gillibrand Responsible Financial Innovation Act of
 24 2026, establishing limitations on the disposition of

1 *certain ancillary assets with specified characteristics*
2 *by related persons.*

3 “(2) *CONSIDERATIONS.—In adopting rules under*
4 *paragraph (1), the Commission shall consider what is*
5 *necessary or appropriate to protect investors, promote*
6 *capital formation, and maintain fair and orderly*
7 *markets, which may include the prevention of insider*
8 *self-dealing or other abuses of a privileged position.*

9 “(j) *SAFE HARBOR FOR FORWARD-LOOKING STATE-*
10 *MENTS.—In any action against an ancillary asset origi-*
11 *nator or digital asset intermediary arising under this Act*
12 *that is based on an untrue statement of a material fact or*
13 *omission of a material fact necessary to make the statement*
14 *not misleading, no liability shall arise with respect to any*
15 *forward-looking statement (including any statement of*
16 *plans, objectives, projections, expectations, or assumptions*
17 *concerning future performance, financial position, develop-*
18 *ment milestones, asset utility, system adoption, or market*
19 *conditions) made in an ancillary asset disclosure, state-*
20 *ment, or other document furnished pursuant to this section,*
21 *if the statement is—*

22 “(1) *identified as forward-looking; and*

23 “(2) *accompanied by meaningful cautionary lan-*
24 *guage that identifies important factors that could*
25 *cause actual results to differ materially.*

1 “(k) *TRANSACTIONS BEFORE EFFECTIVE DATE.*—

2 “(1) *PRIMARY TRANSACTIONS.*—*Notwithstanding*
3 *any other provision of law, neither the Commission*
4 *nor any private plaintiff may initiate, pursue, or*
5 *maintain any action, or an appeal of an action, for*
6 *a violation of section 5 or 12(a)(1) of this Act arising*
7 *from any offer, sale, or distribution of ancillary assets*
8 *occurring before the effective date of the Digital Asset*
9 *Market Clarity Act, provided that the ancillary asset*
10 *originator or a certification covered party complies*
11 *with any applicable requirements under subsection*
12 *(c)(3).*

13 “(2) *PRIMARY TRANSACTIONS RELATED TO*
14 *FRAUD.*—*Nothing in paragraph (1) shall limit the*
15 *ability of the Commission to bring an action based on*
16 *the anti-fraud or anti-manipulation authorities of the*
17 *Commission.*

18 “(3) *SECONDARY TRANSACTIONS.*—*Notwith-*
19 *standing any other provision of law, the offer, sale, or*
20 *distribution of a network token by a person occurring*
21 *before the effective date of the Digital Asset Market*
22 *Clarity Act shall be treated as not involving the offer,*
23 *sale, or distribution of a security under—*

24 “(A) *section 2(a)(1);*

1 “(B) section 3(a) of the Securities Exchange
2 Act of 1934 (15 U.S.C. 78c(a));

3 “(C) section 2(a) of the Investment Com-
4 pany Act of 1940 (15 U.S.C. 80a-2(a));

5 “(D) section 202(a) of the Investment Ad-
6 visers Act of 1940 (15 U.S.C. 80b-2(a));

7 “(E) section 16 of the Securities Investor
8 Protection Act of 1970 (15 U.S.C. 78lll); or

9 “(F) any applicable requirement of State
10 law that is functionally equivalent to the provi-
11 sions described in subparagraphs (A) through
12 (E), including any provision of State law that
13 directly or indirectly prohibits, limits, or im-
14 poses any conditions on the use, offer, sale,
15 transfer, or disposition of a network token in a
16 manner that is—

17 “(i) not substantially similar to prohi-
18 bitions, limitations, or conditions imposed
19 by that State relating to assets that are
20 commodities under the laws of that State;
21 and

22 “(ii) inconsistent with this section.

23 “(4) NO INFERENCE OF LIABILITY.—Nothing in
24 paragraph (1), (2), or (3) may be construed as an ad-
25 mission, acknowledgment, or inference of liability for

1 any act, transaction, or conduct occurring before the
2 effective date of the Digital Asset Market Clarity Act.

3 “(5) *RULES OF CONSTRUCTION.*—Nothing in this
4 subsection may be construed to—

5 “(A) impair vested rights or contractual ob-
6 ligations lawfully established before the effective
7 date of the Digital Asset Market Clarity Act; or

8 “(B) limit the authority of the Commission
9 to bring an action against an ancillary asset
10 originator or a related person for securities
11 fraud or manipulation in connection with a
12 statement, a disclosure, or conduct by that ancil-
13 lary asset originator or related person, except
14 that the Commission may not exercise that au-
15 thority to treat a network token as a security or
16 regulate secondary market trading.

17 “(l) *RULES OF CONSTRUCTION.*—Nothing in this sec-
18 tion may be construed to—

19 “(1) preclude the Commission from bringing an
20 appropriate action or entering into a settlement
21 agreement relating to a violation or alleged violation
22 of this section;

23 “(2) permit compliance with this section to be
24 used in any administrative or judicial proceeding as
25 evidence that an ancillary asset is a security;

1 “(3) prohibit the offer, sale, or distribution of a
 2 digital asset in reliance on an exemption from reg-
 3 istration under this Act, other than Regulation
 4 Crypto (as adopted pursuant to section 103 of the
 5 Lummis-Gillibrand Responsible Financial Innovation
 6 Act of 2026); or

7 “(4) require more than 1 person to furnish the
 8 disclosures required under subsection (d), unless oth-
 9 erwise provided by the Commission by rule.

10 “(m) ANTI-EVASION.—

11 “(1) ANTI-EVASION.—The Commission may issue
 12 such regulations as the Commission considers nec-
 13 essary or appropriate in the public interest or for the
 14 protection of investors to administer and prevent will-
 15 ful evasion of—

16 “(A) this section;

17 “(B) sections 103 and 104 of the Lummis-
 18 Gillibrand Responsible Financial Innovation Act
 19 of 2026; and

20 “(C) with respect to an ancillary asset
 21 originator and related persons, the securities
 22 laws amended by the Lummis-Gillibrand Re-
 23 sponsible Financial Innovation Act of 2026.

24 “(2) CONSIDERATIONS.—In adopting rules under
 25 this section—

1 “(A) the form, label, and written docu-
2 mentation of an agreement, contract, or trans-
3 action, or an entity, shall not be dispositive in
4 determining whether the agreement, contract, or
5 transaction, or the entity, has been entered into
6 or structured to willfully evade the requirements
7 of this section;

8 “(B) the Commission may consider whether,
9 based on the totality of facts and circumstances,
10 the principal purpose of any arrangement, allo-
11 cation of rights, interposition of entities, or se-
12 quencing of steps is to willfully circumvent the
13 requirements of this section or the restrictions set
14 forth in section 104 of the Lummis-Gillibrand
15 Responsible Financial Innovation Act of 2026,
16 by satisfying the literal terms while defeating the
17 purpose and policy of this section;

18 “(C) for purposes of subparagraph (B), fac-
19 tors that may be considered, without being dis-
20 positive, in determining whether a principal
21 purpose to willfully circumvent this section exists
22 may include—

23 “(i) removal of a disqualifying finan-
24 cial right described in subsection (a)(7)(B)
25 from the instrument coupled with its re-in-

1 *troduction through a substantially equiva-*
 2 *lent right held by a related person or con-*
 3 *trolled vehicle, including, by way of exam-*
 4 *ple, any nominally independent foundation,*
 5 *decentralized autonomous organization, lab-*
 6 *oratory, or similar arrangement;*

7 *“(ii) circular or non-commercial flows*
 8 *of value among related persons designed to*
 9 *simulate network utility; and*

10 *“(iii) timing of steps designed to trig-*
 11 *ger, accelerate, or delay certification or ter-*
 12 *mination of disclosure obligations without a*
 13 *material change in circumstances relating*
 14 *to the asset; and*

15 *“(D) the Commission shall provide that eva-*
 16 *sion shall not have occurred if an agreement,*
 17 *contract, or transaction is entered into for a le-*
 18 *gitimate business purpose and is not structured*
 19 *with a principal purpose of willfully circum-*
 20 *venting the requirements of this section.*

21 *“(n) FIDUCIARY OBLIGATIONS.—*

22 *“(1) FIDUCIARY DUTIES UNDER STATE LAW.—*
 23 *Nothing in this section, or in any rule issued under*
 24 *this section, may be construed to limit, preempt, or*
 25 *otherwise affect any fiduciary duty of an ancillary*

1 *asset originator, or of any director, officer, or control-*
2 *ling person of an ancillary asset originator, arising*
3 *under the laws of any State.*

4 “(2) *PRESERVATION OF FIDUCIARY AND OTHER*
5 *DUTIES TO CUSTOMERS, CLIENTS, AND SHARE-*
6 *HOLDERS.—Nothing in this section, or in any rule*
7 *issued under this section, may be construed to limit,*
8 *preempt, or otherwise affect any fiduciary duty that*
9 *any person owes to a customer, client, or shareholder*
10 *under any other provision of Federal or State law,*
11 *including in connection with the offer, sale, transfer,*
12 *distribution, or custody of an ancillary asset.*

13 “(o) *SAVINGS CLAUSE.—Except as provided by the*
14 *Digital Asset Market Clarity Act and the amendments made*
15 *by that Act, nothing in this section may be construed to*
16 *limit the authority of the Commission under the securities*
17 *laws.”.*

18 (b) *RULEMAKING.—Not later than 360 days after the*
19 *date of enactment of this Act, the Commission shall conduct*
20 *a notice and comment rulemaking as necessary or appro-*
21 *priate to carry out section 4B of the Securities Act of 1933,*
22 *as added by subsection (a).*

1 **SEC. 103. EXEMPTION AND RULEMAKING FOR CERTAIN**
 2 **TRANSACTIONS INVOLVING ANCILLARY AS-**
 3 **SETS.**

4 (a) *ADOPTION OF REGULATION CRYPTO.*—The Com-
 5 mission shall adopt rules under the Securities Act of 1933
 6 (15 U.S.C. 77a et seq.) and the Securities Exchange Act
 7 of 1934 (15 U.S.C. 78a et seq.), which shall be referred to
 8 collectively as “Regulation Crypto”, to implement sub-
 9 sections (b), (c), and (d) of this section.

10 (b) *EXEMPTION FOR CERTAIN TRANSACTIONS INVOLV-*
 11 *ING ANCILLARY ASSETS.*—

12 (1) *EXEMPTION.*—

13 (A) *IN GENERAL.*—Rules adopted by the
 14 Commission under this section shall provide that
 15 the registration requirements of the Securities
 16 Act of 1933 (15 U.S.C. 77a et seq.) shall not
 17 apply to an offer, sale, or distribution of an in-
 18 vestment contract involving an ancillary asset, if
 19 the offer, sale, or distribution does not exceed the
 20 greater of—

21 (i) \$50,000,000 in gross proceeds per
 22 calendar year for a period of not longer
 23 than 4 years; or

24 (ii) 10 percent of the total dollar value
 25 of those ancillary assets that are out-

standing, as of the date of that offer, sale,
or distribution.

(B) *CONTINUED APPLICATION OF CERTAIN PROVISIONS.*—Sections 12(a)(2) and 17 of the Securities Act of 1933 (15 U.S.C. 77l(a)(2), 77q) shall apply with respect to an offer, sale, or distribution of an investment contract involving an ancillary asset that is described in subparagraph (A).

(2) *LIMITATION.*—An ancillary asset originator may not raise more than \$200,000,000 in total gross proceeds in reliance on the rules adopted under subsection (a).

(3) *REVIEW AND ADJUSTMENT FOR INFLATION.*—

(A) *IN GENERAL.*—Not later than 2 years after the date of enactment of this Act, and every 2 years thereafter, the Commission shall—

(i) review the amounts described in paragraphs (1)(A)(i) and (2);

(ii) adjust the amounts described in paragraphs (1)(A)(i) and (2) to account for inflation; and

(iii) increase the amounts described in paragraphs (1)(A)(i) and (2) as the Commission determines appropriate, if that ac-

1 tion would be in the public interest and
2 consistent with the protection of investors.

3 (B) *REPORT.*—If the Commission, after
4 conducting a review under subparagraph (A),
5 determines not to increase the amount described
6 in paragraph (1)(A)(i) or (2) (other than to ad-
7 just that amount for inflation, as required under
8 subparagraph (A)(ii) of this paragraph), the
9 Commission shall submit to the Committee on
10 Banking, Housing, and Urban Affairs of the
11 Senate and the Committee on Financial Services
12 of the House of Representatives a report detail-
13 ing the reasons that the Commission did not in-
14 crease that amount.

15 (c) *CONDITIONS FOR EXEMPTION.*—The following con-
16 ditions shall apply to the exemption provided under sub-
17 section (b):

18 (1) *INITIAL DISCLOSURES.*—Not later than 30
19 days before the date on which the applicable ancillary
20 asset originator, any affiliate of the ancillary asset
21 originator, or any underwriter of an investment con-
22 tract, offers, sells, or distributes an ancillary asset in
23 reliance on the rules adopted under subsection (a), the
24 ancillary asset originator shall furnish to the Com-
25 mission the disclosures required under section 4B(d)

1 of the Securities Act of 1933, as added by this Act,
2 subject to the periodic semiannual disclosure require-
3 ments of that section.

4 (2) *COORDINATED CONTROL.*—If the applicable
5 ancillary asset is reliant on a distributed ledger sys-
6 tem that, together with that ancillary asset, is subject
7 to coordinated control, including by related persons,
8 the restrictions on disposition under section 104 shall
9 apply.

10 (3) *CRITERIA.*—The applicable ancillary asset
11 originator may not be—

12 (A) a company that is not organized under,
13 and subject to, the laws of a State or territory
14 of the United States or the District of Columbia;

15 (B) a development-stage company that ei-
16 ther—

17 (i) has no specific business plan or
18 purpose; or

19 (ii) has indicated that the business
20 plan of the company is to merge with or ac-
21 quire an unidentified company;

22 (C) an investment company (as defined in
23 section 3(a) of the Investment Company Act of
24 1940 (15 U.S.C. 80a–3(a))) or a company (as
25 defined in section 2 of that Act (15 U.S.C. 80a–

2)) that would be an investment company under section 3(a) of that Act (15 U.S.C. 80a-3(a)) but for the exclusions provided from that definition by section 3(c) of that Act (15 U.S.C. 80a-3(c)), provided that, solely for the purposes of evaluating eligibility to rely on the exemption provided under subsection (b), an ancillary asset originator shall not be deemed to be an investment company solely by virtue of investing, reinvesting, owning, holding, or trading ancillary assets, including ancillary assets offered for sale by the ancillary asset originator;

(D) a person issuing fractional undivided interests in other commodities;

(E) a person that is or has been subject to any order of the Commission entered pursuant to section 12(j) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(j)) after the date of enactment of this Act and during the 5-year period preceding the offer and sale;

(F) a person that is or has been disqualified pursuant to section 230.506(d) of title 17, Code of Federal Regulations, or any successor regulation, unless waived by order of the Commission;

1 (G) a person that is or has been disqualified
2 pursuant to section 230.251 through 230.263 of
3 title 17, Code of Federal Regulations (commonly
4 referred to as “Regulation A”), or any successor
5 regulations, unless waived by order of the Com-
6 mission; or

7 (H) a person convicted of a felony offense
8 involving insider trading, embezzlement,
9 cybercrime, money laundering, financing of ter-
10 rorism, or financial fraud, within the last 10
11 years.

12 (4) *FURNISHING NOTICE OF RELIANCE.*—The ap-
13 plicable ancillary asset originator shall electronically
14 furnish to the Commission a notice of reliance on the
15 rules adopted under subsection (a) not fewer than 30
16 days before the date on which the ancillary asset
17 originator first offers, sells, or distributes an ancillary
18 asset in reliance on those rules, which shall contain
19 the following information:

20 (A) The name of the ancillary asset origi-
21 nator.

22 (B) A statement by a person duly author-
23 ized by the ancillary asset originator that the
24 conditions of those rules are satisfied.

1 (C) *The website where the summary docu-*
2 *ments of the ancillary asset originator, if any,*
3 *may be found and made available for public con-*
4 *sumption.*

5 (D) *An email address at which the ancil-*
6 *lary asset originator may be contacted.*

7 (5) *PUBLIC AVAILABILITY.—The Commission*
8 *shall require that the disclosures furnished to the*
9 *Commission under section 4B(d) of the Securities Act*
10 *of 1933, as added by this Act, be made publicly avail-*
11 *able in a manner that provides timely and con-*
12 *tinuing access.*

13 (6) *FORM AND MANNER.—The disclosures fur-*
14 *nished to the Commission under section 4B(d) of the*
15 *Securities Act of 1933, as added by this Act, shall be*
16 *prepared, furnished, and made public in the form and*
17 *manner prescribed by the Commission, including*
18 *through the use of electronic furnishing, web posting,*
19 *machine-readable formats, and plain-English legends,*
20 *as the Commission determines necessary or appro-*
21 *priate in the public interest or for the protection of*
22 *investors.*

23 (d) *STATUS UNDER SECURITIES LAWS.—*

24 (1) *IN GENERAL.—A disclosure furnished under*
25 *section 4B of the Securities Act of 1933, as added by*

1 *this Act, including an initial or periodic disclosure*
 2 *furnished under subsection (d) of such section 4B, and*
 3 *any other document furnished under the rules adopted*
 4 *under subsection (a) of this section, shall be deemed*
 5 *to be—*

6 (A) a “prospectus” solely—

7 (i) for purposes of section 12(a)(2) of
 8 *the Securities Act of 1933 (15 U.S.C.*
 9 *77l(a)(2)); and*

10 (ii) with respect to the person that is
 11 *the purchasing party in a transaction made*
 12 *in reliance on the rules adopted under sub-*
 13 *section (a); and*

14 (B) a “statement” solely for purposes of—

15 (i) section 17(a) of the Securities Act
 16 *of 1933 (15 U.S.C. 77q(a));*

17 (ii) section 10(b) of the Securities Ex-
 18 *change Act of 1934 (15 U.S.C. 78j(b)); and*

19 (iii) section 240.10b–5 of title 17, Code
 20 *of Federal Regulations, or any successor*
 21 *regulation.*

22 (2) *REGISTRATION STATEMENT.—*

23 (A) *IN GENERAL.—A disclosure furnished*
 24 *under section 4B of the Securities Act of 1933,*
 25 *as added by this Act, including an initial or*

1 *periodic disclosure furnished under subsection*
2 *(d) of such section 4B, or any other document*
3 *furnished pursuant to the rules adopted under*
4 *subsection (a), shall not be deemed to be a “reg-*
5 *istration statement” for purposes of section 11 of*
6 *the Securities Act of 1933 (15 U.S.C. 77k) or to*
7 *have been filed under the Securities Exchange*
8 *Act of 1934 (15 U.S.C. 78a et seq.).*

9 *(B) CIVIL LIABILITY.—Liability under sec-*
10 *tion 12(a)(2) of the Securities Act of 1933 (15*
11 *U.S.C. 77l(a)(2)) relating to a disclosure fur-*
12 *nished under section 4B of the Securities Act of*
13 *1933, as added by this Act, including an initial*
14 *or periodic disclosure furnished under subsection*
15 *(d) of such section 4B, or any other document*
16 *furnished pursuant to the rules adopted under*
17 *subsection (a), shall only apply to the person*
18 *making statements in that disclosure or other*
19 *document, and only a person that purchased an*
20 *ancillary asset in a transaction involving disclo-*
21 *tures provided pursuant to the rules adopted*
22 *under subsection (a) shall have a claim under*
23 *such section 12(a)(2).*

24 *(3) FORWARD-LOOKING STATEMENTS.—In any*
25 *action against an ancillary asset originator under*

1 *this title or the amendments made by this title that*
 2 *is based on an untrue statement of a material fact or*
 3 *omission of a material fact necessary to make the*
 4 *statement not misleading, no liability shall arise with*
 5 *respect to any forward-looking statement (including a*
 6 *statement of plans, objectives, projections, expecta-*
 7 *tions, or assumptions concerning future performance,*
 8 *financial position, development milestones, digital*
 9 *asset utility, system adoption, or market conditions)*
 10 *made in a disclosure, statement, or other document*
 11 *furnished pursuant to section 4B of the Securities Act*
 12 *of 1933, as added by this Act, including an initial or*
 13 *periodic disclosure furnished under subsection (d) of*
 14 *such section 4B, or furnished under this section, if the*
 15 *statement is—*

16 *(A) identified as forward-looking; and*
 17 *(B) accompanied by meaningful cautionary*
 18 *language that identifies important factors that*
 19 *could cause actual results to differ materially.*

20 **SEC. 104. SPECIAL DISPOSITION RESTRICTIONS BY RE-**
 21 **LATED PERSONS.**

22 *(a) DEFINITIONS.—In this section:*

23 *(1) CERTIFICATION COVERED PARTY.—The term*
 24 *“certification covered party” means, with respect to*
 25 *an ancillary asset—*

1 (A) the ancillary asset originator;

2 (B) a subsidiary of the ancillary asset
3 originator;

4 (C) a related person of the ancillary asset
5 originator; or

6 (D) any entity that directly or indirectly
7 controls or is controlled by a common entity
8 with an ancillary asset originator.

9 (2) COVERED TOKEN.—The term “covered token”
10 means any unit of an ancillary asset that was ac-
11 quired from the ancillary asset originator with re-
12 spect to that ancillary asset or an agent or under-
13 writer thereof.

14 (3) DISTRIBUTED LEDGER CONTROL PERSON.—
15 The term “distributed ledger control person” means,
16 with respect to a distributed ledger system, any per-
17 son or group of persons under common control, other
18 than a decentralized governance system, that has the
19 unilateral authority, directly or indirectly, through
20 any contract, arrangement, understanding, relation-
21 ship, or otherwise, to control or materially alter the
22 functionality, operation, or rules of consensus or
23 agreement of the distributed ledger system or a related
24 ancillary asset.

25 (b) COORDINATED CONTROL.—

1 (1) *IN GENERAL.*—*The Commission shall adopt*
2 *rules, based on the criteria described in paragraph*
3 *(2), to define the circumstances under which a dis-*
4 *tributed ledger system, together with a related ancil-*
5 *lary asset, is considered to be under coordinated con-*
6 *trol.*

7 (2) *CONSIDERATIONS.*—*In adopting rules under*
8 *paragraph (1), the Commission shall consider the fol-*
9 *lowing criteria as indicia that a distributed ledger*
10 *system described in that paragraph, together with the*
11 *related ancillary asset, is considered to be under co-*
12 *ordinated control:*

13 (A) *OPEN DIGITAL SYSTEM.*—*The extent to*
14 *which the distributed ledger system is not—*

15 (i) *a distributed ledger, the protocol of*
16 *which is freely and publicly available;*

17 (ii) *a distributed ledger application the*
18 *source code of which is—*

19 (I) *freely and publicly available*
20 *via open-source code; and*

21 (II) *recorded on a distributed*
22 *ledger described in clause (i); or*

23 (iii) *an analogue to a distributed ledg-*
24 *er or distributed ledger application de-*

scribed in clause (i) or (ii), as determined
by the Commission by rule or order.

(B) *PERMISSIONLESS AND CREDIBLY NEUTRAL DIGITAL SYSTEM.*—The extent to which a person or group of persons under common control has—

(i) the unilateral authority, via operation of the distributed ledger system, to restrict, censor, or prohibit use of the distributed ledger system, including any applicable system-based user activity; or

(ii) private permissions, hard-coded privileges, or similar capabilities granted by the source code of the distributed ledger system that provides preferential treatment compared to other similarly situated persons.

(C) *DISTRIBUTED DIGITAL NETWORK.*—The extent to which a person or group of persons under common control has beneficial ownership of, in the aggregate, more than 49 percent of the total amount of outstanding units of the ancillary asset or voting power with respect to any governance system that relates to the distributed ledger system.

1 (D) *AUTONOMOUS DISTRIBUTED LEDGER*
2 SYSTEM.—*The extent to which—*

3 (i) *the distributed ledger system has*
4 *not yet reached an autonomous state; and*

5 (ii) *a person or group of persons under*
6 *common control has the unilateral author-*
7 *ity, directly or indirectly, to alter or change*
8 *the functionality, operation, or rules of con-*
9 *sensus or agreement of the distributed ledger*
10 *system.*

11 (E) *ECONOMIC INDEPENDENCE.—The extent*
12 *to which the primary programmatic mechanisms*
13 *of the distributed ledger system that are intended*
14 *to facilitate substantial value accrual to the an-*
15 *cillary asset through the functioning of the dis-*
16 *tributed ledger system are not yet functional.*

17 (3) *SAFE HARBORS.—*

18 (A) *IN GENERAL.—The Commission shall*
19 *establish safe harbors under which a distributed*
20 *ledger system, together with a related ancillary*
21 *asset, will not be considered to be under coordi-*
22 *nated control for the purposes of section*
23 *103(c)(2).*

24 (B) *DECENTRALIZED GOVERNANCE SYS-*
25 *TEMS.—*

1 (i) *IN GENERAL.*—For the purposes of
2 this section, a decentralized governance sys-
3 tem shall not be considered to be a person
4 or a group of persons under common con-
5 trol.

6 (ii) *DISTRIBUTED LEDGER SYSTEMS.*—
7 For the purposes of this section, a distrib-
8 uted ledger system, together with any re-
9 lated ancillary asset, shall not be precluded
10 from being considered to not be under co-
11 ordinated control solely based on a func-
12 tional, administrative, clerical, or ministe-
13 rial action of a decentralized governance
14 system, including any such action taken by
15 a person acting on behalf of and at the di-
16 rection of that decentralized governance sys-
17 tem, as determined by the Commission and
18 consistent with the protection of investors,
19 maintenance of fair, orderly, and efficient
20 markets, and the facilitation of capital for-
21 mation.

22 (C) *EMERGENCY MEASURES.*—For the pur-
23 poses of this section, a pre-defined, temporary,
24 rules-based cybersecurity emergency measure that
25 is exercised by an incident response or security

1 *council exclusively in response to a specific and*
2 *documented cybersecurity incident or imminent*
3 *threat pursuant to publicly disclosed, on-chain*
4 *authorization mechanisms, that is strictly lim-*
5 *ited in scope and duration solely to address that*
6 *cybersecurity incident or imminent threat, and*
7 *that is exercised without unilateral control by*
8 *any single person, shall not alone constitute com-*
9 *mon control or an agreement to work in concert,*
10 *if those rules and mechanisms, including the*
11 *procedures and operational limits governing the*
12 *emergency measure, are disclosed in publicly*
13 *available written documentation reasonably*
14 *available to the applicable Federal agency by a*
15 *decentralized autonomous organization or simi-*
16 *lar legal entity sufficiently in advance of any ex-*
17 *ercise of the emergency measure.*

18 *(D) NONEXCLUSIVE.—The safe harbors es-*
19 *tablished under subparagraphs (A), (B), and (C)*
20 *shall not be exclusive and the Commission shall*
21 *consider such other circumstances as the Com-*
22 *mission finds in the public interest or for the*
23 *protection of investors.*

24 *(4) EVIDENCE.—The Commission may, in adopt-*
25 *ing rules under this subsection, require such certifi-*

1 *cations, third party verifications, or other evidence as*
 2 *the Commission determines necessary or appropriate*
 3 *to determine whether a distributed ledger system is*
 4 *under coordinated control for the purposes of section*
 5 *103(c)(2).*

6 (5) *RULE OF CONSTRUCTION.—For purposes of*
 7 *this subsection—*

8 (A) *the existence or termination of coordi-*
 9 *nated control shall be determined independently*
 10 *of whether entrepreneurial or managerial efforts*
 11 *described in section 4B of the Securities Act of*
 12 *1933, as added by this Act, have been completed;*
 13 *and*

14 (B) *the elimination of coordinated control*
 15 *shall be a prerequisite to the completion of efforts*
 16 *described in subparagraph (A).*

17 (c) *SPECIAL RESTRICTIONS ON DISPOSITION.—The*
 18 *Commission shall adopt rules that provide that, with re-*
 19 *spect to transactions involving an ancillary asset for which*
 20 *disclosures are required pursuant to section 4B(d) of the*
 21 *Securities Act of 1933, as added by this Act, when a sale*
 22 *of that ancillary asset is made by a related person, the fol-*
 23 *lowing restrictions on that sale shall apply:*

24 (1) *SALES PRIOR TO CERTIFICATION.—If the cov-*
 25 *ered token was acquired after the effective date of this*

1 *Act and principally relies on a distributed ledger sys-*
2 *tem, the covered token may be sold by a related person*
3 *before that distributed ledger system is certified as not*
4 *subject to coordinated control, pursuant to subsection*
5 *(d), if—*

6 *(A) with respect to that distributed ledger*
7 *system, the disclosures required pursuant to sec-*
8 *tion 4B(d) of the Securities Act of 1933, as*
9 *added by this Act, have been furnished;*

10 *(B) the holder of the covered token has held*
11 *the units for not less than 12 months; and*

12 *(C) the amount of covered tokens sold in*
13 *any 12-month period by the related person is—*

14 *(i) not greater than an amount to be*
15 *determined by the Commission pursuant to*
16 *notice and comment rulemaking not later*
17 *than 360 days after the date of enactment*
18 *of this Act, which rulemaking shall consider*
19 *what is necessary or appropriate in the*
20 *public interest, including, among other*
21 *things, the protection of investors, whether*
22 *the action will promote efficiency, competi-*
23 *tion, and capital formation, and how to fos-*
24 *ter the development of distributed ledger*

1 *systems that are not subject to coordinated*
2 *control; and*

3 (ii) *in no case equal to or greater than*
4 *the amount determined by the Commission*
5 *pursuant to the rulemaking described in*
6 *paragraph (2)(C).*

7 (2) *SALES AFTER CERTIFICATION.—If the cov-*
8 *ered token was acquired after the effective date of this*
9 *Act and principally relies on a distributed ledger sys-*
10 *tem that is certified as not subject to coordinated con-*
11 *trol pursuant to subsection (d), the covered token may*
12 *be sold by a related person, if—*

13 (A) *with respect to that distributed ledger*
14 *system, the disclosures required pursuant to sec-*
15 *tion 4B(d) of the Securities Act of 1933, as*
16 *added by this Act, have been furnished;*

17 (B) *the holder of the covered token has held*
18 *the units for not less than 6 months; and*

19 (C) *the amount of covered tokens sold in*
20 *any 12-month period by the related person is not*
21 *greater than an amount to be determined by the*
22 *Commission pursuant to rulemaking that shall*
23 *not be less than 10 percent of the total amount*
24 *of outstanding units of such ancillary assets.*

1 (3) *SALES OF PRE-EXISTING COVERED TO-*
2 *KENS.—If the covered token was acquired before the*
3 *effective date of this Act and principally relies on a*
4 *distributed ledger system, the covered token may be*
5 *sold by a related person if—*

6 *(A) in the case that the distributed ledger*
7 *system has not been certified as not subject to co-*
8 *ordinated control pursuant to subsection (d)—*

9 *(i) the disclosures required pursuant to*
10 *section 4B(d) of the Securities Act of 1933,*
11 *as added by this Act, have been furnished;*
12 *and*

13 *(ii) the holder of the covered token has*
14 *held the units for not less than 12 months;*
15 *and*

16 *(B) in the case that the distributed ledger*
17 *system has been certified as not subject to coordi-*
18 *nated control pursuant to subsection (d), the*
19 *holder of the covered token has held the units for*
20 *not less than 6 months.*

21 (4) *LIMITATIONS ON TRANSACTIONS BY DISTRIB-*
22 *UTED LEDGER CONTROL PERSONS.—If the holder of*
23 *an ancillary asset that principally relies on a distrib-*
24 *uted ledger system that has been certified as not sub-*
25 *ject to coordinated control is a distributed ledger con-*

1 *trol person with respect to that distributed ledger sys-*
2 *tem, that control person may resell that ancillary*
3 *asset if—*

4 *(A) that control person furnishes notice to*
5 *the Commission, in a form and manner deter-*
6 *mined by the Commission, that the person has or*
7 *intends to obtain an authority described in sub-*
8 *paragraph (B) with respect to the distributed*
9 *ledger system;*

10 *(B) that distributed ledger control person*
11 *furnishes disclosures to the Commission, in a*
12 *form and manner determined by the Commis-*
13 *sion, describing the material activities, as deter-*
14 *mined by the Commission, of the control person;*

15 *(C) with respect to that distributed ledger*
16 *system, disclosures have been furnished pursuant*
17 *to section 4B(d) of the Securities Act of 1933, as*
18 *added by this Act; and*

19 *(D) that control person has satisfied such*
20 *other requirements applicable to that control per-*
21 *son that may be established by the Commission*
22 *to prevent manipulation or distortion of the*
23 *value of the ancillary asset, including resale re-*
24 *strictions consistent with those applied to related*
25 *persons that are not control persons.*

1 (d) *CERTIFICATION OF NON-CONTROL BY RELATED*
2 *PERSONS.*—

3 (1) *SUBMISSION.*—*With respect to an ancillary*
4 *asset, a certification covered party may furnish to the*
5 *Commission a written certification, in such form and*
6 *manner as the Commission may specify by rule con-*
7 *sistent with subsection (b), stating that the distributed*
8 *ledger system is not under coordinated control.*

9 (2) *AUTOMATIC EFFECTIVENESS.*—*A certification*
10 *furnished under paragraph (1) shall become effective,*
11 *and the distributed ledger system shall be deemed not*
12 *to be under coordinated control, on the date that is*
13 *the earlier of—*

14 (A) *the date on which the Commission noti-*
15 *fies the certification covered party in writing*
16 *that the Commission does not object to the cer-*
17 *tification; or*

18 (B) *if the Commission has not denied the*
19 *certification under paragraph (3), the date that*
20 *is 90 days after the date on which the certifi-*
21 *cation is furnished, or such shorter period as the*
22 *Commission may determine by rule.*

23 (3) *DENIAL.*—

1 (A) *IN GENERAL.*—*The Commission may*
2 *deny a certification furnished under paragraph*
3 *(1)—*

4 *(i) only during the 90-day period be-*
5 *ginning on the date on which the certifi-*
6 *cation is furnished, or such shorter period*
7 *as the Commission may determine by rule,*
8 *or upon determining, based on reasonable*
9 *evidence, that a material change in cir-*
10 *cumstances has occurred after the fur-*
11 *nishing of the certification; and*

12 *(ii) by providing to the certification*
13 *covered party 10 days notice of the intent of*
14 *the Commission to deny that certification.*

15 (B) *REQUIREMENTS AFTER NOTICE OF IN-*
16 *TENT.*—*After the 10-day period described in sub-*
17 *paragraph (A)(ii), the Commission shall—*

18 *(i) conduct a hearing; and*

19 *(ii) vote to deny the certification if*
20 *there is a finding that the applicable ancil-*
21 *lary asset does not meet the standard for*
22 *certification that the operations of the dis-*
23 *tributed ledger system are not under such*
24 *coordinated control.*

1 (C) *FINAL AGENCY ACTION.*—*Denial under*
 2 *this paragraph constitutes final agency action*
 3 *reviewable under applicable law.*

4 (4) *VERIFICATION.*—*The Commission may, by*
 5 *rule, require appropriate third-party verification of a*
 6 *certification furnished under paragraph (1).*

7 (e) *DISGORGEMENT.*—

8 (1) *IN GENERAL.*—*Any profit realized by a re-*
 9 *lated person from the sale of an ancillary asset in*
 10 *violation of the restrictions under subsection (c) shall*
 11 *inure to, and be recoverable by, the holders of the an-*
 12 *cillary asset, irrespective of any intention of holding*
 13 *the asset.*

14 (2) *ENFORCEMENT.*—*An action to recover profit*
 15 *described in paragraph (1)—*

16 (A) *may be instituted at law or in equity*
 17 *in any court of competent jurisdiction of the*
 18 *United States by—*

19 (i) *the applicable ancillary asset origi-*
 20 *nator;*

21 (ii) *the owner of any units of the ap-*
 22 *plicable ancillary asset; or*

23 (iii) *the owner of any units of the ap-*
 24 *plicable ancillary asset, in the name and on*

1 *behalf of the ancillary asset originator, if*
 2 *the ancillary asset originator—*

3 *(I) fails or refuses to bring the ac-*
 4 *tion within 60 days after a written re-*
 5 *quest by any owner of not less than 5*
 6 *percent of the total amount of out-*
 7 *standing units of that ancillary asset;*
 8 *or*

9 *(II) fails to diligently prosecute*
 10 *the action; and*

11 *(B) shall be brought not later than 2 years*
 12 *after the date that profit was realized.*

13 *(f) EXEMPTION FROM DISPOSITION RESTRICTIONS.—*
 14 *The Commission shall adopt rules that provide for the fol-*
 15 *lowing exemptions from, or waivers to, disposition restric-*
 16 *tions described in subsection (c):*

17 *(1) MATERIAL HARDSHIP EXEMPTION.—*

18 *(A) IN GENERAL.—Subject to subparagraph*
 19 *(B), the Commission shall adopt rules and proce-*
 20 *dures to exempt parties from related person re-*
 21 *strictions with respect to an ancillary asset*
 22 *where those restrictions conflict with an obliga-*
 23 *tion or requirement arising from one of the fol-*
 24 *lowing material hardships on a related person*

1 *with respect to the ancillary asset or the ancil-*
2 *lary asset originator:*

3 *(i) The death of the related person.*

4 *(ii) The bankruptcy or insolvency of*
5 *the related person.*

6 *(iii) The dissolution, merger, or acqui-*
7 *sition of a corporate person.*

8 *(iv) Tax liability relating to the re-*
9 *ceipt of the applicable ancillary asset.*

10 *(v) Such other material hardships as*
11 *may be designated by the Commission.*

12 *(B) REQUIREMENTS.—The rules and proce-*
13 *dures adopted under subparagraph (A) shall be*
14 *designed to mitigate the risk that parties may*
15 *seek to structure holdings to evade resale restric-*
16 *tions and exempt or waive the application of re-*
17 *sale restrictions only to the extent necessary to*
18 *address the identified material hardship.*

19 *(2) LIQUIDITY PROVISION EXEMPTION.—The*
20 *Commission shall adopt rules to exempt from disposi-*
21 *tion restrictions parties buying or selling an ancil-*
22 *lary asset through regular two-sided bidding and of-*
23 *fering for the purposes of providing market liquidity,*
24 *provided that such activities are not undertaken for*

1 *the purpose of evading the requirements of this sec-*
2 *tion.*

3 (3) *AGENCY EXEMPTION.—The Commission shall*
4 *adopt rules that exempt a party acting as a custo-*
5 *dian, trading platform, broker, dealer or other agent*
6 *from being treated as the owner of customer or client*
7 *assets or from being restricted in facilitating sales on*
8 *behalf of a customer or client if the agent is otherwise*
9 *determined to be a related person.*

10 (4) *EXCHANGE-TRADED PRODUCT AND PASSIVE*
11 *FUND EXEMPTION.—The Commission shall adopt*
12 *rules to exempt from disposition restrictions, as ap-*
13 *propriate—*

14 (A) *exchange-traded products, the shares of*
15 *which are created and redeemed by authorized*
16 *participants and registered with the Commis-*
17 *sion; and*

18 (B) *passive pooled investment vehicles,*
19 *whether or not the shares of which are registered*
20 *with the Commission.*

21 (g) *RELATED PERSON DISCLOSURE REQUIRE-*
22 *MENTS.—The Commission shall adopt rules that provide for*
23 *reporting to the Commission certain information with re-*
24 *spect to ancillary asset holdings or transactions relating to*

1 *ancillary assets by related persons, subject to the disposition*
2 *restrictions provided in subsection (c):*

3 (1) *DISCLOSURE REPORTS.—*

4 (A) *DISCLOSURE OF RELATED PERSON STA-*
5 *TUS.—Any person, or group of persons under*
6 *common control, directly or indirectly, that ac-*
7 *quire beneficial ownership of 10 percent or more*
8 *of the total amount of outstanding units of any*
9 *such ancillary asset, measured as of the end of*
10 *any calendar quarter, shall furnish initial and*
11 *continuing reports as determined by the Com-*
12 *mission.*

13 (B) *SALES OF COVERED TOKENS BY RE-*
14 *LATED PERSON PRIOR TO CERTIFICATION OF*
15 *NON-CONTROL.—Quarterly reports relating to the*
16 *number of ancillary assets sold by a related per-*
17 *son in a form as required by the Commission.*

18 (C) *SALES OF COVERED TOKENS BY RE-*
19 *LATED PERSON AFTER CERTIFICATION OF NON-*
20 *CONTROL.—Quarterly reports relating to the*
21 *number of ancillary assets sold by a related per-*
22 *son that holds, at any point during the applica-*
23 *ble calendar quarter, in excess of 5 percent of the*
24 *total amount of outstanding units of such ancil-*

lary asset in a form as required by the Commission.

(D) SALES OF PRE-EXISTING COVERED TOKENS BY RELATED PERSON.—Quarterly reports relating to the number of ancillary assets sold by a related person that holds in excess of 5 percent of the total amount of outstanding units of such ancillary asset in a form as required by the Commission.

(2) CONFIDENTIAL TREATMENT.—The Commission may provide for confidential treatment of information provided under this subsection, or may exempt certain related persons from the requirement to furnish a report required under this subsection, pursuant to procedures the Commission shall establish and that are modeled on or identical to section 230.406 of title 17, Code of Federal Regulations, or any successor regulation.

(3) GOOD-FAITH FURNISHING STANDARD.—

(A) IN GENERAL.—Any obligation to furnish information under this section applies only to the furnisher acting on its own behalf and is limited to information that is material and known, or reasonably knowable after due inquiry, to that furnisher.

1 (B) *RELIANCE*.—A furnisher described in
2 subparagraph (A) may reasonably rely on public
3 sources and third-party attestations where ap-
4 propriate.

5 (C) *LIABILITY*.—Furnishing in good faith
6 pursuant to this section shall not create liability
7 for information outside the furnisher's posses-
8 sion, custody, or control, or for omissions of in-
9 formation the furnisher could not reasonably ob-
10 tain without breaching legal privilege, contrac-
11 tual confidentiality, or other applicable law.

12 (D) *OTHER PERSONS*.—Any person other
13 than the furnisher may, in good faith and absent
14 knowledge to the contrary, presume that a report
15 required under paragraph (1) has been timely
16 furnished.

17 (4) *LIFE CYCLE EVENT CONSIDERATIONS*.—The
18 Commission shall adopt rules establishing streamlined
19 processes for the following life cycle events:

20 (A) *SUCCESSOR DISCLOSURES IN COR-*
21 *PORATE TRANSACTIONS*.—The transfer of disclo-
22 sure obligations under this section to a successor
23 entity in the event of a merger, acquisition, or
24 sale of substantially all assets relating to the an-

1 *cillary asset activities, including a notice of suc-*
2 *cession.*

3 (B) *CESSATION OF WORK.*—*The cessation or*
4 *suspension of ongoing disclosure obligations*
5 *under this section where the ancillary asset*
6 *originator or related person no longer engages,*
7 *and does not reasonably expect to engage, in en-*
8 *trepreneurial or managerial efforts with respect*
9 *to the ancillary asset or its associated distributed*
10 *ledger system, including a notice of cessation of*
11 *work.*

12 (C) *CONTRACTUAL TERMINATION.*—*The ter-*
13 *mination of disclosure obligations under this sec-*
14 *tion that attach solely by virtue of a person's*
15 *status as a related person when a contractual ar-*
16 *rangement with the ancillary asset originator or*
17 *distributed ledger system has concluded, includ-*
18 *ing a notice of cessation of contractual relation-*
19 *ship.*

20 (h) *RULE OF CONSTRUCTION.*—*Nothing in this section*
21 *may be construed to—*

22 (1) *limit or impair the anti-fraud or anti-ma-*
23 *nipulation authorities of the Commission; or*

24 (2) *preclude reliance on Regulation Crypto, as*
25 *adopted under section 103, or any other effective reg-*

1 *istration statement or exemption from registration*
2 *under the Securities Act of 1933 (15 U.S.C. 77a et*
3 *seq.), as amended by this Act.*

4 **SEC. 105. CHARACTERISTICS OF NETWORK TOKENS.**

5 *(a) IN GENERAL.—Not later than 1 year after the date*
6 *of enactment of this Act, the Commission shall adopt rules*
7 *that provide that—*

8 *(1) a network token shall not be considered as*
9 *providing a disqualifying financial right under sec-*
10 *tion 4B(a)(7)(B) of the Securities Act of 1933, as*
11 *added by this Act, if the market value of the network*
12 *token is primarily derived, or is reasonably expected*
13 *to be primarily derived, from a distributed ledger sys-*
14 *tem or from the broader adoption and use of such a*
15 *system, including where—*

16 *(A) the mechanisms of the distributed ledger*
17 *system collect, receive, accrue, or distribute con-*
18 *sideration from the functioning of the distributed*
19 *ledger system;*

20 *(B) the network token provides governance*
21 *capabilities with respect to a distributed ledger*
22 *system or a decentralized governance system;*

23 *(C) the value of the network token appre-*
24 *ciates or depreciates due to the use of, or in re-*
25 *sponse to the efforts, operations, or financial per-*

1 *formance of, the distributed ledger system to*
 2 *which the network token relates or its decentral-*
 3 *ized governance system; or*

4 *(D) for a network token that meets the defi-*
 5 *inition of an ancillary asset, the value of the net-*
 6 *work token appreciates or depreciates due to the*
 7 *efforts of the ancillary asset originator or related*
 8 *person; and*

9 *(2) participants in offers or sales of network to-*
 10 *kens providing financial interests described in para-*
 11 *graph (1) shall not be precluded from relying on the*
 12 *exemption from registration under section 4B(b) of*
 13 *the Securities Act of 1933, as added by this Act.*

14 *(b) EFFECT OF RULINGS AND ACTIONS BEFORE DATE*
 15 *OF ENACTMENT.—*

16 *(1) IN GENERAL.—If, before the date of enact-*
 17 *ment of this Act, a court of the United States, in a*
 18 *non-appealable final judgment, found that a digital*
 19 *asset transaction was not an offer, sale, or distribu-*
 20 *tion of a security, a digital asset transferred pursuant*
 21 *to that offer, sale, or distribution shall not be consid-*
 22 *ered to be a security under any provision of law de-*
 23 *scribed in subsection (b)(2) of section 4B of the Secu-*
 24 *rities Act of 1933, as added by this Act.*

1 (2) *NETWORK TOKENS*.—A network token shall
2 not be considered to be an ancillary asset, and shall
3 not be considered to be a security under any provi-
4 sion of law described in subsection (b)(2) of section
5 4B of the Securities Act of 1933, as added by this Act,
6 if, on January 1, 2026, any units of that network
7 token were the principal asset of an exchange-traded
8 product—

9 (A) not registered under the Investment
10 Company Act of 1940 (15 U.S.C. 80a–1 et seq.);
11 and

12 (B) the shares of which are listed and trad-
13 ed on a national securities exchange registered
14 under section 6 of the Securities Exchange Act of
15 1934 (15 U.S.C. 78f).

16 **SEC. 106. EXEMPTIVE AUTHORITY.**

17 (a) *CONTINUED APPLICABILITY*.—Nothing in this Act,
18 or any amendment made by this Act, may be construed to
19 amend, limit, impair, or otherwise affect the authority of
20 the Commission to grant an exemption pursuant to any
21 provision of law that is in effect on the day before the date
22 of enactment of this Act, including pursuant to any of the
23 following:

24 (1) Section 28 of the Securities Act of 1933 (15
25 U.S.C. 77z–3).

1 (2) *Section 36 of the Securities Exchange Act of*
 2 *1934 (15 U.S.C. 78mm).*

3 (3) *Section 6(c) of the Investment Company Act*
 4 *of 1940 (15 U.S.C. 80a–6(c)).*

5 (4) *Section 206A of the Investment Advisers Act*
 6 *of 1940 (15 U.S.C. 80b–6a).*

7 (5) *Section 304(d) of the Trust Indenture Act of*
 8 *1939 (15 U.S.C. 77ddd(d)).*

9 (6) *Section 4(g) of the Securities Investor Protec-*
 10 *tion Act of 1970 (15 U.S.C. 78ddd(g)).*

11 (b) *GENERAL EXEMPTIVE AUTHORITY.—Section 28 of*
 12 *the Securities Act of 1933 (15 U.S.C. 77z–3) is amended,*
 13 *in the matter preceding the matter relating to Schedule A—*

14 (1) *by striking “by rule or regulation” and in-*
 15 *serting “by rule, regulation, or order”; and*

16 (2) *by adding at the end the following: “The*
 17 *Commission shall, by rule or regulation, determine*
 18 *the procedures under which an exemptive order under*
 19 *this section shall be granted and may, in the sole dis-*
 20 *cretion of the Commission, decline to entertain any*
 21 *application for an order of exemption under this sec-*
 22 *tion.”.*

1 **SEC. 107. MODERNIZATION OF RECORDKEEPING REQUIRE-**
2 **MENTS.**

3 *The Commission shall adopt rules to modernize the*
4 *recordkeeping requirements under the Securities Exchange*
5 *Act of 1934 (15 U.S.C. 78a et seq.), the Investment Advisers*
6 *Act of 1940 (15 U.S.C. 80b–1 et seq.), and the Investment*
7 *Company Act of 1940 (15 U.S.C. 80a–1 et seq.), including*
8 *to facilitate the utilization of distributed ledger records.*

9 **SEC. 108. MODERNIZATION OF SECURITIES REGULATIONS**
10 **FOR DIGITAL ASSET ACTIVITIES.**

11 *(a) TAILORING OF EXISTING REQUIREMENTS.—The*
12 *Commission shall—*

13 *(1) amend, rescind, replace, or supplement by*
14 *rule, order, guidance, exemptive relief, or any other*
15 *appropriate action (provided such action is consistent*
16 *with chapter 5 of title 5, United States Code, and*
17 *other applicable law) each regulation, form, interpre-*
18 *tive statement, or other requirement within the juris-*
19 *isdiction of the Commission that is not otherwise*
20 *amended by this Act (or required to be amended be-*
21 *cause of a provision of this Act or an amendment*
22 *made by this Act), to the extent that such provision*
23 *applies to any digital asset activity, including any*
24 *activity involving a security that is issued, recorded,*
25 *or transferred using distributed ledger technology, to*
26 *the extent that the provision is outdated, unnecessary,*

1 *or unduly burdensome in light of the unique techno-*
2 *logical characteristics of digital assets or substantially*
3 *similar technology, which may include regulatory*
4 *provisions governing—*

5 *(A) customer protection, including custody*
6 *of digital assets or substantially similar tech-*
7 *nology;*

8 *(B) transfer agent rules;*

9 *(C) books and records, or recordkeeping re-*
10 *quirements;*

11 *(D) clearance and settlement rules;*

12 *(E) broker-dealer, alternative trading sys-*
13 *tem, and exchange rules;*

14 *(F) issuer disclosure and ongoing reporting*
15 *requirements tailored to digital asset securities*
16 *or substantially similar technology involving se-*
17 *curities; and*

18 *(G) the use of vaults, digital asset receipts,*
19 *or receipts involving substantially similar tech-*
20 *nology, vault tokens, or liquidity provider tokens;*
21 *and*

22 *(2) in imposing future obligations as those obli-*
23 *gations relate to digital assets or substantially simi-*
24 *lar technology, do so in a manner consistent with the*
25 *requirements described in paragraph (1).*

1 (b) *RULE OF CONSTRUCTION.*—*Nothing in this section*
2 *may be construed to limit the authority of the Commission*
3 *to pursue fraud, manipulation, or deceptive practices in-*
4 *volving digital assets or substantially similar technology.*

5 (c) *USE OF EXISTING AUTHORITY.*—*When consid-*
6 *ering, proposing, adopting, or engaging in any rule or pro-*
7 *gram or developing new rules or programs, including those*
8 *mandated or authorized under this Act, or any amendment*
9 *made by this Act, the activities of the Commission (which*
10 *may include the solicitation of data and other input from*
11 *investors, regulated entities, and market participants or the*
12 *representatives of any of those persons) shall be considered*
13 *actions taken under subsection (e) of section 19 of the Secu-*
14 *rities Act of 1933 (15 U.S.C. 77s) and shall be subject to*
15 *subsection (f) of that section.*

16 (d) *CONTINUED APPLICABILITY OF STATE CONSUMER*
17 *PROTECTION LAWS.*—*Except as expressly provided by this*
18 *Act, or an amendment made by this Act, nothing in this*
19 *Act (or in any such amendment) shall preempt any State*
20 *consumer protection law, including common law, or a rem-*
21 *edy available under any such law.*

22 (e) *PREEMPTION FOR EXEMPTIONS AND DIGITAL*
23 *ASSET ACTIVITIES UNDER THE SECURITIES ACT.*—*Section*
24 *18 of the Securities Act of 1933 (15 U.S.C. 77r) is amend-*
25 *ed—*

1 (1) *in subsection (b)—*

2 *(A) in paragraph (3)—*

3 *(i) in the paragraph heading, by in-*
4 *serting “IN QUALIFIED TRANSACTIONS OR”*
5 *after “SALES”;*

6 *(ii) in the first sentence, by inserting*
7 *“in a qualified transaction or” after “the*
8 *security”;* and

9 *(iii) in the second sentence—*

10 *(I) by striking “term ‘qualified*
11 *purchaser’” and inserting “terms*
12 *‘qualified transaction’ and ‘qualified*
13 *purchaser’”;*

14 *(II) by inserting “and categories*
15 *of transactions, including secondary*
16 *transactions,” after “securities”;* and

17 *(III) by inserting “and with due*
18 *regard to the facilitation of capital for-*
19 *mation and the promotion of innova-*
20 *tion” before the period at the end;* and

21 *(B) in paragraph (4)—*

22 *(i) in subparagraph (A), by inserting*
23 *“or, if the issuer is not required to file such*
24 *reports, where the Commission otherwise de-*
25 *termines, consistent with the public interest*

1 *and the protection of investors and with due*
 2 *regard to the facilitation of capital forma-*
 3 *tion and the promotion of innovation” be-*
 4 *fore the semicolon at the end;*

5 *(ii) in subparagraph (D)(ii), by insert-*
 6 *ing “in a qualified transaction or” after*
 7 *“offered or sold”;*

8 *(iii) in subparagraph (F), by striking*
 9 *“or” at the end;*

10 *(iv) in subparagraph (G), by striking*
 11 *the period at the end and inserting “; or”;*
 12 *and*

13 *(v) by adding at the end the following:*

14 *“(H) Commission rules or regulations*
 15 *issued under section 28, except that this subpara-*
 16 *graph does not apply to rules or regulations*
 17 *adopted before the date of enactment of this sub-*
 18 *paragraph.”.*

19 *(f) EXEMPTING NETWORK TOKENS FROM STATE SE-*
 20 *CURITIES LAWS.—*

21 *(1) IN GENERAL.—Section 18(b) of the Securities*
 22 *Act of 1933 (15 U.S.C. 77r(b)) is amended by adding*
 23 *at the end the following:*

1 “(5) *EXEMPTION IN CONNECTION WITH NETWORK*
 2 *TOKENS.*—*A network token, as defined in section*
 3 *4B(a), shall be treated as a covered security.*”.

4 (2) *RULE OF CONSTRUCTION.*—*Nothing in this*
 5 *section, section 4B of the Securities Act of 1933 (as*
 6 *added by this Act), or the amendments made by this*
 7 *section may be construed to limit the authority (as of*
 8 *the day before the date of enactment of this Act) de-*
 9 *scribed in section 18(c)(1) of the Securities Act of*
 10 *1933 (15 U.S.C. 77r(c)(1)) of a securities commission*
 11 *(or any agency or office performing like functions) of*
 12 *any State with respect to a covered security or any*
 13 *security.*

14 (g) *PREEMPTION FOR ANCILLARY ASSET ACTIVITIES*
 15 *UNDER THE SECURITIES ACT OF 1933.*—*Section 18(b) of*
 16 *the Securities Act of 1933 (15 U.S.C. 77r(b)), as amended*
 17 *by subsection (f) is amended by adding at the end the fol-*
 18 *lowing:*

19 “(6) *LIMITATIONS ON STATE LAW REGARDING*
 20 *ANCILLARY ASSETS.*—

21 “(A) *DEFINITIONS.*—*In this paragraph, the*
 22 *term ‘ancillary asset’ has the meaning given the*
 23 *term in section 4B(a).*

24 “(B) *EXEMPTION IN CONNECTION WITH AN-*
 25 *CILLARY ASSETS.*—*An ancillary asset offered,*

1 *sold, or distributed in reliance on Regulation*
 2 *Crypto, as adopted under section 103 of the*
 3 *Lummis-Gillibrand Responsible Financial Inno-*
 4 *vation Act of 2026, shall be treated as a covered*
 5 *security.”.*

6 *(h) PRESERVATION OF REGULATION BEST INTER-*
 7 *EST.—*

8 *(1) IN GENERAL.—Subject to paragraph (2),*
 9 *nothing in this Act, any amendment made by this*
 10 *Act, or any rule issued under this Act or pursuant to*
 11 *any such amendment may be construed to limit, pre-*
 12 *empt, or otherwise affect the obligations of a broker or*
 13 *dealer registered with the Commission under section*
 14 *15 of the Securities Exchange Act of 1934 (15 U.S.C.*
 15 *78o) or section 240.15l–1 of title 17, Code of Federal*
 16 *Regulations (commonly known as “Regulation Best*
 17 *Interest”), or any successor regulation.*

18 *(2) APPLICATION.—Paragraph (1) shall not*
 19 *apply with respect to any person registered with the*
 20 *Commodity Futures Trading Commission.*

21 *(i) PRESERVATION OF INVESTMENT ADVISER FIDU-*
 22 *CIARY DUTIES.—Nothing in this Act, any amendment*
 23 *made by this Act, or any rule issued under this Act or pur-*
 24 *suant to any such amendment may be construed to limit,*
 25 *preempt, or otherwise affect the fiduciary duty that an in-*

1 *vestment adviser (as defined in section 202 of the Invest-*
 2 *ment Advisers Act of 1940 (15 U.S.C. 80b–2)) owes to a*
 3 *client under section 206 of the Investment Advisers Act of*
 4 *1940 (15 U.S.C. 80b–6) or any other provision of Federal*
 5 *or State law, including in connection with investment ad-*
 6 *vice regarding a digital commodity.*

7 **SEC. 109. INSIDER TRADING WITH RESPECT TO ANCILLARY**
 8 **ASSET TRANSACTIONS.**

9 (a) *DEFINITION.—In this section, the term “distrib-*
 10 *uted ledger control person” has the meaning given the term*
 11 *in section 104(a).*

12 (b) *APPLICATION OF SECURITIES LAWS.—Any provi-*
 13 *sion of the securities laws, or any regulation issued under*
 14 *the securities laws, including any duty that arises under*
 15 *the securities laws or under such a regulation, that applies*
 16 *with respect to a person that purchases, sells, or offers to*
 17 *sell a security, security-based swap, or security-based swap*
 18 *agreement while in possession of material nonpublic infor-*
 19 *mation, or communicates such information in connection*
 20 *with or in the transaction, shall apply to any offer, sale,*
 21 *or purchase of a security, security-based swap, or security-*
 22 *based swap agreement in which an ancillary asset is of-*
 23 *fered, sold, or purchased, including any offer, sale, or pur-*
 24 *chase conducted pursuant to Regulation Crypto, as adopted*

1 *pursuant to section 103, whether conducted by an ancillary*
2 *asset originator, a related person, or any other person.*

3 *(c) RULEMAKING.—*

4 *(1) IN GENERAL.—The Commission shall adopt*
5 *rules to implement subsection (b), which shall—*

6 *(A) include rules providing an affirmative*
7 *defense for an offer, sale, or purchase of an ancil-*
8 *lary asset made pursuant to a written plan*
9 *adopted before the applicable person became*
10 *aware of material nonpublic information, which*
11 *shall be consistent with section 240.10b5–1 of*
12 *title 17, Code of Federal Regulations, or any suc-*
13 *cessor regulation; and*

14 *(B) be interpreted and applied in a manner*
15 *that is consistent with, and may not be con-*
16 *strued to expand or contract, the principles of,*
17 *and judicial precedent interpreting (by the Su-*
18 *preme Court of the United States), the securities*
19 *laws and the regulations issued under the securi-*
20 *ties laws, as those principles and that judicial*
21 *precedent are in effect, as of the day before the*
22 *date of enactment of this Act.*

23 *(2) CONSIDERATIONS.—In adopting rules under*
24 *paragraph (1), the Commission shall consider, subject*
25 *to subsection (e), whether, and under what cir-*

1 *cumstances, an offer, sale, purchase, or communica-*
2 *tion should be addressed by those rules, including*
3 *by—*

4 *(A) a distributed ledger control person, any*
5 *person acting on behalf of, or in concert with, an*
6 *ancillary asset originator, related person, or dis-*
7 *tributed ledger control person, or a person that*
8 *obtained material nonpublic information in the*
9 *course of a relationship of trust and confidence*
10 *with an ancillary asset originator or related per-*
11 *son, where material nonpublic information re-*
12 *garding an ancillary asset originator or an an-*
13 *cillary asset was—*

14 *(i) obtained pursuant to or in breach*
15 *of a duty of trust or confidence;*

16 *(ii) deceptively obtained through theft,*
17 *bribery, misrepresentation, or espionage or*
18 *in violation of any Federal law protecting*
19 *computer data; or*

20 *(iii) obtained from an ancillary asset*
21 *originator or related person, the conduct of*
22 *which is described in subparagraph (B); or*

23 *(B) an ancillary asset originator or related*
24 *person that purchases, sells, or otherwise distrib-*
25 *utes an ancillary asset, or communicates mate-*

1 *rial nonpublic information regarding an ancil-*
2 *lary asset originator or ancillary asset, while*
3 *aware of material nonpublic information that is*
4 *required to be disclosed in any disclosure fur-*
5 *nished, or required to be furnished, under section*
6 *4B of the Securities Act of 1933, as added by*
7 *this Act, or Regulation Crypto, as adopted pur-*
8 *suant to section 103.*

9 *(d) ENFORCEMENT.—A violation of subsection (b), or*
10 *any rule adopted under subsection (c), shall be treated as*
11 *a violation of the securities laws and subject to the penalties*
12 *under sections 21A and 32 of the Securities Exchange Act*
13 *of 1934 (15 U.S.C. 78u–1, 78ff) and to all other remedies*
14 *available under the securities laws.*

15 *(e) RULE OF CONSTRUCTION.—Consistent with section*
16 *4B(b)(3) of the Securities Act of 1933, as added by this*
17 *Act, nothing in this section may be construed to apply the*
18 *securities laws, or any regulation issued under the securities*
19 *laws (including any rule adopted under subsection (c)), to*
20 *any secondary market transaction in an ancillary asset*
21 *that is not otherwise a transaction in a security, security-*
22 *based swap, or security-based swap agreement.*

1 **SEC. 110. SECURITIES INVESTOR PROTECTION CORPORA-**
2 **TION APPLICABILITY.**

3 *Section 16(14) of the Securities Investor Protection Act*
4 *of 1970 (15 U.S.C. 78lll(14)) is amended by inserting after*
5 *the second sentence the following: “The term ‘security’ does*
6 *not include a digital commodity.”.*

7 **SEC. 111. INVESTOR AND CONSUMER PROTECTION EN-**
8 **FORCEMENT.**

9 *(a) PRESERVATION OF CERTAIN RIGHTS, AUTHORI-*
10 *TIES, LAWS, AND OBLIGATIONS.—Subject to subsection (b),*
11 *nothing in this Act, any amendment made by this Act, or*
12 *any rule, requirement, or regulation promulgated pursuant*
13 *to this Act may be construed to prohibit, limit, impair, or*
14 *otherwise affect—*

15 *(1) any person from bringing a civil action to*
16 *enforce any private right of action for fraud, deceit,*
17 *manipulation, or deceptive practices, to the extent*
18 *that such private right of action is expressly provided*
19 *for in this Act or an amendment made by this Act,*
20 *or is otherwise available under Federal law, including*
21 *with respect to conduct involving an ancillary asset,*
22 *network token, digital commodity, or any transaction,*
23 *disclosure, certification, notice, report, statement,*
24 *communication, or other document involving any*
25 *such asset;*

1 (2) *except as expressly provided in this Act or an*
2 *amendment made by this Act, any Federal or State*
3 *regulator, acting within the scope of authority other-*
4 *wise provided by law, from bringing an administra-*
5 *tive or civil enforcement action under—*

6 (A) *the Commodity Exchange Act (7 U.S.C.*
7 *1 et seq.), including the provisions of that Act*
8 *that are added by this Act and relate to digital*
9 *commodities and the jurisdiction of the Com-*
10 *modity Futures Trading Commission;*

11 (B) *the Securities Act of 1933 (15 U.S.C.*
12 *77a et seq.), as amended by this Act, the Securi-*
13 *ties Exchange Act of 1934 (15 U.S.C. 78a et*
14 *seq.), as amended by this Act, or the Investment*
15 *Advisers Act of 1940 (15 U.S.C. 80b–1 et seq.);*

16 (C) *State commodities laws, subject to the*
17 *provisions of this Act, and the amendments made*
18 *by this Act, relating to the jurisdiction of the*
19 *Commodity Futures Trading Commission; or*

20 (D) *section 18(c)(1) of the Securities Act of*
21 *1933 (15 U.S.C. 77r(c)(1)), or any functionally*
22 *equivalent anti-fraud or anti-manipulation pro-*
23 *vision of State securities law (including any*
24 *State securities law with respect to a security or*
25 *a transaction in a security to the extent enforce-*

1 *ment of that anti-fraud or anti-manipulation*
2 *provision of State securities law is not pre-*
3 *empted by section 18 of the Securities Act of*
4 *1933 (15 U.S.C. 77r)), with respect to an invest-*
5 *ment contract involving an ancillary asset, or*
6 *other transaction involving any such asset, for*
7 *which this Act or an amendment made by this*
8 *Act expressly preserves or provides for the appli-*
9 *cation of anti-fraud or anti-manipulation au-*
10 *thority;*

11 *(3) except as expressly provided in this Act or an*
12 *amendment made by this Act, any generally applica-*
13 *ble State law, including a law relating to fraud, de-*
14 *ceit, unfair or deceptive acts or practices, consumer*
15 *protection, banking, payments, property, contracts,*
16 *criminal law, or unlawful conduct or practices, or the*
17 *remedies available under any such law, with respect*
18 *to conduct involving a digital asset, ancillary asset,*
19 *network token, or digital commodity, or any trans-*
20 *action, activity, person, or service involving any such*
21 *asset, provided that such law does not impose any li-*
22 *censing, registration, qualification, or other require-*
23 *ment that is expressly preempted, or otherwise ex-*
24 *pressly limited, by this Act or an amendment made*
25 *by this Act;*

1 (4) *the fiduciary obligations of an investment*
2 *adviser, as defined in section 202(a) of the Investment*
3 *Advisers Act of 1940 (15 U.S.C. 80b–2(a)), under sec-*
4 *tion 206 of that Act (15 U.S.C. 80b–6), any rule or*
5 *regulation issued under such section 206, or any other*
6 *provision of Federal or State law, including in con-*
7 *nection with investment advice regarding a digital*
8 *asset, ancillary asset, network token, digital com-*
9 *modity, or substantially similar technology; or*

10 (5) *any right or remedy under Federal consumer*
11 *financial law, including under section 1011 of the*
12 *Consumer Financial Protection Act of 2010 (12*
13 *U.S.C. 5491) or the Federal Trade Commission Act*
14 *(15 U.S.C. 41 et seq.), or authority under Federal*
15 *consumer financial law with respect to any person,*
16 *subject to the limitations under section 1027 of the*
17 *Consumer Financial Protection Act of 2010 (12*
18 *U.S.C. 5517), including subsections (i) and (j) of such*
19 *section 1027.*

20 (b) *LIMITATIONS AND RULES OF CONSTRUCTION.—*

21 *Nothing in subsection (a) may be construed to—*

22 (1) *preserve, create, or authorize any Federal or*
23 *State registration, licensing, qualification, or merit-*
24 *review requirement under State law with respect to*
25 *an ancillary asset, network token, digital commodity,*

1 *transaction, person, or activity, to the extent that*
2 *such requirement is preempted or otherwise limited by*
3 *this Act or an amendment made by this Act;*

4 (2) *create, preserve, or authorize any private*
5 *right of action under Federal or State law with re-*
6 *spect to an ancillary asset, network token, digital*
7 *commodity, or transaction involving any such asset;*

8 (3) *permit any claim, action, proceeding, re-*
9 *quirement, liability, obligation, or remedy to be*
10 *brought, maintained, imposed, or enforced under Fed-*
11 *eral or State securities or commodities law to the ex-*
12 *tent that such claim, action, proceeding, requirement,*
13 *liability, obligation, or remedy depends upon, is*
14 *predicated on, or would require a determination that*
15 *an ancillary asset, network token, digital commodity,*
16 *or any transaction, activity, person, or service involv-*
17 *ing any such asset has a status or characterization*
18 *under Federal or State securities or commodities law*
19 *that is contrary to an express classification or treat-*
20 *ment provided by this Act or an amendment made by*
21 *this Act;*

22 (4) *expand, contract, or otherwise alter the juris-*
23 *isdiction, exclusive or otherwise, of the Commission, the*
24 *Commodity Futures Trading Commission, or any*
25 *State regulator;*

(5) *limit, impair, or otherwise affect the treatment of any asset, transaction, or interest as a covered security for purposes of section 18 of the Securities Act of 1933 (15 U.S.C. 77r); or*

(6) *create any new private right of action under Federal or State law, except that nothing in this paragraph may be construed to limit, impair, or otherwise affect any private right of action preserved under subsection (a)(1), expressly provided in this Act or an amendment made by this Act, or otherwise available under Federal law.*

TITLE II—PROTECTING AGAINST ILLICIT FINANCE

SEC. 201. TREATMENT UNDER THE BANK SECRECY ACT AND SANCTIONS LAWS.

(a) *AMENDMENT.—Section 5312(c)(1)(A) of title 31, United States Code, is amended—*

(1) *by inserting “digital commodity broker, digital commodity dealer,” after “futures commission merchant,”; and*

(2) *by inserting before the period the following: “and any digital commodity exchange registered, or required to register, under that Act that permits direct customer access”.*

(b) *BANK SECRECY ACT REQUIREMENTS.—*

1 (1) *REGULATIONS.*—*The Secretary of the Treas-*
2 *ury, acting through the Director of the Financial*
3 *Crimes Enforcement Network, and in consultation*
4 *with the Commodity Futures Trading Commission,*
5 *shall issue requirements consistent with the require-*
6 *ments of futures commission merchants to apply the*
7 *Bank Secrecy Act to digital commodity brokers, dig-*
8 *ital commodity dealers, and digital commodity ex-*
9 *changes that are tailored to the size and complexity*
10 *of such entities, including by requiring each such en-*
11 *tity to—*

12 (A) *establish and maintain an anti-money*
13 *laundering and countering the financing of ter-*
14 *rorism program, which shall include—*

- 15 (i) *an appropriate risk assessment;*
16 (ii) *the development of internal poli-*
17 *cies, procedures, and controls;*
18 (iii) *the designation of a compliance*
19 *officer;*
20 (iv) *an ongoing employee training pro-*
21 *gram; and*
22 (v) *an independent audit function to*
23 *test such program;*

24 (B) *retain appropriate records of trans-*
25 *actions;*

1 (C) monitor and report suspicious activity,
 2 which may include use of appropriate distrib-
 3 uted ledger analytics; and

4 (D) maintain an effective customer identi-
 5 fication program to identify and verify account
 6 holders and carry out appropriate customer due
 7 diligence.

8 (2) COMPLIANCE WITH SANCTIONS.—A digital
 9 commodity broker, digital commodity dealer, or dig-
 10 ital commodity exchange shall comply with all laws
 11 and regulations related to United States sanctions ad-
 12 ministered by the Office of Foreign Assets Control.

13 (c) SENSE OF CONGRESS.—It is the sense of Congress
 14 that nothing in this section shall limit the applicability of
 15 any law imposing or authorizing the imposition of eco-
 16 nomic sanctions by the United States.

17 **SEC. 202. DIGITAL ASSET EXAMINATION STANDARDS.**

18 (a) DEFINITIONS.—In this section:

19 (1) FEDERAL FUNCTIONAL REGULATOR.—The
 20 term “Federal functional regulator” has the meaning
 21 given the term in section 509 of the Gramm-Leach-
 22 Bliley Act (15 U.S.C. 6809).

23 (2) FINANCIAL INSTITUTION.—The term “finan-
 24 cial institution” has the meaning given the term in
 25 section 5312(a)(2) of title 31, United States Code.

1 (b) *EXAMINATION AND REVIEW.*—*The Secretary of the*
 2 *Treasury, in consultation with Federal functional regu-*
 3 *lators, shall establish, coordinated to the extent feasible,*
 4 *risk-based examination standards to assess financial insti-*
 5 *tutions involved in the digital asset sector for compliance*
 6 *with anti-money laundering and countering the financing*
 7 *of terrorism requirements under the Bank Secrecy Act.*

8 **SEC. 203. PREVENTING ILLICIT FINANCE THROUGH PART-**
 9 **nership Act.**

10 (a) *SHORT TITLE.*—*This section may be cited as the*
 11 *“Preventing Illicit Finance Through Partnership Act”.*

12 (b) *DEFINITIONS.*—*In this section:*

13 (1) *BANK.*—*The term “bank” has the meaning*
 14 *given the term in section 1010.100 of title 31, Code*
 15 *of Federal Regulations (or any corresponding similar*
 16 *regulation).*

17 (2) *CERTIFIED OR RECOGNIZED INFORMATION-*
 18 *SHARING OR INTERDICTION NETWORK.*—*The term*
 19 *“certified or recognized information-sharing or inter-*
 20 *dition network” means a real-time, secure, public-*
 21 *private mechanism that—*

22 (A) *facilitates the detection, interdiction,*
 23 *and prevention of illicit finance violations*
 24 *through rapid information exchange between gov-*
 25 *ernment and regulated entities; and*

1 (B) is—

2 (i) certified by the Secretary of the
3 Treasury for the purpose of supporting
4 interdiction and investigative actions con-
5 sistent with law enforcement or regulatory
6 authorities; or

7 (ii) recognized by the Secretary of the
8 Treasury as an existing (as of the day be-
9 fore the date of enactment of this Act), effec-
10 tive public-private partnership network that
11 meets standards for security, accountability,
12 and participation that are equivalent to the
13 standards that would be required by the
14 Secretary of the Treasury for certification
15 under clause (i).

16 (3) COVERED AGENCY.—The term “covered agen-
17 cy” means—

18 (A) the Department of Justice, including
19 the Federal Bureau of Investigation and the
20 Drug Enforcement Administration;

21 (B) the Department of the Treasury, includ-
22 ing the Financial Crimes Enforcement Network,
23 the Internal Revenue Service, and the Office of
24 Foreign Assets Control; and

25 (C) the Department of Homeland Security.

1 (4) *DESIGNATED PRIVATE SECTOR ENTITY*.—The
2 term “designated private sector entity” means a pri-
3 vate sector entity designated under subsection (d).

4 (5) *DIRECTOR*.—The term “Director” means the
5 Director of the Financial Crimes Enforcement Net-
6 work.

7 (6) *ILLICIT FINANCE VIOLATION*.—The term “il-
8 licit finance violation” means the illicit use of digital
9 assets.

10 (7) *ILLICIT USE*.—The term “illicit use” includes
11 fraud, money laundering, terrorist financing, the pur-
12 chase and sale of illicit goods, trafficking of fentanyl
13 (including fentanyl precursors and trade in other il-
14 licit drugs), sanctions evasion, theft of funds, funding
15 of illegal activities, transactions relating to child sex-
16 ual abuse material or elder fraud abuse, and any
17 other financial transaction involving the proceeds of
18 specified unlawful activity, as defined in section
19 1956(c) of title 18, United States Code.

20 (8) *MONEY SERVICES BUSINESS*.—The term
21 “money services business” has the meaning given the
22 term in section 1010.100 of title 31, Code of Federal
23 Regulations (or any corresponding similar regula-
24 tion).

1 (c) *ESTABLISHMENT OF PROGRAM.*—*The Secretary of*
2 *the Treasury shall establish a pilot program under which*
3 *covered agencies and designated private sector entities se-*
4 *curely share information focused on potential illicit finance*
5 *violations and threats and emerging risks relating to illicit*
6 *finance violations.*

7 (d) *DESIGNATION OF PRIVATE SECTOR ENTITIES.*—

8 (1) *REQUIRED ACTION.*—

9 (A) *INITIAL COMPANIES.*—*Not later than 90*
10 *days after the date of enactment of this Act, the*
11 *Director and the Secretary shall designate 10*
12 *private sector entities that are money services*
13 *businesses, 10 private sector entities that are dig-*
14 *ital commodity brokers, digital commodity deal-*
15 *ers, or digital commodity exchanges, and 10 pri-*
16 *vate sector entities that are banks to participate*
17 *in the pilot program established under subsection*
18 *(c), if such entities agree and volunteer to par-*
19 *ticipate in the program.*

20 (B) *BIANNUAL REVIEW.*—*Not less frequently*
21 *than once every 6 months, the Director shall re-*
22 *view and, as appropriate, replace the private*
23 *sector entities designated under this paragraph.*

24 (C) *RULE OF CONSTRUCTION.*—*Nothing in*
25 *this section may be construed as—*

1 (i) requiring an entity to participate
2 in the pilot program established under this
3 section; or

4 (ii) enabling the Director to select an
5 entity to participate in the pilot program
6 without the consent of such entity.

7 (2) *OPTIONAL DESIGNATION.*—In addition to the
8 30 private sector entities designated under paragraph
9 (1), the Director may designate—

10 (A) 1 or more information sharing and
11 analysis centers to participate in the pilot pro-
12 gram;

13 (B) 1 or more participants in a certified or
14 recognized information sharing or interdiction
15 network; or

16 (C) 1 or more private sector entities, as ap-
17 propriate, relating to a particular type of illicit
18 activity.

19 (e) *INFORMATION SHARING WITH PRIVATE SECTOR*
20 *ENTITIES.*—A covered agency that initiates an investiga-
21 tion into a potential illicit finance violation, or identifies
22 a threat or emerging risk relating to an illicit finance viola-
23 tion, may share with any designated private sector entity
24 such information about the investigation, threat, or emerg-
25 ing risk as the covered agency determines is appropriate.

1 (f) *USE OF INFORMATION BY PRIVATE SECTOR ENTI-*
2 *TIES.*—*Information received by a designated private sector*
3 *entity under this section may not be used for any purpose*
4 *other than identifying and reporting on activities that may*
5 *involve illicit finance violations or threats and emerging*
6 *risks relating to illicit finance violations, unless otherwise*
7 *prescribed by regulation or permitted by the covered agency*
8 *sharing the information.*

9 (g) *MEANS OF SHARING INFORMATION.*—*The covered*
10 *agencies and designated private sector entities may share*
11 *information about potential illicit finance violations, or*
12 *threats and emerging risks relating to illicit finance viola-*
13 *tions, with each other—*

14 (1) *through a portal established by the Secretary*
15 *of the Treasury or a similar mechanism determined*
16 *appropriate by the Secretary of the Treasury;*

17 (2) *through secure email;*

18 (3) *at monthly meetings, which shall be facili-*
19 *tated by the Secretary of the Treasury; or*

20 (4) *through a certified or recognized informa-*
21 *tion-sharing or interdiction network.*

22 (h) *LIMITATION ON LIABILITY.*—*A designated private*
23 *sector entity that transmits, receives, or shares information*
24 *for the purposes of identifying and reporting activities that*
25 *may constitute illicit finance violations, or threats and*

1 *emerging risks relating to illicit finance violations, shall*
 2 *not be liable to any person for such disclosure or for any*
 3 *failure to provide notice of such disclosure to the person*
 4 *who is the subject of such disclosure or any other person*
 5 *identified in such disclosure.*

6 (i) *SUNSET.—The pilot program established under*
 7 *subsection (c) shall terminate on the date that is 5 years*
 8 *after the date of enactment of this Act, unless made perma-*
 9 *nent through notice and comment rulemaking by the De-*
 10 *partment of the Treasury.*

11 **SEC. 204. FINANCIAL TECHNOLOGY PROTECTION ACT.**

12 (a) *SHORT TITLE.—This section may be cited as the*
 13 *“Financial Technology Protection Act”.*

14 (b) *DEFINITIONS.—In this section:*

15 (1) *APPROPRIATE CONGRESSIONAL COMMIT-*
 16 *TEES.—The term “appropriate congressional commit-*
 17 *tees” means—*

18 (A) *the Committee on Banking, Housing,*
 19 *and Urban Affairs of the Senate;*

20 (B) *the Committee on Agriculture, Nutri-*
 21 *tion, and Forestry of the Senate;*

22 (C) *the Committee on Financial Services of*
 23 *the House of Representatives; and*

24 (D) *the Committee on Agriculture of the*
 25 *House of Representatives.*

1 (2) *DISTRIBUTED LEDGER ANALYTICS COM-*
 2 *PANY.—The term “distributed ledger analytics com-*
 3 *pany” means any business providing software, re-*
 4 *search, or other services (such as tracing tools,*
 5 *geofencing, transaction screening, the collection of*
 6 *business data, and sanctions screening) that—*

7 (A) *support private and public sector inves-*
 8 *tigations and risk management activities; and*

9 (B) *involve cryptographically secured dis-*
 10 *tributed ledgers or any similar technology or im-*
 11 *plementation.*

12 (3) *EMERGING TECHNOLOGIES.—The term*
 13 *“emerging technologies” means the critical and*
 14 *emerging technology areas listed in the Critical and*
 15 *Emerging Technologies List developed by the Fast*
 16 *Track Action Subcommittee on Critical and Emerg-*
 17 *ing Technologies of the National Science and Tech-*
 18 *nology Council, including any updates to such list.*

19 (4) *FOREIGN TERRORIST ORGANIZATION.—The*
 20 *term “foreign terrorist organization” means an orga-*
 21 *nization that is designated as a foreign terrorist orga-*
 22 *nization under section 219 of the Immigration and*
 23 *Nationality Act (8 U.S.C. 1189).*

24 (5) *ILLICIT USE.—The term “illicit use” includes*
 25 *fraud, money laundering, terrorist financing, the pur-*

1 *chase and sale of illicit goods, trafficking of fentanyl*
2 *(including fentanyl precursors and trade in other il-*
3 *licit drugs), sanctions evasion, theft of funds, funding*
4 *of illegal activities, transactions related to child sex-*
5 *ual abuse material or elder fraud abuse, and any*
6 *other financial transaction involving the proceeds of*
7 *specified unlawful activity (as defined in section*
8 *1956(c) of title 18, United States Code).*

9 (6) *STATE SPONSOR OF TERRORISM.*—*The term*
10 *“state sponsor of terrorism” means a country deter-*
11 *mined by the Secretary of State to have repeatedly*
12 *provided support for acts of international terrorism*
13 *under section 40 of the Arms Export Control Act (22*
14 *U.S.C. 2780) or section 620A of the Foreign Assist-*
15 *ance Act of 1961 (22 U.S.C. 2371).*

16 (7) *TERRORIST.*—*The term “terrorist” includes*
17 *a person carrying out domestic terrorism or inter-*
18 *national terrorism (as such terms are defined, respec-*
19 *tively, under section 2331 of title 18, United States*
20 *Code).*

21 (8) *TRANSNATIONAL ORGANIZED CRIME.*—*The*
22 *term “transnational organized crime” has the mean-*
23 *ing given the term in section 284 of title 10, United*
24 *States Code.*

1 (c) *INDEPENDENT FINANCIAL TECHNOLOGY WORKING*
2 *GROUP TO COMBAT TERRORISM, NARCOTICS TRAFFICKING,*
3 *AND ILLICIT FINANCING.*—

4 (1) *ESTABLISHMENT.*—*There is established the*
5 *Independent Financial Technology Working Group to*
6 *Combat Terrorism, Narcotics Trafficking, and Illicit*
7 *Financing (in this section referred to as the “Working*
8 *Group”), which shall consist of the following:*

9 (A) *The Secretary of the Treasury or their*
10 *designee, who shall serve as the chair of the*
11 *Working Group.*

12 (B) *A senior-level representative from each*
13 *of the following:*

14 (i) *The Department of the Treasury.*

15 (ii) *The Office of Terrorism and Fi-*
16 *nancial Intelligence.*

17 (iii) *The Internal Revenue Service.*

18 (iv) *The Department of Justice.*

19 (v) *The Federal Bureau of Investiga-*
20 *tion.*

21 (vi) *The Drug Enforcement Adminis-*
22 *tration.*

23 (vii) *The Department of Homeland Se-*
24 *curity.*

25 (viii) *The United States Secret Service.*

1 *(ix) The Department of State.*

2 *(x) The Office of the Director of Na-*
3 *tional Intelligence.*

4 *(C) At least 5 individuals appointed by the*
5 *Secretary of the Treasury to represent the fol-*
6 *lowing:*

7 *(i) Digital asset companies.*

8 *(ii) Distributed ledger analytics com-*
9 *panies.*

10 *(iii) Financial institutions.*

11 *(iv) Institutions or organizations en-*
12 *gaged in research.*

13 *(v) Institutions or organizations fo-*
14 *cused on individual privacy and civil lib-*
15 *erties.*

16 *(D) Such additional individuals as the Sec-*
17 *retary of the Treasury may appoint as necessary*
18 *to accomplish the duties described in paragraph*
19 *(2).*

20 *(2) DUTIES.—The Working Group shall—*

21 *(A) conduct research on the illicit use of*
22 *digital assets and other related emerging tech-*
23 *nologies, including by terrorists, foreign terrorist*
24 *organizations, state sponsors of terrorism, and*
25 *transnational organized crime groups; and*

1 (B) develop legislative and regulatory pro-
2 posals to improve anti-money laundering,
3 counter-terrorist, and other counter-illicit financ-
4 ing efforts in the United States.

5 (3) *REPORTS.*—

6 (A) *IN GENERAL.*—Not later than 1 year
7 after the date of enactment of this Act, and an-
8 nually for the 3 years thereafter, the Working
9 Group shall submit to the Secretary of the Treas-
10 ury, the heads of each agency represented in the
11 Working Group pursuant to paragraph (1)(B),
12 and the appropriate congressional committees a
13 report containing the findings and determina-
14 tions made by the Working Group in the pre-
15 vious year and any legislative and regulatory
16 proposals developed by the Working Group.

17 (B) *FINAL REPORT.*—Before the date on
18 which the Working Group terminates under
19 paragraph (4)(A), the Working Group shall sub-
20 mit to the appropriate congressional committees
21 a final report detailing the findings, rec-
22 ommendations, and activities of the Working
23 Group, including any final results from the re-
24 search conducted by the Working Group.

25 (4) *SUNSET.*—

1 (A) *IN GENERAL.*—*The Working Group*
 2 *shall terminate on the later of—*

3 (i) *the date that is 4 years after the*
 4 *date of enactment of this Act; or*

5 (ii) *the date on which the Working*
 6 *Group completes any wind-up activities de-*
 7 *scribed in subparagraph (B).*

8 (B) *AUTHORITY TO WIND UP ACTIVITIES.*—
 9 *If there are research, proposals, or other related*
 10 *activities of the Working Group ongoing as of the*
 11 *date that is 4 years after the date of enactment*
 12 *of this Act, the Working Group may temporarily*
 13 *continue working in order to wind up such ac-*
 14 *tivities.*

15 (C) *RETURN OF APPROPRIATED FUNDS.*—
 16 *On the date on which the Working Group termi-*
 17 *nates under subparagraph (A), any unobligated*
 18 *funds appropriated to carry out this subsection*
 19 *shall be transferred to the Treasury.*

20 **SEC. 205. DIGITAL ASSET KIOSKS.**

21 (a) *REGISTRATION.*—*Section 5330 of title 31, United*
 22 *States Code, is amended—*

23 (1) *in subsection (d)—*

24 (A) *in paragraph (1)(A), by inserting “,*
 25 *any person who owns, operates, or manages a*

1 *digital asset kiosk in the United States or its ter-*
 2 *ritories,” after “similar instruments”; and*

3 *(B) by adding at the end the following:*

4 “(3) *DIGITAL ASSET; DIGITAL ASSET ADDRESS;*
 5 *DIGITAL ASSET KIOSK; DIGITAL ASSET KIOSK OPER-*
 6 *ATOR.—The terms ‘digital asset’, ‘digital asset ad-*
 7 *dress’, ‘digital asset kiosk’, and ‘digital asset kiosk op-*
 8 *erator’ have the meanings given those terms, respec-*
 9 *tively, in section 5337.”; and*

10 *(2) by adding at the end the following:*

11 “(f) *REGISTRATION OF DIGITAL ASSET KIOSK LOCA-*
 12 *TIONS.—*

13 “(1) *IN GENERAL.—Not later than 90 days after*
 14 *the effective date of this subsection, and not less than*
 15 *once every 90 days thereafter, the Secretary of the*
 16 *Treasury shall require digital asset kiosk operators to*
 17 *submit an updated list containing the physical ad-*
 18 *dress of each digital asset kiosk owned or operated by*
 19 *the digital asset kiosk operator.*

20 “(2) *FORM AND MANNER OF REGISTRATION.—*
 21 *Each submission by a digital asset kiosk operator*
 22 *pursuant to paragraph (1) shall include—*

23 “(A) *the legal name of the digital asset*
 24 *kiosk operator;*

1 “(B) any fictitious or trade name of the
2 digital asset kiosk operator;

3 “(C) the physical address of each digital
4 asset kiosk owned, operated, or managed by the
5 digital asset kiosk operator that is located in the
6 United States or the territories of the United
7 States;

8 “(D) the start date of operation of each dig-
9 ital asset kiosk;

10 “(E) the end date of operation of each dig-
11 ital asset kiosk, if applicable; and

12 “(F) each digital asset address used by the
13 digital asset kiosk operator.

14 “(3) FALSE AND INCOMPLETE INFORMATION.—
15 The filing of false or materially incomplete informa-
16 tion in a submission required under paragraph (1)
17 shall be deemed a failure to comply with the require-
18 ments of this subsection.”.

19 (b) PREVENTING FRAUDULENT TRANSACTIONS AT DIG-
20 ITAL ASSET KIOSKS.—

21 (1) IN GENERAL.—Subchapter II of chapter 53 of
22 title 31, United States Code, is amended by adding
23 at the end the following:

24 **“§ 5337. Digital asset kiosk fraud prevention**

25 “(a) DEFINITIONS.—In this section:

1 “(1) *CUSTOMER*.—The term ‘customer’ means
2 any person that purchases or sells digital assets
3 through a digital asset kiosk.

4 “(2) *DISTRIBUTED LEDGER ANALYTICS*.—The
5 term ‘distributed ledger analytics’ means the analysis
6 of data from public distributed ledgers, and associated
7 transaction information, to provide risk-specific in-
8 formation about digital asset transactions and digital
9 asset addresses.

10 “(3) *DIGITAL ASSET*.—The term ‘digital asset’
11 has the meaning given the term in section 2 of the
12 *GENIUS Act* (12 U.S.C. 5901).

13 “(4) *DIGITAL ASSET ADDRESS*.—The term ‘dig-
14 ital asset address’ means an alphanumeric identifier
15 associated with a digital asset wallet identifying the
16 location to which a digital asset purchased through a
17 digital asset kiosk can be sent or from which a digital
18 asset sold through a digital asset kiosk can be
19 accessed.

20 “(5) *DIGITAL ASSET KIOSK*.—The term ‘digital
21 asset kiosk’ means a stand-alone machine that is ca-
22 pable of accepting or dispensing legal tender in ex-
23 change for digital assets.

24 “(6) *DIGITAL ASSET KIOSK OPERATOR*.—The
25 term ‘digital asset kiosk operator’ means a person

1 *who owns, operates, or manages a digital asset kiosk*
2 *located in the United States or its territories.*

3 “(7) *DIGITAL ASSET KIOSK TRANSACTION.*—*The*
4 *term ‘digital asset kiosk transaction’ means the pur-*
5 *chase or sale of digital assets via a digital asset kiosk.*

6 “(8) *DIGITAL ASSET WALLET.*—*The term ‘digital*
7 *asset wallet’ means a software application or other*
8 *mechanism providing a means for holding, storing,*
9 *and transferring digital assets.*

10 “(9) *FINCEN.*—*The term ‘FinCEN’ means the*
11 *Financial Crimes Enforcement Network of the De-*
12 *partment of the Treasury.*

13 “(10) *NEW CUSTOMER.*—*The term ‘new cus-*
14 *tomers,’ with respect to a digital asset kiosk operator,*
15 *means a customer during the 14-day period beginning*
16 *on the date of the first digital asset kiosk transaction*
17 *of the customer with the digital asset kiosk operator.*

18 “(11) *TRANSACTION HASH.*—*The term ‘trans-*
19 *action hash’ means a unique identifier made up of a*
20 *string of characters that act as a record of and pro-*
21 *vide proof that a transaction was verified and added*
22 *to the distributed ledger.*

23 “(b) *DISCLOSURES.*—

24 “(1) *IN GENERAL.*—*Before entering into a dig-*
25 *ital asset transaction with a customer, a digital asset*

1 *kiosk operator shall disclose in a clear, conspicuous,*
2 *and easily readable manner—*

3 *“(A) all relevant terms and conditions of*
4 *the digital asset kiosk transaction, including—*

5 *“(i) the amount of the digital asset*
6 *kiosk transaction;*

7 *“(ii) the type and nature of the digital*
8 *asset kiosk transaction;*

9 *“(iii) a warning that the digital asset*
10 *kiosk transaction is final, is not refundable,*
11 *and may not be reversed; and*

12 *“(iv) the type and amount of any fees*
13 *or other expenses paid by the customer;*

14 *“(B) a warning relating to consumer fraud*
15 *including—*

16 *“(i) that consumer fraud often starts*
17 *with contact from a stranger, and that the*
18 *customer should never send money to some-*
19 *one the customer does not know;*

20 *“(ii) the most common types of fraudu-*
21 *lent schemes involving digital asset kiosks,*
22 *such as—*

23 *“(I) impersonation of a govern-*
24 *ment official or a bank representative;*

1 “(II) threats of jail time or finan-
2 cial penalties;

3 “(III) offers of a job or reward in
4 exchange for payment, or offers of deals
5 that seem too good to be true;

6 “(IV) claims of a frozen bank ac-
7 count or credit card;

8 “(V) requests for donations to
9 charity or disaster relief; or

10 “(VI) payment to an individual
11 the customer has never met; and

12 “(iii) a statement that the customer
13 should contact law enforcement if they sus-
14 pect fraudulent activity, such as scams, in-
15 cluding contact information for a relevant
16 law enforcement or government agency.

17 “(2) *ADDITIONAL DISCLOSURES.*—FinCEN may
18 adopt rules relating to additional disclosures required
19 to be made to customers prior to engaging in a trans-
20 action.

21 “(c) *ACKNOWLEDGMENT OF DISCLOSURES.*—Each
22 time a customer uses a digital asset kiosk, the digital asset
23 kiosk operator shall ensure acknowledgment of all disclo-
24 sures required under subsection (b) via confirmation of con-
25 sent of the customer at the digital asset kiosk.

1 “(d) *RECEIPTS.*—Upon completion of each digital
2 asset kiosk transaction, the digital asset kiosk operator shall
3 provide the customer with a receipt, which shall include the
4 following information:

5 “(1) *The name and contact information of the*
6 digital asset kiosk operator, including a telephone
7 number for a customer service helpline.

8 “(2) *The name of the customer.*

9 “(3) *The type, value, date, and precise time of*
10 the digital asset kiosk transaction, transaction hash,
11 and each applicable digital asset address.

12 “(4) *The amount of the digital asset kiosk trans-*
13 action expressed in United States dollars.

14 “(5) *All fees charged.*

15 “(6) *A statement that the customer should con-*
16 tact law enforcement if they suspect fraudulent activ-
17 ity, such as scams, including contact information for
18 a relevant law enforcement or government agency.

19 “(7) *The exchange rate applied.*

20 “(8) *Any additional information the digital*
21 asset kiosk operator determines appropriate.

22 “(e) *PHYSICAL RECEIPTS AVAILABLE.*—A physical
23 version of the receipt required under subsection (d) shall
24 be issued to the customer at the time of the digital asset

1 *kiosk transaction, if the customer opts for such a physical*
 2 *version of the receipt.*

3 “(f) *ANTI-FRAUD POLICY.*—

4 “(1) *IN GENERAL.*—*Each digital asset kiosk op-*
 5 *erator shall establish, maintain, and implement a*
 6 *written anti-fraud policy if required by, and con-*
 7 *sistent with, applicable State law in those States*
 8 *where the digital asset kiosk operator is licensed.*

9 “(2) *FEDERAL STANDARD.*—*A digital asset kiosk*
 10 *operator operating in any State that does not require*
 11 *an anti-fraud policy under paragraph (1) shall estab-*
 12 *lish, maintain, and implement an anti-fraud policy*
 13 *that, at a minimum, includes—*

14 “(A) *the identification and assessment of*
 15 *fraud-related areas;*

16 “(B) *procedures and controls to protect*
 17 *against risks identified under subparagraph (A);*

18 “(C) *allocation of responsibility for moni-*
 19 *toring the risks identified under subparagraph*
 20 *(A); and*

21 “(D) *procedures for the periodic evaluation*
 22 *and revision of the anti fraud procedures, con-*
 23 *trols, and monitoring mechanisms under sub-*
 24 *paragraphs (B) and (C).*

1 “(g) *APPOINTMENT OF COMPLIANCE OFFICER.—Each*
 2 *digital asset kiosk operator shall designate and employ a*
 3 *compliance officer who—*

4 “(1) *is qualified to coordinate and monitor com-*
 5 *pliance with this section and all other applicable Fed-*
 6 *eral and State laws, rules, and regulations;*

7 “(2) *is employed full-time by the digital asset*
 8 *kiosk operator;*

9 “(3) *is not the chief executive officer of the dig-*
 10 *ital asset kiosk operator; and*

11 “(4) *does not own or control more than 10 per-*
 12 *cent of any interest in the digital asset kiosk operator.*

13 “(h) *USE OF DISTRIBUTED LEDGER ANALYTICS AND*
 14 *WALLET PINNING.—*

15 “(1) *IN GENERAL.—Each digital asset kiosk op-*
 16 *erator shall use distributed ledger analytics to prevent*
 17 *sending a digital asset to a digital asset wallet known*
 18 *to be affiliated with fraudulent activity at the time*
 19 *of a digital asset kiosk transaction and to detect*
 20 *transaction patterns indicative of fraud or other il-*
 21 *licit activities.*

22 “(2) *WALLET PINNING.—Each digital asset kiosk*
 23 *operator shall maintain restrictions that prevent*
 24 *more than 1 customer of the digital asset kiosk oper-*
 25 *ator from using the same digital wallet address.*

1 “(3) *COMPLIANCE.—The Director of FinCEN*
2 *may request evidence from any digital asset kiosk op-*
3 *erator to confirm compliance with this subsection.*

4 “(i) *CONFIRMATION REQUIRED BEFORE NEW CUS-*
5 *TOMER TRANSACTIONS.—Before entering into a digital*
6 *asset kiosk transaction valued at \$500 or more with a new*
7 *customer, the digital asset kiosk operator shall obtain con-*
8 *fimation from the new customer that—*

9 “(1) *the new customer wishes to proceed with the*
10 *digital asset kiosk transaction; and*

11 “(2) *the new customer is not being fraudulently*
12 *induced into engaging in the transaction.*

13 “(j) *HOLDING PERIOD.—No digital asset kiosk oper-*
14 *ator shall execute a transaction on behalf of a new customer*
15 *that sends digital assets to a specific wallet address unless*
16 *at least 72 hours have elapsed since the initiation of the*
17 *transaction by the new customer.*

18 “(k) *TRANSACTION LIMITS WITH RESPECT TO NEW*
19 *CUSTOMERS.—The Secretary of the Treasury shall prescribe*
20 *by regulation the threshold amounts for reporting or lim-*
21 *iting digital asset kiosk transactions, including aggregate*
22 *or single-day deposit and withdrawal limits, as the Sec-*
23 *retary determines are reasonably necessary to deter fraud*
24 *and illicit finance. Such regulations shall consider the*
25 *unique risks and functionalities of digital asset kiosks and*

1 *may provide for exceptions, adjustments, or exclusions as*
2 *deemed appropriate by the Secretary.*

3 “(l) *INTERIM TRANSACTION LIMITS.*—*Until the effec-*
4 *tive date of regulations prescribed under subsection (k), a*
5 *digital asset kiosk operator shall not permit a new customer*
6 *to conduct transactions exceeding \$3,500 in the aggregate*
7 *within any 24-hour period.*

8 “(m) *REFUNDS.*—*A digital asset kiosk operator shall*
9 *issue a refund for a customer’s transaction fees within 30*
10 *days if—*

11 “(1) *the customer was fraudulently induced into*
12 *engaging in the digital asset kiosk transaction; and*

13 “(2) *the customer files a complaint to the digital*
14 *asset kiosk operator, which includes—*

15 “(A) *the name, address, and phone number*
16 *of the customer;*

17 “(B) *the transaction hash of the digital*
18 *asset kiosk transaction or information sufficient*
19 *to establish the type, value, date, and time of the*
20 *digital asset kiosk transaction; and*

21 “(C) *a copy of a report to a State or local*
22 *law enforcement or government agency made not*
23 *later than 30 days after the digital asset kiosk*
24 *transaction.*

1 “(n) *CUSTOMER SERVICE HELPLINE.*—Each digital
2 asset kiosk operator shall provide live customer service dur-
3 ing business hours, the phone number for which is regularly
4 monitored and displayed in a clear, conspicuous, and easily
5 readable manner upon each digital asset kiosk. During non-
6 business hours, the digital asset kiosk operator shall main-
7 tain an alternative customer service system that may in-
8 clude an automated chatbot, an online complaint reporting
9 portal, or other customer service mechanism.

10 “(o) *COMMUNICATIONS WITH LAW ENFORCEMENT.*—
11 Each digital asset kiosk operator performing business in the
12 United States shall have a dedicated method of contact, such
13 as a phone number, email address, or other contact method,
14 for law enforcement and regulatory agencies to contact the
15 digital asset kiosk operator. This contact method shall be
16 displayed and available on the digital asset kiosk operator’s
17 website.

18 “(p) *CIVIL PENALTIES AND STATE ENFORCEMENT.*—
19 Any State regulator may bring a civil action or other ap-
20 propriate proceeding to enforce the provisions of this section
21 and may assess or collect civil penalties or other remedies
22 for violations of this section, as provided under applicable
23 State law.

24 “(q) *RULE OF CONSTRUCTION.*—Nothing in this sec-
25 tion may be construed to prohibit a State from enacting

1 *a law, rule, or regulation that provides greater protection*
 2 *to customers.”.*

3 (2) *TECHNICAL AND CONFORMING AMEND-*
 4 *MENT.—The table of sections for subchapter II of*
 5 *chapter 53 of title 31, United States Code, is amended*
 6 *by adding at the end the following:*

“5337. Digital asset kiosk fraud prevention.”.

7 **SEC. 206. STUDY ON ILLICIT USE OF DIGITAL ASSETS.**

8 (a) *DEFINITIONS.—In this section:*

9 (1) *FOREIGN TERRORIST ORGANIZATION.—The*
 10 *term “foreign terrorist organization” means an orga-*
 11 *nization that is designated as a foreign terrorist orga-*
 12 *nization under section 219 of the Immigration and*
 13 *Nationality Act (8 U.S.C. 1189).*

14 (2) *TRANSNATIONAL ORGANIZED CRIMINAL.—The*
 15 *term “transnational organized criminal” means an*
 16 *individual who participates in transnational orga-*
 17 *nized crime, as defined in section 284(i) of title 10,*
 18 *United States Code.*

19 (b) *REVIEW.—Not later than 1 year after the date of*
 20 *enactment of this Act, the Secretary of the Treasury, in con-*
 21 *sultation with the Attorney General, shall conduct a com-*
 22 *prehensive review of how foreign terrorist organizations and*
 23 *transnational organized criminals utilize digital assets in*
 24 *connection with illicit activities.*

1 (c) *REPORT.*—Not later than 180 days after com-
2 pleting the review under subsection (b), the Secretary of the
3 Treasury shall submit to the Committee on Agriculture, Nu-
4 trition, and Forestry and the Committee on Banking, Hous-
5 ing, and Urban Affairs of the Senate and the Committee
6 on Agriculture and the Committee on Financial Services
7 of the House of Representatives a report on the findings
8 of the Secretary, including—

9 (1) an assessment of how foreign terrorist orga-
10 nizations and transnational organized criminals uti-
11 lize digital assets in connection with illicit activities;
12 and

13 (2) recommendations to assist the Commission
14 and the Commodity Futures Trading Commission in
15 strengthening compliance and enforcement of digital
16 assets-related entities registered with their respective
17 agencies.

18 (d) *ADDITIONAL AGENCIES.*—The Secretary of the
19 Treasury may, in the sole discretion of the Secretary of the
20 Treasury, solicit input for the report required under sub-
21 section (c) from any or all of the Federal functional regu-
22 lators, as defined in section 509 of the Gramm-Leach-Bliley
23 Act (15 U.S.C. 6809), and the Commodity Futures Trading
24 Commission.

1 (e) *CLASSIFIED ANNEX.*—*The report required under*
 2 *subsection (c) may include a classified annex, as appro-*
 3 *priate.*

4 ***TITLE III—RESPONSIBLE INNO-***
 5 ***VATION IN DECENTRALIZED***
 6 ***FINANCE***

7 ***SEC. 301. RULEMAKING ON APPLICATION OF EXISTING SE-***
 8 ***CURITIES INTERMEDIARY REQUIREMENTS***
 9 ***AND EXISTING BANK SECRECY ACT REQUIRE-***
 10 ***MENTS TO NON-DECENTRALIZED FINANCE***
 11 ***TRADING PROTOCOLS.***

12 (a) *DEFINITIONS.*—*In this section:*

13 (1) *DECENTRALIZED FINANCE TRADING PRO-*
 14 *TOCOL.*—*The term “decentralized finance trading*
 15 *protocol” means a distributed ledger system through*
 16 *which multiple participants can execute a financial*
 17 *transaction—*

18 (A) *in accordance with an automated rule*
 19 *or algorithm that is predetermined and non-dis-*
 20 *cretionary; and*

21 (B) *without reliance on a person other than*
 22 *the user to maintain custody or control of any*
 23 *digital assets subject to the financial transaction.*

24 (2) *NON-DECENTRALIZED FINANCE TRADING*
 25 *PROTOCOL.*—

1 (A) *IN GENERAL.*—*The term “non-decen-*
2 *tralized finance trading protocol” means a de-*
3 *centralized finance trading protocol that meets 1*
4 *or more of the following:*

5 (i) *A person or group of persons under*
6 *common control, or acting pursuant to an*
7 *agreement, arrangement, or understanding*
8 *to act in concert, has the authority, directly*
9 *or indirectly, through any contract, ar-*
10 *rangement, understanding, relationship, or*
11 *otherwise, to control or materially alter the*
12 *functionality, operation, or rules of con-*
13 *sensus or agreement of the decentralized fi-*
14 *nance trading protocol.*

15 (ii) *The decentralized finance trading*
16 *protocol does not operate, execute, and en-*
17 *force its operations and transactions based*
18 *solely on pre-established, transparent rules*
19 *encoded directly within the source code of*
20 *the distributed ledger system.*

21 (iii) *A person or group of persons*
22 *under common control, or acting pursuant*
23 *to an agreement, arrangement, or under-*
24 *standing to act in concert, has the author-*
25 *ity, via operation of the decentralized fi-*

1 nance trading protocol, to restrict, censor,
2 or prohibit the use of the decentralized fi-
3 nance trading protocol, including any ap-
4 plicable system-based user activity.

5 (B) *SPECIAL RULE.*—For purposes of sub-
6 paragraph (A), a decentralized governance sys-
7 tem, solely by virtue of the operation of the de-
8 centralized governance system, shall not be con-
9 sidered to be a person or a group of persons
10 under common control or acting pursuant to an
11 agreement, arrangement, or understanding to act
12 in concert.

13 (C) *EXCLUSIONS.*—For purposes of this sec-
14 tion, participation in an incident-response or se-
15 curity council, as described in subsection (f),
16 shall not, by itself, be deemed to constitute con-
17 trol of a non-decentralized finance trading pro-
18 tocol.

19 (D) *SCOPING.*—In implementing this sec-
20 tion, the Commission and the Department of the
21 Treasury shall construe the term “non-decentral-
22 ized finance trading protocol” in a manner con-
23 sistent with section 15H of the Securities Ex-
24 change Act of 1934, as added by section 601.

25 (b) *RULES.*—

1 (1) *IN GENERAL.*—*The Commission, in consulta-*
2 *tion with the Department of the Treasury, shall adopt*
3 *tailored, clear, and specific rules, after notice and*
4 *comment, that clarify how a person, or group of per-*
5 *sons under common control, or acting pursuant to an*
6 *agreement, arrangement, or understanding to act in*
7 *concert, that controls a non-decentralized finance*
8 *trading protocol and is subject to the Securities Ex-*
9 *change Act of 1934 (15 U.S.C. 78a et seq.), as amend-*
10 *ed by this Act, shall comply with applicable require-*
11 *ments under that Act, including with respect to reg-*
12 *istration, conduct, disclosure, recordkeeping, super-*
13 *vision, and other requirements under the securities*
14 *laws.*

15 (2) *REQUIREMENTS.*—*The rulemaking required*
16 *under paragraph (1) shall—*

17 (A) *ensure that the rules adopted pursuant*
18 *to that rulemaking are consistent with the pur-*
19 *poses of the securities laws, including the public*
20 *interest, the protection of investors, and the*
21 *maintenance of fair and orderly markets;*

22 (B) *protect the rights of software developers,*
23 *publishers, and users to create, publish, and use*
24 *code and software in a manner consistent with*

1 *the First Amendment to the Constitution of the*
2 *United States;*

3 (C) *provide legal clarity for the develop-*
4 *ment, publication, and operation of distributed*
5 *ledger systems and the components therein in a*
6 *manner consistent with the purposes of this sec-*
7 *tion; and*

8 (D) *result in, by operation of law, the ap-*
9 *plication and enforcement by the Department of*
10 *the Treasury, where applicable and pursuant to*
11 *existing law, as in effect on the day before the*
12 *date of enactment of this Act, of anti-money*
13 *laundering and countering the financing of ter-*
14 *rorism requirements under the Bank Secrecy Act*
15 *and other Federal law with respect to any person*
16 *or group of persons that the Commission deter-*
17 *mines, through that rulemaking, is required to*
18 *register, or comply as a registrant, under the Se-*
19 *curities Exchange Act of 1934 (15 U.S.C. 78a et*
20 *seq.).*

21 (3) *APPLICATION.—*

22 (A) *IN GENERAL.—Any person or group of*
23 *persons determined under this subsection to be*
24 *required to register, or comply as a registrant,*
25 *under the Securities Exchange Act of 1934 (15*

1 *U.S.C. 78a et seq.) (referred to in this paragraph*
2 *as the “Exchange Act”) shall be subject to that*
3 *Act and the Bank Secrecy Act to the extent ap-*
4 *plicable under existing law, as in effect on the*
5 *day before the date of enactment of this Act, con-*
6 *sistent with the treatment of similarly situated*
7 *participants under the Exchange Act.*

8 *(B) RULEMAKING.—The Secretary of the*
9 *Treasury, in consultation with the Commission,*
10 *shall adopt tailored, clear, and specific rules,*
11 *after providing notice and the opportunity to*
12 *comment, that define compliance with obliga-*
13 *tions under the Bank Secrecy Act and other Fed-*
14 *eral laws relating to anti-money laundering and*
15 *countering the financing of terrorism with re-*
16 *spect to any person, or group of persons under*
17 *common control (or acting pursuant to an agree-*
18 *ment, arrangement, or understanding to act in*
19 *concert), that—*

20 *(i) controls the operation of a non-de-*
21 *centralized finance trading protocol identi-*
22 *fied in the rulemaking conducted under*
23 *paragraph (1);*

24 *(ii) is required to register, or comply*
25 *as a registrant, under the Exchange Act, as*

1 *determined in the rulemaking conducted*
2 *under paragraph (1); and*

3 *(iii) is caused to be treated as a finan-*
4 *cial institution under the Bank Secrecy Act*
5 *pursuant to existing law, as in effect on the*
6 *day before the date of enactment of this Act,*
7 *as a result of registration or compliance de-*
8 *scribed in clause (ii).*

9 (c) *ACTIVITY-BASED APPLICATION.—Rules adopted*
10 *under subsection (b)(1) shall require the Commission to de-*
11 *termine the applicable requirements only with respect to se-*
12 *curities-related activities, based on the functions performed*
13 *by the controlling person or group of persons, including bro-*
14 *kerage, dealing, trading, execution, clearing, or custody of*
15 *securities, without regard to technological form, distributed*
16 *architecture, or purportedly decentralized characterization.*

17 (d) *RULES OF CONSTRUCTION.—*

18 (1) *REGISTRATION NOT REQUIRED.—Nothing in*
19 *this section, nor any rule adopted under this section,*
20 *may be construed to—*

21 (A) *require a distributed ledger system or*
22 *any software code to register with the Commis-*
23 *sion in its own capacity; or*

24 (B) *prohibit the launch, deployment, or op-*
25 *eration of a distributed ledger system.*

1 (2) *NO EXPANSION OF STATUTORY AUTHORITY.*—
2 *Notwithstanding any rulemaking required under sub-*
3 *section (b), and notwithstanding any action the Com-*
4 *mission or the Secretary of the Treasury may take*
5 *under that subsection, nothing in this section, includ-*
6 *ing any such rulemaking, may be construed to—*

7 (A) *expand or contract the statutory au-*
8 *thority of the Commission or the Department of*
9 *the Treasury, as in effect on the day before the*
10 *date of enactment of this Act, under the Bank*
11 *Secrecy Act; or*

12 (B) *limit the use of the authority described*
13 *in subparagraph (A) to determine, pursuant to*
14 *that rulemaking, the applicability of existing*
15 *statutory requirements, as in effect on the day*
16 *before the date of enactment of this Act, to per-*
17 *sons or activities described in this section.*

18 (3) *NO PRESUMPTION OF APPLICABILITY.*—*Noth-*
19 *ing in this section may be construed to create a pre-*
20 *sumption that any person or activity described in*
21 *this section is or is not subject to the Securities Ex-*
22 *change Act of 1934 (15 U.S.C. 78a et seq.) or the*
23 *Bank Secrecy Act absent a determination made pur-*
24 *suant to a rulemaking required under this section.*

1 (e) *PRESERVATION OF EXISTING AUTHORITIES.*—

2 *Nothing in this section may be construed to—*

3 (1) *limit the authority of the Commission under*
4 *the securities laws to investigate violations, bring ac-*
5 *tions, or issue subpoenas with respect to persons de-*
6 *termined, pursuant to rulemaking, to be subject to the*
7 *securities laws under this section; or*

8 (2) *limit the authority of the Secretary of the*
9 *Treasury under the Bank Secrecy Act, including to*
10 *investigate violations or bring actions with respect to*
11 *persons determined, pursuant to rulemaking, to be*
12 *subject to the Bank Secrecy Act.*

13 (f) *NON-DECENTRALIZED FINANCE TRADING PROTO-*
14 *COLS.*—

15 (1) *IN GENERAL.*—*In adopting rules under sub-*
16 *section (b), the Commission shall treat a decentralized*
17 *governance system and any person participating in*
18 *the decentralized governance system as separate per-*
19 *sons unless such persons are under common control or*
20 *acting pursuant to an agreement, arrangement, or*
21 *understanding to act in concert.*

22 (2) *EMERGENCY MEASURES.*—

23 (A) *IN GENERAL.*—*Pre-defined, temporary*
24 *rules-based cybersecurity emergency measures ex-*
25 *ercised by an incident-response or security coun-*

1 *cil exclusively in response to a specific and docu-*
2 *mented cybersecurity incident or imminent*
3 *threat and pursuant to publicly disclosed, on-*
4 *chain authorization mechanisms, strictly limited*
5 *in scope and duration solely to address such spe-*
6 *cific and documented cybersecurity incident or*
7 *imminent threat, and without unilateral control*
8 *by any single person, shall not, by themselves,*
9 *constitute common control or an agreement, ar-*
10 *rangement, or understanding to act in concert,*
11 *provided that such rules and authorities, includ-*
12 *ing the procedures and operational limits gov-*
13 *erning such emergency measures, are disclosed in*
14 *publicly available written documentation reason-*
15 *ably available to the applicable Federal regu-*
16 *lator, by a decentralized governance system or*
17 *similar legal entity sufficiently in advance of*
18 *any exercise of such emergency powers.*

19 (B) *PROHIBITION.—The emergency meas-*
20 *ures described in subparagraph (A) may not be*
21 *used to implement protocol upgrades, governance*
22 *decisions, or economic changes that are unrelated*
23 *to the mitigation of the applicable cybersecurity*
24 *incident or imminent threat, as described in that*
25 *subparagraph.*

1 (3) *STANDARDS.*—*The standards criteria for*
 2 *temporary rules-based cybersecurity emergency meas-*
 3 *ures under paragraph (2) shall be established by rule-*
 4 *making pursuant to subsection (b).*

5 **SEC. 302. ILLICIT FINANCE OBLIGATIONS FOR DISTRIB-**
 6 **UTED LEDGER MESSAGING SYSTEMS.**

7 (a) *DEFINITIONS.*—*In this section:*

8 (1) *DISTRIBUTED LEDGER MESSAGING SYS-*
 9 *TEM.*—*The term “distributed ledger messaging sys-*
 10 *tem”—*

11 (A) *means a web-hosted software applica-*
 12 *tion that provides a user with the ability to cre-*
 13 *ate or submit an instruction, communication, or*
 14 *message to a distributed ledger application or de-*
 15 *centralized finance trading protocol for the pur-*
 16 *pose of executing a transaction by the user; and*

17 (B) *does not include—*

18 (i) *a distributed ledger application;*

19 (ii) *a distributed ledger protocol;*

20 (iii) *a distributed ledger system;*

21 (iv) *a decentralized finance trading*
 22 *protocol;*

23 (v) *any client, node, validator, or other*
 24 *form of computational infrastructure with*
 25 *respect to a distributed ledger system; or*

1 (vi) any software or hardware wallet
2 that facilitates the custody of an individual
3 of their digital assets.

4 (2) UNITED STATES SANCTION LAW.—The term
5 “United States sanction law” means any Federal law
6 imposing, or authorizing the imposition of, economic
7 sanctions.

8 (b) GUIDANCE.—Not later than 360 days after the date
9 of enactment of this Act, the Secretary of the Treasury shall
10 issue guidance with respect to the economic sanctions and
11 anti-money laundering and countering the financing of ter-
12 rorism obligations, risk management practices, or compli-
13 ance considerations, applicable to a distributed ledger mes-
14 saging system that is owned or operated by a United States
15 person, as defined in any law imposing or authorizing the
16 imposition of economic sanctions, which may include—

17 (1) the use of commercially reasonable distrib-
18 uted ledger-analytics screening measures, through in-
19 dustry-standard distributed ledger-analytics tools, to
20 identify wallet addresses that are owned by sanc-
21 tioned persons, involve jurisdictions or financial in-
22 stitutions subject to United States sanctions, or activ-
23 ity prohibited by United States sanctions;

1 (2) blocking, rejecting, preventing the routing of,
2 or otherwise restricting attempted transactions pro-
3 hibited by United States sanction laws;

4 (3) blocking or restricting transactions that ex-
5 hibit indicators of ransomware activity, illicit finance
6 typologies, or any other pattern that presents a sig-
7 nificant and identifiable illicit finance risk based on
8 a commercially reasonable distributed ledger-analytics
9 assessment to identify transactions that involve
10 ransomware activity and other illicit finance activity;
11 and

12 (4) implementing and maintaining risk-based
13 measures, consistent with applicable law, to identify,
14 mitigate, and address anti-money laundering and
15 countering the financing of terrorism risks, includ-
16 ing—

17 (A) monitoring for risk indicators and lim-
18 iting exposure to illicit-finance risks, which may
19 include restricting, limiting, or otherwise miti-
20 gating exposure to high-risk transactions; and

21 (B) complying, as applicable, with special
22 measures implemented by the Secretary of the
23 Treasury under section 5318A of title 31, United
24 States Code.

1 (c) *ENFORCEMENT AND PENALTIES.*—*The Secretary of*
2 *the Treasury and any other Federal agency with relevant*
3 *jurisdiction have the authority, as applicable, to enforce this*
4 *section using their existing authorities, as of the day before*
5 *the date of enactment of this Act, under applicable law.*

6 (d) *RULES OF CONSTRUCTION.*—*Nothing in this sec-*
7 *tion may be construed to—*

8 (1) *alter or amend any laws imposing or author-*
9 *izing imposition of economic sanctions by the United*
10 *States, including those that apply to United States*
11 *persons that own or operate a distributed ledger mes-*
12 *saging system;*

13 (2) *expand or contract the applicability of—*

14 (A) *economic sanctions, anti-money laun-*
15 *dering, or any other illicit finance laws in effect*
16 *as of the day before the date of enactment of this*
17 *Act to any person, including any person that*
18 *owns or operates a distributed ledger messaging*
19 *system; or*

20 (B) *the definition of a “financial institu-*
21 *tion” under applicable laws, which shall not*
22 *apply to non-controlling developers or providers*
23 *as defined in section 604(b)(3); or*

24 (3) *restrict the authority of the Secretary of the*
25 *Treasury to implement, administer, and enforce, in-*

1 *cluding by imposing civil money penalties, any law*
 2 *imposing or authorizing the imposition of economic*
 3 *sanctions or any law to prevent money laundering or*
 4 *illicit finance otherwise provided by Federal law to*
 5 *the Secretary of the Treasury.*

6 **SEC. 303. SPECIAL MEASURE RELATING TO CERTAIN**
 7 **TRANSMITTALS OF FUNDS.**

8 *Section 5318A of title 31, United States Code, is*
 9 *amended—*

10 *(1) in subsection (a)(2)(C), by striking “sub-*
 11 *section (b)(5)” and inserting “paragraph (5) or (6) of*
 12 *subsection (b)” and*

13 *(2) in subsection (b), by adding at the end the*
 14 *following:*

15 *“(6) SPECIAL MEASURE FOR CERTAIN TRANSMIT-*
 16 *TALS OF FUNDS.—If the Secretary of the Treasury*
 17 *finds that a jurisdiction outside of the United States,*
 18 *1 or more financial institutions operating outside of*
 19 *the United States, or 1 or more classes of transactions*
 20 *within, or involving, a jurisdiction outside of the*
 21 *United States is of primary money laundering con-*
 22 *cern in connection with illicit finance through the use*
 23 *of digital assets, as defined in section 2 of the GE-*
 24 *NIUS Act (12 U.S.C. 5901), the Secretary may, by*
 25 *order, regulation, or otherwise as permitted by law,*

1 *prohibit, or impose conditions upon, certain trans-*
 2 *mittals of funds (to be defined by the Secretary by*
 3 *regulation) by any domestic financial institution or*
 4 *domestic financial agency, if such transmittal of*
 5 *funds involves any such institution, class of trans-*
 6 *action, or type of account.”.*

7 **SEC. 304. OFFSHORE STABLECOIN REPORT.**

8 *(a) DEFINITIONS.—In this section:*

9 *(1) MATERIAL VOLUME OF TRANSACTIONS.—The*
 10 *term “material volume of transactions” means a sus-*
 11 *tained level of transaction activity that is—*

12 *(A) publicly observable;*

13 *(B) exceeds de minimis usage over a 12-*
 14 *month period; and*

15 *(C) is reasonably likely to affect the illicit*
 16 *finance or national security risk exposure of the*
 17 *United States.*

18 *(2) PAYMENT STABLECOIN.—The term “payment*
 19 *stablecoin” has the meaning given the term in section*
 20 *2 of the GENIUS Act (12 U.S.C. 5901).*

21 *(3) UNITED STATES-DEPENDENT OFFSHORE*
 22 *STABLECOIN.—The term “United States-dependent*
 23 *offshore stablecoin” means a payment stablecoin—*

24 *(A) that is not issued by a permitted pay-*
 25 *ment stablecoin issuer or any foreign payment*

1 *stablecoin issuer registered with the Comptroller*
2 *(as those terms are defined in section 2 of the*
3 *GENIUS Act (12 U.S.C. 5901));*

4 *(B) that is issued by a person operating*
5 *outside of the United States; and*

6 *(C) the value of which is supported or*
7 *backed by a reserve of assets that has a substan-*
8 *tial nexus to the United States, which may in-*
9 *clude—*

10 *(i) obligations of the United States, in-*
11 *cluding United States Treasury securities*
12 *and repurchase agreements backed by*
13 *United States Treasury securities and funds*
14 *held as deposits at any bank subject to the*
15 *jurisdiction of the United States;*

16 *(ii) deposits maintained at a banking*
17 *entity or insured depository institution lo-*
18 *cated in the United States, including cor-*
19 *respondent or payable-through accounts;*

20 *(iii) securities issued or guaranteed by*
21 *the United States or any agency or instru-*
22 *mentality thereof; or*

23 *(iv) assets custodied, cleared, or settled*
24 *through payment, clearing, or settlement*
25 *systems located in the United States.*

1 (b) *REPORT*.—Not later than June 30 of the second
2 calendar year that begins after the date of enactment of this
3 Act, and every 4 years thereafter for not more than 3 re-
4 ports, the Secretary of the Treasury shall submit to the
5 Committee on Banking, Housing, and Urban Affairs of the
6 Senate and the Committee on Financial Services of the
7 House of Representatives, and make available on the website
8 of the Department of the Treasury, a report assessing
9 whether there is credible, articulable, and publicly support-
10 able evidence of significant illicit finance threats or
11 vulnerabilities associated with any United States-dependent
12 offshore stablecoin employed in a material volume of trans-
13 actions.

14 (c) *CONTENTS*.—Each report required under sub-
15 section (b) shall include—

16 (1) an assessment of the illicit finance risk of
17 each United States-dependent offshore stablecoin em-
18 ployed in a material volume of transactions;

19 (2) an assessment of the controls employed by the
20 issuers of United States-dependent offshore stablecoins
21 to address the use of such stablecoins in illicit finance,
22 as available;

23 (3) data and information regarding the volume
24 of United States-dependent offshore stablecoins as-

1 *essed to be employed in connection with illicit fi-*
2 *nance, as available;*

3 *(4) a general description of the relationships be-*
4 *tween United States-dependent offshore stablecoins*
5 *and the financial system of the United States, includ-*
6 *ing principal channels of interaction; and*

7 *(5) such other information or analysis as the*
8 *Secretary of the Treasury deems relevant to assessing*
9 *the illicit finance risks of United States-dependent off-*
10 *shore stablecoins.*

11 *(d) CLASSIFIED ANNEX.—Each report required under*
12 *subsection (b) shall be submitted in unclassified form, but*
13 *may contain a classified annex.*

14 *(e) NATIONAL STRATEGY.—The reporting requirement*
15 *under subsection (b) may be met as part of the national*
16 *strategy for combating terrorist and other illicit financing*
17 *required under sections 261 and 262 of the Countering*
18 *America’s Adversaries Through Sanctions Act (Public Law*
19 *115–44; 131 Stat. 934) for the reporting years.*

20 *(f) RULE OF CONSTRUCTION.—Nothing in this section*
21 *may be construed to authorize—*

22 *(1) the disclosure of any information that is pro-*
23 *tected from disclosure under Federal law; and*

24 *(2) the collection or use of any information other*
25 *than publicly available data or information lawfully*

1 *obtained by the Department of the Treasury under ex-*
 2 *isting authorities, as of the day before the date of en-*
 3 *actment of this Act.*

4 **SEC. 305. TEMPORARY HOLD FOR CERTAIN DIGITAL ASSET**
 5 **TRANSACTIONS.**

6 (a) *DEFINITIONS.—In this section:*

7 (1) *COVERED AGENCY.—The term “covered agen-*
 8 *cy” means any State or Federal law enforcement*
 9 *agency, including the Department of the Treasury.*

10 (2) *COVERED PERSON.—The term “covered per-*
 11 *son” means a person that is—*

12 (A) *a permitted payment stablecoin issuer;*

13 (B) *a foreign payment stablecoin issuer (as*
 14 *defined in section 2 of the GENIUS Act (12*
 15 *U.S.C. 5901)) registered with the Office of the*
 16 *Comptroller of the Currency pursuant to section*
 17 *18(c) of that Act (12 U.S.C. 5916(c)); or*

18 (C) *a digital asset service provider, as that*
 19 *term is defined in section 2 of the GENIUS Act*
 20 *(12 U.S.C. 5901).*

21 (3) *PAYMENT STABLECOIN; PERMITTED PAYMENT*
 22 *STABLECOIN ISSUER.—The terms “payment*
 23 *stablecoin” and “permitted payment stablecoin*
 24 *issuer” have the meanings given those terms in sec-*
 25 *tion 2 of the GENIUS Act (12 U.S.C. 5901).*

1 (4) *QUALIFIED WRITTEN REQUEST.*—*The term*
 2 *“qualified written request” means a written commu-*
 3 *nication issued by an authorized official of a covered*
 4 *agency that—*

5 *(A) identifies a specific wallet, address, ac-*
 6 *count, or transaction reasonably suspected of*
 7 *being linked to illicit activity;*

8 *(B) requests a covered person initiate an ac-*
 9 *tion with respect to the specified wallet, address,*
 10 *account, or transaction reasonably suspected of*
 11 *being linked to illicit activity, including delay-*
 12 *ing the execution of a transaction, conversion, or*
 13 *withdrawal involving digital assets; and*

14 *(C) includes a designated agency contact.*

15 (5) *TEMPORARY HOLD.*—*The term “temporary*
 16 *hold” means a restriction applied by a covered person*
 17 *that delays execution of a transaction, conversion, or*
 18 *withdrawal involving digital assets for a reasonable*
 19 *period of time, not to exceed 30 calendar days, which*
 20 *may be extended for an additional 150 calendar days*
 21 *pursuant to a qualified written request.*

22 (b) *PROTECTION FROM PRIVATE CAUSES OF AC-*
 23 *TION.*—

24 (1) *IN GENERAL.*—*Any covered person that, in*
 25 *good faith and in compliance with this section, or*

1 *any person complying with a temporary lawful order*
2 *under subsection (c) that, voluntarily implements a*
3 *temporary hold shall not be held liable pursuant to*
4 *any Federal or State private right of action for im-*
5 *plementing the temporary hold, provided that—*

6 *(A) the covered person or other person, as*
7 *applicable—*

8 *(i) implements the temporary hold*
9 *based on a reasonable belief the transaction,*
10 *conversion, or withdrawal relates to a viola-*
11 *tion or attempted violation of State or Fed-*
12 *eral law; or*

13 *(ii) implements the temporary hold*
14 *after receiving a qualified written request*
15 *from a covered agency;*

16 *(B) the covered person—*

17 *(i) makes reasonable efforts to notify*
18 *the affected customer of the temporary hold;*

19 *(ii) reasonably determines that notifi-*
20 *cation would impede actual or potential*
21 *law enforcement efforts; or*

22 *(iii) receives a qualified written re-*
23 *quest from a covered agency that requests*
24 *notification not be attempted; and*

1 (C) the covered person notifies as soon as
2 reasonably practicable an appropriate State or
3 Federal law enforcement agency or the Federal
4 Trade Commission, provided that such notifica-
5 tion is not required when the covered person has
6 received a qualified written request from a cov-
7 ered agency.

8 (2) DOCUMENTATION.—A covered person shall—

9 (A) maintain for the 3-year period fol-
10 lowing the implementation of a temporary hold
11 documentation of the basis for applying a tem-
12 porary hold; and

13 (B) make available the documentation de-
14 scribed in subparagraph (A) upon the request of
15 a covered agency or the Federal Trade Commis-
16 sion.

17 (c) COMPLIANCE WITH TEMPORARY LAWFUL OR-
18 DERS.—A permitted payment stablecoin issuer shall comply
19 with any valid writ, process, order, rule, decree, command,
20 or other requirement issued or promulgated under Federal
21 law by a court of competent jurisdiction that—

22 (1) requires a person to freeze or prevent the
23 transfer of payment stablecoins;

24 (2) specifies the payment stablecoins or accounts
25 subject to blocking with reasonable particularity; and

1 (3) is subject to judicial or administrative review
2 or appeal, as provided by law.

3 (d) *RULES OF CONSTRUCTION.*—Nothing in this sec-
4 tion may be construed to—

5 (1) compel or require any covered person to take
6 action to freeze, seize, or block digital assets that is
7 not otherwise required under existing Federal or State
8 law, as in effect on the day before the date of enact-
9 ment of this Act;

10 (2) limit or alter the authority of any govern-
11 ment agency, including with respect to authority to
12 pursue enforcement actions;

13 (3) limit or affect the application of—

14 (A) section 5318(g)(3) of title 31, United
15 States Code, and any regulation requiring any
16 financial institution to report suspicious activ-
17 ity; or

18 (B) any lawful authority to seize or freeze
19 assets pursuant to a lawful order or sanctions
20 designation; or

21 (4) limit the ability of a covered person to apply
22 a temporary hold to any wallet, address, account, or
23 transaction located outside the United States.

24 (e) *REPORTING.*—The Attorney General and the Fed-
25 eral Trade Commission may issue regulations or guidance

1 *relating to any notification by covered persons pursuant*
 2 *to this section to the Department of Justice and the Federal*
 3 *Trade Commission, respectively.*

4 **SEC. 306. VOLUNTARY CYBERSECURITY PROGRAM FOR DE-**
 5 **CENTRALIZED FINANCE TRADING PROTO-**
 6 **COLS.**

7 (a) *DEFINITIONS.—In this section:*

8 (1) *COVERED ACTIVITIES.—The term “covered*
 9 *activities” means the activities described in section*
 10 *15H(b) of the Securities Exchange Act of 1934, as*
 11 *added by section 601.*

12 (2) *DECENTRALIZED FINANCE TRADING PRO-*
 13 *TOCOL.—The term “decentralized finance trading*
 14 *protocol” has the meaning given the term in section*
 15 *15H(a) of the Securities Exchange Act of 1934, as*
 16 *added by section 601.*

17 (3) *DIRECTOR.—The term “Director” means the*
 18 *Director of NIST.*

19 (4) *NIST.—The term “NIST” means the Na-*
 20 *tional Institute of Standards and Technology.*

21 (b) *ESTABLISHMENT OF PROGRAM.—The Director*
 22 *shall, in consultation with the Commission and the Com-*
 23 *modity Futures Trading Commission, establish a voluntary*
 24 *program for the adoption by persons developing decentral-*
 25 *ized finance trading protocols or engaging in covered activi-*

1 *ties of applicable cybersecurity standards published by*
2 *NIST.*

3 *(c) DEVELOPMENT OF PROGRAM CRITERIA.—*

4 *(1) REQUEST FOR INFORMATION.—The Director*
5 *shall issue a request for information in the Federal*
6 *Register to gather input from experts and industry*
7 *stakeholders on—*

8 *(A) cybersecurity threats, vulnerabilities,*
9 *and risks to decentralized finance trading proto-*
10 *cols;*

11 *(B) auditing and code security standards,*
12 *including best practices for code audits;*

13 *(C) consumer protection and code trans-*
14 *parency best practices on decentralized finance*
15 *trading protocols; and*

16 *(D) existing NIST standards, as of the day*
17 *before the date of enactment of this Act, and*
18 *their applicability to decentralized finance trad-*
19 *ing protocols.*

20 *(2) REPORT.—The Director shall develop a re-*
21 *port on the software development of decentralized fi-*
22 *nance protocols to assess technical input from para-*
23 *graph (1).*

24 *(3) PUBLICATION OF PROGRAM CRITERIA.—After*
25 *evaluating input provided under paragraph (1), the*

1 *Director shall release a special publication containing*
2 *a detailed evaluation of cybersecurity best practices*
3 *and existing applicable standards, as of the day be-*
4 *fore the date of enactment of this Act, for decentral-*
5 *ized finance trading protocols, to provide program*
6 *criteria to software developers and industry stake-*
7 *holders under the voluntary program, which shall in-*
8 *clude a summary of public comments and responses*
9 *as to how input was incorporated.*

10 (4) *REQUESTS FOR REVISION.*—

11 (A) *IN GENERAL.*—*After the Director pub-*
12 *lishes the program criteria under paragraph (3),*
13 *the Director shall issue a request for comment in*
14 *the Federal Register to gather input on the work-*
15 *ability of the program.*

16 (B) *PETITION.*—*The public may petition*
17 *the Director to reevaluate certain aspects of the*
18 *program criteria published under paragraph (3).*

19 (5) *PROGRAM UPDATES.*—*As the technology un-*
20 *derpinning decentralized finance trading protocols*
21 *evolves, the Director shall update the special publica-*
22 *tion under paragraph (3) in compliance with sub-*
23 *section (d).*

24 (d) *PROGRAM.*—

1 (1) *APPLICATION.*—A person seeking evaluation
2 of a decentralized finance trading protocol or a cov-
3 ered activity under the program established under
4 subsection (b) shall submit to the Director an applica-
5 tion at such time and in such manner as the Director
6 considers appropriate for purposes of the program.

7 (2) *REVIEW.*—In carrying out the program es-
8 tablished under subsection (b), the Director shall re-
9 view each application submitted by a person under
10 paragraph (1) of this subsection.

11 (3) *DETERMINATION.*—In carrying out a review
12 under paragraph (2) of an application regarding a
13 decentralized finance trading protocol or covered ac-
14 tivity, the Director shall determine whether the pro-
15 tocol or activity is in compliance with existing appli-
16 cable standards, frameworks, and guidelines published
17 by the Director under subsection (c).

18 (4) *NOTICE.*—For each determination made
19 under paragraph (3) pursuant to an application by
20 a person of a decentralized finance trading protocol
21 or covered activity, the Director shall transmit to the
22 person a notice of the determination.

23 (e) *BENEFITS OF PROGRAM.*—

24 (1) *DISPLAY.*—A person that receives notice
25 under subsection (d)(4) that the Director has deter-

mined that a decentralized finance trading protocol or a covered activity has adopted the applicable cybersecurity standards published by NIST, the person may publicly display a designation, seal, or other identifier issued by the Director.

(2) *TREATMENT OF ADOPTION.*—In adopting a regulation or guidance relating to this section, a Federal agency shall consider adoption of cybersecurity standards under the program required by subsection (b) as evidence of good faith compliance with the law.

(f) *RULE OF CONSTRUCTION RELATING TO PREEMPTION.*—Nothing in this section may be construed to preempt any otherwise applicable provision of law of a State.

SEC. 307. AMENDMENTS TO MONETARY INSTRUMENT DEFINITION.

(a) *DEFINITIONS.*—In this section:

(1) *SELF-HOSTED WALLET*.—The term “self-hosted wallet” means a digital interface—

(A) that is used to secure and transfer digital assets; and

(B) under which the owner of digital assets secured and transferred under subparagraph (A) retains independent control over those digital assets.

1 (2) *UNITED STATES SANCTION LAW*.—*The term*
2 *“United States sanction law” has the meaning given*
3 *the term in section 302(a).*

4 (b) *MONETARY INSTRUMENTS*.—*Section 5312(a)(3)(D)*
5 *of title 31, United States Code, is amended by inserting*
6 *“, including digital assets (as defined in section 2 of the*
7 *GENIUS Act (12 U.S.C. 5901)), as may be applicable,”*
8 *after “value”.*

9 (c) *TREASURY RISK ASSESSMENT*.—*As part of the na-*
10 *tional strategy for combating terrorist and other illicit fi-*
11 *nancing required under sections 261 and 262 of the Coun-*
12 *tering America’s Adversaries Through Sanctions Act (Pub-*
13 *lic Law 115–44; 131 Stat. 934), the Secretary of the Treas-*
14 *ury shall consider—*

15 (1) *illicit activity, such as money laundering*
16 *and sanctions evasion, involving self-hosted wallets;*

17 (2) *the effectiveness of and gaps in existing (as*
18 *of the day before the date of enactment of this Act)*
19 *methods, techniques, and strategies used by regulated*
20 *financial institutions in detecting illicit activity, such*
21 *as money laundering, involving self-hosted wallets;*

22 (3) *any illicit actors, including nation state ac-*
23 *tors, that pose a high risk of facilitating illicit activ-*
24 *ity through the use of self-hosted wallets;*

1 (4) *the benefits of the use of self-hosted wallets*
2 *to—*

3 (A) *enhance user privacy and civil liberties*
4 *through direct asset custody; and*

5 (B) *expand financial inclusion and access*
6 *for communities underserved by traditional fi-*
7 *nancial institutions;*

8 (5) *end user and counterparty risks associated*
9 *with self-hosted wallets, including consumer fraud, cy-*
10 *bersecurity, and identity verification;*

11 (6) *the use of hardware self-hosted wallets to*
12 *smuggle digital assets for financing cross-border illicit*
13 *activity;*

14 (7) *the use of hardware self-hosted wallets for tax*
15 *evasion and asset concealment; and*

16 (8) *other considerations the Secretary may deter-*
17 *mine appropriate.*

18 (d) *GUIDANCE.—The Secretary of the Treasury may*
19 *issue guidance for financial institutions that transact with*
20 *self-hosted wallets based on the results of the research on*
21 *benefits and risks required under subsection (c), which shall*
22 *not—*

23 (1) *require a regulated entity to collect, with re-*
24 *spect to any transaction, personally identifiable infor-*
25 *mation about the controller of a self-hosted wallet*

1 *when the controller is not both the customer of the*
 2 *regulated entity and a party to such transaction, ex-*
 3 *cept as required by Federal law, including United*
 4 *States sanctions laws and regulations or lawful proc-*
 5 *ess; or*

6 *(2) be construed to hinder, restrict, or otherwise*
 7 *impair the authority of any Federal agency to inves-*
 8 *tigate, detect, counteract, or prevent illegal activity.*

9 **SEC. 308. RISK MANAGEMENT STANDARDS FOR DIGITAL**
 10 **ASSET INTERMEDIARIES.**

11 *(a) IN GENERAL.—Before conducting trading activity*
 12 *(including routing orders and executing trades) through a*
 13 *decentralized finance trading protocol, a digital asset inter-*
 14 *mediary shall implement risk management standards as de-*
 15 *scribed in subsection (b) with respect to trading using that*
 16 *decentralized finance trading protocol.*

17 *(b) REQUIREMENTS.—The risk management standards*
 18 *applicable to a digital asset intermediary shall be com-*
 19 *prised of the following:*

20 *(1) Conducting an effective risk analysis with re-*
 21 *spect to the decentralized finance trading protocol, in-*
 22 *cluding—*

23 *(A) money laundering and sanctions eva-*
 24 *sion risks, including whether trading will involve*

1 *activity relating to a primary money laundering*
2 *concern;*

3 *(B) fraud and market manipulation;*

4 *(C) operational and cybersecurity risk, in-*
5 *cluding settlement; and*

6 *(D) implementing robust policies and proce-*
7 *dures to mitigate the risks identified under this*
8 *paragraph.*

9 *(2) Disclosing the risks identified under para-*
10 *graph (1) using plain language to customers.*

11 *(3) Maintaining robust, risk-based capability to*
12 *detect market manipulation, fraud, money laun-*
13 *dering, and sanctions evasion occurring on the decen-*
14 *tralized finance trading protocol, which may include*
15 *the use of alternative tools that will properly target*
16 *such risks, including distributed ledger analytics*
17 *tools.*

18 *(4) Implementing an effective risk-based proce-*
19 *dure for determining whether to execute, reject, or sus-*
20 *pend an incoming or outgoing transaction relating to*
21 *the decentralized finance trading protocol, as applica-*
22 *ble, including a determination based on suspected risk*
23 *of money laundering, sanctions evasion, fraud, or*
24 *market manipulation.*

1 (5) *Consistent with this subsection, imple-*
2 *menting other reasonable standards which may be re-*
3 *quired by rule.*

4 (c) *EXAMINATIONS.—*

5 (1) *COMPLIANCE.—The Commission or the Com-*
6 *modity Futures Trading Commission, or other appro-*
7 *priate self-regulatory organization, shall verify com-*
8 *pliance with the requirements of this section as part*
9 *of a regular examination of the digital asset inter-*
10 *mediary at the frequency and under the conditions*
11 *otherwise provided by law or rule.*

12 (2) *RULE OF CONSTRUCTION.—Nothing in this*
13 *section may be construed to limit the authority of the*
14 *Financial Crimes Enforcement Network or the Office*
15 *of Foreign Assets Control from conducting examina-*
16 *tions, investigations, or enforcement actions relating*
17 *to this section as otherwise provided by law.*

18 (d) *RULEMAKING.—Rules shall be adopted to imple-*
19 *ment this section as follows:*

20 (1) *The Department of the Treasury, in consulta-*
21 *tion with the Commission and the Commodity Fu-*
22 *tures Trading Commission, shall adopt rules to im-*
23 *plement the money laundering and sanctions evasion*
24 *risk analysis standards of this section.*

1 (2) *The Commission and the Commodity Futures*
 2 *Trading Commission shall adopt rules to implement*
 3 *this section other than the provisions described in*
 4 *paragraph (1).*

5 (3) *Rules adopted under this paragraph shall be*
 6 *reasonably tailored to the size of the applicable digital*
 7 *asset intermediary and risks of the digital asset inter-*
 8 *mediary that are reasonably knowable to the digital*
 9 *asset intermediary.*

10 **SEC. 309. STUDY ON DIGITAL ASSET MIXERS AND TUM-**
 11 **BLERS.**

12 (a) *DIGITAL ASSET MIXER AND TUMBLER DE-*
 13 *FINED.—In this section, the term “digital asset mixer and*
 14 *tumbler” means a smart contract, or set of smart contracts,*
 15 *that obfuscate or eliminate the source or other forms of iden-*
 16 *tification of the holder of a digital asset, including by pool-*
 17 *ing assets from different holders and redistributing those*
 18 *assets among holders.*

19 (b) *REPORT.—Not later than 1 year after the date of*
 20 *enactment of this Act, the Secretary of the Treasury shall*
 21 *submit to the Committee on Banking, Housing, and Urban*
 22 *Affairs of the Senate and the Committee on Financial Serv-*
 23 *ices of the House of Representatives a report that analyzes*
 24 *the following issues:*

1 (1) *Current (as of the date on which the report*
2 *is submitted) typologies of digital asset mixers and*
3 *tumblers and historical transaction volume.*

4 (2) *Estimates of the percentage of transactions*
5 *relating to digital asset mixers and tumblers that are*
6 *used by actors engaged in illicit finance.*

7 (3) *Estimates of the reliance, and financial expo-*
8 *sure, of centralized exchanges and traditional finan-*
9 *cial institutions to digital asset mixers and tumblers,*
10 *and the extent to which centralized exchanges and*
11 *traditional financial institutions are adequately im-*
12 *plementing anti-money laundering and economic*
13 *sanctions compliance with respect to digital asset*
14 *mixers and tumblers.*

15 (4) *An assessment of potential non-illicit uses of*
16 *mixers and tumblers described in paragraph (1), in-*
17 *cluding privacy benefits.*

18 (5) *An analysis of regulatory approaches em-*
19 *ployed by other jurisdictions relating to digital asset*
20 *mixers and tumblers.*

21 (6) *Recommendations for legislation or regula-*
22 *tion relating to digital asset mixers and tumblers.*

1 **SEC. 310. GAO STUDY ON INTERMEDIARIES IN FOREIGN JU-**
 2 **RISDICTIONS.**

3 (a) *IN GENERAL.*—The Comptroller General of the
 4 United States, in consultation with the Secretary of the
 5 Treasury, shall conduct a study to—

6 (1) *assess the risks posed by digital asset inter-*
 7 *mediaries that—*

8 (A) *are primarily located in foreign juris-*
 9 *dictions that lack regulatory requirements that*
 10 *are substantially similar to the requirements of*
 11 *the Bank Secrecy Act; and*

12 (B) *provide services to United States per-*
 13 *sons; and*

14 (2) *provide any regulatory or legislative rec-*
 15 *ommendations to address the risks described in para-*
 16 *graph (1).*

17 (b) *REPORT.*—Not later than 1 year after the date of
 18 enactment of this Act, the Comptroller General of the United
 19 States shall submit to Congress a report containing all find-
 20 ings and determinations made in carrying out the study
 21 required under subsection (a).

22 **SEC. 311. STUDIES ON FOREIGN ADVERSARY ACTIVITIES.**

23 (a) *DEFINITIONS.*—In this section:

24 (1) *FOREIGN ADVERSARY.*—The term “foreign
 25 adversary” means a foreign government or foreign
 26 non-government person determined by the Secretary

1 of Commerce to be a foreign adversary under section
2 791.4(a) of title 15, Code of Federal Regulations, or
3 any successor regulation.

4 (2) *RELEVANT CONGRESSIONAL COMMITTEES.*—
5 The term “relevant congressional committees”
6 means—

7 (A) the Committee on Banking, Housing,
8 and Urban Affairs of the Senate;

9 (B) the Committee on Agriculture, Nutri-
10 tion, and Forestry of the Senate;

11 (C) the Select Committee on Intelligence of
12 the Senate;

13 (D) the Committee on Financial Services of
14 the House of Representatives;

15 (E) the Committee on Agriculture of the
16 House of Representatives; and

17 (F) the Permanent Select Committee on In-
18 telligence of the House of Representatives.

19 (b) *TREASURY REPORT.*—Not later than 1 year after
20 the date of enactment of this Act, the Secretary of the Treas-
21 ury, in consultation with the Commodity Futures Trading
22 Commission and the Commission, shall conduct a study
23 and submit a report to the relevant congressional commit-
24 tees, which may include a classified annex, that—

1 (1) identifies any digital asset intermediary that
2 is controlled by a government of a foreign adversary,
3 or by individuals or entities acting at the direction
4 of a foreign adversary;

5 (2) determines whether any government of a for-
6 eign adversary is collecting trading data about
7 United States persons in digital asset markets; and

8 (3) evaluates whether any proprietary intellec-
9 tual property of digital asset intermediaries is being
10 misused or stolen by any government of a foreign ad-
11 versary.

12 (c) GAO STUDY AND REPORT.—Not later than 1 year
13 after the date of enactment of this Act, the Comptroller Gen-
14 eral shall conduct a study and submit a report to the rel-
15 evant congressional committees, which may include a classi-
16 fied annex, that—

17 (1) identifies any digital asset intermediary that
18 is owned by a government of a foreign adversary, or
19 by individuals or entities acting at the direction of a
20 foreign adversary;

21 (2) determines whether any government of a for-
22 eign adversary is collecting trading data about
23 United States persons in digital asset markets; and

24 (3) evaluates whether any proprietary intellec-
25 tual property of digital asset intermediaries is being

1 *misused or stolen by any government of a foreign ad-*
 2 *versary.*

3 **SEC. 312. TREASURY STUDY ON CYBERSECURITY STAND-**
 4 **ARDS.**

5 (a) *STUDY.*—*The Secretary of the Treasury, in con-*
 6 *sultation with the Director of the Cybersecurity and Infra-*
 7 *structure Security Agency, the Director of the National Se-*
 8 *curity Agency, and the Director of the National Institute*
 9 *of Standards and Technology, shall conduct a study on cy-*
 10 *bersecurity standards applicable to digital asset smart con-*
 11 *tracts, custody, key management, and smart contract de-*
 12 *ployment.*

13 (b) *REPORT.*—

14 (1) *IN GENERAL.*—*Not later than 365 days after*
 15 *the date of enactment of this Act, the Secretary shall*
 16 *submit to the Committee on Banking, Housing, and*
 17 *Urban Affairs of the Senate and the Committee on*
 18 *Financial Services of the House of Representatives a*
 19 *report containing—*

20 (A) *the findings of the study under sub-*
 21 *section (a); and*

22 (B) *any legislative recommendations.*

23 (2) *CLASSIFIED ANNEX.*—*The report under para-*
 24 *graph (1) may include a classified annex, as appro-*
 25 *priate.*

1 **SEC. 313. STUDIES ON FINANCIAL STABILITY RISKS OF DE-**
2 **CENTRALIZED FINANCE TRADING AND CRED-**
3 **IT IN DIGITAL COMMODITY MARKETS.**

4 *Not later than 1 year after the date of enactment of*
5 *this Act, and every 4 years thereafter until 4 consecutive*
6 *reports have been issued, the Secretary of the Treasury, the*
7 *Board of Governors of the Federal Reserve System, the Com-*
8 *mission, and the Commodity Futures Trading Commission*
9 *shall—*

10 *(1) conduct a study examining—*

11 *(A) the role of decentralized finance proto-*
12 *cols in the financial system, including—*

13 *(i) the functions of such protocols;*

14 *(ii) the use of such protocols to obtain*
15 *leverage or financing;*

16 *(iii) the effects of such protocols on the*
17 *pricing and trading of financial instru-*
18 *ments, including descriptions of any link-*
19 *ages between such protocols and traditional*
20 *financial instrument; and*

21 *(iv) the types and volumes of financial*
22 *activity conducted through such protocols;*

23 *(B) the risks of decentralized finance proto-*
24 *cols to financial stability, fair and orderly mar-*
25 *kets, and otherwise to the financial system of the*

1 *United States, which shall include a quantifica-*
2 *tion of those risks, to the extent possible;*

3 *(C) the strategies and guardrails regulators*
4 *and market participants have used and are*
5 *using to mitigate risks arising from the use of*
6 *decentralized finance protocols; and*

7 *(D) an assessment of whether the regulatory*
8 *framework adequately controls any risk with re-*
9 *spect to decentralized finance protocols;*

10 *(2) conduct a separate study examining the risks*
11 *to financial stability and orderly markets arising*
12 *from the extension and maintenance of credit with re-*
13 *spect to digital assets by digital asset service pro-*
14 *viders, including—*

15 *(A) the effect of gaps in the regulatory*
16 *framework for credit extended on digital assets,*
17 *such as risks arising from the extension and*
18 *maintenance of credit on digital assets; and*

19 *(B) the interconnections between leverage in*
20 *the market for digital assets and the financial*
21 *system; and*

22 *(3) submit to the Committee on Banking, Hous-*
23 *ing, and Urban Affairs of the Senate, the Committee*
24 *on Agriculture, Nutrition, and Forestry of the Senate,*
25 *the Committee on Financial Services of the House of*

Representatives, and the Committee on Agriculture of the House of Representatives a report on the studies conducted under paragraphs (1) and (2), which—

(A) shall include legislative and regulatory recommendations, as appropriate; and

(B) may include a classified annex.

TITLE IV—RESPONSIBLE BANKING INNOVATION

SEC. 401. PERMISSIBILITY OF DIGITAL ASSET ACTIVITIES.

(a) *DEFINITIONS.*—In this section:

(1) *APPROPRIATE FEDERAL BANKING AGENCY; STATE BANK; STATE BANK SUPERVISOR; STATE MEMBER BANK.*—The terms “appropriate Federal banking agency”, “State bank”, “State bank supervisor”, and “State member bank” have the meanings given those terms in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

(2) *CUSTOMER-DRIVEN TRANSACTION.*—The term “customer-driven transaction”—

(A) means a transaction that is entered into for a valid and independent business purpose of a customer; and

(B) does not include a transaction, the principal purpose of which is to deliver to a financial holding company, insured State bank,

1 *national bank, or Federal credit union assets*
 2 *that the financial holding company, insured*
 3 *State bank, national bank, or Federal credit*
 4 *union, respectively, could not invest in directly.*

5 (3) *FEDERAL BRANCH; STATE BRANCH.*—*The*
 6 *terms “Federal branch” and “State branch” have the*
 7 *meanings given those terms in section 1(b) of the*
 8 *International Banking Act of 1978 (12 U.S.C. 3101).*

9 (4) *FEDERAL CREDIT UNION; INSURED CREDIT*
 10 *UNION.*—*The terms “Federal credit union” and “in-*
 11 *sured credit union” have the meanings given those*
 12 *terms in section 101 of the Federal Credit Union Act*
 13 *(12 U.S.C. 1752).*

14 (5) *FINANCIAL HOLDING COMPANY.*—*The term*
 15 *“financial holding company” has the meaning given*
 16 *the term in section 2 of the Bank Holding Company*
 17 *Act of 1956 (12 U.S.C. 1841).*

18 (6) *FINANCIAL SUBSIDIARY.*—*The term “finan-*
 19 *cial subsidiary” has the meaning given the term in*
 20 *section 5136A(g)(3) of the Revised Statutes (12*
 21 *U.S.C. 24a).*

22 (7) *INSURED STATE BANK.*—*The term “insured*
 23 *State bank” means a State bank, the deposits of*
 24 *which are insured by the Federal Deposit Insurance*
 25 *Corporation.*

1 (8) *NATIONAL BANK.*—*The term “national bank”*
 2 *means a national banking association.*

3 (b) *AUTHORIZED ACTIVITIES FOR FINANCIAL HOLD-*
 4 *ING COMPANIES AND FINANCIAL SUBSIDIARIES.*—

5 (1) *IN GENERAL.*—*A financial holding company*
 6 *or financial subsidiary may use a digital asset or dis-*
 7 *tributed ledger system to perform, provide, or deliver*
 8 *any activity, function, product, or service that the fi-*
 9 *nanical holding company is otherwise authorized by*
 10 *law to perform, provide, or deliver.*

11 (2) *FINANCIAL IN NATURE.*—*The activities de-*
 12 *scribed in subsection (g) are financial in nature, or*
 13 *incidental to a financial activity, for purposes of sec-*
 14 *tion 4(k) of the Bank Holding Company Act of 1956*
 15 *(12 U.S.C. 1843(k)) and section 5136A(b) of the Re-*
 16 *vised Statutes (12 U.S.C. 24a(b)).*

17 (3) *RULE OF CONSTRUCTION.*—*Nothing in this*
 18 *subsection may be construed to exempt the perform-*
 19 *ance, provision, or delivery by a financial holding*
 20 *company or financial subsidiary of an activity, func-*
 21 *tion, product, or service from a requirement that*
 22 *would apply if the activity were not performed, pro-*
 23 *vided, or delivered using a digital asset or distributed*
 24 *ledger system.*

25 (c) *AUTHORIZED ACTIVITIES FOR NATIONAL BANKS.*—

1 (1) *IN GENERAL.*—

2 (A) *AUTHORIZED ACTIVITIES.*—A national
3 bank may use a digital asset or distributed ledger
4 system to perform, provide, or deliver any ac-
5 tivity, function, product, or service that the na-
6 tional bank is otherwise authorized by law to
7 perform, provide, or deliver.

8 (B) *BRANCHES OF FOREIGN BANKS.*—

9 (i) *FEDERAL BRANCHES.*—Consistent
10 with section 4(b) of the International Bank-
11 ing Act of 1978 (12 U.S.C. 3102(b)), the ac-
12 tivities authorized for a national bank
13 under subparagraph (A) and paragraph (2)
14 shall be permissible for a Federal branch,
15 subject to any limitations that would apply
16 to those activities pursuant to the Inter-
17 national Banking Act of 1978 (12 U.S.C.
18 3101 et seq.) if the activity were not per-
19 formed, provided, or delivered using a dig-
20 ital asset or distributed ledger system.

21 (ii) *RULE OF CONSTRUCTION FOR*
22 *STATE BRANCHES.*—For the purposes of ac-
23 tivities engaged in by a State branch as
24 principal under section 7(h) of the Inter-
25 national Banking Act of 1978 (12 U.S.C.

1 3105(h)), the activities authorized under
 2 clause (i) are permissible activities of a
 3 Federal branch.

4 (2) *BUSINESS OF BANKING AND OTHER AUTHOR-*
 5 *IZED ACTIVITIES.*—The activities described in sub-
 6 section (g) are authorized as part of the business of
 7 banking under the paragraph designated as the “Sev-
 8 enth” of section 5136 of the Revised Statutes (12
 9 U.S.C. 24) or under other applicable law.

10 (3) *RULES OF CONSTRUCTION.*—Nothing in this
 11 subsection may be construed to—

12 (A) exempt the performance, provision, or
 13 delivery by a national bank of an activity, func-
 14 tion, product, or service from a prohibition, re-
 15 striction, registration, limitation, or other re-
 16 quirement that would apply if the activity were
 17 not performed, provided, or delivered using a
 18 digital asset or distributed ledger system by a
 19 national bank; or

20 (B) expand or contract the meaning of “op-
 21 erations are or have been required by the Comp-
 22 troller of the Currency to be limited to those of
 23 a trust company and activities related thereto”,
 24 as that term is used in section 5169(a) of the Re-
 25 vised Statutes (12 U.S.C. 27(a)).

1 (d) *STATE BANKS.*—*The activities authorized under*
 2 *subsection (c) are permissible activities—*

3 (1) *of a national bank for purposes of activities*
 4 *of an insured State bank and any subsidiary of an*
 5 *insured State bank to engage in as principal under*
 6 *subsections (a) and (d) of section 24 of the Federal*
 7 *Deposit Insurance Act (12 U.S.C. 1831a); and*

8 (2) *of a State member bank, and any subsidiary*
 9 *of a State member bank, to engage in as principal.*

10 (e) *AUTHORIZED ACTIVITIES FOR FEDERAL CREDIT*
 11 *UNIONS.*—

12 (1) *IN GENERAL.*—*A Federal credit union may*
 13 *use a digital asset or distributed ledger system to per-*
 14 *form, provide, or deliver any activity, function, prod-*
 15 *uct, or service that the Federal credit union is other-*
 16 *wise authorized by law to perform, provide, or de-*
 17 *liver.*

18 (2) *BUSINESS OF CREDIT UNIONS.*—*The activi-*
 19 *ties described in subsection (g) are authorized as part*
 20 *of, or incidental to, the authority necessary or req-*
 21 *uisite to carry on effectively the business for which*
 22 *Federal credit unions are incorporated under para-*
 23 *graph (17) of section 107 of the Federal Credit Union*
 24 *Act (12 U.S.C. 1757(17)).*

1 (3) *RULE OF CONSTRUCTION.*—*Nothing in this*
2 *subsection may be construed to exempt the perform-*
3 *ance, provision, or delivery by a Federal credit union*
4 *of an activity, function, product, or service from a re-*
5 *quirement that would apply if the activity were not*
6 *performed, provided, or delivered using a digital asset*
7 *or distributed ledger system.*

8 (f) *INSURED CREDIT UNIONS.*—*The activities author-*
9 *ized for a Federal credit union under subsection (e)(1) shall*
10 *be permissible for an insured credit union, subject to au-*
11 *thorization by applicable State law.*

12 (g) *ACTIVITIES DESCRIBED.*—*The activities described*
13 *in this subsection are—*

14 (1) *providing custodial, fiduciary, or safekeeping*
15 *services for digital assets;*

16 (2) *providing services related to custodial serv-*
17 *ices for digital assets, including staking, facilitating*
18 *digital asset lending, distributed ledger governance*
19 *services, and advancing funds for the purchase of dig-*
20 *ital assets or in respect of distributions on digital as-*
21 *sets;*

22 (3) *making loans collateralized by digital assets;*

23 (4) *engaging in payment activities involving*
24 *digital assets, including facilitating customer or prin-*

1 *principal payments in connection with otherwise permis-*
2 *sible activities;*

3 (5) *operating a node on a distributed ledger;*

4 (6) *providing self-custodial wallet software;*

5 (7) *engaging in derivatives transactions, includ-*
6 *ing related hedging activities, in a manner consistent*
7 *with section 7.1030 of title 12, Code of Federal Regu-*
8 *lations, as in effect as of the date of enactment of this*
9 *Act;*

10 (8) *providing brokerage services with respect to*
11 *any digital asset, including clearing and execution*
12 *services, whether alone or in combination with other*
13 *permissible activities;*

14 (9) *facilitating transactions in the secondary*
15 *market for all types of digital assets on the order of*
16 *customers as a riskless principal to the extent of en-*
17 *gaging in a transaction in which a company, after*
18 *receiving an order to buy or sell a digital asset from*
19 *a customer, purchases or sells the digital asset for its*
20 *own account to offset a contemporaneous sale to or*
21 *purchase from the customer;*

22 (10) *holding as principal digital assets for which*
23 *the banking entity anticipates a reasonably foresee-*
24 *able need to the extent incidental to an otherwise per-*
25 *missible activity, which shall include holding digital*

1 *assets as principal in order to pay fees arising from*
2 *interactions with a distributed ledger system or for*
3 *the purposes of risk management, treasury services, li-*
4 *quidity management or trade or margin settlement or*
5 *similar purposes, subject to the otherwise applicable*
6 *limitations on the activities of a banking entity pur-*
7 *suant to section 13 of the Bank Holding Company*
8 *Act of 1956 (12 U.S.C. 1851) and only to the extent*
9 *that the terms and prohibitions of that section apply*
10 *to a transaction; and*

11 *(11) underwriting, dealing in, or making a mar-*
12 *ket in digital assets in customer-driven transactions,*
13 *including related hedging activities in connection*
14 *with those customer-driven transactions, subject to the*
15 *otherwise applicable limitations on the activities of a*
16 *banking entity pursuant to section 13 of the Bank*
17 *Holding Company Act of 1956 (12 U.S.C. 1851) and*
18 *only to the extent that the terms and prohibitions of*
19 *that section apply to a transaction.*

20 *(h) OTHER REQUIREMENTS.—There shall be no other*
21 *prior notice or approval requirements to engage in the ac-*
22 *tivities described in subsections (b) through (g) of this sec-*
23 *tion other than those required under title LXII of the Re-*
24 *vised Statutes, the Act entitled “An Act to place authority*
25 *over the trust powers of national banks in the Comptroller*

1 *of the Currency*”, approved September 28, 1962 (12 U.S.C.
 2 92a et seq.), the Federal Reserve Act (12 U.S.C. 221 et seq.),
 3 or the Bank Holding Company Act of 1956 (12 U.S.C. 1841
 4 et seq.) and the regulations promulgated under those Acts.

5 (i) *RULE OF CONSTRUCTION.*—Nothing in this section
 6 may be construed to—

7 (1) *exclude other possible permissible activities*
 8 *that are not activities described in subsection (g);*

9 (2) *imply that inclusion of an activity described*
 10 *in subsection (g) means that the activity is otherwise*
 11 *impermissible;*

12 (3) *limit the authority of an appropriate Federal*
 13 *banking agency to determine that activities other*
 14 *than those activities described in subsection (g) are*
 15 *permissible for a Federal credit union or authorized*
 16 *as part of the business of banking, or financial in na-*
 17 *ture, or incidental or complementary thereto, or other*
 18 *applicable law, as applicable, through interpretations,*
 19 *guidance, or rulemaking; or*

20 (4) *limit the authority of an appropriate Federal*
 21 *banking agency, or a State bank supervisor, to super-*
 22 *vise and take enforcement action with respect to an*
 23 *insured depository institution (or, to the extent appli-*
 24 *cable, a financial holding company) engaging in a*
 25 *digital asset activity authorized by this section that*

1 *the appropriate Federal banking agency or State*
 2 *bank supervisor, as applicable, determines, pursuant*
 3 *to applicable law, to be an unsafe or unsound prac-*
 4 *tice or a violation of a law, rule, or regulation, or*
 5 *any condition imposed in writing.*

6 (j) *APPLICATION.—The authorities described in this*
 7 *section shall not apply to nonfungible assets.*

8 **SEC. 402. JOINT RULES FOR PORTFOLIO MARGINING DE-**
 9 **TERMINATIONS.**

10 (a) *IN GENERAL.—The Commodity Futures Trading*
 11 *Commission and the Commission shall jointly issue rules*
 12 *to facilitate portfolio margining of securities (including re-*
 13 *lated extensions of credit), security-based swaps, futures*
 14 *contracts for future delivery, options on futures contracts*
 15 *for future delivery, swaps, and digital commodities, or any*
 16 *subset thereof, for persons registered with either such Com-*
 17 *mission, in—*

18 (1) *a securities account carried by a registered*
 19 *broker or dealer or a security-based swap account car-*
 20 *ried by a registered security-based swap dealer;*

21 (2) *a futures or cleared swap account carried by*
 22 *a registered futures commission merchant;*

23 (3) *a swap account carried by a swap dealer; or*

24 (4) *a digital commodity account carried by a*
 25 *registered digital commodity broker or digital com-*

1 *modity dealer that is also registered in such other ca-*
2 *capacity as is necessary to also carry the other customer*
3 *or counterparty positions being held in the account.*

4 *(b) PROCESS.—The rules required to be jointly issued*
5 *under subsection (a) shall—*

6 *(1) describe the treatment of any account to*
7 *which the rules relate, and any assets that may be*
8 *held therein, in a proceeding under title 11, United*
9 *States Code, the Securities Investor Protection Act of*
10 *1970 (15 U.S.C. 78aaa et seq.), title II of the Dodd-*
11 *Frank Wall Street Reform and Consumer Protection*
12 *Act (12 U.S.C. 5381 et seq.), or any other applicable*
13 *insolvency law with respect to the person carrying the*
14 *account;*

15 *(2) be issued only if that issuance is in the pub-*
16 *lic interest and provides for the appropriate protec-*
17 *tion of customers, including appropriate disclosures*
18 *to each current and potential customer concerning the*
19 *treatment of any account to which the rules relate,*
20 *and any assets that may be held therein, in a pro-*
21 *ceeding under title 11, United States Code, the Secu-*
22 *rities Investor Protection Act of 1970 (15 U.S.C.*
23 *78aaa et seq.), title II of the Dodd-Frank Wall Street*
24 *Reform and Consumer Protection Act (12 U.S.C.*

1 5381 et seq.), or any other applicable insolvency law
 2 with respect to the person carrying the account;

3 (3) require the Commission and the Commodity
 4 Futures Trading Commission to consider the public
 5 interest of, and the protection of investors by, those
 6 rules through the solicitation of public comments; and

7 (4) require the Commission and the Commodity
 8 Futures Trading Commission to—

9 (A) consult with other relevant foreign or
 10 domestic regulators, including the Board of Gov-
 11 ernors of the Federal Reserve System, the Federal
 12 Deposit Insurance Corporation, the Office of the
 13 Comptroller of the Currency, and State bank su-
 14 pervisors, as appropriate; and

15 (B) if the rules pertain to a securities ac-
 16 count carried by a registered broker or dealer
 17 that is a member of the Securities Investor Pro-
 18 tection Corporation, consult with the Securities
 19 Investor Protection Corporation.

20 **SEC. 403. CAPITAL REQUIREMENTS TO ADDRESS NETTING**
 21 **AGREEMENTS.**

22 (a) *DEFINITIONS.*—In this section, the terms “deposi-
 23 tory institution holding company” and “insured depository
 24 institution” have the meanings given those terms in section
 25 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813).

1 (b) *CAPITAL REQUIREMENTS.*—Not later than 360
 2 days after the date of enactment of this Act, the Board of
 3 Governors of the Federal Reserve System, the Comptroller
 4 of the Currency, and the Chair of the Federal Deposit Insur-
 5 ance Corporation shall develop risk-based and leverage cap-
 6 ital requirements for insured depository institutions, depos-
 7 itory institution holding companies, and nonbank financial
 8 companies supervised by the Board of Governors of the Fed-
 9 eral Reserve System that address netting agreements that
 10 provide for termination and close-out netting across mul-
 11 tiple types of financial transactions, consistent with section
 12 402, in the event of the default of a counterparty.

13 **SEC. 404. PROHIBITING INTEREST AND YIELD ON PAYMENT**
 14 **STABLECOINS.**

15 (a) *DEFINITIONS.*—In this section:

16 (1) *AFFILIATE.*—The term “affiliate” means any
 17 entity that controls, is controlled by, or is under com-
 18 mon control with another entity.

19 (2) *COMMISSIONS.*—The term “Commissions”
 20 means the Commission and the Commodity Futures
 21 Trading Commission.

22 (3) *COMPTROLLER; FOREIGN PAYMENT*
 23 *STABLECOIN ISSUER; PAYMENT STABLECOIN; PER-*
 24 *MITTED PAYMENT STABLECOIN ISSUER.*—The terms
 25 “Comptroller”, “foreign payment stablecoin issuer”,

1 “payment stablecoin”, and “permitted payment
2 stablecoin issuer” have the meanings given those
3 terms in section 2 of the GENIUS Act (12 U.S.C.
4 5901).

5 (4) COVERED PARTY.—The term “covered party”
6 means any digital asset service provider, together
7 with all of its affiliates, but in each case excluding
8 any permitted payment stablecoin issuer or foreign
9 payment stablecoin issuer registered with the Comp-
10 troller.

11 (5) DEPOSIT.—The term “deposit” has the
12 meaning given the term in section 3 of the Federal
13 Deposit Insurance Act (12 U.S.C. 1813).

14 (6) RESTRICTED RECIPIENT.—The term “re-
15 stricted recipient” means a United States person that
16 is a customer or user of a covered party.

17 (7) UNITED STATES PERSON.—The term “United
18 States person” means a person that is a resident of
19 the United States or is organized or incorporated
20 under the laws of the United States.

21 (b) SENSE OF CONGRESS.—It is the sense of Congress
22 that—

23 (1) depository institutions provide financial
24 services that are integral to the strength of the econ-
25 omy of the United States and that the payment of

1 *consideration by digital asset service providers to*
2 *United States customers or users based on their pay-*
3 *ment stablecoin balances in a manner that is eco-*
4 *nomically or functionally equivalent to the payment*
5 *of interest or yield on an interest-bearing bank de-*
6 *posit may inhibit the key functions of depository in-*
7 *stitutions in the economy of the United States; and*

8 *(2) payment stablecoins represent a significant*
9 *innovation in financial infrastructure that can*
10 *strengthen the United States payments system and*
11 *the primacy of the United States dollar and that ac-*
12 *tivity-based rewards and incentives tied to the use of*
13 *payment stablecoins and participation in distributed*
14 *ledger systems are critical to enabling innovation,*
15 *competition, and consumer adoption.*

16 *(c) PROHIBITION ON INTEREST AND YIELD.—*

17 *(1) IN GENERAL.—No covered party shall, di-*
18 *rectly or indirectly, pay any form of interest or yield*
19 *(whether in cash, tokens, or other consideration) to a*
20 *restricted recipient—*

21 *(A) solely in connection with the holding of*
22 *the payment stablecoins of that restricted recipi-*
23 *ent; or*

24 *(B) on a payment stablecoin balance in a*
25 *manner that is economically or functionally*

1 *equivalent to the payment of interest or yield on*
2 *an interest-bearing bank deposit.*

3 (2) *ACTIVITY-BASED OR TRANSACTION-BASED RE-*
4 *WARDS AND INCENTIVES PERMITTED.—*

5 (A) *IN GENERAL.—The prohibition under*
6 *paragraph (1) shall not apply with respect to re-*
7 *wards or incentives based on bona fide activities*
8 *or bona fide transactions that are not economi-*
9 *cally or functionally equivalent to the payment*
10 *of interest or yield on an interest-bearing bank*
11 *deposit pursuant to the regulations promulgated*
12 *under paragraph (3).*

13 (B) *EQUIVALENCE TO BANK DEPOSITS.—*
14 *Except as permitted under subparagraph (A),*
15 *the prohibition under paragraph (1) shall apply*
16 *to the payment of interest or yield (whether in*
17 *cash, tokens, or other consideration) by a covered*
18 *party to a restricted recipient in connection with*
19 *a loyalty, promotional, subscription, or incentive*
20 *program that is economically or functionally*
21 *equivalent to the payment of interest or yield on*
22 *an interest-bearing bank deposit.*

23 (3) *RULEMAKING.—*

24 (A) *IN GENERAL.—Not later than 1 year*
25 *after the date of enactment of this Act, the Com-*

missions and the Secretary of the Treasury shall jointly promulgate regulations through notice and comment rulemaking to clarify the circumstances under which the prohibition and permissible rewards and incentives in paragraphs (1) and (2) shall apply. Such rulemaking shall include a non-exhaustive list of permissible activity-based or transaction-based rewards or incentives, including payments to restricted recipients in connection with or in compensation for any of the following, provided such payments are not economically or functionally equivalent to the payment of interest or yield on an interest-bearing bank deposit:

(i) A transaction, payment, transfer, conversion, remittance, or settlement activity, including a rebate or incentive provided in connection with the acceptance or use of a payment stablecoin.

(ii) Providing liquidity for market-making activity, posting of collateral in connection with trading, or otherwise putting assets at credit or investment risk.

(iii) The use of any product or service, including participation in governance, vali-

1 *ation, staking, or a loyalty, promotional,*
2 *subscription, or incentive program.*

3 (B) *CALCULATION BY REFERENCE.—Pay-*
4 *ments to restricted recipients of consideration,*
5 *rewards, or benefits that are permissible pursu-*
6 *ant to paragraph (2) and subparagraph (A) of*
7 *this paragraph may be calculated by reference to*
8 *a balance, duration, tenure, or any combination*
9 *of the foregoing.*

10 (4) *EVASION.—It shall be unlawful for a covered*
11 *party to violate the prohibition under paragraph (1)*
12 *or rules promulgated pursuant to paragraph (3). A*
13 *covered party may not circumvent or evade such pro-*
14 *hibition or rules. The Commissions and the Secretary*
15 *may jointly issue such rules as may be necessary or*
16 *appropriate to prevent circumvention or evasion of*
17 *the prohibition under paragraph (1) or the rules pro-*
18 *mulgated pursuant to paragraph (3).*

19 (5) *GOOD FAITH RELIANCE.—A covered party*
20 *that structures a program in good faith reliance on*
21 *paragraphs (2) and (3) shall not be subject to pen-*
22 *alties if a subsequent rulemaking or adjudication de-*
23 *termines the program falls outside paragraphs (2)*
24 *and (3), provided—*

1 (A) the covered party comes into compliance
2 within 90 days of such determination; and

3 (B) the violation is not substantially simi-
4 lar to a past violation by the covered party.

5 (d) PROHIBITION ON SPECIFIED REPRESENTA-
6 TIONS.—

7 (1) CERTAIN MARKETING PRACTICES.—No cov-
8 ered party shall represent that—

9 (A) payment stablecoins are investment
10 products, deposits, backed by the full faith and
11 credit of the United States, guaranteed by the
12 United States Government, subject to deposit in-
13 surance by the Federal Deposit Insurance Cor-
14 poration, or subject to share insurance by the
15 National Credit Union Administration; or

16 (B) any compensation (whether in cash, to-
17 kens, or other consideration) paid to a restricted
18 recipient in connection with the holding, use, or
19 retention of the payment stablecoins of that re-
20 stricted recipient is—

21 (i) paid or generated by the payment
22 stablecoin itself, a permitted payment
23 stablecoin issuer, or a foreign payment
24 stablecoin issuer registered with the Comp-
25 troller;

1 (ii) *risk-free or comparable to interest*
 2 *paid on a deposit; or*

3 (iii) *offered, administered, or paid by*
 4 *a person other than the covered party.*

5 (2) *MISLEADING.*—No covered party shall omit
 6 *material information necessary to prevent any mar-*
 7 *keting, promotion, or description described in this*
 8 *subsection from being misleading.*

9 (e) *DISCLOSURES.*—

10 (1) *IN GENERAL.*—Not later than 1 year after
 11 *the date of enactment of this Act, the Commissions*
 12 *and the Secretary of the Treasury shall jointly pro-*
 13 *mulgate rules requiring clear and conspicuous disclo-*
 14 *sure, in plain English, of any compensation (whether*
 15 *in cash, tokens, or other consideration) paid by a cov-*
 16 *ered party in connection with the holding, use, or re-*
 17 *tention of the payment stablecoins of a restricted re-*
 18 *cipient in a manner that is consistent with subsection*
 19 *(d).*

20 (2) *REQUIREMENTS.*—In promulgating rules
 21 *under paragraph (1), the Commissions and the Sec-*
 22 *retary of the Treasury shall require that any required*
 23 *disclosure of compensation described in that para-*
 24 *graph, and any related term, representation, or de-*
 25 *scription—*

1 (A) is presented in a clear, factual, nonpro-
2 motional, and non-misleading manner;

3 (B) clearly identifies the circumstances
4 under which such compensation can be paid;

5 (C) clearly identifies the person or persons
6 responsible for offering, administering, and pay-
7 ing such compensation, including whether such
8 persons are affiliated with the issuer of associ-
9 ated payment stablecoins;

10 (D) outlines all material terms with respect
11 to such compensation; and

12 (E) includes a statement that payment
13 stablecoins are not investment products, deposits,
14 backed by the full faith and credit of the United
15 States, guaranteed by the United States Govern-
16 ment, subject to deposit insurance by the Federal
17 Deposit Insurance Corporation, or subject to
18 share insurance by the National Credit Union
19 Administration.

20 (3) PROHIBITION.—After the date on which the
21 rules promulgated under paragraph (1) become effec-
22 tive, no covered party shall market the offering of
23 compensation (whether in cash, tokens, or other con-
24 sideration) paid by such covered party in connection
25 with the holding, use, or retention of the payment

1 *stablecoins of a restricted recipient unless the covered*
2 *party has provided the disclosures required under this*
3 *subsection.*

4 (4) *SATISFACTION OF REQUIREMENT.—A covered*
5 *party that provides the disclosures required under*
6 *this subsection shall be deemed not to have made a*
7 *representation that is prohibited under subsection (d),*
8 *provided that—*

9 (A) *any marketing, promotion, or descrip-*
10 *tion with respect to the applicable compensation*
11 *does not contradict those disclosures; and*

12 (B) *those disclosures are presented in plain*
13 *English and in a clear and conspicuous manner.*

14 (f) *PENALTY.—*

15 (1) *CIVIL MONETARY PENALTY.—Whoever know-*
16 *ingly and willfully participates in a violation of sub-*
17 *section (c)(1), (d)(1), (d)(2), or (e)(3), or rules issued*
18 *under subsection (c)(4), shall be subject to a civil*
19 *monetary penalty by the Department of the Treasury*
20 *of not more than \$5,000,000 for each such violation.*

21 (2) *DETERMINATION OF THE NUMBER OF VIOLA-*
22 *TIONS.—For purposes of determining the number of*
23 *violations for this subsection, separate acts of non-*
24 *compliance are a single violation when the acts are*
25 *a result of—*

1 (A) a common or substantially overlapping
2 originating cause; or

3 (B) the same statement or publication.

4 (g) *REFERRAL TO SECRETARY OF THE TREASURY.*—
5 *If the Commission or the Commodity Futures Trading*
6 *Commission has reason to believe that any covered party*
7 *has knowingly and willfully violated subsection (c)(1),*
8 *(d)(1), (d)(2), or (e)(3), or rules issued under subsection*
9 *(c)(4), the Commission or the Commodity Futures Trading*
10 *Commission, as applicable, shall refer the matter to the Sec-*
11 *retary of the Treasury.*

12 (h) *REPORT TO CONGRESS.*—*Not later than 2 years*
13 *after the date of enactment of this Act, the Board of Gov-*
14 *ernors of the Federal Reserve System, the Comptroller of*
15 *the Currency, the Federal Deposit Insurance Corporation,*
16 *the National Credit Union Administration, and the Sec-*
17 *retary of the Treasury shall jointly submit to the Committee*
18 *on Banking, Housing, and Urban Affairs of the Senate and*
19 *the Committee on Financial Services of the House of Rep-*
20 *resentatives a report on payment stablecoin activity that—*

21 (1) *analyzes and quantifies—*

22 (A) *the adoption of United States dollar-de-*
23 *nominated payment stablecoins and of other*
24 *payment stablecoins issued by permitted pay-*
25 *ment stablecoin issuers and foreign payment*

1 *stablecoin issuers registered with the Comp-*
2 *troller;*

3 *(B) the effect of United States dollar-de-*
4 *nominated payment stablecoins on the average*
5 *yields of, and demand for, United States Treas-*
6 *ury securities of various durations;*

7 *(C) the effect of United States dollar-de-*
8 *nominated payment stablecoins on the use of the*
9 *dollar in global foreign exchange transactions,*
10 *global foreign exchange reserves, and global*
11 *trade;*

12 *(D) the effect of United States dollar-de-*
13 *nominated payment stablecoins on increasing ac-*
14 *cess to financial services for unbanked and*
15 *underbanked persons, both domestically and glob-*
16 *ally;*

17 *(E) the effect of United States dollar-de-*
18 *nominated payment stablecoins on payment costs*
19 *of consumers and merchants; and*

20 *(F) the adoption of non-United States dol-*
21 *lar-denominated stablecoins, including foreign*
22 *central bank digital currencies, and their effect*
23 *on the use of the dollar in global foreign ex-*
24 *change transactions, global foreign exchange re-*
25 *serves, and global trade;*

1 (2) describes how compensation, if any, is paid
2 by covered parties to restricted recipients with respect
3 to the payment stablecoins of restricted recipients, in-
4 cluding through rewards, incentives, or similar pro-
5 grams; and

6 (3) analyzes and quantifies the effect of any com-
7 pensation described in paragraph (2) and the effect of
8 prohibitions on the payment of interest or yield by
9 covered parties under this Act and by issuers of pay-
10 ment stablecoins under section 4(a)(11) of the GE-
11 NIUS Act (12 U.S.C. 5903(a)(11)) on—

12 (A) the volume, stickiness, composition, and
13 concentration of deposits at depository institu-
14 tions, including any deposit outflows from depos-
15 itory institutions and the extent to which com-
16 munity banks and credit unions are dispropor-
17 tionately affected thereby;

18 (B) net interest margin accrued to deposi-
19 tory institutions;

20 (C) the average rate of interest paid to de-
21 positors at depository institutions;

22 (D) consumer and business access to credit;

23 (E) financial arrangements between deposi-
24 tory institutions and digital asset service pro-
25 viders and issuers of payment stablecoins; and

1 (F) *the items described in paragraph (1).*

2 (i) *NO DEEMING OF PAYMENT OF INTEREST OR*
 3 *YIELD.—For purposes of this section, a covered party shall*
 4 *not be deemed to violate the prohibition in subsection (c)*
 5 *solely because an unaffiliated third party independently*
 6 *makes a payment with respect to a payment stablecoin, un-*
 7 *less the covered party directs or maintains significant influ-*
 8 *ence over the offering of such consideration and the offering*
 9 *of such consideration would otherwise violate the prohibi-*
 10 *tion in subsection (c).*

11 (j) *CLARIFICATION OF SCOPE AND REGULATORY AU-*
 12 *THORITY.—*

13 (1) *COMPENSATION.—The prohibitions under*
 14 *subsections (c), (d), and (e) shall only apply to com-*
 15 *ensation paid in connection with a payment*
 16 *stablecoin or payment stablecoin balance.*

17 (2) *OTHER ASSETS.—Nothing in this section*
 18 *shall be construed to authorize the Commissions or the*
 19 *Secretary of the Treasury to regulate, restrict, or pro-*
 20 *hibit the payment of any compensation paid in con-*
 21 *nection with any asset other than a payment*
 22 *stablecoin.*

23 (k) *NON-APPLICABILITY.—Nothing in this section*
 24 *shall—*

1 (1) *modify, alter, or extend prohibitions on the*
 2 *payment of yield, interest, or consideration applicable*
 3 *to permitted payment stablecoin issuers or foreign*
 4 *payment stablecoin issuers, including under section*
 5 *4(a)(11) of the GENIUS Act (12 U.S.C. 5903(a)(11));*
 6 *or*

7 (2) *prohibit the disclosure by covered parties of*
 8 *truthful, non-misleading factual information or any*
 9 *information otherwise required by Federal law or reg-*
 10 *ulation.*

11 **SEC. 405. EXPANDED SECURITIES PORTFOLIO MARGIN AC-**
 12 **COUNTS UNDER THE SECURITIES INVESTOR**
 13 **PROTECTION ACT OF 1970.**

14 (a) *AMENDMENTS.—The Securities Investor Protection*
 15 *Act of 1970 (15 U.S.C. 78aaa et seq.) is amended—*

16 (1) *in section 9(a) (15 U.S.C. 78fff–3(a))—*

17 (A) *in paragraph (4), by striking “and” at*
 18 *the end;*

19 (B) *in paragraph (5), by striking the period*
 20 *at the end and inserting “; and”; and*

21 (C) *by adding at the end the following:*

22 “(6) *no advance shall be made by SIPC to the*
 23 *trustee to pay or otherwise satisfy any net equity*
 24 *claim of any customer with respect to any digital*

1 *commodities or swaps held in an expanded securities*
 2 *portfolio margin account.”;*

3 (2) *in section 10(g) (15 U.S.C. 78fff–4(g)), by*
 4 *striking “16(12)” and inserting “16(13)”;* and

5 (3) *in section 16 (15 U.S.C. 78lll)—*

6 (A) *by redesignating paragraphs (7)*
 7 *through (14) as paragraphs (8) through (15), re-*
 8 *spectively;*

9 (B) *by inserting after paragraph (6) the fol-*
 10 *lowing:*

11 “(7) *EXPANDED SECURITIES PORTFOLIO MARGIN*
 12 *ACCOUNT.—The term ‘expanded securities portfolio*
 13 *margin account’ means a customer account—*

14 “(A) *that is maintained by a broker or*
 15 *dealer registered with the Commission;*

16 “(B) *that includes positions in securities,*
 17 *security-based swaps, futures contracts, options*
 18 *on futures contracts, swaps, digital commodities,*
 19 *or other financial instruments, or any combina-*
 20 *tion thereof, as permitted by rule jointly issued*
 21 *by the Commission and the Commodity Futures*
 22 *Trading Commission;*

23 “(C) *that is subject to portfolio margining*
 24 *requirements approved pursuant to section 402*
 25 *of the Digital Asset Market Clarity Act; and*

1 “(D) in which margin requirements are de-
 2 termined on a risk-based, portfolio-wide basis,
 3 rather than on an instrument-by-instrument
 4 basis.”; and

5 (C) in paragraph (10), as so redesignated,
 6 in the matter following subparagraph (L), by
 7 striking “a transaction in the portfolio mar-
 8 gining account” and inserting “the portfolio
 9 margin account or expanded securities port-
 10 folio margin account”.

11 (b) RULES.—

12 (1) DEFINITIONS.—In this subsection:

13 (A) EXPANDED SECURITIES PORTFOLIO
 14 MARGIN ACCOUNT.—The term “expanded securi-
 15 ties portfolio margin account” has the meaning
 16 given the term in section 16 of the Securities In-
 17 vestor Protection Act of 1970 (15 U.S.C. 78lll),
 18 as amended by this section.

19 (B) SIPC.—The term “SIPC” means the
 20 Securities Investor Protection Corporation.

21 (2) ISSUANCE OF RULES.—Notwithstanding any
 22 provision of the Securities Investor Protection Act of
 23 1970 (15 U.S.C. 78aaa et seq.), in jointly issuing
 24 rules under section 402, the Commission and the
 25 Commodity Futures Trading Commission, in con-

1 *sultation with the SIPC and the Secretary of the*
2 *Treasury, shall issue rules relating to the treatment*
3 *under that Act of securities (including related exten-*
4 *sions of credit), security-based swaps, contracts of sale*
5 *of a commodity for future delivery, options on con-*
6 *tracts of sale of a commodity for future delivery,*
7 *swaps, digital commodities, cash, or other property*
8 *(to the extent that such instruments, cash, or other*
9 *property effectively hedge or collateralize a securities*
10 *position) held in an account offering portfolio mar-*
11 *gining carried as a securities account by a registered*
12 *broker or dealer pursuant to an expanded securities*
13 *portfolio margin account to facilitate portfolio mar-*
14 *gining in a manner that protects customers, includ-*
15 *ing portfolio margin customers, which shall include*
16 *rules relating to—*

17 *(A) the transfer of accounts;*

18 *(B) the allocation of customer property*
19 *among customers;*

20 *(C) the eligibility of products and positions*
21 *to be held in an expanded securities portfolio*
22 *margin account, including any disclosures to*
23 *and any elections that may need to be performed*
24 *by customers;*

1 (D) the application of customer protection
2 or segregation requirements as between securities
3 customers who are and are not maintaining po-
4 sitions in an expanded securities portfolio mar-
5 gin account;

6 (E) further defining the terms, solely as re-
7 lating to an expanded securities portfolio margin
8 account, “customer”, “customer property”, and
9 “net equity”, as necessary or appropriate to ad-
10 dress non-securities and non-cash positions and
11 assets held in an expanded securities portfolio
12 margin account, and in a manner consistent
13 with subparagraphs (A) through (D); and

14 (F) any interaction between a securities ac-
15 count and an expanded securities portfolio mar-
16 gin account, including any funding of debits in
17 one type of account by credits in the other type
18 of account.

19 (3) *PROCESS FOR ISSUANCE OF RULES.*—The re-
20 quirements of section 402(b) shall apply with respect
21 to the rules issued under this subsection.

22 (c) *EFFECT OF RULES.*—An expanded securities port-
23 folio margin account may not be offered, maintained, or
24 utilized until the final rules required under subsection (b)
25 are issued.

1 ***TITLE V—RESPONSIBLE***
2 ***REGULATORY INNOVATION***

3 ***SEC. 501. CFTC-SEC MICRO-INNOVATION SANDBOX.***

4 (a) *DEFINITIONS.—In this section:*

5 (1) *COMMISSION.—The term “Commission”*
6 *means either of the Commissions, as the context re-*
7 *quires.*

8 (2) *COMMISSIONS.—The term “Commissions”*
9 *means the Securities and Exchange Commission and*
10 *the Commodity Futures Trading Commission.*

11 (3) *ELIGIBLE FIRM.—The term “eligible firm”*
12 *means a person that is eligible to participate in the*
13 *Sandbox, in accordance with the requirements under*
14 *this section.*

15 (4) *INNOVATIVE.—The term “innovative” means*
16 *new or emerging technology, or a novel application of*
17 *technology, including artificial intelligence, that—*

18 (A) *provides a financial product, service,*
19 *business model, or delivery mechanism to the*
20 *public; and*

21 (B) *lacks—*

22 (i) *a substantially comparable, widely*
23 *available analogue in common use in the*
24 *United States; and*

1 (ii) *an analogous Federal regulatory*
2 *regime.*

3 (5) *PERSON.*—*The term “person” means a per-*
4 *son, as defined in section 3(a) of the Securities Ex-*
5 *change Act of 1934 (15 U.S.C. 78c(a)) or section 1a*
6 *of the Commodity Exchange Act (7 U.S.C. 1a).*

7 (6) *SANDBOX.*—*The term “Sandbox” means the*
8 *CFTC-SEC Micro-Innovation Sandbox established*
9 *under subsection (b).*

10 (7) *SELF-REGULATORY ORGANIZATION.*—*The*
11 *term “self-regulatory organization” means a self-regu-*
12 *latory organization, as defined in—*

13 (A) *section 3(a) of the Securities Exchange*
14 *Act of 1934 (15 U.S.C. 78c(a)); or*

15 (B) *section 1.52(a)(2) of title 17, Code of*
16 *Federal Regulations, or any successor regulation.*

17 (b) *ESTABLISHMENT.*—*Not later than 360 days after*
18 *the date of enactment of this Act, the Commissions shall,*
19 *by joint notice and comment rulemaking, establish a CFTC-*
20 *SEC Micro-Innovation Sandbox to enable eligible firms to*
21 *test innovative activities within the United States, subject*
22 *to—*

23 (1) *applicable Federal and State securities and*
24 *commodities laws;*

1 (2) *other State laws that are not specific to the*
2 *regulation of securities or commodities; and*

3 (3) *the limitations of this section.*

4 (c) *ELIGIBLE FIRM.—*

5 (1) *IN GENERAL.—A United States-based person*
6 *shall be an eligible firm, and shall be eligible to par-*
7 *ticipate in the Sandbox, if the person—*

8 (A) *submits an application under sub-*
9 *section (e) that is approved under that sub-*
10 *section;*

11 (B) *seeks to conduct an eligible and lawful*
12 *innovative activity in the United States;*

13 (C) *is not subject to—*

14 (i) *a statutory disqualification, as de-*
15 *defined in section 3(a) of the Securities Ex-*
16 *change Act of 1934 (15 U.S.C. 78c(a));*

17 (ii) *a disqualification under section*
18 *8a(2) of the Commodity Exchange Act (7*
19 *U.S.C. 12a(2)); or*

20 (iii) *a disqualification under State*
21 *law;*

22 (D) *does not have a criminal conviction for*
23 *fraud;*

24 (E) *agrees to submit to the jurisdiction and*
25 *oversight of the Commissions, to the extent that*

1 *the person is not subject to that jurisdiction or*
2 *oversight, for purposes of, and while partici-*
3 *pating in, the Sandbox;*

4 *(F) designates to the Commissions an indi-*
5 *vidual as a point of contact with respect to ac-*
6 *tivities that the person undertakes as an appli-*
7 *cant and participant with respect to the Sand-*
8 *box;*

9 *(G) employs not more than 25 employees;*
10 *and*

11 *(H) has annual gross revenues of not more*
12 *than \$10,000,000 in any fiscal year.*

13 *(2) APPLICATION OF REQUIREMENTS.—The re-*
14 *quirements under paragraph (1) shall be satisfied*
15 *during the entire period in which an eligible firm*
16 *participates in the Sandbox.*

17 *(d) ELIGIBLE ACTIVITIES AND ACTIVITY CEILINGS.—*

18 *(1) LIST OF ELIGIBLE ACTIVITIES.—*

19 *(A) IN GENERAL.—After providing notice*
20 *and an opportunity for public comment, the*
21 *Commissions shall maintain and publish a list*
22 *of eligible innovative activities, which shall be—*

23 *(i) updated once every 2 years after*
24 *providing notice and an opportunity for*
25 *public comment;*

1 (ii) reasonably tailored to include ac-
2 tivities that—

3 (I) further the purposes of this
4 section; and

5 (II) are consistent with the inter-
6 ests of the public and the protection of
7 investors;

8 (iii) sufficiently flexible to accommo-
9 date evolving technological developments,
10 including distributed ledger-based products
11 and services; and

12 (iv) focused exclusively on activities for
13 which specific provisions of the securities
14 laws and commodities laws may create a
15 material impediment to the proposed inno-
16 vative activity.

17 (B) IDENTIFICATION OF REQUIREMENTS.—

18 (i) IN GENERAL.—For each eligible in-
19 novative activity, the Commissions shall,
20 consistent with existing (as of the day before
21 the date of enactment of this Act) statutory
22 and regulatory precedent concerning the re-
23 spective jurisdiction of each Commission,
24 identify the requirements that each Com-
25 mission will administer.

1 (ii) *JOINT JURISDICTION.*—With re-
2 spect to an eligible innovative activity that
3 is subject to the jurisdiction of both Com-
4 missions, the rulemaking under subsection
5 (b) shall specify which requirements each
6 Commission will administer and any co-
7 ordinated conditions needed to protect in-
8 vestors and market integrity.

9 (2) *ACTIVITY CEILINGS.*—For each eligible inno-
10 vative activity, the Commissions shall, after public
11 input and consultation, establish individual customer
12 and monetary ceilings, which shall provide that an el-
13 igible firm may not raise or commit more than
14 \$20,000,000 in aggregate customer, investor, or
15 counterparty funds in connection with Sandbox ac-
16 tivities.

17 (3) *ANNUAL PARTICIPATION CAP.*—Each of the
18 Commissions may approve not more than 20 projects
19 per year.

20 (e) *APPLICATION.*—

21 (1) *IN GENERAL.*—An eligible firm seeking to
22 participate in the Sandbox shall submit to the Com-
23 mission or Commissions, as applicable, an applica-
24 tion that—

1 (A) describes the proposed innovative activ-
2 ity and the desired outcomes;

3 (B) subject to approval of the applicable
4 Commission, identifies the provisions of the secu-
5 rities laws, or of the Commodity Exchange Act
6 (7 U.S.C. 1 et seq.), from which the eligible firm
7 proposes to be exempt during the period in which
8 the eligible firm participates in the Sandbox,
9 which—

10 (i) shall not include any Federal or
11 State anti-fraud law or any other law that
12 is not specific to the regulation of securities
13 or commodities; and

14 (ii) shall be subject to the limitations
15 of this section;

16 (C) sets forth how relief from the provisions
17 of law identified under subparagraph (B) is rea-
18 sonably necessary to engage in the innovative ac-
19 tivity;

20 (D) identifies material risks to investors,
21 customers, or market integrity and how the eligi-
22 ble firm will mitigate those risks;

23 (E) certifies that the eligible firm will com-
24 ply with applicable Federal and State anti-fraud
25 laws;

1 (F) states an exit objective of the eligible
2 firm involving action from the applicable Com-
3 mission, which may include registration, an ex-
4 emptive order, interpretive guidance, a no-action
5 letter, or a rulemaking petition, together with
6 milestones and metrics the eligible firm will use
7 to demonstrate readiness for that exit;

8 (G) states the agreement of the eligible firm
9 to submit to the jurisdiction and oversight of the
10 Commissions, to the extent that the eligible firm
11 is not otherwise subject to that jurisdiction and
12 oversight, for purposes of, and while partici-
13 pating in, the Sandbox;

14 (H) designates to the Commissions an indi-
15 vidual as a point of contact with respect to ac-
16 tivities that the eligible firm undertakes as an
17 applicant and participant with respect to the
18 Sandbox; and

19 (I) states the agreement of the eligible firm
20 to abide by any condition that either of the Com-
21 missions may impose for engaging in an eligible
22 innovative activity in the Sandbox.

23 (2) *DEADLINE FOR DECISION.*—Not later than
24 180 business days after the date on which an eligible
25 firm submits an application under this subsection,

1 *the Commission or Commissions, as applicable, shall*
2 *make a decision with respect to the application, after*
3 *which the eligible firm submitting the application*
4 *may commence eligible innovative activities in the*
5 *Sandbox unless the application is denied.*

6 (3) *UPDATES AND STATUS REPORTS.—Each eli-*
7 *gible firm shall submit to the Commission or Com-*
8 *missions, as applicable, on a semi-annual basis while*
9 *participating in the Sandbox, an updated application*
10 *that—*

11 (A) *describes any material changes to the*
12 *information originally provided under para-*
13 *graph (1); and*

14 (B) *reports the progress of the eligible firm*
15 *toward the stated exit objective described in*
16 *paragraph (1)(F), including milestones achieved,*
17 *remaining impediments, and any pending re-*
18 *quests for official action before the applicable*
19 *Commission or the Commissions.*

20 (4) *UNREDACTED AND REDACTED VERSIONS.—*

21 (A) *IN GENERAL.—An eligible firm that*
22 *submits an initial or updated application under*
23 *this subsection may submit to the applicable*
24 *Commission or the Commissions an unredacted*
25 *version, together with a request for confidential*

1 *treatment, pursuant to procedures the applicable*
2 *Commission shall establish that are modeled on*
3 *the rules of that Commission relating to the con-*
4 *fidential treatment of information, which shall*
5 *include—*

6 *(i) for the Securities and Exchange*
7 *Commission, sections 200.83, 230.406, and*
8 *240.24b–2 of title 17, Code of Federal Regu-*
9 *lations, or any successor regulations; and*

10 *(ii) for the Commodity Futures Trad-*
11 *ing Commission, section 145.9 of title 17,*
12 *Code of Federal Regulations, or any suc-*
13 *cessor regulations.*

14 *(B) OMITTED INFORMATION.—An eligible*
15 *firm may omit information granted confidential*
16 *treatment under subparagraph (A) from any*
17 *public posting under subsection (h) in accord-*
18 *ance with the procedures established under sub-*
19 *paragraph (A).*

20 *(C) INDICATION OF CONFIDENTIAL INFOR-*
21 *MATION.—Any omission in a public posting*
22 *under subsection (h) shall be clearly indicated by*
23 *brackets with a prominent legend stating that—*

24 *(i) confidential information has been*
25 *omitted; and*

1 (ii) an unredacted version has been
2 filed with the applicable Commission or the
3 Commissions.

4 (f) *DURATION OF PARTICIPATION.*—

5 (1) *DURATION.*—Except as provided in para-
6 graph (2), an eligible firm may participate in the
7 Sandbox for a period of not more than 2 years, pro-
8 vided that the eligible firm does not exceed the ceilings
9 established under subsection (d)(2).

10 (2) *EXTENSION.*—

11 (A) *SOLE JURISDICTION.*—If an eligible in-
12 novative activity is subject only to the jurisdic-
13 tion of 1 Commission, that Commission may ex-
14 tend participation by an eligible firm in the
15 Sandbox by not more than 1 additional year, if
16 that Commission determines that the eligible
17 firm—

18 (i) is actively pursuing the exit objec-
19 tive described in subsection (e)(1)(F) in
20 good faith;

21 (ii) is making demonstrable progress
22 toward achieving such an exit; and

23 (iii) establishes that such an extension
24 is necessary to achieve such an exit.

1 (B) *JOINT JURISDICTION.*—Where an eligi-
2 ble innovative activity is subject to the jurisdic-
3 tion of both Commissions, an extension of par-
4 ticipation by an eligible firm in the Sandbox by
5 not more than 1 additional year shall be by joint
6 order of the Commissions after making the find-
7 ings described in clauses (i) through (iii) of sub-
8 paragraph (A).

9 (g) *CONDITIONS AND ENFORCEMENT.*—

10 (1) *CONDITIONS.*—An eligible firm shall comply
11 with applicable regulatory conditions approved by the
12 applicable Commission or the Commissions under
13 subsection (e)(1)(B), which shall be consistent with
14 applicable Federal and State anti-fraud laws.

15 (2) *MONITORING.*—The Commissions shall mon-
16 itor Sandbox activities and enforce compliance with
17 applicable regulatory conditions and Federal anti-
18 fraud laws.

19 (3) *COORDINATION.*—

20 (A) *IN GENERAL.*—The Commissions shall
21 coordinate supervision, information requests,
22 and examinations to avoid duplication while
23 each Commission retains full authority under the
24 provisions of law that such Commission admin-
25 isters.

1 (B) *COOPERATION WITH STATES.*—*The*
2 *Commissions may cooperate with any State in*
3 *enforcing compliance with applicable regulatory*
4 *conditions and Federal and State anti-fraud*
5 *laws with respect to the operation of the Sand-*
6 *box.*

7 (4) *SELF-REGULATORY ORGANIZATIONS.*—*Each*
8 *self-regulatory organization shall recognize and re-*
9 *spect Sandbox conditions that are applicable to a*
10 *participant in the Sandbox.*

11 (5) *CESSATION OF ACTIVITIES.*—*The Commis-*
12 *sions may, at any time during the participation of*
13 *an eligible firm in the Sandbox, disqualify the eligible*
14 *firm from continued participation in the Sandbox,*
15 *order the eligible firm to cease engaging in a per-*
16 *mitted activity in the Sandbox, revoke a grant of ex-*
17 *emptive relief, or impose additional or more stringent*
18 *conditions on continuing participation or engagement*
19 *in a permitted activity in the Sandbox, if the Com-*
20 *missions find that the eligible firm has failed to com-*
21 *ply with—*

22 (A) *the requirements of this section;*

23 (B) *the terms or conditions of participation*
24 *established by the Commissions; or*

25 (C) *other applicable law.*

1 (h) *PUBLIC DISCLOSURE.*—

2 (1) *INITIAL POSTING.*—Each eligible firm shall
3 post, in a prominent location on a public website of
4 the eligible firm, the information required under sub-
5 section (e)(1), subject to confidential treatment under
6 subsection (e)(4), not later than the date on which the
7 notice becomes effective under subsection (e)(3).

8 (2) *UPDATES.*—Each eligible firm shall post, in
9 the same manner as under paragraph (1), the infor-
10 mation required under subsection (e)(3), subject to
11 confidential treatment under subsection (e)(4), con-
12 currently with submission to the applicable Commis-
13 sion or the Commissions.

14 (3) *DISCLOSURE REQUIREMENTS.*—Each post
15 under this subsection shall satisfy the disclosure re-
16 quirements of both Commissions where the jurisdic-
17 tions of both Commissions are implicated.

18 (i) *USE OF DATA BY COMMISSIONS.*—Each Commis-
19 sion may collect and share data from Sandbox activities
20 with the other Commission to inform permanent, prin-
21 ciples-based regulatory frameworks that advance the mis-
22 sions of the Commissions.

23 (j) *PUBLICATION BY COMMISSIONS.*—Not less fre-
24 quently than annually, each Commission shall publish on

1 *the public website of the Commission a report summarizing*
 2 *the activities conducted under this section, including—*

3 *(1) the number and general nature of eligible*
 4 *firms participating in the Sandbox;*

5 *(2) the categories of innovative activities tested;*

6 *(3) the impact of Sandbox participation on in-*
 7 *novation, investor protection, market integrity, and*
 8 *the public interest;*

9 *(4) the disclosures posted by eligible firms under*
 10 *subsection (h)(1); and*

11 *(5) exit outcomes, including the types of relief re-*
 12 *quested and actions taken by the Commissions.*

13 *(k) RELATIONSHIP OF SANDBOX PARTICIPATION TO*
 14 *STATE LAW.—*

15 *(1) LIMITED PREEMPTION FOR SANDBOX PAR-*
 16 *TICIPANTS.—This section, including participation in*
 17 *the Sandbox, and any exemption or relief granted*
 18 *under this section, shall supersede any State securities*
 19 *or commodities law requiring registration, qualifica-*
 20 *tion, or licensing as a condition of engaging in an*
 21 *approved activity or otherwise regulating that activ-*
 22 *ity as a security or commodity.*

23 *(2) STATE ENFORCEMENT PRESERVED.—Nothing*
 24 *in this section may be construed to prohibit or limit*
 25 *any State securities or commodities regulator, any*

1 *State bank regulator, or any State law enforcement*
2 *agency from conducting an investigation or bringing*
3 *an administrative, civil, or criminal enforcement ac-*
4 *tion under—*

5 *(A) a State law prohibiting fraud or deceit,*
6 *or fraudulent, deceptive, manipulative, unethical,*
7 *dishonest, or other unlawful conduct or practices,*
8 *in connection with securities or securities trans-*
9 *actions;*

10 *(B) the anti-fraud provisions of the Com-*
11 *modity Exchange Act (7 U.S.C. 1 et seq.) or*
12 *State commodities laws; or*

13 *(C) any State law of general applicability,*
14 *including such a law relating to banking, con-*
15 *sumer protection, contracts, property, or crimi-*
16 *nal conduct.*

17 *(3) NOTICE FILINGS.—A State may require no-*
18 *tice of any document filed with either of the Commis-*
19 *sions in connection with participation in the Sand-*
20 *box, together with consent to service of process and*
21 *reasonable fees, consistent with section 18(c) of the Se-*
22

1 **SEC. 502. INTERNATIONAL COOPERATION.**

2 (a) *DEFINITION.*—*In this section, the term “Commis-*
3 *sions” means the Commission and the Commodity Futures*
4 *Trading Commission.*

5 (b) *COOPERATION.*—*In order to promote United States*
6 *leadership in effective, reciprocal, and innovative global*
7 *regulation of digital assets, and to advance the strategic eco-*
8 *nomie and policy interests of the United States, the Com-*
9 *missions, as appropriate—*

10 (1) *shall consult and coordinate with foreign reg-*
11 *ulatory authorities or other relevant international or-*
12 *ganizations on the application of consistent inter-*
13 *national standards with respect to the regulation of*
14 *digital assets;*

15 (2) *may enter into such information sharing ar-*
16 *rangements as may be determined to be necessary or*
17 *appropriate in the public interest or for the protec-*
18 *tion of investors, customers, and users of digital as-*
19 *sets;*

20 (3) *shall pursue reciprocal arrangements with*
21 *foreign regulatory authorities that ensure United*
22 *States-based digital asset firms, exchanges, and infra-*
23 *structure providers receive treatment equivalent to*
24 *that granted to foreign counterparts operating within*
25 *the United States;*

1 (4) *shall advocate in international fora for the*
 2 *development and adoption of technology-neutral, open*
 3 *standards that preserve lawful access to public dis-*
 4 *tributed ledger infrastructure, support dollar-denomi-*
 5 *nated digital asset usage, and safeguard individual*
 6 *rights, including self-custody and privacy; and*

7 (5) *may, as appropriate, engage in, at the least,*
 8 *cooperative enforcement, supervisory coordination,*
 9 *and joint technical assistance, in a manner that pro-*
 10 *motes responsible innovation in digital financial*
 11 *markets.*

12 (c) *CROSS-BORDER SANDBOX.—The Commissions may*
 13 *leverage the activities described in paragraphs (1) through*
 14 *(5) of subsection (b) to establish or participate in cross-bor-*
 15 *der regulatory sandboxes that build upon the CFTC-SEC*
 16 *Micro-Innovation Sandbox established pursuant to section*
 17 *501.*

18 **SEC. 503. AUTOMATED REGULATORY COMPLIANCE STUDY.**

19 (a) *DEFINITIONS.—In this section:*

20 (1) *AUTOMATED REGULATORY COMPLIANCE.—*
 21 *The term “automated regulatory compliance” means*
 22 *the use of technology, including data standards, auto-*
 23 *mation, and distributed ledger or smart contract*
 24 *functionality, to automate, tag, or otherwise stream-*

1 *line regulatory reporting, disclosure, supervisory, or*
2 *other compliance obligations.*

3 (2) *INNOVATIVE.*—*The term “innovative” has the*
4 *meaning given the term in section 501(a).*

5 (b) *STUDY REQUIRED.*—*The Comptroller General of*
6 *the United States shall, in consultation with the Depart-*
7 *ment of the Treasury (including the Financial Crimes En-*
8 *forcement Network, the Office of Foreign Assets Control, and*
9 *the Office of Financial Research), the Office of the Comp-*
10 *troller of the Currency, the Federal Deposit Insurance Cor-*
11 *poration, the National Credit Union Administration, the*
12 *Commission, the Commodity Futures Trading Commission,*
13 *the Bureau of Consumer Financial Protection, and the Fed-*
14 *eral Housing Finance Agency, carry out a study of distrib-*
15 *uted ledger-based compliance tools that—*

16 (1) *to the extent feasible, identifies and evalu-*
17 *ates—*

18 (A) *the landscape of existing (as of the day*
19 *before the date of enactment of this Act) distrib-*
20 *uted ledger-based compliance tools for—*

21 (i) *statutory and regulatory disclo-*
22 *tures;*

23 (ii) *real-time reporting and audit-trail*
24 *logging; and*

1 (iii) *anti-money-laundering practices,*
2 *sanctions screening, and customer-identi-*
3 *fication checks;*

4 (B) *the feasibility, benefits, and risks of al-*
5 *lowing regulated entities to satisfy applicable*
6 *regulatory obligations through on-chain, code-*
7 *based, or other automated mechanisms;*

8 (C) *the potential for interoperability with*
9 *automated regulatory compliance mechanisms*
10 *across and among each of those agencies;*

11 (D) *the data collection systems of each of*
12 *those agencies; and*

13 (E) *standards or taxonomies, or other com-*
14 *mon data elements, if any, that those agencies*
15 *could publish or adopt to support the interoper-*
16 *ability described in subparagraph (C) in order*
17 *to ensure consistency and regulatory access;*

18 (2) *recommends pilot programs, guidance, rule*
19 *changes, or amendments to statutes that would be*
20 *needed to implement effective automated regulatory*
21 *compliance approaches and any other related ap-*
22 *proaches addressed in the study;*

23 (3) *identifies the costs and benefits to issuers of*
24 *different sizes, secondary market intermediaries, regu-*
25 *lators, investors, and other applicable parties, includ-*

1 *ing differential impacts on smaller entities and op-*
 2 *tions to reduce those burdens;*

3 *(4) benchmarks international efforts with respect*
 4 *to automated regulatory compliance mechanisms and*
 5 *consults with any appropriate State, Federal, or for-*
 6 *ign regulators; and*

7 *(5) evaluates whether existing (as of the day be-*
 8 *fore the date of enactment of this Act) oversight, en-*
 9 *forcement, and liability frameworks are sufficient*
 10 *to—*

11 *(A) ensure accountability, transparency,*
 12 *fairness, and consumer protection; and*

13 *(B) prevent misuse of distributed ledger-*
 14 *based compliance tools.*

15 *(c) REPORT.—Not later than 1 year after the date of*
 16 *enactment of this Act, the Comptroller General of the United*
 17 *States shall make publicly available a report that includes*
 18 *the results of the study conducted under subsection (b).*

19 **SEC. 504. REPORT ON LEGISLATIVE RECOMMENDATIONS.**

20 *(a) DEFINITIONS.—In this section:*

21 *(1) APPROPRIATE COMMITTEES OF CONGRESS.—*
 22 *The term “appropriate committees of Congress”*
 23 *means—*

24 *(A) the Committee on Banking, Housing,*
 25 *and Urban Affairs of the Senate;*

1 (B) *the Committee on Agriculture, Nutri-*
 2 *tion, and Forestry of the Senate;*

3 (C) *the Committee on Financial Services of*
 4 *the House of Representatives; and*

5 (D) *the Committee on Agriculture of the*
 6 *House of Representatives.*

7 (2) *FEDERAL FINANCIAL REGULATOR.*—*The term*
 8 *“Federal financial regulator” means—*

9 (A) *the Board of Governors of the Federal*
 10 *Reserve System;*

11 (B) *the Commodity Futures Trading Com-*
 12 *mission;*

13 (C) *the Department of the Treasury;*

14 (D) *the Federal Deposit Insurance Corpora-*
 15 *tion;*

16 (E) *the Federal Housing Finance Agency;*

17 (F) *the National Credit Union Administra-*
 18 *tion;*

19 (G) *the Office of the Comptroller of the Cur-*
 20 *rency;*

21 (H) *the Bureau of Consumer Financial*
 22 *Protection; and*

23 (I) *the Commission.*

24 (b) *REQUIREMENT.*—*Not later than 1 year after the*
 25 *date of enactment of this Act, and every 3 years thereafter*

1 *for a total of not fewer than 12 years after the date of enact-*
2 *ment of this Act, each Federal financial regulator shall sub-*
3 *mit to the appropriate committees of Congress a report that*
4 *includes—*

5 (1) *a description of the implementation of this*
6 *Act and the amendments made by this Act (including*
7 *the adoption of rules and guidance, and the approval*
8 *or rejection of applications submitted, under this Act*
9 *and the amendments made by this Act), where appli-*
10 *cable to the Federal financial regulator; and*

11 (2) *any legislative recommendations for the fur-*
12 *ther effective implementation of this Act and the*
13 *amendments made by this Act.*

14 **SEC. 505. TOKENIZATION OF SECURITIES.**

15 (a) *DEFINITIONS.—In this section:*

16 (1) *TOKENIZATION.—The term “tokenization”*
17 *means the process of creating a digital representation*
18 *of all rights, obligations, or interests in a tangible or*
19 *intangible asset on a distributed ledger or comparable*
20 *technology.*

21 (2) *TOKENIZED.—The term “tokenized”, with re-*
22 *spect to an asset, means that the asset has undergone*
23 *tokenization.*

24 (b) *SENSE OF CONGRESS.—It is the sense of Congress*
25 *that States should promptly consider and adopt commercial*

1 *law frameworks under the Uniform Commercial Code that*
2 *provide clear and uniform rules for the ownership, control,*
3 *and enforceability of rights relating to digital assets.*

4 (c) *STUDY.*—Not later than 360 days after the date
5 of enactment of this Act, the Commission shall conduct a
6 comprehensive study of the regulatory treatment of
7 tokenized securities, including custody standards, inter-
8 agency coordination, cross-border coordination, and con-
9 sumer protection.

10 (d) *PARITY IN REGULATORY TREATMENT.*—

11 (1) *IN GENERAL.*—Subject to paragraph (2), a
12 tokenized security shall be treated, for all regulatory
13 purposes, as the security that the tokenized security
14 represents, except as otherwise provided by—

15 (A) section 106(a); or

16 (B) a rule, regulation, or order issued by
17 the Commission.

18 (2) *REQUIREMENT.*—A rule, regulation, or order
19 described in paragraph (1)(B) may only be issued by
20 the Commission to adapt the manner in which the
21 applicable regulatory requirements are satisfied, to
22 the extent necessary or appropriate—

23 (A) in light of the unique technological or
24 other characteristics of digital assets or substan-
25 tially similar technology; and

1 (B) consistent with—

2 (i) what is necessary or appropriate in
3 the public interest; and

4 (ii) protecting investors, maintaining
5 fair, orderly, and efficient markets, and fa-
6 cilitating capital formation.

7 (e) *PROHIBITION ON MISREPRESENTATION.*—Any
8 statement or omission with respect to any material fact that
9 is made by a person in connection with the offer, sale, or
10 other representation regarding a tokenized security shall be
11 subject to the securities laws, including applicable anti-
12 fraud or anti-manipulation provisions under the securities
13 laws.

14 (f) *AGENCY ACTION FOR TOKENIZED SECURITIES.*—

15 (1) *IN GENERAL.*—The Commission may issue
16 rules governing tokenized securities pursuant to the
17 requirements of this section.

18 (2) *REQUIREMENTS.*—Rules issued under this
19 subsection may address, consistent with sections 106
20 and 107, how requirements applicable to an under-
21 lying security apply to custody, books and records,
22 reconciliation with transfer agents or other record-
23 keepers, auditability, settlement finality, treatment of
24 chain reorganizations, and other operational risks

1 *arising from the use of distributed ledger technology*
2 *or comparable technology.*

3 *(g) RULE OF CONSTRUCTION REGARDING ENFORCE-*
4 *MENT.—Nothing in this section may be construed to prevent*
5 *the Commission from enforcing the anti-fraud and anti-ma-*
6 *nipulation provisions of the securities laws, and the rules*
7 *issued under the securities laws, with respect to tokenized*
8 *securities, provided that the elements of those provisions are*
9 *satisfied.*

10 *(h) SAVINGS CLAUSES.—*

11 *(1) TOKENIZED SECURITY.—Any asset that is a*
12 *security under the securities laws shall not cease to be*
13 *a security solely because the asset is issued, recorded,*
14 *represented, or transferred using distributed ledger*
15 *technology or comparable technology.*

16 *(2) EFFECT ON STATE LAW.—Nothing in this*
17 *section may be construed, interpreted, or applied in*
18 *a manner that preempts, supersedes, invalidates, or*
19 *otherwise affects any State property transfer rules,*
20 *laws, regulations, or common law principles relating*
21 *to the transfer or recording of real tangible or intan-*
22 *gible assets or interests therein.*

23 *(3) RULEMAKINGS, ORDERS, AND OTHER AC-*
24 *TIONS.—Notwithstanding any other provision of this*
25 *section, section 106 shall apply to any rulemaking,*

1 *order, or other action of the Commission under this*
 2 *section.*

3 (4) *NO LIMIT OF ABILITY TO OFFER OR SELL.—*
 4 *Nothing in this section, or any rule, regulation, or*
 5 *order promulgated under this section, may be con-*
 6 *strued to limit the ability of any person to offer or*
 7 *sell any tokenized security, consistent with the securi-*
 8 *ties laws.*

9 **SEC. 506. VOLUNTARY ADOPTION OF NATIONAL INSTITUTE**
 10 **OF STANDARDS AND TECHNOLOGY POST-**
 11 **QUANTUM CRYPTOGRAPHY STANDARDS.**

12 (a) *DEFINITIONS.—In this section:*

13 (1) *APPROPRIATE CONGRESSIONAL COMMIT-*
 14 *TEES.—The term “appropriate congressional commit-*
 15 *tees” means—*

16 (A) *the Committee on Banking, Housing,*
 17 *and Urban Affairs of the Senate;*

18 (B) *the Committee on Agriculture, Nutri-*
 19 *tion, and Forestry of the Senate;*

20 (C) *the Committee on Commerce, Science,*
 21 *and Transportation of the Senate;*

22 (D) *the Committee on Financial Services of*
 23 *the House of Representatives;*

24 (E) *the Committee on Agriculture of the*
 25 *House of Representatives; and*

1 (F) *the Committee on Energy and Com-*
2 *merce of the House of Representatives.*

3 (2) *DIRECTOR.*—*The term “Director” means the*
4 *Under Secretary of Commerce for Standards and*
5 *Technology.*

6 (b) *FINDINGS.*—*Congress finds the following:*

7 (1) *Technical standards with respect to digital*
8 *assets ensure quality, interoperability, and reliability*
9 *in products, processes, and services and facilitate in-*
10 *novation.*

11 (2) *The digital asset ecosystem should harness*
12 *standards to solve coordination problems and foster*
13 *innovation, not through regulation, but through vol-*
14 *untary, market-driven measures.*

15 (3) *Advances in quantum computing threaten ex-*
16 *isting (as of the day before the date of enactment of*
17 *this Act) cryptographic standards and the security of*
18 *digital assets.*

19 (c) *VOLUNTARY ADOPTION.*—*The Director, in con-*
20 *sultation with the Secretary of Homeland Security and the*
21 *heads of sector risk management agencies, as appropriate,*
22 *shall promote the voluntary adoption and deployment of*
23 *post-quantum cryptography standards, including by—*

1 (1) disseminating and making publicly available
2 guidance and resources to help organizations adopt
3 and deploy those standards;

4 (2) providing technical assistance, as practicable,
5 to entities that are at high risk of quantum cryptog-
6 raphy analytic attacks, such as entities determined to
7 be critical infrastructure or digital infrastructure
8 providers; and

9 (3) conducting such other activities determined
10 necessary by the Director to promote the adoption
11 and deployment of those standards across the United
12 States.

13 (d) *INDUSTRY CONSULTATION.*—In implementing sub-
14 section (c), the Director shall, at a minimum—

15 (1) solicit regular input from a broad range of
16 industry stakeholders regarding the feasibility and
17 practical challenges of adopting the standards de-
18 scribed in that subsection;

19 (2) facilitate ongoing dialogue between the Na-
20 tional Institute of Standards and Technology and in-
21 dustry participants to identify, assess, and address
22 barriers to the adoption of the standards described in
23 that subsection;

24 (3) not later than 2 years after the date of enact-
25 ment of this Act, and biennially thereafter until 2035,

1 submit to the appropriate congressional committees a
 2 report on the implementation of that subsection, in-
 3 cluding stakeholder engagement with respect to those
 4 actions and continued challenges in adopting the
 5 standards described in that subsection; and

6 (4) not later than 5 years after the date of enact-
 7 ment of this Act, make available to the public a re-
 8 port on stakeholder engagement and lessons learned in
 9 implementing that subsection.

10 **SEC. 507. INTERNATIONAL COORDINATION TO COMBAT DIG-**
 11 **ITAL ASSET ILLICIT FINANCE.**

12 (a) *DEFINITION.*—In this section, the term “Strategy”
 13 means the National Strategy to Combat International Dig-
 14 ital Asset Illicit Finance submitted under subsection (d).

15 (b) *INTERAGENCY INITIATIVE.*—The Secretary of the
 16 Treasury, in coordination with the Secretary of State, the
 17 Attorney General, the Secretary of Homeland Security, and
 18 the heads of such other Federal departments and agencies
 19 as the President may designate, shall lead an interagency
 20 initiative to strengthen international cooperation to prevent
 21 the misuse of digital assets for illicit finance, sanctions eva-
 22 sion, terrorist financing, or other national-security threats.

23 (c) *OBJECTIVES.*—The initiative established under
 24 subsection (b) shall—

1 (1) *engage foreign counterparts, including fi-*
2 *nance ministries, central banks, and financial intel-*
3 *ligence units, to promote anti-money-laundering,*
4 *sanctions evasion, and counter-terrorist financing*
5 *standards applicable to digital asset activities, con-*
6 *sistent with United States standards and the frame-*
7 *work established under the Strategy;*

8 (2) *encourage the adoption and enforcement of*
9 *effective regulatory and supervisory frameworks for*
10 *digital asset service providers to ensure transparency*
11 *and prevent illicit use;*

12 (3) *identify and prioritize jurisdictions of con-*
13 *cern that present significant risk of facilitating illicit*
14 *digital asset activity and develop coordinated diplo-*
15 *matic, economic, and law enforcement strategies to*
16 *address those risks;*

17 (4) *support technical assistance and capacity-*
18 *building programs for partner jurisdictions to en-*
19 *hance anti-money laundering, sanctions evasion, and*
20 *counter-terrorist financing supervision, enforcement,*
21 *and information sharing relating to digital assets;*
22 *and*

23 (5) *report annually to Congress on progress*
24 *made toward the objectives described in paragraphs*
25 *(1) through (4), including a list of cooperative and*

1 *non-cooperative jurisdictions and any recommenda-*
 2 *tions for additional actions or sanctions.*

3 (d) *NATIONAL STRATEGY TO COMBAT INTERNATIONAL*
 4 *DIGITAL ASSET ILLICIT FINANCE.*—Not later than 270
 5 *days after the date of enactment of this Act, the Secretary*
 6 *of the Treasury, in coordination with the Secretary of State,*
 7 *the Attorney General, and the Director of National Intel-*
 8 *ligence, shall submit to the Committee on Banking, Hous-*
 9 *ing, and Urban Affairs, the Committee on Foreign Rela-*
 10 *tions, and the Committee on Homeland Security and Gov-*
 11 *ernmental Affairs of the Senate, and the Committee on Fi-*
 12 *nancial Services, the Committee on Foreign Affairs, and the*
 13 *Committee on Homeland Security of the House of Rep-*
 14 *resentatives a National Strategy to Combat International*
 15 *Digital Asset Illicit Finance, which shall—*

16 (1) *assess global vulnerabilities with respect to*
 17 *the digital assets framework set out in the Strategy;*

18 (2) *set measurable goals and timelines for multi-*
 19 *lateral engagement with respect to digital assets;*

20 (3) *recommend resource and staffing require-*
 21 *ments for Treasury attaches, financial intelligence li-*
 22 *aisons, and other personnel necessary to implement*
 23 *the Strategy; and*

24 (4) *identify standards for combating money*
 25 *laundering, sanctions evasion, and terrorist financing*

1 *with respect to digital asset activities applicable to*
2 *foreign jurisdictions, which shall be informed by*
3 *United States law, regulation, and supervisory stand-*
4 *ards, including standards relating to—*

5 *(A) anti-money laundering and countering*
6 *the financing of terrorism laws and regulations*
7 *that identify, prioritize, and mitigate illicit fi-*
8 *nance threats, including preventive measures for*
9 *financial institutions and other entities covered*
10 *by those laws and regulations, including meas-*
11 *ures relating to customer due diligence, record-*
12 *keeping, internal controls, and the reporting of*
13 *suspicious transactions;*

14 *(B) money laundering offenses, asset sei-*
15 *zure, and confiscation to recover proceeds of*
16 *crime;*

17 *(C) terrorist financing and proliferation-fi-*
18 *nancing offenses and related targeted financial*
19 *sanctions; and*

20 *(D) regulation, supervision, and enforce-*
21 *ment by competent authorities, including finan-*
22 *cial intelligence, law enforcement, and sanctions*
23 *measures.*

1 **SEC. 508. ANNUAL REPORT ON FOREIGN DIGITAL ASSET**
2 **TRADING VOLUME, COMPLIANCE WITH**
3 **UNITED STATES STANDARDS AND REMEDI-**
4 **ATION ACTIONS.**

5 (a) *IN GENERAL.*—Not later than 1 year after the date
6 of enactment of this Act, and annually thereafter for a pe-
7 riod of 4 years, the Secretary of the Treasury shall submit
8 to the Committee on Banking, Housing, and Urban Affairs
9 of the Senate and the Committee on Financial Services of
10 the House of Representatives a report that—

11 (1) lists the top 20 foreign jurisdictions by vol-
12 ume of digital asset trading activity on foreign dig-
13 ital asset service providers during the calendar year
14 immediately preceding the year of the report;

15 (2) assesses the degree to which each foreign ju-
16 risdiction listed under paragraph (1) has imple-
17 mented anti-money laundering, sanctions evasion,
18 and counter-terrorist financing laws, regulations, or
19 standards applicable to digital asset activities con-
20 sistent with the standards and framework identified
21 under the National Strategy to Combat International
22 Digital Asset Illicit Finance submitted under section
23 507; and

24 (3) identifies foreign jurisdictions with—

1 (A) material deficiencies in the implementa-
2 tion or enforcement of the standards described in
3 paragraph (2); and

4 (B) trading volumes that present systemic
5 illicit finance risk to the United States.

6 (b) *FORM.*—Each report required under subsection (a)
7 shall be submitted in unclassified form, but may include
8 a classified annex, as appropriate.

9 (c) *REMEDIATION AND ENGAGEMENT REPORT.*—For
10 each foreign jurisdiction identified pursuant to subsection
11 (a)(3), the Secretary of the Treasury shall include in the
12 applicable report—

13 (1) a description of bilateral diplomatic, regu-
14 latory, or law enforcement engagements undertaken
15 during the calendar year immediately preceding the
16 year in which the report is submitted to remedy the
17 deficiencies of the foreign jurisdiction;

18 (2) a summary of actions taken by the United
19 States individually, or in conjunction with any ap-
20 plicable international body, to identify high-risk or
21 non-cooperative jurisdictions with respect to digital
22 asset illicit finance, including public statements iden-
23 tifying those jurisdictions and measures to support
24 their remediation;

1 (3) *any commitments obtained from the foreign*
 2 *jurisdiction to address identified deficiencies, includ-*
 3 *ing timeliness and benchmarks; and*

4 (4) *an assessment of progress made toward full*
 5 *implementation of the standards identified under the*
 6 *National Strategy to Combat International Digital*
 7 *Asset Illicit Finance submitted under section 507.*

8 **SEC. 509. AI INNOVATION LABS.**

9 (a) *DEFINITIONS.—*

10 (1) *AI TEST PROJECT.—The term “AI test*
 11 *project” means a financial product, service, or activ-*
 12 *ity—*

13 (A) *that makes substantial use of artificial*
 14 *intelligence;*

15 (B) *that is, or may be, subject to a Federal*
 16 *regulation or Federal statute; and*

17 (C) *for which a regulated entity submits an*
 18 *application for the waiver or modification of an*
 19 *applicable regulation subject to an alternative*
 20 *compliance strategy.*

21 (2) *APPROPRIATE FINANCIAL REGULATORY AGEN-*
 22 *CY.—The term “appropriate financial regulatory*
 23 *agency” means—*

24 (A) *the appropriate Federal banking agen-*
 25 *cy, as defined in section 3 of the Federal Deposit*

1 *Insurance Act (12 U.S.C. 1813), with respect to*
2 *an institution described in subsection (q) of that*
3 *section;*

4 *(B) the Bureau of Consumer Financial Pro-*
5 *tection, with respect to a covered person, as de-*
6 *defined in section 1002 of the Consumer Financial*
7 *Protection Act of 2010 (12 U.S.C. 5481), that*
8 *does not have an appropriate financial regu-*
9 *latory agency under subparagraph (A), (C), or*
10 *(D) of this paragraph;*

11 *(C) the National Credit Union Administra-*
12 *tion, with respect to an insured credit union, as*
13 *defined in section 101 of the Federal Credit*
14 *Union Act (12 U.S.C. 1752); and*

15 *(D) the Federal Housing Finance Agency,*
16 *with respect to—*

17 *(i) a Federal Home Loan Bank;*

18 *(ii) the Federal Home Loan Bank Sys-*
19 *tem;*

20 *(iii) the Federal National Mortgage As-*
21 *sociation; and*

22 *(iv) the Federal Home Loan Mortgage*
23 *Corporation.*

24 *(3) ARTIFICIAL INTELLIGENCE; AI.—The terms*
25 *“artificial intelligence” and “AI” have the meaning*

1 *given the term “artificial intelligence” in section*
2 *5002 of the National Artificial Intelligence Initiative*
3 *Act of 2020 (15 U.S.C. 9401).*

4 (4) *FINANCIAL PRODUCT OR SERVICE.*—*The term*
5 *“financial product or service”—*

6 (A) *has the meaning given the term in sec-*
7 *tion 1002 of the Consumer Financial Protection*
8 *Act of 2010 (12 U.S.C. 5481);*

9 (B) *includes—*

10 (i) *activities that are financial in na-*
11 *ture, as defined in section 4(k)(4) of the*
12 *Bank Holding Company Act of 1956 (12*
13 *U.S.C. 1843(k)(4)); and*

14 (ii) *any financial product or service*
15 *provided by a person regulated by the Com-*
16 *mission, as defined in section 1002 of the*
17 *Consumer Financial Protection Act of 2010*
18 *(12 U.S.C. 5481); and*

19 (C) *does not include the business of insur-*
20 *ance.*

21 (5) *FINANCIAL REGULATORY AGENCY.*—*The term*
22 *“financial regulatory agency” means—*

23 (A) *the Board of Governors of the Federal*
24 *Reserve System;*

1 (B) *the Federal Deposit Insurance Corpora-*
 2 *tion;*

3 (C) *the Office of the Comptroller of the Cur-*
 4 *rency;*

5 (D) *the Bureau of Consumer Financial Pro-*
 6 *tection;*

7 (E) *the National Credit Union Administra-*
 8 *tion; and*

9 (F) *the Federal Housing Finance Agency.*

10 (6) *REGULATED ENTITY.*—*The term “regulated*
 11 *entity” means an entity regulated by any financial*
 12 *regulatory agency.*

13 (b) *USE OF ARTIFICIAL INTELLIGENCE BY REGU-*
 14 *LATED FINANCIAL ENTITIES.*—

15 (1) *AI INNOVATION LABS.*—

16 (A) *ESTABLISHMENT.*—*Each financial reg-*
 17 *ulatory agency shall establish, or identify an of-*
 18 *fice, division, or department of the agency that*
 19 *shall serve as, an AI Innovation Lab to enable*
 20 *regulated entities to experiment with AI test*
 21 *projects without unnecessary or unduly burden-*
 22 *some regulation or expectation of enforcement ac-*
 23 *tions, pursuant to the approval of an applica-*
 24 *tion under subparagraph (B).*

25 (B) *APPLICATIONS.*—

1 (i) *SUBMISSION.*—

2 (I) *IN GENERAL.*—On and after
3 the date that is 1 year after the date
4 of enactment of this Act, a regulated
5 entity may submit to the appropriate
6 financial regulatory agency an appli-
7 cation, on a form determined by the
8 appropriate financial regulatory agen-
9 cy, to engage in an AI test project
10 through the AI Innovation Lab estab-
11 lished or identified under subpara-
12 graph (A).

13 (II) *CONTENTS.*—An application
14 submitted under subclause (I) shall in-
15 clude—

16 (aa) a description of the AI
17 test project proposed to be carried
18 out by the regulated entity;

19 (bb) an alternative compli-
20 ance strategy that—

21 (AA) identifies a regula-
22 tion issued by the appro-
23 priate financial regulatory
24 agency that the regulated en-

1 *tity requests be waived or*
2 *modified; and*

3 *(BB) proposes an alter-*
4 *native method for the regu-*
5 *lated entity to comply with*
6 *the regulation, including an*
7 *explanation as to why the al-*
8 *ternative method is essential*
9 *to the operation of the entity*
10 *and how the regulated entity*
11 *would effectively manage*
12 *risks associated with the AI*
13 *test project;*

14 *(cc) an explanation of how*
15 *under the strategy described in*
16 *item (aa), the AI test project—*

17 *(AA) would serve the*
18 *public interest, improve con-*
19 *sumer or investor access to a*
20 *financial product or service,*
21 *or promote consumer or in-*
22 *vestor protection;*

23 *(BB) would enhance ef-*
24 *iciency or operations, foster*
25 *innovation or competitive-*

1 *ness, improve risk manage-*
2 *ment and security, or en-*
3 *hance regulatory compliance;*
4 *(CC) would not present*
5 *a systemic risk to the finan-*
6 *cial system of the United*
7 *States;*

8 *(DD) is consistent with*
9 *the purposes of the anti-*
10 *money laundering and coun-*
11 *tering the financing of ter-*
12 *rorism obligations under sub-*
13 *chapter II of chapter 53 of*
14 *title 31, United States Code;*
15 *and*

16 *(EE) would not present*
17 *a national security risk to*
18 *the United States;*

19 *(dd) a proposed date on*
20 *which the AI test project would*
21 *terminate and an explanation as*
22 *to why such termination date*
23 *would be appropriate;*

1 (ee) proposed limitations on
2 the size, scope, and growth of the
3 AI test project;

4 (ff) a detailed business plan;
5 and

6 (gg) an estimate of the eco-
7 nomic impact of the AI test
8 project if approved.

9 (III) JOINT APPLICATIONS.—Two
10 or more regulated entities may submit
11 a joint application to the same finan-
12 cial regulatory agency under subclause
13 (I).

14 (IV) REGULATIONS OF OTHER
15 AGENCIES.—

16 (aa) IN GENERAL.—A regu-
17 lated entity may submit an appli-
18 cation under this subparagraph
19 that includes an alternative com-
20 pliance strategy for a regulation
21 issued or enforced by a financial
22 regulatory agency that is not the
23 appropriate financial regulatory
24 agency for the regulated entity.

1 (bb) *REQUIREMENTS.—An*
2 *application described in item (aa)*
3 *shall be subject to the same re-*
4 *quirements as an application de-*
5 *scribed in subclause (II), except*
6 *that—*

7 (AA) *the regulated enti-*
8 *ty shall submit the applica-*
9 *tion to the appropriate fi-*
10 *ancial regulatory agency*
11 *and the financial regulatory*
12 *agency that issued or enforces*
13 *the regulation that is the sub-*
14 *ject of the alternative compli-*
15 *ance strategy; and*

16 (BB) *the AI test project*
17 *may not take effect unless the*
18 *appropriate financial regu-*
19 *latory agency and any other*
20 *financial regulatory agency*
21 *that issued or enforces the*
22 *regulation that is the subject*
23 *of the alternative compliance*
24 *strategy jointly approve the*

1 *application using the process*
2 *described in clause (ii).*

3 (V) *NOTICE.*—*A regulated entity*
4 *that is regulated or supervised by more*
5 *than 1 financial regulatory agency*
6 *shall provide notice of any application*
7 *submitted to the appropriate financial*
8 *regulatory agency under this section to*
9 *each financial regulatory agency by*
10 *which it is regulated or supervised not*
11 *later than 5 business days after the en-*
12 *tity submits the application to the ap-*
13 *propriate financial regulatory agency.*

14 (ii) *AGENCY REVIEW.*—

15 (I) *IN GENERAL.*—*Except as pro-*
16 *vided in subclause (IV), not later than*
17 *120 days after the date on which an*
18 *application is submitted to the appro-*
19 *priate financial regulatory agency*
20 *under clause (i), the appropriate fi-*
21 *nancial regulatory agency shall—*

22 (aa) *review the application;*
23 *and*

1 (bb) submit to the applicant
2 in writing a determination of the
3 agency.

4 (II) APPROVAL.—

5 (aa) IN GENERAL.—If the
6 applicant shows that it is more
7 likely than not that the applica-
8 tion meets the requirements for es-
9 tablishing an alternative compli-
10 ance strategy and satisfies the
11 standards described in items (bb)
12 and (cc) of clause (i)(II), the
13 agency shall approve the applica-
14 tion and notify the applicant in
15 writing of—

16 (AA) the regulation that
17 is the subject of the alter-
18 native compliance strategy;

19 (BB) the terms of the al-
20 ternative compliance strategy
21 for the AI test project;

22 (CC) the date on which
23 the AI test project will termi-
24 nate;

1 (DD) any limitations
2 on the size, scope, or growth
3 of the AI test project; and

4 (EE) any additional
5 limitations or conditions on
6 the AI test project, as deter-
7 mined by the appropriate fi-
8 nancial regulatory agency.

9 (bb) EFFECT OF AP-
10 PROVAL.—With respect to an AI
11 test project, except as provided in
12 item (cc), beginning on the date
13 on which an application sub-
14 mitted under clause (i) is ap-
15 proved and ending on the date de-
16 scribed in item (aa)(CC)—

17 (AA) the appropriate fi-
18 nancial regulatory agency
19 may enforce a regulation de-
20 scribed in item (aa)(AA)
21 only in the manner set out
22 in the alternative compliance
23 strategy described in item
24 (aa)(BB); and

1 *(BB) except as provided*
2 *in subclause (III), a finan-*
3 *cial regulatory agency that is*
4 *not the appropriate financial*
5 *regulatory agency may not*
6 *enforce a regulation described*
7 *in item (aa)(AA).*

8 *(cc) ENFORCEMENT BY AN-*
9 *OTHER FINANCIAL REGULATORY*
10 *AGENCY.—With respect to an AI*
11 *test project, a financial regulatory*
12 *agency other than the appropriate*
13 *financial regulatory agency that*
14 *approves an application under*
15 *clause (i)(IV) may enforce a regu-*
16 *lation described in item (aa)(AA)*
17 *if the alternative compliance*
18 *strategy described in item*
19 *(aa)(BB) provides for enforcement*
20 *by such financial regulatory agen-*
21 *cy.*

22 *(dd) RULE OF CONSTRUC-*
23 *TION.—Nothing in this clause*
24 *may be construed to limit the au-*
25 *thority of a financial regulatory*

1 *agency to take an enforcement ac-*
2 *tion against a regulated entity*
3 *with respect to fraud or market*
4 *manipulation or for engaging in*
5 *an unsafe or unsound practice re-*
6 *lating to an AI test project.*

7 *(III) DENIAL.—*

8 *(aa) IN GENERAL.—If an*
9 *agency denies an application sub-*
10 *mitted under clause (i), the agen-*
11 *cy—*

12 *(AA) shall submit to the*
13 *applicant a written notice*
14 *explaining the reason for de-*
15 *nial; and*

16 *(BB) may not take an*
17 *enforcement action related to*
18 *the proposed AI test project*
19 *against the applicant earlier*
20 *than the date that is 30 days*
21 *after the date on which the*
22 *agency submits the written*
23 *notice described in subitem*
24 *(AA).*

1 (bb) *RESUBMITTALS.—Each*
2 *time an application submitted*
3 *under clause (i) is denied, the reg-*
4 *ulated entity—*

5 (AA) *may submit an*
6 *amended application after*
7 *receiving feedback from the*
8 *agency making such denial;*
9 *and*

10 (BB) *may not resubmit*
11 *more than 2 applications*
12 *that are substantially similar*
13 *to the denied application.*

14 (cc) *INJUNCTIVE RELIEF.—*
15 *Notwithstanding item (aa)(BB), a*
16 *financial regulatory agency, by*
17 *and through its own attorneys,*
18 *may file a civil action in an ap-*
19 *propriate United States district*
20 *court to enjoin an active AI test*
21 *project if the agency determines*
22 *that the AI test project presents*
23 *an immediate danger to con-*
24 *sumers or investors or presents a*
25 *risk—*

1 (AA) to financial mar-
2 kets;

3 (BB) in the case of an
4 AI test project engaged in by
5 an insured depository insti-
6 tution or an insured credit
7 union, of loss to a Federal
8 deposit or share insurance
9 fund;

10 (CC) of a violation of
11 anti-money laundering and
12 countering the financing of
13 terrorism obligations under
14 subchapter II of chapter 53
15 of title 31, United States
16 Code; or

17 (DD) to the national se-
18 curity of the United States.

19 (IV) *EXTENSION*.—If the financial
20 regulatory agency needs additional
21 time, the agency may extend the ap-
22 proval deadline by 120 days. After the
23 expiration of the 120-day extension pe-
24 riod, if the agency has not made a de-
25 termination on the application, the ap-

1 *plication will automatically be deemed*
2 *approved and effective.*

3 (V) *ADDITIONAL INFORMATION.*—

4 *Not later than the initial or extended*
5 *approval deadline, as applicable, a fi-*
6 *nancial regulatory agency may request*
7 *additional information from the appli-*
8 *cant.*

9 (iii) *DATA SECURITY.*—*All data sup-*
10 *plied by sponsors of AI test projects to a fi-*
11 *nancial regulatory agency submitted under*
12 *this section shall be stored and maintained*
13 *in a secure manner by the financial regu-*
14 *latory agency, consistent with applicable*
15 *data security standards.*

16 (iv) *REGULATIONS.*—*Not later than*
17 *180 days after the date of enactment of this*
18 *Act, each financial regulatory agency shall*
19 *promulgate regulations that—*

20 (I) *shall be published in the Fed-*
21 *eral Register and provide a 60-day pe-*
22 *riod for public notice and comment;*

23 (II) *include—*

1 (aa) procedures for modi-
2 fying the AI test projects that are
3 approved by the agency;

4 (bb) consequences for failure
5 to comply with the terms of an al-
6 ternative compliance strategy;

7 (cc) a requirement that an
8 AI test project will terminate not
9 earlier than 1 year after the AI
10 test project is approved;

11 (dd) procedures to extend the
12 termination date described in
13 item (cc);

14 (ee) procedures for confiden-
15 tiality; and

16 (ff) procedures for coordi-
17 nating decisions relating to appli-
18 cations submitted jointly by mul-
19 tiple regulated entities or applica-
20 tions submitted to more than one
21 financial regulatory agency.

22 (2) *REPORT.*—Not later than 2 years after the
23 date of enactment of this Act, and each year for 7
24 years thereafter, each financial regulatory agency
25 shall submit to the Committee on Banking, Housing,

1 *and Urban Affairs of the Senate and the Committee*
 2 *on Financial Services of the House of Representatives*
 3 *an annual report on the outcomes of AI test projects.*
 4 *A report under this subsection may not include the*
 5 *names of participating entities or any proprietary or*
 6 *confidential business information. A report under this*
 7 *subsection shall include aggregated findings, trends,*
 8 *and lessons learned from the AI test projects.*

9 (3) *RULE OF CONSTRUCTION.—Nothing in this*
 10 *section may be construed to limit the authority of a*
 11 *financial regulatory agency to take an enforcement*
 12 *action against a regulated entity with respect to*
 13 *fraud or market manipulation relating to an AI test*
 14 *project.*

15 **TITLE VI—PROTECTING SOFT-**
 16 **WARE DEVELOPERS AND**
 17 **SOFTWARE INNOVATION**

18 **SEC. 601. PROTECTING SOFTWARE DEVELOPERS.**

19 (a) *AMENDMENT TO THE SECURITIES ACT OF 1933.—*
 20 *The Securities Act of 1933 (15 U.S.C. 77a et seq.) is amend-*
 21 *ed by inserting after section 27B (15 U.S.C. 77z–2a) the*
 22 *following:*

23 **“SEC. 27C. APPLICATION TO SOFTWARE DEVELOPERS.**

24 **“(a) DISTRIBUTED LEDGER SYSTEM DEFINED.—In**
 25 *this section, the term ‘distributed ledger system’ has the*

1 *meaning given the term in section 2 of the Digital Asset*
 2 *Market Clarity Act.*

3 “(b) *APPLICATION TO SOFTWARE DEVELOPERS.*—Not-
 4 *withstanding any other provision of this Act, a person shall*
 5 *not be subject to this Act and the regulations promulgated*
 6 *under this Act solely based on the person engaging in any*
 7 *of the following activities, whether singly or in combination,*
 8 *in relation to the operation of a distributed ledger system*
 9 *or any component thereof:*

10 “(1) *Compiling network transactions or relay-*
 11 *ing, searching, sequencing, validating, or acting in a*
 12 *similar capacity.*

13 “(2) *Providing computational work, operating a*
 14 *node or oracle service, or procuring, offering, or uti-*
 15 *lizing network bandwidth, or providing other similar*
 16 *incidental services.”.*

17 (b) *AMENDMENT TO THE SECURITIES EXCHANGE ACT*
 18 *OF 1934.*—*The Securities Exchange Act of 1934 (15 U.S.C.*
 19 *78a et seq.) is amended by inserting after section 15G (15*
 20 *U.S.C. 78o–11) the following:*

21 **“SEC. 15H. APPLICATION TO SOFTWARE DEVELOPERS.**

22 “(a) *DEFINITIONS.*—*In this section:*

23 “(1) *CONSTITUTE.*—*The term ‘constitute’ means*
 24 *to compile, assemble, integrate, or otherwise combine*
 25 *software components into a complete software system.*

1 “(2) *DECENTRALIZED FINANCE TRADING PRO-*
2 *TOCOL.*—

3 “(A) *IN GENERAL.*—*The term ‘decentralized*
4 *finance trading protocol’ means a distributed*
5 *ledger system through which multiple partici-*
6 *pants can execute a financial transaction—*

7 “(i) *in accordance with an automated*
8 *rule or algorithm that is predetermined and*
9 *non-discretionary; and*

10 “(ii) *without reliance on a person*
11 *other than the user to maintain custody or*
12 *control of the digital assets subject to the fi-*
13 *nancial transaction.*

14 “(B) *EXCLUSIONS.*—

15 “(i) *IN GENERAL.*—*The term ‘decen-*
16 *tralized finance trading protocol’ does not*
17 *include a distributed ledger system if—*

18 “(I) *a person or group of persons*
19 *under common control or acting pursu-*
20 *ant to an agreement to act in concert*
21 *has the authority, directly or indi-*
22 *rectly, through any contract, arrange-*
23 *ment, understanding, relationship, or*
24 *otherwise, to control or materially alter*
25 *the functionality, operation, or rules of*

1 *consensus or agreement of the distrib-*
2 *uted ledger system;*

3 “(II) *the distributed ledger system*
4 *does not operate, execute, and enforce*
5 *its operations and transactions based*
6 *solely on pre-established, transparent*
7 *rules encoded directly within the source*
8 *code of the distributed ledger system; or*

9 “(III) *a person or group of per-*
10 *sons under common control has the*
11 *unilateral authority, via operation of*
12 *the distributed ledger system, to re-*
13 *strict, censor, or prohibit the use of the*
14 *distributed ledger system, including*
15 *any applicable system-based user activ-*
16 *ity.*

17 “(ii) *SPECIAL RULE.—For purposes of*
18 *clause (i), a decentralized governance sys-*
19 *tem shall not be considered to be a person*
20 *or a group of persons under common control*
21 *or acting pursuant to an agreement to act*
22 *in concert.*

23 “(3) *DEPLOY.—The term ‘deploy’ means to bring*
24 *software or hardware onto a distributed ledger system*
25 *for active use.*

1 “(4) *DIGITAL ASSET; DISTRIBUTED LEDGER AP-*
2 *PLICATION; DISTRIBUTED LEDGER SYSTEM; DISTRIB-*
3 *UTED LEDGER PROTOCOL; DECENTRALIZED GOVERN-*
4 *ANCE SYSTEM; SMART CONTRACT.*—*The terms ‘digital*
5 *asset’, ‘distributed ledger application’, ‘distributed*
6 *ledger system’, ‘distributed ledger protocol’, ‘decentral-*
7 *ized governance system’, and ‘smart contract’ have the*
8 *meanings given those terms in section 2 of the Digital*
9 *Asset Market Clarity Act.*

10 “(5) *DECENTRALIZED FINANCE MESSAGING SYS-*
11 *TEM.*—

12 “(A) *IN GENERAL.*—*The term ‘decentralized*
13 *finance messaging system’ means a software ap-*
14 *plication that provides a user with the ability to*
15 *create or submit an instruction, communication,*
16 *or message to a decentralized finance trading*
17 *protocol.*

18 “(B) *ADDITIONAL REQUIREMENTS.*—*The*
19 *term ‘decentralized finance messaging system’*
20 *does not include any system that provides any*
21 *person other than the user with—*

22 “(i) *control over the funds of the user;*

23 *or*

24 “(ii) *the authority to execute any of*
25 *the transaction of the user.*

1 “(b) *APPLICATION TO SOFTWARE DEVELOPERS.*—Not-
2 *withstanding any other provision of this Act, a person shall*
3 *not be subject to this Act and the regulations promulgated*
4 *under this Act solely based on the person engaging in any*
5 *of the following activities, whether singly or in combination,*
6 *in relation to the operation of a distributed ledger system*
7 *or any component thereof:*

8 “(1) *Compiling network transactions or relay-*
9 *ing, searching, sequencing, validating, or acting in a*
10 *similar capacity.*

11 “(2) *Providing computational work, operating a*
12 *node or oracle service, or procuring, offering, or uti-*
13 *lizing network bandwidth, or providing other similar*
14 *incidental services.*

15 “(3) *Developing, publishing, or constituting—*

16 “(A) *a distributed ledger system; or*

17 “(B) *software or systems that create or uti-*
18 *lize hardware or software, including wallets or*
19 *other systems, that facilitate the ability of a user*
20 *to keep, safeguard, or have custody of the digital*
21 *assets or private keys of the user.*

22 “(c) *RULE OF CONSTRUCTION.*—*Subsection (b)(3) does*
23 *not extend to any activity covered in any of the activities*
24 *described in subparagraphs (A) through (D) of subsection*

1 (d)(1), including activity taken following deployment of
2 such software or hardware.

3 “(d) CLARIFICATION.—

4 “(1) IN GENERAL.—The Commission shall, pur-
5 suant to notice and comment rulemaking, clarify the
6 circumstances under which a person shall not be sub-
7 ject to this Act by reason of engaging solely in 1 or
8 more of the following activities in relation to the op-
9 eration of a decentralized finance trading protocol or
10 any component thereof:

11 “(A) Providing a user interface that enables
12 a user to read and access data.

13 “(B) Administering, maintaining, or other-
14 wise distributing a decentralized governance sys-
15 tem relating to a decentralized finance trading
16 protocol, or a decentralized finance trading pro-
17 tocol.

18 “(C) Administering, maintaining, or other-
19 wise distributing a decentralized finance mes-
20 saging system or operating or participating in a
21 smart contract-based liquidity pool in a decen-
22 tralized finance trading protocol.

23 “(D) Administering, maintaining, or other-
24 wise distributing software or systems that create
25 or deploy hardware or software, including wal-

1 *lets or other systems, that facilitate the ability of*
2 *a user to keep, safeguard, or maintain custody of*
3 *the digital assets or related private keys of the*
4 *user.*

5 *“(2) CONSIDERATIONS.—In providing the clari-*
6 *fication under paragraph (1) the Commission shall—*

7 *“(A) ensure that the rules are consistent*
8 *with the purposes of the securities laws, includ-*
9 *ing the public interest, the protection of inves-*
10 *tors, and the maintenance of fair and orderly*
11 *markets;*

12 *“(B) provide that section 108(a) of the*
13 *Lummis-Gillibrand Responsible Financial Inno-*
14 *vation Act of 2026 shall apply to such rules;*

15 *“(C) protect the rights of software devel-*
16 *opers, publishers, and users to create, publish,*
17 *and use code and software in a manner con-*
18 *sistent with the First Amendment to the Con-*
19 *stitution of the United States; and*

20 *“(D) provide legal clarity for the develop-*
21 *ment, publication, and operation of distributed*
22 *ledger systems and the components therein in a*
23 *manner consistent with the purposes of this sec-*
24 *tion.*

1 “(3) *RULE OF CONSTRUCTION.*—*Nothing in this*
 2 *subsection may be construed to grant the Commission*
 3 *authority over persons, systems, software, or activities*
 4 *that do not otherwise fall within the jurisdiction of*
 5 *the Commission under this Act, or to create a pre-*
 6 *sumption that any such activity is subject to this Act.*

7 “(e) *ANTI-FRAUD, ANTI-MANIPULATION, AND FALSE*
 8 *REPORTING.*—*The determination that a person is not sub-*
 9 *ject to this Act under subsections (b) and (d) shall not apply*
 10 *to the anti-fraud, anti-manipulation, or false reporting en-*
 11 *forcement authorities of the Commission.*

12 “(f) *RULE OF CONSTRUCTION.*—*Nothing in this Act or*
 13 *the rules and regulations promulgated under this Act may*
 14 *be construed to apply any requirement of the securities laws*
 15 *to a digital commodity, as defined in section 2 of the Dig-*
 16 *ital Asset Market Clarity Act, or expand the authority of*
 17 *the Commission beyond that which the Commission had be-*
 18 *fore the date of enactment of the Digital Asset Market Clar-*
 19 *ity Act to regulate the activities described in subsection*
 20 *(d)(1).*

21 “(g) *FEDERAL PREEMPTION.*—

22 “(1) *IN GENERAL.*—*Notwithstanding any other*
 23 *provision of law, no securities, commodities, or dig-*
 24 *ital assets law of any State (or of any political sub-*

1 *division of a State) shall apply to an activity de-*
 2 *scribed in subsection (b).*

3 “(2) *RULE OF CONSTRUCTION.—Nothing in*
 4 *paragraph (1) may be construed to apply to the anti-*
 5 *money laundering, anti-fraud, or anti-manipulation*
 6 *authorities of a State (or of any political subdivision*
 7 *of a State).”.*

8 (c) *APPLICABILITY.—This section, and the amend-*
 9 *ments made by this section, shall apply to conduct occur-*
 10 *ring before, on, or after the date of enactment of this Act.*

11 **SEC. 602. SAFE HARBOR FOR NONFUNGIBLE TOKENS.**

12 (a) *DEFINITIONS.—In this section:*

13 (1) *NONFUNGIBLE TOKEN.—The term “nonfun-*
 14 *gible token” means a digital asset recorded on a dis-*
 15 *tributed ledger that—*

16 (A) *is individually identifiable and distin-*
 17 *guishable from any other digital asset;*

18 (B) *represents ownership of, or rights in, a*
 19 *work of authorship, art, a collectible, a member-*
 20 *ship, an access credential, a certificate of authen-*
 21 *ticity, an in-game or in-application item, or an-*
 22 *other similar specific item or discrete digital or*
 23 *physical good, service, or benefit;*

24 (C) *is not interchangeable on a 1-to-1 basis*
 25 *with any other token or digital asset; and*

1 (D) may be bought, sold, or transferred for
2 consideration.

3 (2) *PROMOTER.*—The term “promoter” means a
4 person or group that manages, controls, or operates
5 an enterprise in which capital is invested, or any
6 person or group acting on behalf of such a person or
7 group with respect to such an enterprise, including
8 an affiliate, agent, or coordinated actor that contrib-
9 utes to the capital raising efforts of the enterprise.

10 (b) *SAFE HARBOR.*—

11 (1) *IN GENERAL.*—Except as provided in para-
12 graph (3), the offer, sale, resale, transfer, or convey-
13 ance of a nonfungible token shall not be deemed to
14 constitute an offer, sale, or distribution of a security
15 or investment contract under the Securities Act of
16 1933 (15 U.S.C. 77a et seq.), the Securities Exchange
17 Act of 1934 (15 U.S.C. 78a et seq.), or any equivalent
18 State law, unless the transaction, in substance, in-
19 volves all of the elements of an investment contract.

20 (2) *RULES OF CONSTRUCTION.*—Neither of the
21 following shall be considered to be a security under
22 the Securities Act of 1933 (15 U.S.C. 77a et seq.) or
23 the Securities Exchange Act of 1934 (15 U.S.C. 78a
24 et seq.):

1 (A) *The resale or secondary market transfer*
 2 *of a nonfungible token, where the payment for*
 3 *that resale or transfer does not flow to a pro-*
 4 *moter or is not used to raise new capital for an*
 5 *enterprise.*

6 (B) *A nonfungible token that serves as a*
 7 *collectible, membership right, event ticket, access*
 8 *credential, or other non-investment-based use*
 9 *case solely because the nonfungible token may*
 10 *appreciate in value or depend in part on the*
 11 *continued efforts or the reputation of the creator*
 12 *or issuer of the nonfungible token.*

13 (3) *EXCEPTIONS.—The safe harbor under para-*
 14 *graph (1) shall not apply to—*

15 (A) *a mass-minted series of items with sub-*
 16 *stantially similar or nearly identical traits that*
 17 *are marketed or sold interchangeably;*

18 (B) *a fractionalized interest in a nonfun-*
 19 *gible token; or*

20 (C) *an interest representing a beneficial or*
 21 *economic claim on a nonfungible token or an*
 22 *asset that a nonfungible token represents.*

23 (4) *RELIANCE; PROSPECTIVE EFFECT.—*

24 (A) *RELIANCE.—A person, other than an*
 25 *originator or related person, that reasonably and*

1 *in good faith relies on the safe harbor under this*
 2 *subsection shall not be subject to any civil or ad-*
 3 *ministrative penalties.*

4 *(B) PROSPECTIVE EFFECT.—Any deter-*
 5 *mination by the Commission that the safe harbor*
 6 *under this subsection does not apply to a par-*
 7 *ticular circumstance shall—*

8 *(i) be prospective only; and*

9 *(ii) take effect not earlier than 60 days*
 10 *after the date on which the Commission*
 11 *publicly posts that determination.*

12 **SEC. 603. STUDY ON NONFUNGIBLE TOKENS.**

13 *(a) DEFINITION.—In this section, the term “nonfun-*
 14 *gible token” has the meaning given the term in section 602.*

15 *(b) STUDY.—The Comptroller General of the United*
 16 *States shall carry out a study of nonfungible tokens that*
 17 *analyzes—*

18 *(1) the nature, size, role, purpose, and use of*
 19 *nonfungible tokens;*

20 *(2) the similarities and differences between non-*
 21 *fungible tokens and other digital commodities, includ-*
 22 *ing digital commodities and payment stablecoins, and*
 23 *how the markets for those digital commodities inter-*
 24 *sect;*

1 (3) *how nonfungible tokens are minted by issuers*
2 *and subsequently distributed to purchasers;*

3 (4) *how nonfungible tokens are stored after being*
4 *purchased by a consumer;*

5 (5) *the interoperability of nonfungible tokens be-*
6 *tween different distributed ledger systems;*

7 (6) *the scalability of different nonfungible token*
8 *marketplaces;*

9 (7) *the benefits of nonfungible tokens, including*
10 *verifiable digital ownership;*

11 (8) *the risks of nonfungible tokens, including—*

12 (A) *the infringement of intellectual property*
13 *rights;*

14 (B) *cybersecurity risks; and*

15 (C) *market risks;*

16 (9) *whether and how nonfungible tokens have*
17 *been, or could be, integrated with traditional market-*
18 *places, including marketplaces for music, real estate,*
19 *gaming, events, and travel;*

20 (10) *whether and how nonfungible tokens have*
21 *been, or could be, used to facilitate commerce or other*
22 *activities through the representation of documents,*
23 *identification, contracts, licenses, and other commer-*
24 *cial, governmental, or personal records;*

1 (11) any risks to traditional markets from the
2 integration described in paragraph (9); and

3 (12) the levels and types of illicit activity in
4 nonfungible token markets.

5 (c) *REPORT*.—Not later than 1 year after the date of
6 enactment of this Act, the Comptroller General of the United
7 States shall make publicly available a report that includes
8 the results of the study required under subsection (b).

9 **SEC. 604. BLOCKCHAIN REGULATORY CERTAINTY ACT.**

10 (a) *SHORT TITLE*.—This section may be cited as the
11 “Blockchain Regulatory Certainty Act”.

12 (b) *DEFINITIONS*.—In this section:

13 (1) *DEVELOPER OR PROVIDER*.—The term “de-
14 veloper or provider” means any person or business
15 that creates or publishes software to facilitate the cre-
16 ation of, or provide maintenance to, a distributed
17 ledger, or a service associated with a distributed ledg-
18 er.

19 (2) *DISTRIBUTED LEDGER SERVICE*.—The term
20 “distributed ledger service” means any information,
21 transaction, or computing service or system that pro-
22 vides or enables access to a distributed ledger system
23 by multiple users, including a service or system that
24 enables users to send, receive, exchange, or store dig-
25 ital assets described by distributed ledger systems.

1 (3) *NON-CONTROLLING DEVELOPER OR PRO-*
2 *VIDER.—The term “non-controlling developer or pro-*
3 *vider” means a developer or provider of a distributed*
4 *ledger service that, in the regular course of operations,*
5 *does not have the legal right or the unilateral and*
6 *independent ability to control, initiate upon demand,*
7 *or effectuate transactions involving digital assets to*
8 *which users are entitled, without the approval, con-*
9 *sent, or direction of any third party.*

10 (c) *TREATMENT.—Notwithstanding any other provi-*
11 *sion of law, a non-controlling developer or provider—*

12 (1) *shall not be treated as—*

13 (A) *a money transmitting business, as de-*
14 *finied in section 5330 of title 31, United States*
15 *Code, and the regulations promulgated under*
16 *that section; or*

17 (B) *engaged in money transmitting, as de-*
18 *finied in section 1960 of title 18, United States*
19 *Code; and*

20 (2) *on or after the date of enactment of this Act,*
21 *shall not be otherwise subject to any registration re-*
22 *quirement that is substantially similar to a require-*
23 *ment (as in effect on the day before the date of enact-*
24 *ment of this Act) that applies to an entity described*

1 in subparagraph (A) or (B) of paragraph (1), solely
 2 on the basis of—

3 (A) creating or publishing software to fa-
 4 cilitate the creation of, or providing maintenance
 5 services to, a distributed ledger or a service asso-
 6 ciated with a distributed ledger;

7 (B) providing hardware or software to fa-
 8 cilitate a customer's own custody or safekeeping
 9 of the digital assets of the customer; or

10 (C) providing infrastructure support to
 11 maintain a distributed ledger service.

12 (d) *CLARIFICATION OF TREATMENT.*—Subsection (c)
 13 shall not modify the application of section 1960(b)(1)(C)
 14 of title 18, United States Code, to any person (referred to
 15 in this subsection as the “initial person”) that acts with
 16 the specific intent to transfer, on behalf of another person,
 17 funds that are known by the initial person to be—

18 (1) derived from a criminal offense; or

19 (2) intended to be used to promote or support
 20 unlawful activity.

21 (e) *RULES OF CONSTRUCTION.*—Nothing in this sec-
 22 tion may be construed—

23 (1) to affect whether a developer or provider of
 24 a distributed ledger service is otherwise subject to
 25 classification or treatment as a money transmitter, or

1 *as engaged in money transmitting, under applicable*
2 *Federal or State law, including laws relating to anti-*
3 *money laundering or countering the financing of ter-*
4 *rorism, based on conduct outside the scope of sub-*
5 *section (c);*

6 *(2) to affect whether a developer or provider is*
7 *otherwise subject to classification or treatment as a fi-*
8 *nancial institution under subchapter II of chapter 53*
9 *of title 31, United States Code, this Act, any amend-*
10 *ment made by this Act, or any Act enacted after the*
11 *date of enactment of this Act, based on conduct out-*
12 *side the scope of subsection (c);*

13 *(3) to limit or expand any law pertaining to in-*
14 *tellectual property;*

15 *(4) to prevent any State from enforcing any*
16 *State law that is consistent with this section; or*

17 *(5) to create a cause of action or impose liability*
18 *under any State or local law that is inconsistent with*
19 *this section.*

20 **SEC. 605. KEEP YOUR COINS ACT.**

21 *(a) SHORT TITLE.—This section may be cited as the*
22 *“Keep Your Coins Act”.*

23 *(b) DEFINITIONS.—In this section:*

24 *(1) COVERED USER.—The term “covered user”*
25 *means a United States individual who obtains digital*

1 *assets to purchase goods or services on behalf of that*
2 *individual, without regard to the method in which*
3 *that individual obtained those digital assets.*

4 (2) *SELF-HOSTED WALLET.*—*The term “self-*
5 *hosted wallet” means a digital interface—*

6 (A) *that is used to secure and transfer dig-*
7 *ital assets; and*

8 (B) *under which the owner of digital assets*
9 *secured and transferred under subparagraph (A)*
10 *retains independent control over those digital as-*
11 *sets.*

12 (c) *SELF-CUSTODY.*—*A Federal agency may not pro-*
13 *hibit, restrict, or otherwise impair the ability of a covered*
14 *user to self-custody digital assets using a self-hosted wallet*
15 *or other means to conduct transactions for any lawful pur-*
16 *pose.*

17 (d) *RULE OF CONSTRUCTION.*—*Nothing in this section*
18 *may be construed to limit the authority of the Secretary*
19 *of the Treasury, the Commission, the Commodity Futures*
20 *Trading Commission, the Board of Governors of the Federal*
21 *Reserve System, the Comptroller of the Currency, the Fed-*
22 *eral Deposit Insurance Corporation, or the National Credit*
23 *Union Administration to carry out any enforcement action*
24 *or special measure authorized under applicable law, includ-*
25 *ing—*

(1) *the Bank Secrecy Act, section 9714 of the Combating Russian Money Laundering Act (31 U.S.C. 5318A note), and section 7213A of the Fentanyl Sanctions Act (21 U.S.C. 2313a); or*

(2) *any other law relating to illicit finance, money laundering, terrorism financing, or United States sanctions.*

TITLE VII—PROTECTING CUSTOMER PROPERTY

SEC. 701. CUSTOMER PROPERTY PROTECTIONS FOR ANCIL- LARY ASSETS AND DIGITAL COMMODITIES IN BANKRUPTCY.

(a) *DEFINITIONS FOR STOCKBROKER LIQUIDATION.—*

(1) *IN GENERAL.—Section 741 of title 11, United States Code, is amended—*

(A) *by redesignating paragraphs (5) through (9) as paragraphs (7) through (11), respectively;*

(B) *by redesignating paragraphs (1) through (4) as paragraphs (2) through (5), respectively;*

(C) *by inserting before paragraph (2), as so redesignated, the following:*

1 “(1) ‘ancillary asset’ has the meaning given that
2 term in section 2 of the Digital Asset Market Clarity
3 Act;”;

4 (D) in paragraph (3), as so redesignated—

5 (i) in subparagraph (A)(vi), by strik-
6 ing “and” at the end;

7 (ii) by redesignating subparagraph (B)
8 as subparagraph (C);

9 (iii) by inserting after subparagraph
10 (A) the following:

11 “(B) entity with whom a person deals as
12 principal or agent and that has a claim against
13 such person on account of a digital commodity
14 or an ancillary asset received, acquired, or held
15 by such person from or for the securities account
16 or accounts of such entity for 1 or more of the
17 purposes identified in clauses (i) through (vi) of
18 subparagraph (A) of this paragraph; and”; and

19 (iv) in subparagraph (C), as so redес-
20 ignated—

21 (I) in clause (i)—

22 (aa) by inserting “, ancillary
23 asset, or digital commodity” after
24 “security”; and

1 (bb) by inserting “or (B)”

2 after “subparagraph (A)”; and

3 (II) in clause (ii), by inserting

4 “an ancillary asset, a digital com-
5 modity,” after “a security,”;

6 (E) in paragraph (5), as so redesignated, in
7 the matter preceding subparagraph (A), by in-
8 serting “ancillary asset, digital commodity,”
9 after “cash, security,” each place it appears;

10 (F) by inserting after paragraph (5), as so
11 redesignated, the following:

12 “(6) ‘digital commodity’ has the meaning given
13 that term in section 2 of the Digital Asset Market
14 Clarity Act;”; and

15 (G) in paragraph (8), as so redesignated, in
16 subparagraph (A)(i), by inserting “, ancillary
17 asset positions, and digital commodities posi-
18 tions” after “securities positions”.

19 (b) *EXTENT OF CUSTOMER CLAIMS.*—Section 746(b)
20 of title 11, United States Code, is amended, in the matter
21 preceding paragraph (1), by striking “cash or a security”
22 and inserting “cash, a security, an ancillary asset, or a
23 digital commodity”.

24 (c) *TECHNICAL AND CONFORMING AMENDMENTS.*—

1 (1) *Section 546(e) of title 11, United States*
2 *Code, is amended—*

3 (A) *by striking “section 741(7)” and insert-*
4 *ing “section 741”; and*

5 (B) *by striking “section 761(4)” and insert-*
6 *ing “section 761”.*

7 (2) *Section 561(a) of title 11, United States*
8 *Code, is amended—*

9 (A) *in paragraph (1), by striking “section*
10 *741(7)” and inserting “section 741”; and*

11 (B) *in paragraph (2), by striking “section*
12 *761(4)” and inserting “section 761”.*

13 (3) *Section 752(c) of title 11, United States*
14 *Code, is amended by striking “section 741(4)(B)” and*
15 *inserting “section 741(5)(B)”.*

16 (d) *CLARIFICATIONS.—For the avoidance of doubt—*

17 (1) *nothing in this section or an amendment*
18 *made by this section may be construed to apply to se-*
19 *curities or cash held by a broker-dealer and such as-*
20 *sets and related claims shall be governed exclusively*
21 *by the Securities Investor Protection Act of 1970 (15*
22 *U.S.C. 78aaa et seq.);*

23 (2) *nothing in this section or an amendment*
24 *made by this section may be construed to apply to de-*

1 *posits held by a bank or commodity contracts, which*
 2 *shall be governed by the relevant applicable law; and*
 3 (3) *in any liquidation proceeding under sub-*
 4 *chapter III or IV of chapter 7 of title 11, United*
 5 *States Code, those provisions shall be construed to*
 6 *treat ancillary assets and digital commodities held for*
 7 *customers as customer property governed by title 11,*
 8 *United States Code, and required to be distributed ac-*
 9 *cording to such title.*

10 **SEC. 702. INSOLVENCY SAFE HARBOR.**

11 (a) *DEFINITIONS.—In this section:*

12 (1) *COMMODITY BROKER; FINANCIAL INSTITU-*
 13 *TION; FINANCIAL PARTICIPANT; SECURITIES CLEARING*
 14 *AGENCY; STOCKBROKER.—The terms “commodity*
 15 *broker”, “financial institution”, “financial partici-*
 16 *pant”, “securities clearing agency”, and “stockbroker”*
 17 *have the meanings given those terms in section 101 of*
 18 *title 11, United States Code.*

19 (2) *COMMODITY CONTRACT.—The term “com-*
 20 *modity contract” means a commodity contract de-*
 21 *scribed in paragraph (4)(A) of section 761 of title 11,*
 22 *United States Code.*

23 (b) *SAFE HARBOR.—A purchase, sale, or loan of, a*
 24 *margin loan or other extension of credit on, or a repurchase,*
 25 *reverse repurchase, or other transaction involving, a unit*

1 *of a digital commodity occurring with a commodity broker,*
 2 *stockbroker, financial institution, financial participant, or*
 3 *securities clearing agency shall be deemed to be—*

4 *(1) a commodity contract for purposes of—*

5 *(A) sections 362(b)(6), 362(o), 546(e), 553,*
 6 *556, 561, and 562 of title 11, United States*
 7 *Code;*

8 *(B) section 11 of the Federal Deposit Insur-*
 9 *ance Act (12 U.S.C. 1821);*

10 *(C) section 210 of the Dodd-Frank Wall*
 11 *Street Reform and Consumer Protection Act (12*
 12 *U.S.C. 5390); and*

13 *(D) section 5(b)(2)(C) of the Securities In-*
 14 *vestor Protection Act of 1970 (15 U.S.C.*
 15 *78eee(b)(2)(C)); and*

16 *(2) a margin payment for purposes of section*
 17 *548(d)(2)(B) of title 11, United States Code.*

18 ***TITLE VIII—CUSTOMER***
 19 ***PROTECTION***

20 ***SEC. 801. EDUCATIONAL MATERIALS.***

21 *The Commission and the Commodity Futures Trading*
 22 *Commission shall require digital asset intermediaries to*
 23 *provide clear and accessible educational materials to the*
 24 *public, including—*

1 (1) *an overview of how distributed ledger systems*
 2 *function;*

3 (2) *a description of common risks associated*
 4 *with digital assets;*

5 (3) *a description of the differences between dig-*
 6 *ital asset markets and traditional financial markets;*

7 (4) *information on reporting and disclosure re-*
 8 *quirements related to digital asset transactions and*
 9 *securities which may be accompanied by network to-*
 10 *kens or ancillary assets; and*

11 (5) *guidance on recognizing fraudulent schemes*
 12 *and instructions for reporting suspected fraud.*

13 **SEC. 802. SAVINGS CLAUSES.**

14 (a) *DEFINITIONS.—In this section:*

15 (1) *DIGITAL CONSUMER TOKEN.—The term “dig-*
 16 *ital consumer token” means a digital asset that is*
 17 *primarily acquired for a consumptive purpose, in-*
 18 *cluding redemption for a specified good or service at*
 19 *the time of sale or within a reasonable time after sale,*
 20 *as defined by the Federal Trade Commission pursu-*
 21 *ant to rule.*

22 (2) *NONFUNGIBLE TOKEN.—The term “nonfun-*
 23 *gible token” means a digital asset recorded on a dis-*
 24 *tributed ledger that—*

1 (A) is individually identifiable and distin-
2 guishable from any other digital asset;

3 (B) represents ownership of, or rights in, a
4 work of authorship, art, a collectible, a member-
5 ship, an access credential, a certificate of authen-
6 ticity, an in-game or in-application item, or an-
7 other similar specific item or discrete digital or
8 physical good, service, or benefit;

9 (C) is not interchangeable on a 1-to-1 basis
10 with any other token or digital asset; and

11 (D) may be bought, sold, or transferred for
12 consideration.

13 (b) *FEDERAL TRADE COMMISSION*.—Nothing in this
14 Act, or any amendment made by this Act, may be construed
15 as limiting or abridging the jurisdiction of the Federal
16 Trade Commission with respect to—

17 (1) investigations or enforcement actions under
18 the Federal Trade Commission Act (15 U.S.C. 41 et
19 seq.) relating to unfair or deceptive acts or practices
20 by persons relating to commerce in nonfungible tokens
21 or digital consumer tokens, including deceptive acts
22 with respect to advertising and endorsements relating
23 to nonfungible tokens and digital consumer tokens;

1 (2) *highlighting best practices relating to com-*
 2 *merce in nonfungible tokens or digital consumer to-*
 3 *kens;*

4 (3) *promoting responsible innovation;*

5 (4) *consumer education relating to fraudulent*
 6 *digital asset activity; or*

7 (5) *investigating unlawful restraints of trade in*
 8 *the digital asset industry.*

9 (c) **RULE OF CONSTRUCTION.**—*Nothing in this Act, or*
 10 *any amendment made by this Act, may be construed to ex-*
 11 *pand, contract, or otherwise affect the jurisdiction or au-*
 12 *thority with respect to the Federal consumer financial laws*
 13 *under the Consumer Financial Protection Act of 2010 (12*
 14 *U.S.C. 5481 et seq.), as in effect on the day before the date*
 15 *of enactment of this Act, including with respect to sub-*
 16 *section (i) or (j) of section 1027 of the Consumer Financial*
 17 *Protection Act of 2010 (12 U.S.C. 5517).*

18 **SEC. 803. STUDY ON EXPANDING FINANCIAL LITERACY.**

19 (a) **STUDY.**—*The Commission and the Commodity Fu-*
 20 *tures Trading Commission shall jointly conduct a study to*
 21 *identify—*

22 (1) *the existing (as of the day before the date of*
 23 *enactment of this Act) level of financial literacy*
 24 *among retail digital asset customers;*

1 (2) *methods to improve the timing, content, and*
2 *format of financial literacy materials regarding dig-*
3 *ital assets provided by the respective commissions;*

4 (3) *methods to improve coordination between the*
5 *Commission and the Commodity Futures Trading*
6 *Commission with other agencies, including the Finan-*
7 *cial Literacy and Education Commission, nonprofit*
8 *organizations, and State and local jurisdictions, to*
9 *better disseminate financial literacy materials;*

10 (4) *the efficacy of current financial literacy ef-*
11 *forts with a focus on rural communities and commu-*
12 *nities with majority-minority populations;*

13 (5) *the most useful and understandable relevant*
14 *information, including clear disclosures, that retail*
15 *digital asset customers need to make informed finan-*
16 *cial decisions before engaging with or purchasing a*
17 *digital asset;*

18 (6) *the most effective public-private partnerships*
19 *in providing financial literacy regarding digital as-*
20 *sets;*

21 (7) *the most relevant metrics to measure success-*
22 *ful improvement of the financial literacy of an indi-*
23 *vidual after engaging with financial literacy efforts;*
24 *and*

1 (8) *in consultation with the Financial Literacy*
 2 *and Education Commission, a strategy (including, to*
 3 *the extent practicable, measurable goals and objec-*
 4 *tives) to increase financial literacy of investors re-*
 5 *garding digital assets.*

6 (b) *REPORT.*—*Not later than 1 year after the date of*
 7 *enactment of this Act, the Commission and the Commodity*
 8 *Futures Trading Commission shall jointly submit to the*
 9 *Committee on Banking, Housing, and Urban Affairs and*
 10 *the Committee on Agriculture, Nutrition, and Forestry of*
 11 *the Senate and the Committee on Financial Services and*
 12 *the Committee on Agriculture of the House of Representa-*
 13 *tives a written report on the study required under sub-*
 14 *section (a).*

15 **SEC. 804. CONSULTATION WITH SIPC REGARDING MANDA-**
 16 **TORY BROKER-DEALER DISCLOSURES TO IN-**
 17 **VESTORS CONCERNING THE STATUS OF PAY-**
 18 **MENT STABLECOINS AND DIGITAL COMMOD-**
 19 **ITIES.**

20 (a) *DEFINITION.*—*In this section, the term “payment*
 21 *stablecoin” has the meaning given the term in section 2 of*
 22 *the GENIUS Act (12 U.S.C. 5901).*

23 (b) *RULES.*—*Not later than 270 days after the date*
 24 *of enactment of this Act, the Commission, after consultation*
 25 *with the Commodity Futures Trading Commission and the*

1 *Securities Investor Protection Corporation, shall issue rules*
2 *requiring written disclosures regarding the treatment of*
3 *customer assets in the event of an insolvency, resolution,*
4 *or liquidation proceeding to be provided by a registered*
5 *broker or dealer to an investor—*

6 (1) *before a digital commodity, a payment*
7 *stablecoin, or a security involving a unit of a digital*
8 *commodity is received, acquired, or held by the broker*
9 *or dealer for the account of the investor; and*

10 (2) *after the provision of the disclosures under*
11 *paragraph (1), at such frequency as the Commission*
12 *may prescribe.*

13 (c) *CONTENTS.—The rules issued under subsection (b)*
14 *shall include, as necessary or appropriate for the protection*
15 *of investors—*

16 (1) *a description of the manner in which any*
17 *digital commodity, payment stablecoin, or security*
18 *involving a unit of a digital commodity received, ac-*
19 *quired, or held by a broker or dealer for the account*
20 *of an investor would be treated in an insolvency, reso-*
21 *lution, or liquidation proceeding with respect to the*
22 *broker or dealer under—*

23 (A) *title II of the Dodd-Frank Wall Street*
24 *Reform and Consumer Protection Act (12 U.S.C.*
25 *5381 et seq.);*

1 (B) the Securities Investor Protection Act of
2 1970 (15 U.S.C. 78aaa et seq.); or

3 (C) as applicable, chapter 7 or 11 of title
4 11, United States Code; and

5 (2) how the treatment described in paragraph
6 (1) differs from the treatment of securities and cash
7 received, acquired, or held by the broker or dealer for
8 the account of the applicable investor in the event of
9 an insolvency, resolution, or liquidation proceeding
10 with respect to the broker or dealer under each provi-
11 sion of law described in subparagraph (A), (B), and
12 (C) of paragraph (1).

13 ***TITLE IX—OTHER MATTERS***

14 ***SEC. 901. JOINT ADVISORY COMMITTEE ON DIGITAL AS-*** 15 ***SETS.***

16 (a) *ESTABLISHMENT.*—The Commodity Futures Trad-
17 ing Commission and the Commission (referred to collec-
18 tively in this section as the “Commissions”) shall jointly
19 establish the Joint Advisory Committee on Digital Assets
20 (referred to in this section as the “Committee”).

21 (b) *PURPOSE.*—

22 (1) *IN GENERAL.*—The Committee shall—

23 (A) provide the Commissions with official
24 findings and nonbinding recommendations on—

1 (i) the rules, regulations, oversight, and
2 other matters of the Commissions relating to
3 digital assets, including with respect to reg-
4 ulatory harmonization between the Commis-
5 sions;

6 (ii) how to further the regulatory har-
7 monization of digital asset policy between
8 the Commissions or areas in which that
9 harmonization should occur; and

10 (iii) the implementation by the Com-
11 missions of this Act, and the amendments
12 made by this Act, including with respect to
13 regulatory harmonization between the Com-
14 missions, memoranda of understanding,
15 and the CFTC-SEC Micro-Innovation
16 Sandbox established pursuant to section
17 501;

18 (B) develop and share objective methods and
19 best practices for evaluating digital asset net-
20 works and activities, including, as appropriate,
21 technical features, economic design, and implica-
22 tions for market integrity, investor protection,
23 and operational resilience; and

1 (C) issue nonbinding recommendations to
2 assist in resolving disputes between the Commis-
3 sions.

4 (c) *REVIEW BY THE COMMISSIONS.*—Each of the Com-
5 missions shall—

6 (1) review the findings and nonbinding rec-
7 ommendations provided under subsection (b)(1)(A);

8 (2) promptly publish a public statement each
9 time the Committee submits a finding or nonbinding
10 recommendation to the applicable Commission under
11 subsection (b)(1)(A) that—

12 (A) assesses the finding or recommendation;
13 and

14 (B) if applicable, discloses the action or de-
15 cision not to take action; and

16 (3) provide the Committee with a formal written
17 response not later than 90 days after the date of sub-
18 mission of a finding or nonbinding recommendation
19 under subsection (b)(1)(A).

20 (d) *MEMBERSHIP AND LEADERSHIP.*—

21 (1) *NON-FEDERAL MEMBERS; SIZE AND COMPOSI-*
22 *TION.*—

23 (A) *IN GENERAL.*—The Commissions shall
24 appoint to the Committee not more than 14 non-
25 governmental voting members who—

1 (i) represent a broad spectrum of inter-
2 ests, equally divided between the Commis-
3 sions; and

4 (ii) serve at the pleasure of the ap-
5 pointing Commission.

6 (B) *SPECIFIC MEMBERS.*—For each of the
7 Commissions, the appointees under subpara-
8 graph (A) of this paragraph shall include—

9 (i) 2 individuals described in para-
10 graph (2)(A);

11 (ii) 2 individuals described in para-
12 graph (2)(B);

13 (iii) 1 individual described in para-
14 graph (2)(C);

15 (iv) 2 individuals described in para-
16 graph (2)(D); and

17 (v) 1 individual described in para-
18 graph (2)(E).

19 (2) *MEMBERS DESCRIBED.*—A member described
20 in this paragraph is—

21 (A) an individual who is employed by, or
22 is a related person with respect to, a digital asset
23 market participant;

1 (B) a person registered with either of the
2 Commissions and that is engaged in activities
3 relating to digital assets;

4 (C) an individual engaged in academic re-
5 search relating to digital assets;

6 (D) a retail user of digital assets; and

7 (E) a State securities regulator.

8 (3) NIST.—The Director of the National Insti-
9 tute of Standards and Technology, or the designee of
10 the Director, shall serve in an advisory capacity as
11 a nonvoting, *ex officio* member of the Committee, and
12 shall not be excluded from any proceedings, meetings,
13 discussions, or deliberations of the Committee, except
14 that the chair of the Committee, upon an affirmative
15 vote of the Committee, may exclude the Director or
16 the designee from any proceedings, meetings, discus-
17 sions, or deliberations of the Committee when nec-
18 essary to safeguard and promote the free exchange of
19 confidential information.

20 (4) CO-DESIGNATED FEDERAL OFFICERS; COM-
21 MISSIONER SUPPORT.—

22 (A) CO-DESIGNATED FEDERAL OFFICERS.—

23 (i) IN GENERAL.—Each Commission
24 shall designate 1 Federal officer to serve as

1 *a co-designated Federal officer of the Com-*
2 *mittee.*

3 (ii) *SHARED DUTIES.*—*The duties re-*
4 *quired by section 1009(e) of title 5, United*
5 *States Code, to be carried out by a des-*
6 *ignated officer or employee of the Federal*
7 *Government with respect to the Committee*
8 *shall be shared by the Federal officers of the*
9 *Committee who are co-designated under*
10 *clause (i).*

11 (B) *COMMISSIONER SUPPORT.*—

12 (i) *IN GENERAL.*—*Commissioners of*
13 *the Commissions may be supported by offi-*
14 *cers or employees of the respective Commis-*
15 *sion who may prepare or transmit mate-*
16 *rials, coordinate with agency staff, liaise*
17 *with Committee leadership, propose agenda*
18 *items, gather information, and otherwise*
19 *support the participation of that commis-*
20 *sioner in Committee business, in an ex offi-*
21 *cio, nonvoting capacity.*

22 (ii) *RULE OF CONSTRUCTION.*—*An of-*
23 *ficer or employee described in clause (i)*
24 *shall not be considered to be a member of*

1 the Committee for purposes of chapter 10 of
2 title 5, United States Code.

3 (C) *INFORMATION SHARING.*—The co-des-
4 ignated Federal officers under subparagraph (A)
5 and the officers or employees of the respective
6 Commissions providing support under subpara-
7 graph (B) shall share information about digital
8 asset activities under this Act, in accordance
9 with section 902, including with regard to pre-
10 venting insider trading.

11 (5) *COMMITTEE LEADERSHIP.*—The members of
12 the Committee shall elect, from among the member-
13 ship of the Committee, a secretary and an assistant
14 secretary.

15 (6) *ROTATING CHAIR.*—The chair and vice chair
16 of the Committee shall rotate annually between the
17 Commissions, with the Commission designating the
18 chair in even-numbered calendar years, the Com-
19 modity Futures Trading Commission designating the
20 chair in odd-numbered calendar years, the Commis-
21 sion designating the vice chair in odd-numbered cal-
22 endar years, and the Commodity Futures Trading
23 Commission designating the vice chair in even-num-
24 bered calendar years.

25 (7) *TERMS; VACANCIES; HOLDOVER.*—

1 (A) *IN GENERAL.*—Each non-Federal mem-
2 ber of the Committee shall be appointed for a
3 term of 4 years.

4 (B) *SERVICE UNTIL NEW APPOINTMENT.*—A
5 member of the Committee may continue to serve
6 after the expiration of the term of the member
7 until a successor is appointed.

8 (C) *VACANCIES.*—A vacancy with respect to
9 membership in the Committee shall be filled only
10 for the remainder of the applicable term.

11 (D) *REAPPOINTMENT.*—A member of the
12 Committee may be reappointed.

13 (8) *STATUS OF MEMBERS.*—A member of the
14 Committee appointed under paragraph (1) shall not
15 be deemed to be an employee or agent of either of the
16 Commissions solely by reason of membership on the
17 Committee.

18 (e) *NO COMPENSATION FOR COMMITTEE MEMBERS.*—

19 (1) *NON-FEDERAL MEMBERS.*—All Committee
20 members appointed under subsection (d)(1) shall—

21 (A) serve without compensation; and

22 (B) while away from the home or regular
23 place of business of the member in the perform-
24 ance of services for the Committee, be allowed
25 travel expenses, including per diem in lieu of

1 *subsistence, in the same manner as persons em-*
 2 *ployed intermittently in Government service are*
 3 *allowed expenses under section 5703 of title 5,*
 4 *United States Code.*

5 (2) *NO COMPENSATION FOR CO-DESIGNATED*
 6 *FEDERAL OFFICERS.—The Federal officers co-des-*
 7 *ignated under subsection (d)(4)(A) shall serve without*
 8 *compensation in addition to that received for their*
 9 *services as officers or employees of the United States.*

10 (f) *FREQUENCY OF MEETINGS.—The Committee shall*
 11 *meet—*

12 (1) *not less frequently than twice annually; and*

13 (2) *at such other times as either of the Commis-*
 14 *sions may request.*

15 (g) *PROCEDURES; ADVISORY NATURE.—*

16 (1) *IN GENERAL.—The Committee shall operate*
 17 *pursuant to chapter 10 of title 5, United States Code,*
 18 *except as otherwise expressly provided by this section.*

19 (2) *ADVISORY NATURE OF RECOMMENDATIONS.—*
 20 *The recommendations of the Committee are advisory*
 21 *in nature, shall not create any legal rights or obliga-*
 22 *tions, and shall not limit or delay the independent*
 23 *authority of either of the Commissions.*

24 (h) *TIME LIMITS.—The Commissions shall—*

1 (1) *not later than 90 days after the date of en-*
2 *actment of this Act, adopt a joint charter for the*
3 *Committee;*

4 (2) *not later than 120 days after the date of en-*
5 *actment of this Act, make the appointments required*
6 *under subsection (d)(1); and*

7 (3) *not later than 180 days after the date of en-*
8 *actment of this Act, hold the initial meeting of the*
9 *Committee.*

10 (i) *FUNDING.—Subject to the availability of funds, the*
11 *Commissions shall jointly fund the Committee.*

12 (j) *DURATION AND RENEWAL.—*

13 (1) *INITIAL PERIOD.—The Committee shall re-*
14 *main in effect for 10 years beginning on the date of*
15 *enactment of this Act.*

16 (2) *RENEWAL THEREAFTER.—At the conclusion*
17 *of the 10-year period described in paragraph (1)—*

18 (A) *the Committee shall be subject to sub-*
19 *sections (a) and (b) of section 1013 of title 5,*
20 *United States Code; and*

21 (B) *the Commissions may renew the Com-*
22 *mittee for successive 2-year periods by publishing*
23 *a notice in the Federal Register, consistent with*
24 *chapter 10 of title 5, United States Code.*

1 **SEC. 902. MEMORANDUM OF UNDERSTANDING.**

2 (a) *MEMORANDUM OF UNDERSTANDING.*—*The Com-*
3 *mission shall enter into a memorandum of understanding*
4 *with the Commodity Futures Trading Commission to en-*
5 *sure—*

6 (1) *coordinated supervision and enforcement*
7 *with respect to registrants of the Commission and the*
8 *Commodity Futures Trading Commission, including*
9 *with regard to—*

10 (A) *the anti-fraud and anti-manipulation*
11 *authorities of the Commission, such as with re-*
12 *gard to insider trading; and*

13 (B) *the market integrity authorities of the*
14 *Commodity Futures Trading Commission; and*

15 (2) *appropriate information sharing between the*
16 *Commission and the Commodity Futures Trading*
17 *Commission to further the purposes of and compli-*
18 *ance with this Act, the amendments made by this Act,*
19 *the Securities Act of 1933 (15 U.S.C. 77a et seq.) (as*
20 *amended by this Act), the Securities Exchange Act of*
21 *1934 (15 U.S.C. 78a et seq.) (as amended by this*
22 *Act), and the Commodity Exchange Act (7 U.S.C. 1*
23 *et seq.).*

24 (b) *RULE OF CONSTRUCTION.*—*Nothing in this section*
25 *may be construed to limit the anti-fraud, anti-manipula-*
26 *tion, or false reporting enforcement authorities of the Com-*

1 *modity Futures Trading Commission with respect to a con-*
 2 *tract of sale of a commodity and persons effecting such con-*
 3 *tracts.*

4 (c) *RULE OF CONSTRUCTION.*—*Nothing in this Act, or*
 5 *any amendment made by this Act, may be construed to*
 6 *limit or prevent the continued application of applicable law*
 7 *regarding the insider trading of securities, including digital*
 8 *asset securities, including section 21A of the Securities Ex-*
 9 *change Act of 1934 (15 U.S.C. 78u–1).*

10 **SEC. 903. FINCEN APPROPRIATIONS.**

11 (a) *AUTHORIZATION OF APPROPRIATIONS.*—*For the*
 12 *purposes of developing policy relating to digital assets, ac-*
 13 *quiring information technology resources, funding the oper-*
 14 *ations described in sections 202 and 203 of this Act, and*
 15 *enforcement of the laws within its jurisdiction relating to*
 16 *digital assets, there is authorized to be appropriated to the*
 17 *Financial Crimes Enforcement Network of the Department*
 18 *of the Treasury the following:*

19 (1) *\$30,000,000 for fiscal year 2026, to remain*
 20 *available until September 30, 2027.*

21 (2) *\$30,000,000 for fiscal year 2027, to remain*
 22 *available until September 30, 2028.*

23 (3) *\$30,000,000 for fiscal year 2028, to remain*
 24 *available until September 30, 2029.*

1 (4) \$30,000,000 for fiscal year 2029, to remain
2 available until September 30, 2030.

3 (5) \$30,000,000 for fiscal year 2030, to remain
4 available until September 30, 2031.

5 (b) *INCENTIVE PREMIUM FOR HIGHLY QUALIFIED IN-*
6 *DIVIDUALS.*—Notwithstanding any other provision of law
7 or regulation, the Director of the Financial Crimes Enforce-
8 ment Network of the Department of the Treasury may pay
9 an annual incentive premium of not more than 20 percent
10 of the annual rate of basic pay for a position if necessary
11 to attract highly qualified individuals for positions that the
12 Director has certified to the Director of the Office of Per-
13 sonnel Management reflect the needs of the Financial
14 Crimes Enforcement Network.

15 **SEC. 904. BUILD NOW ACT.**

16 (a) *DEFINITIONS.*—In this section:

17 (1) *COVERED RECIPIENT.*—The term “covered re-
18 cipient” means a metropolitan city or urban county,
19 as those terms are defined in section 102 of the Hous-
20 ing and Community Development Act of 1974 (42
21 U.S.C. 5302), that receives funds under section 106.

22 (2) *CURRENT ANNUAL GROWTH RATE.*—The term
23 “current annual growth rate”, with respect to an eli-
24 gible recipient and a fiscal year, means the average
25 annual percentage increase in the number of housing

1 *units in the jurisdiction of the eligible recipient, as*
2 *calculated by the Secretary, during the period—*

3 *(A) beginning with the third quarter of the*
4 *sixth preceding fiscal year; and*

5 *(B) ending with the third quarter of the*
6 *preceding fiscal year.*

7 *(3) ELIGIBLE RECIPIENT.—The term “eligible re-*
8 *cipient” means any covered recipient unless—*

9 *(A)(i) the median Small Area Fair Market*
10 *Rent in the jurisdiction of the covered recipient*
11 *is at or below the 60th percentile of median*
12 *Small Area Fair Market Rents in the jurisdic-*
13 *tions of all covered recipients; and*

14 *(ii) the median home value in the jurisdic-*
15 *tion of the covered recipient is below the median*
16 *home value for the United States;*

17 *(B) the annual rental vacancy rate in the*
18 *jurisdiction of the covered recipient is greater*
19 *than the national annual rental vacancy rate for*
20 *the most recent year available, as published by*
21 *the Bureau of the Census;*

22 *(C) during the 1-year period preceding the*
23 *date on which the Secretary allocates funds*
24 *under section 106, the jurisdiction of the covered*
25 *recipient has been the subject of a major disaster*

1 *or emergency declaration under section 401 or*
 2 *501, respectively, of the Robert T. Stafford Dis-*
 3 *aster Relief and Emergency Assistance Act (42*
 4 *U.S.C. 5170, 5191); or*

5 *(D) the covered recipient lacks the legal au-*
 6 *thority to enact or update zoning and permitting*
 7 *ordinances.*

8 *(4) EXTREMELY HIGH-GROWTH RECIPIENT.—The*
 9 *term “extremely high-growth recipient” means an eli-*
 10 *gible recipient for which the current annual growth*
 11 *rate is at or above 4 percent.*

12 *(5) HOUSING GROWTH IMPROVEMENT RATE.—*
 13 *The term “housing growth improvement rate”, with*
 14 *respect to an eligible recipient and a fiscal year,*
 15 *means the quotient of—*

16 *(A)(i) the current annual growth rate of the*
 17 *eligible recipient, minus*

18 *(ii) the prior annual growth rate of the eli-*
 19 *gible recipient; and*

20 *(B) the sum obtained by adding the absolute*
 21 *values of the current annual growth rate and the*
 22 *prior annual growth rate of the eligible recipient.*

23 *(6) PRIOR ANNUAL GROWTH RATE.—The term*
 24 *“prior annual growth rate”, with respect to an eligi-*
 25 *ble recipient and a fiscal year, means the average an-*

1 *nual percentage increase in the number of housing*
 2 *units in the jurisdiction of the eligible recipient, as*
 3 *calculated by the Secretary, during the period—*

4 *(A) beginning with the third quarter of the*
 5 *11th preceding fiscal year; and*

6 *(B) ending with the third quarter of the*
 7 *sixth preceding fiscal year.*

8 *(7) SECRETARY.—The term “Secretary” means*
 9 *the Secretary of Housing and Urban Development.*

10 *(8) SECTION 106.—The term “section 106” means*
 11 *section 106 of the Housing and Community Develop-*
 12 *ment Act of 1974 (42 U.S.C. 5306).*

13 *(b) ADJUSTMENTS TO COMMUNITY DEVELOPMENT*
 14 *BLOCK GRANT ALLOCATIONS.—*

15 *(1) IN GENERAL.—In allocating amounts to an*
 16 *eligible recipient under section 106 for a fiscal year,*
 17 *the Secretary shall adjust the allocation based on the*
 18 *housing growth improvement rate of the eligible re-*
 19 *cipient, in accordance with paragraph (2) of this sub-*
 20 *section.*

21 *(2) ADJUSTMENTS.—*

22 *(A) HOUSING GROWTH IMPROVEMENT RATE*
 23 *AT OR ABOVE MEDIAN; EXTREMELY HIGH-*
 24 *GROWTH RECIPIENTS.—*

1 (i) *IN GENERAL.*—If, with respect to a
2 fiscal year for which the allocation under
3 section 106 is being determined, the housing
4 growth improvement rate for an eligible re-
5 cipient is at or above the median housing
6 growth improvement rate for all eligible re-
7 cipients other than extremely high-growth
8 recipients, or if an eligible recipient is an
9 extremely high-growth recipient, the Sec-
10 retary shall allocate to the eligible recipient
11 for that fiscal year, in addition to the
12 amount that would otherwise be allocated to
13 the eligible recipient under section 106, a
14 bonus amount, as determined under clause
15 (ii) of this subparagraph.

16 (ii) *BONUS AMOUNT.*—For purposes of
17 clause (i), the bonus amount for an eligible
18 recipient for a fiscal year shall be equal to
19 the product of—

20 (I) the aggregate amount by
21 which allocations to eligible recipients
22 are decreased under subparagraph (B)
23 for that fiscal year; and

24 (II) the quotient of—

1 (aa) the number of housing
 2 units, as of the third quarter of
 3 the preceding fiscal year, in the
 4 jurisdiction of the eligible recipi-
 5 ent, as calculated by the Sec-
 6 retary; and

7 (bb) the number of housing
 8 units, as of the third quarter of
 9 the preceding fiscal year, in the
 10 jurisdictions of all eligible recipi-
 11 ents that receive a bonus amount
 12 under this paragraph, as cal-
 13 culated by the Secretary.

14 (B) HOUSING GROWTH IMPROVEMENT RATE
 15 BELOW MEDIAN.—If, with respect to a fiscal year
 16 for which the allocation under section 106 is
 17 being determined, the housing growth improve-
 18 ment rate for an eligible recipient is below the
 19 median housing growth improvement rate for all
 20 eligible recipients other than extremely high-
 21 growth recipients, the Secretary shall decrease
 22 the amount that would otherwise be allocated to
 23 the eligible recipient under section 106 for that
 24 fiscal year by 10 percent.

25 (c) CALCULATION OF HOUSING UNITS.—

1 (1) *HOUSING AND URBAN DEVELOPMENT RE-*
 2 *QUIREMENTS.—In calculating the number of housing*
 3 *units in the jurisdiction of an eligible recipient under*
 4 *any provision of this section, the Secretary shall—*

5 (A) *use the Current Address Count Listing*
 6 *Files and other data products, as needed, of the*
 7 *Bureau of the Census tabulated from the Master*
 8 *Address File; and*

9 (B) *make calculations at the block level,*
 10 *using boundaries that reflect the most current*
 11 *boundaries.*

12 (2) *CENSUS BUREAU AND POSTAL SERVICE RE-*
 13 *QUIREMENTS.—The Bureau of the Census and the*
 14 *United States Postal Service shall provide any rel-*
 15 *evant data to the Secretary upon request to assist the*
 16 *Secretary in making a calculation described in para-*
 17 *graph (1).*

18 (3) *ADJUSTMENT OF CALCULATION PERIODS.—*
 19 *The Secretary may adjust the calculation periods*
 20 *under subparagraphs (A) and (B) of subsection*
 21 *(a)(2), subparagraphs (A) and (B) of subsection*
 22 *(a)(6), and items (aa) and (bb) of subsection*
 23 *(b)(2)(A)(ii)(II) by not more than 2 months to*
 24 *achieve alignment with the data provided by the Bu-*
 25 *reau of the Census.*

1 (d) *ANNUAL REPORT ON HOUSING GROWTH IMPROVE-*
2 *MENT RATE.*—*Before allocating funds under section 106 for*
3 *a fiscal year, the Secretary shall publish a report that—*

4 (1) *includes the housing growth improvement*
5 *rate for each eligible recipient; and*

6 (2) *lists, for the most recent fiscal year for which*
7 *allocations were made under section 106—*

8 (A) *the eligible recipients that received a*
9 *bonus amount under subsection (b)(2)(A) of this*
10 *section; and*

11 (B) *the eligible recipients for which the allo-*
12 *cation under section 106 was decreased under*
13 *subsection (b)(2)(B) of this section.*

14 (e) *NOTIFICATION; IMPLEMENTATION DATES.*—

15 (1) *NOTIFICATION.*—

16 (A) *IN GENERAL.*—*Not later than 60 days*
17 *after the date of enactment of this Act, the Sec-*
18 *retary shall notify each eligible recipient of the*
19 *recipient's housing growth improvement rate and*
20 *whether that housing growth improvement rate is*
21 *above, at, or below the median housing growth*
22 *improvement rate for all eligible recipients other*
23 *than extremely high-growth recipients.*

24 (B) *GUIDANCE.*—*As part of the notification*
25 *under subparagraph (A), the Secretary shall*

1 *share guidance, including resources developed by*
 2 *the Department of Housing and Urban Develop-*
 3 *ment, on best practices and recommendations for*
 4 *policies to reduce regulatory barriers to housing*
 5 *and increase housing supply.*

6 (2) *IMPLEMENTATION DATES.*—Subsection (b)
 7 *shall take effect beginning with the third full fiscal*
 8 *year after the date of enactment of this Act and re-*
 9 *main in effect through fiscal year 2043.*

10 (3) *NO EFFECT ON PREVIOUS APPROPRIA-*
 11 *TIONS.*—*This section shall not apply to amounts ap-*
 12 *propriated before the date of enactment of this Act.*

13 **SEC. 905. RULEMAKINGS.**

14 *Except as otherwise provided, not later than 1 year*
 15 *after the date of enactment of this Act, each applicable regu-*
 16 *lator shall adopt rules to carry out this Act, and the amend-*
 17 *ments made by this Act, through appropriate notice and*
 18 *comment rulemaking.*

19 **SEC. 906. EFFECTIVE DATE.**

20 *This Act, and the amendments made by this Act, shall*
 21 *take effect on the date that is 360 days after the date of*
 22 *enactment of this Act, except that, if a provision of this*
 23 *Act, or an amendment made by this Act, requires a rule-*
 24 *making, that provision shall take effect on the later of—*

1 (1) *the date that is 360 days after the date of en-*
2 *actment of this Act; or*

3 (2) *the date that is 60 days after the publication*
4 *in the Federal Register of the final rule implementing*
5 *the provision.*

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119TH CONGRESS
2D Session

H. R. 3633

AN ACT

To provide for a system of regulation of the offer and sale of digital commodities by the Securities and Exchange Commission and the Commodity Futures Trading Commission, to amend the Federal Reserve Act to prohibit the Federal reserve banks from offering certain products or services directly to an individual, to prohibit the use of central bank digital currency for monetary policy, and for other purposes.

JUNE 1, 2026

Reported with an amendment